

Oil Market Monthly Report

November-2022

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Demand concerns persist despite easing Covid-19 rules in China...

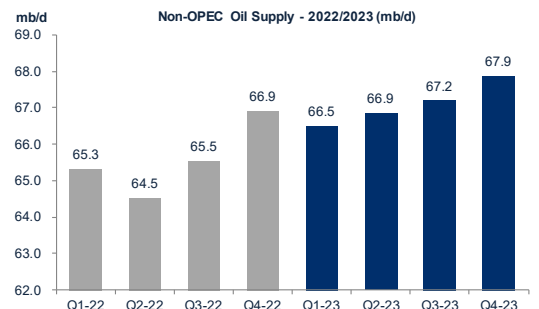
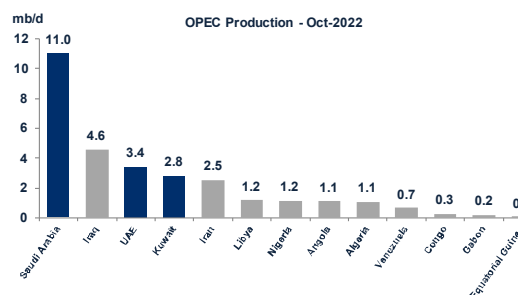
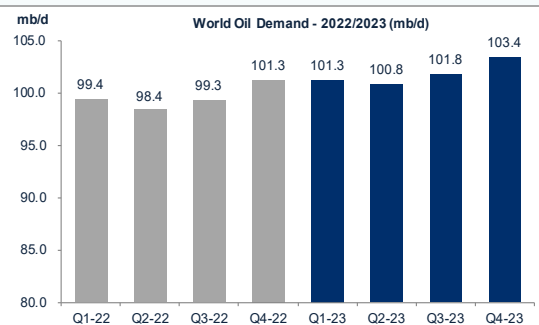
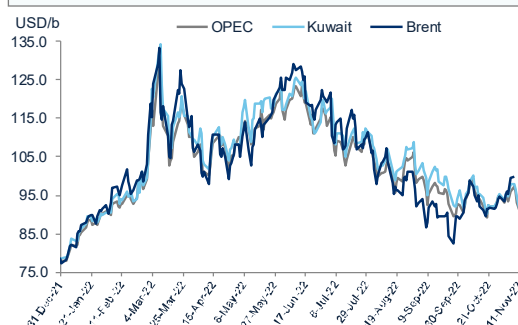
Oil prices remained largely range-bound and traded below the USD 100/b mark during November-2022 after hopes of a soft landing in global economy were mostly offset by likelihood of lower-than-expected demand from China. The weaker-than-expected inflation numbers from the US somewhat eased concerns of a recession and pointed to sustained oil demand in the country. However, rising cases of Covid-19 in China in some of its key manufacturing hubs that resulted in authorities urging work from home dented hopes of a demand recovery from the country. This came despite China easing some of the strict measures that it implemented previously to tackle Covid-19 crisis as per its Zero Covid policy. The economic impact of earlier measures were reflected in slower factory output growth in October-2022, decline in retail sales and slumping property market in China.

Other factors that affected oil prices recently included expectations of a warmer-than-normal winter in Europe as well as talks of a cap on Russian crude oil. On the other hand, softer dollar, declining shale productivity in the US and talks of restocking of inventory in the US provided support to oil prices.

On the supply side, the EIA, in its monthly drilling productivity report, said it expects overall U.S. shale crude oil output to increase by 91 tb/d to 9.191 mb/d in December-2022, the highest shale production since March-2020. This will be mainly led by record oil output in the Permian basin that is expected to reach 5.499 mb/d in December-2022 despite a slow ramp-up in output. Shale output in October-2022 reached the highest level since March-2020 to reach 9.0 mb/d as compared to 8.9 mb/d during August-2022.

Meanwhile, the looming sanctions on Russian crude oil by the EU has already resulted in a restructuring of oil flows from Russia. Asia now accounts for record volumes of crude oil imports from Russia. Data from Bloomberg showed two-thirds of crude loaded into tankers at Russian ports is now heading to Asia as compared to two fifths of loading in the week before the Russia/Ukraine conflict. Nevertheless, the IEA recently said it expects Russia's crude oil output to go below 10.0 mb/d as exports to its key customers i.e. India, China and Turkey have flattened recently and these countries may not increase imports further.

