

COMPARATIVE ANALYSIS OF MONTHLY REPORTS ON THE OIL MARKET

RIYADH, SAUDI ARABIA | MARCH 2018

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 expects 2018 oil demand to grow at about 1.60 mb/d, unchanged from February's estimate, with total global demand amounting to 98.63 mb/d. IEA's demand growth outlook projects an increase by around 1.5 mb/d to reach 99.3 mb/d total world oil demand in 2018, a 0.1 mb/d upward revision compared to last month's report.
- OECD oil demand growth was revised marginally higher compared to OPEC's February data, now showing growth of 0.33 mb/d for 2018 while projections for the non-OECD region remain unchanged at 1.26 mb/d. IEA's demand growth assessment for OECD countries shows an upward revision of 0.2 mb/d to 0.26 mb/d but IEA sees non-OECD demand growth slow down by 0.1 mb/d to reach 1.23 mb/d compared to last month's estimate of 1.33 mb/d.
- IEA reports a slight upward revision in OECD Americas demand growth from 0.13 mb/d in last month's report to 0.17 mb/d, while OPEC's estimate remains unchanged at 0.23 mb/d. Projections for non-OECD Asia continue to show robust demand growth at 0.81 mb/d and 0.88 mb/d according to OPEC's and IEA's March data respectively.

2.2 SUPPLY

- OPEC reports world oil supply in February 2018 at 98.2 mb/d compared to IEA's more moderate estimate of 97.9 mb/d total supply.
- Both, IEA and OPEC revised 2018 non-OPEC supply forecasts upward compared to last month's reports to 59.92 mb/d and 59.53 mb/d, representing year-on-year growth of 1.79 mb/d and 1.66 mb/d respectively.
- IEA sees OPEC crude oil production drop by 70 kb/d to 32.1 mb/d in February 2018. Citing secondary sources OPEC estimates total OPEC-14 crude oil production to reach 32.19 mb/d in February, a decrease of 77 kb/d compared to the previous month.

In summary, IEA and OPEC show stronger convergence among both demand and supply projections.

3. ANALYSIS

Market rebalancing appears to be moving ahead. Demand continues to pick up according to IEA and OPEC reports released this month. Though most of the demand growth continues to come from Non-OECD Asia, namely China and India, OECD demand growth is also stepping up albeit marginally. The pace of growth in OECD stock-build is slowing down. The overall trend indicates a further market tightening even though OECD commercial oil stocks rose by 13.7 mb and 18 mb m-o-m, according to OPEC and IEA preliminary January data. World economic growth, that is estimated to reach 3.8% and 3.9% in 2018 according to OPEC and IEA sources, will further strengthen demand in maritime and road transport, and also the petrochemical sector.

On the supply side, non-OPEC supply, led by the U.S, continues to show strong growth, with most of the growth taking place in the Permian Basin. In respect of OPEC supply, compliance with the production adjustments agreed with key non-OPEC countries in 2016 remains strong.

3.1 DEMAND DATA

IEA expects global oil demand to rise by 1.5 mb/d to 99.3 mb/d in 2018, a 90 kb/d increase compared to last month's forecast while oil product demand in 2017 is pegged at 97.8 mb/d, unchanged from February's report. OPEC's global demand outlook takes a more bullish stance and projects world demand growth at 1.60 mb/d, unchanged from previous month's data, leading to a projected total global consumption of around 98.6 mb/d. OPEC-IEA divergence in 2018 overall demand growth now stands at 0.11 mb/d, down from 0.2 mb/d in February 2018.

IEA sees robust OECD oil demand growth, up by 0.2 mb/d compared to its February estimate at 0.06 mb/d, anticipating total OECD consumption of 47.66 mb/d in 2018. OPEC marginally revised up its growth projection for the OECD region to 0.33 mb/d with total OECD demand now standing at 47.7 mb/d, further narrowing down differences in growth estimates of both organizations.

