

Oil Market Monthly Report

February-2024

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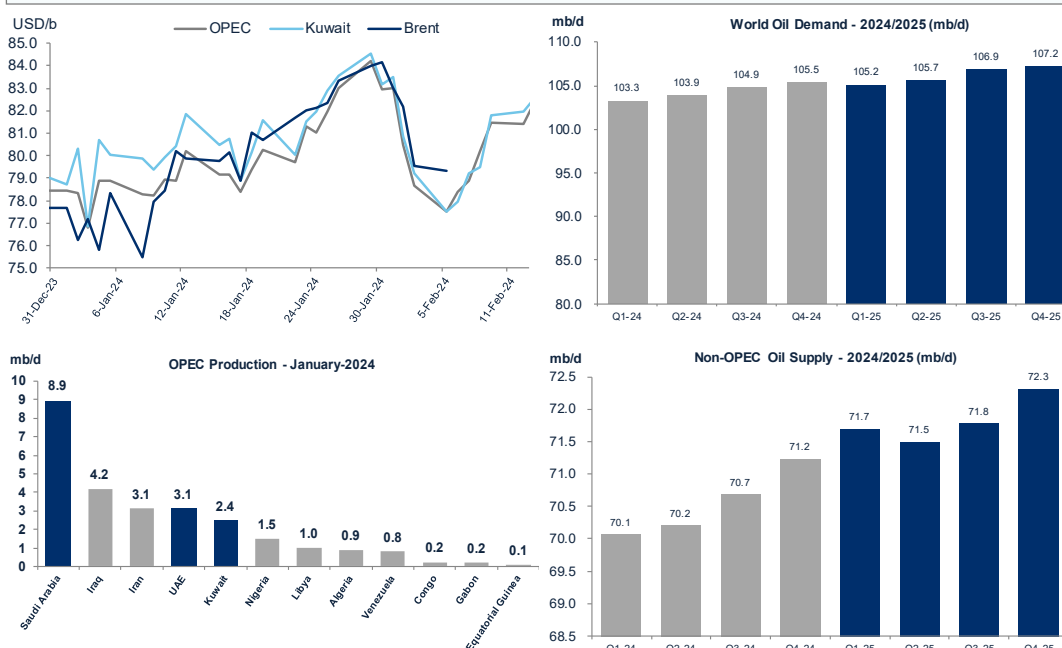
Oil remains elevated on Middle East tensions & US supply forecast...

Crude oil prices regained the USD 80/b mark and traded at the highest level this month after seeing consistent gains last week. The gains were mainly led by supply concerns due to the tensions in the Middle East, mainly the attacks on Red Sea cargo and the retaliation, as well as the war on Gaza. Further support came from estimates that longer routes taken by cargos by avoiding the Red Sea could marginally add to oil demand. Moreover, a forecast that showed slower growth in US crude oil output this year also supported prices. On the other hand, worries that rate cuts in the US would be delayed due to higher-than-expected inflation in January-2024 dented the overall rally in crude oil prices as slower economic growth could result in lower crude oil demand. Moreover, a fall in manufacturing activity in China continued to affect sentiments in the oil market.

On the regional geopolitical front, peace talks on the war on Gaza had little progress despite efforts from various fronts. As a result, the attacks on Red Sea cargoes continued impacting global freight rates. According to a Bloomberg report, shipping rates have surged closed to 200%-300% on some routes this year due to the attacks led by rising cost of insurance and longer routes. The IMF also warned about spillover effects of the attack that has affected 40% of commercial traffic volume passing through the Suez Canal and its impact on global economic growth.

On the demand front, the IEA said that demand growth is expected to be significantly weaker than last year impacted by slow growth in China and the demand for EVs. The agency expects oil demand growth of around 1.2 mb/d - 1.3 mb/d this year. Meanwhile, the CEO of Saudi Aramco projected a slightly better picture for oil demand with an expected demand growth of 1.5 mb/d. The Secretary-General of OPEC also stated robust demand expectations and was relatively more positive on continued demand from China further supported by strong growth in demand from India.