In terms of oil demand, the OPEC, in its latest monthly report, lowered world oil demand growth expectations by 0.1 mb/d for 2022 to 2.55 mb/d citing economic challenges in OECD Europe during Q4-2022 amid significant uncertainty as well as continued restrictions in China. Next year's demand growth expectation was also slashed by 0.1 mb/d to 2.24 mb/d. Oil production by the OPEC stood at 29.49 mb/d during October-2022 based on OPEC's secondary sources, registering a steep decline of 210 mb/d mainly led by a m-o-m fall in output in Saudi Arabia and Angola, as per OPEC.



Sources : OPEC, EIA, Bloomberg

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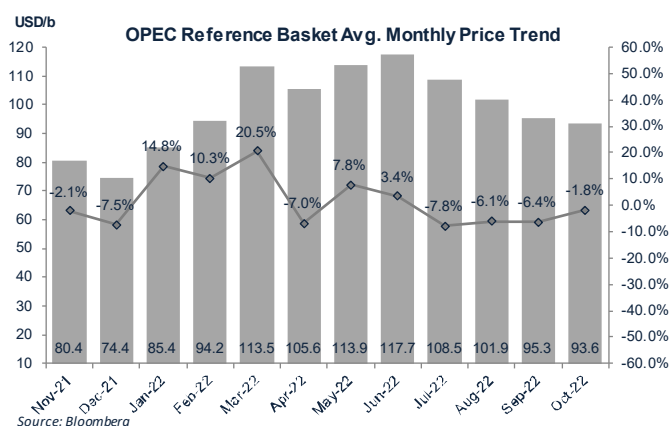
Oil Prices

Oil prices traded within a tight band between USD 90 and USD 100 per barrel since September-2022 mainly reflecting tighter markets that was offset by demand slowdown driven by higher inflation-led interest rates as well as continued covid-19 restrictions in China. The easing of restrictions by China last week had minimal impact on prices as economic data for October-2022 painted a discouraging picture of economic growth. Moreover, rising cases have made economic recovery largely uncertain in China.

Meanwhile, the IEA, in its monthly report, warned that oil inventories in developed countries have declined to the lowest level since 2004 to below 4 billion barrels for the first time in 18 years. This was mainly led by withdrawals from the strategic reserves by the US and other countries totaling around 177 million barrels of crude oil this year. In addition, the upcoming sanctions on Russia is expected to add further pressure on global oil balances, the IEA said.

The latest oil rig count figures from Baker Hughes showed an increase of 9 rigs to reach a total rig count of 622 rigs during last week, the highest levels since March-2020. The increase was the biggest weekly jump in oil rigs since the week ended 24-June-2022. At the same time, the EIA expects new oil well production per rig to drop to 1,049 b/d in the Permian Basin, the lowest since July-2020, indicating weaker per-well output from aging shale regions. A Reuters report showed that productivity in the biggest oil and gas basins in the US have declined every month since hitting records of new oil well production per rig in December-2020 in the Permian Basin.

Average crude oil prices changes remained mixed during October-2022. OPEC crude oil basket averaged at USD 93.6 per barrel during the month as compared to USD 95.3 per barrel during September-2022, resulting in a decline of 1.8%. Kuwait crude grade also declined by 4% to USD 94.7 per barrel whereas Brent crude average showed an increase of 3.7% to reach USD 93.1 per barrel.



Average Crude Oil Prices, USD/b	Sep-2022	Oct-2022	Change (USD)	Avg 2021	Avg 2022
OPEC Reference Basket	95.3	93.6	(1.7)	68.3	103.1
Arab Light	99.3	96.2	(3.1)	69.1	104.6
Basrah Light	91.2	89.5	(1.7)	67.3	100.6
Bonny Light	95.7	95.0	(0.7)	69.2	107.0
Djeno	82.4	85.7	3.3	61.9	96.7
Es Sider	90.5	93.9	3.4	67.6	104.6
Girassol	92.3	95.6	3.4	69.8	107.2
Iran Heavy	97.2	93.2	(4.0)	68.2	103.1
Kuwait Export	98.7	94.7	(4.0)	68.9	104.4
Merey	73.7	71.6	(2.1)	50.1	79.8
Murban	92.5	93.5	1.1	68.4	101.5
Rabi	89.4	92.7	3.3	68.9	103.7
Saharan Blend	92.7	95.7	2.9	69.3	107.4
Zafiro	90.7	93.6	2.9	69.6	106.2
Other Crudes					
Brent	89.8	93.1	3.3	69.4	104.2
Dubai	91.0	91.0	0.1	67.8	99.2
Isthmus	81.4	83.6	2.1	65.0	95.5
LLS	86.4	90.1	3.7	68.2	99.5
Mars	82.9	83.8	0.9	66.0	94.8
Minas	88.9	91.1	2.2	67.3	99.5
Urals	68.6	70.5	1.9	68.0	82.1
WTI	84.0	87.3	3.3	66.6	97.4
Differentials					
Brent/WTI	5.8	5.9	0.0	2.7	6.8
Brent/LLS	3.5	3.0	(0.4)	1.2	4.6
Brent/Dubai	(1.2)	2.1	3.2	1.5	4.9