Both, IEA and OPEC anticipate strong growth in non-OECD demand for this year at 1.23 mb/d and 1.26 mb/d respectively, with total demand forecasts averaging 51.64 mb/d and 50.93 mb/d. While OPEC's growth projection remains unchanged from its February forecast, IEA revised its demand growth estimate down by 0.1 mb/d. IEA's and OPEC's assessments for 2018 OECD and non-OECD demand differ by 0.04 mb/d and 0.71 mb/d in absolute values. Both reports anticipate most of 2018 total global oil demand growth to originate from non-OECD Asia, led by China and followed by India. Regional demand growth adjustments in 2018 reflect a solid pace of growth for China reported at 0.42 mb/d with total consumption expected to reach around 12.7 mb/d and 12.9 mb/d according to OPEC's and IEA's March data. Oil demand forecasts for India remain unchanged from last month's reports at 4.98 mb/d (IEA) and 4.65 mb/d (OPEC). Chinese oil demand growth in 2018 is anticipated to be primarily driven by healthy gains in LPG, gasoline and fuel oil requirements while LPG for residential use and gasoline for the transportation sector are expected to be the main growth factors for Indian oil demand.

3.2 SUPPLY DATA

According to preliminary OPEC data, world oil supply estimates for February 2018 increased by 0.37 mb/d month-on-month to average 98.20 mb/d representing an increase of 1.66 mb/d year-on-year. Based on IEA projections, total global supply was slightly down by 80 kb/d month-on-month to average 97.9 mb/d but stood 740 kb/d higher on a year ago.

OPEC's March assessment of non-OPEC supply sees an upward revision by 0.28 mb/d to 59.53 mb/d, showing year-on-year growth of 1.66 mb/d, following strong output forecasts in the OECD Americas and OECD Europe, FSU and China and minor downward revisions in Australia and Argentina. Compared to its February analysis, IEA data suggests a marginal growth uptick by 20 kb/d in 2018 total non-OPEC supply to average nearly 60 mb/d showing robust year-on-year growth of around 1.8 mb/d.

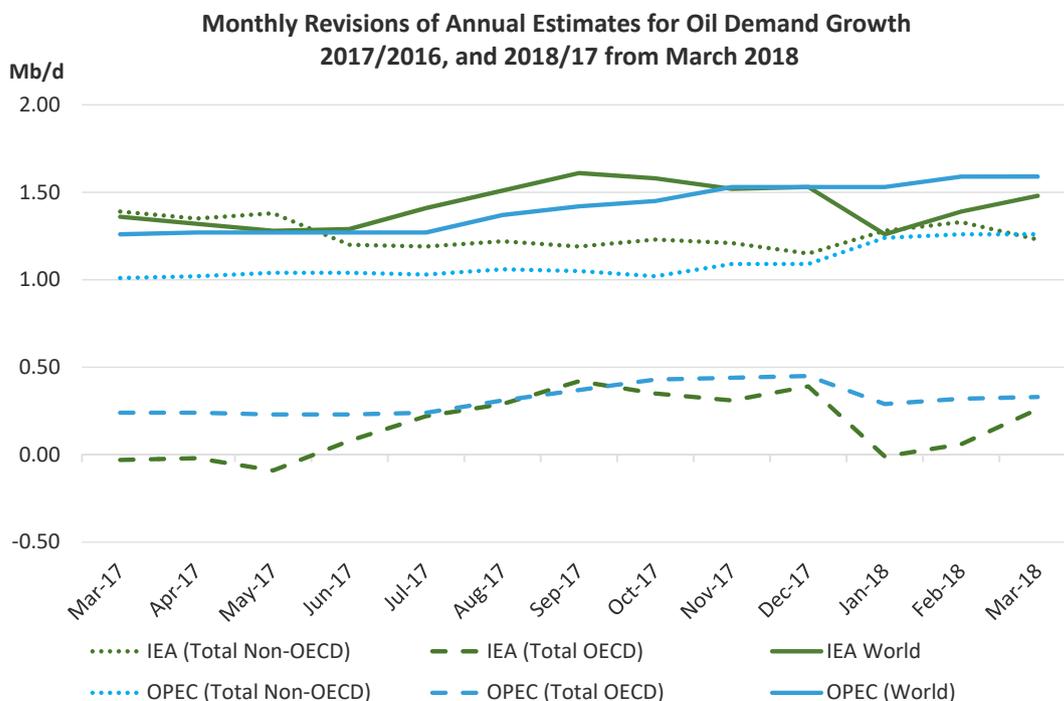
2018 supply forecasts for the OECD region stand at 25.82 mb/d and 27.26 mb/d according to IEA's and OPEC's March estimates while OPEC projects marginally weaker growth at around 1.68 mb/d compared to 1.70 mb/d projected by the IEA. Both, OPEC and IEA see growth in the region led by the OECD Americas showing narrowly aligned growth rates of 1.63 mb/d year-on-year and 1.65 mb/d year-on-year to average 23.04 mb/d and 21.9 mb/d total supply. US tight crude production is now forecast to grow around 1.1 mb/d year-on-year to amount to 5.72 mb/d while production from shale and tight plays in the Permian Basin is estimated to grow by 0.72 mb/d to average 2.57 mb/d according to OPEC data.

