

Oil Market Monthly Report

May-2021

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Demand growth expectations continue to buoy oil market...

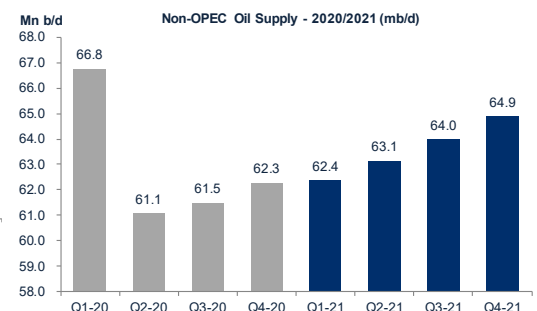
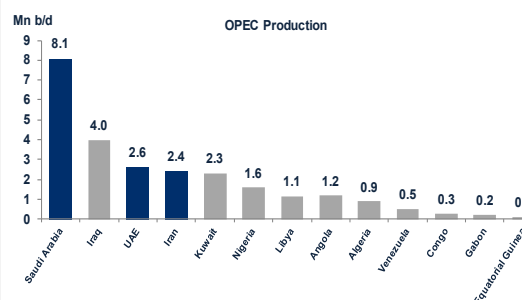
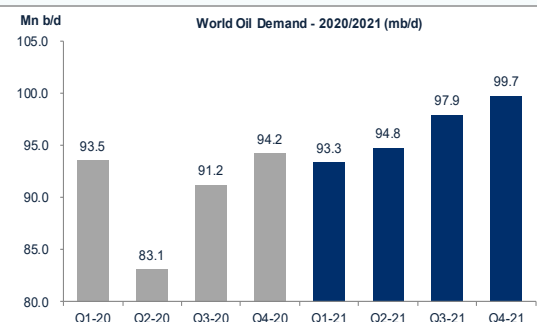
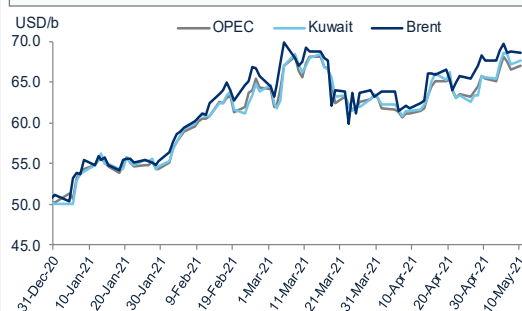
Oil prices remained elevated during May-2021 gradually marching towards the USD 70/b mark after touching a 9-week high level led by expectations of higher demand in the near-term backed by economic recovery in key regions as vaccinations picked up. Other factors that supported prices included the gasoline shortage in the US, fall in US crude exports, promising oil demand data from China and a general commodity price boom. In addition, supplies remained curtailed as OPEC+ producers continue to stick to their voluntary production cuts. Nevertheless, the surge in Covid-19 cases in India and the reimposition of stricter restrictions in Singapore and Taiwan partially dented the oil demand growth story.

Global Covid-19 vaccine administrations have picked up pace over the last few weeks averaging above the 20 million per day mark. The US and China led the way, with China reportedly administering close to 14 million doses a day recently while the US and Europe administered close to 2.7 million doses and 5 million doses, respectively.

In terms of oil demand, the US witnessed higher domestic demand for crude oil that led to a decline in exports to around 1.8 mb/d, the lowest since October-2018, according to data from EIA. Furthermore, the economic growth story remains upbeat in China with the country recording 9.8% y-o-y growth in industrial output in April-2021 and a 17.7% y-o-y growth in retail sales. This comes after record economic expansion during Q1-2021. This was also reflected in the crude oil market in China with record amount of crude oil processed during the first four months of the year as new refineries went online coupled with a rebound in fuel demand. **Monthly data for April-2021 showed China's oil demand increasing by 9.7% y-o-y to 12.96 mb/d, whereas YTD-2021 demand was up 16.26%, according to Bloomberg.**

Recently released oil demand estimates from OPEC and IEA showed promising trends by the end of the year, but the IEA slashed demand forecast for 2021 by 0.27 mb/d to a smaller growth of 5.4 mb/d. The revision reflected lower-than-expected demand growth in the Americas and Europe during Q1-2021 as well as lowered estimates for requirements from India during Q2-2021 as the country struggles from the pandemic. The IEA said that demand is expected to outstrip supplies for the remainder of the year even after considering a return of Iran with higher output. Higher crude oil demand also resulted in a fall in OECD commercial crude oil inventory which stood at 1.7 mb/d above its 5-year average during March-2021.