Source: OPEC Monthly Oil Market Report - Nov-2022

World Oil Demand

In its latest monthly report, the OPEC lowered its oil demand growth forecast for 2022 by 0.1 mb/d to a growth of 2.55 mb/d. Oil demand is now expected to reach 99.6 mb/d in 2022 after demand for Q2-2022 was revised slightly higher amid better-than-expected demand in the OECD countries while Q3-2022 and Q4-2022 demand were revised lower due to the extension of the zero-Covid-19 policy in China, ongoing geopolitical uncertainties and weaker economic activities in OECD Europe. For the US, rising inflation and recent interest rate hikes are expected to weigh on crude oil demand during Q4-2022, although gasoline demand is expected to see a small rebound with expectations of a decline in retail prices. Heating fuel demand is also expected to strengthen due to the winter, while steady improvements in air travel will support demand for jet/kerosene. For the OECD Europe region, demand is expected to remain subdued during Q4-2022 and Q1-2023 led by factors that include a

World Oil Demand - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	24.33	24.78	25.00	25.04	25.21	25.01	0.68	2.78
of which US	20.03	20.38	20.41	20.58	20.74	20.53	0.49	2.46
Europe	13.13	13.15	13.41	14.03	13.90	13.63	0.50	3.79
Asia Pacific	7.38	7.85	6.99	7.31	7.81	7.49	0.11	1.44
Total OECD	44.84	45.78	45.40	46.37	46.92	46.12	1.28	2.85
China	14.97	14.74	14.56	14.69	15.44	14.86	(0.11)	(0.73)
India	4.77	5.18	5.16	4.95	5.35	5.16	0.39	8.11
Other Asia	8.63	9.09	9.27	8.76	8.85	8.99	0.36	4.20
Latin America	6.23	6.32	6.36	6.58	6.40	6.41	0.19	3.04
Middle East	7.79	8.06	8.13	8.52	8.17	8.22	0.43	5.49
Africa	4.22	4.51	4.15	4.27	4.53	4.37	0.14	3.39
Russia	3.61	3.67	3.42	3.45	3.59	3.53	(0.08)	(2.32)
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	1.63
Total Non-OECD	52.18	53.58	52.95	52.94	54.33	53.45	1.27	2.43
Total World	97.03	99.36	98.35	99.32	101.25	99.57	2.55	2.62

Source: OPEC Monthly Oil Market Report - Nov-2022

seasonal decline in mobility and the ongoing geopolitical tensions, although the gas-to-oil switching for electricity generation and sustained growth in international and regional air travel will support demand. Oil demand in India remained strong during October-2022 with monthly consumption reaching a four-month high level during the month led by higher demand during the festive season. The increase was 6.7% m-o-m to reach 18.37 million tonnes, according to data from India's oil ministry. Key exporters of crude oil to India included Iran and Russia as these oil producers offered better price and favorable terms of exports to India.

For 2023, global oil demand growth was also lowered by 0.1 mb/d to a growth of 2.2 mb/d. Total demand is now expected to reach 101.8 mb/d with growth supported by expected improvement in geopolitical climate and the containment of Covid-19 in China. In terms of product categories, the IEA forecasted diesel demand to take see a significant decline next year mainly led by higher prices that will lead to demand destruction. The agency expects 2022 demand for diesel and gasoil to increase by 0.4 mb/d followed by a small decline next year from higher prices and a slowing economy.

