

COMPARATIVE ANALYSIS OF MONTHLY REPORTS ON THE OIL MARKET

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SUMMARY FINDINGS FROM A COMPARISON OF DATA AND FORECAST ON THE OIL MARKET BY THE INTERNATIONAL ENERGY AGENCY (IEA) AND ORGANIZATION OF THE PETROLEUM EXPORTING COUNTRIES (OPEC).

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1. NOTE BY THE SECRETARY GENERAL OF THE INTERNATIONAL ENERGY FORUM

This summary report by the International Energy Forum (IEF) builds on the outcomes and insights gained from the comparative analysis of short-term reports on the oil market that the International Energy Agency (IEA), and the Organization of the Petroleum Exporting Countries (OPEC) release on a monthly basis.

The IEF conducts a comprehensive comparative analysis of the short-, medium-, and long-term energy outlooks of the IEA and OPEC, to inform the IEA-IEF-OPEC Symposium on Energy Outlooks that the IEF hosts in Riyadh as part of the trilateral work programme on a yearly basis.

This monthly summary provides key findings gained from comparing basic historical data and short-term forecasts that the IEA and OPEC provide in the IEA Oil Market Report, and the OPEC Monthly Oil Market Report, enhancing market transparency by informing IEF stakeholders on how perspectives on the oil market of both organization evolve over time on a regular basis.

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2. KEY POINTS

2.1 DEMAND

- OPEC forecasts global oil demand growth for 2018 at around 1.59 mb/d, slightly up from 1.53 mb/d in last month's report with anticipated world oil consumption expected to reach 98.60 mb/d. IEA's global demand growth outlook for 2018 stands at 1.39 mb/d, up from last month's estimate at 1.26 mb/d, leading to a projected total global consumption of around 99.20 mb/d.
- OPEC expects OECD demand to grow by 0.32 mb/d this year while non-OECD oil demand is projected to increase by 1.27 mb/d. IEA's assessment of OECD demand growth for 2018 shows a marginal increase of 0.06 mb/d while it has a more bullish stance on non-OECD oil demand at 1.33 mb/d.
- Both IEA and OPEC expect non-OECD demand growth for 2018 to be dominated by Asia at 0.86 mb/d and 0.79 mb/d, respectively. Among OECD member countries, OPEC sees OECD Americas leading demand growth at 0.23 mb/d while IEA forecasts moderate growth of 0.13 mb/d.

2.2 SUPPLY

- Preliminary OPEC data and IEA estimates for world oil supply in January 2018 averaging at 97.67 and 96.68 mb/d, respectively differ by around 1.01 mb/d.
- Compared to last month's projections, IEA and OPEC revised up non-OPEC supply forecasts for 2018 to average 59.90 and 59.26 mb/d respectively, representing year-on-year growth of 1.75 and 1.40 mb/d, reducing differences in growth estimates.
- IEA data for OPEC crude oil production in January 2018 shows steady month-on-month output at 32.16 mb/d while, according to secondary sources in OPEC's February report, OPEC crude supply decreased slightly by 8 kb/d to average 32.30 mb/d.

3. ANALYSIS

Recent data indicates a tightening market in early 2018, but components are very dynamic and might be subject to rapid change. A steady rise in global economic activities could lead toward higher demand growth than currently anticipated, while substitution with other fuels in OECD Americas, Asia Pacific, and the Middle East, and a steady increase in efficiency gains are assumed to offset growth.

Both IEA and OPEC report increases in this month's global oil demand growth for 2018, reflecting overall positive GDP forecasts. OPEC sees world oil demand to reach 98.60 mb/d in 2018, representing year-on-year growth of 1.59 mb/d and an upward revision of 60 kb/d compared to last month's projections. IEA estimates less demand growth at about 1.39 mb/d, about 0.18 mb/d down from last year's gain of 1.57 mb/d as a consequence of significant increase in oil prices. Shifting Chinese demand patterns and fuel switching in non-OECD countries are also expected to reduce demand. Upward revisions in both reports were mainly in line with improving economic outlooks in OECD America, Europe and Other Asia.

