

Oil Market Monthly Report

February-2025

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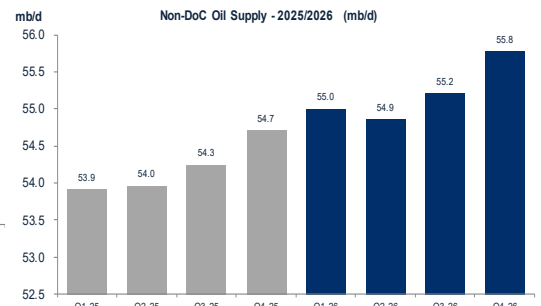
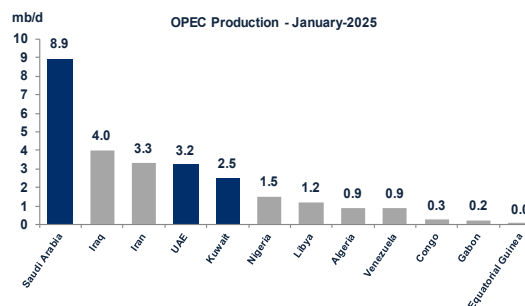
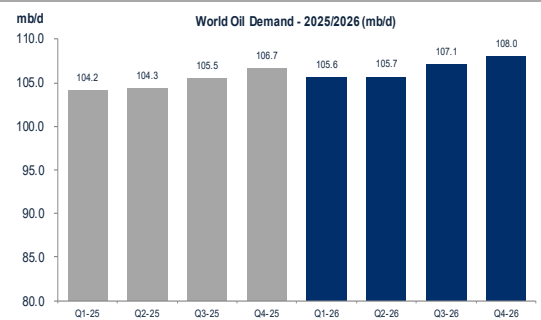
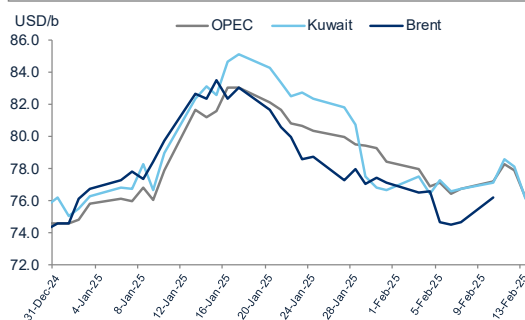
Oil continues to slide on US policy uncertainty, supply risks...

After declining for three consecutive weeks, crude oil prices were flattish last week and traded at levels seen towards the end of last year, prior to the announcement of Russian sanctions. The declines reflected fears related to the uncertainty in US policies regarding tariffs as well as news that the US may be initiating talks to enable a peace deal between Russia and Ukraine that could restart crude oil supplies from Russia. Other factors that affected crude oil prices recently included higher inventories in the US, higher Russian crude purchases by Asian buyers prior to the sanctions coming into effect and a strong USD. On the other hand, factors such as talks of stricter sanctions on Iran and the recent attacks on oil facilities in Russia and Ukraine provided temporary support to prices.

On the demand side, there were concerns related to the economic impact of the trade wars with the implementation of tariffs and counter measures by the trading partners. In addition, with elevated inflation levels as seen in last week's release from the US as well as higher-for-longer rates, oil demand is forecasted to be impacted. According to estimates, the tariff-led trade war could affect world GDP by around 1%. On the other hand, the escalating price of natural gas has once again reignited talks of higher usage of oil for electricity generation. This came after cold weather and fast depleting inventories in Europe pushed price of natural gas to a two year high last week.

Meanwhile, the sanctions imposed by the US on Russia and Iranian crude oil has resulted in a steep increase in crude oil held on sanctioned ship tankers. This has caused an escalation in the cost of tankers that are non-sanctioned. The cost to refiners have increased between USD 2 to USD 3 per barrel while transport costs have soared to almost three times as compared to pre-sanctions rates. A Reuters report that quoted data from Kpler showed Iranian oil in floating storage reaching the highest in more than a year, estimated at more than 25 million barrels, while Russian crude-on-water increased to a two-month high to reach 88 million barrels at the end of January-2025. Some of these cargoes have since been discharged, somewhat easing the glut on waters, but a decline in Russian exports also helped in this regard. Reports showed Asian buyers, mainly India and China, accelerating purchases of Russian crude oil during the first two months of the year before the sanctions are in effect.

