

Oil Market Monthly Report

December-2024

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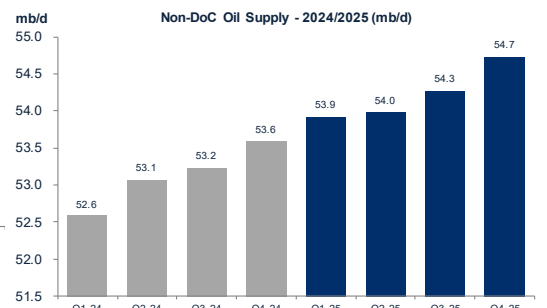
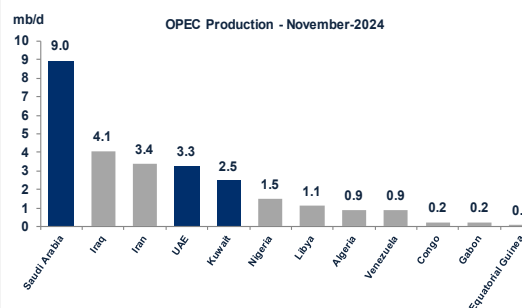
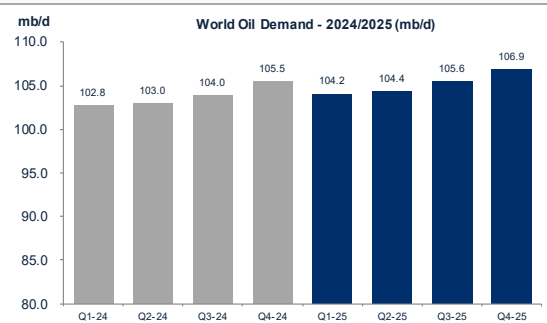
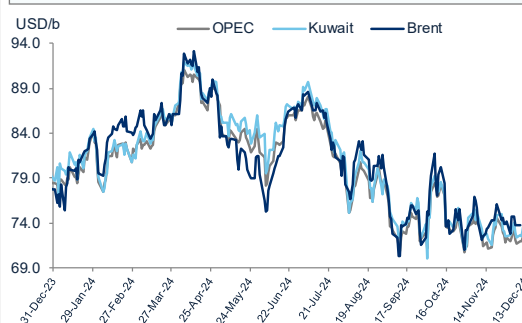
Oil edges up on China optimism, increasing sanctions...

Crude oil prices witnessed consecutive gains last week backed by optimism on the demand front coupled with indications of increasing sanctions on key oil producers. A number of key events resulted in the positive trend in prices including announcement of a shift in China's monetary policy stance, an almost certain 25 bps interest rate cut in the US in the December-2024 meeting after the recent inflation report, regional geopolitical situation as well as reports of imposition of more sanctions on Russia and Iran by the US and the European Union. An extension to OPEC+ output cuts by an additional three months until April-2024 also supported prices earlier during the month, while the recent strength in the USD against a basket of currencies partially offset the overall growth in prices. On the geopolitical front, the sudden developments in Syria only had a minimal impact on oil prices as market watchers wait to ascertain the impact and repercussions of the change in guard in the country.

In a significant development, China's government announced that it would adopt a moderately loose monetary policy strategy next year. The new strategy is seen as a counter to the expected trade war between China and the US after the new government takes over in the US next month. The policy aims to stabilize property market in China and boost confidence in the economy by ways that could include lower rates and fiscal expansion as well as weaker Yuan as the country braces for higher tariffs from the US starting next year. The news once again reignited speculations that a stronger Chinese economy would support oil demand in the near term.

Meanwhile, monetary policy predictions for the US gained further ground with consensus almost certain about the cut expected next week. This follows the recent release of inflation data that showed second consecutive month of growth and the steepest gains in the seven months to reach an annual rate of 2.7% during November-2024, in line with consensus estimates, while core inflation logged an increase of 3.3%. On a monthly basis, inflation, including core inflation, was up 0.3%. Even the ECB implemented a 25 bps cut last week highlighting tepid growth in some of the key economies in the region. The likelihood of lower interest rates gave a boost to sentiments and was reflected in both equity and commodity markets, including crude oil.

