

Oil Market Monthly Report

June-2023

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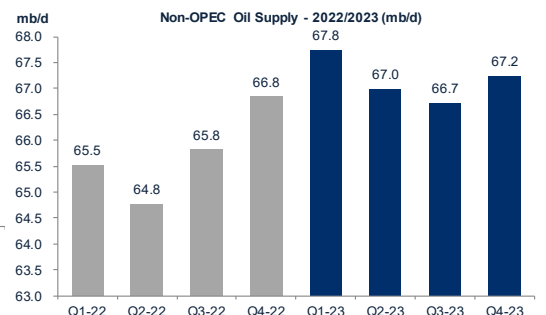
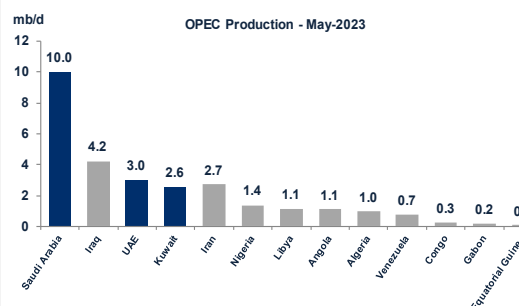
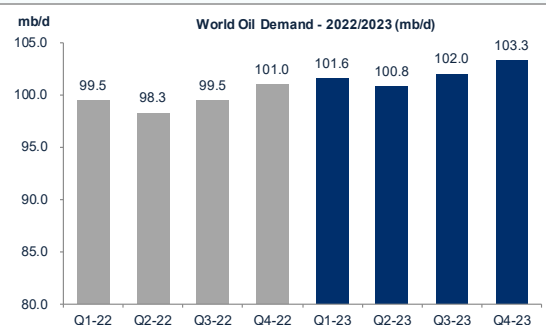
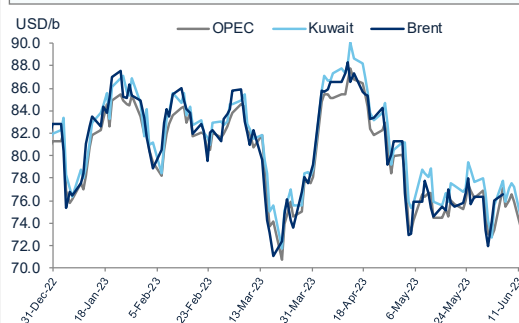
Oil reverses from an 18-month low on hopes of a rate pause and China stimulus...

Consistent decline in crude oil prices since the start of the year and further declines during June-2023 pushed prices to the lowest point since December-2021 by the second week of June-2023. The declines came after several datapoints pointed to a slowdown in demand in the near term especially in China, the US and Euro Area. The latest economic forecast from the OECD highlighted sluggish growth in these regions resulting in a 2.7% growth in global GDP this year followed by a marginal improvement next year at 2.9%. **Moreover, hopes of robust demand for jet fuel faded as latest data pointed to moderate weekly growth in global passenger flights.** The decline in oil prices came despite Saudi Arabia announcing additional voluntary cuts of around 1 mb/d in July-2023 aimed at stabilizing prices, over and above its existing quota of cuts. The news that OPEC+ would extend the ongoing cuts of around 3.66 mb/d in 2024 also failed to support crude oil prices.

Nevertheless, there were several positive news in the market that reversed the course of crude oil. This included the hopes of moderating inflation in the US and an expected rate pause by the US Fed which may support oil demand. **The US government's tender to purchase 3 million barrels of oil to refill its SPR and an additional 12 million barrels of planned purchases for this year also supported prices of sour oil in the US.** On the other hand, **China is reportedly planning an economic stimulus to boost consumption.**

On the demand front, the latest export figures from China pointed to a slowdown in factory output indicating a weak global demand especially emanating from developed markets due to higher inflation in US and Europe. Exports from China declined at a faster-than-expected pace of 7.5% y-o-y during May-2023 while imports contracted by 4.5%. **To counter this slowdown in export demand, the Chinese government announced small cut to its seven day reverse repo rate that was aimed at boosting domestic demand.** Moreover, a summer-cooling led demand in Europe as temperatures peaked in the region was countered by ample inventories in the region. Meanwhile, prices in the physical market aimed at India took a hit after a cyclone led to force majeure at key oil and container ports on the western coast.