Buyers in the crude oil market are also switching sellers in order to comply with the sanctions and, as a result, there is expected to be a structural change in the crude oil market. China is expected to buy more US crude oil and LNG to address the trade imbalance in the coming months while India may make up for any tariff-led decline in the coming months. Asian crude oil imports from Angola and Brazil are also forecasted to see a sharp increase in February-2025.

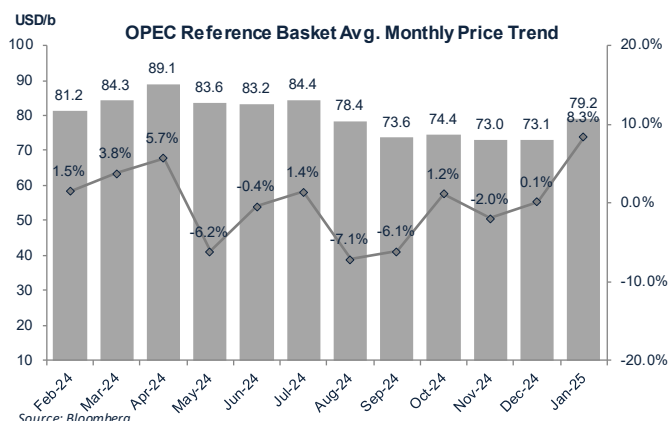


Sources : OPEC, EIA, Bloomberg

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Oil Prices

Crude oil prices reached lowest levels since the start of the year and traded around USD 74/b last week led by consistent declines. The declines were also reflected in the timespreads, indicating a weakening market. According to Bloomberg, the Brent prompt spread narrowed to its weakest since November-2024 last week, while the equivalent WTI measure also softened to merely 11 cents a barrel in backwardation as compared to a differential of more than USD 1/barrel a month ago. The declines reflect the uncertainty related to the US trade policies with the implementation of tariffs and counter tariffs from trading partners as well as news that the US and Russia have agreed to talks on ending the war with Ukraine indicating Russian oil supplies may increase. Last week's decline also came after inventory data in the US showed the third consecutive week of increase after declining for previous nine weeks. The increase came after Canadian and Mexican crude oil companies accelerated exports to the US before the implementation of the tariffs.



In terms of monthly price trend, prices of almost all crude grades reported healthy gains during January-2025 as compared to the average prices in December-2024. Last month also witnessed crude oil prices breaching the USD 75/b mark for the first time in three months and traded above this level for the bulk of the month. Average spot Brent crude oil price witnessed the biggest monthly growth in 16 months with an increase of 7.5% to reach USD 79.3/b during January-2025 as compared to an average of USD 73.8/b during December-2024. On the other hand, average OPEC reference basket price increased by 8.6%, the biggest monthly growth in 34 months since March-2022 to reach USD 79.4/b while Kuwait export grade crude prices also witnessed a multiyear high monthly growth of 9.1% to average at USD 80.4/b during January-2025. Meanwhile, the consensus estimate for Brent crude showed upward revision for prices over the next six quarters. The consensus forecast for Q1-2025 was up by USD 1.0/b to USD 75.0/b, according to data from Bloomberg, while the forecast for Q4-2025 was up marginally to USD 73.0/b.

