

Oil Market Monthly Report

September-2024

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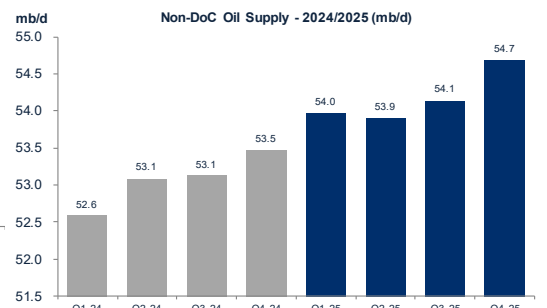
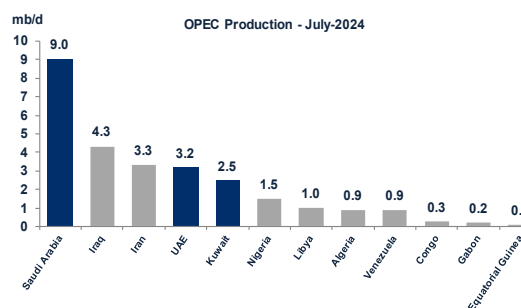
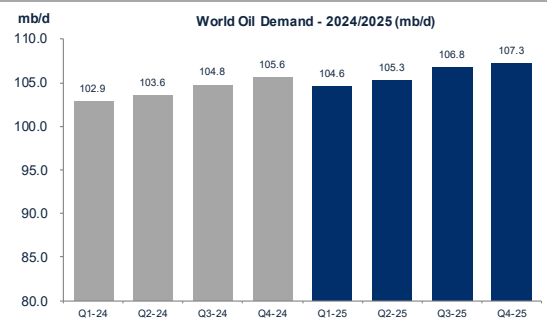
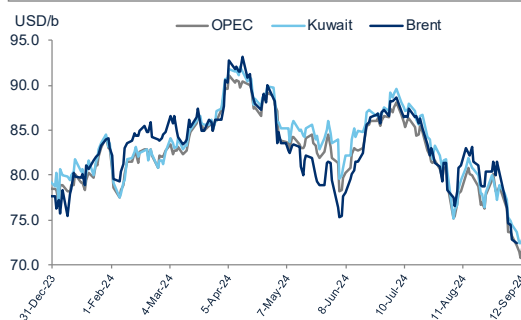
Oil regains USD 70/b level in an oversold market...

The sell-off in the crude oil market continued this month with crude oil futures prices briefly sliding below the USD 70/b for the first time since December-2021 last week. The crude oil market remained under pressure since the last week of August-2024 as oil watchers feared about an announcement for an imminent unwinding of output cuts from October-2024 by the OPEC+ in its next meeting. This exacerbated the existing worries about future demand growth in the US and in China as economic data pointed to a slowdown. Intermittent news about supply disruptions from Libya and the Middle East region provided minimal support to prices amid significant bearish sentiments in the market.

With a number of datapoints showing pressure on future oil demand growth, the announcement by the OPEC+ to delay output hikes by an additional two months only had a minimal and temporary impact on prices. This was followed by tropical Storm Francine that affected oil output in the US Gulf Coast that supported prices by more than 1% at the start of last week, but a cut in oil demand forecast by the OPEC in its monthly report pushed prices to USD 69.2/b on 10-September-2024, overshadowing a positive revision to demand forecast by the US EIA. The IEA also warned about a slowdown in Chinese oil demand, prompting the agency to lower demand expectation for this year.

Last week also witnessed the announcement of inflation data by the US fed that showed progress on headline inflation that reached 2.5% y-o-y growth during August-2024. However, core CPI held steady at 3.2% and was up 0.3% vs. last month, growing slightly faster than economist's expectations. The data also showed sticky services inflation as well as steady housing inflation. As a result, consensus estimates now expect a single 25 bps cut this month as compared to a popular expectation of a bigger cut, that would have been positive for the oil market. Data from Europe also showed subdued economic activity in most parts of the region prompting the ECB to cut interest rate for the second time this year by 25 bps. Oil demand in the region also got affected as European refineries entered maintenance season, in addition to unexpected shutdowns and the closure of the Grangemouth refinery in Scotland, the oldest refinery in Britain.

