

Oil Market Monthly Report

April-2023

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Oil at 5-month high on cuts and expectations of tighter market...

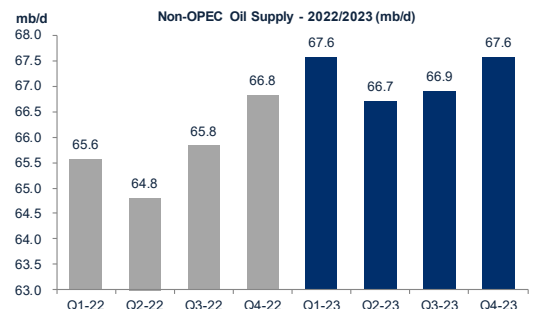
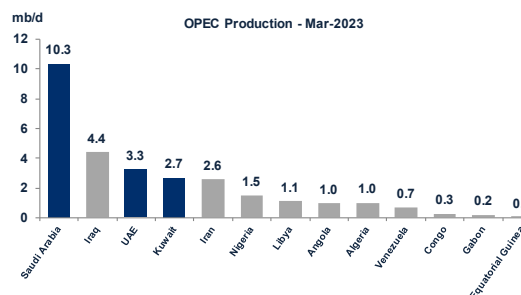
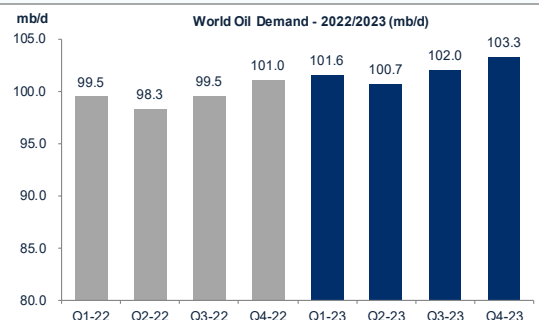
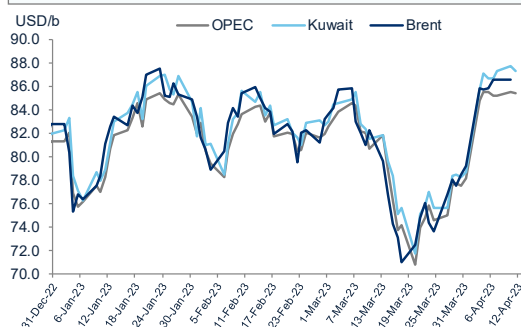
The surprise production cuts announced by the OPEC+ at the start of April-2023 provided a big boost to crude oil prices that had slid to a 15-month lows last month following the banking sector crisis in the US and the resulting fears of a contagion to other regions and asset classes. The cuts also prompted Asian buyers to snap spot cargoes fearing higher prices in the near term. A Bloomberg report showed refiners in Japan, China and Thailand were buying spot shipments for June-2023 loading at a brisk pace expecting higher prices in the near term.

Economic signals affecting oil markets remained mixed with global growth now expected to be slower-than-expected while interest rates may now see a pause led by moderating inflation. The latest minutes from Fed's last policy meeting highlighted the risks of the banking sector crisis and its impact on the economy and thereby oil demand. The latest inflation data from the US also gave mixed signals with higher core inflation while the y-o-y headline index declined to the lowest since April-2021. Nevertheless, the consensus now expects less aggressive interest rate hikes this year and is optimistic that US would be close to ending its cycle of interest rate hikes and also even begin cuts by the end of the year. Elsewhere, in Europe, an ECB member said the bank is done with most of its interest rate increases.

On the demand front, China remained a bright spot in the oil market with the latest data showing strong demand, although with a caveat. China's crude oil imports during March-2023 increased by a strong 22.5% y-o-y to reach 12.3 mb/d oil equivalent, the highest since June-2020. However, this was mainly due to higher refinery runs targeted at tapping higher demand for export of refined products which showed an increase during the month. Domestic demand in China remains subdued with the latest inflation report showing prices rising at the slowest pace since September-2021.

