Oil Market : 2022 - The Year That Was...

In this Report...

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Crude oil regains USD 80/b levels after a poor start to the year...

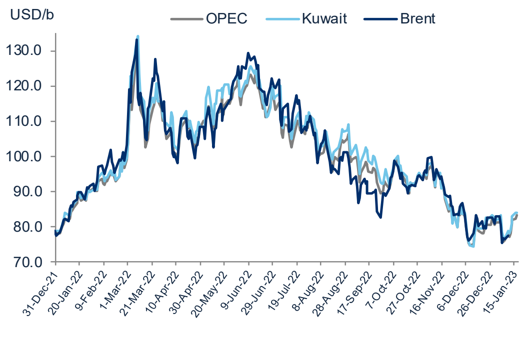
After a rocky start to the new year 2023, crude oil prices witnessed consistent gains during the second week followed by a volatile third week. The first week of the year saw prices once again go below the USD 80/b mark resulting in the biggest weekly decline in Brent future prices in four weeks. *The decline was led by growing fears of an economic slowdown. The gains during the second week, however, came after several data points indicated a slowdown in US inflation rates in the near-term as well as higher demand from China. A soft-landing is also eyed as economies try to dodge a full-blown recession during the year.*

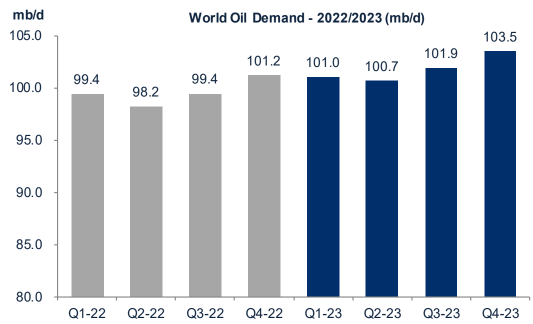
The sudden removal of most of the zero-Covid measures in China resulted in surging new cases; however, fears receded after counter measures were undertaken by the government. Moreover, a bigger boost to demand came from the latest import quotas released by the Chinese government. ***The country in its latest quotas permitted a total of 111.82 million metric tons of imports from 44 non-state owned refiners and traders, according to a report from Bloomberg. Aggregate import quotas this year stood at 132 million metric tons of crude imports as against 109 million metric tons at this time last year. Mobility is also set to improve in China that is expected to support crude oil demand from Q2-2023 onwards.***

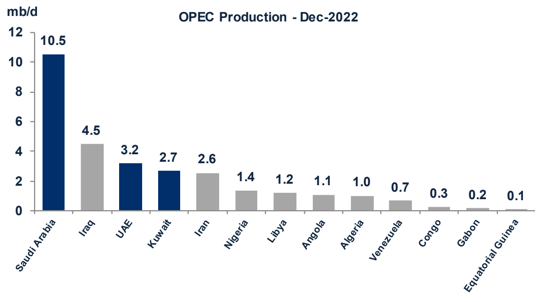
The gain in prices last week came despite the latest crude oil inventory report showing significant build-up in stocks in the US. *The inventory report from the US EIA showed a steep jump in inventories last week by 19 million barrels, the third-biggest build in weekly records according to Bloomberg, to reach 439.6 million barrels. This was also the third consecutive week of inventory increase and fourth increase over the last five weeks. The increase reflected higher crude oil production in the US as well as higher imports. That said, the resilience in crude oil prices showed that the higher inventory levels were already priced in after the cold weather disrupted refinery operations on the US Gulf Coast.*

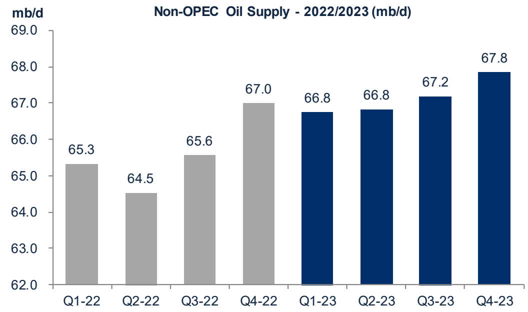
On the supply front, US crude output increased for the second consecutive week by 100 tb/d to reach 12.2 mb/d for the week ended 6-January-2023. On the other hand, oil rig count dropped for the second consecutive week and for the fourth time in the last five weeks. *A report from Bloomberg showed that publicly traded E&P companies are adding oil rigs in shale patch while private companies have taken a step back. Oil production in the OPEC regained the 29 mb/d mark last month following higher production mainly in Nigeria.*

Meanwhile, after imposing a price cap of USD 60/b on Russian crude oil, US, EU and their G7 allies are now preparing fresh sanctions on refined petroleum products from Russia. These sanctions are expected to come into effect on 5-February-2023 and are expected to have a greater impact on Russian economy vs. the muted impact from the crude oil price caps.









Sources : OPEC, EIA, Bloomberg

Oil Market in 2022

Crude oil market sees most volatile year since 2009...