On the supply side, oil production in the US remained stable at 13.3 mb/d over the last three weeks after touching a record high of 13.4 mb/d during the week ended 16-August-2024. On the other hand, oil production in OPEC, declined by almost 0.2 mb/d during August-2024 to an average of 26.6 mb/d led by a steep fall in production in Libya as well as lower production in Iraq and Saudi Arabia, according to data from OPEC secondary sources. These declines were partially offset by higher production in Nigeria as well as small monthly growth in production in most other OPEC countries.



Sources : OPEC, EIA, Bloomberg

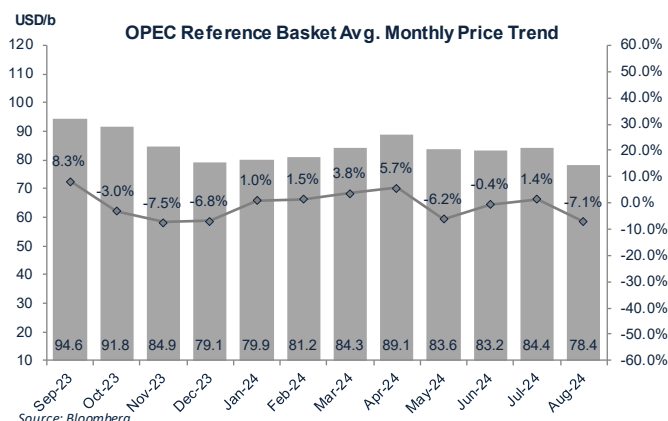
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Oil Prices

Crude oil future prices reported minimal recovery last week after reaching the lowest level in 33 months led by a fall in demand expectations for key oil markets that overshadowed lower output by the OPEC+, geopolitical related disruptions in the Middle East, the steep fall in output in Libya as well as outage of production on the US Gulf Coast due to a tropical storm. Crude oil prices were down by almost 10.0% during the first week of the month, resulting in the biggest weekly selloff since October-2023. The month started with the news that the output in Libya would be restored, that pushed futures prices down by almost 5% coupled with ongoing demand concerns that were reflected in the PMI data on manufacturing with US remaining below the growth mark of 50 points for the second consecutive month, along with most countries in North America. Data on Europe also showed a similar trend of a contraction in manufacturing while Asia and emerging markets showed a smaller growth.

Data on oil inventory also provided little support to prices. US crude stocks reached the lowest level in almost a year at the end of August-2024 at 418.3 million barrels. Crude stockpiles in Cushing, Oklahoma were also seen reaching their lowest seasonal level in a decade, according to data from the US EIA. Meanwhile, the weekly rig count data from Baker Hughes showed oil rigs in the US reaching the highest level since mid-June-2024 at 488.

In terms of monthly price trend, prices of almost all crude grades reported steep declines during August-2024. Average spot Brent crude oil price was down by 5.3% to reach USD 80.7/b during August-2024 as compared to an average of USD 85.3/b during July-2024. On the other hand, OPEC reference basket price was down by 7.1% to reach USD 80.7/b while Kuwait export grade crude witnessed a steeper decline of 8.1% to average at USD 78.8/b during August-2024. Meanwhile, the consensus estimate for Brent crude showed downward revision for prices over the next six quarters. The consensus forecast for Q3-2024 was lowered by USD 1.0/b while for the first quarter of 2025 witnessed a steeper downgrade of USD 3.0/b, according to data from Bloomberg.