On the supply side, estimates suggest that US crude output is expected to decline despite the elevated prices. According to the EIA, oil production in the US is expected to average at 11.02 mb/d in 2021 vs. 11.04 mb/d in its previous forecast. **OPEC believes that the decline in capex would be the key reason for lower output, in addition to hedging at lower prices that offers little incentive for producers to raise output, as per IEA.**



Sources : OPEC, EIA, Bloomberg

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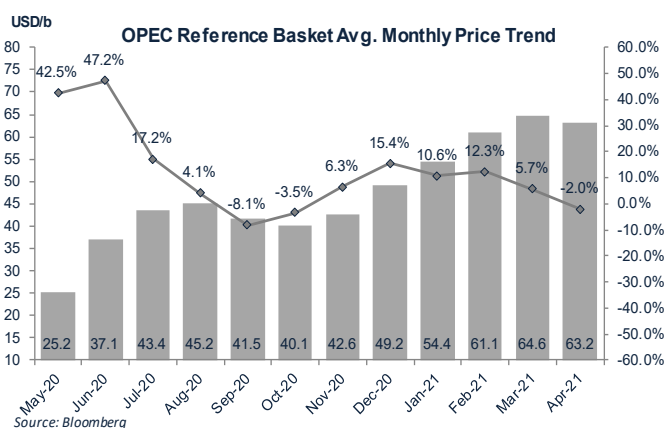
Oil Prices

The trend in oil prices remained mixed during the first half of May-2021 but generally positive after several reports pointed to improving oil demand. Brent crude futures peaked at above the USD 69/b mark, a two month high, after the rate of vaccinations picked up globally coupled with positive demand outlook and controlled supply. Prices were also supported by the hacking incident at the largest US fuel pipeline company that led to shortages of gasoline across the fuel pumps along the US East Coast. The Colonial Pipeline, which carries 2.5 mb/d of gas, jet fuel and diesel, was hacked shutting supplies for six days. The hack resulted in excess refined products at the refiners end that were stored in oil tankers. As refiners were mulling curtailing run rates to deal with excess fuel after the hacking, there were also speculation that Brazil and Mexico would be able to access cheaper gasoline due to the excess supplies.

Nevertheless, the rising Covid-19 case count in India continued partly dented expectations of a strong global oil demand recovery in 2021.

Data on crude oil inventory in the US also supported the recent increase in oil prices. US crude oil inventory declined by 0.4 mb/d in EIA's latest inventory data, a second consecutive week of decline. Total inventory has declined by 17.1 million barrels since the start of April-2021. On the other hand, rig count in the US has remained largely unchanged over the last three weeks at 344 oil rigs.

The average price for OPEC crude basket declined after touching a 14-month high in March-2021. The crude oil basket averaged at USD 63.2/b during April-2021, registering a monthly decline of 2.0%. Kuwait crude grade witnessed a slightly smaller decline of 1.7% and averaged at USD 63.8/b whereas Brent spot crude averaged at USD 64.5/b. The consensus estimates for Brent underwent a wave of positive revisions and now shows the crude grade consistently above the USD 65/b mark over the next six quarters.



