

Oil Market Monthly Report

March-2023

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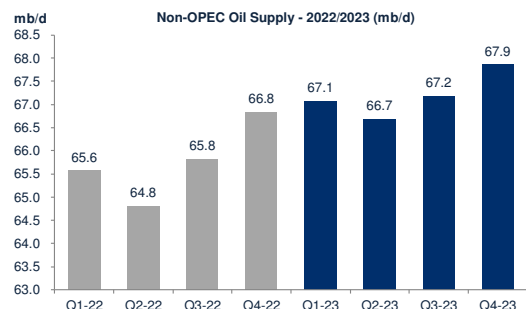
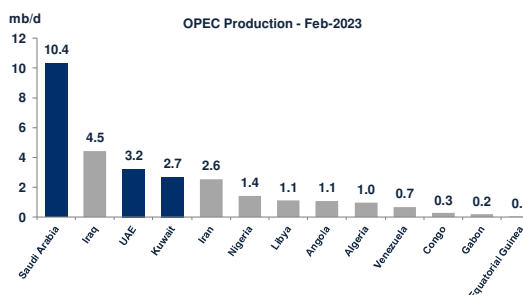
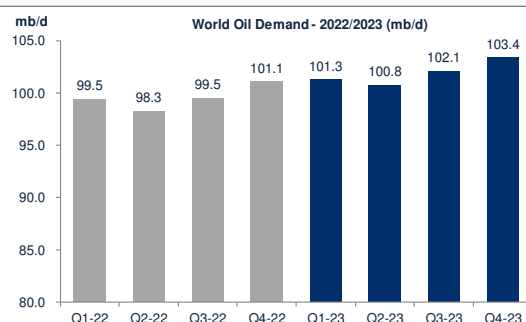
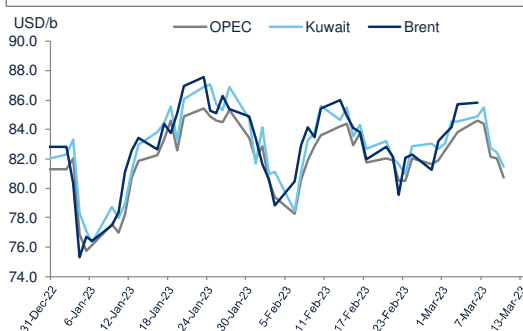
Fears of a contagion from US banking crisis affects crude oil sentiments...

Oil prices remained under pressure after the biggest banking sector crisis in the US since 2008 resulted in investor panic in almost all global asset classes and triggered a flight to safety to asset classes like gold and silver. Investors remained concerned about the possibility of a fresh financial crisis amid the prevailing uncertainty in the market despite assurances from the US government as well as support for the banking sector. Rates hike expectations for the rest of the year also underwent a drastic sentiment change as some economists now expect the Fed to lower its aggressive policy and implement merely one 25 bps hike this year followed by rate cuts during the second half of the year.

Brent crude futures traded below the USD 80/b mark for the first time in more than two months and put contracts options rose to the highest level since mid-August on 13-March-2023 indicating lack of confidence in a near term rally. Oil bets showed a complete reversal from a previous data that showed bulls outpacing bears by most in four years, according to ICE Futures Europe data. Crude oil prices were also affected by recent inflation data from China that could indicate a weaker-than-expected recovery in oil demand this year, whereas a modest GDP growth forecast announced last week also casted doubts on extent of demand growth from China.

Indicators on the oil demand front remained mixed with China showing higher demand for refined products while gasoline consumption in the US declined to seasonal averages after seeing the largest decline in three months last week. A note from FGE also showed an expected increase in jet fuel demand in China starting from the end of this month led by higher summer travel demand. OPEC's secretary general also pointed out the divided demand globally at a recent conference and added that while Asia is experiencing strong demand growth, the trends in Europe and the US are a concern. He reiterated that lack of new investment in the sector to expand capacity is threatening global energy security.