On the supply side, the wildfires in Canada affected light oil and natural gas production. A report from Rystad Energy said that around 0.3 mb/d or 20% of oil and gas production may be affected in British Colombia. On the other hand, the forecasted growth for US shale oil production was modest. The Permian basin in the US is expected to add merely 767 b/d next month, the slowest pace of growth in the region since February-2023, led by inflation and investor pressure on drillers to maintain fiscal discipline. **Oil production by the OPEC also plunged around 0.5 mb/d during May-2023 to 28.1 mb/d mainly led by steep cuts implemented by Saudi Arabia, the UAE and Kuwait that was partially offset by higher production in Nigeria.**



Sources : OPEC, EIA, Bloomberg

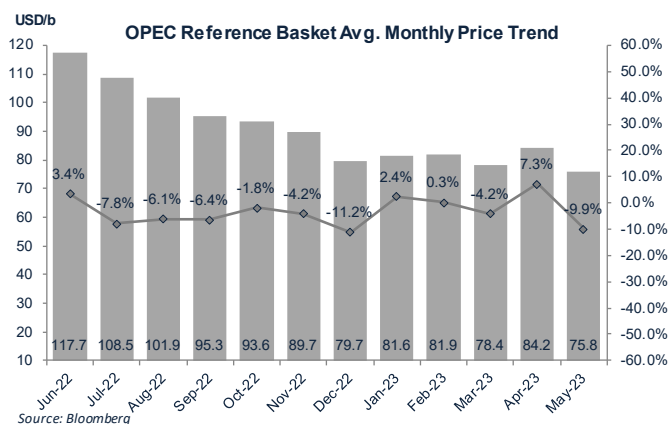
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Oil Prices

Oil traded within a tight range of USD 70 and USD 80 per barrel over the last few weeks led by pressure on the demand front that was countered by supply adjustments. Brent futures closed at the lowest level in 18 months on 12-June-2023 led by fears of slow demand recovery this year, in addition to ample supply and inventories. Although prices witnessed more than 3% recovery on 13-June-2023 led by hopes of a rate pause and China's stimulus plans, the market remained fragile eyeing slow economic growth in most major oil consuming countries. The ECB, on the other hand, is expected to implement a 25 bps hike on Thursday, further affecting demand from the region. Market also ignored the steep cut announced by Saudi Arabia for July-2023 as well as an extension to the existing cuts by OPEC countries. A report from Refinitiv showed Brent crude oil's six month backwardation has fallen to the lowest since March-2023, indicating a declining market confidence in higher demand for oil as compared to supplies.

Data from Baker Hughes showed aggregate oil rig count increase modestly by 1 rig for the first time in six weeks. This confirms data a recent government report that showed marginal growth in production in the near term. However, the latest weekly report on oil production showed US output reaching 12.4 mb/d during the week ended 2-June-2023, the highest level in three years.

Oil prices remained below the USD 80/b mark since the start of May-2023 resulting in the biggest monthly decline in five months. OPEC crude basket averaged at a 17-month low level during May-2023 at USD 75.8/b registering a m-o-m decline of 9.9%. The fall in average Brent spot prices was even higher and in double digit at 10.7% at an average of USD 75.8/b while average Kuwait crude grade witnessed a slightly smaller decline of 9.7% and averaged at USD 77.4/b. In terms of forecast, the EIA upgraded its forecast for Brent crude by for 2023 to USD 79.54 per barrel from its previous forecast of USD 78.65/b issued last month. The forecast for 2024 was also raised to USD 83.5/b from USD 74.47/b in the previous forecast. The broader Bloomberg consensus expectation for Brent crude showed downgrades for the next four quarters vs. last month.



