

Oil Market Monthly Report

September-2023

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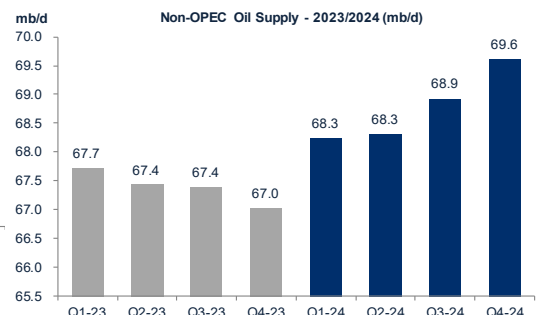
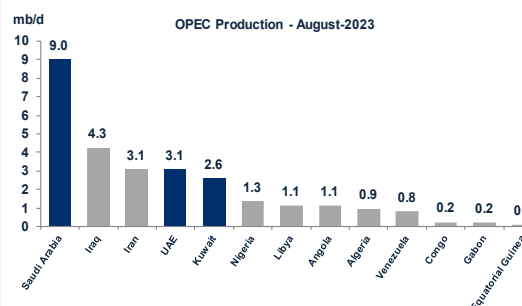
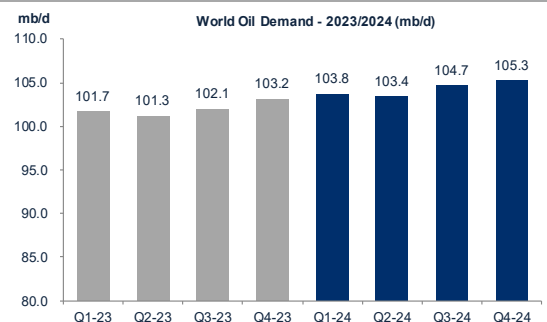
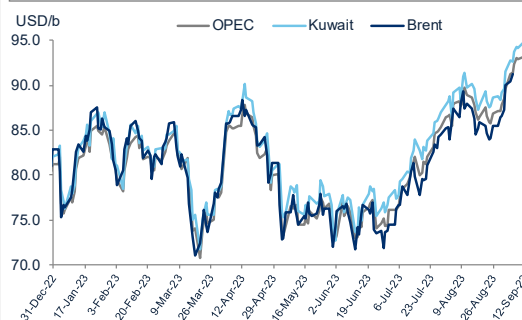
Output cuts and rate pause talks pushes oil to over USD 92/b...

Oil prices reached the highest level in 10 months and traded above the USD 90/b mark following consistent gains since the last week of August-2023. Initial gains were led by consistent decline in crude oil inventory in the US that reached the lowest level since December-2022. Lower stock of refined products across the globe also supported prices. In addition, the announcement from Saudi Arabia and Russia to extend the ongoing voluntary cuts aggregating to 1.3 mb/d until the end of the year have provided a boost to oil prices since the start of this month. The cuts have also resulted in a sharp decline in crude oil at sea that reached 1.04 billion barrels, the lowest since the start of August-2022, as per Kpler.

On the demand front, growing optimism of a rate hike pause by the US Fed and in the EU, as per a survey of global economists, resulted in expectations of a stronger crude oil demand recovery along with soft landing in economic growth later this year. In addition, China's crude oil imports remained strong last month, although other macro-economic data suggested a slowing economy that the government is trying to counter with the help of various reforms announced recently. Oil demand in the US also remained steady during May and June-2023, according to revised data from the EIA. Consumption rose to a 5-year seasonal high of 20.7 mb/d during June-2023 led by record summer consumption of natural gas liquids, although consumption in the transportation sector remained below pre-pandemic levels.

On the supply front, the oil market overlooked the consistent rise in crude oil output in the US over the last few weeks, as per data from the EIA. Weekly data showed production staying at 12.8 mb/d since the last three weeks, the highest since the start of the pandemic and inching towards the pre-pandemic record of 13.1 mb/d. Oil rig count data from Baker Hughes also showed the first increase in 13 weeks last week. A report from Rystad Energy backed up this increase saying that US independent shale oil producers have increased investments to grow output at the fastest rate in three years during Q2-2023. However, this could be a temporary spike as shale output has been shrinking at a faster-than-expected pace, especially in the Permian Basin and New Mexico, with output is expected to fall to 5.8 mb/d this month to the lowest since February-2023.

