

Oil Market Monthly Report

July-2023

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Oil at 12-week high, breaches USD 80/b mark on tight supplies...

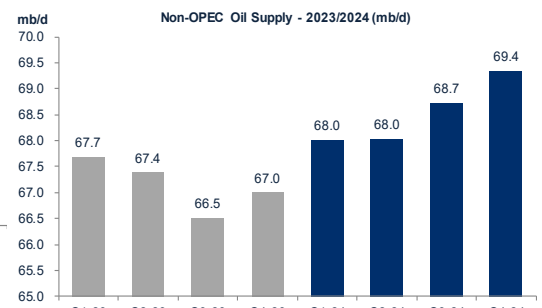
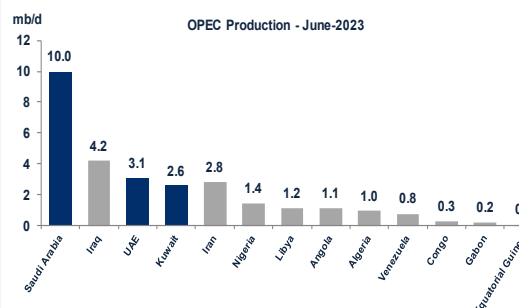
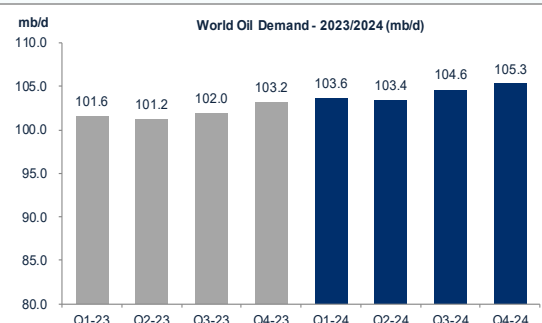
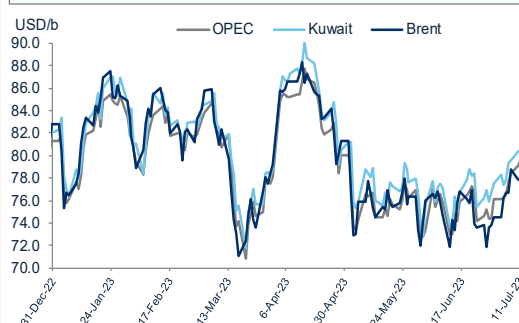
Crude oil prices reached the highest level since the last week of April-2023 after seeing consistent gains since the end of June-2023. The gains came initially on the back of tighter supplies as Saudi Arabia's additional voluntary cuts came into force coupled with cuts announced by Russia and Algeria. Further support came from optimism on the demand front after inflation in the US came in weaker-than-expected and to some extent economic sops announced in China. Nevertheless, a slowing Chinese economy with continued fall in exports and imports as well as higher inventories weighed on prices partially offsetting the overall gains.

Consumer inflation in the US declined for the twelfth consecutive month and came in at 3.0% during June-2023 supporting crude demand growth expectation during the second half of the year. The softer inflation also affected USD that reached a 15-month low against a basket of currencies further supporting oil prices as weaker USD makes crude oil cheaper for importers. With the declining inflationary pressure, oil watchers are optimistic on rate cuts later this year or a single rate hike vs. previous expectations of two hikes. The trend in Europe, however, continues to point to further rate hikes by central banks.

This was also reflected in the latest business activity surveys that showed a slump in June-2023 in Europe and China. PMI reports from S&P Global showed manufacturing activity in the Euro zone declined faster-than-expected led by persistent policy tightening by the ECB coupled with a steep decline in the UK. In Asia, China was a bright spot with marginal growth while Japan and South Korea showed a decline.

On the supply side, Saudi Arabia announced it would extend the 1 mb/d additional cuts to August-2023 aimed at stabilizing and bringing a balance to the oil market. Russia joined with another 0.5 mb/d of cuts while Algeria announced cuts of 20 tb/d bringing the total pledged cuts by OPEC+ to 5.2 mb/d. Meanwhile, the US EIA has forecasted record production in the US this year although oil rig count in the US continues to stay well below pre-pandemic levels. The latest weekly report from Baker Hughes showed oil rig count in the US declining for the 10th time in 11 weeks to reach 537 after declining by 3 for the week ended 14-July-2023.