On the supply side, oil production in the US reached another record high during the week ended 6-Dec-2024 at 13.63 mb/d mainly led by steadily increasing oil output in the Permian basin. Moreover, companies like Exxon have also announced plans to increase capital expenditure and increase oil and gas production by 18% over the next five years. Oil production by the OPEC producers also increased for the second consecutive month during November-2024 once again mainly led by higher production in Libya.



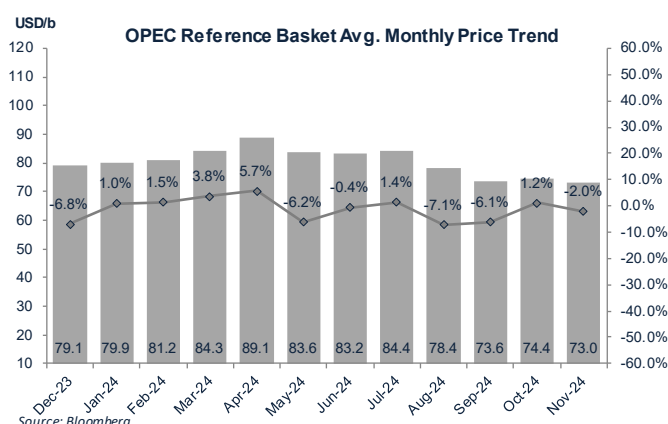
Sources : OPEC, EIA, Bloomberg

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Oil Prices

Oil prices remained steady last week after consecutive gains pushed prices over USD 74.0/b mark. The gains were led by news on both demand and supply fronts indicating lesser worsening oil supply glut next year. Supplies from the OPEC+ countries increased during November-2024; however, the extension to the OPEC+ cuts until the end of April-2024 prompted producers to lower OSPs for sales in the coming month. This included Saudi Arabia that lowered OSPs for January-2025 for Asian buyers while Iraq lowered the OSP for Basrah Medium and Heavy to all buyers. In terms of WTI-Brent, the spread narrowed to the lowest in at least a month as volatility fell to the lowest level since July-2024. Indicators from the options market also showed weakness with Brent put option volumes exceeding call option volumes the most since September-2024 last week, according to a report from Bloomberg. Meanwhile, refined product prices in the US dropped during the week ended 6-December-2024 mainly led by higher inventories. The EIA report showed an increase of 5.1 million barrels in gasoline inventories and 3.2 million barrels of distillates stocks, higher than consensus estimates, while crude oil inventory showed a decline for the third consecutive week to reach 422 million barrels.

In terms of monthly price trend, prices of almost all crude grades reported declines during November-2024 as compared to the average prices in October-2024. Average spot Brent crude oil price declined by 1.8% to reach USD 74.3/b during November-2024 as compared to an average of USD 75.6/b during October-2024. On the other hand, OPEC reference basket price dropped slightly more by 2.0% to reach USD 73.0/b while Kuwait export grade crude prices witnessed the smallest drop of 1.7% to average at USD 73.6/b during November-2024. Meanwhile, the consensus estimate for Brent crude once again showed downward revision for prices over the next six quarters. The consensus forecast for Q4-2024 was once again lowered by USD 1.4/b to USD 75.6/b, according to data from Bloomberg, while the forecast for Q1-2025 was lowered by USD 2.5/b to USD 75.0/b.