Average Crude Oil Prices, USD/b	Apr-2023	May-2023	Change (USD)	YTD Avg. 2022	YTD Avg. 2023
OPEC Reference Basket	84.1	75.8	(8.3)	102.8	80.2
Arab Light	85.7	77.7	(7.9)	103.7	82.0
Basrah Light	81.8	73.3	(8.4)	101.4	77.1
Bonny Light	85.9	75.6	(10.3)	106.0	81.0
Djeno	77.5	68.4	(9.1)	97.1	73.2
Es Sider	84.0	75.3	(8.7)	104.3	79.6
Girassol	87.0	77.2	(9.8)	106.4	81.9
Iran Heavy	84.6	76.5	(8.1)	102.9	80.5
Kuwait Export	85.5	77.4	(8.1)	103.9	81.6
Merey	62.6	56.2	(6.4)	79.1	59.8
Murban	84.1	75.7	(8.5)	101.6	80.8
Rabi	84.4	75.4	(9.1)	104.1	80.2
Saharan Blend	85.4	76.4	(9.0)	107.5	81.8
Zafiro	85.9	76.8	(9.1)	106.1	80.9
Other Crudes					
Brent	84.9	75.8	(9.1)	104.6	80.6
Dubai	83.4	75.1	(8.3)	99.7	79.8
Isthmus	72.6	65.8	(6.8)	97.4	67.9
LLS	81.3	73.7	(7.6)	101.4	78.2
Mars	78.3	71.1	(7.2)	97.4	74.3
Minas	81.4	73.7	(7.6)	100.3	78.9
Urals	60.0	55.2	(4.8)	85.6	53.7
WTI	79.4	71.6	(7.8)	99.3	75.7
Differentials					
Brent/WTI	5.5	4.2	(1.3)	5.3	5.0
Brent/LLS	3.6	2.1	(1.5)	3.2	2.4
Brent/Dubai	1.5	0.7	(0.8)	4.9	0.9

Source: OPEC Monthly Oil Market Report - June-2023

World Oil Demand

World oil demand growth estimate for 2022 was kept unchanged at a growth of 2.5 mb/d to average at 99.57 mb/d during the year. However, adjustments were made at the country level for data for Q4-2022 including a small upward adjustment to demand data for the OECD Americas region.

For 2023, demand growth forecast was also kept unchanged with a growth of 2.3 mb/d to average at 101.91 mb/d during the year. However, country-level data for China, Latin America and for the Middle East region witnessed an upward adjustment that was offset by downward revision to data for OECD Europe, Other Asia and Africa. The downward adjustments reflected weak demand during 2Q-2023 led by economic challenges. China's economy witnessed better-than-expected performance that led to the upward revision in the forecast. Although recent economic data from China pointed to a decline in imports (slow

World Oil Demand - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	24.32	24.77	24.98	25.33	24.95	25.01	0.70	2.86
of which US	20.03	20.38	20.41	20.62	20.32	20.43	0.40	1.98
Europe	13.13	13.19	13.43	14.07	13.34	13.51	0.38	2.90
Asia Pacific	7.38	7.85	6.99	7.22	7.68	7.43	0.05	0.70
Total OECD	44.82	45.81	45.39	46.62	45.97	45.95	1.13	2.52
China	15.00	14.77	14.45	14.67	15.51	14.85	(0.15)	(0.98)
India	4.77	5.18	5.16	4.95	5.26	5.14	0.37	7.66
Other Asia	8.67	9.13	9.31	8.77	8.89	9.02	0.36	4.11
Latin America	6.23	6.32	6.36	6.55	6.52	6.44	0.21	3.38
Middle East	7.79	8.06	8.15	8.53	8.44	8.29	0.50	6.45
Africa	4.22	4.51	4.15	4.25	4.69	4.40	0.18	4.21
Russia	3.61	3.67	3.42	3.45	3.71	3.56	(0.05)	(1.48)
Other Eurasia	1.21	1.22	1.16	1.00	1.21	1.15	(0.06)	(5.07)
Other Europe	0.75	0.79	0.75	0.73	0.80	0.77	0.01	1.75
Total Non-OECD	52.25	53.65	52.90	52.89	55.03	53.62	1.36	2.61
Total World	97.08	99.45	98.29	99.51	101	99.57	2.49	2.57