On the supply front, the latest forecast in the short term energy outlook report from the EIA showed a sharp fall in expected growth in oil production in the US. The agency expects US oil output to grow by 170 tb/d this year as compared to its previous growth projection of 290 tb/d. The sharp decline in expected production reflects several factors including the cold weather that has limited production to 12.6 mb/d in January-2023, higher global crude oil inventories as well as limited capital investment expected from oil drillers in the US with a focus on shareholder returns as seen from recent comments from some oil drillers. Nevertheless, North America is expected to lead crude oil production growth this year. Meanwhile, OPEC oil production showed a decline during January-2024 as new production cuts were implemented as a short term measure by the OPEC+ producers.



Sources : OPEC, EIA, Bloomberg

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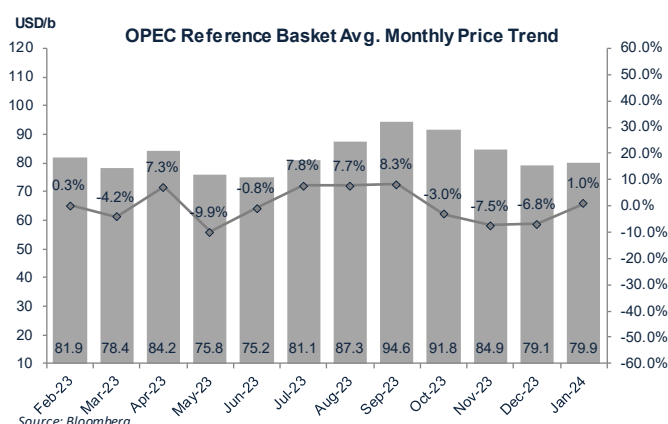
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Oil Prices

Crude oil futures witnessed the longest running positive streak in five months during the second week of February-2024 with prices breaching the USD 80/b mark after briefly trading below this level during the first week of the month. The 6.3% gain last week was mainly led by expectations of a tight market this year as well as fears of a supply disruption led by the conflict in the Middle East region. News that the US would not continue the pace of output growth as expected previously also supported prices. The oil rig count data from Baker Hughes showed flattish trend over last few weeks as the count stayed at 499 over the last three weeks until the week ended 9-February-2024. Analysts have also projected maturing shale production as one of the key reasons for the slow output growth this year.

Crude oil prices witnessed steep declines at the start of the month led by data showing faster-than-expected job creation in the US that dampened the chance of an earlier rate cut, slowing economic activity in China as well as higher crude oil inventories in the US after refinery shut down due to the cold weather. This also affected gasoline prices in the US that hovered around 3 month highs at gas stations and are forecasted to stay elevated. Data from American Automobile Association showed gasoline prices averaging at USD 3.2/b across the country. Refinery utilization also dropped to around 82.4% during late January-2024, according to data from Bloomberg.

In terms of monthly trends, prices of almost all crude grades reported gains during January-2024 after three consecutive months of declines. Average brent crude prices was up by 2.9% to reach USD 79.9/b. The gain in average OPEC reference basket price and Kuwait export grade prices was slightly smaller at around 1.0% to reach USD 80.0b and USD 80.8/b, respectively. Meanwhile, the consensus estimate for Brent crude underwent minimal changes from last month's forecast. Prices are now expected to average at USD 82.5/b in Q1-2024 and show gradual growth until Q4-2024 to reach 84/b. Price forecasts from the US EIA also showed minimal changes as the agency marginally lowered its forecast for Brent to USD 82.42/b for 2024 vs. USD 82.49/b in its last month's forecast whereas forecast for 2025 was kept unchanged at USD 79.48/b.



Average Crude Oil Prices, USD/b	Dec-2023	Jan-2024	Change (USD)	YTD Avg. 2023	YTD Avg. 2024
OPEC Reference Basket	79.0	80.0	1.0	81.6	80.0
Arab Light	81.3	82.1	0.9	83.8	82.1
Basrah Light	77.6	78.2	0.6	77.8	78.2
Bonny Light	79.8	80.8	1.0	82.4	80.8
Djeno	70.5	72.9	2.4	75.4	72.9
Es Sider	77.8	79.7	1.9	81.0	79.7
Iran Heavy	79.1	80.1	1.1	81.6	80.1
Kuwait Export	80.1	80.8	0.7	82.9	80.8
Merey	65.2	66.5	1.3	61.7	66.5
Murban	77.7	79.1	1.4	82.5	79.1
Rabi	77.5	79.9	2.4	82.4	79.9
Saharan Blend	78.8	81.4	2.5	83.8	81.4
Zafiro	79.4	81.7	2.3	81.3	81.7
Other Crudes					
Brent	78.0	80.3	2.3	82.9	80.3
Dubai	77.3	78.7	1.4	80.8	78.7
Isthmus	70.7	72.3	1.7	68.8	72.3
LLS	75.0	76.4	1.4	80.7	76.4
Mars	72.6	74.2	1.7	74.7	74.2
Minas	76.7	78.1	1.4	81.6	78.1
Urals	60.0	62.4	2.4	44.4	62.4
WTI	72.1	73.9	1.8	78.2	73.9
Differentials					
Brent/WTI	5.9	6.4	0.5	4.7	6.4
Brent/LLS	3.0	3.9	0.8	2.1	3.9
Brent/Dubai	0.7	1.5	0.9	2.1	1.5