Average Crude Oil Prices, USD/b	Oct-2024	Nov-2024	Change (USD)	YTD Avg. 2023	YTD Avg. 2024
OPEC Reference Basket	74.5	73.0	(1.5)	83.3	80.5
Arab Light	75.9	74.5	(1.4)	85.3	82.1
Basrah Light	73.1	71.7	(1.4)	80.9	79.0
Bonny Light	77.8	75.4	(2.4)	83.8	82.9
Djeno	68.1	66.8	(1.3)	75.5	73.8
Es Sider	74.0	72.0	(2.0)	82.6	80.4
Iran Heavy	74.1	72.8	(1.3)	83.5	80.3
Kuwait Export	74.9	73.6	(1.3)	84.6	81.3
Merey	58.3	59.6	1.3	64.3	65.6
Murban	74.8	72.8	(2.0)	83.3	80.3
Rabi	75.1	73.8	(1.3)	82.5	80.8
Saharan Blend	77.5	74.9	(2.6)	84.1	82.4
Zafiro	77.0	76.0	(1.0)	83.8	82.7
Other Crudes					
Brent	75.6	74.3	(1.3)	83.0	81.3
Dubai	74.6	72.7	(1.9)	82.4	80.1
Isthmus	69.3	67.0	(2.3)	73.4	74.6
LLS	73.6	71.5	(2.2)	80.5	78.9
Mars	70.3	69.0	(1.4)	77.5	76.1
Minas	78.2	76.8	(1.4)	80.9	85.2
Urals	63.0	61.9	(1.1)	59.5	66.4
WTI	71.6	69.6	(2.0)	78.1	76.5
Differentials					
Brent/WTI	4.0	4.7	0.7	4.9	4.8
Brent/LLS	2.0	2.8	0.8	2.4	2.4
Brent/Dubai	1.0	1.6	0.6	0.5	1.1

Source: OPEC Monthly Oil Market Report - Dec-2024

World Oil Demand

The OPEC once again lowered its world oil demand growth forecast for 2024 for the fifth consecutive month in its latest December-2024 report. The group lowered demand growth forecast for the year by 210 tb/d as compared to last month and now expects demand to grow by 1.61 million barrels this year to reach 103.8 mb/d during the year. The downward revision reflects actual data for the first three quarters of the year with the bulk of the revision made to data for Q3-2024. The report showed demand in the OECD countries is expected to grow by 0.11 mb/d this year as compared to previous expectation of 0.16 mb/d to reach 45.76 mb/d. Non-OECD demand is expected to grow by 1.5 mb/d as compared to previous forecast of 1.66 mb/d. Data at the regional level showed that the downward revision to demand data for the OECD Americas and OECD Asia Pacific as well as other Eurasia were partly offset by an upward revision to data for China, India, other Asia, the Middle East and Africa. Comparatively, data from the IEA showed demand expected to grow at a much smaller pace of 840 tb/d this year as compared to the agency's previous forecast of 920 tb/d. In terms of products, the IEA said that the demand growth for this

World Oil Demand - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	24.96	24.42	24.96	25.33	25.42	25.03	0.08	0.31
of which US	20.36	19.92	20.47	20.66	20.85	20.48	0.12	0.57
Europe	13.45	12.85	13.62	14.15	13.41	13.51	0.06	0.48
Asia Pacific	7.24	7.53	6.98	6.92	7.43	7.22	(0.03)	(0.39)
Total OECD	45.65	44.80	45.56	46.41	46.26	45.76	0.11	0.25
China	16.36	16.66	16.60	16.78	17.10	16.79	0.43	2.63
India	5.34	5.66	5.61	5.30	5.65	5.55	0.21	3.93
Other Asia	9.28	9.70	9.77	9.40	9.51	9.59	0.32	3.42
Latin America	6.69	6.66	6.80	6.85	6.88	6.80	0.11	1.61
Middle East	8.63	8.66	8.46	8.99	9.02	8.78	0.15	1.74
Africa	4.46	4.55	4.29	4.41	4.87	4.53	0.07	1.57
Russia	3.84	3.95	3.83	3.96	4.11	3.96	0.12	3.20
Other Eurasia	1.17	1.34	1.26	1.10	1.28	1.25	0.07	6.08
Other Europe	0.78	0.78	0.82	0.76	0.84	0.80	0.02	2.20
Total Non-OECD	56.56	57.96	57.44	57.56	59.27	58.06	1.50	2.65
Total World	102.21	102.76	102.99	103.96	105.53	103.82	1.61	1.58

Source: OPEC Monthly Oil Market Report - Dec-2024

year as well as next year would be mainly led by petrochemical feedstocks while the growth for transportation fuels will be constrained by behavioral and technological progress. The IEA expects emerging Asia to lead in terms of demand growth this year as well as in 2025 while China would likely show slow demand. Meanwhile, data for November-2024 showed oil imports in China rebounding to show first annual growth in seven months. The increase was mainly led by lower Middle East prices and stockpiling demand. Government data showed imports increasing by 14.3% y-o-y during the month to reach 11.8 mb/d.