On the supply side, the EIA in its latest Short Term Energy Outlook, said that global liquid fuel output is expected to outpace demand in 2023 and 2024. The agency also recently said that shale production in the US is expected to reach 9.21 mb/d in April-2023, the highest level since December-2019, although the m-o-m increase is expected to be the smallest since December-2022 at 68 tb/d. This also reflects the four consecutive weeks of decline in oil rig count reported by Baker Hughes. On the other hand, Bloomberg data showed Russian seaborne crude oil flows rebounded mainly led by higher purchases by India, although the importer has said it would not breach the price cap sanctions imposed on Russia. Weekly data on US crude oil production showed flattish trend after a decline of 100 tb/d during the week ended 3-March-2023 to reach 12.2 mb/d. Oil production in the OPEC, according to Bloomberg data, showed an increase of 120 tb/d mainly led by higher production in swing producers Nigeria and Libya.



Sources : OPEC, EIA, Bloomberg

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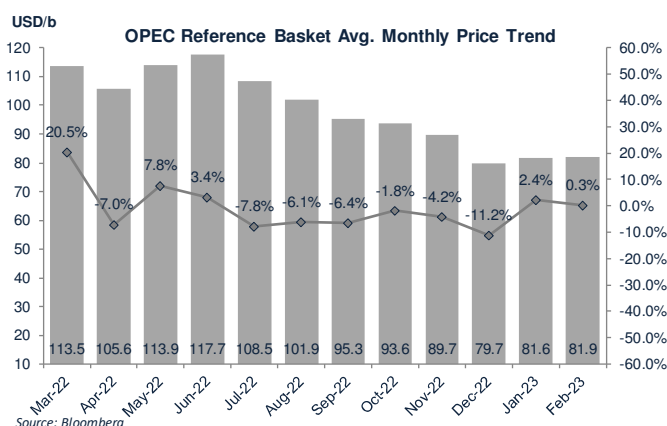
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Oil Prices

Crude oil prices continued to remain under pressure for the second consecutive week as Brent oil futures traded below the USD 80/b mark for the first time in more than two months. Future prices reached USD 77.45/b with the biggest single-day decline since the start of Jan-2023. This came as investors feared a larger impact of the banking crisis in the US as well as softer-than-expected economic data from China, although the country continues to be the biggest driver of demand growth expected this year. Recently, the GDP growth expectation for 2023 announced by the Chinese authorities was lower-than-expected, prompting investors to critically examine the demand recovery expected from China. Moreover, the latest industrial output growth figures for China for the first two months of the year came in at 2.4% y-o-y, missing analyst forecasts, although this was faster than the annual growth of 1.3% seen during December-2022. The y-o-y growth in retail sales and fixed asset investment during the same period, however, were in line or better than analyst expectations at 3.5% and 5.5%, respectively. Meanwhile, y-o-y inflation in the US continued to remain elevated at 6.0% as per the latest release from the Federal Reserve. The monthly increase in the CPI was higher than expected at 0.5% vs. estimates of 0.4%, according to Bloomberg. The higher-than-expected inflation once again bought back expectations of a 25 bps hike next week vs. no hikes that were expected after the banking crisis erupted in the US.

Average crude oil prices showed mixed trend during February-2023 vs. January-2023, although the changes were largely minimal. OPEC crude basket averaged at USD 81.88/b with a growth of 0.3%. The increase in Kuwait crude grade was similar at 0.3% and averaged at USD 83.19/b while average Brent declined by 0.4% during the month to USD 82.5/b. Consensus expectation for Brent crude oil showed minimal changes as compared to last month, with marginal cuts for estimate in Q1-2023 and an upgrade for Q4-2023. EIA, however, expects a decline in prices after slashing its estimates for Brent spot prices from USD 83.63/b in the STEO last month to USD 82.95/b in its latest report. The price forecast for 2024 were kept unchanged at USD 77.57/b, according to EIA.