Demand for gasoline remained strong in the US with consumption rising to the highest level since December-2021 during March-2023. This was mainly led by warmer-than-usual weather that resulted in increasing mobility. A 12% y-o-y decline in pump prices also added to higher consumption, according to Bloomberg.

On the supply side, OPEC production showed a marginal decline during March-2023, according to Bloomberg data. Total production reached 29.16 mb/d mainly due to a steep decline in production in Angola and marginal declines in Iraq and Saudi Arabia. These declines were partially offset by higher production mainly in Nigeria. Oil production in the US also showed an increase during the week ended 7-April-2023 with a 100 tb/d increase to reach 12.3 mb/d after remaining flat during the previous week. The flattish trend in US oil production reflected a declining trend in crude oil rig count that went further below the 600 mark during the same week.

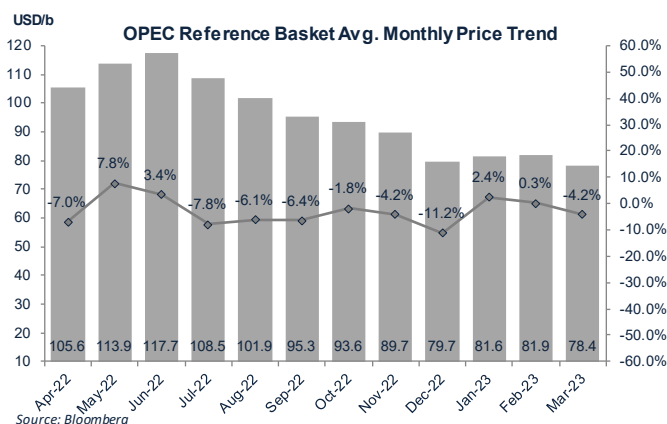


Sources : OPEC, EIA, Bloomberg

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Oil Prices

Crude oil prices continued to show an upward trajectory after bottoming during the third week of March-2023 following easing of concerns relating to the banking crisis in the US. Prices remained above the USD 80/b mark during April-2023 after the announcement by OPEC+ to implement additional cuts till the end of the year. As a result, the week closed with four consecutive weeks of gains for Brent crude oil futures that reached USD 86.3/b. The gain at the end of last week came after mainly after IEA said that global oil demand is expected to hit record high this year led by higher demand from China. However, the IEA also cautioned, in its latest monthly report, that prices could continue to rise if the cuts are implemented resulting from tighter oil markets during 2H-2023 amid heightened economic uncertainty.



Meanwhile, oil production in the US remained flattish with a marginal gain of 100 tb/d seen last week. The trend also highlighted the continuous decline in oil rig count in the US. The latest weekly data from Baker Hughes showed oil rig count declining to 588 rigs during the week ended 14-April-2023 after seeing a steep declining trend since November-2022. A related report from Bloomberg showed that energy firms in the US have told Federal Reserve Bank of Kansas City that drillers need another 5% increase in WTI crude oil prices or over USD 86/b to substantially increase drilling and reverse a decline in central US oil field activity.

Average crude oil prices showed declines across the board for the first time in three months. OPEC crude basket went below the USD 80/b mark and averaged at USD 78.45/b during March-2023 registering a decline of 4.2%. Kuwait crude grade witnessed a slightly smaller decline of 4.0% to average at USD 79.86/b while Brent witnessed a steeper decline of 5.1% to average at USD 78.3/b. Consensus expectation for Brent crude oil were lowered as compared to last month, with marginal cuts in estimates for the next four quarters. However, the US EIA raised its forecast for Brent crude grade for this year and for 2024. The agency now expects Brent to average at USD 85.01/b this year vs. USD 82.95/b in its previous monthly report while prices for 2024 are forecasted at USD 81.21/b vs. USD 77.57/b in the previous forecast.