Average Crude Oil Prices, USD/b	Jul-2024	Aug-2024	Change (USD)	YTD Avg. 2023	YTD Avg. 2024
OPEC Reference Basket	84.4	78.4	(6.0)	80.6	83.0
Arab Light	86.2	79.7	(6.5)	82.6	84.7
Basrah Light	83.5	77.4	(6.1)	77.9	81.4
Bonny Light	85.1	82.0	(3.1)	80.7	85.2
Djeno	77.8	73.3	(4.5)	73.1	76.3
Es Sider	84.4	80.2	(4.1)	79.8	83.2
Iran Heavy	84.6	77.6	(6.9)	80.9	82.9
Kuwait Export	85.7	78.8	(6.9)	82.0	83.9
Merey	67.6	62.2	(5.5)	61.1	68.6
Murban	83.8	77.9	(5.9)	81.0	82.8
Rabi	84.8	80.3	(4.5)	80.1	83.3
Saharan Blend	85.4	81.7	(3.7)	81.4	84.7
Zafiro	86.4	82.7	(3.7)	81.1	85.1
Other Crudes					
Brent	85.3	80.7	(4.5)	80.6	83.7
Dubai	83.7	77.6	(6.1)	80.1	82.6
Isthmus	78.6	73.8	(4.8)	69.9	77.0
LLS	83.3	77.2	(6.1)	78.3	81.3
Mars	80.3	74.2	(6.0)	75.2	78.7
Minas	90.6	85.8	(4.8)	78.7	87.7
Urals	72.2	68.2	(4.0)	53.2	68.0
WTI	80.8	75.6	(5.3)	75.8	78.8
Differentials					
Brent/WTI	4.4	5.2	0.8	4.8	5.0
Brent/LLS	2.0	3.5	1.6	2.3	2.4
Brent/Dubai	1.6	3.2	1.6	0.5	1.1

Source: OPEC Monthly Oil Market Report - Sep-2024

World Oil Demand

In its latest monthly report, the OPEC lowered its world oil demand growth forecast for 2024 by 80 tb/d. The agency now expects oil demand to grow by 2.0 mb/d this year to reach an average of 104.24 mb/d. The revision was seen in data for both OECD and non-OECD countries. Demand for the OECD region was lowered by around 30 tb/d mainly due to a downward revision to demand data for the US by around 60 tb/d coupled with downward revision to demand data for Europe by 20 tb/d. These declines were partially offset by a small upward revision to demand data for OECD Asia Pacific by 20 tb/d. In the non-OECD region, demand was lowered by around 50 tb/d. This mainly reflected lowered expectations for demand in China and Latin America, partially offset by positive revision to data for India. Similarly, the IEA also lowered its demand growth forecast for 2024 for the second consecutive month. The agency lowered its forecast from a demand growth of 0.97 mb/d last month to 0.9 mb/d in its new forecast. The agency said that a rapid slowdown in oil demand in China is driving down global consumption. According to the IEA, global oil demand growth during 1H-2024 decelerated to 0.8 mb/d, the lowest since 2020.

World Oil Demand - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	24.96	24.42	25.21	25.51	25.37	25.13	0.17	0.70
of which US	20.36	19.92	20.46	20.67	20.85	20.48	0.11	0.56
Europe	13.45	12.85	13.61	13.73	13.41	13.40	(0.05)	(0.34)
Asia Pacific	7.24	7.53	6.99	7.03	7.43	7.24	0.00	0.00
Total OECD	45.65	44.80	45.80	46.28	46.21	45.78	0.13	0.28
China	16.36	16.66	16.88	17.24	17.25	17.01	0.65	3.99
India	5.34	5.66	5.66	5.48	5.65	5.61	0.27	5.02
Other Asia	9.28	9.72	9.77	9.51	9.51	9.63	0.35	3.77
Latin America	6.69	6.67	6.82	6.92	6.88	6.82	0.13	1.97
Middle East	8.63	8.72	8.52	9.19	9.02	8.86	0.23	2.63
Africa	4.46	4.59	4.37	4.39	4.85	4.55	0.09	2.10
Russia	3.84	3.98	3.77	3.96	4.11	3.96	0.11	2.99
Other Eurasia	1.17	1.32	1.24	1.08	1.28	1.23	0.06	5.03
Other Europe	0.78	0.78	0.78	0.77	0.84	0.79	0.01	0.99
Total Non-OECD	56.56	58.11	57.81	58.53	59.4	58.47	1.90	3.37
Total World	102.21	102.90	103.61	104.81	105.61	104.24	2.03	1.99