Year End Oil Prices (USD/b)	2018	2019	2020	2021	2022
OPEC	**51.55**	**67.96**	**50.24**	**77.97**	**81.29**
Change (%)	*-20.0%*	*31.8%*	*-26.1%*	*55.2%*	*4.3%*
Brent	**50.57**	**67.77**	**51.22**	**77.24**	**82.82**
Change (%)	*-24.2%*	*34.0%*	*-24.4%*	*50.8%*	*7.2%*

Average Oil Price for the Year	2018	2019	2020	2021	2022
OPEC	**69.78**	**64.04**	**41.47**	**69.89**	**100.05**
Change (%)	*33.1%*	*-8.2%*	*-35.2%*	*68.5%*	*43.1%*
Brent	**71.34**	**64.30**	**41.96**	**70.86**	**100.93**
Change (%)	*31.8%*	*-9.9%*	*-34.7%*	*68.9%*	*42.4%*

Source : Bloomberg, EIA, Kamco Invest Research

The year 2022 witnessed unprecedented events globally that shook financial markets across the board. This came after a year that saw recovery in almost all asset classes post the Covid-19 pandemic with positive performance in all key global markets in 2021. The first major volatile event for the year 2022 started with the Russia/Ukraine war that dragged on as we write this report. The event initially supported crude oil prices until the second week of June-2022 with Brent spot prices reaching a peak of 133.2/b in March-2022 and remained elevated thereafter led by fears of undersupply in a market with a forceable high demand for crude oil. However, as inflation started rising to decades high levels led by higher energy prices and the broader commodity basket, central banks across the globe started raising policy rates after being reluctant in the initial phase with fears that higher rates would affect growth. This soon put brakes on the promising economic growth for the year as well as demand for crude oil. The OPEC+ group also responded with changing market conditions by initially raising production levels followed by cuts towards the end of the year. Moreover, as the effects of the Covid-19 pandemic dragged on in China that responded with strict lockdowns, the hopes of higher demand from one of the biggest crude oil consumers globally faded during the second half of the year only to see partial and fragile recovery towards the end of the year. The sanctions on Russia by the US, EU and their allies initially had minimal impact on Russian crude oil exports as countries like India and China bought crude oil from Russia at deep discounts countering the sanctions. However, with new sanctions expected on Russian refined petroleum products, the economic impact on Russia is expected to be severe in addition to disrupting the global refined product market.

Oil prices witnessed continued volatility during 2022 with Brent spot crude prices trading within a much wider range of USD 76.0/b and USD 133.2/b. Crude oil peaked at the start of March-2022 following the Russia/Ukraine war that was expected to impact crude oil supplies in a promising high demand market. In terms of d-t-d price move of more than 1%, the volatility was the highest since 2009 and the third highest since 2001 at 177 days in 2022. NYMEX crude also remained volatile and traded in a wide range of USD 71.0/b and USD 123.7/b during the year.

Average spot Brent crude prices reached the highest in nine years during 2022 at USD 100.93/b as compared to USD 70.86/b during 2021. The gain in average brent prices was 42.4%, one of the highest on record after registering a bigger yearly gain of 68.9% last year. The gain in average OPEC crude price was almost in line with Brent at 43.1% for 2022 with price averaging at USD 100.05/b, also the highest since 2013.

OPEC Production

The OPEC+ group remained active in dynamically adjusting its production policies each month depending on the crude oil market. During the year, the OPEC+ group initially increased production by raising output quotas as prices stayed above the USD 100/b mark reaching a peak monthly level of 29.7 mb/d during September-2022, adding more than 1.8 mb/d as compared to December-2021 levels. However, as crude oil prices started receding, the OPEC+ announced higher-than-expected cuts starting from November-2022 despite pressure from the US and other oil consuming countries that were

OPEC Production in 2022 and Spare Capacity

OPEC Producer	Average Production 2022	Current OPEC+ Pledged cuts	Capacity	Current Spare Capacity
Algeria	1,017	48	1,060	40
Angola	1,142	70	1,200	120
Congo	263	15	300	40
Equatorial Guinea	84	6	120	30
Gabon	197	9	220	60
Iran	2,554	Exempt	3,830	1,280
Iraq	4,448	220	4,800	320
Kuwait	2,705	135	2,820	150
Libya	991	Exempt	1,200	30
Nigeria	1,203	84	1,600	250
Saudi Arabia	10,531	526	12,000	1,520
UAE	3,065	160	4,200	1,030
Venezuela	685	Exempt	710	50
Total OPEC	**28,885**	**1,273**	**34,060**	**4,920**

Source : Bloomberg, Refinitiv Eikon, OPEC, Kamco Invest Research
Note : Spare capacity is based on production in 2022 and total capacity data from Bloomberg.

looking at controlling decades high inflation in their respective economies. Strategies like releasing oil from the strategic petroleum reserve by the US and to some smaller extent by other importers had only a minimal and temporary impact on oil prices. Moreover, production disruptions and outages at some key producers resulted in compliance levels of over 100% for almost the entire period of the OPEC+ production agreement. The latest data from Refinitiv showed OPEC compliance to the quotas at over 160% mainly led by a fall in production in African crude oil producers.

