

## Oil Market : 2023 - The Year That Was...

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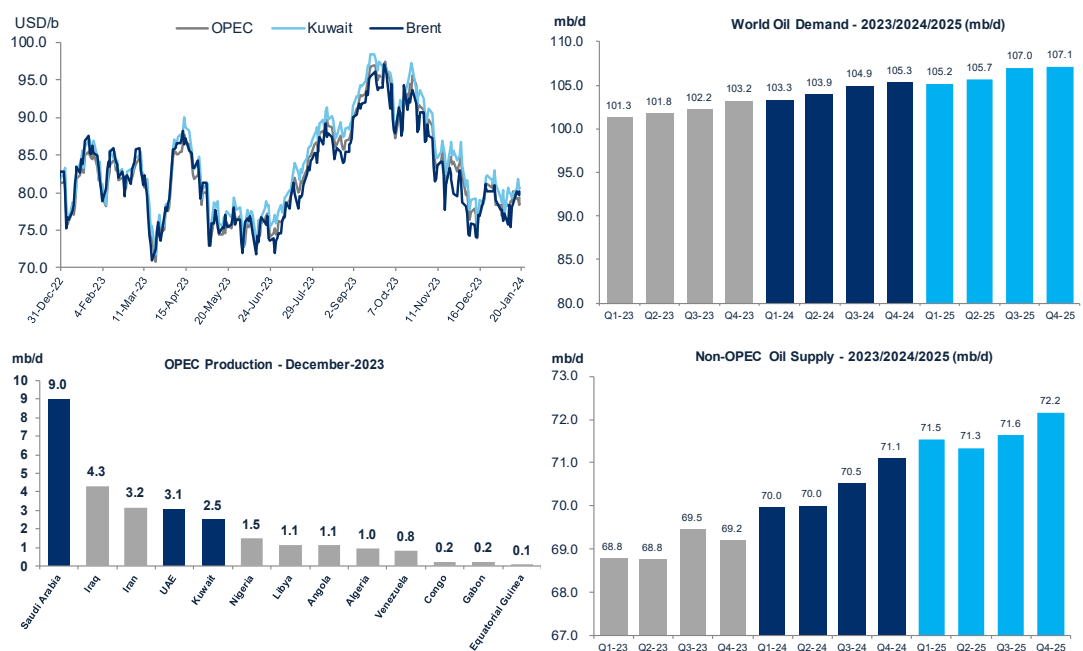
### Crude oil market overlooks geopolitics on oversupply & demand concerns...

The year 2023 turned out to be yet another volatile year for the crude oil market with prices swinging more than 30% within a span of merely three months followed by an almost equivalent decline over the next three months. **Spot and future prices remained below the USD 80/b mark by the close of the year as interest rates, inflation, tepid demand forecasts, over supply concerns and a strong greenback for most part of the year continued to maintain a downward pressure on prices, partially offset by geopolitics and war on Gaza.**

**The volatile trend continued in 2024 but crude oil mostly trended upwards due to the attack on cargo ships in the Red Sea and the resultant retaliation from the US and UK governments.** As a consequence, data showed a declining number of crude oil cargoes passing through the Red Sea. The cost of shipments as well as insurance costs swelled as cargoes have to take a longer route to reach their destinations and avoid the Red Sea. **As tensions escalated, Brent moved swiftly above the USD 80/b mark getting further support from a renewed conflict between Russia and Ukraine with drone strikes on Russia's Baltic coast.**

**On the other hand, demand side factors remained subdued and offered little support to crude oil prices also offsetting geopolitical concerns.** The problems in China's recovery continued as the government pumped in more money into key sectors hoping for a revival or insulating from an uncontrolled decline. News reports suggested an infusion of around 2.0 Trillion Yuan (USD 278 Bn) in Chinese stock market via international units of state companies in order to stabilize the stock market. Recent economic data for China have also shown weaker-than-expected GDP growth in the country despite government measures. **Nevertheless, a lower-than-expected decline in economic performance elsewhere, especially in the OECD, prompted many forecasters to upgrade demand growth projections for 2024.**

**Supply side factors remained the key to the downward pressure on crude oil prices.** Despite the extension of OPEC+ production cuts, oil prices remained little changed as higher supplies, especially from the US offset most of the concerns. The IEA addressed this in its latest monthly report and said that oil supply growth in the US continues to outpace expectations. Supplies from Brazil and Guyana are also upbeat, offsetting efforts from the OPEC. **The latest weekly data on US oil production showed output at a record high of 13.3 mb/d during the week ended 12-January-2024.** On the other hand, OPEC production (including data for Angola from Bloomberg) showed a small decline in output during December-2023 to average at 28.1 mb/d. African producer Angola announced last month that it would quit the OPEC group starting January-2024 with reports showing disagreements over output quota as the reason for the exit.



Sources : OPEC, EIA, Bloomberg

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## Oil Market in 2023

Year End Oil Prices (USD/b)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>OPEC</b>	<b>52.65</b>	<b>28.76</b>	<b>53.30</b>	<b>64.47</b>	<b>51.55</b>	<b>67.96</b>	<b>50.24</b>	<b>77.97</b>	<b>81.29</b>	<b>78.44</b>
Change (%)	-51.7%	-45.4%	85.3%	21.0%	-20.0%	31.8%	-26.1%	55.2%	4.3%	-3.5%
<b>Brent</b>	<b>55.27</b>	<b>36.61</b>	<b>54.96</b>	<b>66.73</b>	<b>50.57</b>	<b>67.77</b>	<b>51.22</b>	<b>77.24</b>	<b>82.82</b>	<b>77.69</b>
Change (%)	-49.7%	-33.8%	50.1%	21.4%	-24.2%	34.0%	-24.4%	50.8%	7.2%	-6.2%

Average Oil Price for the Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>OPEC</b>	<b>95.70</b>	<b>48.74</b>	<b>39.10</b>	<b>52.43</b>	<b>69.78</b>	<b>64.04</b>	<b>41.47</b>	<b>69.89</b>	<b>100.05</b>	<b>82.95</b>
Change (%)	-9.5%	-49.1%	-19.8%	34.1%	33.1%	-8.2%	-35.2%	68.5%	43.1%	-17.1%
<b>Brent</b>	<b>98.97</b>	<b>52.32</b>	<b>43.64</b>	<b>54.12</b>	<b>71.34</b>	<b>64.30</b>	<b>41.96</b>	<b>70.86</b>	<b>100.93</b>	<b>82.49</b>
Change (%)	-8.8%	-47.1%	-16.6%	24.0%	31.8%	-9.9%	-34.7%	68.9%	42.4%	-18.3%

