

Oil Market Monthly Report

August-2023

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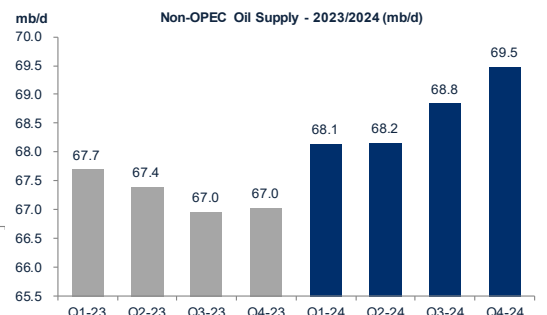
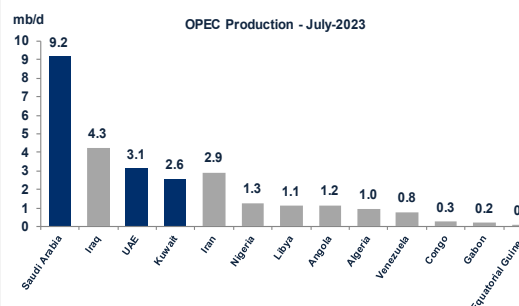
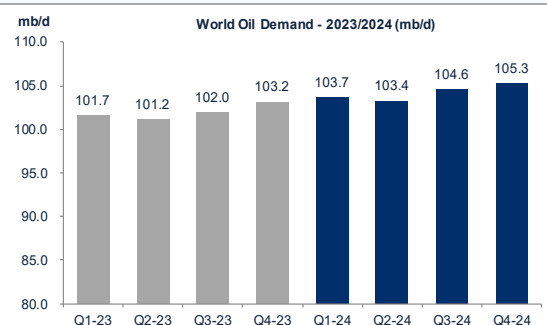
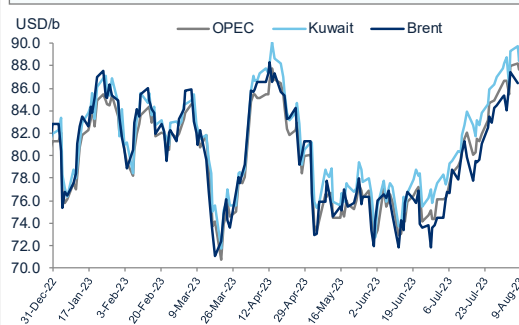
Oil market remains tight as prices march towards 9-month highs...

Oil prices marched towards the USD 90/b mark following consistent gains since the fourth week of July-2023. The most recent support to prices came from record demand from Asian refiners for US crude deliveries amid obstacles that included high temperatures impeding pipeline deliveries to ports in the US. Reports of continued buying of Saudi crude oil by China also supported prices. Both WTI and Brent traded in larger backwardation indicating scarce supplies in the near term. Voluntary cuts from OPEC+, Saudi Arabia and Russia have supported oil prices since last month. Nevertheless, an increase in crude stocks in the US as well as revision to Chinese economic data indicating a slower-than-expected recovery in demand in China and globally partially offset the overall rally.

Data on weekly crude oil inventories in the US showed a record drawdown during the week ended 28-July-2023 by 17 million barrels led by higher refinery runs coupled with increase crude oil exports, especially to Asian buyers. However, the report had minimal impact on prices as it coincided with the downgrade of sovereign ratings for the US by Fitch ratings. In addition, the cancellation of US government's plan to buy 6 million barrels of oil for its strategic reserves also affected prices. Meanwhile, the most recent report on crude oil inventories showed an increase of 5.9 million barrels in the US to reach 445.6 million barrels led by a slump in exports that more than offset higher refinery runs. Higher production and imports also supported inventories levels.