Source: OPEC Monthly Oil Market Report - June-2023

domestic demand) and exports (a slowdown in advanced markets), oil imports in China jumped during May-2023 by 12.2% y-o-y and by 17.4% q-o-q to 12.11 mb/d, according to government data. The increase came after refiners resumed production post maintenance and started stockpiling crude oil, according to OilPrice.com. In addition, in its third batch of oil import quotas, the Chinese government effectively increased total volumes during 1H-2023 by 20% y-o-y to 194.1 million tons, according to Reuters. On the other hand, oil demand in India rose by a strong 9.7% y-o-y during May-2023 to reach 20.03 million tons, according to data from the oil ministry. Consumption of diesel reached a record high of 8.22 million tons after increasing by 5.1% m-o-m while gasoline consumption saw double digit growth of 16% as compared to April-2023 to reach 3.35 million tons. Crude oil demand in the US expected to be constrained in 2Q-2023, especially for industrial fuels led by slow manufacturing activity, according to OPEC monthly report, although transportation fuel demand is expected to remain steady. For Q3-2023, demand is expected to increase led by expected slowdown in inflation as well as peak driving season. For the OECD region, demand is expected to be supported by transportation fuels during this quarter and in Q3-2023, although overall demand is expected to decline slightly.

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	25.14	25.51	25.09	25.09	0.08	0.31
of which US	20.43	20.16	20.43	20.75	20.37	20.43	0.00	(0.01)
Europe	13.51	12.93	13.33	14.10	13.37	13.43	(0.07)	(0.53)
Asia Pacific	7.43	7.89	7.05	7.27	7.70	7.47	0.04	0.55
Total OECD	45.95	45.44	45.52	46.87	46.15	46	0.05	0.10
China	14.85	15.63	15.56	15.43	16.16	15.70	0.84	5.69
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	6.49	6.71	6.68	6.62	0.19	2.90
Middle East	8.29	8.63	8.47	8.86	8.73	8.67	0.38	4.55
Africa	4.40	4.69	4.34	4.43	4.88	4.59	0.19	4.21
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	1.15
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	55.29	55.16	57.1	55.92	2.30	4.29
Total World	99.57	101.55	100.80	102.03	103.25	101.91	2.35	2.36

Source: OPEC Monthly Oil Market Report - June-2023

World Oil Supply

Global liquids production recorded a monthly decline for the third consecutive month during May-2023 after showing growth during the first two months of the year. According to preliminary data, global oil supply dropped by 1.02 mb/d to reach an average of 100.2 mb/d. The decline during the month was led by a fall in production in both non-OPEC and OPEC producers. Non-OPEC liquids production (including OPEC NGLs) declined by 0.6 mb/d during May-2023 to average at 72.2 mb/d mainly led by a fall in production once again in Russia and Canada that more than offset higher output in Other Asia and Other Eurasia. OPEC production also witnessed a decline of around 0.5 mb/d resulting in a market share of 28.0%.

Non-OPEC liquids supply growth estimates for 2022 was kept unchanged at a growth of 1.9 mb/d to average at 65.74 mb/d as