Source: OPEC Monthly Oil Market Report - Sep-2024

A number of data points from China were underwhelming, showing smaller than estimated growth. This included industrial output growth, retail sales growth, jobless rate as well as YTD measures for fixed asset investment and property investment. However, the drop in crude oil prices prompted higher imports into China last month as compared to a decline seen during July-2024. The country imported 11.56 m/bd of oil in August-2024, the highest level over the last twelve months, also due to higher seasonal demand. On the other hand, India looks like a replacement for China in terms of oil demand growth. According to the IEA, oil demand in India is expected to grow by 0.2 mb/d, surpassing China for the first time. This comes despite a fall in oil consumption in India during August-2024, mainly following a seasonal pattern. Oil consumption in India dropped by 0.3 mb/d during August-2024, also exacerbated by higher rains.

The OPEC also downgraded world oil demand growth forecast for 2025 to 1.74 mb/d from its previous month's forecast of 1.78 mb/d.

World Oil Demand - 2024/2025, mb/d	2024	Q1-25	Q2-25	Q3-25	Q4-25	2025	Y-o-Y Growth	% Chg.
Americas	25.13	24.48	25.26	25.63	25.45	25.21	0.08	0.31
of which US	20.48	19.95	20.49	20.73	20.89	20.52	0.04	0.21
Europe	13.40	12.87	13.62	13.75	13.43	13.42	0.02	0.12
Asia Pacific	7.24	7.54	7.00	7.04	7.44	7.25	0.01	0.15
Total OECD	45.78	44.89	45.87	46.43	46.32	45.88	0.11	0.23
China	17.01	17.09	17.27	17.68	17.64	17.43	0.41	2.43
India	5.61	5.88	5.90	5.73	5.88	5.85	0.24	4.27
Other Asia	9.63	9.99	10.09	9.84	9.81	9.93	0.30	3.15
Latin America	6.82	6.86	7.01	7.12	7.07	7.01	0.19	2.82
Middle East	8.86	8.98	8.74	9.54	9.25	9.13	0.27	3.03
Africa	4.55	4.71	4.50	4.53	4.97	4.68	0.12	2.72
Russia	3.96	4.04	3.82	4.02	4.15	4.01	0.05	1.36
Other Eurasia	1.23	1.35	1.27	1.13	1.31	1.26	0.03	2.56
Other Europe	0.79	0.80	0.79	0.78	0.85	0.80	0.01	1.42
Total Non-OECD	58.47	59.71	59.39	60.36	60.94	60.1	1.64	2.80
Total World	104.24	104.60	105.26	106.79	107.26	105.99	1.74	1.67

Source: OPEC Monthly Oil Market Report - Sep-2024

World Oil Supply

World oil supply increased by 80 tb/d during August-2024 as compared to the July-2024 to reach total supplies of 103.5 mb/d after increase in supply from Guyana, Brazil and elsewhere, according to data from the IEA. The increase in output from these countries more than offset a fall in output following outages in Libya due to a political dispute coupled with maintenance related outages in Norway and Kazakhstan.

Meanwhile, OPEC's oil supply growth forecast for the non-DoC countries for this year were once again kept unchanged as compared to OPEC's last month's forecast. Supply from these countries is expected to grow by 1.23 m/d in 2024 to average