Average Crude Oil Prices, USD/b	Mar-2021	Apr-2021	Change (USD)	Avg 2019	Avg 2020
OPEC Reference Basket	64.6	63.2	(1.3)	43.1	61.0
Arab Light	65.2	64.1	(1.1)	44.3	61.6
Basrah Light	65.2	63.5	(1.7)	42.2	61.4
Bonny Light	65.6	64.2	(1.4)	43.1	61.9
Djeno	58.1	57.0	(1.1)	39.6	54.5
Es Sider	63.6	62.1	(1.5)	41.3	60.1
Girassol	66.0	64.0	(2.0)	42.4	62.4
Iran Heavy	64.3	63.0	(1.3)	41.4	60.8
Kuwait Export	64.9	63.8	(1.1)	43.4	61.4
Merey	46.5	46.2	(0.3)	29.5	43.4
Murban	64.3	63.4	(1.0)	45.7	61.1
Rabi	65.1	64.0	(1.1)	39.4	61.5
Saharan Blend	65.8	64.0	(1.8)	43.6	62.0
Zafiro	66.0	64.8	(1.2)	41.6	62.2
Other Crudes					
Brent	65.6	64.5	(1.1)	42.3	61.9
Dubai	64.4	62.9	(1.5)	43.4	60.9
Isthmus	61.9	60.9	(0.9)	33.8	58.6
LLS	64.5	63.7	(0.8)	41.0	61.1
Mars	62.6	62.0	(0.7)	38.8	59.4
Minas	63.6	62.9	(0.8)	43.0	60.0
Urals	64.3	63.0	(1.3)	41.0	61.1
WTI	62.4	61.7	(0.6)	38.6	59.0
Differentials					
Brent/WTI	3.2	2.8	(0.5)	3.7	2.9
Brent/LLS	1.0	0.7	(0.3)	1.3	0.8
Brent/Dubai	1.2	1.5	0.4	(1.1)	1.0

Source: OPEC Monthly Oil Market Report - May-2021

World Oil Demand

World oil demand estimates for 2020 remained unchanged with a decline of 9.5 mb/d to average at 90.5 mb/d. The forecast for 2021 also remained unchanged with the year expected to show a demand growth of 6.0 mb/d to average at 96.5 mb/d. However, there were revisions within quarters with Q1-2021 estimated to have shown smaller-than-expected growth in oil demand, especially in the OECD Americas region. The demand trend for Q2-2021 is expected to be affected by the resurgence of Covid-19 cases in India and Brazil that would affect the demand forecast for 1H-2021. These declines are expected to be offset by a stronger-than-expected demand revival during 2H-2021. According to the OPEC monthly report, higher demand during 2H-2021 is expected to come from an increase in transportation fuel requirements in the US coupled with faster vaccine administration in multiple regions that would result in higher oil requirements. The return to normalcy is expected to especially

World Oil Demand - 2019/2020, mb/d	2019	Q1-20	Q2-20	Q3-20	Q4-20	2020	Y-o-Y Growth	% Chg.
Americas	25.65	24.35	20.01	22.72	23.16	22.56	(3.09)	(12.05)
of which US	20.86	19.67	16.38	18.67	19.04	18.44	(2.42)	(11.60)
Europe	14.25	13.35	11.04	12.85	12.55	12.45	(1.80)	(12.65)
Asia Pacific	7.79	7.75	6.54	6.70	7.33	7.08	(0.71)	(9.12)
Total OECD	47.69	45.45	37.59	42.27	43.04	42.09	(5.60)	(11.75)
China	13.48	11.34	13.25	13.87	14.28	13.19	(0.29)	(2.18)
India	4.91	4.84	3.58	4.01	5.15	4.40	(0.52)	(10.54)
Other Asia	9.04	8.30	7.79	8.11	8.33	8.13	(0.91)	(10.06)
Latin America	6.59	6.11	5.61	6.20	6.12	6.01	(0.58)	(8.83)
Middle East	8.20	7.88	6.91	7.94	7.65	7.60	(0.60)	(7.37)
Africa	4.45	4.37	3.77	3.95	4.28	4.09	(0.35)	(7.94)
Eurasia	3.61	3.44	3.04	3.20	3.43	3.28	(0.33)	(9.20)
of which Russia	1.24	1.07	0.99	1.01	1.23	1.07	(0.16)	(13.04)
of which other Eurasia	0.76	0.71	0.55	0.64	0.69	0.65	(0.12)	(15.33)
Total Non-OECD	52.29	48.05	45.49	48.94	51.16	48.42	(3.87)	(7.40)
Total World	99.98	93.51	83.08	91.21	94.2	90.51	(9.48)	(9.48)

Source: OPEC Monthly Oil Market Report - May-2021

reflect in oil demand data for the Middle East and Other Asia regions during 2H-2021.