Average Crude Oil Prices, USD/b	Dec-2024	Jan-2025	Change (USD)	YTD Avg. 2024	YTD Avg. 2025
OPEC Reference Basket	73.1	79.4	6.3	80.0	79.4
Arab Light	74.6	80.8	6.2	82.1	80.8
Basrah Light	71.9	78.0	6.1	78.2	78.0
Bonny Light	74.2	80.1	5.9	80.8	80.1
Djeno	66.3	71.8	5.5	72.9	71.8
Es Sider	71.9	77.6	5.7	79.7	77.6
Iran Heavy	73.0	79.7	6.7	80.1	79.7
Kuwait Export	73.7	80.4	6.7	80.8	80.4
Merey	61.1	66.9	5.7	66.5	66.9
Murban	73.4	80.4	7.1	79.1	80.4
Rabi	73.3	78.8	5.5	79.9	78.8
Saharan Blend	74.6	80.3	5.7	81.4	80.3
Zafiro	75.7	81.2	5.5	81.7	81.2
Other Crudes					
Brent	73.8	79.3	5.5	80.3	79.3
Dubai	73.0	80.6	7.5	78.7	80.6
Isthmus	67.6	73.3	5.7	72.3	73.3
LLS	72.3	77.5	5.2	76.4	77.5
Mars	70.5	75.7	5.3	74.2	75.7
Minas	76.4	82.1	5.7	78.1	82.1
Urals	62.0	66.5	4.5	62.4	66.5
WTI	69.8	75.3	5.5	73.9	75.3
Differentials					
Brent/WTI	4.0	4.0	0.0	6.4	4.0
Brent/LLS	1.4	1.7	0.3	3.9	1.7
Brent/Dubai	0.7	(1.3)	(2.0)	1.5	(1.3)

Source: OPEC Monthly Oil Market Report - Feb-2025

World Oil Demand

World oil demand growth forecast for 2025 was kept unchanged in the latest monthly report from the OPEC. The report shows a demand growth of 1.4 mb/d this year with demand expected to average at 105.2/b during the year. However, there were revisions at the regional level. In the OECD region, the demand growth forecast for the Americas was lowered by 0.03 mb/d to an average demand of 25.08 mb/d with demand in the US expected to be lower by 0.01 mb/d vs previous expectation to reach 20.51 mb/d in 2025, indicating greater downward revisions to demand from non-US countries in the region. This was more than offset by upward revisions to demand from OECD Europe and OECD Asia Pacific. In the non-OECD region, the revisions mostly showed a downward revision in demand growth during the year mainly led by lower-than-expected demand growth in China, partially offset by an upward revision to demand growth from Other Asia. Meanwhile, the latest world oil demand growth forecast from the IEA showed an upward revision of around 0.1 mb/d to a growth of 1.1 mb/d in 2025 to reach average demand of 104 mb/d. The IEA reiterated that China would remain the biggest driver of demand expansion this year while India and

World Oil Demand - 2024/2025, mb/d	2024	Q1-25	Q2-25	Q3-25	Q4-25	2025	Y-o-Y Growth	% Chg.
Americas	25.00	24.47	25.02	25.42	25.38	25.08	0.08	0.31
of which US	20.46	19.95	20.50	20.72	20.84	20.51	0.04	0.21
Europe	13.55	12.88	13.62	14.11	13.63	13.56	0.02	0.12
Asia Pacific	7.25	7.54	6.99	6.94	7.59	7.26	0.01	0.15
Total OECD	45.80	44.89	45.63	46.47	46.6	45.91	0.11	0.23
China	16.67	16.99	16.74	17.08	17.12	16.98	0.31	1.86
India	5.55	5.88	5.86	5.55	5.89	5.79	0.24	4.31
Other Asia	9.65	10.00	10.26	9.79	9.75	9.95	0.30	3.15
Latin America	6.79	6.80	6.94	7.00	6.98	6.93	0.14	2.10
Middle East	8.76	8.82	8.60	9.17	9.08	8.92	0.16	1.81
Africa	4.49	4.64	4.32	4.45	4.91	4.58	0.09	2.05
Russia	3.98	4.02	3.87	4.05	4.20	4.04	0.05	1.35
Other Eurasia	1.25	1.37	1.28	1.16	1.33	1.28	0.03	2.52
Other Europe	0.80	0.79	0.83	0.77	0.85	0.81	0.01	1.40
Total Non-OECD	57.95	59.31	58.71	59.03	60.11	59.29	1.34	2.32
Total World	103.75	104.20	104.34	105.50	106.71	105.2	1.45	1.40

Source: OPEC Monthly Oil Market Report - Feb-2025

other Asian countries are also expected to see growth in consumption during the year. On similar lines, the EIA said that oil demand in India is expected to grow by 0.3 mb/d during 2025 and 2026. Moreover, based on ongoing talks, the country is expected to increase its oil and LNG imports from the US in order to avoid tariffs. However, with the implementation of sanctions on Russia, data from Vortexa showed that India sourced 53.89% of its crude oil imports from Middle East producers during January-2025, the highest since October-2022.