Non-OPEC Oil Supply - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	25.45	26.09	26.50	27.26	27.50	26.84	1.40	5.48
of which US	18.04	18.51	19.07	19.57	19.68	19.21	1.17	6.47
Europe	3.79	3.72	3.46	3.51	3.59	3.57	(0.22)	(5.79)
Asia Pacific	0.51	0.49	0.51	0.43	0.49	0.48	(0.03)	(6.23)
Total OECD	29.75	30.30	30.48	31.20	31.58	30.89	1.14	3.85
China	4.32	4.54	4.54	4.42	4.42	4.48	0.16	3.70
India	0.78	0.79	0.78	0.76	0.76	0.77	(0.01)	(0.80)
Other Asia	2.42	2.37	2.32	2.24	2.31	2.31	(0.11)	(4.74)
Latin America	5.96	6.11	6.18	6.46	6.59	6.34	0.38	6.35
Middle East	3.19	3.23	3.28	3.32	3.30	3.29	0.10	3.16
Africa	1.34	1.31	1.30	1.31	1.28	1.30	(0.04)	(3.17)
Russia	10.8	11.33	10.63	11.01	11.17	11.03	0.23	2.15
Other Eurasia	2.93	3.04	2.76	2.59	2.92	2.83	(0.10)	(3.34)
Other Europe	0.11	0.11	0.11	0.10	0.10	0.11	(0.01)	(6.36)
Total Non-OECD	31.85	32.82	31.90	32.22	32.86	32.45	0.60	1.89
Total Non-OPEC Production	61.6	63.12	62.38	63.42	64.44	63.34	1.75	2.84
Processing gains	2.29	2.40	2.40	2.40	2.40	2.40	0.11	4.90
Total Non-OPEC Supply	63.88	65.52	64.78	65.82	66.84	65.74	1.86	2.91
OPEC NGLs and non-conventionals	5.28	-	-	-	-	5.39	0.11	2.08
OPEC Crude Oil Production	26.35	28.36	28.58	29.40	29.10	28.85	2.51	9.52
Total World Supply	95.51	-	-	-	-	99.98	4.48	4.69

Source: OPEC Monthly Oil Market Report - June-2023

compared to 65.76 mb/d expected in OPEC's previous forecast. The forecast for 2023 was also kept broadly unchanged at a growth of 1.43 mb/d to average at 67.17 mb/d although minor downward adjustments were made to supply forecast data for Other Asia and some other countries that were offset by revisions to data for the OECD Americas region. Supply forecast for the US was raised by 20 tb/d while that of Canada was lowered by 15 tb/d. The lowered forecast for Canada reflected the disruption caused by the wildfires, in our view. According to a report from Rystad Energy, the wildfires is expected to affect 0.3 mb/d of oil and gas output or 20% of output from British Colombia region. On the other hand, oil production in the US reached 12.4 mb/d during the week ended 2-June-2023, the highest since pre-pandemic levels. A report from EIA showed shale output reaching a record level next month, although the monthly growth is expected to be marginal.

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	27.87	27.90	28.21	28.44	28.11	1.26	4.71
of which US	19.21	20.07	20.18	20.34	20.47	20.26	1.06	5.50
Europe	3.57	3.66	3.69	3.80	3.94	3.77	0.20	5.66
Asia Pacific	0.48	0.46	0.48	0.49	0.48	0.48	0.00	(0.79)
Total OECD	30.89	32.00	32.06	32.50	32.85	32.36	1.46	4.73
China	4.48	4.63	4.59	4.50	4.50	4.56	0.08	1.73
India	0.77	0.76	0.78	0.78	0.78	0.78	0.00	0.52
Other Asia	2.31	2.33	2.35	2.34	2.37	2.35	0.04	1.61
Latin America	6.34	6.70	6.67	6.70	6.79	6.72	0.38	5.95
Middle East	3.29	3.27	3.29	3.30	3.30	3.29	0.00	0.10
Africa	1.30	1.26	1.32	1.32	1.31	1.31	0.01	0.61
Russia	11.03	11.23	10.38	9.76	9.78	10.28	(0.75)	(6.81)
Other Eurasia	2.83	2.99	2.98	2.94	2.98	2.97	0.14	5.07
Other Europe	0.11	0.10	0.10	0.10	0.10	0.10	0.00	(2.83)
Total Non-OECD	32.45	33.28	32.46	31.75	31.92	32.35	(0.10)	(0.32)
Total Non-OPEC Production	63.34	65.28	64.52	64.26	64.77	64.7	1.36	2.15
Processing gains	2.40	2.47	2.47	2.47	2.47	2.47	0.07	2.96
Total Non-OPEC Supply	65.74	67.75	66.99	66.73	67.24	67.17	1.43	2.18