Non-DoC Oil Supply - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	26.67	26.91	27.58	27.53	27.58	27.4	0.73	2.75
of which US	20.97	21.02	21.80	21.60	21.50	21.48	0.51	2.42
Europe	3.65	3.66	3.58	3.65	3.78	3.67	0.01	0.39
Asia Pacific	0.45	0.46	0.44	0.46	0.43	0.45	0.00	0.08
Total OECD	30.77	31.03	31.59	31.64	31.80	31.52	0.75	2.43
China	4.52	4.62	4.63	4.53	4.48	4.56	0.05	1.06
India	0.79	0.8	0.79	0.8	0.79	0.8	0.01	1.22
Other Asia	1.61	1.62	1.62	1.6	1.59	1.61	(0.01)	(0.46)
Latin America	6.96	7.28	7.19	7.29	7.53	7.32	0.36	5.22
Middle East	2.02	2.00	2.00	2.00	2.02	2.01	(0.02)	(0.86)
Africa	2.22	2.24	2.26	2.27	2.27	2.26	0.04	1.77
Other Eurasia	0.37	0.37	0.37	0.37	0.37	0.37	0.00	(0.79)
Other Europe	0.10	0.10	0.10	0.10	0.10	0.10	0.00	(1.63)
Total Non-OECD	18.60	19.03	18.96	18.96	19.16	19.03	0.43	2.32
Total Non-DoC Production	49.37	50.06	50.56	50.6	50.95	50.55	1.18	2.39
Processing gains	2.47	2.52	2.52	2.52	2.52	2.52	0.05	2.02
Total Non-DoC Supply	51.84	52.58	53.08	53.12	53.47	53.07	1.23	2.37
DoC NGLs and non-conventionals	8.23	-	-	-	-	8.33	0.10	1.22
DoC Crude Oil Production	42.00	41.22	40.90	-	-	-	-	-
Total World Supply	102.07	-	-	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - Sep-2024

at 53.07 mb/d during the year. However, there were adjustments at the country level that included a downward revision to supply data for the OECD Europe and Latin America that was fully offset by upward revisions to data for China, Angola and Australia. The latest data from the US EIA showed nationwide crude and condensates production averaging at almost 13.3 mb/d during the week ended 6-September-2024. Production has remained stable for the last three weeks after seeing a decline from a record level of 13.4 mb/d. The weekly data for oil rig counts in the US also showed an elevated level of oil rigs. According to Baker Hughes, total oil rigs in the US reached a total of 488 rigs after increasing by five rigs during the week ended 13-September-2024. This was the highest level of active oil rigs in the US since the first week of June-2024. Meanwhile, forecasts from Rystad Energy showed increased output from the shale patch in the Permian Basin mainly led by increasing productivity of US oil well. The agency boosted its output growth forecast for the region from a growth of 252 tb/d this year to 333 tb/d and then grow by 315 tb/d next year.

The OPEC also kept its forecast for non-DoC oil supplies unchanged for 2025. The agency forecasts supplies from the non-DoC countries to grow by 1.1 mb/d to reach an average of 54.17 mb/d in 2025.

Non-DoC Oil Supply - 2024/2025, mb/d	2024	Q1-25	Q2-25	Q3-25	Q4-25	2025	Y-o-Y Growth	% Chg.
Americas	27.40	27.83	27.87	28.12	28.43	28.07	0.66	2.42
of which US	21.48	21.71	21.98	22.03	22.18	21.98	0.50	2.33
Europe	3.67	3.85	3.72	3.70	3.81	3.77	0.10	2.74
Asia Pacific	0.45	0.44	0.43	0.44	0.44	0.44	(0.01)	(1.75)
Total OECD	31.52	32.12	32.03	32.26	32.68	32.27	0.76	2.40
China	4.56	4.62	4.61	4.52	4.53	4.57	0.01	0.12
India	0.8	0.79	0.8	0.81	0.81	0.8	0.01	0.98
Other Asia	1.61	1.6	1.58	1.56	1.56	1.58	(0.03)	(1.81)
Latin America	7.32	7.48	7.53	7.61	7.74	7.59	0.27	3.62
Middle East	2.01	2.01	2.04	2.03	2.03	2.03	0.02	1.01
Africa	2.26	2.28	2.28	2.28	2.27	2.28	0.02	0.75
Other Eurasia	0.37	0.37	0.37	0.37	0.37	0.37	0.00	0.06
Other Europe	0.10	0.10	0.10	0.10	0.10	0.10	0.00	2.02
Total Non-OECD	19.03	19.27	19.29	19.29	19.41	19.32	0.29	1.52
Total Non-DoC Production	50.55	51.38	51.32	51.55	52.1	51.59	1.04	2.07
Processing gains	2.52	2.58	2.58	2.58	2.58	2.58	0.06	2.38
Total Non-DoC Supply	53.07	53.96	53.9	54.13	54.68	54.17	1.10	2.08