Oil demand from two of the world's biggest consumers, India and China, took differing paths recently based on how severely the Covid-19 pandemic affected the two nations. Official data from India showed that fuel demand declined by 9.4% m-o-m during April-2021 to 17.01 million tonnes from 18.77 million tonnes in March-2021 led by Covid-19 lockdowns in several states, in addition to record high fuel prices in the country. Sale of gasoline declined by 13% during the month to 2.38 million tonnes while that of diesel declined by 7.5% to 6.67 million tonnes. The trend during the first half of May-2021 showed demand for road transport fuel down by a fifth vs. April-2021. India's oil demand forecast was slashed by 28% recently by S&P Global Platts which now expects demand growth to come in at 0.35 mb/d in 2021 from its earlier forecast of 0.485 mb/d. That said, the agency expects 2H-2021 demand to see a growth 0.65 mb/d vs. 1H-2021 demand driven by a broad-based pickup in economic activity led by vaccine rollouts. On the other hand, demand from China remained elevated, although the refinery maintenance season led to a decline in oil imports during April-2021.

World Oil Demand - 2020/2021, mb/d	2020	Q1-21	Q2-21	Q3-21	Q4-21	2021	Y-o-Y Growth	% Chg.
Americas	22.56	23.54	24.45	24.69	24.75	24.37	1.80	8.00
of which US	18.44	19.18	19.86	20.24	20.45	19.94	1.50	8.12
Europe	12.45	12.12	12.71	13.59	13.74	13.05	0.60	4.81
Asia Pacific	7.08	7.54	7.18	7.17	7.55	7.36	0.28	3.98
Total OECD	42.09	43.19	44.34	45.45	46.04	44.78	2.69	6.38
China	13.19	12.95	14.27	14.93	15.05	14.30	1.11	8.43
India	4.40	4.94	4.29	4.68	5.61	4.88	0.49	11.10
Other Asia	8.13	8.33	8.96	8.57	8.59	8.61	0.48	5.92
Latin America	6.01	6.15	6.16	6.46	6.40	6.29	0.28	4.67
Middle East	7.60	7.87	7.62	8.45	7.97	7.98	0.38	5.06
Africa	4.09	4.41	3.97	4.18	4.49	4.26	0.17	4.10
Eurasia	3.28	3.57	3.37	3.37	3.58	3.47	0.19	5.93
of which Russia	1.07	1.18	1.19	1.14	1.28	1.2	0.12	11.31
of which other Eurasia	0.65	0.70	0.62	0.68	0.74	0.68	0.04	5.82
Total "Other Regions"	48.42	50.10	50.45	52.45	53.7	51.69	3.27	6.75
Total World	90.51	93.29	94.79	97.90	99.74	96.46	5.95	6.58

Source: OPEC Monthly Oil Market Report - May-2021

World Oil Supply

World liquids production showed a marginal monthly decline of 0.15 mb/d during April-2021 to average at 93.06 mb/d. The decline reflected a fall in output from non-OPEC producers that was partially offset by higher production coming from OPEC. Non-OPEC producers lowered production by 0.18 mb/d and produced at an average rate of 67.97 mb/d. The decline was mainly due to a fall in production in Canada and Norway by around 0.5 mb/d due to planned maintenance. On the other hand, OPEC producers increased output marginally by 26 tb/d to 25.08 mb/d, according to OPEC secondary sources. The increase was mainly led by an higher production by Nigeria, Iran and Saudi Arabia partially offset by lower output mainly from Venezuela, Libya and Angola. The marginal increase in output by OPEC producers resulted in a 0.1% increase in OPEC's market share during the month to 27.0%.