Source: OPEC Monthly Oil Market Report - June-2023

OPEC Oil Production & Spare Capacity

OPEC crude oil production declined for the third consecutive month during May-2023 to reach the lowest level in 16 months. According to Bloomberg data, production during the month stood at 28.3 mb/d in May-2023 vs. 28.8 mb/d during April-2023, registering a decline of 500 tb/d. This was the biggest monthly decline in the last five months and the aggregate decline in OPEC production in the last three months stood at around 1mb/d. By contrast, OPEC secondary sources showed a slightly smaller production decline of 464 tb/d to reach an average production of 28.1 mb/d during May-2023 as compared to 28.5 mb/d during the previous month. The decline in output during the month mainly reflected a steep fall in production in Saudi Arabia, the UAE, Kuwait and Algeria that was partially offset by a steep increase in production in Nigeria and Angola and smaller increase output in other OPEC countries.

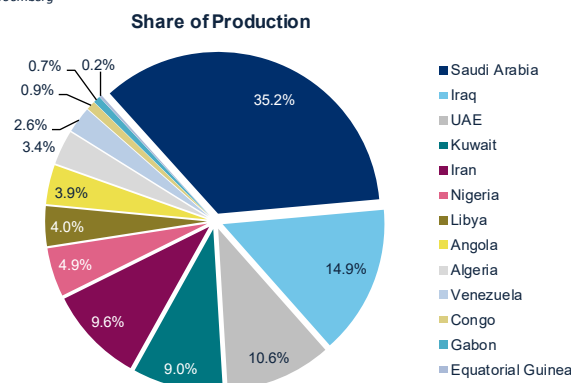
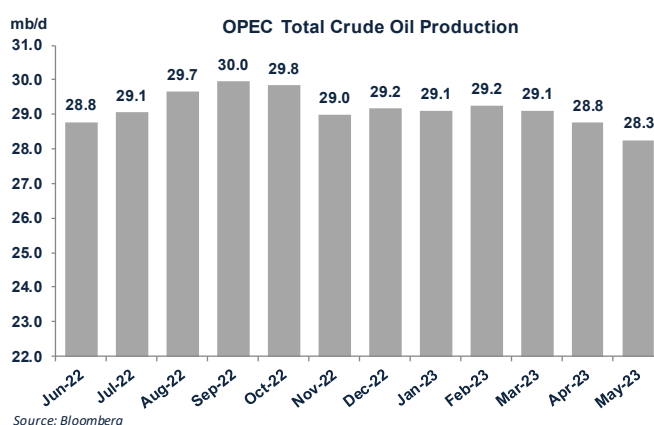
Production ('000 b/d)	Apr-23	May-23	Change		Capacity	Spare Capacity
Total OPEC-13	28,760	28,260	-500	-1.74%	34,100	5,840
Saudi Arabia	10,470	9,960	-510	-4.9%	12,000	2,040
Iraq	4,130	4,210	80	1.9%	4,800	590
UAE	3,180	2,990	-190	-6.0%	4,200	1,210
Kuwait	2,680	2,550	-130	-4.9%	2,820	270
Iran	2,680	2,710	30	1.1%	3,830	1,120
Nigeria	1,200	1,380	180	15.0%	1,600	220
Libya	1,100	1,120	20	1.8%	1,200	80
Angola	1,050	1,110	60	5.7%	1,200	90
Algeria	1,010	970	-40	-4.0%	1,060	90
Venezuela	730	740	10	1.4%	750	10
Congo	270	250	-20	-7.4%	300	50
Gabon	190	200	10	5.3%	220	20
Equatorial Guinea	70	70	0	0.0%	120	50
Total OPEC-12	24,630	24,050	-580	-2.35%	29,300	5,250

Source: Bloomberg

Oil production in Saudi Arabia dropped below the 10 mb/d mark, according to data from Bloomberg. Output during May-2023 was the lowest since December-2021 at 9.96 mb/d after declining by 510 tb/d during the month. The output is expected to fall further next month after the Kingdom pledged to make additional voluntary output cuts of 1 mb/d.