Source : Bloomberg, EIA, Kamco Invest Research

### Crude oil market sees another bumpy year...

Geopolitical events continued during 2023 with the deadlock associated with the ongoing Russia/Ukraine war and the embargo on Russian crude oil exports. Moreover, geopolitical issues moved closer to the oil producing OPEC region with the attacks on Gaza. The situation further escalated towards the end of the year following the attacks on Red Sea cargoes that led to obstruction in the passage through the Suez Canal. However, despite the geopolitical issues, oil prices still declined during 2023. The market also overlooked the existing OPEC+ cuts as well as an extension to the cuts into 2024, that was over and above the voluntary cuts mainly from Saudi Arabia and Russia.

In terms of prices, crude oil traded in a broad range during 2023. OPEC reference basket prices peaked at an eleven month high level of USD 97.5/barrel during September-2023 on the back of tightening market as OPEC curbed output in addition to supply concerns from the US at the time that led to declining inventories of crude oil and gasoline. Brent spot prices also peaked around the same time at USD 97.1/barrel. On the other hand, the lowest point during the year was seen in March-2023 when OPEC reference basket prices reached USD 70.8/barrel while Brent spot crude reached USD 71.0/barrel. The decline was triggered by the US banking crisis as well as weak economic data from China. Decline was also seen towards the end of the year with Brent falling to USD 74.1/barrel during mid-December-2023 while OPEC crude oil price declined to USD 73.9/b. This decline was led by concerns on the demand front coupled with oversupply in the market. The year closed with OPEC reference basket trading at USD 78.4/barrel resulting in a decline of 3.5% during the year, while Brent prices saw a slightly bigger yearly decline of 6.2% after reaching USD 77.7/barrel by the end of the year. Future prices witnessed an even steeper decline of 10.3% for near term Brent contracts.

Higher interest rates and persistent inflation during most of 2023 also ruined the rally for most of the other commodities. This was evident from the 12.6 percent decline in the Bloomberg commodities index. The decline also came from higher base prices during 2022 after the start of the Russia/Ukraine war at the start of the year. The decline this year was led by fall in benchmarks for base metals and grains along with energy commodities (oil and gas prices) while precious metals performed relatively better during the year. Inflation remained one of the key concerns with higher y-o-y CPI until the May-2023, however, a steep decline in the following months alleviated some of these concerns.

Consensus estimates on crude oil grades underwent drastic changes during 2023 as unprecedented events occurred during the year, in addition to underwhelming recovery in global oil demand, especially in China. The Bloomberg estimate for Brent crude oil future prices in 2023 started the year with a forecast of USD 93.9 per barrel but closed the year significantly lower at around USD 80 per barrel. A similar downgrade was seen in forecasts from the EIA for both Brent and WTI crude grades.

OPEC production in 2023 and spare capacity				
Production	Average Production 2023	Current OPEC+ Pledged Cuts	Capacity	Spare Capacity
Algeria	977	48	1,060	83
Angola	1,117	70	1,200	83
Congo	261	15	300	39
Equatorial Guinea	56	6	120	64
Gabon	206	9	220	14
Iran	2,855	Exempt	3,830	975
Iraq	4,275	220	4,800	525
Kuwait	2,595	135	2,820	225
Libya	1,164	Exempt	1,200	36
Nigeria	1,307	84	1,600	293
Saudi Arabia	9,613	526	12,000	2,387
UAE	2,951	160	4,200	1,249
Venezuela	749	Exempt	840	91
<b>Total</b>	<b>28,126</b>	<b>1,273</b>	<b>34,190</b>	<b>6,064</b>

Source : Bloomberg, Refinitiv Eikon, OPEC, Kamco Invest Research.

Note : Spare capacity is based on average production in 2023 and total capacity data from Bloomberg.

### OPEC Production

The OPEC+ once again remained active in dynamically adjusting its production policies each month depending on the crude oil market and have clearly stated a similar strategy with the existing cuts that are in effect until Q1-2024. OPEC production remained elevated at the start of 2023 peaking in February-2023 at 29.2 mb/d, according to Bloomberg data. However, the general trend in production was downward since the peak as Saudi Arabia and Russia, along with other small producers, implemented voluntary production cuts starting from July-2023. Average OPEC crude oil production declined during 2023 after seeing two consecutive years of growth. Output from the 13-member in the OPEC averaged at 28.1 mb/d during the year as compared to 28.9 mb/d during 2022, registering a decline of 2.6% or 739 tb/d, according to data from OPEC secondary sources. The decline was led by fall in output from 7 out of the 13 producers in the group while the remaining 6 producers reported higher production. The biggest decline was reported in output from Saudi Arabia that dropped by 918 tb/d during 2023 followed by Iraq and the UAE with production declines of 164 tb/d and 115 tb/d, respectively.