Non-OPEC Oil Supply - 2019/2020, mb/d	2019	Q1-20	Q2-20	Q3-20	Q4-20	2020	Y-o-Y Growth	% Chg.
Americas	25.77	26.59	23.55	24.10	24.65	24.72	(1.05)	(4.08)
of which US	18.43	19.05	16.81	17.34	17.30	17.62	(0.80)	(4.35)
Europe	3.71	4.05	3.90	3.80	3.89	3.91	0.20	5.32
Asia Pacific	0.52	0.53	0.54	0.54	0.52	0.53	0.01	1.61
Total OECD	30.01	31.17	27.99	28.43	29.06	29.16	(0.84)	(2.82)
China	4.04	4.13	4.12	4.13	4.08	4.12	0.07	1.76
India	0.82	0.79	0.76	0.76	0.76	0.77	(0.06)	(6.74)
Other Asia	2.69	2.61	2.47	2.46	2.5	2.51	(0.18)	(6.70)
Latin America	6.09	6.35	5.83	6.14	5.91	6.06	(0.03)	(0.51)
Middle East	3.20	3.19	3.20	3.15	3.17	3.17	(0.03)	(0.83)
Africa	1.50	1.44	1.44	1.40	1.37	1.41	(0.08)	(5.51)
Eurasia	11.61	11.68	10.38	10.01	10.31	10.59	(1.02)	(8.78)
of which Russia	3.07	3.16	2.92	2.73	2.85	2.91	(0.16)	(5.13)
of which other Eurasia	0.12	0.12	0.12	0.11	0.11	0.12	0.00	(3.27)
Total Non-OECD	33.14	33.46	31.23	30.90	31.06	31.66	(1.49)	(4.48)
Total Non-OPEC Production	63.15	64.63	59.22	59.34	60.12	60.82	(2.33)	(3.69)
Processing gains	2.26	2.15	1.85	2.15	2.15	2.07	(0.19)	(8.47)
Total Non-OPEC Supply	65.42	66.77	61.07	61.48	62.27	62.89	(2.52)	(3.86)
OPEC NGLs and non-conventionals	5.26	-	-	-	-	5.13	(0.13)	(2.47)
OPEC Crude Oil Production	29.34	28.25	25.58	23.86	24.94	25.65		
Total World Supply	100.02	-	-	-	-	93.67		

Source: OPEC Monthly Oil Market Report - May-2021

Non-OPEC oil supply estimates for 2020 remained unchanged showing a contraction of 2.5 mb/d with an average supply of 62.9 mb/d. For 2021, non-OPEC supply forecast was revised down by 0.23 mb/d and supply is now expected to grow by 0.7 mb/d to average at 63.6 mb/d. The revision mainly reflected lowered forecast for supply from Norway (-79 tb/d) and Canada (-24 tb/d) due to extensive seasonal maintenance, in addition to lowered forecast for the US (-229 tb/d) led by supply disruptions caused by the winter storm and the cold snap in February-2021 that resulted in 2.2 mb/d in production outages. On the other hand, a slightly higher expected supply from China (+49 tb/d), Azerbaijan (+28 tb/d), Russia and Malaysia partly offset the overall decline in forecast.

Non-OPEC Oil Supply - 2020/2021, mb/d	2020	Q1-21	Q2-21	Q3-21	Q4-21	2021	Y-o-Y Growth	% Chg.
Americas	24.72	24.07	24.58	25.24	25.86	24.94	0.22	0.89
of which US	17.62	16.61	17.49	17.79	18.30	17.55	(0.07)	(0.40)
Europe	3.91	4.01	3.78	3.93	4.07	3.95	0.04	1.01
Asia Pacific	0.53	0.51	0.56	0.55	0.55	0.54	0.01	1.92
Total OECD	29.16	28.59	28.92	29.72	30.48	29.43	0.27	0.93
China	4.12	4.25	4.20	4.21	4.18	4.21	0.09	2.27
India	0.77	0.76	0.75	0.74	0.73	0.75	(0.02)	(2.62)
Other Asia	2.51	2.51	2.46	2.47	2.46	2.48	(0.03)	(1.27)
Latin America	6.06	5.96	6.32	6.33	6.52	6.28	0.23	3.75
Middle East	3.17	3.19	3.20	3.23	3.24	3.22	0.04	1.29
Africa	1.41	1.37	1.36	1.34	1.32	1.35	(0.07)	(4.84)
Eurasia	10.59	10.47	10.66	10.66	10.66	10.61	0.02	0.21
of which Russia	2.91	2.97	2.94	2.98	2.98	2.97	0.05	1.78
of which other Eurasia	0.12	0.11	0.11	0.11	0.11	0.11	(0.01)	(6.92)
Total "Other regions"	31.66	31.59	32.01	32.06	32.20	31.97	0.31	0.97
Total Non-OPEC Production	60.82	60.17	60.93	61.78	62.68	61.4	0.58	0.95
Processing gains	2.07	2.20	2.20	2.20	2.20	2.20	0.13	6.17
Total Non-OPEC Supply	62.89	62.37	63.13	63.98	64.88	63.6	0.70	1.12