Meanwhile, OPEC crude oil production showed a marginal increase during August-2023, as per data from OPEC secondary sources. Aggregate OPEC production reached 27.44 mb/d during the month as per OPEC monthly report, registering an increase of 113 tb/d. The increase was led by higher output mainly from Iran, Nigeria, Libya and Iraq that was partially offset by decline in production mainly in Saudi Arabia, Angola and Venezuela. With the ongoing production cuts, the OPEC monthly report showed an expected supply gap of more than 3 mb/d in Q4-2023, the biggest deficit in more than a decade.



Sources : OPEC, EIA, Bloomberg

Junaid Ansari

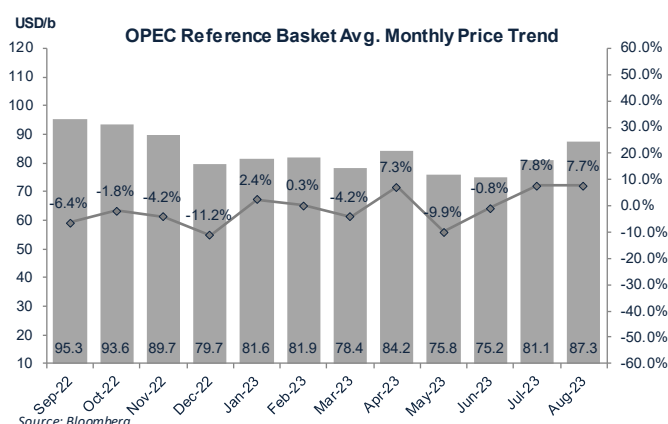
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Oil Prices

Crude oil futures reached 10-month high levels and traded around USD 92/b following consistent gains since the last week of August-2023. Brent oil future prices are more than 10% over the last three weeks despite downward pressure coming from talks of a thaw between US relations with Venezuela and Iran. There were reports that the US government is in talks with Venezuela to explore easing sanctions whereas production and exports from Iran have increased recently led by back-door diplomatic efforts, according to a Bloomberg report. The net gain in prices, however, highlighted a tightening market for both crude oil as well as refined products globally. In addition, despite concerns on the broader economy, demand from China remained robust as the country once again focused on filling strategic reserves as well as increasing exports of refined products. A rebound in the country's aviation sector also supported demand for jet fuel.



Moreover, expectations of lagging shale output in the US also supported prices. A report from the US EIA forecasted a second consecutive month of decline in US shale output, although monthly production in the remained elevated at 12.8 mb/d. Higher production was also reflected in the first increase in oil rig count in the US in 13 weeks to reach 513 rigs during the week ended 8-September-2023. However, higher export-focused refinery runs in the US resulted in consistent withdrawals from the inventory reserves. According to the latest weekly report, total crude oil inventory in the US reached 416.6 million barrels, the lowest since December-2022, following four straight weeks of declines.

Daily oil price data showed one of the longest running positive streaks in prices since last month. As a result, average monthly OPEC crude oil basket prices witnessed the second consecutive m-o-m growth in August-2023 with an increase of 7.7% to average at USD 87.33/b. The gains in average Brent crude oil was slightly smaller at 7.6% to average at USD 86.1/b while Kuwait crude grade saw a gain of 7.7% to average at USD 88.8/b during August-2023.