Production ('000 b/d)	2019	2020	2021	2022	2023	5-Yr CAGR
<b>Algeria</b>	<b>1,022</b>	<b>904</b>	<b>913</b>	<b>1,017</b>	<b>977</b>	<b>-1.3%</b>
Change (%)	-1.9%	-11.5%	1.0%	11.4%	-3.9%	
<b>Angola</b>	<b>1,398</b>	<b>1,245</b>	<b>1,123</b>	<b>1,140</b>	<b>1,117</b>	<b>-5.8%</b>
Change (%)	-7.1%	-10.9%	-9.8%	1.5%	-2.0%	
<b>Congo</b>	<b>324</b>	<b>289</b>	<b>263</b>	<b>260</b>	<b>261</b>	<b>-3.8%</b>
Change (%)	2.2%	-10.8%	-9.0%	-1.1%	0.4%	
<b>Equatorial Guinea</b>	<b>118</b>	<b>115</b>	<b>98</b>	<b>84</b>	<b>56</b>	<b>-14.8%</b>
Change (%)	-5.6%	-2.5%	-14.8%	-14.3%	-33.3%	
<b>Gabon</b>	<b>215</b>	<b>191</b>	<b>182</b>	<b>197</b>	<b>206</b>	<b>2.0%</b>
Change (%)	15.0%	-11.2%	-4.7%	8.2%	4.6%	
<b>Iran</b>	<b>2,356</b>	<b>1,991</b>	<b>2,392</b>	<b>2,554</b>	<b>2,855</b>	<b>-4.3%</b>
Change (%)	-33.7%	-15.5%	20.1%	6.8%	11.8%	
<b>Iraq</b>	<b>4,678</b>	<b>4,076</b>	<b>4,046</b>	<b>4,439</b>	<b>4,275</b>	<b>-1.2%</b>
Change (%)	2.8%	-12.9%	-0.7%	9.7%	-3.7%	
<b>Kuwait</b>	<b>2,687</b>	<b>2,439</b>	<b>2,419</b>	<b>2,704</b>	<b>2,595</b>	<b>-1.1%</b>
Change (%)	-2.1%	-9.2%	-0.8%	11.8%	-4.0%	
<b>Libya</b>	<b>1,097</b>	<b>367</b>	<b>1,138</b>	<b>981</b>	<b>1,164</b>	<b>4.1%</b>
Change (%)	15.4%	-66.5%	210.1%	-13.8%	18.7%	
<b>Nigeria</b>	<b>1,786</b>	<b>1,578</b>	<b>1,373</b>	<b>1,204</b>	<b>1,307</b>	<b>-5.3%</b>
Change (%)	4.0%	-11.6%	-13.0%	-12.3%	8.6%	
<b>Saudi Arabia</b>	<b>9,794</b>	<b>9,204</b>	<b>9,114</b>	<b>10,531</b>	<b>9,613</b>	<b>-1.4%</b>
Change (%)	-5.0%	-6.0%	-1.0%	15.5%	-8.7%	
<b>UAE</b>	<b>3,094</b>	<b>2,804</b>	<b>2,727</b>	<b>3,066</b>	<b>2,951</b>	<b>-0.2%</b>
Change (%)	3.6%	-9.4%	-2.7%	12.4%	-3.8%	
<b>Venezuela</b>	<b>796</b>	<b>512</b>	<b>553</b>	<b>688</b>	<b>749</b>	<b>-11.2%</b>
Change (%)	-41.2%	-35.7%	8.0%	24.4%	8.9%	
<b>Total OPEC</b>	<b>29,365</b>	<b>25,715</b>	<b>26,341</b>	<b>28,865</b>	<b>28,126</b>	<b>-2.1%</b>
Change (%)	-6.3%	-12.4%	2.4%	9.6%	-2.6%	
<b>US*</b>	<b>12,315</b>	<b>11,318</b>	<b>11,268</b>	<b>11,911</b>	<b>12,920</b>	<b>3.4%</b>
Change (%)	12.4%	-8.1%	-0.4%	5.7%	8.5%	

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

Oil output in Saudi Arabia remained at around the 9.0 mb/d level since the implementation of the voluntary cuts as compared to an average production of 10.3 mb/d during 1H-2023, based on data from OPEC secondary sources. Oil production in Iraq averaged at around 4.3 mb/d during the last three quarters of the year as compared to 4.4 mb/d during Q1-2023 and around 4.5 mb/d during 2H-2022. The decline in production during the latter half of 2023 was mainly due to the blockade of oil exports from the Kurdistan region due to issues with Turkish authorities. Meanwhile, average production in the UAE once again went below the 3.0 mb/d mark during 2023 to reach 2.95 mb/d as compared to 3.07 mb/d during 2022.

On the other hand, Iran reported the biggest increase in output during the year reaching 2.9 mb/d in 2023 as compared to 2.6 mb/d during 2022. Higher production in Iran came after US softened its stance on the country as a result of a lengthy negotiation between the two countries. Swing producers, Libya and Nigeria, were next in terms of growth in production. Libya added 183 tb/d during the year with producing at an average rate of 1.2 mb/d, the highest yearly average in thirteen years, since the decline in 2011. Nigeria also increased production by 103 mb/d during the year to reach an average output of 1.3 mb/d, partially recovering from a decline in 2022. The country was successful in limiting the output loss due to theft and disruption of oil facilities during 2023.

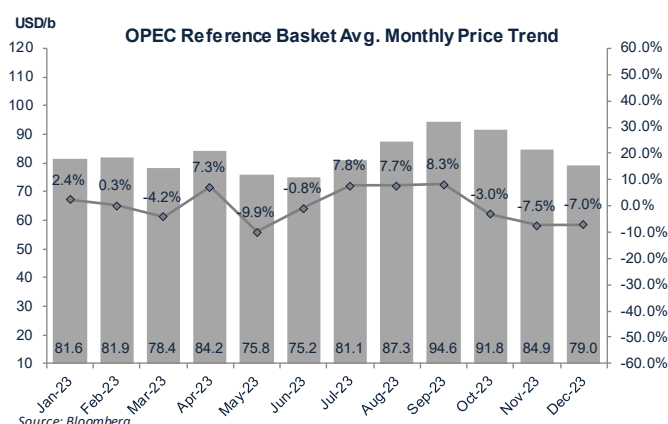
### US crude oil production

Oil production in the US showed a healthy growth of 8.5% or 1.0 mb/d to reach a record average output rate of 12.92 mb/d in 2023. This was the second consecutive year of growth after an increase of 5.7% or 0.6 mb/d during 2022. The growth reflected higher shale output during the year as producers were encouraged to grow production to book profits from the elevated oil prices. Data from Bloomberg showed shale oil output reaching a record during 2023, averaging at 9.7 mb/d as compared to 8.9 mb/d during 2022. Output from the Permian Basin alone reached 5.9 mb/d in 2023 as compared to 5.4 mb/d in 2022.

## Oil Prices

Oil prices traded in a tight range at the start of 2024 led by mixed data on the demand/supply front as well as mixed views on the future path of rate cuts by US and other global central banks during the year and its impact on economic growth and oil demand. Brent crude oil futures breached the USD 80/b mark on 22-January-2024 for the first time in four weeks to reach USD 80.1/barrel resulting in a YTD-2024 gain of 3.9%. The prompt timespread on the futures contract showed backwardation, indicating bullish near-term bets. The gains were led by global geopolitical events including the US and UK led strikes on Yemen related to the Red Sea attacks as well as the drone strike on Russia by Ukraine in the Baltic region. A decline in Russian crude oil shipments to the lowest in almost two months due to bad weather also helped prices. Nevertheless, oversupply concerns continued to affect sentiments in the oil market as indicated by the latest monthly report from the IEA. On the other hand, rig count data from Baker Hughes indicated that the aggregate oil rigs in the US once again went below the 500 mark and was reported at 497 for the week ended 19-January-2024. The decline in rig count coupled with higher supplies from the US indicated better well productivity in the sector.