Average OPEC crude oil production was up for the second consecutive year in 2022 to reach 28.9 mb/d, according to OPEC secondary sources. The y-o-y gain was one of the highest on record at 2.5 mb/d vs. 2021 production. This was also the highest average production rate since 2019.

Saudi Arabia showed the biggest increase in crude oil production during the year with an average production rate of 10.5 mb/d as compared to 9.1 mb/d reported last year, an increase of 15.5% or 1.4 mb/d. Iraq was next with a production growth of 0.4 mb/d to reach an average of 4.45 mb/d followed by UAE and Kuwait with growth of 0.34 mb/d and 0.3 mb/d to an average of 3.1 mb/d and 2.7 mb/d, respectively. On the other hand, Nigeria showed the biggest decline in production during the year with average production of 1.2 mb/d in 2022 as compared to 1.4 mb/d during 2021. The decline highlighted persistent theft and disruption at oil facilities in Nigeria.

Production ('000 b/d)	2018	2019	2020	2021	2022	5-Yr CAGR
Algeria	**1,042**	**1,022**	**904**	**913**	**1,017**	**-0.6%**
Change (%)	*-0.5%*	*-1.9%*	*-11.5%*	*1.0%*	*11.4%*	
Angola	**1,505**	**1,398**	**1,245**	**1,117**	**1,142**	**-6.9%**
Change (%)	*-7.9%*	*-7.1%*	*-10.9%*	*-10.3%*	*2.2%*	
Congo	**317**	**324**	**289**	**265**	**263**	**0.9%**
Change (%)	*25.8%*	*2.2%*	*-10.8%*	*-8.3%*	*-0.8%*	
Equatorial Guinea	**125**	**118**	**115**	**97**	**84**	**-8.8%**
Change (%)	*-6.0%*	*-5.6%*	*-2.5%*	*-15.7%*	*-13.4%*	
Gabon	**187**	**215**	**191**	**182**	**197**	**-0.3%**
Change (%)	*-6.5%*	*15.0%*	*-11.2%*	*-4.7%*	*8.2%*	
Iran	**3,553**	**2,356**	**1,991**	**2,392**	**2,554**	**-7.7%**
Change (%)	*-6.8%*	*-33.7%*	*-15.5%*	*20.1%*	*6.8%*	
Iraq	**4,550**	**4,678**	**4,076**	**4,049**	**4,448**	**0.0%**
Change (%)	*2.3%*	*2.8%*	*-12.9%*	*-0.7%*	*9.9%*	
Kuwait	**2,745**	**2,687**	**2,439**	**2,419**	**2,705**	**0.0%**
Change (%)	*1.4%*	*-2.1%*	*-9.2%*	*-0.8%*	*11.8%*	
Libya	**951**	**1,097**	**367**	**1,143**	**991**	**4.1%**
Change (%)	*17.3%*	*15.4%*	*-66.5%*	*211.4%*	*-13.3%*	
Nigeria	**1,718**	**1,786**	**1,578**	**1,372**	**1,203**	**-6.2%**
Change (%)	*3.6%*	*4.0%*	*-11.6%*	*-13.1%*	*-12.3%*	
Saudi Arabia	**10,311**	**9,794**	**9,204**	**9,114**	**10,531**	**1.1%**
Change (%)	*3.6%*	*-5.0%*	*-6.0%*	*-1.0%*	*15.5%*	
UAE	**2,986**	**3,094**	**2,804**	**2,727**	**3,065**	**1.0%**
Change (%)	*2.4%*	*3.6%*	*-9.4%*	*-2.7%*	*12.4%*	
Venezuela	**1,354**	**796**	**512**	**553**	**685**	**-18.6%**
Change (%)	*-29.1%*	*-41.2%*	*-35.7%*	*8.0%*	*23.9%*	
Total OPEC	**31,344**	**29,365**	**25,715**	**26,343**	**28,885**	**-1.7%**
Change (%)	*-0.4%*	*-6.3%*	*-12.4%*	*2.4%*	*9.6%*	
US	**10,953**	**12,315**	**11,318**	**11,254**	**11,860**	**4.9%**
Change (%)	*17.0%*	*12.4%*	*-8.1%*	*-0.6%*	*5.4%*	

Source : OPEC, Bloomberg, EIA, Kamco Invest Research.