For 2025, world oil demand growth forecast was lowered by OPEC by 90 tb/d to a growth of 1.45 mb/d with demand expected to reach 105.27 mb/d during the year. The downward revision reflected lowered forecasts mainly for data for Q3-2025 amid a generally lower demand growth for the year. Contrastingly, the IEA upgraded its demand forecast for 2025 to a growth of 1.1 mb/d with demand expected to reach 103.9 mb/d.

World Oil Demand - 2024/2025, mb/d	2024	Q1-25	Q2-25	Q3-25	Q4-25	2025	Y-o-Y Growth	% Chg.
Americas	25.03	24.48	25.01	25.45	25.50	25.11	0.08	0.31
of which US	20.48	19.95	20.50	20.72	20.89	20.52	0.04	0.21
Europe	13.51	12.87	13.63	14.18	13.43	13.53	0.02	0.12
Asia Pacific	7.22	7.54	6.99	6.94	7.44	7.23	0.01	0.15
Total OECD	45.76	44.89	45.63	46.56	46.37	45.87	0.11	0.23
China	16.79	16.99	16.89	17.12	17.39	17.10	0.31	1.85
India	5.55	5.88	5.86	5.55	5.88	5.79	0.24	4.31
Other Asia	9.59	9.97	10.08	9.74	9.81	9.9	0.30	3.17
Latin America	6.80	6.80	6.94	7.00	7.02	6.94	0.14	2.09
Middle East	8.78	8.81	8.60	9.17	9.18	8.94	0.16	1.80
Africa	4.53	4.63	4.38	4.51	4.96	4.62	0.09	2.03
Russia	3.96	4.01	3.89	4.02	4.15	4.02	0.05	1.36
Other Eurasia	1.25	1.37	1.28	1.15	1.31	1.28	0.03	2.53
Other Europe	0.80	0.79	0.83	0.78	0.85	0.81	0.01	1.40
Total Non-OECD	58.06	59.27	58.74	59.03	60.55	59.4	1.34	2.31
Total World	103.82	104.16	104.37	105.59	106.92	105.27	1.45	1.40

Source: OPEC Monthly Oil Market Report - Dec-2024

World Oil Supply

World oil supply showed consistent increase during November-2024, in line with previous months, registering a growth of 130 tb/d to reach 103.4 mb/d, according to data from IEA's monthly report. The increase in supplies was mainly led by continued recovery in oil output in Libya and Kazakhstan.

For the full year 2024, OPEC forecasts showed an upward revision to non-DoC liquids supply. The agency now expects non-DoC supply to increase by 1.28 mb/d in 2024 as compared to the previous forecast of 1.23 mb/d. The revision showed higher supplies from OECD Americas and Africa that were partially offset by downward revision to supply data for Latin America and

Non-DoC Oil Supply - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	26.67	26.91	27.58	27.83	27.86	27.55	0.88	3.29
of which US	20.97	21.02	21.81	21.92	21.79	21.64	0.67	3.17
Europe	3.66	3.66	3.59	3.54	3.65	3.61	(0.04)	(1.18)
Asia Pacific	0.45	0.46	0.43	0.43	0.46	0.44	0.00	(0.59)
Total OECD	30.77	31.03	31.60	31.80	31.97	31.60	0.83	2.71
China	4.52	4.62	4.63	4.52	4.51	4.57	0.05	1.17
India	0.79	0.8	0.79	0.77	0.79	0.79	0.00	0.33
Other Asia	1.61	1.62	1.62	1.6	1.59	1.61	(0.01)	(0.39)
Latin America	6.96	7.28	7.18	7.18	7.35	7.25	0.29	4.14
Middle East	2.02	2.00	2.00	2.01	2.01	2.00	(0.02)	(0.96)
Africa	2.22	2.24	2.26	2.36	2.37	2.31	0.09	4.04
Other Eurasia	0.37	0.37	0.37	0.37	0.37	0.37	0.00	(1.32)
Other Europe	0.10	0.10	0.10	0.10	0.10	0.10	0.00	(1.63)
Total Non-OECD	18.60	19.03	18.95	18.91	19.10	19.00	0.40	2.16
Total Non-DoC Production	49.37	50.06	50.55	50.71	51.07	50.6	1.23	2.50
Processing gains	2.47	2.52	2.52	2.52	2.52	2.52	0.05	2.02
Total Non-DoC Supply	51.84	52.58	53.07	53.23	53.59	53.12	1.28	2.48
DoC NGLs and non-conventionals	8.23	-	-	-	-	8.31	0.08	0.97
DoC Crude Oil Production	42.00	41.22	40.90	40.62	-	-	-	-
Total World Supply	102.07	-	-	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - Dec-2024