Average Crude Oil Prices, USD/b	Feb-2023	Mar-2023	Change (USD)	YTD Avg. 2022	YTD Avg. 2023
OPEC Reference Basket	81.9	78.5	(3.4)	98.1	80.6
Arab Light	83.6	80.3	(3.3)	98.2	82.5
Basrah Light	78.3	75.3	(3.0)	96.7	77.1
Bonny Light	82.9	79.2	(3.6)	102.7	81.4
Djeno	75.1	70.8	(4.2)	94.3	73.7
Es Sider	81.5	77.4	(4.1)	101.3	79.9
Girassol	84.1	80.3	(3.8)	104.2	82.1
Iran Heavy	81.9	78.8	(3.1)	97.6	80.7
Kuwait Export	83.2	79.9	(3.3)	98.3	81.9
Merey	62.0	57.3	(4.7)	74.7	60.2
Murban	83.4	79.6	(3.8)	97.8	81.7
Rabi	82.0	77.8	(4.2)	101.3	80.7
Saharan Blend	84.1	80.3	(3.8)	104.2	82.6
Zafiro	82.2	79.3	(3.0)	103.0	80.9
Other Crudes					
Brent	82.5	78.3	(4.2)	101.7	81.1
Dubai	82.1	78.4	(3.6)	95.8	80.3
Isthmus	68.3	65.1	(3.1)	92.7	67.3
LLS	80.4	76.0	(4.3)	97.3	78.9
Mars	75.5	72.8	(2.7)	93.1	74.3
Minas	81.5	77.1	(4.4)	96.0	80.0
Urals	51.9	49.7	(2.2)	91.2	51.2
WTI	76.8	73.4	(3.4)	94.9	76.0
Differentials					
Brent/WTI	5.7	4.9	(0.8)	6.8	5.1
Brent/LLS	2.2	2.3	0.1	4.5	2.2
Brent/Dubai	0.5	(0.1)	(0.6)	5.9	0.8

Source: OPEC Monthly Oil Market Report - Apr-2023

World Oil Demand

World oil demand estimates for 2022 was kept unchanged by OPEC at a growth of 2.5 mb/d to reach average demand of 99.6 mb/d during the year. However, there were revisions at the country level reflecting available data. Oil demand for the OECD countries during Q4-2022 was lowered by the OPEC which was fully offset by upward revision to demand data for non-OECD countries. This included higher demand estimates for Latin America, the Middle East and Russia.

For 2023, world oil demand forecast was also kept unchanged at a growth of 2.3 mb/d to average at 101.89 mb/d, although underlying country-level data was adjusted. There were downward revisions to quarterly data for the OECD regions reflecting data for Q1-2023 as well as anticipated decline in economic activity in the OECD Americas and OECD Europe. This was offset

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	25.33	24.97	25.02	0.70	2.88
of which US	20.03	20.38	20.41	20.62	20.32	20.43	0.40	1.98
Europe	13.13	13.19	13.43	14.07	13.34	13.51	0.38	2.90
Asia Pacific	7.38	7.85	6.99	7.22	7.68	7.43	0.05	0.70
Total OECD	44.82	45.81	45.39	46.62	45.99	45.96	1.13	2.53
China	15.00	14.77	14.45	14.67	15.51	14.85	(0.15)	(0.98)
India	4.77	5.18	5.16	4.95	5.26	5.14	0.37	7.66
Other Asia	8.67	9.13	9.31	8.77	8.89	9.02	0.36	4.11
Latin America	6.23	6.32	6.36	6.55	6.52	6.44	0.21	3.38
Middle East	7.79	8.06	8.15	8.53	8.44	8.29	0.50	6.45
Africa	4.22	4.51	4.15	4.25	4.69	4.40	0.18	4.21
Russia	3.61	3.67	3.42	3.45	3.71	3.56	(0.05)	(1.48)
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	1.75
Total Non-OECD	52.25	53.65	52.90	52.89	55.03	53.62	1.36	2.61
Total World	97.08	99.45	98.29	99.51	101.02	99.57	2.50	2.57