Source: OPEC Monthly Oil Market Report - February-2024

World Oil Demand

Global oil demand growth forecast was kept unchanged from last month in OPEC's latest monthly report at 2.25 mb/d with average demand expected to reach 104.4 mb/d in 2024. However, there were revisions at the country level with upward adjustment to oil demand data for the US led by upgraded forecast for the US economy that could cause higher demand for crude oil. This was offset by downward revision to demand data for the OECD Europe region. In terms of regional trends, the OPEC expects continued improvements in air travel and road mobility in the US this year resulting in higher demand for jet/kerosene and gasoline. Demand for LPG is also expected to see growth led by healthy petrochemical feedstock requirements for ethylene. However, demand for diesel is expected to remain relatively soft due to weak manufacturing activity. As a result, OPEC forecast shows oil demand growth of 170 tb/d during 1H-2024. For the OECD Europe region, economic growth in the Eurozone is expected to remain sluggish, although recent indicators like PMI, bank lending and inflation rates

World Oil Demand - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	25.01	24.68	25.38	25.58	25.22	25.22	0.21	0.84
of which US	20.30	20.09	20.67	20.67	20.47	20.48	0.17	0.85
Europe	13.41	13.12	13.57	13.66	13.40	13.44	0.03	0.19
Asia Pacific	7.35	7.84	6.97	7.09	7.59	7.37	0.02	0.29
Total OECD	45.77	45.64	45.93	46.33	46.21	46.03	0.26	0.56
China	16.19	16.13	16.77	17.09	17.29	16.82	0.63	3.89
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
Total Non-OECD	56.39	57.68	57.99	58.55	59.26	58.37	1.99	3.53
Total World	102.16	103.32	103.91	104.88	105.47	104.4	2.25	2.20

Source: OPEC Monthly Oil Market Report - February-2024

suggest a bottoming of the sluggish trends. As a result, oil demand growth is expected to average at 30 tb/d during 1H-2024 and at 25 tb/d for the full year supported by higher demand for transportation fuel partially offset by sluggish demand for diesel and naphtha. For the Asian region, OPEC continues to remain positive on oil demand coming from China led by healthy manufacturing and driving activity in the near term. Data from Kpler quoted by Bloomberg showed overall crude oil imports in China were marginally lower in January-2024 but remained above 10 mb/d mark. Russia and Brazil were key suppliers to China, although the import of Iranian crude oil was the lowest in 11 months last month. India is expected to be another growth factor for oil demand in 2024 as the country experiences robust investment and services demand. The IEA recently said that India is expected to be the world's biggest oil demand growth driver through 2030. In terms of products, distillates are expected to be the key driver of crude oil demand in India supported by agriculture, construction and manufacturing activities. Oil demand forecast for 2025 was also broadly unchanged at 106.25 mb/d (vs. 104.21 mb/d expected last month) resulting in a y-o-y growth of 1.85 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	25.22	24.74	25.43	25.70	25.30	25.3	0.08	0.31
of which US	20.48	20.12	20.70	20.73	20.52	20.52	0.04	0.21
Europe	13.44	13.14	13.58	13.68	13.41	13.46	0.02	0.12
Asia Pacific	7.37	7.85	6.98	7.10	7.60	7.38	0.01	0.14
Total OECD	46.03	45.73	46.00	46.48	46.32	46.13	0.11	0.23
China	16.82	16.56	17.15	17.53	17.68	17.23	0.41	2.44
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
Total Non-OECD	58.37	59.42	59.66	60.45	60.91	60.11	1.74	2.98
Total World	104.40	105.15	105.65	106.94	107.23	106.25	1.85	1.77

Source: OPEC Monthly Oil Market Report - February-2024

World Oil Supply

Global liquids production once again dropped during January-2024. According to preliminary data, global oil supply averaged at 101.8 mb/d in January-2024 following a m-o-m decline of 0.6 mb/d. According to OPEC, the decline was led by lower production by both OPEC and non-OPEC producers. Non-OPEC suppliers showed a decline of 0.2 mb/d during the month with production averaging at 75.5 mb/d in January-2024 led by a drop in production in the US and Other Eurasia partially offset by higher output in China, Canada and Brazil.