Meanwhile, in its latest forecast, the EIA made a small downgrade to its forecast for Brent crude oil for 2024. The agency expects the crude grade to average at USD 82.49/barrel during 2023 as compared to its previous forecast of 82.57/barrel. The forecast for 2024 is in line with the average Brent crude spot price during 2023. The forecast for the crude grade for 2025 was at USD 79.48/barrel. For the broader consensus estimate, there was downward revision this month for prices expected as of Q1-2024 which is now at USD 82.5/barrel as compared to USD 85.0/barrel expected last month. In terms of monthly trend, Brent crude averaged at USD 78.0/b during December-2023 after witnessing a monthly decline of 6.1% vs. November-2023. The decline in OPEC crude basket was similar at 7.0% to average at USD 79.0/b while Kuwait crude grade declined by 7.2% to average at USD 80.1/barrel.



Average Crude Oil Prices, USD/b	Nov-2023	Dec-2023	Change (USD)	YTD Avg. 2022	YTD Avg. 2023
<b>OPEC Reference Basket</b>	<b>84.9</b>	<b>79.0</b>	<b>(5.9)</b>	<b>100.1</b>	<b>83.0</b>
Arab Light	87.3	81.3	(6.0)	101.6	84.9
Basrah Light	83.8	77.6	(6.2)	97.3	80.7
Bonny Light	86.2	79.8	(6.4)	103.6	83.5
Djeno	75.6	70.5	(5.1)	93.7	75.1
Es Sider	83.4	77.8	(5.6)	101.3	82.2
Girassol	83.2	78.9	(4.3)	103.7	84.4
Iran Heavy	85.0	79.1	(5.9)	99.9	83.1
<b>Kuwait Export</b>	<b>86.3</b>	<b>80.1</b>	<b>(6.2)</b>	<b>101.2</b>	<b>84.3</b>
Merey	70.7	65.2	(5.5)	77.0	64.4
Murban	83.3	77.7	(5.7)	98.9	82.9
Rabi	82.6	77.5	(5.1)	100.6	82.1
Saharan Blend	84.8	78.8	(6.0)	104.2	83.6
Zafiro	84.5	79.4	(5.1)	102.9	83.4
<b>Other Crudes</b>					
Brent	83.1	78.0	(5.1)	101.1	82.6
Dubai	83.3	77.3	(6.0)	96.3	82.0
Isthmus	76.8	70.7	(6.1)	91.9	73.1
LLS	80.4	75.0	(5.4)	96.8	80.1
Mars	77.8	72.6	(5.2)	91.7	77.1
Minas	81.2	76.7	(4.5)	96.9	80.6
Urals	74.6	64.9	(9.7)	78.5	64.4
WTI	77.4	72.1	(5.3)	94.6	77.6
<b>Differentials</b>					
Brent/WTI	5.7	5.9	0.2	6.6	5.0
Brent/LLS	2.7	3.0	0.3	4.3	2.5
Brent/Dubai	(0.3)	0.7	1.0	4.8	0.6

Source: OPEC Monthly Oil Market Report - January-2024

## World Oil Demand

World oil demand estimates for 2023 were kept broadly unchanged by the OPEC in its latest monthly report at 2.46 mb/d with total demand expected to reach 102.11 mb/d during the year. However, revisions were made to quarterly data for Q1-2023 and Q3-2023 for the OECD region and for China with the latest published figures. The demand forecast for OECD Americas, China and the Middle East regions also underwent upward adjustments reflecting better-than-expected growth in oil demand in the region.

The demand growth forecast for 2024 was also kept unchanged at a growth of 2.25 mb/d with full year demand expected to reach 104.36 mb/d. The economic growth forecast for the US shows a smaller growth in 2024 as compared to 2023. Meanwhile, monthly report from the IEA showed a much lower demand growth this year. According to the agency, growth in global oil demand in 2024 is expected to be significantly lower than in 2023 and come in at 1.2 mb/d during the year from

World Oil Demand - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	24.79	24.46	25.18	25.36	24.94	24.99	0.19	0.77
of which US	20.16	19.92	20.50	20.49	20.15	20.27	0.11	0.52
Europe	13.51	13.10	13.54	13.62	13.39	13.42	(0.09)	(0.69)
Asia Pacific	7.38	7.81	6.96	7.06	7.65	7.37	(0.01)	(0.17)
<b>Total OECD</b>	<b>45.68</b>	<b>45.37</b>	<b>45.68</b>	<b>46.03</b>	<b>45.98</b>	<b>45.77</b>	<b>0.09</b>	<b>0.19</b>
China	14.95	15.51	16.26	16.42	16.42	16.15	1.20	8.05
India	5.14	5.40	5.40	5.17	5.40	5.34	0.21	3.99
Other Asia	9.07	9.34	9.49	9.13	9.15	9.28	0.20	2.26
Latin America	6.44	6.60	6.70	6.75	6.68	6.68	0.25	3.83
Middle East	8.30	8.63	8.32	8.82	8.76	8.63	0.33	3.99
Africa	4.40	4.59	4.24	4.27	4.74	4.46	0.06	1.34
Russia	3.75	3.83	3.69	3.84	4.01	3.84	0.09	2.37
Other Eurasia	1.15	1.24	1.21	1.02	1.23	1.17	0.02	2.03
Other Europe	0.77	0.79	0.77	0.75	0.83	0.79	0.01	1.29
<b>Total Non-OECD</b>	<b>53.98</b>	<b>55.93</b>	<b>56.07</b>	<b>56.18</b>	<b>57.2</b>	<b>56.35</b>	<b>2.37</b>	<b>4.39</b>
<b>Total World</b>	<b>99.66</b>	<b>101.30</b>	<b>101.75</b>	<b>102.21</b>	<b>103.18</b>	<b>102.11</b>	<b>2.46</b>	<b>2.47</b>

Source: OPEC Monthly Oil Market Report - January-2024

2.3 mb/d last year. The forecast from the IEA was, however, upgraded from last month by around 180 tb/d led by relatively better economic growth projections and lower crude oil prices in Q4-2023. Some of the key factors affecting growth in oil demand includes subdued GDP growth in key global economies, energy efficiency improvements by way of EVs as well as the loss in demand post the Covid-19 pandemic is expected to have fully recovered. Moreover, the IEA still expects China to be the key driver of demand growth this year led by an expanding petrochemical sector in the country.