From a supply perspective, both reports see growth dominated by fast rising output from non-OPEC countries, spearheaded by US production. Higher production forecasts for the US, Canada and Brazil, and minor downward revisions for Russia, China and Mexico, led to an upward revision in year-on-year growth to 1.40 mb/d and total non-OPEC supply at 59.26 mb/d, compared to OPEC data from last month. Both OPEC and IEA anticipate solid OECD supply growth while OPEC projects a more moderate gain and stronger decline in non-OECD supply as compared to the IEA, 2018 OECD supply growth estimates now differ by 0.35 mb/d.

3.1 DEMAND DATA

OPEC forecasts robust global oil demand growth for 2018 at nearly 1.6 mb/d, revised upwards from 1.53 mb/d in last month's report, with world oil consumption forecast at 98.60 mb/d. IEA's global demand growth outlook takes a more moderate stance at 1.39 mb/d, up from last month's estimate at 1.26 mb/d, anticipating total global consumption of around 99.20 mb/d. OPEC-IEA divergence in 2018 overall demand growth stands at 0.2 mb/d.

OPEC sees OECD demand slightly growing by 0.32 mb/d this year, averaging 47.69 mb/d while non-OECD oil demand is anticipated to increase by 1.27 mb/d to 50.91 mb/d, with both forecasts revised up by around 30 kb/d compared to last month's estimates. IEA and OPEC projections for 2018 OECD and non-OECD demand differ by 0.28 mb/d and 0.88 mb/d in absolute values. IEA's assessment of OECD demand growth shows a marginal uptick of 0.06 mb/d to 47.41 mb/d while it is more bullish on non-OECD oil demand at 1.33 mb/d year-on-year growth, and 51.79 mb/d overall non-OECD demand.

Both reports see demand growth in non-OECD countries led by China and India. Chinese oil demand is expected to grow solidly based on increases of LPG usage in the petrochemical industry, gasoline consumption in the transportation sector and fuel oil in the industrial sector. Total consumption in 2018 is expected to reach around 12.7 mb/d and 12.8 mb/d according to OPEC and IEA data while growth is forecast to increase by an average of 0.4 mb/d. Projections for Indian oil demand are bullish, supported by robust gasoil demand in the construction sector and strong commercial vehicle sales. Forecasts show demand growing at around 0.3 mb/d for 2018.

3.2 SUPPLY DATA

Global oil supply estimates for January 2018 averaged 97.67 mb/d according to preliminary OPEC data and 96.68 mb/d based on IEA projections. Both IEA and OPEC see robust year-on-year growth at around 1.5 mb/d and 1.8 mb/d, respectively.

Non-OPEC supply was revised up by 0.32 mb/d, representing year-on-year growth of 1.40 mb/d, with total supply at 59.26 mb/d according to OPEC's February analysis. Key drivers for non-OPEC supply growth in 2018 are the US (1.30 mb/d), Canada (0.25 mb/d) and Brazil (0.20 mb/d) while production is forecast to decline in Russia (0.19 mb/d), China (0.12 mb/d) and Mexico (0.12 mb/d). The IEA reports an upward revision in non-OPEC supply by 0.13 mb/d for 2018 to average nearly 60 mb/d, representing a yearly increase of around 1.8 mb/d.

