COMPARATIVE ANALYSIS OF MONTHLY REPORTS ON THE OIL MARKET

Summary findings from a comparison of data and forecast on the oil market by the International Energy Agency, and Organization of the Petroleum Exporting Countries

December 2017
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.

Dr Sun Xiansheng
Secretary General
International Energy Forum
Key points

• The extension of the “Declaration of Cooperation” between OPEC- and key non-OPEC oil producing countries to December 2018, continued oil inventory draws, and an uptick in growth forecasts, have pushed oil prices up to the US$60 range, their highest level since a short rally in spring 2015. IEA data shows markets may loosen overtime, while OPEC data projects continued tightening.

• Both the IEA and OPEC show 2017 world oil demand grew at around 1.5 mb/d but projections for 2018 differ. OPEC sees demand grow by 1.51 mb/d in 2018 while IEA shows a slow down to 1.29 mb/d. OPEC bullish stance on OECD demand shows an increase of 0.3 mb/d in contrast to the IEA that sees OECD demand decrease slightly.

• Divergence in 2017 IEA and OPEC views on non-OPEC supply has widened to 0.21 mb/d from 0.05 mb/d after OPEC increased both 2017 and 2018 Non-OPEC supply outlooks to 0.81 mb/d and 0.99 mb/d. Non-OPEC supply growth projections by the IEA remain unchanged at 0.6 mb/d in 2017 and 1.6 mb/d in 2018: 0.61 mb/d of non-OPEC supply is in contention. Differences in the short-term demand and supply growth outlooks of the IEA and OPEC are diametrically opposed reflecting large short-term uncertainties on the supply side, and to a somewhat lesser extent, the demand side of the oil market.

On the supply side, discrepancies among outlooks relate to the responsiveness of non-OPEC supplies to prices trending higher. OPEC supply growth assessments are reserved also after modest revisions to its 2018 forecast for US supply growth of 0.18 mb/d to reach 1.05 mb/d in 2018, while the IEA sees US supply grow by 1.11 mb/d, and the Americas contribute 1.3 mb/d out of the 1.6 mb/d of total non-OPEC supply growth it projects for 2018. The much more bullish non-OPEC supply outlook of the IEA contrasts by 0.61 mb/d with the more conservative view of OPEC on non-OPEC supply growth for 2018 that stands at 0.99 mb/d after a further upward revision.

On the other hand, OPEC and IEA trade bearish and bullish market sentiment on the demand side. The IEA shows demand growth slow from 1.5 mb/d in 2017 to 1.29 in 2018, while OPEC sees demand growth rally by 1.6 mb/d on a better economic data for 2018 stimulating demand in India and the OECD Americas.
IEF Summary of Key Oil Market Findings 18 December 2017
Comparative Analysis of OPEC and IEA Monthly Releases on the Oil Market

**Demand data**

OPEC has left demand growth assessments unaltered. Growing confidence in stronger economic data had seen upwards revisions in oil demand growth over the past four consecutive months. The IEA has fine tuned its demand growth projections whereby an upward revision on OECD demand growth for 2017 is cancelled out by a downward revision in non-OECD demand growth. OPEC and the IEA see 2017 world demand total reach 96.9 mb/d, and 97.85 mb/d, diverging by 0.95 mb/d, marking a year to year demand increase of 1.5 mb/d each. OPEC and the IEA project 2018 world demand totals 98.5 mb/d, and 99.14 mb/d and mark a year to year increase of 1.6 mb/d and 1.29 mb/d respectively. Divergence in 2018 demand growth assessments of the IEA and OPEC has increased to 0.31 mb/d and absolute numbers differ by 0.64 mb/d after a correction in historical baseline data for oil demand by 0.2 mb/d lifted this divergence from 0.43 mb/d as reported in last month’s comparative analysis.

**Supply data**

The IEA reports that global oil supply rose to its highest level this year in November alongside a new record in compliance with the OPEC, non-OPEC agreement to adjust production that saw total world output fall by 1.1 mb/d.

Still world oil supply remains resilient as year-on-year increases show: OPEC and the IEA project total world supply in 2017 at 97 mb/d and 97.8 mb/d, diverging by 0.8 mb/d, and mark a year-on-year increase of 1.2 mb/d, and 0.8 mb/d in 2017 respectively. OPEC and IEA forecast total world supply in 2018 at 98.5 mb/d, and 99.1 mb/d, diverging by 0.6 mb/d, and mark a year-on-year increase of 1.5 mb/d, and 1.3 mb/d respectively.

**Non-OPEC supply**

OPEC expects non-OPEC supply to grow by 0.81 mb/d and 0.99 mb/d in 2017 and 2018 reaching 57.8 mb/d, and 58.8 mb/d in 2017 and 2018 following upward revisions by 0.15 mb/d and 0.12 mb/d in this month’s OPEC report updating last months downward revisions. This compares to the IEA projections of non-OPEC supply to grow year-on-year by 0.6 mb/d and 1.6 mb/d, reaching 58.0 mb/d, and 59.6 mb/d in 2017, and 2018 respectively. OPEC and IEA forecast for 2018 non-OPEC supply growth now diverge by 0.8 mb/d mostly on account of different perspectives on supply side resiliency in North America.

See the graphs on next page for the monthly revisions of IEA and OPEC annual estimates for 2017 demand, and non-OPEC liquids supply growth.
IEA and OPEC settle 2017 Demand Growth at 1.51 mb/d
OPEC sees 2018 demand grow, IEA forecasts a decline to 1.29mb/d...

OPEC increases Non-OPEC, in both OECD and non-OECD
IEA 2018 sees Non-OPEC supply grow by 1.6 mb/d, 0.6 mb/d more than OPEC