OECD Asia Pacific. In terms of refined products, a report from Bloomberg showed that diesel exports from the US Gulf Coast surged to a record seasonal high for this time of the year reaching 1.5 mb/d during the first two weeks of December-2024 or a y-o-y increase of 26% as strong demand from Europe offsets weak domestic consumption highlighting trucking recession. This could also mean a relief for US refiners as the distillate fuel oil inventory rose to the highest in almost three months while gasoline stocks rise by the most since the start of the year. The increase in demand from Europe also reflected sanctions on Russian refined fuels. Another report highlighted that the North Sea crude market has witnessed the largest trading in at least 16 years.

For 2025, non-DoC supply growth forecast was kept unchanged by the OPEC at 1.11 mb/d with supplies from the group expected to reach 54.23 mb/d during the year. A report from the EIA showed lowered expectations for US crude output next year to 13.52 mb/d vs. 13.53 mb/d in its previous forecast. Data on world oil supply from the IEA showed an increase of 630 tb/d in 2024 to reach 102.9 mb/d during the year. Supply next year is expected to increase by 1.9 mb/d to reach 104.8 mb/d, despite the delayed unwinding of output from the OPEC+ countries.

Non-DoC Oil Supply - 2024/2025, mb/d	2024	Q1-25	Q2-25	Q3-25	Q4-25	2025	Y-o-Y Growth	% Chg.
Americas	27.55	27.87	28.04	28.34	28.58	28.21	0.66	2.41
of which US	21.64	21.77	22.16	22.27	22.34	22.14	0.50	2.31
Europe	3.61	3.79	3.67	3.64	3.75	3.71	0.10	2.79
Asia Pacific	0.44	0.44	0.43	0.44	0.44	0.44	(0.01)	(1.76)
Total OECD	31.60	32.10	32.13	32.43	32.77	32.36	0.76	2.39
China	4.57	4.63	4.61	4.53	4.53	4.57	0.01	0.12
India	0.79	0.79	0.79	0.81	0.8	0.8	0.01	1.00
Other Asia	1.61	1.6	1.58	1.57	1.56	1.58	(0.03)	(1.81)
Latin America	7.25	7.41	7.45	7.53	7.66	7.51	0.27	3.66
Middle East	2.00	2.01	2.03	2.03	2.03	2.02	0.02	1.01
Africa	2.31	2.33	2.33	2.33	2.32	2.33	0.02	0.73
Other Eurasia	0.37	0.37	0.37	0.37	0.37	0.37	0.00	0.07
Other Europe	0.10	0.10	0.10	0.10	0.10	0.10	0.00	2.02
Total Non-OECD	19.00	19.24	19.26	19.26	19.38	19.29	0.29	1.52
Total Non-DoC Production	50.6	51.34	51.4	51.69	52.15	51.65	1.05	2.07
Processing gains	2.52	2.58	2.58	2.58	2.58	2.58	0.06	2.38
Total Non-DoC Supply	53.12	53.92	53.98	54.27	54.73	54.23	1.11	2.08

Source: OPEC Monthly Oil Market Report - Dec-2024

OPEC Oil Production & Spare Capacity

OPEC crude oil production increased for the second consecutive month during November-2024 to average at a three month high level of over 27.0 mb/d, according to data from Bloomberg. The monthly increase of 120 tb/d was mainly led by higher output in Libya, UAE, Kuwait and Equatorial Guinea while the rest of the producers showed marginal declines. Data from OPEC secondary sources showed a slightly smaller production growth of 104 mb/d with output averaging at 26.7 mb/d, during the month. The increase was once again led by higher output in Libya, further supported by an increase in production in Iran and Nigeria. The rest of the producers showed minimal change in output as compared to the previous month. The average output in Saudi Arabia remained unchanged at close to 9.0 mb/d during November-2024, as per data from Bloomberg as well as OPEC secondary sources.