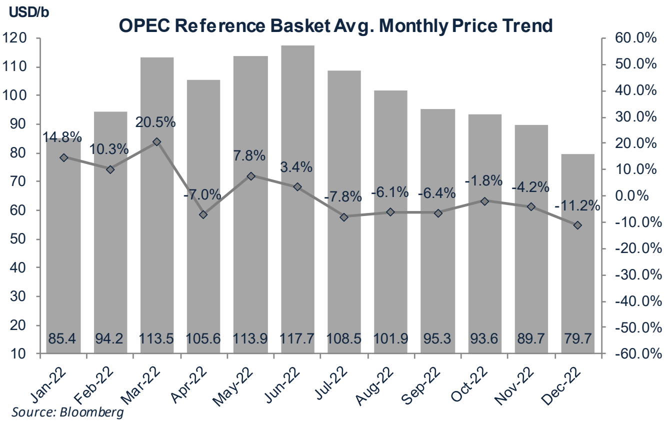
Expectations for 2023 shows an increase in OPEC production but would mainly be driven by the trend in oil prices. In terms of market share, OPEC increased its share in global oil market marginally to 28.5% during December-2022 as compared to a share of 28.3% at the end of 2021. However, with the minimal growth in oil production in the US as well as expectations of a controlled capital expenditure by oil majors in the US, the increase in oil production in the US is expected to be limited as compared to the growth seen during the pre-pandemic years. On the other hand, the spare capacity in the OPEC as well as plans for adding new oil rigs in the OPEC should support higher production and an increase in market share this year.

US crude oil production

Oil production in the US largely showed only marginal growth during 2022 after reaching record highs during early 2020. Average production during the year stood at 11.9 mb/d, based on weekly production data from the US Department of Energy as well as EIA estimates. This compares to an average production of 11.3 mb/d seen last year. The minimal growth mainly reflected constrained shale output which was due to higher labor costs and labor shortages. As a result, a Rystad Energy report showed that the average cost to drill a shale well have increased to USD 9 Mn currently as compared to USD 7.3 Mn during 2019. Moreover, an FT report showed that the shale patch also suffers from years of rampant drilling that have shrunk the available acreage, especially with smaller producers with minimal inventory of drilling locations. Another concern in well performance as Rystad Energy highlighted that the average volume of oil produced from each new well declined as compared to 2021. EIA's forecast for 2023 shows a production growth of 0.55 mb/d to reach an average production of 12.41 mb/d followed by a growth of 0.4 mb/d in 2024 to reach 12.81 mb/d.

Oil Prices

Oil prices continued to remain volatile at the start of 2023 and went below the USD 80/b mark after steep declines on the first two consecutive days at the start of the year that resulted in a weekly decline of 8.5% during the first week of the year. The decline was led by fears of an economic slowdown after several warnings of a recession in 2023 due to a slowdown in the US, the EU and China. The latest PMI figure for China came in at 47.0 points in December-2022, the lowest since February-2020. The PMI for the US also came in at below the growth mark of 50 points for two consecutive months at 48.4 in December-2022 as compared to 49.0 during November-2022. However, the second week of the year saw hopes of higher demand from China backed by the generous import quotas announced by the government. The country opening up borders for travel also supported sentiments in the oil market. Moreover, indications that inflation has peaked also helped markets across the globe, including the oil market, that helped brent crude futures to regain the USD 80/b mark to reach USD 85.0/b on 18-January-2023. The most recent y-o-y inflation in the US came in at 6.5% for December-2022, the lowest reading since October-2021. Core inflation, excluding food and energy, was up 5.7% during the month. Economists are now expecting a downshift to Fed's rake hike plan and factoring in a 25 bps hike next month. Peak rate is now expected to reach 5% by mid-year and stay flat for the rest of the year. The IEA was also positive in its latest oil demand forecast raising it by 0.2 mb/d to 101.7 mb/d in 2022 backed mainly by Chinese demand.



Source: Bloomberg

Meanwhile, in its latest forecast, the EIA significantly lowered its price forecast for Brent crude oil for 2023 and 2024. The agency in its short term energy outlook lowered brent price forecast to USD 83.1/b for 2023 vs. its previous forecast of USD 92.3/b. This compares to 2022 average price of USD 100.94/b i.e. a decline of 18% in 2023. The forecast for 2024 was further lower at USD 77.57/b, a y-o-y decline of 6.6%. In terms of monthly trend, Brent crude averaged at USD 80.4/b during December-2022 after witnessing a monthly decline of 11.8%, the biggest decline since April-2020. The decline in OPEC crude basket was similar at 11.2% to average at USD 79.7/b.