Non-OPEC oil supply (liquids production) growth forecast for 2024 was lowered by 150 tb/d by the OPEC in its latest report. Supply is now expected to grow by 1.2 mb/d and average at 70.5 mb/d. The lowered forecast reflected downward revision in

Non-OPEC Oil Supply - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	28.66	28.97	29.14	29.59	29.89	29.4	0.74	2.59
of which US	20.89	21.00	21.35	21.61	21.76	21.43	0.54	2.60
Europe	3.63	3.83	3.72	3.66	3.81	3.75	0.13	3.50
Asia Pacific	0.44	0.45	0.42	0.43	0.42	0.43	(0.01)	(2.91)
Total OECD	32.73	33.25	33.28	33.69	34.12	33.59	0.86	2.62
China	4.57	4.60	4.59	4.56	4.56	4.58	0.01	0.24
India	0.77	0.79	0.79	0.79	0.78	0.79	0.01	1.70
Other Asia	2.27	2.28	2.24	2.21	2.21	2.24	(0.04)	(1.57)
Latin America	6.94	7.24	7.22	7.33	7.39	7.30	0.35	5.07
Middle East	3.27	3.25	3.28	3.27	3.28	3.27	0.00	(0.06)
Africa	2.40	2.36	2.36	2.40	2.43	2.39	(0.01)	(0.57)
Russia	10.92	10.8	10.84	10.84	10.86	10.84	(0.08)	(0.78)
Other Eurasia	2.91	2.86	2.97	2.97	2.99	2.95	0.04	1.45
Other Europe	0.10	0.10	0.10	0.10	0.10	0.10	0.00	(1.15)
Total Non-OECD	34.16	34.29	34.40	34.48	34.60	34.44	0.28	0.82
Total Non-OPEC Production	66.89	67.54	67.68	68.16	68.72	68.03	1.14	1.70
Processing gains	2.47	2.52	2.52	2.52	2.52	2.52	0.05	2.03
Total Non-OPEC Supply	69.36	70.06	70.2	70.68	71.24	70.55	1.19	1.71
OPEC NGLs and non-conventionals	5.41	-	-	-	-	5.47	0.06	1.11
OPEC Crude Oil Production	27.01	-	-	-	-	-	-	-
Total World Supply	101.78	-	-	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - February-2024

output from Russia (-81 tb/d), US (-61 tb/d), Kazakhstan (-35 tb/d) and Oman (-31 tb/d) partially offset by upward revision to supply forecast for Guyana (+38 tb/d). Forecast for oil production growth in the US was also lowered by the EIA which now expects production to average at 13.1 mb/d in 2024 as compared to 13.21 mb/d forecasted last month. The decline reflects a drop in production during January-2024 due to shut ins related to cold weather mainly in key oil producing states like North Dakota. The EIA forecasted that monthly production increase to almost 13.3 mb/d in February-2024 followed by a small decline by mid-2024 and will not reach the record set in December-2023 until February-2025. In addition, spending restraint from shale explorers and a focus on shareholder returns is also expected to impact production this year. Meanwhile, OPEC's supply forecasts for 2025 remained unchanged at a growth of 1.27 mb/d to average at 71.82 mb/d during the year.