On the production front, OPEC crude oil production increased for the first time in three months, albeit marginally, during June-2023. OPEC production averaged at 28.2 mb/d, according to OPEC secondary data, registering an increase of 91 tb/d from previous month. The increase was led by higher production mainly in Iran and Iraq, while declines in Angola and Libya partially offset the overall growth. Production in Saudi Arabia was flattish at 10 mb/d. Crude oil production in the US also remained flattish at 12.3 mb/d after sliding by 100 tb/d from the previous week.



Sources : OPEC, EIA, Bloomberg

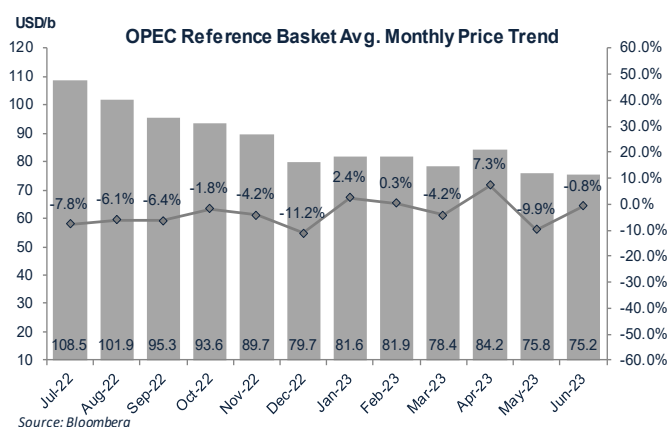
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Oil Prices

After reaching multi-month low levels last month and the biggest monthly decline in prices this year in May-2023, crude oil future prices showed consistent gains since the last week of June-2023 and breached the USD 80/b mark on 12-July-2023 to reach USD 80.11/b. Prices surged around 11.2% since the last week of June-2023 resulting in the first monthly gain in crude oil prices during the month this year. Nevertheless, in terms of quarterly performance, prices declined for the fourth straight quarter by 6.11% during Q2-2023. The recent gain in prices was mainly attributed to expectations of higher demand owing to slowing inflation numbers in the US as well as crude oil production cuts announced mainly by Saudi Arabia and Russia. However, factors like slowing economic growth especially in Europe, lower-than-expected growth in China as well as higher inventories reported last week resulted in downward pressure on prices.

In its monthly report, the IEA said it expects crude oil demand to reach a record level this year, although the pace of growth would be smaller-than-expected. The agency, however, slashed its oil demand forecast by 220 tb/d from last month's forecast and now expects demand to grow by 2.2 mb/d this year. The IEA also highlighted a slowing industrial activity in the OECD region, particularly in Europe, that is expected to dent overall demand growth during the year.

Meanwhile, average crude oil prices continued to decline during June-2023 due to depressed prices for the bulk of the month only to see gains towards the last week of the month. OPEC crude oil basket averaged at a multi-month low of USD 75.19/b registering a m-o-m decline of 0.8%. The fall in average Brent spot prices was slightly higher at 1.4% at an average of USD 74.7/b while average Kuwait crude grade witnessed a similar decline of 1.3% and averaged at USD 76.4/b. In terms of forecast, the EIA marginally lowered its forecast for Brent crude by for 2023 to USD 79.34 per barrel from its previous forecast of USD 79.54 per barrel. The forecast for 2024 was kept unchanged at USD 83.5/b.