Average Crude Oil Prices, USD/b	Nov-2022	Dec-2022	Change (USD)	Avg 2021	Avg 2022
OPEC Reference Basket	**89.7**	**79.7**	**(10.1)**	**69.9**	**100.1**
Arab Light	91.6	82.4	(9.1)	70.7	101.6
Basrah Light	85.7	76.1	(9.6)	68.8	97.3
Bonny Light	92.8	80.7	(12.2)	70.6	103.6
Djeno	83.7	72.9	(10.7)	63.4	93.7
Es Sider	91.3	77.5	(13.7)	69.2	101.3
Girassol	92.8	78.7	(14.1)	71.3	103.7
Iran Heavy	88.7	79.1	(9.6)	69.8	99.9
Kuwait Export	**90.1**	**80.5**	**(9.7)**	**70.5**	**101.2**
Merey	66.9	58.2	(8.8)	51.5	77.0
Murban	90.9	80.2	(10.7)	70.1	98.9
Rabi	90.6	79.9	(10.7)	70.3	100.6
Saharan Blend	93.6	83.0	(10.6)	70.9	104.2
Zafiro	92.1	80.3	(11.8)	71.1	102.9
Other Crudes					
Brent	91.1	80.4	(10.7)	70.8	101.1
Dubai	86.1	77.1	(9.0)	69.4	96.3
Isthmus	79.3	67.5	(11.8)	66.2	91.9
LLS	87.6	78.0	(9.6)	69.7	96.8
Mars	80.4	71.5	(9.0)	67.3	91.7
Minas	89.2	79.1	(10.1)	68.8	96.9
Urals	68.0	52.2	(15.8)	69.5	78.5
WTI	84.2	76.5	(7.7)	68.2	94.6
Differentials					
Brent/WTI	7.0	3.9	(3.1)	2.6	6.6
Brent/LLS	3.5	2.3	(1.2)	1.1	4.3
Brent/Dubai	5.0	3.3	(1.7)	1.4	4.8

Source: OPEC Monthly Oil Market Report - Jan-2023

World Oil Demand

The OPEC kept its world oil demand estimates for 2022 unchanged in its latest monthly report. The agency expects demand to have grown by 2.5 mb/d last year to an average of 99.55 mb/d. However, oil demand data for Q3-2022 was lowered in OPEC's latest estimates due to a demand decline in China due to lower mobility and manufacturing activity led by Covid-19 policies. A slight slowdown in demand in OECD countries also resulted in down revisions that were fully offset by upward revision to demand for non-OECD countries outside of China led by better economic growth. For 2023, world oil demand growth forecast was also kept unchanged at 2.2 mb/d to average at 101.77 mb/d. However, upward revisions were made to demand from China on the back of its reopening from the Covid-19 restrictions that were offset by downward revisions to other regions reflecting economic challenges that are likely to weigh on oil demand.

World Oil Demand - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	24.32	24.77	24.98	25.34	25.19	25.07	0.76	3.12
of which US	20.03	20.38	20.41	20.62	20.64	20.51	0.48	2.38
Europe	13.13	13.19	13.42	14.07	13.90	13.65	0.52	3.96
Asia Pacific	7.38	7.85	6.99	7.22	7.81	7.47	0.08	1.15
Total OECD	**44.83**	**45.81**	**45.39**	**46.63**	**46.91**	**46.19**	**1.36**	**3.04**
China	14.97	14.74	14.42	14.64	15.24	14.76	(0.21)	(1.39)
India	4.77	5.18	5.16	4.95	5.35	5.16	0.39	8.11
Other Asia	8.63	9.09	9.27	8.73	8.85	8.98	0.36	4.12
Latin America	6.23	6.32	6.36	6.55	6.45	6.42	0.19	3.11
Middle East	7.79	8.06	8.13	8.50	8.22	8.23	0.44	5.60
Africa	4.22	4.51	4.15	4.25	4.58	4.37	0.15	3.54
Russia	3.61	3.67	3.42	3.45	3.59	3.53	(0.08)	(2.32)
Other Eurasia	1.21	1.22	1.16	1.00	1.21	1.15	(0.06)	(5.07)
Other Europe	0.75	0.79	0.75	0.73	0.80	0.77	0.01	1.62
Total Non-OECD	**52.18**	**53.58**	**52.81**	**52.79**	**54.27**	**53.36**	**1.18**	**2.26**
Total World	**97.01**	**99.38**	**98.20**	**99.43**	**101.18**	**99.55**	**2.54**	**2.62**

Source: OPEC Monthly Oil Market Report - Jan-2023

Oil demand in the US during Q1-2023 is expected to soften due to the ongoing elevated inflation levels as well as a decline in mobility due to seasonal factors. In Q2-2023, demand is expected to grow by 0.13 mb/d led by the expected easing of inflation as well as growth in mobility and airline activity. In the OECD Europe region, demand growth is expected to remain marginal during 1H-2023 led by persistent inflationary pressures, supply chain bottlenecks that would be countered by sustained growth in air travel activity. Oil demand in China looked promising with the release of recent economic data as well as higher import quotas released by the government at the start of the year. GDP growth in China came in at 3.0% for 2022, higher than consensus estimates. Other indicators like industrial output, retail sales, fixed asset investment and urban jobless rates all showed better-than-expected numbers. On the other hand, oil demand in India continued to remain robust with oil-product consumption reaching a nine-month high during December-2022 at 19.6 million tons, according to provisional data published by the oil ministry. Gasoline and diesel consumption were up by 6.5% and 5.9% y-o-y in December-2022, respectively. Moreover, bulk of the crude oil import requirements were met with higher imports from Russia. According to Bloomberg, India imported 1.2 mb/d of crude oil from Russia during December-2022 which is 33 times more as compared to a year earlier.