Average Crude Oil Prices, USD/b	Jul-2023	Aug-2023	Change (USD)	YTD Avg. 2022	YTD Avg. 2023
OPEC Reference Basket	81.1	87.3	6.3	105.3	80.6
Arab Light	83.5	89.6	6.1	106.2	82.6
Basrah Light	78.8	85.4	6.6	103.2	77.9
Bonny Light	79.9	86.5	6.6	109.9	80.7
Djeno	72.6	78.7	6.1	99.9	73.1
Es Sider	79.7	86.4	6.7	107.7	79.8
Girassol	82.1	89.1	7.0	110.5	82.2
Iran Heavy	81.5	87.6	6.1	105.1	80.9
Kuwait Export	82.4	88.8	6.4	106.2	82.0
Merey	63.3	68.5	5.2	81.6	61.1
Murban	80.8	87.2	6.5	103.7	81.0
Rabi	79.6	85.7	6.1	106.9	80.1
Saharan Blend	80.3	86.7	6.4	110.7	81.4
Zafiro	81.5	87.5	6.1	109.7	81.1
Other Crudes					
Brent	80.1	86.1	6.1	107.3	80.6
Dubai	80.3	86.5	6.1	101.3	80.1
Isthmus	72.6	79.6	7.0	98.8	69.9
LLS	78.4	84.0	5.6	102.4	78.3
Mars	77.2	82.1	4.9	97.7	75.2
Minas	77.5	85.0	7.5	101.9	78.7
Urals	65.1	74.5	9.4	85.3	58.2
WTI	75.9	81.4	5.6	100.3	75.8
Differentials					
Brent/WTI	4.2	4.7	0.5	7.0	4.8
Brent/LLS	1.7	2.1	0.4	5.0	2.3
Brent/Dubai	(0.2)	(0.3)	(0.1)	6.0	0.5

Source: OPEC Monthly Oil Market Report - September-2023

World Oil Demand

World oil demand growth forecast for 2023 was kept unchanged from the last month at 2.45 mb/d in OPEC's latest monthly report with demand expected to reach 102.1 mb/d this year. However, adjustments were made at the country level for Q3-2023 based on actual data for July-2023 with upward revisions to demand data for China, US and OECD Europe. These upward revisions were completely offset by downward revisions to 2H-2023 data mainly for the Other Asia region. Demand growth forecast for 2024 was also kept unchanged at a growth of 0.3 mb/d to reach 104.3 mb/d. Near term expectations for US oil demand shows a slight decline in driving activity in the coming months, following a seasonal pattern. However, air travel is expected to remain strong and as such gasoline and jet fuel are expected to drive demand. In Europe, supply chain bottlenecks and sluggish manufacturing activity are expected to weigh on demand during Q3-2023, but improve marginally in Q4-2023.

World Oil Demand - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	25.11	24.71	25.42	25.68	25.19	25.25	0.15	0.58
of which US	20.43	20.11	20.72	20.83	20.37	20.51	0.08	0.39
Europe	13.52	13.10	13.40	13.99	13.39	13.47	(0.05)	(0.35)
Asia Pacific	7.38	7.81	6.93	7.22	7.65	7.40	0.02	0.31
Total OECD	46.00	45.62	45.75	46.89	46.22	46.12	0.12	0.26
China	14.85	15.63	15.96	15.57	16.11	15.82	0.97	6.51
India	5.14	5.40	5.40	5.21	5.50	5.38	0.24	4.69
Other Asia	9.02	9.40	9.44	8.99	9.14	9.24	0.22	2.41
Latin America	6.44	6.60	6.70	6.73	6.68	6.68	0.24	3.75
Middle East	8.30	8.63	8.32	8.86	8.73	8.64	0.34	4.09
Africa	4.40	4.69	4.27	4.43	4.88	4.57	0.17	3.79
Russia	3.56	3.69	3.45	3.60	3.87	3.65	0.09	2.49
Other Eurasia	1.15	1.24	1.21	1.02	1.23	1.17	0.02	2.03
Other Europe	0.77	0.84	0.77	0.75	0.83	0.80	0.03	4.00
Total Non-OECD	53.62	56.12	55.51	55.17	56.96	55.94	2.32	4.32
Total World	99.62	101.74	101.26	102.06	103.18	102.06	2.44	2.45

Source: OPEC Monthly Oil Market Report - September-2023

Oil demand in China remained robust during August-2023 with crude oil imports reaching 12.43 mb/d, the third-highest daily rate and up 20.9% vs. July-2023, as per data government data. Imports since the start of the year was up 14.7% y-o-y. The growth was mainly led by strong demand for transportation fuel, including gasoline and jet oil, further supported by efforts to build strategic inventory as well as higher refinery runs that are aimed at exporting refined products.