Average Crude Oil Prices, USD/b	May-2023	Jun-2023	Change (USD)	YTD Avg. 2022	YTD Avg. 2023
OPEC Reference Basket	75.8	75.2	(0.6)	105.4	79.3
Arab Light	77.7	77.2	(0.5)	106.0	81.2
Basrah Light	73.3	73.0	(0.3)	103.8	76.4
Bonny Light	75.6	74.2	(1.5)	109.3	79.8
Djeno	68.4	67.3	(1.1)	100.4	72.2
Es Sider	75.3	74.2	(1.1)	107.9	78.7
Girassol	77.2	76.3	(0.9)	109.9	80.9
Iran Heavy	76.5	75.3	(1.1)	105.1	79.6
Kuwait Export	77.4	76.4	(1.0)	106.2	80.7
Merey	56.2	57.4	1.2	81.4	59.4
Murban	75.7	75.5	(0.1)	104.3	79.9
Rabi	75.4	74.3	(1.1)	107.4	79.2
Saharan Blend	76.4	75.2	(1.2)	111.1	80.6
Zafiro	76.8	75.3	(1.5)	109.7	79.9
Other Crudes					
Brent	75.8	74.7	(1.1)	107.9	79.6
Dubai	75.1	74.7	(0.4)	101.9	78.9
Isthmus	65.8	66.3	0.5	100.2	67.7
LLS	73.7	72.6	(1.1)	103.8	77.3
Mars	71.1	70.7	(0.4)	99.2	73.7
Minas	73.7	72.6	(1.1)	102.8	77.8
Urals	55.2	56.6	1.4	86.7	54.2
WTI	71.6	70.3	(1.3)	101.9	74.8
Differentials					
Brent/WTI	4.2	4.4	0.2	5.9	4.9
Brent/LLS	2.1	2.1	0.0	4.1	2.4
Brent/Dubai	0.7	0.0	(0.7)	5.9	0.7

Source: OPEC Monthly Oil Market Report - July-2023

World Oil Demand

World oil demand growth estimates for 2023 was upgraded by 0.1 mb/d by the OPEC in its latest monthly report. The OPEC now expects demand to grow by 2.4 mb/d this year to reach 102 mb/d. The upward revision was made to demand data for China for Q2-2023 during April-2023 and May-2023. OECD demand expectation was also revised upward with OECD Americas expected to see growth led by better-than-expected growth in the US in Q2-2023 while OECD Europe demand was raised for Q1-2023. In the non-OECD region, demand estimates for Latin America also underwent a slight upgrade. Data from Bloomberg showed steady demand in the road transportation sector in the US and China with the former seeing higher demand led by holiday driving while China witnessed stable demand recently.

The OPEC also published its first forecast for oil market in 2024. OPEC expects a bigger demand growth next year by 2.2 mb/d

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	24.58	25.14	25.51	25.09	25.08	0.07	0.28
of which US	20.43	20.12	20.52	20.75	20.37	20.44	0.01	0.04
Europe	13.50	13.06	13.34	14.07	13.37	13.46	(0.04)	(0.31)
Asia Pacific	7.43	7.86	7.05	7.27	7.69	7.47	0.03	0.44
Total OECD	45.95	45.49	45.52	46.85	46.16	46.01	0.06	0.13
China	14.85	15.63	15.96	15.38	16.11	15.77	0.92	6.19
India	5.14	5.40	5.41	5.21	5.50	5.38	0.24	4.75
Other Asia	9.02	9.40	9.65	9.14	9.24	9.35	0.33	3.67
Latin America	6.44	6.60	6.52	6.71	6.68	6.63	0.19	3.02
Middle East	8.29	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	3.68	3.45	3.59	3.87	3.65	0.09	2.49
Other Eurasia	1.15	1.24	1.16	1.02	1.22	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	55.70	55.11	57.05	55.99	2.38	4.43
Total World	99.56	101.61	101.22	101.95	103.21	102	2.44	2.45

Source: OPEC Monthly Oil Market Report - July-2023

to reach 104.25 mb/d led by a broad-based growth across key regions globally. The non-OECD region is expected to be the key driver of growth during the year with an expected growth of almost 1.99 mb/d to reach 57.98 mb/d. China is expected to see the biggest y-o-y growth in 2024 at 0.58 mb/d to reach average demand of 16.35 mb/d during the year. The Middle East and Other Asia regions are expected to follow with demand growths of 0.38 mb/d and 0.31 mb/d, respectively, while demand growth in India is expected to reach 0.22 mb/d to an average of 5.6 mb/d. In terms of product category, non-OECD demand is expected to be driven by recovery in demand for jet fuel further supported by steady demand growth for gasoline and industrial fuel.

The demand growth in the OECD region is expected to be relatively smaller at 0.26 mb/d to reach an average of 46.27 mb/d in 2024. The biggest increase in the OECD region is expected to come from the US with a forecasted growth of 0.14 mb/d to reach an average demand of 20.58 mb/d. Growth in Europe is expected to reach 0.06 mb/d to an average of 13.52 mb/d while OECD Asia Pacific is expected to see the smallest growth in the region at 0.02 mb/d to an average of 7.49 mb/d.