Production ('000 b/d)	Oct-24	Nov-24	Change		Capacity	Spare Capacity
Total OPEC-12	26,900	27,020	120	0.45%	33,500	6,480
Saudi Arabia	8,950	8,950	0	0.0%	12,000	3,050
Iraq	4,130	4,060	-70	-1.7%	4,800	740
Iran	3,360	3,360	0	0.0%	3,830	470
UAE	3,170	3,260	90	2.8%	4,650	1,390
Kuwait	2,440	2,470	30	1.2%	2,820	350
Nigeria	1,510	1,470	-40	-2.6%	1,600	130
Libya	1,030	1,140	110	10.7%	1,200	60
Algeria	900	890	-10	-1.1%	1,060	170
Venezuela	890	880	-10	-1.1%	890	10
Congo	240	230	-10	-4.2%	300	70
Gabon	230	230	0	0.0%	230	0
Equatorial Guinea	50	80	30	60.0%	120	40
Total OPEC-11	22,770	22,960	190	0.83%	28,700	5,740

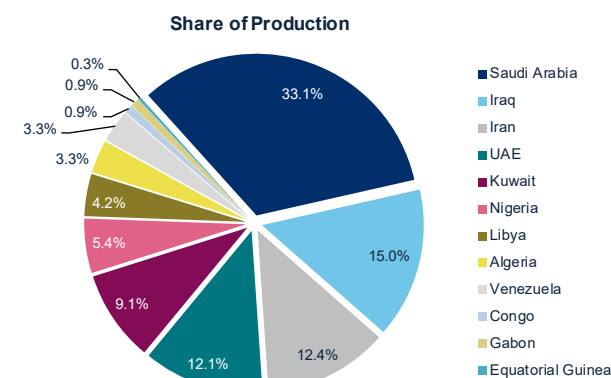
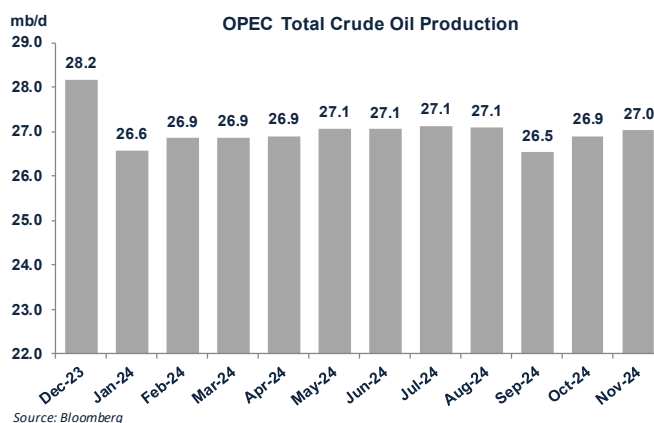
Source: Bloomberg

During the month, OPEC+ producers once again extended the deadline to gradually unwind the additional output cuts of 2.2 mb/d. The producer delayed raising the output by an additional three months and now expect to start unwinding the output from April-2025. The group extended the full unwinding of cuts by a year until the end of 2026 led by weak demand and significant growth in production outside the group.

Oil production in Libya recovered to over 1.2 mb/d in November-2024, as per data from OPEC secondary sources, following a monthly increase of 141 tb/d. Recent reports showed oil and condensate production growing to the highest in almost 11 years to reach 1.422 mb/d at the start of the month, as per the NOC. The output growth came after Eni and BP resumed drilling last month that were suspended since 2014 after the resolution of the political dispute.