Source: OPEC Monthly Oil Market Report - Sep-2024

OPEC Oil Production & Spare Capacity

OPEC crude oil production declined by 70 tb/d during August-2024 after witnessing growth for six consecutive months previously, according to data from Bloomberg. Total production from the OPEC averaged at 27.1 mb/d during the month vs. 27.13 mb/d during the previous month. The decline, as per Bloomberg, mainly reflected a fall in production in Libya while most other countries in the OPEC showed marginal change in output. On the other hand, data from OPEC secondary sources showed a much steeper decline in production during the month. The decline was once again led by fall in output in Libya coupled with lower m-o-m output in Iraq and Saudi Arabia, as per the OPEC monthly report. These declines were partially offset by higher m-o-m production mainly in Nigeria, coupled with smaller increases in Congo, Venezuela and most other OPEC producers.

Production ('000 b/d)	Jul-24	Aug-24	Change		Capacity	Spare Capacity
Total OPEC-12	27,130	27,060	-70	-0.26%	33,490	6,430
Saudi Arabia	9,000	8,990	-10	-0.1%	12,000	3,010
Iraq	4,320	4,320	0	0.0%	4,800	480
Iran	3,300	3,300	0	0.0%	3,830	530
UAE	3,170	3,170	0	0.0%	4,650	1,480
Kuwait	2,450	2,470	20	0.8%	2,820	350
Nigeria	1,430	1,480	50	3.5%	1,600	120
Libya	1,150	1,000	-150	-13.0%	1,200	200
Algeria	900	890	-10	-1.1%	1,060	170
Venezuela	890	900	10	1.1%	890	-10
Congo	240	250	10	4.2%	300	50
Gabon	220	220	0	0.0%	220	0
Equatorial Guinea	60	70	10	16.7%	120	50
Total OPEC-11	22,810	22,740	-70	-0.31%	28,690	5,950

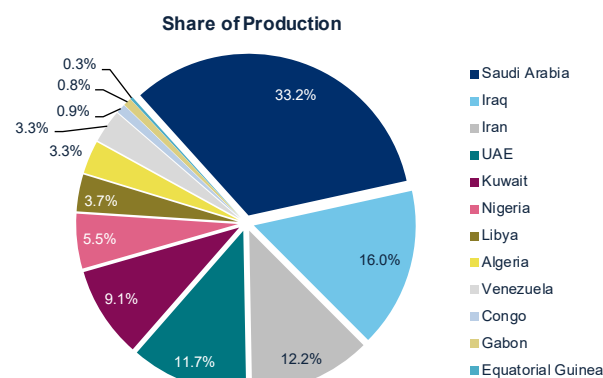
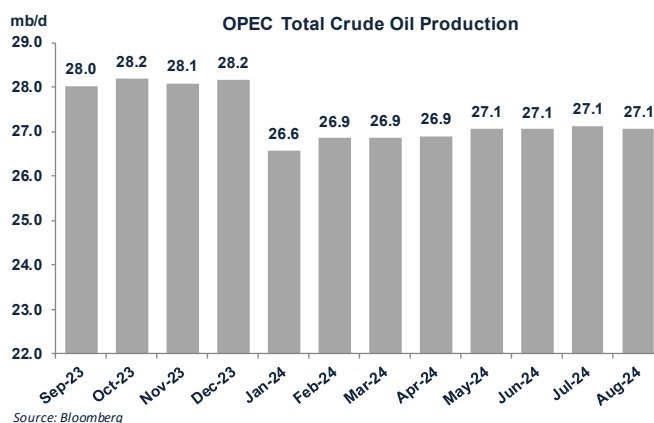
Source: Bloomberg

Meanwhile, after weeks of speculation which said that OPEC+ would stick to its forecasted policy to raise output from October-2024 that resulted in steep decline in oil prices towards the end of August-2024, the OPEC+ decided to delay the unwinding of output cuts by an additional two months until December-2024. This would take out around 180 tb/d of crude oil from the oil market during October-2024 and November-2024.

Oil production in Libya witnessed a steep decline last month averaging at 1 mb/d, as per Bloomberg, the lowest in more than two years. The decline came after the country suspended oil exports from five eastern ports with a combined capacity of around 0.8 mb/d over a political deadlock related to the control of the central bank. Output during the last week of August-2024 declined to less than 0.45 mb/d after eastern authorities in Libya said they would shut down all production and exports.