Source: OPEC Monthly Oil Market Report - Apr-2023

by upward revision to demand forecast for China along with Middle East, Latin America and Other Europe. The OPEC report highlighted stronger-than-expected demand seen in non-OECD region during the first two months of the year that led to the upward revisions. Near term expectations for demand in the US shows muted manufacturing activity during Q2-2023 impacting industrial fuel demand, while jet fuel would be the key driver for demand. A similar trend is expected in Q3-2023 with higher jet fuel demand as well as driving season-led demand for transportation fuels. In the non-OECD region, oil demand in China remained strong with the country importing the most oil in almost three years led by record Russian flows. An analyst at Energy Aspects said demand is expected to remain strong in the next two months as Chinese plants restock.

Meanwhile, contrary to OPEC that adjusted summer oil demand for this year, IEA was more upbeat in its monthly report. The agency expects global oil demand to hit a record high this year at 101.9 mb/d registering an increase of 2 mb/d as compared to last year. Demand is expected to be driven by higher consumption in China and in terms of product category, the IEA expects jet fuel to account for 57% of the increase in demand this year.

World Oil Demand - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	25.02	24.86	25.14	25.51	25.11	25.16	0.14	0.56
of which US	20.43	20.41	20.43	20.75	20.37	20.49	0.06	0.29
Europe	13.51	13.02	13.36	14.10	13.37	13.46	(0.04)	(0.31)
Asia Pacific	7.43	7.89	7.05	7.27	7.70	7.47	0.04	0.55
Total OECD	45.96	45.78	45.55	46.87	46.17	46.1	0.14	0.30
China	14.85	15.43	15.40	15.43	16.16	15.61	0.76	5.09
India	5.14	5.41	5.44	5.21	5.50	5.39	0.25	4.96
Other Asia	9.02	9.46	9.65	9.14	9.24	9.37	0.35	3.83
Latin America	6.44	6.50	6.49	6.71	6.68	6.60	0.16	2.52
Middle East	8.29	8.52	8.47	8.86	8.73	8.65	0.35	4.23
Africa	4.40	4.71	4.34	4.43	4.88	4.59	0.19	4.32
Russia	3.56	3.68	3.45	3.59	3.87	3.65	0.09	2.49
Other Eurasia	1.15	1.21	1.16	1.02	1.22	1.15	0.01	0.51
Other Europe	0.77	0.84	0.76	0.75	0.83	0.80	0.03	3.61
Total Non-OECD	53.62	55.77	55.16	55.16	57.1	55.8	2.18	4.07
Total World	99.57	101.55	100.70	102.03	103.27	101.89	2.32	2.33

Source: OPEC Monthly Oil Market Report - Apr-2023

World Oil Supply

Global liquids production recorded a monthly decline during March-2023 after showing growth during the first two months of the year. According to preliminary data, global oil supply dropped by 0.2 mb/d to reach an average of 101.9 mb/d. The decline during the month was led by a fall in production in both non-OPEC and OPEC producers. Non-OPEC liquids production (including OPEC NGLs) declined by 0.1 mb/d during March-2023 to average at 73.2 mb/d mainly led by a fall in production in Russia that more than offset higher output in Other Eurasia and OECD Americas. OPEC production also witnessed a similar decline resulting in a market share of 28.8%.

Non-OPEC liquids supply growth estimates for 2022 was kept unchanged at a growth of 1.9 mb/d to average at 65.76 mb/d.