On the regional front, the OPEC monthly report highlighted subdued manufacturing activity in the US that is expected to affect demand for diesel although overall oil demand in the US is expected to increase by around 140 tb/d y-o-y in 1H-2024, supported by demand for jet/kerosene and LPG. For the OECD Europe region, economic growth is expected to strengthen in 2024 and is reflected in rising real household income backed by fall in inflation and firm nominal wages. This is expected to support oil demand growth in 1H-2024 with an expected y-o-y increase of 58 tb/d.

World Oil Demand - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	24.99	24.65	25.35	25.56	25.09	25.17	0.18	0.72
of which US	20.27	20.06	20.64	20.64	20.29	20.41	0.14	0.70
Europe	13.42	13.16	13.60	13.69	13.43	13.47	0.06	0.41
Asia Pacific	7.37	7.84	6.97	7.09	7.65	7.39	0.02	0.29
<b>Total OECD</b>	<b>45.77</b>	<b>45.64</b>	<b>45.93</b>	<b>46.34</b>	<b>46.17</b>	<b>46.02</b>	<b>0.26</b>	<b>0.56</b>
China	16.15	16.13	16.77	17.09	17.14	16.78	0.63	3.90
India	5.34	5.63	5.64	5.40	5.59	5.56	0.22	4.11
Other Asia	9.28	9.61	9.74	9.49	9.51	9.59	0.31	3.34
Latin America	6.68	6.79	6.88	6.97	6.84	6.87	0.19	2.84
Middle East	8.63	8.91	8.76	9.38	9.00	9.01	0.38	4.40
Africa	4.46	4.65	4.37	4.39	4.82	4.56	0.10	2.24
Russia	3.84	3.89	3.80	3.99	4.08	3.94	0.10	2.61
Other Eurasia	1.17	1.27	1.24	1.08	1.28	1.22	0.04	3.77
Other Europe	0.79	0.81	0.78	0.77	0.84	0.80	0.01	1.75
<b>Total Non-OECD</b>	<b>56.35</b>	<b>57.68</b>	<b>57.99</b>	<b>58.55</b>	<b>59.11</b>	<b>58.34</b>	<b>1.99</b>	<b>3.53</b>
<b>Total World</b>	<b>102.11</b>	<b>103.32</b>	<b>103.92</b>	<b>104.89</b>	<b>105.29</b>	<b>104.36</b>	<b>2.25</b>	<b>2.20</b>

Source: OPEC Monthly Oil Market Report - January-2024



## Oil Supply

Global liquids production once again declined during December-2023. According to preliminary data, global oil supply averaged at 100.9 mb/d following a m-o-m decline of 0.4 mb/d. According to OPEC, the decline was also once again led by lower production by non-OPEC producers. Non-OPEC suppliers showed a decline of 0.5 mb/d during the month with production averaging at 74.2 mb/d led by a drop in production in Russia and the US that was partially offset by higher output from Other Eurasia and Canada.

The OPEC estimates liquids production in the non-OPEC countries to grow by 2.1 mb/d during 2023 to reach 69.1 mb/d during the year. The estimate for 2023 includes production figures for Angola that decided to leave the OPEC group during

Non-OPEC Oil Supply - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	26.91	27.90	28.18	29.03	28.87	28.5	1.58	5.88
of which US	19.28	20.10	20.70	21.21	21.01	20.76	1.48	7.65
Europe	3.58	3.69	3.65	3.55	3.64	3.63	0.05	1.41
Asia Pacific	0.48	0.45	0.45	0.44	0.45	0.45	(0.03)	(6.00)
<b>Total OECD</b>	<b>30.97</b>	<b>32.04</b>	<b>32.28</b>	<b>33.02</b>	<b>32.96</b>	<b>32.58</b>	<b>1.61</b>	<b>5.18</b>
China	4.48	4.63	4.63	4.49	4.52	4.57	0.09	1.95
India	0.77	0.76	0.78	0.78	0.77	0.77	0.00	0.05
Other Asia	2.3	2.31	2.25	2.24	2.27	2.27	(0.03)	(1.41)
Latin America	6.34	6.69	6.76	7.06	7.19	6.93	0.59	9.34
Middle East	3.29	3.27	3.29	3.27	3.27	3.27	(0.01)	(0.38)
Africa	2.46	2.32	2.41	2.44	2.44	2.40	(0.06)	(2.59)
Russia	11.03	11.19	10.86	10.78	10.29	10.78	(0.25)	(2.31)
Other Eurasia	2.83	2.99	2.93	2.81	2.93	2.92	0.09	3.09
Other Europe	0.11	0.11	0.10	0.10	0.10	0.10	0.00	(3.68)
<b>Total Non-OECD</b>	<b>33.61</b>	<b>34.28</b>	<b>34.01</b>	<b>33.97</b>	<b>33.78</b>	<b>34.01</b>	<b>0.40</b>	<b>1.19</b>
<b>Total Non-OPEC Production</b>	<b>64.59</b>	<b>66.32</b>	<b>66.29</b>	<b>66.99</b>	<b>66.75</b>	<b>66.59</b>	<b>2.01</b>	<b>3.10</b>
Processing gains	2.40	2.47	2.47	2.47	2.47	2.47	0.07	2.96
<b>Total Non-OPEC Supply</b>	<b>66.98</b>	<b>68.79</b>	<b>68.76</b>	<b>69.46</b>	<b>69.21</b>	<b>69.06</b>	<b>2.08</b>	<b>3.10</b>
<b>OPEC NGLs and non-conventionals</b>	<b>5.39</b>	-	-	-	-	<b>5.44</b>	<b>0.05</b>	<b>0.93</b>
<b>OPEC Crude Oil Production</b>	<b>28.86</b>	<b>28.82</b>	<b>28.28</b>	<b>27.56</b>	-	-	-	-
<b>Total World Supply</b>	<b>101.23</b>	-	-	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - January-2024