World Oil Demand - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	25.07	24.95	25.26	25.68	25.45	25.34	0.26	1.05
of which US	20.51	20.46	20.54	20.88	20.77	20.66	0.15	0.74
Europe	13.65	13.22	13.45	14.10	13.95	13.68	0.03	0.24
Asia Pacific	7.47	7.88	7.04	7.27	7.83	7.50	0.04	0.49
Total OECD	**46.19**	**46.06**	**45.74**	**47.04**	**47.23**	**46.52**	**0.33**	**0.72**
China	14.76	14.90	15.20	15.20	15.78	15.27	0.51	3.48
India	5.16	5.41	5.44	5.21	5.59	5.41	0.25	4.94
Other Asia	8.98	9.42	9.61	9.10	9.2	9.33	0.35	3.85
Latin America	6.42	6.44	6.49	6.71	6.61	6.57	0.15	2.29
Middle East	8.23	8.45	8.46	8.84	8.51	8.56	0.33	4.05
Africa	4.37	4.71	4.34	4.43	4.77	4.56	0.19	4.35
Russia	3.53	3.63	3.45	3.59	3.75	3.61	0.08	2.17
Other Eurasia	1.15	1.21	1.16	1.02	1.22	1.15	0.01	0.51
Other Europe	0.77	0.80	0.76	0.75	0.82	0.78	0.02	2.32
Total Non-OECD	**53.36**	**54.98**	**54.90**	**54.86**	**56.24**	**55.25**	**1.89**	**3.53**
Total World	**99.55**	**101.04**	**100.65**	**101.90**	**103.47**	**101.77**	**2.22**	**2.23**

Source: OPEC Monthly Oil Market Report - Jan-2023

World Oil Supply

World liquids production witnessed a monthly increase of 0.3 mb/d during December-2022 and averaged at 101.7 mb/d. The increase reflected higher production by both OPEC and non-OPEC producers. OPEC producers added 0.1 mb/d during the month led by higher production mainly in Nigeria and Angola resulting in a market share of 28.5%. Non-OPEC producers also increased production by 0.2 mb/d and produced at 72.8 mb/d during the month led by higher production by OECD Europe, Latin America and Other Eurasia that was partially offset by declines in the US and Russia.

Non-OPEC liquids supply growth estimates for 2022 were revised marginally upwards by 43 tb/d by the OPEC in its latest monthly report. Demand is now estimated to have grown by 1.9 mb/d to average at 65.6 mb/d in 2022. Changes were made

Non-OPEC Oil Supply - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	25.25	25.86	26.27	27.01	27.49	26.66	1.41	5.59
of which US	17.85	18.27	18.83	19.32	19.69	19.03	1.18	6.63
Europe	3.76	3.73	3.43	3.49	3.65	3.57	(0.18)	(4.82)
Asia Pacific	0.51	0.49	0.51	0.43	0.51	0.48	(0.03)	(5.29)
Total OECD	**29.52**	**30.08**	**30.22**	**30.94**	**31.64**	**30.72**	**1.20**	**4.08**
China	4.31	4.51	4.52	4.38	4.43	4.46	0.15	3.51
India	0.78	0.78	0.77	0.76	0.76	0.77	(0.01)	(1.44)
Other Asia	2.41	2.35	2.3	2.24	2.31	2.3	(0.11)	(4.44)
Latin America	5.95	6.11	6.18	6.45	6.62	6.34	0.39	6.49
Middle East	3.24	3.29	3.33	3.36	3.35	3.33	0.09	2.89
Africa	1.35	1.33	1.31	1.32	1.30	1.32	(0.03)	(2.34)
Russia	10.8	11.33	10.63	11.01	11.15	11.03	0.23	2.10
Other Eurasia	2.93	3.05	2.77	2.61	2.95	2.84	(0.08)	(2.83)
Other Europe	0.11	0.11	0.11	0.10	0.10	0.11	(0.01)	(6.36)
Total Non-OECD	**31.87**	**32.85**	**31.92**	**32.23**	**32.96**	**32.49**	**0.62**	**1.94**
Total Non-OPEC Production	**61.39**	**62.93**	**62.14**	**63.17**	**64.6**	**63.21**	**1.82**	**2.97**
Processing gains	2.29	2.40	2.40	2.40	2.40	2.40	0.11	4.90
Total Non-OPEC Supply	**63.68**	**65.33**	**64.54**	**65.57**	**67**	**65.61**	**1.93**	**3.04**
OPEC NGLs and non-conventionals	**5.28**	**-**	**-**	**-**	**-**	**5.39**	**0.11**	**2.08**
OPEC Crude Oil Production	**26.35**	**28.36**	**28.59**	**29.44**	**29.14**	**28.89**	**2.54**	**9.64**
Total World Supply	**95.31**	**-**	**.**	**-**	**-**	**99.89**	**4.58**	**4.81**

Source: OPEC Monthly Oil Market Report - Jan-2023

for supplies at the country level which upward revision to supplies from Russia (+68 tb/d) and OECD Americas (+54 tb/d) partially offset by downward revisions to supplies from OECD Europe and OECD Asia Pacific.