Non-OPEC Oil Supply - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	25.45	26.11	26.51	27.26	27.47	26.84	1.39	5.47
of which US	18.04	18.51	19.07	19.57	19.67	19.21	1.17	6.46
Europe	3.79	3.72	3.46	3.51	3.59	3.57	(0.22)	(5.79)
Asia Pacific	0.51	0.49	0.51	0.43	0.49	0.48	(0.03)	(6.23)
Total OECD	29.75	30.32	30.49	31.20	31.54	30.89	1.14	3.84
China	4.32	4.54	4.54	4.42	4.42	4.48	0.16	3.70
India	0.78	0.79	0.78	0.76	0.76	0.77	(0.01)	(0.80)
Other Asia	2.42	2.37	2.32	2.24	2.31	2.31	(0.11)	(4.74)
Latin America	5.96	6.11	6.18	6.46	6.59	6.34	0.38	6.35
Middle East	3.20	3.25	3.29	3.32	3.30	3.29	0.09	2.85
Africa	1.35	1.33	1.31	1.32	1.29	1.31	(0.03)	(2.49)
Russia	10.8	11.33	10.63	11.01	11.17	11.03	0.23	2.15
Other Eurasia	2.93	3.04	2.76	2.59	2.92	2.83	(0.10)	(3.34)
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	32.87	32.47	0.60	1.89
Total Non-OPEC Production	61.62	63.17	62.41	63.44	64.42	63.36	1.74	2.83
Processing gains	2.29	2.40	2.40	2.40	2.40	2.40	0.11	4.90
Total Non-OPEC Supply	63.9	65.57	64.81	65.83	66.82	65.76	1.86	2.90
OPEC NGLs and non-conventionals	5.28	-	-	-	-	5.39	0.11	2.08
OPEC Crude Oil Production	26.35	28.36	28.58	29.40	29.10	28.86	2.51	9.53
Total World Supply	95.53	-	-	-	-	100.01	4.48	4.69

Source: OPEC Monthly Oil Market Report - Apr-2023

The forecast for 2023 was also kept broadly unchanged at a growth of 1.4 mb/d to average at 67.2 mb/d although minor downward adjustments were made to supply forecast for the OECD Europe and Other Eurasia regions that were largely offset by upward revisions to liquids production in Latin America and China. According to the report, production was adjusted higher for Brazil (+45 tb/d), China (+37 tb/d) and Mexico (+29 tb/d) that were offset by downward revisions to Kazakhstan (-44 tb/d), the US (-31 tb/d), Oman (-27 tb/d) and Norway (-20 tb/d). The revision for the US reflected lower-than-expected drilling and completion activities in Q1-2023 while data for Norway was lowered due to continued underperformance in the North Sea region during Q1-2023.

Non-OPEC Oil Supply - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	26.84	27.59	27.84	28.20	28.57	28.05	1.21	4.52
of which US	19.21	19.76	20.19	20.38	20.61	20.24	1.04	5.39
Europe	3.57	3.68	3.74	3.79	3.92	3.78	0.21	5.88
Asia Pacific	0.48	0.48	0.49	0.49	0.48	0.48	0.00	0.66
Total OECD	30.89	31.74	32.07	32.48	32.97	32.32	1.43	4.62
China	4.48	4.61	4.60	4.50	4.48	4.54	0.07	1.47
India	0.77	0.77	0.79	0.78	0.78	0.78	0.01	1.04
Other Asia	2.31	2.37	2.39	2.34	2.37	2.37	0.06	2.52
Latin America	6.34	6.71	6.67	6.70	6.79	6.72	0.38	5.97
Middle East	3.29	3.26	3.29	3.30	3.31	3.29	0.00	0.02
Africa	1.31	1.31	1.33	1.34	1.33	1.33	0.01	1.01
Russia	11.03	11.22	10	9.94	9.99	10.28	(0.75)	(6.81)
Other Eurasia	2.83	3.04	3.00	2.94	2.98	2.99	0.16	5.69
Other Europe	0.11	0.10	0.10	0.10	0.10	0.10	0.00	(2.83)
Total Non-OECD	32.47	33.37	32.17	31.95	32.13	32.40	(0.07)	(0.21)
Total Non-OPEC Production	63.36	65.11	64.24	64.43	65.1	64.72	1.36	2.14
Processing gains	2.40	2.47	2.47	2.47	2.47	2.47	0.07	2.96
Total Non-OPEC Supply	65.76	67.58	66.71	66.9	67.57	67.19	1.43	2.17