Average Crude Oil Prices, USD/b	Jan-2023	Feb-2023	Change (USD)	YTD Avg. 2022	YTD Avg. 2023
OPEC Reference Basket	81.6	81.9	0.3	89.5	81.8
Arab Light	83.8	83.6	(0.2)	89.9	83.7
Basrah Light	77.8	78.3	0.5	88.0	78.1
Bonny Light	82.4	82.9	0.5	92.7	82.6
Djeno	75.4	75.1	(0.4)	84.7	75.2
Es Sider	81.0	81.5	0.4	92.0	81.2
Girassol	82.1	84.1	2.0	94.4	83.0
Iran Heavy	81.6	81.9	0.3	89.2	81.7
Kuwait Export	82.9	83.2	0.3	90.0	83.1
Merey	61.7	62.0	0.2	67.2	61.8
Murban	82.5	83.4	0.8	89.5	82.9
Rabi	82.4	82.0	(0.4)	91.7	82.2
Saharan Blend	83.8	84.1	0.3	94.3	83.9
Zafiro	81.3	82.2	1.0	93.3	81.8
Other Crudes					
Brent	82.9	82.5	(0.4)	92.2	82.7
Dubai	80.8	82.1	1.3	87.6	81.4
Isthmus	68.8	68.3	(0.6)	84.5	68.6
LLS	80.7	80.4	(0.4)	89.7	80.6
Mars	74.7	75.5	0.8	85.6	75.1
Minas	81.6	81.5	(0.0)	87.5	81.6
Urals	52.2	51.9	(0.3)	90.5	52.1
WTI	78.2	76.8	(1.4)	87.3	77.5
Differentials					
Brent/WTI	4.7	5.7	1.0	4.9	5.2
Brent/LLS	2.1	2.2	0.0	2.5	2.1
Brent/Dubai	2.1	0.5	(1.7)	4.6	1.3

Source: OPEC Monthly Oil Market Report - Mar-2023

World Oil Demand

In its latest monthly report, the OPEC kept its oil demand growth forecast for 2022 at 2.5 mb/d to reach an average of 99.6 mb/d during the year. However, adjustments were made to regional demand estimates for the year with demand for the OECD Americas and OECD Europe regions adjusted lower led by weaker-than-expected demand which was offset by an upward revision to demand estimates for the Asia Pacific region and non-OECD countries with higher-than-expected demand. Demand growth forecast for 2023 was also kept unchanged at 2.3 mb/d with demand expected to average at 101.9 mb/d. At the regional level, however, downward revisions were made to demand data for the OECD region reflecting an expected slowdown in economic activity in OECD Americas and OECD Europe during Q1-2023 and Q2-2023 whereas upward revision was made to demand data for the non-OECD countries reflecting improvements in economic activity in China as well as higher

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	25.02	25.03	0.71	2.93
of which US	20.03	20.38	20.41	20.62	20.43	20.46	0.42	2.12
Europe	13.13	13.19	13.43	14.07	13.37	13.52	0.39	2.95
Asia Pacific	7.38	7.85	6.99	7.22	7.77	7.46	0.08	1.02
Total OECD	44.83	45.81	45.40	46.63	46.16	46	1.17	2.62
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	6.49	6.43	0.20	3.28
Middle East	7.79	8.06	8.13	8.50	8.42	8.28	0.49	6.25
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	3.66	3.55	(0.07)	(1.83)
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	52.88	52.86	54.93	53.58	1.33	2.54
Total World	97.08	99.45	98.28	99.49	101.1	99.58	2.50	2.58

Source: OPEC Monthly Oil Market Report - Mar-2023

expected demand in Russia. Near term expectations for oil demand in the US shows positive trends during Q1-2023, although at low levels led by monetary tightening that could affect investor and consumer expenditure, thereby affecting oil demand. Demand growth in Q2-2023 is expected to slow down slightly. A recent data showed US gasoline demand declining by 550 tb/d last week, the biggest decline in three months, to reach typical seasonal levels. The Bloomberg report showed that this will help refiners refill their inventories that has reached the lowest since 2014. The OPEC's monthly report also upgraded demand growth expectations from China with demand now expected to grow by 710 tb/d in 2023 as compared to previous expectation of a growth of 590 tb/d. Oil imports in China during the first two months of the year showed a decline of 1.3% as compared to last year, possibly due to the new year holidays. However, investors are hopeful of a late year recovery in demand from the country. Refinery runs during the same period showed a y-o-y growth of 3.3% as independent refiners processed more in response to improving margins. On the other hand, data for India showed demand during February-2023 reaching a 24-year high of 4.82 mb/d with a growth of 5%. This was led by cheap Russian imports as well as higher industrial activity.