On the other hand, Nigeria regained its status as the top crude oil producer in Africa after increasing production by close to 0.2 mb/d during May-2023. According to reports, the increase reflected oil discovery by TotalEnergies in offshore Nigeria. Meanwhile, other African producers, Libya and Angola also increased output in May-2023.

In its latest meeting, the OPEC+ decided to make several changes to targets and baseline production quotas for member countries. According to the announcement, the 3.36 mb/d cuts would be extended until the end of 2024. The group also agreed to reduce overall production targets starting next year by 1.4 mb/d vs. current levels to 40.46 mb/d, although there may not be a real impact as this reflects actual current production levels for Russia, Nigeria and Angola. On the other hand, OPEC+ allowed the UAE to increase its output target by around 0.2 mb/d to 3.22 mb/d, according to a Reuters report. A recent report also showed OPEC+ raising Russia's production baseline by 120 tb/d to 9.949 mb/d.



Source: Bloomberg

Brent Crude Oil Price Forecast

Firm	As Of	Q2-23	Q3-23	Q4-23	Q1-24
Goldman Sachs Group Inc/The	12/Jun/23	79.0	82.0	85.0	87.0
Capital Economics Ltd	9/Jun/23	79.0	78.0	85.0	89.0
ING Groep NV	5/Jun/23	84.0	93.0	99.0	95.0
Tradingeconomics.com	5/Jun/23	78.6	81.0	83.5	86.1
JPMorgan Chase & Co	2/Jun/23	94.0	96.0	91.0	
Citigroup Inc	31/May/23	82.0	83.0	79.0	
HSBC Holdings PLC	31/May/23	83.0	95.0	92.0	
Societe Generale SA	31/May/23		95.0	90.0	
Standard Chartered Bank	30/May/23	90.0	88.0	93.0	92.0
MUFG Bank	25/May/23	87.0	94.0	90.0	91.0
Natixis SA	25/May/23	80.0	86.0	88.0	85.0
Intesa Sanpaolo SpA	19/May/23	78.0	79.0	81.0	80.0
Banco Santander SA	17/May/23	78.0	75.0	77.6	75.0
UBS Group AG	17/May/23	100.0	95.0	105.0	95.0
Commerzbank AG	11/May/23	80.0	85.0	90.0	90.0
Morgan Stanley	2/May/23	77.5	77.5	75.0	75.0
National Australia Bank Ltd	1/May/23	92.0	92.0	91.0	92.0
Rabobank International	1/May/23	75.4	78.7	87.6	91.6
BNP Paribas SA	25/Apr/23	85.0	90.0	90.0	90.0
Westpac Banking Corp	17/Apr/23	83.0	83.0	84.0	86.0
MPS Capital Services Banca per le Imprese SpA	7/Apr/23	83.0	80.0	74.0	68.0
Market Risk Advisory Co Ltd	4/Apr/23	81.4	79.3	78.7	79.6
RBC	3/Apr/23	87.5	90.5	95.0	89.8
Deutsche Bank AG	3/Apr/23	75.0	80.0	85.0	
Emirates NBD PJSC	24/Mar/23	85.0	90.0	95.0	110.0
Panmure Gordon & Co PLC	30/Jan/23	86.0	88.0	90.0	
Landesbank Baden-Wuerttemberg	20/Jan/23	90.0	85.0	85.0	80.0
Median		83.0	85.0	88.0	89.0
Mean		83.6	85.9	87.4	87.0
High		100.0	96.0	105.0	110.0
Low		75.0	75.0	74.0	68.0
Current Fwd		74.5	71.6	70.9	70.2
Difference (Median - Current)		8.5	13.4	17.1	18.8

Source: Bloomberg

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