Source: OPEC Monthly Oil Market Report - Apr-2023

OPEC Oil Production & Spare Capacity

OPEC crude oil production once again declined during March-2023 after showing marginal growth during the previous month. Output during March-2023 averaged at 29.16 mb/d after declining by 80 tb/d, according to data from Bloomberg, with mixed trends across producers in the group. OPEC secondary sources also showed a similar drop in production during the month (-86 tb/d) to reach average production of 28.8 mb/d. The decline in output during the month mainly reflected a steep drop in production in Angola due to oilfield maintenance on the Dalia stream as well as small export programme during the month. Marginal declines in Iraq and Equatorial Guinea further added to the group's decline in output during the month. OPEC data showed gain in production in Saudi Arabia by 44 tb/d and a drop in production in Nigeria. According to Reuters, the current decline increased the OPEC+ compliance 173% of pledged cuts during March-2023 against 169% in February-2023.

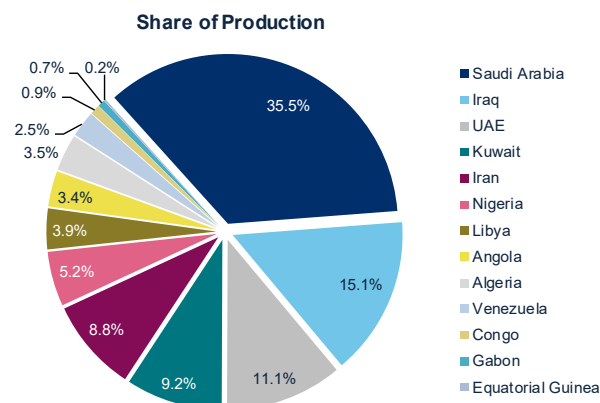
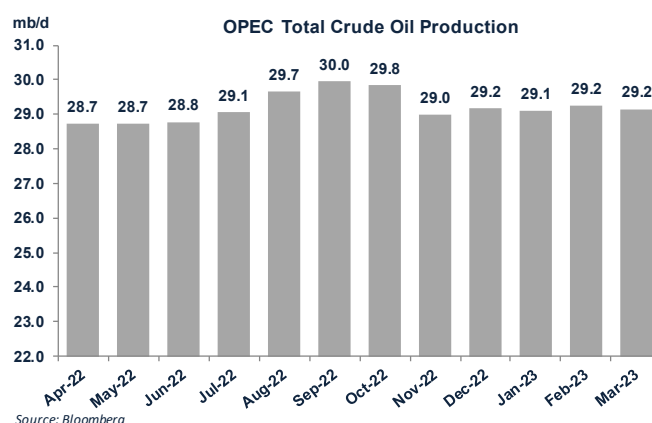
Production ('000 b/d)	Feb-23	Mar-23	Change		Capacity	Spare Capacity
Total OPEC-13	29,240	29,160	-80	-0.27%	34,060	4,900
Saudi Arabia	10,370	10,340	-30	-0.3%	12,000	1,660
Iraq	4,460	4,410	-50	-1.1%	4,800	390
UAE	3,230	3,250	20	0.6%	4,200	950
Kuwait	2,690	2,680	-10	-0.4%	2,820	140
Iran	2,560	2,580	20	0.8%	3,830	1,250
Nigeria	1,440	1,520	80	5.6%	1,600	80
Libya	1,140	1,130	-10	-0.9%	1,200	70
Angola	1,100	990	-110	-10.0%	1,200	210
Algeria	1,010	1,020	10	1.0%	1,060	40
Venezuela	700	720	20	2.9%	710	-10
Congo	280	270	-10	-3.6%	300	30
Gabon	200	200	0	0.0%	220	20
Equatorial Guinea	60	50	-10	-16.7%	120	70
Total OPEC-12	24,780	24,750	-30	-0.12%	29,260	4,510

Source: Bloomberg

The decline in production in Iraq mainly reflected a legal dispute between the governments in Kurdistan and Baghdad followed by a shutdown of an oil export pipeline. This resulted in a number of explorers in the Kurdistan region to either halt or cut production during March-2023 due to constrained capacity. However, production resumed to full capacity at the Hassira oilfield at the start of April-2023 following an agreement between Kurdistan and Iraq on the resumption of oil exports through the Iraq-Turkey pipeline and the port of Ceyhan on the Mediterranean.