Source: OPEC Monthly Oil Market Report - May-2021

OPEC Oil Production & Spare Capacity

OPEC crude oil production remained flattish during April-2021 after witnessing growth during March-2021. Monthly production averaged at 25.27 mb/d, registering a m-o-m decline of 50 tb/d, according to Bloomberg. OPEC's secondary sources showed a marginal increase in production by 26 tb/d to an average of 25.08 mb/d. The overall compliance to OPEC+ cuts have made sure that OPEC production remained in a tight range over the last six months to average at around the current rate of production. This comes despite volatile production from some of the swing producers in OPEC. During April-2021, Iran reportedly raised production to a 2-year high level of 2.4 mb/d, while Nigeria raised production to around 1.6 mb/d. These increases were offset by a fall in production in Libya and Venezuela (as per OPEC secondary sources). The group's biggest producer, Saudi Arabia, produced at 8.1 mb/d during the month recording a marginal change as compared to last month.

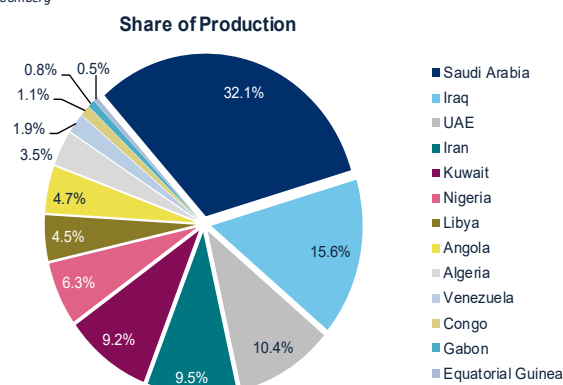
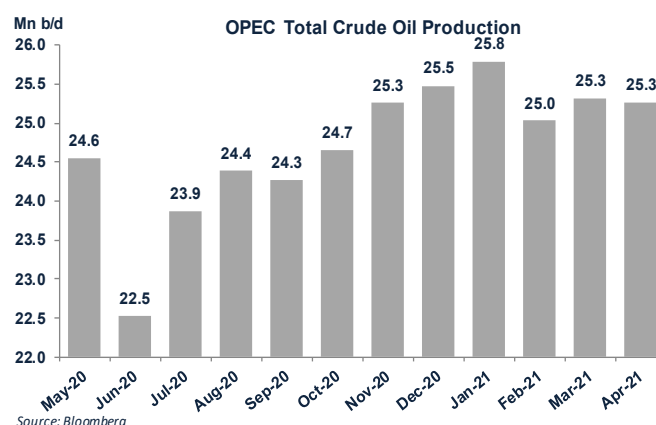
Production ('000 b/d)	Mar-21	Apr-21	Change		Capacity	Spare Capacity
Total OPEC-13	25,320	25,270	-50	-0.20%	34,535	9,265
Saudi Arabia	8,150	8,110	-40	-0.5%	11,500	3,390
Iraq	3,940	3,950	10	0.3%	4,800	850
UAE	2,630	2,620	-10	-0.4%	4,200	1,580
Iran	2,350	2,410	60	2.6%	3,830	1,420
Kuwait	2,320	2,320	0	0.0%	3,075	755
Nigeria	1,550	1,590	40	2.6%	2,000	410
Libya	1,220	1,140	-80	-6.6%	1,300	160
Angola	1,200	1,180	-20	-1.7%	1,450	270
Algeria	880	880	0	0.0%	1,080	200
Venezuela	490	490	0	0.0%	600	110
Congo	290	270	-20	-6.9%	330	60
Gabon	180	190	10	5.6%	220	30
Equatorial Guinea	120	120	0	0.0%	150	30
Total OPEC-12	21,380	21,320	-60	-0.28%	29,735	8,415