The OPEC also kept its world oil demand growth forecast for 2026 unchanged at 1.43 mb/d with demand expected to average at 106.63 mb/d during the year. At the country level, there were downward revisions to demand data for the OECD Americas, China and Latin America that was offset by upward revisions to demand data for OECD Europe, OECD Asia Pacific and Other Asia regions.

World Oil Demand - 2025/2026, mb/d	2025	Q1-26	Q2-26	Q3-26	Q4-26	2026	Y-o-Y Growth	% Chg.
Americas	25.08	24.61	25.04	25.56	25.43	25.16	0.09	0.35
of which US	20.51	20.02	20.51	20.85	20.86	20.56	0.06	0.28
Europe	13.56	12.92	13.63	14.15	13.63	13.59	0.02	0.17
Asia Pacific	7.26	7.57	7.00	6.93	7.60	7.27	0.01	0.14
Total OECD	45.91	45.10	45.68	46.65	46.66	46.03	0.12	0.26
China	16.98	17.19	17.05	17.40	17.37	17.25	0.27	1.58
India	5.79	6.11	6.14	5.82	6.19	6.06	0.27	4.67
Other Asia	9.95	10.27	10.53	10.11	10.07	10.24	0.29	2.93
Latin America	6.93	6.93	7.07	7.12	7.10	7.06	0.13	1.82
Middle East	8.92	8.96	8.76	9.36	9.17	9.06	0.14	1.61
Africa	4.58	4.75	4.45	4.57	4.98	4.69	0.11	2.36
Russia	4.04	4.08	3.91	4.11	4.24	4.09	0.05	1.24
Other Eurasia	1.28	1.43	1.31	1.18	1.35	1.32	0.03	2.54
Other Europe	0.81	0.81	0.83	0.80	0.88	0.83	0.02	2.19
Total Non-OECD	59.29	60.53	60.04	60.47	61.34	60.6	1.31	2.21
Total World	105.20	105.63	105.72	107.12	108	106.63	1.43	1.36

Source: OPEC Monthly Oil Market Report - Feb-2025

World Oil Supply

World oil supply declined by almost 1 mb/d to reach 102.7 mb/d in January-2025, as per the IEA's latest monthly report. The decline was led by seasonally colder weather that affected North American supply coupled with output declines in Nigeria and Libya. The cold weather also affected global crude runs that declined by 1 mb/d to 82.9 mb/d during January-2025, also led by planned maintenance that reduced runs in the US. In terms of inventories, the IEA report showed global observed oil stocks declining by 49.3 mb/d during January-2025, as per preliminary data led by a large crude stock draw in China during the month, after falling by 17.1 mb/d during December-2025.

Non-DoC Oil Supply - 2024/2025, mb/d	2024	Q1-25	Q2-25	Q3-25	Q4-25	2025	Y-o-Y Growth	% Chg.
Americas	27.68	27.94	28.10	28.40	28.64	28.27	0.59	2.15
of which US	21.76	21.84	22.23	22.34	22.41	22.21	0.45	2.08
Europe	3.60	3.78	3.65	3.63	3.74	3.70	0.10	2.80
Asia Pacific	0.43	0.43	0.42	0.43	0.43	0.43	(0.01)	(1.79)
Total OECD	31.71	32.14	32.17	32.46	32.81	32.40	0.69	2.17
China	4.57	4.63	4.61	4.53	4.54	4.58	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	1.61	1.58	1.57	1.57	1.58	(0.03)	(1.81)
Latin America	7.23	7.37	7.40	7.48	7.61	7.47	0.24	3.26
Middle East	2.00	2.01	2.03	2.03	2.03	2.02	0.02	1.01
Africa	2.30	2.33	2.32	2.32	2.31	2.32	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	2.05
Total Non-OECD	18.97	19.19	19.21	19.21	19.32	19.23	0.26	1.36
Total Non-DoC Production	50.68	51.33	51.38	51.67	52.13	51.63	0.95	1.87
Processing gains	2.52	2.58	2.58	2.58	2.58	2.58	0.06	2.38
Total Non-DoC Supply	53.2	53.91	53.96	54.25	54.71	54.21	1.01	1.89
DoC NGLs and non-conventionals	8.31	-	-	-	-	8.39	0.08	0.96
DoC Crude Oil Production	40.94	-	-	-	-	-	-	-
Total World Supply	102.45	-	-	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - Feb-2025