IEA reports OPEC crude oil production marginally ease to 32.1 mb/d in February 2018, led by losses in Venezuela and lower output from the UAE. This compares to OPEC secondary data at 32.19 mb/d for OPEC-14 crude oil production in February 2018, a decrease by 77 kb/d over the previous month. OPEC sees declining production in Venezuela, the UAE and Iraq offset by higher production in Nigeria and Angola.

4. GRAPHS

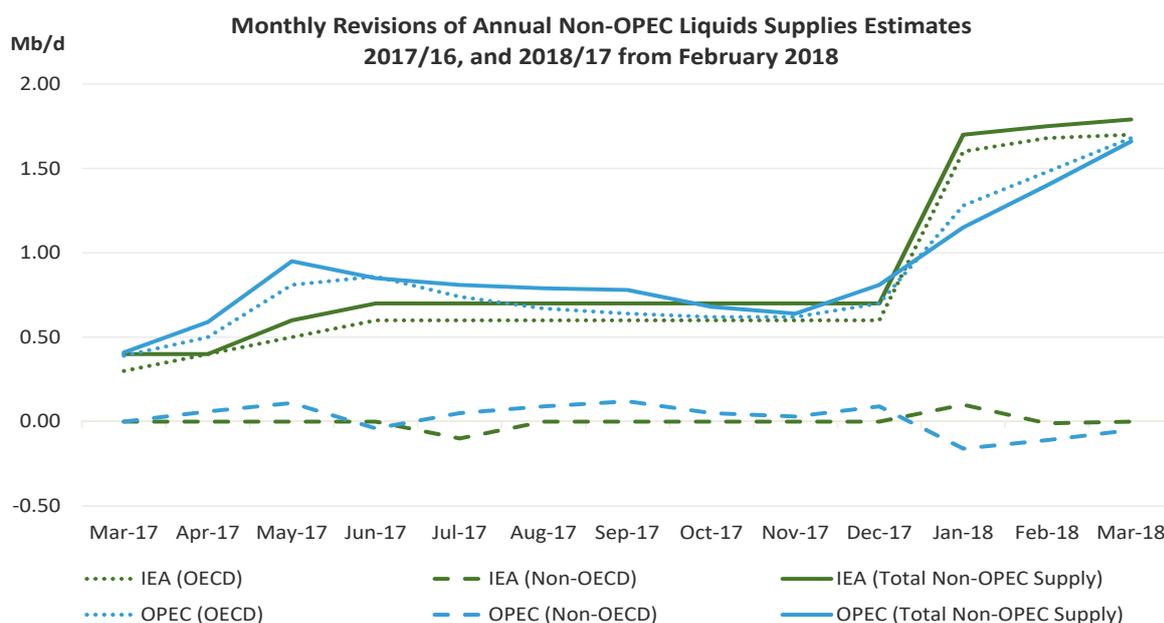
See the graphs below for the monthly revisions of IEA and OPEC annual estimates for 2017 and new estimates for 2018 demand/supply, and the tables for annual estimates for total demand and supply.

OPEC projects robust world demand growth of 1.6 mb/d for 2018 Both IEA and OPEC show strong convergence in demand data



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

IEA sees Non-OPEC supply continue to increase but at a lower rate Both IEA and OPEC show strong convergence in supply data



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

IEA Report Total Demand (mb/d)

	2017	2018	Difference
OECD	47.40	47.66	0.3
Non-OECD	50.41	51.64	1.2
TOTAL	97.82	99.30	1.5

OPEC Report Total Demand (mb/d)

	2017	2018	Difference
OECD	47.37	47.7	0.3
Non-OECD	49.67	50.93	1.3
TOTAL	97.04	98.63	1.6

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

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

IEA Report Total Supply (mb/d)

	2017	2018	Difference
Non-OPEC	58.13	59.92	1.8
Non-OECD	29.32	29.32	0
OECD	24.12	25.82	1.7

OPEC Report Total Supply (mb/d)

	2017	2018	Difference
Non-OPEC	57.87	59.53	1.7
Non-OECD	30.08	30.03	-0.1
OECD	25.58	27.26	1.7

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

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