On the demand front, China falling into deflation for the first time in two years alerted oil watchers on the prospects of future demand emanating from the world's second biggest oil buyer. A recent report from China showed crude oil imports sliding to a six-month low level to the smallest volume since January-2023, according to Bloomberg. Another report from ESI energy said that the impact of a recent typhoon in China has affected mobility and economic activity and as a result, 2H-2023 demand in China is not expected to beat demand during 1H-2023. On the other hand, a rate pause in India generated hopes of higher demand in the country. The most recent monthly oil demand data from India showed consumption increasing by 1.9% y-o-y to 18.1 million tons but a seasonal pattern during the monsoon resulted in a 6.6% decline as compared to the previous month.

Meanwhile, supplies tightened even further this month when Saudi Arabia announced that it would extend the ongoing additional cuts of 1 mb/d into September-2023 with an option to cut even deeper and prolonged further if needed provided. This was added by Russia that announced that it would extend its exports curb until next month. The cuts are expected to counter the impact of a slowdown in US due to recessionary pressures as well as the lackluster data coming out of China.



Sources : OPEC, EIA, Bloomberg

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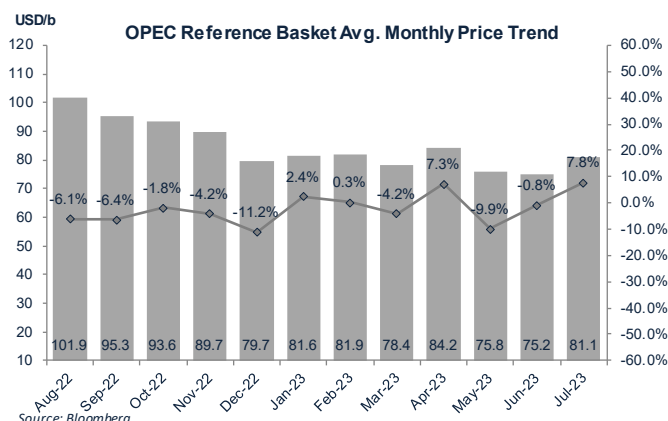
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Oil Prices

Crude oil futures traded around 9-month high levels last week after reports pointed to a tight oil market as supplies remained constrained due to OPEC+ cuts and voluntary curbs announced by Saudi Arabia and Russia, while demand remained strong in Asia for crude oil and in the US for refined products. An IEA report also showed demand remained at a record in June-2023 and is expected to rise further. Brent futures traded around the USD 87/b level after seeing consistent gains since 20-July-2023 resulting in seventh weekly gain last week. The attack on Russian oil tanker during the last weekend also helped. The latest inflation reading in the US also indicated positive tones for the oil market with the smallest m-o-m growth in consumer prices and core consumer prices during July-2023 with an increase of 0.2%. The y-o-y headline inflation increased by 3.2% sending up prices of stock futures while bond yields declined as market now expects another rate pause by the US Fed in its next meeting.



The monthly EIA report showed US crude output reaching the highest since March-2020 with one of the biggest increases of 400 tb/d during the week ended 4-August-2023 to reach 12.6 mb/d. However, rig count data from Baker Hughes continued to show declines for the 8th consecutive week to reach 525 rigs during the week after declining by 5 rigs from the previous week.

Oil price data showed one of the longest running positive streak in prices for OPEC crude basket. As a result, average monthly OPEC crude oil basket prices witnessed the biggest m-o-m growth in July-2023 with an increase of 7.8% to average at USD 81.1/b. The gains in average Brent crude oil was slightly smaller at 7.2% to average at USD 80.1/b while Kuwait crude grade saw a gain of 7.8% to average at USD 82.4/b during July-2023. The trend was also reflected in the consensus estimates for crude oil as well as EIA forecasts. The latest estimates from Bloomberg showed price forecast raised marginally for Q3-2023 and Q1-2024 while slashing it slightly for the last quarter of the year. The EIA, in its monthly short term energy outlook, raised Brent crude oil forecast for 2023 to USD 82.62/b from USD 79.34/b and for 2024 the agency raised its forecast to USD 86.48/b from USD 83.51/b.