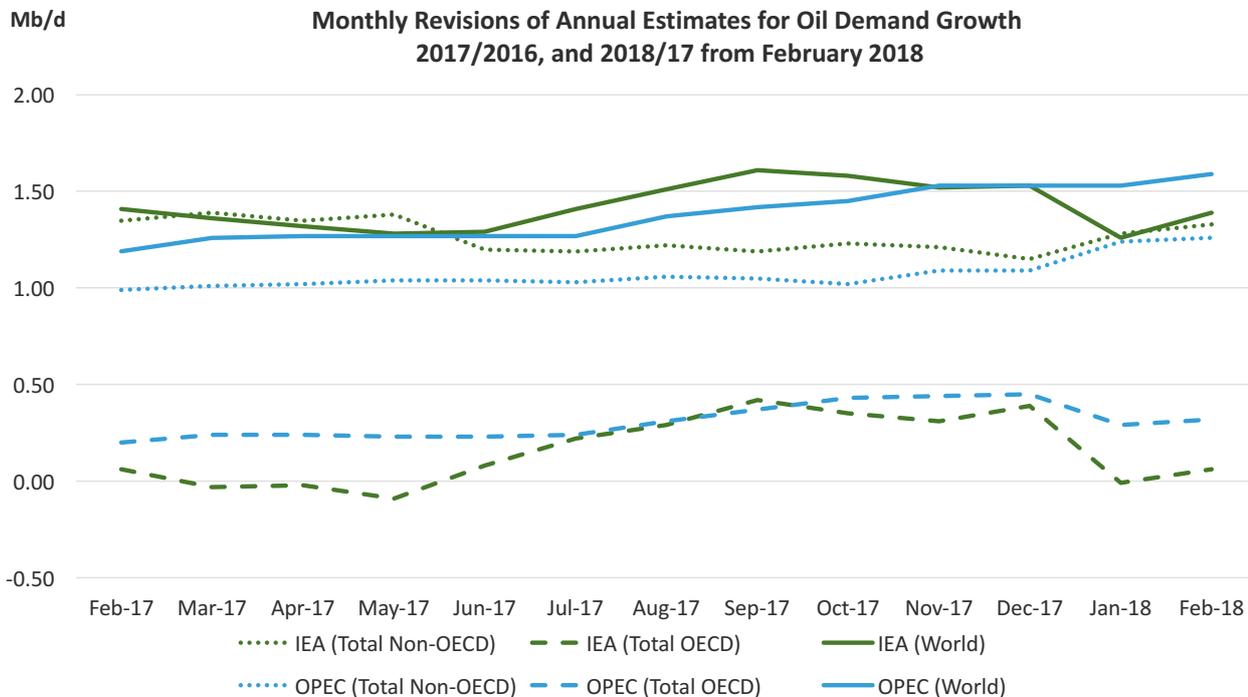
OPEC forecasts OECD supply to average around 27 mb/d and projects growth close to 1.5 mb/d while the IEA anticipates stronger growth at almost 1.7 mb/d and nearly 26 mb/d total supply. Major revisions on a country basis can be found in the OECD Americas. The US total liquids supply forecast was revised up and is now projected to expand by 1.30 mb/d according to OPEC data. US tight crude production in 2018 is projected to increase by 0.93 mb/d year-on-year to average 5.60 mb/d, mainly due to rapid growth in production from shale and tight plays in the Permian Basin based on February data from OPEC.

According to OPEC secondary sources, total OPEC-14 crude oil production averaged 32.30 mb/d in January 2018 which marked a minor decrease of 8 kb/d over the previous month. IEA data for OPEC crude oil production in January 2018 shows steady month-on-month output at 32.16 mb/d. Both reports find supply from Russia and China, major non-OECD producers, to be slightly contracted compared to year-on-year averages.