Source: Bloomberg, OPEC

Iran raised production during the month to become the fourth biggest producer in OPEC overtaking Kuwait. The increase came as the country prepared for a lifting of sanctions as talks on the nuclear deal with the US continue in the positive direction. According to reports, Iran can reach pre-sanction production levels of around 4 mb/d in three months, however, Iran's OPEC envoy said that buyer reluctance and removal of hurdles would mean a more gradual return of production. Nevertheless, in a recent report, IEA said that with the increasing pace of vaccinations globally, the resultant demand would be large enough to absorb the increase in supply from Iran.

On the other hand, Libya's oil output once again declined after witnessing growth during March-2021. Output dropped by around 80 tb/d to 1.1 mb/d during April-2021 due to the ongoing funding and budget dispute between state oil companies and the central government amid rising debt levels that resulted in oil fields to stop production. OPEC's secondary sources also showed a decline in Venezuela's oil production that reached below 0.5 mb/d level due to maintenance shutdown at one of its fields.

Based on the current elevated oil prices and the 5-year average OECD oil stocks, there were reports that the OPEC+ could ease its voluntary cuts in its upcoming meeting on 1-June-2021, although trends in demand from India would remain key to its decision.



Source: Bloomberg

Brent Crude Oil Price Forecast

Firm	As Of	Q2 21	Q3 21	Q4 21	Q1 22
Westpac Banking Corp	10/May/21	67.0	70.0	70.0	68.0
Commerzbank AG	6/May/21	65.0	65.0	70.0	70.0
Capital Economics Ltd	4/May/21	67.0	72.5	72.5	69.0
Rabobank International	29/Apr/21	71.0	71.2	71.3	71.7
Emirates NBD PJSC	29/Apr/21	70.0	70.0	70.0	70.0
Jefferies LLC	13/Apr/21	52.0	53.0	55.0	
Deutsche Bank AG	12/Apr/21	65.0	67.0	70.0	65.0
Natixis SA	7/Apr/21	67.0	64.0	66.0	68.0
Market Risk Advisory Co Ltd	2/Apr/21	63.0	64.0	60.0	60.0
Toronto-Dominion Bank/Toronto	30/Mar/21	66.0	63.0	63.0	65.0
Barclays PLC	22/Mar/21	64.0	67.0	71.0	73.0
HSBC Holdings PLC	19/Mar/21	64.0	70.0	65.0	
CIMB	12/Mar/21	70.0	68.0	65.0	63.0
Intesa Sanpaolo SpA	12/Mar/21	70.0	72.0	73.0	
ABN AMRO Bank NV	5/Mar/21	65.0	63.0	61.0	59.0
Banco Santander SA	4/Mar/21	57.0	55.0	54.0	55.0
MPS Capital Services Banca per le Imprese SpA	26/Feb/21	61.0	62.0	64.0	
Landesbank Baden-Wuerttemberg	25/Feb/21	65.0	60.0	60.0	60.0
MUFG Bank	17/Feb/21	73.7	71.8	65.4	58.4
Prestige Economics LLC	29/Dec/20	55.5	57.0	60.0	
BNP Paribas SA	23/Nov/20	54.0	55.0	59.0	62.0
Median		65.0	65.0	65.0	65.0
Mean		64.4	64.8	65.0	64.8
High		73.7	72.5	73.0	73.0
Low		52.0	53.0	54.0	55.0
Current Fwd		67.9	67.3	66.2	65.3
Difference (Median - Current)		-2.9	-2.3	-1.2	-0.3

Source: Bloomberg

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