Average Crude Oil Prices, USD/b	Jun-2023	Jul-2023	Change (USD)	YTD Avg. 2022	YTD Avg. 2023
OPEC Reference Basket	75.2	81.1	5.9	105.8	79.6
Arab Light	77.2	83.5	6.3	106.4	81.5
Basrah Light	73.0	78.8	5.8	104.0	76.8
Bonny Light	74.2	79.9	5.7	110.5	79.8
Djeno	67.3	72.6	5.4	101.1	72.2
Es Sider	74.2	79.7	5.5	108.8	78.8
Girassol	76.3	82.1	5.8	111.2	81.1
Iran Heavy	75.3	81.5	6.2	105.5	79.8
Kuwait Export	76.4	82.4	6.0	106.6	80.9
Merey	57.4	63.3	5.9	81.9	59.9
Murban	75.5	80.8	5.3	104.6	80.0
Rabi	74.3	79.6	5.4	108.1	79.2
Saharan Blend	75.2	80.3	5.1	111.7	80.6
Zafiro	75.3	81.5	6.2	110.7	80.1
Other Crudes					
Brent	74.7	80.1	5.4	108.5	79.7
Dubai	74.7	80.3	5.6	102.1	79.1
Isthmus	66.3	72.6	6.3	100.3	68.4
LLS	72.6	78.4	5.8	103.6	77.4
Mars	70.7	77.2	6.5	98.9	74.2
Minas	72.6	77.5	4.9	102.9	77.7
Urals	56.6	65.1	8.5	86.5	55.7
WTI	70.3	75.9	5.5	101.7	74.9
Differentials					
Brent/WTI	4.4	4.2	(0.2)	6.9	4.8
Brent/LLS	2.1	1.7	(0.4)	4.9	2.3
Brent/Dubai	0.0	(0.2)	(0.3)	6.5	0.6

Source: OPEC Monthly Oil Market Report - August-2023

World Oil Demand

World oil demand growth forecast for 2023 was kept unchanged from the last month at 2.4 mb/d in OPEC's latest monthly report with demand expected to reach 102.0 mb/d this year. However, there were adjustments to quarterly data for the year. According to the report, demand data for Q1-2023 was revised upwards for the OECD America and OECD Europe regions. This increase was completely offset by downward revisions to data for Europe and Other Asia for Q2-2023. For 2024, world oil demand growth was also left unchanged at 2.2 mb/d with total demand expected to reach 104.3 mb/d.

Near term forecast for oil demand in the US showed continued decline in inflation which is expected to support consumption. Q3-2023 demand in the US is expected to remain strong mainly led by the increased mobility and air travel during the summer holiday season resulting in higher demand for gasoline and jet kerosene. However, a slide in manufacturing activity is expected

World Oil Demand - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	25.01	24.61	25.22	25.59	25.09	25.13	0.12	0.47
of which US	20.43	20.12	20.60	20.83	20.37	20.48	0.05	0.24
Europe	13.50	13.07	13.25	13.98	13.37	13.42	(0.08)	(0.62)
Asia Pacific	7.43	7.86	7.08	7.27	7.69	7.47	0.04	0.55
Total OECD	45.95	45.53	45.54	46.84	46.16	46.02	0.07	0.16
China	14.85	15.63	15.96	15.38	16.11	15.77	0.92	6.19
India	5.14	5.40	5.40	5.21	5.50	5.38	0.24	4.69
Other Asia	9.02	9.40	9.57	9.14	9.24	9.33	0.31	3.45
Latin America	6.44	6.60	6.55	6.73	6.68	6.64	0.20	3.18
Middle East	8.30	8.63	8.47	8.86	8.73	8.67	0.38	4.55
Africa	4.40	4.69	4.32	4.43	4.88	4.58	0.18	4.09
Russia	3.56	3.69	3.45	3.60	3.87	3.65	0.09	2.49
Other Eurasia	1.15	1.24	1.17	1.02	1.23	1.16	0.01	1.16
Other Europe	0.77	0.84	0.76	0.75	0.83	0.80	0.03	3.61
Total Non-OECD	53.62	56.12	55.64	55.13	57.06	55.99	2.36	4.41
Total World	99.57	101.65	101.18	101.96	103.21	102.01	2.44	2.45

Source: OPEC Monthly Oil Market Report - August-2023

to impact demand for industrial fuels, mainly diesel. The trend is expected to continue during Q4-2023 with higher demand for transportation fuels offset by lower demand for industrial fuels. For the OECD Europe region, a similar trend is visible as weak manufacturing activity is expected to continue led by slow economic activity and supply chain bottlenecks during 2H-2023. In terms of products, demand for jet fuel and gasoline is expected to remain positive while diesel and petrochemical feedstock is expected to remain weak.