Data for Nigeria also remained mixed with Bloomberg data showing a healthy increase of 80 tb/d while OPEC secondary sources showed a slight decline. Reports from TheCable.ng that quoted The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) showed crude oil production declining to 1.268 mb/d during the month. With condensate, the report said oil production stood at 1.517 mb/d in March 2023.

Meanwhile, the start of April-2023 saw OPEC+ announcing surprise output cuts of 1.16 mb/d bringing the total pledged cuts by OPEC+ to 3.66 mb/d or 3.7% of global crude oil demand, according to Reuters calculations. This includes cuts by Saudi Arabia by 0.5 mb/d followed by Iraq cuts by 211 tb/d, UAE by 144 tb/d and Kuwait by 128 tb/d. Algeria and Gabon also pledged to cut by 56 tb/d, while outside the OPEC Kazakhstan would cut production by 78 tb/d.



Brent Crude Oil Price Forecast

Firm	As Of	Q2-23	Q3-23	Q4-23	Q1-24
Standard Chartered Bank	11/Apr/23	90.0	88.0	93.0	92.0
MPS Capital Services Banca per le Imprese SpA	7/Apr/23	83.0	80.0	74.0	68.0
MUFG Bank	6/Apr/23	87.0	94.0	90.0	91.0
Market Risk Advisory Co Ltd	4/Apr/23	81.4	79.3	78.7	79.6
UBS Group AG	4/Apr/23	100.0	105.0	105.0	105.0
JPMorgan Chase & Co	3/Apr/23	89.0	94.0	96.0	
RBC	3/Apr/23	87.5	90.5	95.0	89.8
Deutsche Bank AG	3/Apr/23	75.0	80.0	85.0	
Morgan Stanley	3/Apr/23	85.0	90.0	87.5	85.0
Goldman Sachs Group Inc/The	3/Apr/23	83.0	85.0	89.0	92.0
Citigroup Inc	31/Mar/23	79.0	81.0	76.0	
Commerzbank AG	31/Mar/23	80.0	85.0	90.0	90.0
Rabobank International	28/Mar/23	85.0	84.7	94.0	96.2
Natixis SA	27/Mar/23	77.0	85.0	87.0	86.0
Emirates NBD PJSC	24/Mar/23	85.0	90.0	95.0	110.0
Intesa Sanpaolo SpA	23/Mar/23	88.0	86.0	84.0	83.0
BNP Paribas SA	8/Mar/23	85.0	90.0	90.0	90.0
ING Groep NV	2/Mar/23	91.0	105.0	110.0	
Banco Santander SA	27/Feb/23	80.5	79.0	78.0	
Capital Economics Ltd	27/Feb/23	85.0	87.5	92.5	92.5
Panmure Gordon & Co PLC	30/Jan/23	86.0	88.0	90.0	
Landesbank Baden-Wuerttemberg	20/Jan/23	90.0	85.0	85.0	80.0
Westpac Banking Corp	22/Dec/22	80.0	83.3	86.3	89.0
ABN AMRO Bank NV	18/Oct/22	123.0	115.0	110.0	110.0
Median		85.0	86.8	90.0	90.0
Mean		86.5	88.8	90.0	90.5
High		123.0	115.0	110.0	110.0
Low		75.0	79.0	74.0	68.0
Current Fwd		86.7	84.7	82.7	81.1
Difference (Median - Current)		-1.7	2.1	7.3	8.9

Source: Bloomberg

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