World Oil Demand - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	25.03	24.86	25.17	25.63	25.18	25.21	0.18	0.73
of which US	20.46	20.41	20.46	20.85	20.49	20.55	0.09	0.46
Europe	13.52	13.12	13.41	14.11	13.42	13.52	0.00	0.02
Asia Pacific	7.46	7.89	7.05	7.27	7.79	7.50	0.04	0.55
Total OECD	46.00	45.88	45.63	47.01	46.39	46.23	0.23	0.49
China	14.85	15.23	15.40	15.43	16.16	15.56	0.71	4.75
India	5.14	5.41	5.44	5.21	5.50	5.39	0.25	4.96
Other Asia	9.02	9.46	9.65	9.14	9.24	9.37	0.35	3.83
Latin America	6.43	6.44	6.49	6.71	6.65	6.58	0.15	2.29
Middle East	8.28	8.45	8.46	8.84	8.71	8.61	0.33	4.02
Africa	4.40	4.71	4.34	4.43	4.88	4.59	0.19	4.32
Russia	3.55	3.68	3.45	3.59	3.82	3.64	0.09	2.50
Other Eurasia	1.15	1.21	1.16	1.02	1.22	1.15	0.01	0.51
Other Europe	0.77	0.80	0.76	0.75	0.83	0.79	0.02	2.32
Total Non-OECD	53.58	55.40	55.14	55.13	57	55.67	2.09	3.90
Total World	99.58	101.28	100.77	102.14	103.39	101.9	2.32	2.33

Source: OPEC Monthly Oil Market Report - Mar-2023

World Oil Supply

Global liquids production once again recorded a monthly increase during February-2023 with preliminary data indicating a monthly gain of 0.6 mb/d to reach an average of 101.9 mb/d. The increase during the month was led by higher production in both OPEC and non-OPEC countries. Production in non-OPEC countries increased by 0.5 mb/d to average at 73.0 mb/d mainly reflecting higher production in OECD Americas, OECD Europe that was partially offset by lower production in Latin America and Kazakhstan. OPEC producers reported an increase in production by around 117 tb/d during the month, according to OPEC secondary sources, that increased the group's market share by 10 bps to 28.4%.

Non-OPEC liquids supply expectations for 2022 was kept largely unchanged by the OPEC in its latest monthly report at a

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	26.11	26.51	27.26	27.47	26.84	1.39	5.47
of which US	18.04	18.51	19.07	19.57	19.67	19.21	1.17	6.46
Europe	3.79	3.72	3.46	3.51	3.61	3.58	(0.22)	(5.68)
Asia Pacific	0.51	0.49	0.51	0.43	0.49	0.48	(0.03)	(6.23)
Total OECD	29.75	30.32	30.49	31.20	31.56	30.90	1.15	3.85
China	4.32	4.54	4.54	4.41	4.42	4.48	0.16	3.61
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	3.20	3.25	3.29	3.32	3.30	3.29	0.09	2.85
Africa	1.35	1.33	1.31	1.32	1.30	1.32	(0.03)	(2.34)
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	31.87	32.85	31.92	32.22	32.88	32.47	0.60	1.89
Total Non-OPEC Production	61.62	63.17	62.41	63.42	64.44	63.36	1.75	2.83
Processing gains	2.29	2.40	2.40	2.40	2.40	2.40	0.11	4.90
Total Non-OPEC Supply	63.9	65.57	64.81	65.82	66.84	65.76	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	28.86	2.51	9.54
Total World Supply	95.53	-	-	-	-	100.01	4.48	4.69

Source: OPEC Monthly Oil Market Report - Mar-2023

growth of 1.9 mb/d to average at 65.6 mb/d during the year. However, there were adjustments made at the country level with minor downward adjustments to supply from OECD Europe and OECD Americas that was largely offset by upward adjustments to liquids production in the non-OECD region. Forecast for 2023 was also kept unchanged with non-OPEC supply growth expected to grow by 1.44 mb/d to reach 67.2 mb/d during the year. However, upward revisions were made to supply data for Russia (+152 tb/d) and Mexico (+15 tb/d) that were almost completely offset by lowered forecasts for Norway (-70 tb/d), the US (-38 tb/d), Canada (-30 tb/d), UK and Malaysia. Oil rig count data from Baker Hughes showed consistent declines over the last four weeks to go below the 600 mark at 590 as of the week ended 10-March-2023. Production in the US also declined by 100 tb/d to reach 12.2 mb/d during the previous week.