In the non-OECD region, the recent data from China painted a subdued picture for demand during the rest of the year. The CPI for July-2023 showed a y-o-y decline in China. Trade data showed a steep decline in imports last month while exporters reduced exports resulting in piling domestic inventory. Moreover, the increase in sale of EVs has pulled peak oil demand in China by two years to 2023 from 2025, according to an official from Sinopec. Industry consultant Mysteel OilChem added that demand for diesel and gasoline are unlikely to reach pre-pandemic levels this year as EVs continue to challenge future demand.

World Oil Demand - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	25.13	24.79	25.39	25.79	25.25	25.31	0.18	0.72
of which US	20.48	20.25	20.74	20.99	20.51	20.62	0.14	0.70
Europe	13.42	13.12	13.31	14.05	13.41	13.48	0.06	0.41
Asia Pacific	7.47	7.89	7.09	7.30	7.70	7.49	0.02	0.29
Total OECD	46.02	45.81	45.79	47.15	46.36	46.28	0.26	0.56
China	15.77	16.20	16.42	16.00	16.78	16.35	0.58	3.68
India	5.38	5.63	5.64	5.44	5.69	5.60	0.22	4.09
Other Asia	9.33	9.66	9.82	9.50	9.6	9.64	0.31	3.32
Latin America	6.64	6.79	6.73	6.95	6.84	6.83	0.19	2.86
Middle East	8.67	8.91	8.91	9.41	8.98	9.05	0.38	4.38
Africa	4.58	4.80	4.51	4.60	5.01	4.73	0.15	3.27
Russia	3.65	3.75	3.56	3.75	3.94	3.75	0.10	2.75
Other Eurasia	1.16	1.27	1.20	1.08	1.28	1.21	0.04	3.81
Other Europe	0.80	0.86	0.77	0.77	0.84	0.81	0.01	1.73
Total Non-OECD	55.99	57.88	57.56	57.50	58.96	57.97	1.99	3.55
Total World	102.01	103.68	103.35	104.64	105.32	104.25	2.25	2.20

Source: OPEC Monthly Oil Market Report - August-2023

World Oil Supply

Global liquids production once again recorded a decline in July-2023 after seeing an increase after four months in June-2023. According to preliminary data, global oil supply dropped by 0.2 mb/d m-o-m to reach an average of 100.7 mb/d. The decline was solely led by a decline in production in OPEC while non-OPEC liquids production witnessed an increase. Non-OPEC production increased by 0.7 mb/d during the month to average at 73.4 mb/d while OPEC production declined by more than 800 tb/d resulting in a 80 bps decline in the groups market share that reached 27.1%.

Non-OPEC liquids supply growth forecast for 2023 underwent an upward revision in OPEC's latest monthly report. Supply is now expected to grow by 1.5 mb/d this year to reach 67.3 mb/d as compared to a growth of 1.4 mb/d expected in the previous