Non-OPEC Oil Supply - 2024/2025, mb/d	2024	Q1-25	Q2-25	Q3-25	Q4-25	2025	Y-o-Y Growth	% Chg.
Americas	29.40	29.92	29.82	30.19	30.48	30.1	0.70	2.39
of which US	21.43	21.78	21.94	22.14	22.26	22.03	0.60	2.80
Europe	3.75	3.93	3.81	3.79	3.89	3.86	0.10	2.67
Asia Pacific	0.43	0.43	0.42	0.43	0.43	0.42	(0.01)	(1.81)
Total OECD	33.59	34.27	34.04	34.40	34.80	34.38	0.79	2.37
China	4.58	4.62	4.60	4.56	4.56	4.58	0.01	0.12
India	0.79	0.78	0.79	0.8	0.8	0.8	0.01	1.00
Other Asia	2.24	2.22	2.18	2.16	2.15	2.18	(0.06)	(2.63)
Latin America	7.30	7.49	7.52	7.59	7.65	7.56	0.27	3.66
Middle East	3.27	3.28	3.32	3.31	3.31	3.31	0.03	1.05
Africa	2.39	2.41	2.40	2.40	2.40	2.40	0.02	0.71
Russia	10.84	10.88	10.86	10.85	10.88	10.87	0.03	0.28
Other Eurasia	2.95	3.05	3.09	3.03	3.07	3.06	0.11	3.75
Other Europe	0.10	0.10	0.10	0.10	0.10	0.10	0.00	1.97
Total Non-OECD	34.44	34.84	34.87	34.80	34.93	34.86	0.42	1.21
Total Non-OPEC Production	68.03	69.11	68.91	69.2	69.73	69.24	1.21	1.78
Processing gains	2.52	2.58	2.58	2.58	2.58	2.58	0.06	2.38
Total Non-OPEC Supply	70.55	71.69	71.49	71.78	72.31	71.82	1.27	1.80

Source: OPEC Monthly Oil Market Report - February-2024

OPEC Oil Production & Spare Capacity

Oil production by the OPEC witnessed a steep decline during January-2024 after the new production cuts of 2.2 mb/d as agreed in November-2023 were implemented by members in the OPEC+ group. Aggregate production reached 26.2 mb/d during the month registering a decline of 350 tb/d, as per OPEC secondary sources, mainly led by lower production in Libya, Kuwait, Iraq and Algeria during the month partially offset by higher production mainly in UAE and Saudi Arabia. Data from Bloomberg monthly forecast showed a much steeper decline of 490 tb/d during the month to average at 26.57 mb/d during January-2024 as the data showed lower output even in Iran and Saudi Arabia during the month. Data for January-2024 excludes oil production figures for Angola as the country decided to leave the OPEC group following disagreements over production quotas.

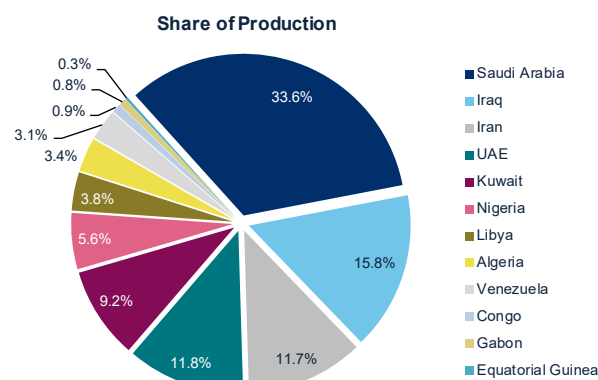
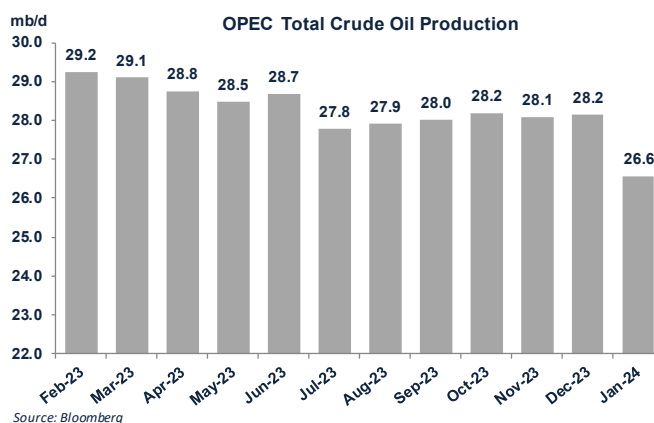
Production ('000 b/d)	Dec-23	Jan-24	Change		Capacity	Spare Capacity
Total OPEC-12	27,060	26,570	-490	-1.81%	32,990	6,420
Saudi Arabia	9,000	8,940	-60	-0.7%	12,000	3,060
Iraq	4,330	4,200	-130	-3.0%	4,800	600
Iran	3,160	3,120	-40	-1.3%	3,830	710
UAE	3,110	3,130	20	0.6%	4,200	1,070
Kuwait	2,550	2,440	-110	-4.3%	2,820	380
Nigeria	1,490	1,490	0	0.0%	1,600	110
Libya	1,140	1,020	-120	-10.5%	1,200	180
Algeria	950	900	-50	-5.3%	1,060	160
Venezuela	810	820	10	1.2%	840	20
Congo	240	240	0	0.0%	300	60
Gabon	220	200	-20	-9.1%	220	20
Equatorial Guinea	60	70	10	16.7%	120	50
Total OPEC-11	22,730	22,370	-360	-1.58%	28,190	5,820