December-2023. Moreover, the OPEC monthly report showed that upward revisions to made to supply estimates for US (+175 tb/d), Russia (+159 tb/d) and Brazil (+29 tb/d) that were partially offset by downward revisions to supply estimates for Canada (-18 tb/d) and Azerbaijan (-11 tb/d). As per the report, supply growth in 2023 for the OECD region was revised up after downward adjustments to supply data for the UK and Norway were more than offset by upward revisions to data for the US. For 2024, non-OPEC liquids production growth forecast was marginally lowered to 1.3 mb/d and supply is expected to average at 70.4 mb/d. The revision included downward adjustment to supply forecast for Azerbaijan by 11 tb/d in 2024. On similar lines, forecasts from the IEA shows world oil supply rising by 1.5 mb/d to 103.5 mb/d led by record production from the US, Brazil, Guyana and Canada.

Non-OPEC Oil Supply - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	28.50	28.96	29.00	29.47	29.78	29.3	0.80	2.82
of which US	20.76	21.02	21.24	21.51	21.67	21.36	0.60	2.91
Europe	3.63	3.84	3.72	3.67	3.81	3.76	0.13	3.49
Asia Pacific	0.45	0.46	0.43	0.44	0.42	0.44	(0.01)	(2.94)
<b>Total OECD</b>	<b>32.58</b>	<b>33.25</b>	<b>33.15</b>	<b>33.57</b>	<b>34.01</b>	<b>33.50</b>	<b>0.92</b>	<b>2.82</b>
China	4.57	4.59	4.58	4.55	4.55	4.57	0.00	0.06
India	0.77	0.79	0.79	0.79	0.78	0.79	0.01	1.70
Other Asia	2.27	2.25	2.23	2.21	2.21	2.22	(0.05)	(2.08)
Latin America	6.93	7.14	7.17	7.29	7.37	7.24	0.31	4.54
Middle East	3.27	3.28	3.31	3.30	3.31	3.30	0.03	0.86
Africa	2.40	2.36	2.36	2.40	2.43	2.39	(0.01)	(0.57)
Russia	10.78	10.74	10.78	10.79	10.79	10.77	0.00	(0.04)
Other Eurasia	2.92	2.93	3.01	2.99	3.03	2.99	0.08	2.64
Other Europe	0.10	0.10	0.10	0.10	0.10	0.10	0.00	(1.15)
<b>Total Non-OECD</b>	<b>34.01</b>	<b>34.19</b>	<b>34.33</b>	<b>34.43</b>	<b>34.57</b>	<b>34.38</b>	<b>0.37</b>	<b>1.09</b>
<b>Total Non-OPEC Production</b>	<b>66.59</b>	<b>67.44</b>	<b>67.48</b>	<b>68</b>	<b>68.58</b>	<b>67.88</b>	<b>1.29</b>	<b>1.93</b>
Processing gains	2.47	2.52	2.52	2.52	2.52	2.52	0.05	2.03
<b>Total Non-OPEC Supply</b>	<b>69.06</b>	<b>69.96</b>	<b>70</b>	<b>70.52</b>	<b>71.1</b>	<b>70.4</b>	<b>1.34</b>	<b>1.94</b>

Source: OPEC Monthly Oil Market Report - January-2024

## OPEC - 2025 Forecast - Oil Demand & Supply

The OPEC also released its initial forecast for world oil demand and non-OPEC liquids supply for 2025 in its latest monthly report. The agency expects demand growth of 1.8 mb/d in 2025 with bulk of the growth coming from the non-OECD region further supported by marginal growth expected in the OECD region. According to the report, demand in the OECD region is expected to grow by 0.1 mb/d to reach 46.13 mb/d while non-OECD demand is expected to increase by 1.7 mb/d to reach 1.74 mb/d in 2025. China followed by the Middle East region are expected to be the biggest driver of oil demand in 2025 with demand growth of 0.41 mb/d and 0.38 mb/d, respectively. Demand growth in the US is expected to be supported by higher transportation fuel usage, higher demand for LPG and petrochemical requirements partially offset by softer demand for diesel

World Oil Demand - 2024/2025, mb/d	2024	Q1-25	Q2-25	Q3-25	Q4-25	2025	Y-o-Y Growth	% Chg.
Americas	25.17	24.71	25.40	25.68	25.17	25.24	0.08	0.31
of which US	20.41	20.09	20.67	20.70	20.34	20.45	0.04	0.21
Europe	13.47	13.18	13.61	13.71	13.44	13.49	0.02	0.12
Asia Pacific	7.39	7.85	6.98	7.10	7.66	7.40	0.01	0.14
<b>Total OECD</b>	<b>46.02</b>	<b>45.73</b>	<b>46.00</b>	<b>46.50</b>	<b>46.28</b>	<b>46.13</b>	<b>0.11</b>	<b>0.23</b>
China	16.78	16.56	17.15	17.53	17.53	17.19	0.41	2.45
India	5.56	5.85	5.88	5.61	5.82	5.79	0.23	4.10
Other Asia	9.59	9.90	10.07	9.82	9.81	9.9	0.31	3.25
Latin America	6.87	6.99	7.07	7.19	7.04	7.07	0.20	2.91
Middle East	9.01	9.29	9.10	9.84	9.35	9.40	0.38	4.24
Africa	4.56	4.77	4.47	4.52	4.93	4.67	0.11	2.47
Russia	3.94	3.95	3.85	4.05	4.12	3.99	0.05	1.37
Other Eurasia	1.22	1.30	1.27	1.12	1.31	1.25	0.03	2.59
Other Europe	0.80	0.82	0.79	0.78	0.85	0.81	0.01	1.41
<b>Total Non-OECD</b>	<b>58.34</b>	<b>59.42</b>	<b>59.66</b>	<b>60.45</b>	<b>60.76</b>	<b>60.08</b>	<b>1.74</b>	<b>2.98</b>
<b>Total World</b>	<b>104.36</b>	<b>105.15</b>	<b>105.65</b>	<b>106.95</b>	<b>107.05</b>	<b>106.21</b>	<b>1.85</b>	<b>1.77</b>

Source: OPEC Monthly Oil Market Report - January-2024

and naphtha, in line with the trends expected for 2024. A relatively higher economic growth in 2025 vs. 2024 is also expected to support oil demand growth during the year.