Non-OPEC Oil Supply - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	26.87	27.90	27.97	28.25	28.45	28.14	1.28	4.76
of which US	19.23	20.10	20.56	20.34	20.45	20.36	1.13	5.88
Europe	3.57	3.66	3.62	3.80	3.94	3.75	0.18	4.97
Asia Pacific	0.48	0.45	0.45	0.48	0.47	0.46	(0.01)	(2.83)
Total OECD	30.92	32.01	32.04	32.53	32.86	32.36	1.44	4.67
China	4.48	4.63	4.63	4.50	4.50	4.56	0.09	1.91
India	0.77	0.76	0.78	0.79	0.78	0.78	0.00	0.58
Other Asia	2.3	2.31	2.27	2.34	2.36	2.32	0.02	0.82
Latin America	6.34	6.69	6.76	6.70	6.79	6.74	0.40	6.30
Middle East	3.29	3.27	3.29	3.29	3.30	3.29	0.00	0.08
Africa	1.29	1.24	1.28	1.33	1.31	1.29	0.00	(0.17)
Russia	11.03	11.2	10.85	9.93	9.57	10.38	(0.65)	(5.91)
Other Eurasia	2.83	3.00	2.93	2.98	2.98	2.97	0.14	4.93
Other Europe	0.11	0.11	0.11	0.11	0.10	0.11	0.00	(0.85)
Total Non-OECD	32.44	33.22	32.89	31.96	31.70	32.44	(0.01)	(0.02)
Total Non-OPEC Production	63.36	65.23	64.92	64.49	64.56	64.8	1.44	2.27
Processing gains	2.40	2.47	2.47	2.47	2.47	2.47	0.07	2.96
Total Non-OPEC Supply	65.76	67.7	67.39	66.96	67.03	67.27	1.51	2.30
OPEC NGLs and non-conventionals	5.39	-	-	-	-	5.44	0.05	0.93
OPEC Crude Oil Production	28.85	-	-	-	-	-	-	-
Total World Supply	100.00	-	-	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - August-2023

month's report. The revisions mainly included downward revisions to supply forecast for Canada (-50 tb/d) and Azerbaijan (-11 tb/d) that was partially offset by upward revisions to supply forecast data for Russia (+100 tb/d), the US (+50 tb/d) and Brazil (+15 tb/d).

Supply forecasts for 2024 was kept unchanged with an expected growth of 1.4 mb/d to average at 68.7 mb/d. However, upward revision was made to supply data for Canada by 20 tb/d that was fully offset by an equivalent downward revisions to supply forecast for the US. The data for the US reflects continues decline in oil rig count. A Bloomberg report on 2Q earnings of oil drillers may keep supplies tight by limiting offshore drillings in order to push day rates higher.

Non-OPEC Oil Supply - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	28.14	28.66	28.70	29.16	29.47	29	0.86	3.04
of which US	20.36	20.68	20.90	21.17	21.33	21.02	0.66	3.23
Europe	3.75	3.94	3.78	3.79	3.89	3.85	0.10	2.54
Asia Pacific	0.46	0.47	0.44	0.45	0.44	0.45	(0.01)	(2.87)
Total OECD	32.36	33.07	32.92	33.40	33.80	33.30	0.94	2.90
China	4.56	4.58	4.57	4.54	4.54	4.56	(0.01)	(0.11)
India	0.78	0.79	0.79	0.79	0.78	0.79	0.01	1.69
Other Asia	2.32	2.3	2.27	2.25	2.25	2.27	(0.05)	(2.26)
Latin America	6.74	6.91	6.98	7.10	7.18	7.04	0.31	4.54
Middle East	3.29	3.34	3.33	3.32	3.32	3.33	0.04	1.14
Africa	1.29	1.30	1.33	1.36	1.37	1.34	0.05	3.77
Russia	10.38	10.2	10.32	10.45	10.56	10.38	0.00	(0.01)
Other Eurasia	2.97	3.03	3.02	3.00	3.04	3.02	0.06	1.85
Other Europe	0.11	0.10	0.10	0.10	0.10	0.10	0.00	(1.13)
Total Non-OECD	32.44	32.55	32.72	32.92	33.15	32.84	0.40	1.23
Total Non-OPEC Production	64.8	65.62	65.64	66.32	66.96	66.14	1.34	2.07
Processing gains	2.47	2.52	2.52	2.52	2.52	2.52	0.05	2.03
Total Non-OPEC Supply	67.27	68.14	68.16	68.84	69.48	68.66	1.39	2.06