Oil production in Iraq witnessed a decline of 45 tb/d during November-2024 to reach 4.04 mb/d, as per data from OPEC secondary sources. This was almost in line with the OPEC+ quota for Iraq which is at 4.0 mb/d, reflecting full compliance with the quota.

Meanwhile, a recent report showed that UAE is planning to reduce oil shipments early next year as the OPEC+ seeks stronger compliance to the group's production quotas. As per the report, Adnoc has cut allocation of crude oil cargoes for some customers in Asia and volumes were cut by almost 230 tb/d across a range of crude grades.



Source: Bloomberg

Brent Crude Oil Price Forecast

Firm	As Of	Q4-24	Q1-25	Q2-25	Q3-25
JYSKE BANK AS	11/Dec/24	75.0	72.0	70.0	70.0
Citigroup Inc	6/Dec/24	73.0	65.0	60.0	60.0
UBS Group AG	6/Dec/24	87.0	80.0	80.0	80.0
Morgan Stanley	5/Dec/24	80.0	72.0	70.0	70.0
Natixis SA	3/Dec/24	77.0	75.0	70.0	75.0
Landesbank Baden-Wuerttemberg	3/Dec/24	75.0	75.0	70.0	70.0
Bank of America Merrill Lynch	2/Dec/24	73.0	68.0	66.0	64.0
Kshitij Consultancy Services Pvt Ltd	2/Dec/24	73.2	71.9	69.1	72.6
Standard Chartered Bank	26/Nov/24	87.0	89.0	92.0	95.0
JPMorgan Chase & Co	22/Nov/24	80.0	82.0	77.0	73.0
Rabobank	22/Nov/24	71.0	70.0	67.0	67.5
Commerzbank AG	19/Nov/24	75.0	75.0	80.0	80.0
Oxford Institute for Energy Studies	19/Nov/24	74.7	78.6		
Julius Baer	18/Nov/24	72.5	70.0	67.5	65.0
Goldman Sachs Group Inc/The	15/Nov/24	75.0	76.0	77.0	76.0
Panmure Gordon & Co PLC	13/Nov/24	75.0	74.0	73.0	73.0
United States Department of Energy	13/Nov/24	76.2	78.0	77.7	75.7
Tradingeconomics.com	4/Nov/24	75.9	77.0	78.2	79.3
MUFG Bank	30/Oct/24	75.0	73.0	69.0	74.0
Emirates NBD PJSC	30/Oct/24	75.0	75.0	75.0	72.5
Market Risk Advisory Co Ltd	25/Oct/24	75.6	73.0	74.7	77.3
BNP Paribas SA	22/Oct/24	78.0	78.0	75.0	77.0
Berenberg	15/Oct/24	75.0	75.0	75.0	
MPS Capital Services Banca per le Imprese SpA	10/Oct/24	79.0	80.0	80.0	78.0
RBC	7/Oct/24	75.8	74.0	73.3	72.3
Australia & New Zealand Banking Group Ltd	7/Oct/24	60.1	65.2	70.5	76.0
Barclays PLC	2/Oct/24	73.0	88.0	86.0	86.0
Deutsche Bank AG	1/Oct/24	77.0	70.0	70.0	65.0
HSBC Holdings PLC	30/Sep/24	73.0	70.0	76.5	76.5
Australian Government	30/Sep/24	76.9	75.2	73.7	72.1
Panmure Liberum	25/Sep/24	83.0	83.0	81.0	81.0
ING Groep NV	24/Sep/24	80.0	78.0	77.0	91.6*
Intesa Sanpaolo SpA	20/Sep/24	80.0	79.0	78.0	78.0
Banco Santander SA	12/Sep/24	78.0			
Westpac Banking Corp	8/Jul/24	79.0	78.0	79.0	81.0
Median		75.6	75.0	75.0	75.0
Mean		76.4	75.4	74.6	74.6
High		87.0	89.0	92.0	95.0
Low		60.1	65.0	60.0	60.0
Current Fwd		73.2	72.8	72.2	71.5
Difference (Median - Current)		2.4	2.2	2.8	3.5

Source: Bloomberg

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