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	27.44	27.89	28.25	28.62	28.06	1.22	4.53
of which US	19.21	19.67	20.26	20.45	20.68	20.27	1.07	5.55
Europe	3.58	3.74	3.74	3.80	3.93	3.80	0.23	6.40
Asia Pacific	0.48	0.49	0.47	0.49	0.48	0.48	0.00	0.65
Total OECD	30.90	31.67	32.11	32.55	33.03	32.34	1.45	4.69
China	4.48	4.52	4.52	4.49	4.49	4.50	0.03	0.64
India	0.77	0.78	0.79	0.78	0.78	0.78	0.01	1.03
Other Asia	2.31	2.38	2.37	2.34	2.36	2.36	0.05	2.36
Latin America	6.34	6.62	6.62	6.67	6.73	6.66	0.32	5.12
Middle East	3.29	3.27	3.31	3.34	3.34	3.32	0.03	0.86
Africa	1.32	1.32	1.33	1.35	1.34	1.34	0.02	1.57
Russia	11.03	10.9	10	10.1	10.15	10.28	(0.75)	(6.78)
Other Eurasia	2.83	3.04	3.05	3.01	3.05	3.04	0.21	7.39
Other Europe	0.11	0.10	0.10	0.10	0.10	0.10	0.00	(2.83)
Total Non-OECD	32.47	32.93	32.10	32.18	32.36	32.39	(0.08)	(0.24)
Total Non-OPEC Production	63.36	64.6	64.21	64.72	65.39	64.73	1.37	2.16
Processing gains	2.40	2.47	2.47	2.47	2.47	2.47	0.07	2.96
Total Non-OPEC Supply	65.76	67.07	66.68	67.19	67.86	67.2	1.44	2.19

Source: OPEC Monthly Oil Market Report - Mar-2023

OPEC Oil Production & Spare Capacity

OPEC crude oil production recovered during February-2023 after showing a decline during January-2023. Output during the month averaged at 29.24 mb/d after increasing by 0.12 mb/d, according to data from Bloomberg, with mixed trends across producers in the group. OPEC secondary sources also showed a similar increase in production during the month to reach average production of 28.92 mb/d. The increase in output during the month reflected higher production by African producers including Nigeria, Congo and Libya that was partially offset by drop in production in Angola coupled with marginal declines elsewhere, according to OPEC secondary sources. The data also showed higher production in Saudi Arabia that produced at 10.36 mb/d with a m-o-m increase of 59 tb/d, according to OPEC, while Bloomberg data showed a marginal decline in production in the Kingdom to reach 10.37 mb/d.

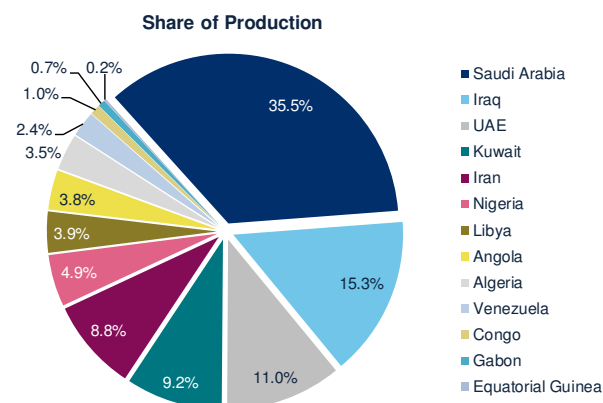
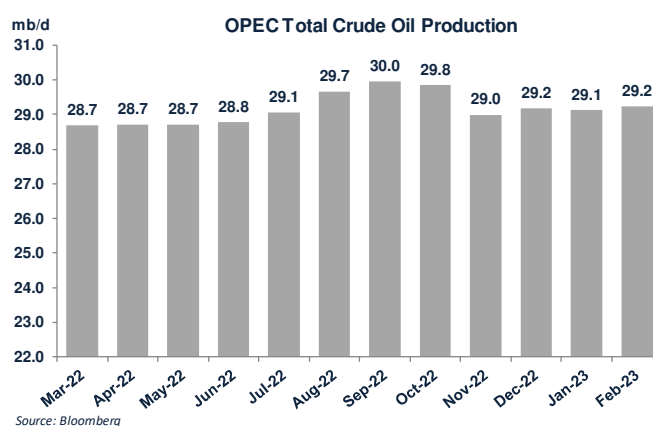
Production ('000 b/d)	Jan-23	Feb-23	Change		Capacity	Spare Capacity
Total OPEC-13	29,120	29,240	120	0.41%	34,060	4,820
Saudi Arabia	10,380	10,370	-10	-0.1%	12,000	1,630
Iraq	4,470	4,460	-10	-0.2%	4,800	340
UAE	3,190	3,230	40	1.3%	4,200	970
Kuwait	2,690	2,690	0	0.0%	2,820	130
Iran	2,600	2,560	-40	-1.5%	3,830	1,270
Nigeria	1,360	1,440	80	5.9%	1,600	160
Libya	1,100	1,140	40	3.6%	1,200	60
Angola	1,140	1,100	-40	-3.5%	1,200	100
Algeria	1,010	1,010	0	0.0%	1,060	50
Venezuela	670	700	30	4.5%	710	10
Congo	260	280	20	7.7%	300	20
Gabon	190	200	10	5.3%	220	20
Equatorial Guinea	60	60	0	0.0%	120	60
Total OPEC-12	24,650	24,780	130	0.53%	29,260	4,480