World Oil Demand - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	25.08	24.76	25.31	25.71	25.25	25.26	0.18	0.72
of which US	20.44	20.12	20.66	20.91	20.51	20.58	0.14	0.70
Europe	13.46	13.11	13.40	14.14	13.41	13.52	0.06	0.41
Asia Pacific	7.47	7.89	7.07	7.30	7.70	7.49	0.02	0.29
Total OECD	46.01	45.77	45.77	47.16	46.36	46.27	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	5.65	5.44	5.69	5.60	0.22	4.09
Other Asia	9.35	9.66	9.90	9.50	9.6	9.66	0.31	3.31
Latin America	6.63	6.79	6.71	6.93	6.84	6.82	0.19	2.86
Middle East	8.67	8.91	8.91	9.41	8.97	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	57.87	57.62	57.48	58.96	57.98	1.99	3.55
Total World	102.00	103.64	103.39	104.63	105.31	104.25	2.25	2.20

Source: OPEC Monthly Oil Market Report - July-2023

World Oil Supply

Global liquids production recorded growth for the first time in four months during June-2023. According to preliminary data, global oil supply increased by 0.6 mb/d to reach an average of 101.2 mb/d. The increase during the month was led by a growth in production in both non-OPEC and OPEC producers. Non-OPEC liquids production (including OPEC NGLs) increased by 0.5 mb/d during June-2023 to average at 73.0 mb/d mainly led by higher production in OECD Americas and Other Eurasia that more than offset a fall in production in Russia. OPEC production also witnessed a marginal growth of around 91 tb/d resulting in a market share of 27.9%.

Non-OPEC liquids supply forecast for 2023 was kept unchanged at a growth of 1.4 mb/d. However, there were adjustments at

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	27.88	27.95	28.22	28.42	28.12	1.28	4.77
of which US	19.21	20.08	20.29	20.34	20.45	20.29	1.08	5.63
Europe	3.57	3.66	3.63	3.80	3.94	3.76	0.18	5.17
Asia Pacific	0.48	0.45	0.45	0.48	0.47	0.46	(0.01)	(2.83)
Total OECD	30.89	32.00	32.03	32.50	32.84	32.34	1.45	4.69
China	4.48	4.63	4.63	4.50	4.50	4.56	0.09	1.91
India	0.77	0.76	0.77	0.78	0.78	0.78	0.00	0.32
Other Asia	2.3	2.31	2.31	2.33	2.36	2.33	0.03	1.20
Latin America	6.34	6.69	6.71	6.70	6.79	6.72	0.38	6.06
Middle East	3.29	3.27	3.29	3.29	3.30	3.29	0.00	0.02
Africa	1.29	1.25	1.28	1.32	1.31	1.29	0.00	0.00
Russia	11.03	11.2	10.83	9.55	9.57	10.28	(0.75)	(6.82)
Other Eurasia	2.83	3.00	2.96	2.95	2.98	2.97	0.14	4.99
Other Europe	0.11	0.11	0.11	0.11	0.10	0.11	0.00	(0.85)
Total Non-OECD	32.44	33.23	32.89	31.54	31.69	32.33	(0.11)	(0.34)
Total Non-OPEC Production	63.34	65.23	64.92	64.04	64.53	64.68	1.34	2.11
Processing gains	2.40	2.47	2.47	2.47	2.47	2.47	0.07	2.96
Total Non-OPEC Supply	65.73	67.69	67.39	66.51	67	67.14	1.41	2.15
OPEC NGLs and non-conventionals	5.39	-	-	-	-	5.44	0.05	0.93
OPEC Crude Oil Production	28.85	-	-	-	-	-	-	-
Total World Supply	99.97	-	-	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - July-2023

the country level with supply forecasts for US and Mexico seeing an upward revision of 25 tb/d and 17 tb/d while forecasts for UK and Canada were revised downwards by 21 tb/d and 25 tb/d, respectively.