Source: OPEC Monthly Oil Market Report - August-2023

OPEC Oil Production & Spare Capacity

Oil production by the OPEC witnessed the steepest decline in more than three years during July-2023 that came after the first increase in production in four months during June-2023. Average production during the month reached a 21-month low level of 27.8 mb/d, according to Bloomberg data, resulting in a m-o-m decline of 0.9 mb/d. The production data from OPEC secondary sources showed a similar decline of 836 tb/d with production averaging slightly lower at 27.3 mb/d. Saudi Arabia booked the biggest decline in production by almost a million barrels as it implemented the voluntary output cuts. The Kingdom produced at little over the 9 mb/d level, the lowest output rate in 25 months. Further cuts were recorded by Libya and Nigeria that were partially offset by higher production in Iraq, according to Bloomberg. OPEC secondary sources showed Angola, Iran, Iraq and Venezuela also increasing production during the month.

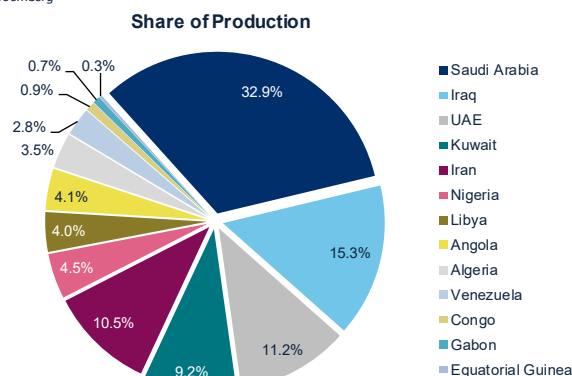
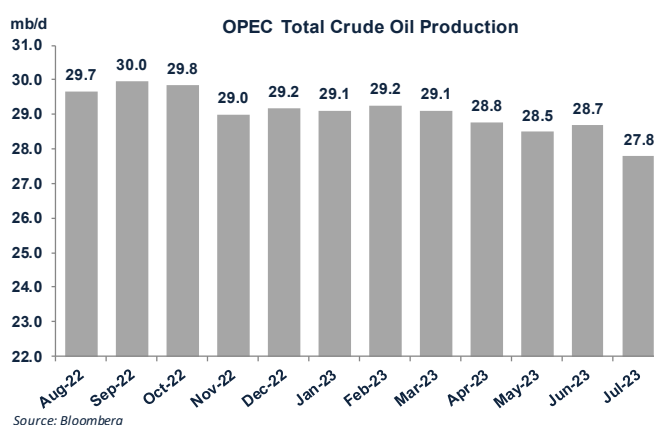
Production ('000 b/d)	Jun-23	Jul-23	Change		Capacity	Spare Capacity
Total OPEC-13	28,690	27,790	-900	-3.14%	34,100	6,310
Saudi Arabia	9,960	9,150	-810	-8.1%	12,000	2,850
Iraq	4,180	4,250	70	1.7%	4,800	550
UAE	3,100	3,120	20	0.6%	4,200	1,080
Kuwait	2,570	2,550	-20	-0.8%	2,820	270
Iran	2,950	2,920	-30	-1.0%	3,830	910
Nigeria	1,390	1,260	-130	-9.4%	1,600	340
Libya	1,150	1,100	-50	-4.3%	1,200	100
Angola	1,110	1,150	40	3.6%	1,200	50
Algeria	960	970	10	1.0%	1,060	90
Venezuela	780	780	0	0.0%	750	-30
Congo	260	260	0	0.0%	300	40
Gabon	210	200	-10	-4.8%	220	20
Equatorial Guinea	70	80	10	14.3%	120	40
Total OPEC-12	24,510	23,540	-970	-3.96%	29,300	5,760

Source: Bloomberg

Following Saudi Arabia's announcement to slash production by 1 mb/d until September-2023, a Bloomberg report showed that global oil market could see a supply deficit of 2 mb/d during Q3-2023. However, despite the cuts, China is expected to increase its crude imports from Saudi Arabia by around 40% through term contracts next month as a significant refiner, Rongsheng Petrochemical Co., will start a new supply contract. According to Bloomberg, refiners are expected to receive around 52 million barrels in oil cargoes during September-2023 from around 37 million barrels expected in August-2023.