For 2023, supply growth forecast was also left unchanged at 1.5 mb/d to an average of 67.2 mb/d. Minimal changes were made to supply forecasts for Canada that was almost fully offset by downward revisions to supply forecast for Argentina. Crude oil production in the US is expected to increase by around 0.55 mb/d in 2023 to 12.41 mb/d, according to the US EIA's latest forecast. This growth comes despite several challenges on the well productivity front as well as investment in new wells by private oil producers.

Non-OPEC Oil Supply - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	26.66	27.64	27.73	28.09	28.46	27.98	1.32	4.95
of which US	19.03	19.80	20.10	20.30	20.53	20.19	1.15	6.06
Europe	3.57	3.93	3.91	3.80	3.93	3.89	0.32	8.90
Asia Pacific	0.48	0.50	0.48	0.50	0.48	0.49	0.00	0.99
Total OECD	**30.72**	**32.07**	**32.12**	**32.39**	**32.88**	**32.37**	**1.64**	**5.34**
China	4.46	4.51	4.50	4.47	4.47	4.49	0.03	0.64
India	0.77	0.79	0.78	0.77	0.76	0.78	0.01	1.15
Other Asia	2.3	2.37	2.36	2.33	2.35	2.35	0.05	2.37
Latin America	6.34	6.49	6.67	6.71	6.78	6.67	0.32	5.10
Middle East	3.33	3.34	3.36	3.39	3.39	3.37	0.04	1.08
Africa	1.32	1.32	1.33	1.35	1.34	1.33	0.02	1.42
Russia	11.03	10.21	10.08	10.18	10.23	10.18	(0.85)	(7.71)
Other Eurasia	2.84	3.09	3.05	3.02	3.06	3.06	0.21	7.44
Other Europe	0.11	0.10	0.10	0.10	0.10	0.10	0.00	(2.83)
Total Non-OECD	**32.49**	**32.21**	**32.25**	**32.32**	**32.50**	**32.32**	**(0.17)**	**(0.53)**
Total Non-OPEC Production	**63.21**	**64.28**	**64.36**	**64.71**	**65.37**	**64.69**	**1.47**	**2.33**
Processing gains	2.40	2.47	2.47	2.47	2.47	2.47	0.07	2.96
Total Non-OPEC Supply	**65.61**	**66.75**	**66.83**	**67.18**	**67.84**	**67.16**	**1.54**	**2.35**

Source: OPEC Monthly Oil Market Report - Jan-2023

OPEC Oil Production & Spare Capacity

After two consecutive months of declines, OPEC oil production showed gains during December-2022. Bloomberg data showed a production growth of 150 tb/d during the month to reach an average of 29.1 mb/d. The increase was mainly led by higher production in Nigeria while the m-o-m change for the rest of the producers were minimal. OPEC secondary sources showed a slightly smaller production growth of 91 tb/d with the overall production averaging at 29.0 mb/d during December-2022. Nigeria, which is suffering from years of under investment and disruptions in the oil sector, increased production by 150 tb/d (+91 tb/d as per OPEC) to an average output of 1.35 mb/d. This was the highest production rate since February-2022. The increase came after the country cracked down on oil theft by deploying security companies. The month saw a significant increase in loadings of key grades including Forcados and Brass River, while maintenance of the Bonga Field was completed

Production ('000 b/d)	Nov-22	Dec-22	Change		Capacity	Spare Capacity
Total OPEC-13	**28,990**	**29,140**	**150**	**0.52%**	**34,060**	**4,920**
Saudi Arabia	10,470	10,480	10	0.1%	12,000	1,520
Iraq	4,480	4,480	0	0.0%	4,800	320
UAE	3,180	3,170	-10	-0.3%	4,200	1,030
Kuwait	2,670	2,670	0	0.0%	2,820	150
Iran	2,520	2,550	30	1.2%	3,830	1,280
Nigeria	1,200	1,350	150	12.5%	1,600	250
Libya	1,150	1,170	20	1.7%	1,200	30
Angola	1,090	1,080	-10	-0.9%	1,200	120
Algeria	1,010	1,020	10	1.0%	1,060	40
Venezuela	690	660	-30	-4.3%	710	50
Congo	260	260	0	0.0%	300	40
Gabon	190	160	-30	-15.8%	220	60
Equatorial Guinea	80	90	10	12.5%	120	30
Total OPEC-12	**24,510**	**24,660**	**150**	**0.61%**	**29,260**	**4,600**