Oil demand in India is estimated to have grown by 118 tb/d or 2.5% during August-2023, according to a report by S&P Global Commodity Insights, led by better factory activity and increased mobility. A report from ET showed that the country reported a steep decline in imports from Russia and Iraq that was replaced mainly by supplies from Saudi Arabia. The decline in imports from Russia was mainly due to refinery maintenance.

In the European region, demand for refined products have seen a sharp increase. According to data from Vortexa, Europe's diesel imports are set to reach the highest level in eight months this month. Much of the supplies are originating from Middle Eastern suppliers, although the second a half of September-2023 may see a dip due to refinery maintenance.

World Oil Demand - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	25.25	24.90	25.59	25.89	25.34	25.43	0.18	0.71
of which US	20.51	20.25	20.86	20.99	20.51	20.65	0.14	0.69
Europe	13.47	13.15	13.46	14.06	13.42	13.52	0.06	0.41
Asia Pacific	7.40	7.84	6.95	7.25	7.65	7.42	0.02	0.29
Total OECD	46.12	45.89	46.00	47.20	46.42	46.38	0.26	0.56
China	15.82	16.20	16.42	16.19	16.78	16.40	0.58	3.67
India	5.38	5.63	5.64	5.44	5.69	5.60	0.22	4.09
Other Asia	9.24	9.66	9.69	9.35	9.5	9.55	0.31	3.35
Latin America	6.68	6.79	6.88	6.95	6.84	6.87	0.19	2.84
Middle East	8.64	8.91	8.76	9.41	8.98	9.02	0.38	4.40
Africa	4.57	4.80	4.45	4.60	5.01	4.72	0.15	3.28
Russia	3.65	3.75	3.56	3.75	3.94	3.75	0.10	2.75
Other Eurasia	1.17	1.27	1.24	1.08	1.28	1.22	0.04	3.77
Other Europe	0.80	0.86	0.78	0.77	0.84	0.81	0.01	1.72
Total Non-OECD	55.94	57.88	57.43	57.54	58.86	57.93	1.99	3.55
Total World	102.06	103.76	103.43	104.74	105.28	104.31	2.25	2.20

Source: OPEC Monthly Oil Market Report - September-2023

World Oil Supply

Global liquids production remained broadly unchanged in August-2023 after seeing a decline during the previous month. According to preliminary data, global oil supply averaged at 100.7 mb/d, same as last month. According to OPEC, the month saw a decline in supplies from non-OPEC suppliers by 0.1 mb/d that averaged at 73.3 mb/d. This decline was offset by an equivalent increase in production in OPEC.

Non-OPEC liquids supply growth forecast for 2023 saw an upward revision in OPEC's latest monthly report. Supply is now expected to grow by 1.6 mb/d this year to reach 67.4 mb/d as compared to a growth of 1.5 mb/d expected in the previous month's report. The revisions mainly included upward revisions to supply forecast for Russia (+71 tb/d), the US (+63 tb/d) and