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	25.01	25.26	25.34	25.47	25.27	0.26	1.05
of which US	20.53	20.51	20.52	20.82	20.87	20.68	0.15	0.74
Europe	13.63	13.19	13.44	14.06	13.95	13.66	0.03	0.24
Asia Pacific	7.49	7.88	7.04	7.35	7.83	7.52	0.04	0.48
Total OECD	46.12	46.08	45.73	46.75	47.24	46.46	0.33	0.72
China	14.86	15.03	15.41	15.24	15.84	15.38	0.52	3.53
India	5.16	5.41	5.44	5.21	5.59	5.41	0.25	4.94
Other Asia	8.99	9.42	9.61	9.12	9.2	9.33	0.35	3.85
Latin America	6.41	6.48	6.48	6.74	6.54	6.56	0.15	2.29
Middle East	8.22	8.45	8.46	8.85	8.46	8.55	0.33	4.05
Africa	4.37	4.71	4.34	4.46	4.72	4.56	0.19	4.36
Russia	3.53	3.65	3.44	3.62	3.77	3.62	0.09	2.52
Other Eurasia	1.15	1.22	1.16	1.02	1.22	1.16	0.01	0.72
Other Europe	0.77	0.80	0.76	0.75	0.82	0.78	0.02	2.32
Total Non-OECD	53.45	55.17	55.09	55.01	56.15	55.36	1.91	3.58
Total World	99.57	101.26	100.83	101.76	103.4	101.82	2.24	2.25

Source: OPEC Monthly Oil Market Report - Nov-2022

World Oil Supply

Global liquids production once again recorded a monthly increase during October-2022 with preliminary data indicating a monthly gain of 0.7 mb/d to reach an average of 101.5 mb/d. The increase during the month was solely led by higher production by non-OPEC countries with an increase of 0.9 mb/d to average at 72.0 mb/d. This increase was partially offset by a decline in output from OPEC countries.

Non-OPEC liquids supply growth expectations for 2022 witnessed a small downward revision of 30 tb/d in OPEC's monthly report. Supply is now expected to grow by 1.9 mb/d to reach 65.6 mb/d. The revision mainly reflected lowered supply forecast for Kazakhstan (-41 tb/d), the UK (-20 tb/d), Australia, Norway and Azerbaijan that was partially offset by higher expected

Non-OPEC Oil Supply - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	25.25	25.86	26.27	26.93	27.29	26.59	1.34	5.31
of which US	17.85	18.27	18.83	19.19	19.44	18.93	1.09	6.08
Europe	3.76	3.73	3.43	3.51	3.87	3.64	(0.12)	(3.13)
Asia Pacific	0.51	0.49	0.51	0.43	0.53	0.49	(0.02)	(4.11)
Total OECD	29.52	30.08	30.22	30.88	31.69	30.72	1.20	4.08
China	4.31	4.51	4.52	4.38	4.43	4.46	0.15	3.51
India	0.78	0.78	0.77	0.75	0.8	0.78	0.00	(0.27)
Other Asia	2.41	2.35	2.3	2.25	2.38	2.32	(0.09)	(3.56)
Latin America	5.95	6.11	6.18	6.44	6.56	6.32	0.37	6.18
Middle East	3.24	3.29	3.33	3.37	3.37	3.34	0.10	3.08
Africa	1.35	1.33	1.31	1.33	1.32	1.32	(0.03)	(1.89)
Russia	10.8	11.33	10.63	11.01	10.77	10.93	0.13	1.23
Other Eurasia	2.93	3.05	2.77	2.62	3.08	2.88	(0.05)	(1.59)
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	32.25	32.81	32.46	0.58	1.84
Total Non-OPEC Production	61.39	62.93	62.14	63.13	64.5	63.18	1.79	2.91
Processing gains	2.29	2.40	2.40	2.40	2.40	2.40	0.11	4.90
Total Non-OPEC Supply	63.68	65.33	64.54	65.53	66.9	65.58	1.90	2.98
OPEC NGLs and non-conventionals	5.28	-	-	-	-	5.39	0.11	2.08
OPEC Crude Oil Production	26.35	28.36	28.59	29.45	-	-	-	-
Total World Supply	95.31	-	-	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - Nov-2022

supplies from Russia (+69 tb/d) and Guyana (+22 tb/d). The revision in forecast for the Other Eurasia countries were mainly due to lower-than-expected output in Azerbaijan, emergency repairs at an export terminal and planned maintenance in Kazakhstan. In addition, extended maintenance on North Sea platforms also reduced Q3-2022 output in the region.

For 2023, non-OPEC liquids production growth forecast witnessed a minor upward revision of 16 tb/d resulting in a y-o-y growth of 1.5 mb/d for the full year. Total production from the region is expected to reach 67.12 mb/d in 2023. The revision mainly reflected higher production in Kazakhstan (+28 tb/d), UK, Australia, Norway and Mexico partially offset by a downward revision to supply from Russia (-62 tb/d).