On the other hand, non-OPEC liquids production is expected to grow by 1.3 mb/d in 2025 to average at 71.7 mb/d during the year. Bulk of the supply growth is expected to come from the OECD region which is expected to increase supply by 0.8 mb/d while the non-OECD region is expected to increase supply by 0.4 mb/d. The US is expected to be the biggest contributor to liquids production growth in 2025 and is expected to increase production by 0.6 mb/d to an average of 21.96 mb/d. Crude oil production in the US is expected to reach 13.44 mb/d in 2025, according to the latest forecast from the US EIA as compared to a forecast of 13.21 mb/d for 2024.

Non-OPEC Oil Supply - 2024/2025, mb/d	2024	Q1-25	Q2-25	Q3-25	Q4-25	2025	Y-o-Y Growth	% Chg.
Americas	29.30	29.82	29.72	30.09	30.38	30	0.70	2.40
of which US	21.36	21.72	21.87	22.07	22.19	21.96	0.60	2.81
Europe	3.76	3.94	3.81	3.79	3.90	3.86	0.10	2.67
Asia Pacific	0.44	0.43	0.42	0.43	0.43	0.43	(0.01)	(1.79)
<b>Total OECD</b>	<b>33.50</b>	<b>34.18</b>	<b>33.95</b>	<b>34.31</b>	<b>34.71</b>	<b>34.29</b>	<b>0.79</b>	<b>2.37</b>
China	4.57	4.61	4.59	4.55	4.55	4.57	0.01	0.12
India	0.79	0.78	0.79	0.8	0.8	0.8	0.01	1.00
Other Asia	2.22	2.21	2.17	2.14	2.14	2.16	(0.06)	(2.64)
Latin America	7.24	7.44	7.47	7.54	7.60	7.51	0.27	3.69
Middle East	3.30	3.32	3.35	3.34	3.34	3.34	0.03	1.04
Africa	2.39	2.41	2.40	2.40	2.40	2.40	0.02	0.71
Russia	10.77	10.81	10.8	10.79	10.82	10.81	0.03	0.28
Other Eurasia	2.99	3.09	3.13	3.07	3.11	3.10	0.11	3.69
Other Europe	0.10	0.10	0.10	0.10	0.10	0.10	0.00	1.97
<b>Total Non-OECD</b>	<b>34.38</b>	<b>34.77</b>	<b>34.81</b>	<b>34.74</b>	<b>34.87</b>	<b>34.80</b>	<b>0.42</b>	<b>1.21</b>
<b>Total Non-OPEC Production</b>	<b>67.88</b>	<b>68.96</b>	<b>68.76</b>	<b>69.05</b>	<b>69.58</b>	<b>69.09</b>	<b>1.21</b>	<b>1.78</b>
Processing gains	2.52	2.58	2.58	2.58	2.58	2.58	0.06	2.38
<b>Total Non-OPEC Supply</b>	<b>70.40</b>	<b>71.54</b>	<b>71.34</b>	<b>71.63</b>	<b>72.16</b>	<b>71.67</b>	<b>1.27</b>	<b>1.80</b>

Source: OPEC Monthly Oil Market Report - January-2024

## OPEC Oil Production & Spare Capacity

Oil production by the OPEC once again declined during December-2023 as compared to the previous month. Aggregate production reached 28.05 mb/d during the month registering a decline of 40 tb/d, as per Bloomberg data that included production data for Angola, mainly led by lower production in the UAE and Kuwait. Most of the producers in the group kept production unchanged during December-2023 as compared to November-2023. On the other hand, production data from OPEC secondary sources showed a small growth in production during the month by 73 tb/d with aggregate production reaching 26.7 mb/d during the month (excluding data for Angola). The growth, as per OPEC, was led by a healthy growth in production in Nigeria, further supported by higher production in Iraq. This growth was partially offset by marginal decline in production in Kuwait, Saudi Arabia and Iran.

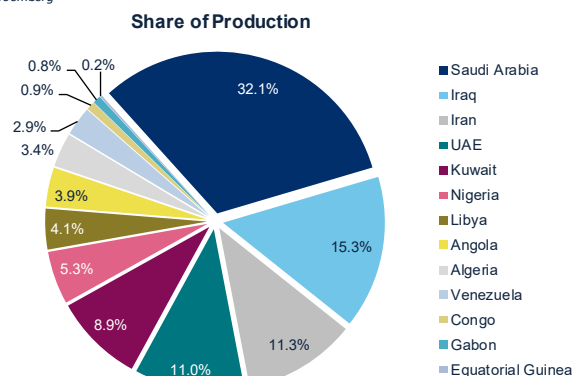
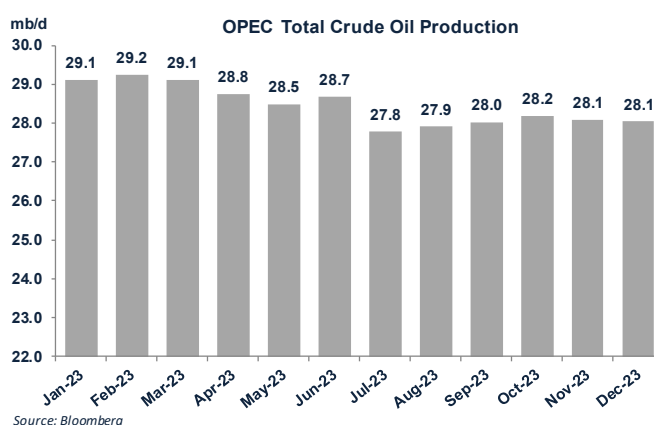
Production ('000 b/d)	Nov-23	Dec-23	Change		Capacity	Spare Capacity
<b>Total OPEC-13</b>	<b>28,090</b>	<b>28,050</b>	<b>-40</b>	<b>-0.14%</b>	<b>34,190</b>	<b>6,140</b>
<b>Saudi Arabia</b>	9,000	9,000	0	0.0%	12,000	3,000
Iraq	4,290	4,290	0	0.0%	4,800	510
Iran	3,160	3,160	0	0.0%	3,830	670
<b>UAE</b>	3,150	3,080	-70	-2.2%	4,200	1,120
<b>Kuwait</b>	2,520	2,510	-10	-0.4%	2,820	310
Nigeria	1,440	1,490	50	3.5%	1,600	110
Libya	1,120	1,140	20	1.8%	1,200	60
Angola	1,140	1,100	-40	-3.5%	1,200	100
Algeria	950	950	0	0.0%	1,060	110
Venezuela	810	810	0	0.0%	840	30
Congo	240	240	0	0.0%	300	60
Gabon	220	220	0	0.0%	220	0
Equatorial Guinea	50	60	10	20.0%	120	60
<b>Total OPEC-12</b>	<b>23,800</b>	<b>23,760</b>	<b>-40</b>	<b>-0.17%</b>	<b>29,390</b>	<b>5,630</b>