Non-OPEC Oil Supply - 2022/2023, mb/d	2022	Q1-23	Q2-23	Q3-23	Q4-23	2023	Y-o-Y Growth	% Chg.
Americas	26.92	27.90	28.00	28.53	28.52	28.24	1.33	4.93
of which US	19.28	20.10	20.66	20.64	20.50	20.48	1.19	6.19
Europe	3.58	3.69	3.64	3.65	3.87	3.71	0.13	3.70
Asia Pacific	0.48	0.45	0.45	0.48	0.47	0.46	(0.01)	(2.83)
Total OECD	30.97	32.04	32.09	32.67	32.87	32.42	1.45	4.67
China	4.48	4.63	4.63	4.50	4.50	4.56	0.09	1.91
India	0.77	0.76	0.78	0.79	0.78	0.78	0.00	0.58
Other Asia	2.3	2.31	2.26	2.31	2.37	2.31	0.01	0.47
Latin America	6.34	6.69	6.76	6.88	6.80	6.78	0.45	7.05
Middle East	3.29	3.27	3.29	3.25	3.30	3.28	(0.01)	(0.32)
Africa	1.29	1.24	1.27	1.28	1.30	1.27	(0.02)	(1.65)
Russia	11.03	11.19	10.85	10.22	9.57	10.45	(0.58)	(5.27)
Other Eurasia	2.83	3.00	2.93	2.94	2.98	2.96	0.13	4.61
Other Europe	0.11	0.11	0.10	0.10	0.10	0.10	0.00	(2.73)
Total Non-OECD	32.44	33.21	32.87	32.26	31.70	32.50	0.06	0.19
Total Non-OPEC Production	63.42	65.25	64.96	64.93	64.57	64.92	1.51	2.38
Processing gains	2.40	2.47	2.47	2.47	2.47	2.47	0.07	2.96
Total Non-OPEC Supply	65.81	67.72	67.43	67.39	67.04	67.39	1.58	2.40
OPEC NGLs and non-conventionals	5.39	-	-	-	-	5.44	0.05	0.93
OPEC Crude Oil Production	28.85	-	-	-	-	-	-	-
Total World Supply	100.05	-	-	-	-	-	-	-

Source: OPEC Monthly Oil Market Report - September-2023

Brazil (+40 tb/d) that was partially offset by downward revisions to supply forecast data for Norway (-28 tb/d), Canada (-25 tb/d) and UK (-22 tb/d).

Supply forecasts for 2024 was kept unchanged with an expected growth of 1.4 mb/d to average at 68.8 mb/d. However, upward revision was made to supply data for Norway that was offset by downward revisions to the US. The OPEC expects slow and steady growth in US crude oil production this year, although there are uncertainties related to shale oil production and unplanned refinery maintenance for the rest of the year. A Bloomberg report showed that oil drillers in the Permian Basin reduced rig use at the fastest pace in three years as the basin shrinks amid consolidation and the slow return in oil demand.

Non-OPEC Oil Supply - 2023/2024, mb/d	2023	Q1-24	Q2-24	Q3-24	Q4-24	2024	Y-o-Y Growth	% Chg.
Americas	28.24	28.71	28.75	29.21	29.52	29.05	0.81	2.85
of which US	20.48	20.74	20.96	21.23	21.39	21.08	0.61	2.96
Europe	3.71	3.92	3.80	3.75	3.89	3.84	0.13	3.39
Asia Pacific	0.46	0.47	0.44	0.45	0.44	0.45	(0.01)	(2.87)
Total OECD	32.42	33.10	32.99	33.41	33.85	33.34	0.92	2.83
China	4.56	4.58	4.57	4.54	4.54	4.56	(0.01)	(0.11)
India	0.78	0.79	0.79	0.79	0.78	0.79	0.01	1.69
Other Asia	2.31	2.29	2.27	2.25	2.25	2.26	(0.05)	(2.18)
Latin America	6.78	6.95	7.02	7.15	7.23	7.09	0.31	4.50
Middle East	3.28	3.33	3.32	3.31	3.31	3.32	0.04	1.30
Africa	1.27	1.28	1.31	1.34	1.35	1.32	0.05	3.92
Russia	10.45	10.27	10.39	10.52	10.63	10.45	0.00	(0.02)
Other Eurasia	2.96	3.02	3.02	3.00	3.04	3.02	0.06	2.10
Other Europe	0.10	0.10	0.10	0.10	0.10	0.10	0.00	(1.15)
Total Non-OECD	32.50	32.63	32.80	33.00	33.24	32.92	0.41	1.28
Total Non-OPEC Production	64.92	65.73	65.79	66.41	67.09	66.26	1.33	2.05
Processing gains	2.47	2.52	2.52	2.52	2.52	2.52	0.05	2.03
Total Non-OPEC Supply	67.39	68.25	68.31	68.93	69.61	68.78	1.38	2.05