Non-OPEC Oil Supply - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	26.59	27.60	27.70	28.05	28.43	27.95	1.35	5.09
of which US	18.93	19.75	20.05	20.24	20.47	20.13	1.20	6.33
Europe	3.64	3.97	3.95	3.84	3.97	3.93	0.29	8.10
Asia Pacific	0.49	0.51	0.48	0.50	0.49	0.50	0.00	0.97
Total OECD	30.72	32.08	32.13	32.40	32.89	32.38	1.65	5.38
China	4.46	4.51	4.50	4.47	4.47	4.49	0.03	0.64
India	0.78	0.8	0.79	0.78	0.77	0.79	0.01	1.12
Other Asia	2.32	2.38	2.38	2.35	2.37	2.37	0.05	2.16
Latin America	6.32	6.47	6.65	6.71	6.78	6.66	0.33	5.27
Middle East	3.34	3.35	3.36	3.39	3.39	3.37	0.03	0.99
Africa	1.32	1.32	1.34	1.35	1.37	1.35	0.02	1.87
Russia	10.93	9.92	10.07	10.14	10.19	10.08	(0.85)	(7.78)
Other Eurasia	2.88	3.10	3.07	3.04	3.08	3.07	0.19	6.65
Other Europe	0.11	0.10	0.10	0.10	0.10	0.10	0.00	(2.83)
Total Non-OECD	32.46	31.96	32.26	32.33	32.53	32.27	(0.18)	(0.57)
Total Non-OPEC Production	63.18	64.04	64.39	64.73	65.42	64.65	1.47	2.33
Processing gains	2.40	2.47	2.47	2.47	2.47	2.47	0.07	2.96
Total Non-OPEC Supply	65.58	66.51	66.86	67.2	67.89	67.12	1.54	2.35

Source: OPEC Monthly Oil Market Report - Nov-2022

OPEC Oil Production & Spare Capacity

OPEC crude oil production during October-2022 showed an increase for the eighteenth consecutive month, albeit marginally, to reach 30.0 mb/d, according to Bloomberg. The increase was mainly led by higher production by UAE, Iraq and Nigeria that was partially offset by a decline in production mainly in Angola and Congo. In contrast, data from OPEC's secondary sources showed a decline in OPEC output by 210 tb/d to 29.5 mb/d mainly on the back of a fall in production in Saudi Arabia and Angola partially offset by higher production mainly in Nigeria and Iraq. Saudi Arabia produced at 11.0 mb/d during October-2022 registering a m-o-m decline of 10 tb/d (10.8 mb/d production and 149 tb/d decline as per OPEC secondary sources). Following international pressures recently for lowering output, the oil minister of Saudi Arabia recently said that the OPEC+ group would remain cautious on oil production and that there remains plenty of uncertainties in the world economy.

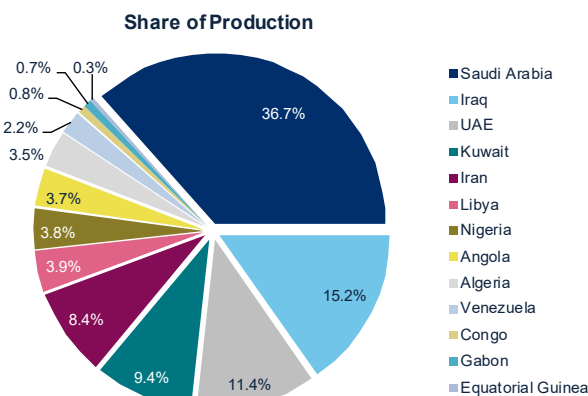
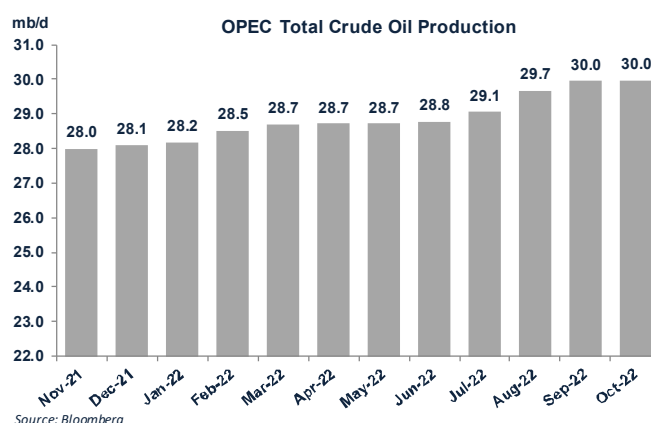
Production ('000 b/d)	Sep-22	Oct-22	Change		Capacity	Spare Capacity
Total OPEC-13	29,950	29,980	30	0.10%	34,060	4,080
Saudi Arabia	11,010	11,000	-10	-0.1%	12,000	1,000
Iraq	4,520	4,570	50	1.1%	4,800	230
UAE	3,350	3,420	70	2.1%	4,200	780
Kuwait	2,820	2,810	-10	-0.4%	2,820	10
Iran	2,490	2,510	20	0.8%	3,830	1,320
Libya	1,200	1,170	-30	-2.5%	1,200	30
Nigeria	1,100	1,150	50	4.5%	1,600	450
Angola	1,160	1,100	-60	-5.2%	1,200	100
Algeria	1,040	1,050	10	1.0%	1,060	10
Venezuela	670	660	-10	-1.5%	710	50
Congo	290	250	-40	-13.8%	300	50
Gabon	200	210	10	5.0%	220	10
Equatorial Guinea	100	80	-20	-20.0%	120	40
Total OPEC-12	25,430	25,410	-20	-0.08%	29,260	3,850