OPEC's supply forecast for 2024 showed a growth of 1.4 mb/d for non-OPEC liquids led by higher production in the US, Canada, Guyana, Brazil, Norway and Kazakhstan partially offset by a fall in production in Mexico and Azerbaijan. The US is expected to see the biggest supply growth next year by 0.68 mb/d to reach average liquids supply of 20.97 mb/d. Latin America is expected to follow with a supply growth of 0.31 mb/d to an average of 7.03 mb/d. Total OECD supply is expected to increase by 0.94 mb/d while non-OECD supply is expected to increase by 0.4 mb/d in 2024.

Non-OPEC Oil Supply - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	28.12	28.64	28.67	29.14	29.45	28.98	0.86	3.05
of which US	20.29	20.62	20.85	21.11	21.28	20.97	0.68	3.34
Europe	3.76	3.94	3.79	3.79	3.90	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	32.34	33.05	32.90	33.39	33.79	33.28	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	1.70
Other Asia	2.33	2.31	2.28	2.26	2.26	2.28	(0.05)	(2.33)
Latin America	6.72	6.89	6.96	7.09	7.17	7.03	0.31	4.55
Middle East	3.29	3.34	3.33	3.32	3.32	3.32	0.04	1.14
Africa	1.29	1.31	1.34	1.37	1.38	1.35	0.05	4.06
Russia	10.28	10.1	10.22	10.35	10.46	10.28	0.00	(0.01)
Other Eurasia	2.97	3.03	3.02	3.00	3.04	3.02	0.05	1.79
Other Europe	0.11	0.10	0.10	0.10	0.10	0.10	0.00	(1.13)
Total Non-OECD	32.33	32.44	32.61	32.82	33.05	32.73	0.40	1.24
Total Non-OPEC Production	64.68	65.5	65.52	66.2	66.83	66.01	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	67.14	68.01	68.03	68.72	69.35	68.53	1.39	2.07

Source: OPEC Monthly Oil Market Report - July-2023

OPEC Oil Production & Spare Capacity

After seeing declines for the previous three consecutive months, OPEC crude oil production saw marginal growth during June-2023. According to Bloomberg data, production during the month stood at 28.6 mb/d in June-2023 as compared to 28.5 mb/d during May-2023, registering a growth of 80 tb/d or 0.16% m-o-m. By contrast, OPEC secondary sources showed a slightly bigger production growth of 91 tb/d to reach an average production of 28.2 mb/d during June-2023 as compared to 28.1 mb/d during the previous month. The increase in output during the month mainly reflected a growth in production mainly in Iraq, Nigeria and Venezuela based on data from OPEC and Bloomberg. OPEC secondary sources showed a sharp growth in production in Iran by 54 tb/d (Bloomberg data showed a decline) while production in Angola and Algeria declined by 46 tb/d and 16 tb/d, respectively.

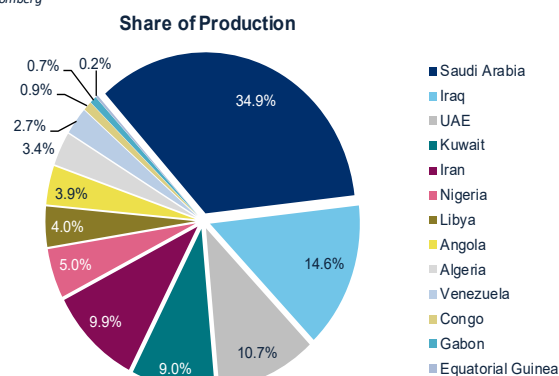
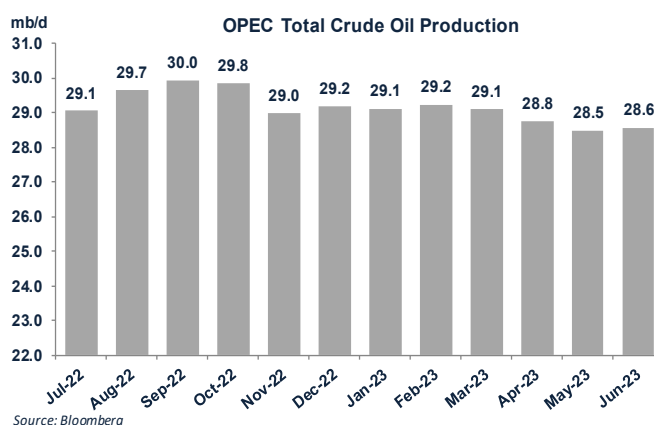
Production ('000 b/d)	May-23	Jun-23	Change		Capacity	Spare Capacity
Total OPEC-13	28,490	28,570	80	0.28%	34,100	5,530
Saudi Arabia	9,960	9,960	0	0.0%	12,000	2,040
Iraq	4,140	4,180	40	1.0%	4,800	620
UAE	3,130	3,070	-60	-1.9%	4,200	1,130
Kuwait	2,550	2,570	20	0.8%	2,820	250
Iran	2,890	2,830	-60	-2.1%	3,830	1,000
Nigeria	1,380	1,420	40	2.9%	1,600	180
Libya	1,120	1,150	30	2.7%	1,200	50
Angola	1,110	1,110	0	0.0%	1,200	90
Algeria	970	960	-10	-1.0%	1,060	100
Venezuela	740	780	40	5.4%	750	-30
Congo	250	260	10	4.0%	300	40
Gabon	200	210	10	5.0%	220	10
Equatorial Guinea	50	70	20	40.0%	120	50
Total OPEC-12	24,350	24,390	40	0.16%	29,300	4,910