Source: Bloomberg

Nigeria showed the biggest output increase in the OPEC during the month, according to both sources. According to NUPRC, a government agency, production during the month, excluding condensates, rose to 1.3 mb/d, the highest in 13 months. Last month, the CEO of NNPC said that production by mid-February crossed the 1.6 mb/d threshold and is expected to reach 1.8 mb/d in the next two to three months. The increase was led by reopening of shut facilities as well as injection of crude oil into major trunklines for evacuation to the terminals were ramped up.

On the other hand, crude oil production in Angola showed the biggest decline in OPEC with output averaging at 1.1 mb/d in Feb-2023 after declining by around 50 tb/d vs. Jan-2023. The decline was led by maintenance at the Dalia oil field, according to S&P Platts. Oil production in Iraq also declined marginally during the month mainly led by maintenance at the West Qurna 2 project and suspension of oil loadings from the port of Ceyhan for a few days for pipeline repairs. Recently, the Iraqi government approved the 2023 budget with oil exports at 3.5 m b/d and an average crude oil price of USD 70/b.

On the future of output cuts by the OPEC+, Saudi Arabia's energy minister said that the alliance will stick to the current policy until the end of the year. Data from S&P Global showed an OPEC+ compliance of 153% to agreed production cuts during February-2023.



Brent Crude Oil Price Forecast

Firm	As Of	Q1-23	Q2-23	Q3-23	Q4-23
BNP Paribas SA	8/Mar/23	85.0	85.0	90.0	90.0
Intesa Sanpaolo SpA	8/Mar/23	85.8	88.0	86.0	84.0
Rabobank International	1/Mar/23	84.5	83.9	88.6	91.4
Citigroup Inc	28/Feb/23	83.0	79.0	81.0	76.0
Banco Santander SA	27/Feb/23	82.5	80.5	79.0	78.0
Commerzbank AG	27/Feb/23	90.0	95.0	100.0	100.0
Goldman Sachs Group Inc/The	27/Feb/23	84.0	90.0	95.0	99.0
Capital Economics Ltd	27/Feb/23	84.0	85.0	87.5	92.5
Natixis SA	23/Feb/23	85.0	88.0	99.0	95.0
Deutsche Bank AG	6/Feb/23	75.0	75.0	80.0	80.0
Panmure Gordon & Co PLC	30/Jan/23	83.0	86.0	88.0	90.0
MPS Capital Services Banca per le Imprese SpA	24/Jan/23	86.0	88.0	75.0	69.0
Landesbank Baden-Wuerttemberg	20/Jan/23	90.0	90.0	85.0	85.0
JPMorgan Chase & Co	19/Jan/23	85.0	89.0	90.0	94.0
MUFG Bank	2/Jan/23	87.0	94.0	112.0	109.0
Market Risk Advisory Co Ltd	26/Dec/22	83.4	80.7	79.2	
Westpac Banking Corp	22/Dec/22	80.5	80.0	83.3	86.3
ABN AMRO Bank NV	18/Oct/22	115.0	123.0	115.0	110.0
Emirates NBD PJSC	27/Sep/22	90.0	95.0	95.0	100.0
Median		85.0	88.0	88.0	90.7
Mean		86.2	88.2	89.9	90.5
High		115.0	123.0	115.0	110.0
Low		75.0	75.0	75.0	69.0
Current Fwd		83.8	82.0	80.7	79.3
Difference (Median - Current)		1.2	6.0	7.3	11.4

Source: Bloomberg

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