Source: OPEC Monthly Oil Market Report - September-2023

OPEC Oil Production & Spare Capacity

Oil production by the OPEC witnessed marginal recovery during August-2023 after witnessing the steepest decline in more than three years during July-2023. Average production during the month reached 27.8 mb/d, according to Bloomberg data, with a m-o-m increase of 40 tb/d. The production data from OPEC secondary sources showed a slightly bigger increase of 113 tb/d with production averaging at 27.45 mb/d. Saudi Arabia once again recorded the biggest monthly decline in production during the month followed by Angola, Venezuela, Algeria and Congo. These declines were more than offset by higher production mainly in Iran, Nigeria, Iraq and Libya. The ongoing production cuts by OPEC+ coupled with voluntary cuts mainly by Saudi Arabia and Russia could result in a global crude oil supply shortfall of more than 3 mb/d in Q4-2023. This could be the biggest shortfall in more than a decade.

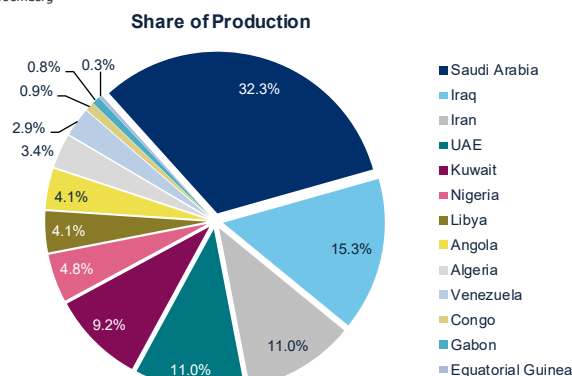
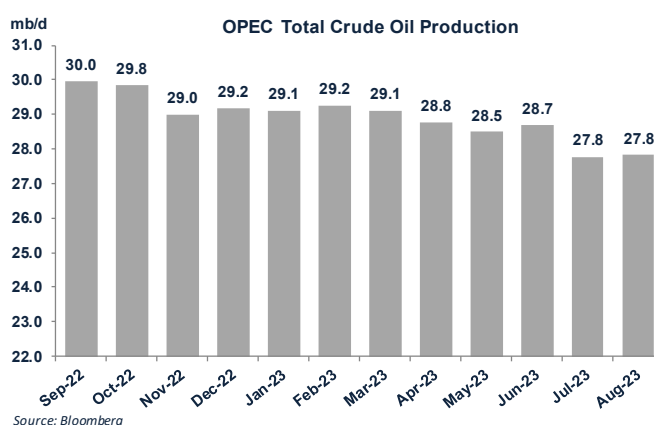
Production ('000 b/d)	Jul-23	Aug-23	Change		Capacity	Spare Capacity
Total OPEC-13	27,780	27,820	40	0.14%	34,100	6,280
Saudi Arabia	9,110	8,980	-130	-1.4%	12,000	3,020
Iraq	4,250	4,260	10	0.2%	4,800	540
Iran	2,980	3,070	90	3.0%	3,830	760
UAE	3,090	3,050	-40	-1.3%	4,200	1,150
Kuwait	2,550	2,560	10	0.4%	2,820	260
Nigeria	1,260	1,340	80	6.3%	1,600	260
Libya	1,100	1,140	40	3.6%	1,200	60
Angola	1,150	1,130	-20	-1.7%	1,200	70
Algeria	970	940	-30	-3.1%	1,060	120
Venezuela	780	800	20	2.6%	750	-50
Congo	260	240	-20	-7.7%	300	60
Gabon	200	220	20	10.0%	220	0
Equatorial Guinea	80	90	10	12.5%	120	30
Total OPEC-12	23,530	23,560	30	0.13%	29,300	5,740

Source: Bloomberg

Oil production in Saudi Arabia went below the 9 mb/d mark during August-2023 and reached 8.98 mb/d, the lowest in 24 months, according to Bloomberg. The implementation of 1 mb/d of additional output curbs has also affected the Kingdom's crude oil exports that reached the lowest level in 29 months at 5.55 mb/d. In terms of destination, exports to China and US reached multi-year lows during the month while it increased to India.

Meanwhile, Iran reported the biggest m-o-m increase in production during August-2023. Average production during the month breached the 3 mb/d mark for the first time in almost five years to reach 3.07 mb/d, registering an increase of 90 tb/d as compared to previous month. Oil exports from the country have also picked up in recent months with a Bloomberg report saying flows from Iran are currently running at around 2 mb/d, close to the country's capacity. However, most of the increase is led by seasonal demand and may taper in coming months.