4. GRAPHS

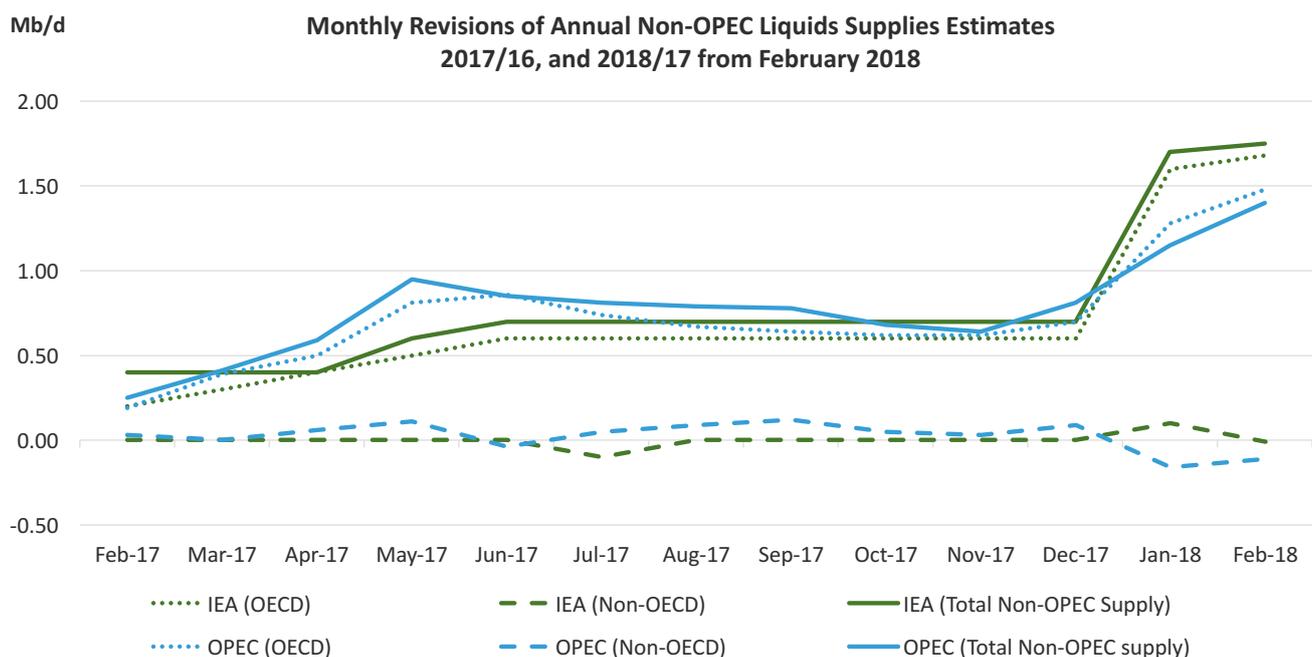
See the graphs below for the monthly revisions of IEA and OPEC annual estimates for 2017 and new estimates for 2018 demand/supply, and the tables for annual estimates for total demand and supply

OPEC projects robust world demand growth of 1.6 mb/d for 2018 IEA estimates solid growth for OECD and world demand



IEF comparative analysis of IEA and OPEC Monthly Reports on the Oil Market February 2018

IEA sees growing OECD supply offset by decline in non-OECD supply OPEC projects solid OECD supply growth of 1.5 mb/d



IEF comparative analysis of IEA and OPEC Monthly Reports on the Oil Market February 2018

IEA Report Total Demand (mb/d)			
	2017	2018	Difference
OECD	47.35	47.41	0.1
Non-OECD	50.46	51.79	1.3
TOTAL	97.81	99.20	1.4

OPEC Report Total Demand (mb/d)			
	2017	2018	Difference
OECD	47.37	47.69	0.3
Non-OECD	49.65	50.91	1.3
TOTAL	97.01	98.60	1.6

Sources: IEA Oil Market Report, February 2018; OPEC Monthly Oil Market Report, February 2018

*Totals in table may not exactly reflect content due to independent rounding.

IEA Report Total Supply (mb/d)			
	2017	2018	Difference
OECD	58.15	59.90	1.8
Non-OECD	29.33	29.32	0
TOTAL	24.12	25.80	1.7

OPEC Report Total Supply (mb/d)			
	2017	2018	Difference
OECD	57.86	59.26	1.4
Non-OECD	30.07	29.96	-0.1
TOTAL	25.58	27.06	1.5

Sources: IEA Oil Market Report, February 2018; OPEC Monthly Oil Market Report, February 2018

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