The OPEC lowered its forecast for non-DoC liquids supply during 2025 by 0.07 mb/d and now expects the supply from non-DoC countries to grow by 1.01 mb/d during the year to an average of 54.21 mb/d. The downward revision was made to supply forecasts from both OECD as well as non-OECD countries. Supply growth forecast for the OECD region was lowered by 0.02 mb/d to 32.4 mb/d vs. previous month while the downward revision in forecast for the non-OECD countries was steeper by 0.05 mb/d to 19.23 mb/d. Forecast from the IEA showed global oil supply expected to increase by 1.6 mb/d this year to 106.5 mb/d with the increase mainly coming from non-DoC countries. The agency expects oil output in Russia to go below the 9 mb/d mark in the coming months and said that the cuts could increase if tanker shortages and refining outages persist. The decline also came after the recent attacks on oil facilities while data for crude oil exports are showing signs of weakening.

Supply growth forecast for 2026 for the non-DoC countries was also lowered by the OPEC by 0.17 mb/d and expected to average at 55.21 mb/d during the year. The revision was broad-based and was made to both OECD and non-OECD oil producers.

Non-DoC Oil Supply - 2025/2026, mb/d	2025	Q1-26	Q2-26	Q3-26	Q4-26	2026	Y-o-Y Growth	% Chg.
Americas	28.27	28.66	28.61	28.92	29.22	28.85	0.58	2.06
of which US	22.21	22.44	22.62	22.74	22.88	22.67	0.46	2.07
Europe	3.70	3.72	3.62	3.59	3.69	3.65	(0.04)	(1.19)
Asia Pacific	0.43	0.43	0.41	0.41	0.40	0.41	(0.01)	(3.36)
Total OECD	32.40	32.81	32.63	32.92	33.31	32.92	0.52	1.62
China	4.58	4.63	4.63	4.53	4.52	4.58	0.00	(0.01)
India	0.8	0.81	0.8	0.79	0.8	0.8	0.00	0.39
Other Asia	1.58	1.58	1.56	1.55	1.55	1.56	(0.02)	(1.43)
Latin America	7.47	7.72	7.81	7.95	8.05	7.88	0.42	5.61
Middle East	2.02	2.04	2.06	2.07	2.08	2.06	0.04	1.89
Africa	2.32	2.32	2.30	2.30	2.38	2.32	0.00	0.15
Other Eurasia	0.37	0.37	0.37	0.37	0.37	0.37	0.00	0.91
Other Europe	0.10	0.10	0.10	0.10	0.10	0.10	0.00	1.99
Total Non-OECD	19.23	19.58	19.62	19.67	19.85	19.68	0.45	2.32
Total Non-DoC Production	51.63	52.39	52.25	52.59	53.16	52.6	0.97	1.88
Processing gains	2.58	2.61	2.61	2.61	2.61	2.61	0.03	1.16
Total Non-DoC Supply	54.21	55	54.86	55.2	55.77	55.21	1.00	1.84