Source: Bloomberg

Oil production in Libya increased by 20 tb/d during the month, as per Bloomberg. However, recent reports showed closure of the largest oil field in the country, the Sharara oil field that produces 270 tb/d, due to protests. The closure caused the production to go below 1 mb/d during January-2024 and was restarted after almost three weeks.

In a significant development, Angola decided to leave the OPEC group starting from January-2024. Reports suggested that the move was prompted by disagreements over output cut quotas. Contrastingly, the news came weeks after Brazil decided to join the broader OPEC+ group, although the producer said it will not cap output.

The most recent data from Refinitiv Eikon showed OPEC compliance to pledged output cuts at over 300%. Pledged cuts as of December-2023 stood at 1.3 mb/d, excluding the voluntary cuts announced by Saudi Arabia and Russia. Within OPEC, only Gabon failed to comply with the agreed cuts while the rest of the nine producers (excluding exempt producers Iran, Libya and Venezuela) exceeded compliance. In terms of spare capacity, data on average production for 2023, pledged cuts and capacity showed spare production of more than 6.0 mb/d as of the end of December-2023. Saudi Arabia boasted the biggest spare capacity of 2.4 mb/d followed by UAE and Iran at 1.2 mb/d and 1.0 mb/d, respectively. Together, the three producers accounted for more than three-fourth of the spare capacity.



Source: Bloomberg



## Brent Crude Oil Price Forecast

Firm	As Of	Q1-24	Q2-24	Q3-24	Q4-24
Landesbank Baden-Wuerttemberg	16/Jan/24	80.0	80.0	75.0	75.0
Societe Generale SA	15/Jan/24	90.0	90.0	85.0	85.0
Bank of America Merrill Lynch	15/Jan/24	78.0	80.0	82.0	80.0
Barclays PLC	11/Jan/24	83.0	85.0	86.0	84.0
BNP Paribas SA	10/Jan/24	83.0	78.0	81.0	85.7
Standard Chartered Bank	9/Jan/24	92.0	94.0	98.0	106.0
MUFG Bank	4/Jan/24	81.0	80.0	86.0	89.0
Rabobank	4/Jan/24	79.0	75.0	77.0	81.0
MPS Capital Services Banca per le Imprese SpA	4/Jan/24	80.0	78.0	75.0	75.0
Morgan Stanley	3/Jan/24	80.0	77.5	77.5	75.0
Kshitij Consultancy Services Pvt Ltd	3/Jan/24	79.0	88.0	94.0	99.0
UBS Group AG	3/Jan/24	84.0	86.0	86.0	82.0
Tradingeconomics.com	2/Jan/24	76.9	76.9	76.9	76.9
Capital Economics Ltd	29/Dec/23	84.0	82.0	79.0	77.0
Australia & New Zealand Banking Group Ltd	19/Dec/23	85.4	86.6	88.0	93.0
Oxford Institute for Energy Studies	19/Dec/23	83.3			
Emirates NBD PJSC	19/Dec/23	85.0	80.0	80.0	85.0
JPMorgan Chase & Co	15/Dec/23	80.0	81.0	88.0	85.0
Commerzbank AG	15/Dec/23	80.0	85.0	90.0	90.0
Goldman Sachs Group Inc/The	15/Dec/23	78.0	83.0	83.0	81.0
Westpac Banking Corp	13/Dec/23	76.0	79.0	81.0	84.0
ING Groep NV	13/Dec/23	82.0	86.0	86.8	87.6
RBC	11/Dec/23	78.0	83.0	84.0	85.0
Intesa Sanpaolo SpA	8/Dec/23	81.0	78.0	81.0	80.0
Macquarie Group Ltd	7/Dec/23	79.0	76.0	79.0	74.0
Global Risk Management AS	1/Dec/23	82.5	82.5	87.5	87.5
Rystad Energy Inc	1/Dec/23	82.5	82.5		
Natixis SA	23/Nov/23	83.0	85.0	87.0	84.0
Deutsche Bank AG	6/Nov/23	92.0	92.0	88.0	88.0
Market Risk Advisory Co Ltd	25/Oct/23	86.7	84.7	82.7	
Panmure Gordon & Co PLC	13/Oct/23	88.0	87.0	85.0	
walletinvestor.com/commodity-forecast	2/Oct/23	95.8			106.5
Banco Santander SA	22/Sep/23	87.5	86.5	84.0	82.0
Samsung Futures Inc.	15/Sep/23	78.0	77.0	78.0	75.0
value.com/insight	18/Aug/23	82.5	81.4	80.3	79.3
National Australia Bank Ltd	3/Aug/23	95.1	99.7	94.5	
<b>Median</b>		<b>82.5</b>	<b>82.5</b>	<b>84.0</b>	<b>84.0</b>
<b>Mean</b>		<b>83.1</b>	<b>83.1</b>	<b>83.8</b>	<b>84.4</b>
<b>High</b>		<b>95.8</b>	<b>99.7</b>	<b>98.0</b>	<b>106.5</b>
<b>Low</b>		<b>76.0</b>	<b>75.0</b>	<b>75.0</b>	<b>74.0</b>
<b>Current Fwd</b>		<b>78.7</b>	<b>77.9</b>	<b>76.9</b>	<b>75.8</b>
<b>Difference (Median - Current)</b>		<b>3.8</b>	<b>4.6</b>	<b>7.1</b>	<b>8.2</b>

Source: Bloomberg

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- \* **Neutral:** Target Price represents expected returns between  $-10\%$  and  $+10\%$  in the next 12 months
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