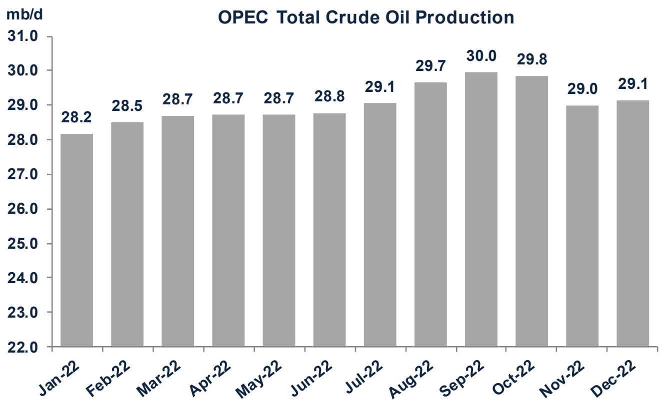
Source: Bloomberg

in November-2022, according to S&P. However, despite the increase, the production in Nigeria remained below its near-term pre-pandemic peak of 1.9 mb/d.

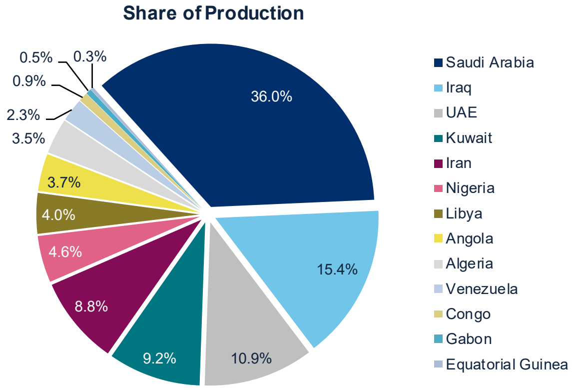
Oil production in Saudi Arabia witnessed a marginal growth during December-2022 following two straight months of declines after peaking at over 11.0 mb/d during September -2022. Monthly production witnessed a marginal growth of 10 tb/d to reach an average production rate of 10.5 mb/d. The decline comes as part of the new OPEC+ agreement with production cuts of 2 mb/d that was implemented starting from November-2022. The pledged cut for the Kingdom, as per the new quotas, stood at 526 tb/d, indicating a compliance of 105% during December-2022.

Oil production in Libya continued to recover during December-2022 to reach an average production of 1.2 mb/d. A report from the African Energy Chamber showed that production in Libya could reach 1.3 mb/d and could reach a peak production of 1.8 mb/d by 2024. The growth would be led by new oil production deals and a new onshore drilling by BP, according to a report from Oilprice.com.

In a recent Bloomberg interview, the chief of OPEC said he is cautiously optimistic on the outlook for the global economy as a recovery in oil demand in China is offset by signs of fragility elsewhere. He said that the potential slowdown in advanced economy remains the biggest concern.



Source: Bloomberg



Source: Bloomberg

Brent Crude Oil Price Forecast

Firm	As Of	Q1-23	Q2-23	Q3-23	Q4-23
Capital Economics Ltd	10/Jan/23	72.5	72.5	77.5	82.5
Banco Santander SA	9/Jan/23	81.0	80.0	78.0	77.0
Goldman Sachs Group Inc/The	9/Jan/23	90.0	95.0	100.0	105.0
Rabobank International	6/Jan/23	82.1	86.5	83.7	85.5
MUFG Bank	2/Jan/23	87.0	94.0	112.0	109.0
Citigroup Inc	30/Dec/22	83.0	79.0	81.0	76.0
Market Risk Advisory Co Ltd	26/Dec/22	83.4	80.7	79.2	
Westpac Banking Corp	22/Dec/22	80.5	80.0	83.3	86.3
Commerzbank AG	15/Dec/22	90.0	95.0	100.0	100.0
Intesa Sanpaolo SpA	1/Dec/22	90.0	88.0	86.0	84.0
MPS Capital Services Banca per le Imprese SpA	25/Oct/22	90.0			
ABN AMRO Bank NV	18/Oct/22	115.0	123.0	115.0	110.0
Emirates NBD PJSC	27/Sep/22	90.0	95.0	95.0	100.0
Landesbank Baden-Wuerttemberg	26/Aug/22	90.0	90.0	85.0	85.0
Natixis SA	4/Aug/22	90.0	95.0	110.0	105.0
Median		**90.0**	**89.0**	**85.5**	**86.3**
Mean		**87.6**	**89.5**	**91.8**	**92.7**
High		**115.0**	**123.0**	**115.0**	**110.0**
Low		**72.5**	**72.5**	**77.5**	**76.0**
Current Fwd		**84.5**	**83.6**	**82.3**	**81.1**
Difference (Median - Current)		**5.5**	**5.4**	**3.2**	**5.3**

Source: Bloomberg

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