Source: OPEC Monthly Oil Market Report - Feb-2025

OPEC Oil Production & Spare Capacity

OPEC crude oil production declined for the second consecutive month during January-2025 to average at a three month low level of over 27.0 mb/d, according to data from Bloomberg. The monthly decline of 70 tb/d for the second straight month was mainly led by a steep fall in output in Iraq coupled with decline in output in Nigeria and Libya. These declines were partially offset by an increase in output mainly in Kuwait, Venezuela and the UAE. Data from OPEC secondary sources showed a slightly higher production decline of 121 tb/d with output averaging at 26.7 mb/d during the month led by a broad-based decline in output across OPEC group. The change in output for the broader DoC group was almost in line OPEC data with a fall of 118 tb/d. However, at the country level, non-OPEC DoC data showed an increase in output in Kazakhstan almost fully offset by decline in output in Mexico and Russia.

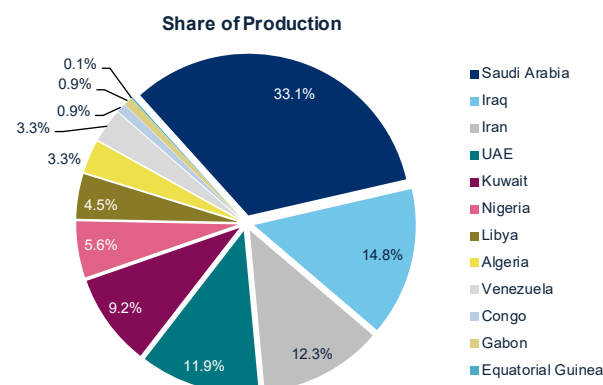
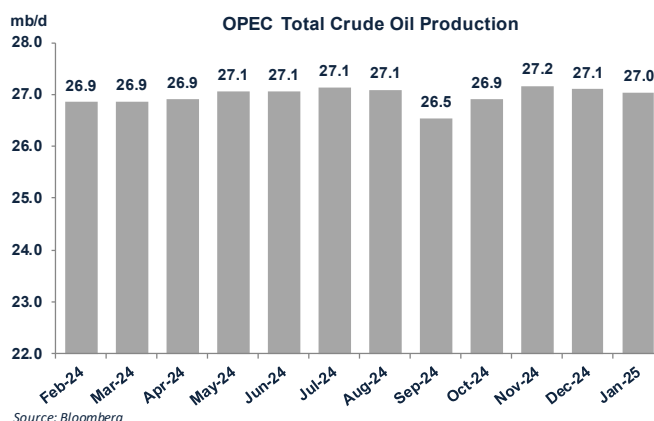
Production ('000 b/d)	Dec-24	Jan-25	Change		Capacity	Spare Capacity
Total OPEC-12	27,100	27,030	-70	-0.26%	33,510	6,490
Saudi Arabia	8,950	8,940	-10	-0.1%	12,000	3,060
Iraq	4,120	4,010	-110	-2.7%	4,800	790
Iran	3,320	3,320	0	0.0%	3,830	510
UAE	3,200	3,230	30	0.9%	4,650	1,420
Kuwait	2,430	2,490	60	2.5%	2,820	330
Nigeria	1,560	1,520	-40	-2.6%	1,600	80
Libya	1,230	1,210	-20	-1.6%	1,200	0
Algeria	900	890	-10	-1.1%	1,060	170
Venezuela	850	900	50	5.9%	900	0
Congo	250	250	0	0.0%	300	50
Gabon	220	230	10	4.5%	230	0
Equatorial Guinea	70	40	-30	-42.9%	120	80
Total OPEC-11	22,980	23,020	40	0.17%	28,710	5,690

Source: Bloomberg

Oil production in Iraq declined during January-2025 after a fire at one of its largest oil fields affected output. Production at the country's Rumaila oilfield dropped by 0.3 mb/d during the last week of the month. The fire was extinguished but the restoration of the output to previous levels of 1.2 mb/d was uncertain. The fall in output brings Iraq's oil production further in line with the OPEC+ quota of 4.0 mb/d and back the promised overcompliance to offset earlier under compliance. Meanwhile, in a recent development, the parliament in Iraq passed a plan to boost payments to oil companies in the Kurdistan region, a step towards resuming exports from the region that has remained halted since almost two years.