Oil production in Iraq increased by 40 tb/d during the month to 4.2 mb/d despite the stoppage in northern exports via Turkey. Recent reports have shown that Iraq's Federal government and Kurdistan region are working on drafting an oil and gas law eyeing to resolve the dispute over oil production and revenue sharing between the two regions.

With the ongoing production cuts, the OPEC expects a slight decline in demand during Q4-2023 coupled with an increase in supplies from outside the OPEC would lower the demand for OPEC crude. That said, the IEA said in its monthly report that an average of 29.8 mb/d is need from the OPEC during the last quarter of the year to balance the market as compared to around 27.9 mb/d the group produced during July-2023, resulting in a shortfall of around 2 mb/d during Q4-2023.



Source: Bloomberg

Brent Crude Oil Price Forecast

Firm	As Of	Q3-23	Q4-23	Q1-24	Q2-24
Standard Chartered Bank	8/Aug/23	88.0	93.0	92.0	94.0
ING Groep NV	7/Aug/23	86.0	92.0	95.0	
Tradingeconomics.com	7/Aug/23	88.5	90.9	93.5	96.0
Commerzbank AG	4/Aug/23	90.0	85.0	85.0	85.0
UBS Group AG	4/Aug/23	85.0	90.0	95.0	95.0
National Australia Bank Ltd	3/Aug/23	88.4	93.6	95.1	99.7
Australia & New Zealand Banking Group Ltd	3/Aug/23	90.0	100.0	100.0	100.0
Kshitij Consultancy Services Pvt Ltd	3/Aug/23	79.0	77.0	83.5	83.5
Citigroup Inc	31/Jul/23	83.0	78.0		
Bank of America Merrill Lynch	31/Jul/23	80.0	82.0	90.0	90.0
Natixis SA	28/Jul/23	82.0	84.0	85.0	83.0
Landesbank Baden-Wuerttemberg	28/Jul/23	85.0	85.0	80.0	80.0
Capital Economics Ltd	28/Jul/23	80.0	83.0	84.0	82.0
HSBC Holdings PLC	26/Jul/23	80.0	80.0		
Societe Generale SA	25/Jul/23	85.0	90.0	95.0	95.0
JPMorgan Chase & Co	17/Jul/23	78.2	80.0	79.0	72.0
Macquarie Group Ltd	11/Jul/23	87.5			
Samsung Futures Inc.	11/Jul/23	71.0	65.0	63.0	63.0
Westpac Banking Corp	7/Jul/23	76.0	76.0	81.0	84.0
MPS Capital Services Banca per le Imprese SpA	6/Jul/23	80.0	74.0	72.0	70.0
Morgan Stanley	5/Jul/23	75.0	70.0	70.0	72.5
Goldman Sachs Group Inc/The	3/Jul/23	82.0	85.0	87.0	92.0
Rabobank	3/Jul/23	76.0	82.3	88.0	92.2
Panmure Gordon & Co PLC	30/Jun/23	77.5	77.0	76.0	75.0
Market Risk Advisory Co Ltd	29/Jun/23	75.3	75.7	79.1	82.7
Emirates NBD PJSC	26/Jun/23	82.5	85.0	87.0	90.0
MUFG Bank	21/Jun/23	80.0	84.0	83.0	81.0
BNP Paribas SA	13/Jun/23	83.0	90.0	90.0	90.0
Intesa Sanpaolo SpA	12/Jun/23	79.0	81.0	80.0	80.0
Banco Santander SA	17/May/23	75.0	77.6	75.0	73.0
RBC	3/Apr/23	90.5	95.0	89.8	91.0
Deutsche Bank AG	3/Apr/23	80.0	85.0		
Median		81.0	84.0	85.0	84.0
Mean		81.8	83.4	84.7	84.9
High		90.5	100.0	100.0	100.0
Low		71.0	65.0	63.0	63.0
Current Fwd		86.7	85.9	84.5	83.2
Difference (Median - Current)		-5.7	-1.9	0.5	0.8

Source: Bloomberg

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