Source: Bloomberg

Oil production in Angola witnessed the biggest decline in OPEC during the month, according to Bloomberg, with output falling by 60 tb/d to average at 1.1 mb/d. OPEC report showed a slightly higher decline of 78 tb/d during the month. Recently, Exxon Mobil announced its first oil discovery in Angola in 20 years while TotalEnergies has invested USD 3 Bn in oil projects in the country, according to reports from Bloomberg.

On the other hand, after showing declines for the last eight months, oil production in Nigeria witnessed a slight increase during October-2022. The country's output stood at 1.15 mb/d during the month registering an increase of 50 tb/d, according to Bloomberg. The country continues to battle oil theft in the Niger Delta and continues to make efforts to ramp up output. The CEO of NUPRC said that commission is targeting to increase production by 0.5 mb/d by getting about 50% of crude that was shut due to theft.

Oil production in Iraq increased marginally to reach 4.57 mb/d during November-2022. An S&P report recently showed that exports from Iraq's federal region have reached multi-year highs and that southern terminals are running at almost full capacity with limited space at storage facilities, limiting future growth in production. Recently, the country's new prime minister said that they aim to increase the country's quota of oil production in the OPEC+ agreement with an aim to increase oil revenues.



Brent Crude Oil Price Forecast

Firm	As Of	Q4-22	Q1-23	Q2-23	Q3-23
Rabobank International	8/Nov/22	94.0	106.7	98.1	94.5
MUFG Bank	7/Nov/22	97.0	110.0	98.5	102*
Goldman Sachs Group Inc/The	1/Nov/22	104.3	115.0	105.0	110.0
Capital Economics Ltd	1/Nov/22	90.0	98.3	94.8	91.3
Citigroup Inc	31/Oct/22	97.0	95.0	90.0	85.0
MPS Capital Services Banca per le Imprese SpA	25/Oct/22	90.0	90.0		
Commerzbank AG	24/Oct/22	95.0	95.0	95.0	100.0
ABN AMRO Bank NV	18/Oct/22	97.0	115.0	123.0	115.0
Banco Santander SA	13/Oct/22	91.0	86.0	83.0	81.0
Market Risk Advisory Co Ltd	3/Oct/22	85.3	84.2	82.4	81.0
Emirates NBD PJSC	27/Sep/22	90.0	90.0	95.0	95.0
Intesa Sanpaolo SpA	23/Sep/22	98.0	96.0	94.0	92.0
Westpac Banking Corp	20/Sep/22	91.9	88.7	89.0	90.7
Landesbank Baden-Wuerttemberg	26/Aug/22	90.0	90.0	90.0	85.0
Natixis SA	4/Aug/22	105.0	90.0	95.0	110.0
Deutsche Bank AG	5/Jul/22	110.0	110.0	95.0	90.0
Median		94.5	95.0	95.0	91.6
Mean		95.3	97.5	95.2	94.3
High		110.0	115.0	123.0	115.0
Low		85.3	84.2	82.4	81.0
Current Fwd		95.6	92.5	89.2	86.2
Difference (Median - Current)		-1.1	2.5	5.8	5.4

Source: Bloomberg

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