Source: Bloomberg

The biggest monthly decline in production in January-2024 was seen in Libya with average production reaching 1.0 mb/d after seeing a decline of more than 100 tb/d during the month. The decline came after production at the biggest oil field in the country was suspended following protests over fuel shortages. The NOC declared force majeure at the start of January-2024 at the Sharara oil field that pumped around 270 tb/d resulting in stoppage of crude oil supplies to the western Zawiya terminal. The force majeure was lifted by the end of the month and the output quickly increased to 1.2 mb/d, according to the country's oil minister.

Oil production in Iraq declined by 98 tb/d as per OPEC secondary sources to reach 4.2 mb/d in January-2024. However, the decline fell short of agreed cuts and was 190 tb/d above the limit as per Bloomberg, while Reuters data showed a slightly smaller shortfall of 140 tb/d. Rest of the members in OPEC were mostly in compliance with the agreed cuts during the month.

In a significant development, Saudi Aramco recently announced that the company would not go ahead with the planned capacity expansion to 13.0 mb/d by 2027 from the current 12.0 mb/d. The company said it has postponed the investment due to energy transition. The announcement raised doubts over Saudi Arabia's view on future growth in crude oil demand, but the existing capacity within the Kingdom and in the OPEC at over 6.0 mb/d dampened the impact of the news on oil prices.



Source: Bloomberg

Brent Crude Oil Price Forecast

Firm	As Of	Q1-24	Q2-24	Q3-24	Q4-24
Kshitij Consultancy Services Pvt Ltd	9/Feb/24	76.5	88.5	84.2	88.6
Bank of America Merrill Lynch	6/Feb/24	78.0	80.0	82.0	80.0
Australia & New Zealand Banking Group Ltd	2/Feb/24	85.4	86.6	86.2	88.8
Commerzbank AG	2/Feb/24	80.0	85.0	90.0	90.0
Tradingeconomics.com	2/Feb/24	82.5	83.9	85.3	86.7
Deutsche Bank AG	1/Feb/24	83.0	83.0	88.0	88.0
Goldman Sachs Group Inc/The	1/Feb/24	78.0	83.0	83.0	81.0
UBS Group AG	1/Feb/24	84.0	86.0	86.0	82.0
JPMorgan Chase & Co	31/Jan/24	79.0	84.0	84.0	85.0
Rabobank	31/Jan/24	80.0	82.0	83.0	84.0
HSBC Holdings PLC	24/Jan/24	85.0	85.0	80.0	80.0
Standard Chartered Bank	23/Jan/24	92.0	94.0	98.0	106.0
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
ING Groep NV	12/Jan/24	82.0	80.0	82.0	84.0
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
Panmure Gordon & Co PLC	8/Jan/24	78.0	83.0	85.0	84.0
MUFG Bank	4/Jan/24	81.0	80.0	86.0	89.0
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
Capital Economics Ltd	29/Dec/23	84.0	82.0	79.0	77.0
Oxford Institute for Energy Studies	19/Dec/23	83.3			
Emirates NBD PJSC	19/Dec/23	85.0	80.0	80.0	85.0
Westpac Banking Corp	13/Dec/23	76.0	79.0	81.0	84.0
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 A/S	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
Market Risk Advisory Co Ltd	25/Oct/23	86.7	84.7	82.7	
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
Median		82.5	82.8	83.0	84.0
Mean		82.4	82.6	83.2	84.1
High		95.8	94.0	98.0	106.5
Low		76.0	76.0	75.0	74.0
Current Fwd		81.7	80.6	79.3	78.0
Difference (Median - Current)		0.8	2.1	3.7	6.0

Source: Bloomberg

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