Oil production in swing producers Nigeria and Libya also witnessed a sharp increase during the month. Oil production in Nigeria was up by 80 tb/d to reach 1.34 mb/d led by resumption of loading from the Forcados terminal following an underwater leak that affected loading for a month. Oil production in Libya increased by 40 tb/d to reach 1.14 mb/d in August-2023. However, production during this month is expected to be affected by the a hurricane that led to the closure of four oil ports.



Source: Bloomberg

Brent Crude Oil Price Forecast

Firm	As Of	Q3-23	Q4-23	Q1-24	Q2-24
Commerzbank AG	8/Sep/23	90.0	85.0	85.0	85.0
RBC	7/Sep/23	84.8	91.0	88.8	86.8
BNP Paribas SA	7/Sep/23	83.0	81.0	82.0	86.0
Standard Chartered Bank	5/Sep/23	88.0	93.0	92.0	94.0
Intesa Sanpaolo SpA	1/Sep/23	84.0	81.0	79.0	78.0
Citigroup Inc	31/Aug/23	83.0	78.0		
Rabobank	31/Aug/23	86.5	90.0	92.0	94.5
Morgan Stanley	24/Aug/23	85.0	82.5	80.0	80.0
value.com/insight	18/Aug/23		83.7	82.5	81.4
UBS Group AG	16/Aug/23	85.0	95.0	95.0	95.0
Deutsche Bank AG	15/Aug/23	80.0	85.0	80.0	80.0
Bank of America Merrill Lynch	15/Aug/23	80.0	82.0	90.0	90.0
Goldman Sachs Group Inc/The	14/Aug/23	84.0	87.0	90.0	93.0
Australia & New Zealand Banking Group Ltd	11/Aug/23	99.0	87.0	82.0	79.0
Oxford Institute for Energy Studies	11/Aug/23	83.4	86.5		
HSBC Holdings PLC	9/Aug/23	80.0	80.0		
ING Groep NV	7/Aug/23	86.0	92.0	95.0	
Kshitij Consultancy Services Pvt Ltd	7/Aug/23	83.0	79.0	84.5	83.5
Tradingeconomics.com	7/Aug/23	88.5	90.9	93.5	96.0
National Australia Bank Ltd	3/Aug/23	88.4	93.6	95.1	99.7
Natixis SA	28/Jul/23	82.0	84.0	85.0	83.0
Landesbank Baden-Wuerttemberg	28/Jul/23	85.0	85.0	80.0	80.0
Capital Economics Ltd	28/Jul/23	80.0	83.0	84.0	82.0
Societe Generale SA	25/Jul/23	85.0	90.0	95.0	95.0
JPMorgan Chase & Co	17/Jul/23	78.2	80.0	79.0	72.0
Macquarie Group Ltd	11/Jul/23	87.5			
Samsung Futures Inc.	11/Jul/23	71.0	65.0	63.0	63.0
Westpac Banking Corp	7/Jul/23	76.0	76.0	81.0	84.0
MPS Capital Services Banca per le Imprese SpA	6/Jul/23	80.0	74.0	72.0	70.0
Panmure Gordon & Co PLC	30/Jun/23	77.5	77.0	76.0	75.0
Market Risk Advisory Co Ltd	29/Jun/23	75.3	75.7	79.1	82.7
Emirates NBD PJSC	26/Jun/23	82.5	85.0	87.0	90.0
MUFG Bank	21/Jun/23	80.0	84.0	83.0	81.0
Banco Santander SA	17/May/23	75.0	77.6	75.0	73.0
Median		83.0	84.0	83.5	83.0
Mean		82.9	83.6	84.2	83.9
High		99.0	95.0	95.1	99.7
Low		71.0	65.0	63.0	63.0
Current Fwd		87.6	89.3	87.2	85.4
Difference (Median - Current)		-4.6	-5.3	-3.7	-2.4

Source: Bloomberg

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