Oil production in Iraq also declined during the month by 50.0 tb/d to reach 4.2 mb/d, as per OPEC secondary sources. The decline comes as the producer plans to reduce output to comply with the OPEC+ curbs.

Meanwhile, oil production in Nigeria increased by more than 50 tb/d during the month to reach 1.5 mb/d, the highest level in the last six months. A recent regulatory approval for the sale of Eni's wholly owned subsidiary NAOC to Nigeria-listed Oando is expected to boost the country's oil output to 2.0 mb/d by the end of 2024, according to the country's energy minister.



Source: Bloomberg

Brent Crude Oil Price Forecast

Firm	As Of	Q3-24	Q4-24	Q1-25	Q2-25
MUFG Bank	13/Sep/24	82.0	84.0	80.0	81.0
Banco Santander SA	12/Sep/24	80.0	78.0		
Rabobank	12/Sep/24	76.9	71.0	68.0	71.0
UBS Group AG	12/Sep/24	91.0	87.0	87.0	87.0
Standard Chartered Bank	10/Sep/24	82.0	87.0	89.0	92.0
Morgan Stanley	9/Sep/24	82.5	75.0	75.0	75.0
JPMorgan Chase & Co	6/Sep/24	84.0	80.0	82.0	77.0
Bank of America Merrill Lynch	6/Sep/24	78.0	74.0	74.0	76.0
ING Groep NV	5/Sep/24	82.0	80.0	78.0	77.0
HSBC Holdings PLC	4/Sep/24	80.0	80.0	76.5	76.5
Intesa Sanpaolo SpA	3/Sep/24	80.0	80.0	79.0	78.0
Landesbank Baden-Wuerttemberg	3/Sep/24	82.5	80.0	80.0	80.0
RBC	2/Sep/24	80.0	75.8	74.0	73.3
Citigroup Inc	30/Aug/24	78.0	74.0		
Kshitij Consultancy Services Pvt Ltd	30/Aug/24	78.0	78.0	87.9	98.5
Goldman Sachs Group Inc/The	26/Aug/24	86.0	85.0	83.0	81.0
Commerzbank AG	20/Aug/24	85.0	85.0	85.0	85.0
Julius Baer	16/Aug/24	77.5	75.0	75.0	72.5
Deutsche Bank AG	6/Aug/24	88.0	85.0	83.0	80.0
Oxford Institute for Energy Studies	16/Jul/24	87.0	87.0	78.6	
Tradingeconomics.com	9/Jul/24	86.9	88.7	90.5	92.3
Westpac Banking Corp	8/Jul/24	81.0	79.0	78.0	79.0
Australian Government	1/Jul/24	84.9	83.6	82.1	81.7
Panmure Liberum	26/Jun/24	85.0	83.0	83.0	81.0
Natixis SA	25/Jun/24	87.0	84.0	80.0	78.0
MPS Capital Services Banca per le Imprese SpA	24/Jun/24	84.0	82.0	80.0	
Market Risk Advisory Co Ltd	24/Jun/24	83.0	82.6	83.7	84.4
Macquarie Group Ltd	20/Jun/24	86.0	75.0	70.0	64.0
Societe Generale SA	19/Jun/24	85.0	82.5	80.0	80.0
Australia & New Zealand Banking Group Ltd	13/Jun/24	86.6	86.2	88.8	91.8
BNP Paribas SA	24/May/24	92.0	87.0	79.0	81.0
Panmure Gordon & Co PLC	11/Apr/24	84.0	82.0	83.0	
Barclays PLC	5/Apr/24	94.0	93.0	94.0	93.0
Median		84.0	82.0	80.0	80.0
Mean		83.6	81.5	80.9	81.0
High		94.0	93.0	94.0	98.5
Low		76.9	71.0	68.0	64.0
Current Fwd		77.3	71.1	70.7	70.6
Difference (Median - Current)		6.7	10.9	9.3	9.4

Source: Bloomberg

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