Nigeria also recorded a drop in oil production during January-2025. According to reports, imports of Nigerian crude oil into the US dropped to the lowest in four weeks during the week ended 7-February-2025.

Meanwhile, the OPEC+ group reaffirmed earlier this month that it will stick to its plan to raise oil production starting from April-2025. The groups policy is expected to be affected by the ongoing sanctions on Russia and Iran in addition to improving compliance to production cuts in recent months from other producers in the group. Data from Reuters showed that Russia's oil production is expected to go below 9 mb/d in coming months. Export volumes from Russia's western ports of Primorsk, Ust-Luga, and Novorossiisk were down by 17% y-o-y in January-2025.



Source: Bloomberg

Brent Crude Oil Price Forecast

Firm	As Of	Q1-25	Q2-25	Q3-25	Q4-25
Bank of America Merrill Lynch	11/Feb/25	78.0	76.0	74.0	72.0
Morgan Stanley	10/Feb/25	75.0	75.0	72.5	72.5
JYSKE BANK AS	10/Feb/25	80.0	80.0	73.0	70.0
Goldman Sachs Group Inc/The	10/Feb/25	79.0	80.0	78.0	77.0
JPMorgan Chase & Co	7/Feb/25	74.0	77.0	73.0	69.0
MPS Capital Services Banca per le Imprese SpA	7/Feb/25	78.0	78.0	74.0	
UBS Group AG	7/Feb/25	80.0	80.0	80.0	80.0
ING Groep NV	6/Feb/25	76.0	74.0	75.0	71.0
Standard Chartered Bank	4/Feb/25	82.0	84.0	89.0	93.0
MUFG Bank	30/Jan/25	73.0	69.0	74.0	77.0
Kshitij Consultancy Services Pvt Ltd	29/Jan/25	75.0	73.0	75.0	74.5
Citigroup Inc	27/Jan/25	75.0	68.0	63.0	60.0
Intesa Sanpaolo SpA	27/Jan/25	79.0	78.0	78.0	77.0
Australia & New Zealand Banking Group Ltd	22/Jan/25	85.0	83.0	80.0	82.0
Tradingeconomics.com	15/Jan/25	76.2	77.9	79.5	81.2
United States Department of Energy	14/Jan/25	76.3	75.0	74.0	72.0
Rabobank	10/Jan/25	72.5	71.0	69.0	67.5
Commerzbank AG	9/Jan/25	75.0	80.0	80.0	80.0
Market Risk Advisory Co Ltd	20/Dec/24	72.3	73.3	75.3	76.0
Emirates NBD PJSC	18/Dec/24	75.0	75.0	72.5	70.0
Barclays PLC	16/Dec/24	83.0	84.0	84.0	80.0
BNP Paribas SA	13/Dec/24	72.0	75.0	76.0	75.0
TD Securities	6/Dec/24	69.0	71.0	73.0	73.0
Natixis SA	3/Dec/24	75.0	70.0	75.0	73.0
Landesbank Baden-Wuerttemberg	3/Dec/24	75.0	70.0	70.0	70.0
Julius Baer	18/Nov/24	70.0	67.5	65.0	65.0
Panmure Gordon & Co PLC	13/Nov/24	74.0	73.0	73.0	72.0
Berenberg	15/Oct/24	75.0	75.0		
RBC	7/Oct/24	74.0	73.3	72.3	71.0
Deutsche Bank AG	1/Oct/24	70.0	70.0	65.0	60.0
HSBC Holdings PLC	30/Sep/24	70.0	76.5	76.5	76.5
Australian Government	30/Sep/24	75.2	73.7	72.1	70.5
Panmure Liberum	25/Sep/24	83.0	81.0	81.0	80.0
Median		75.0	75.0	74.0	73.0
Mean		75.8	75.4	74.7	73.8
High		85.0	84.0	89.0	93.0
Low		69.0	67.5	63.0	60.0
Current Fwd		75.6	74.1	72.8	71.8
Difference (Median - Current)		-0.6	0.9	1.2	1.2

Source: Bloomberg

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