Source: Bloomberg

Oil production in Saudi Arabia remained almost flat at 10 mb/d during June-2023. The Kingdom is expected to implement additional production cuts of 1 mb/d during July-2023 and August-2023 that would result in production going to a multi-year low levels at around 9 mb/d, according to Ministry of Energy. The Kingdom also hinted that the additional cuts could be extended beyond August-2023.

The increase in Iran oil production during June-2023 came after reports showing higher exports from the country. A report from S&P Global said that this could be a result of US relaxing sanctions enforcement on the country. A similar action towards Venezuela was also highlighted by S&P with the OPEC member also reporting an increase in production during June-2023.

Iraq witnessed one of the biggest growth in production in OPEC during June-2023. The country produced at an average rate of 4.2 mb/d registering a m-o-m increase of 54 tb/d, as per OPEC secondary sources. Iraq also recently signed a long-delayed USD 27 Bn energy deal with TotalEnergies aimed at increasing the country's oil and gas output in the coming years. As per the deal, the oil production capacity at Basra's Ratawi field is planned to increase by 120 tb/d in two years followed by further increase to 210 tb/d within four years. The country plans to increase production capacity to 6 mb/d by offering concession agreements with global oil companies.



Source: Bloomberg

Brent Crude Oil Price Forecast

Firm	As Of	Q3-23	Q4-23	Q1-24	Q2-24
Bank of America Merrill Lynch	12/Jul/23	80.0	82.0		
Standard Chartered Bank	11/Jul/23	88.0	93.0	92.0	94.0
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
Commerzbank AG	7/Jul/23	80.0	85.0	85.0	85.0
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
Tradingeconomics.com	3/Jul/23	77.6	79.9	82.4	84.9
Citigroup Inc	30/Jun/23	83.0	78.0		
HSBC Holdings PLC	30/Jun/23	80.0	80.0		
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
UBS Group AG	22/Jun/23	85.0	90.0	95.0	95.0
MUFG Bank	21/Jun/23	80.0	84.0	83.0	81.0
JPMorgan Chase & Co	14/Jun/23	79.0	85.0	83.0	83.0
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
Capital Economics Ltd	9/Jun/23	78.0	85.0	89.0	87.0
ING Groep NV	5/Jun/23	93.0	99.0	95.0	
Societe Generale SA	31/May/23	95.0	90.0		
Natixis SA	25/May/23	86.0	88.0	85.0	83.0
Banco Santander SA	17/May/23	75.0	77.6	75.0	73.0
National Australia Bank Ltd	1/May/23	92.0	91.0	92.0	86.0
RBC	3/Apr/23	90.5	95.0	89.8	91.0
Deutsche Bank AG	3/Apr/23	80.0	85.0		
Landesbank Baden-Wuerttemberg	20/Jan/23	85.0	85.0	80.0	80.0
Median		80.0	85.0	84.0	84.0
Mean		81.5	83.2	83.3	83.2
High		95.0	99.0	95.0	95.0
Low		71.0	65.0	63.0	63.0
Current Fwd		79.8	78.6	77.5	76.5
Difference (Median - Current)		0.2	6.4	6.5	7.5

Source: Bloomberg

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