

Recent market developments and near-term prospects

Presented by:

Hojatollah Ghanimi Fard, Ph.D.

Head, Petroleum Studies Department, OPEC

**On the occasion of the
IEA-IEF-OPEC Symposium on Energy Outlooks
23rd-24th January 2012, Riyadh, Saudi Arabia**



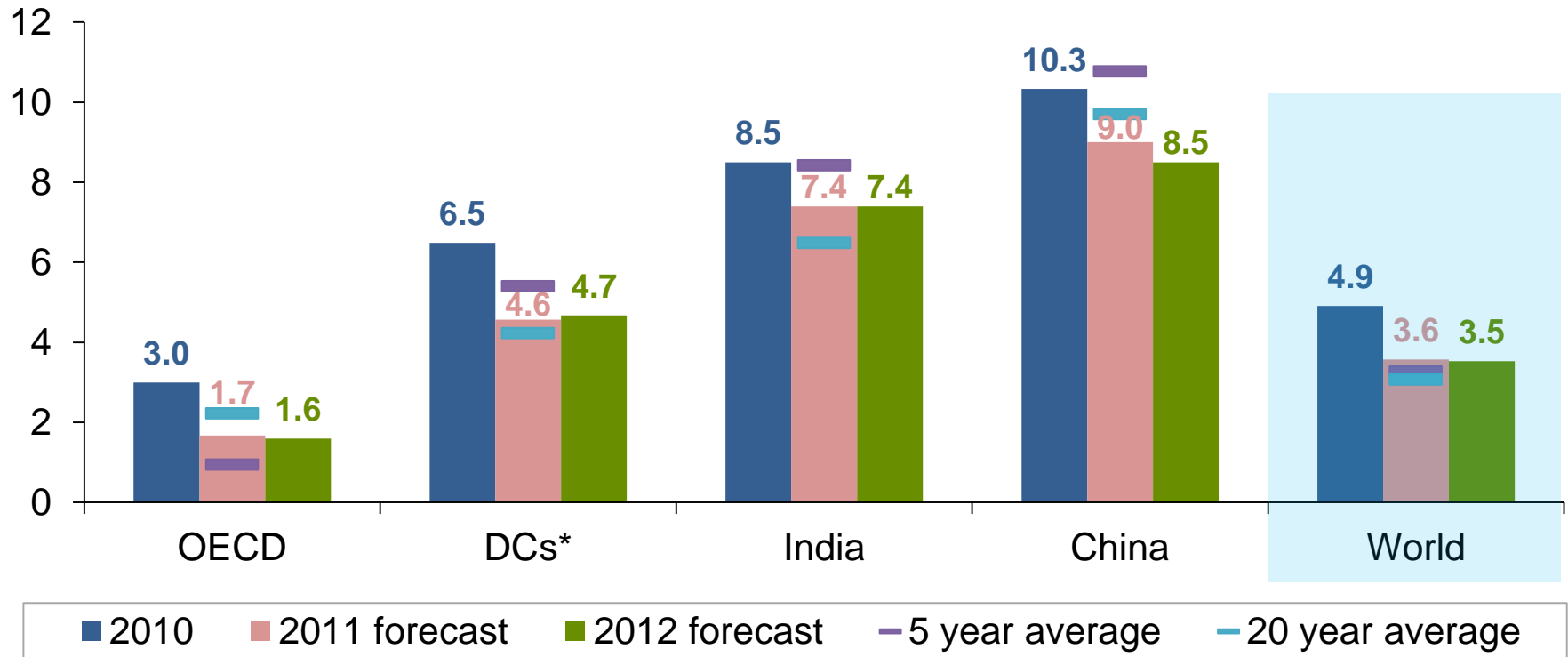
- **Review of the oil market for 2011 and outlook for 2012**
- **Oil price developments**
- **Challenges in forecasting/assessing the short-term**



- **Review of the oil market for 2011 and outlook for 2012**
- **Oil price developments**
- **Challenges in forecasting/assessing the short-term**



Global growth in 2012 is forecast below the 2011 growth level in the major economies

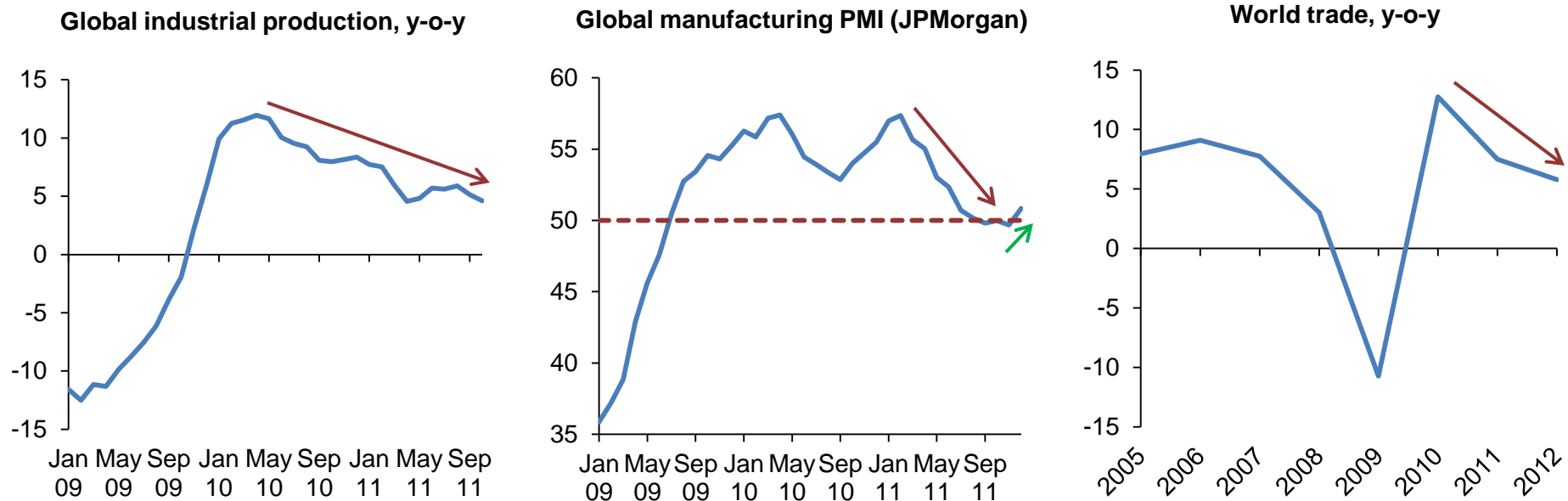


* DCs is without China and India

The OECD economies are expected to contribute only 0.8 percentage points (pp) to the 3.5% global GDP growth in 2012.

Source: OPEC Secretariat

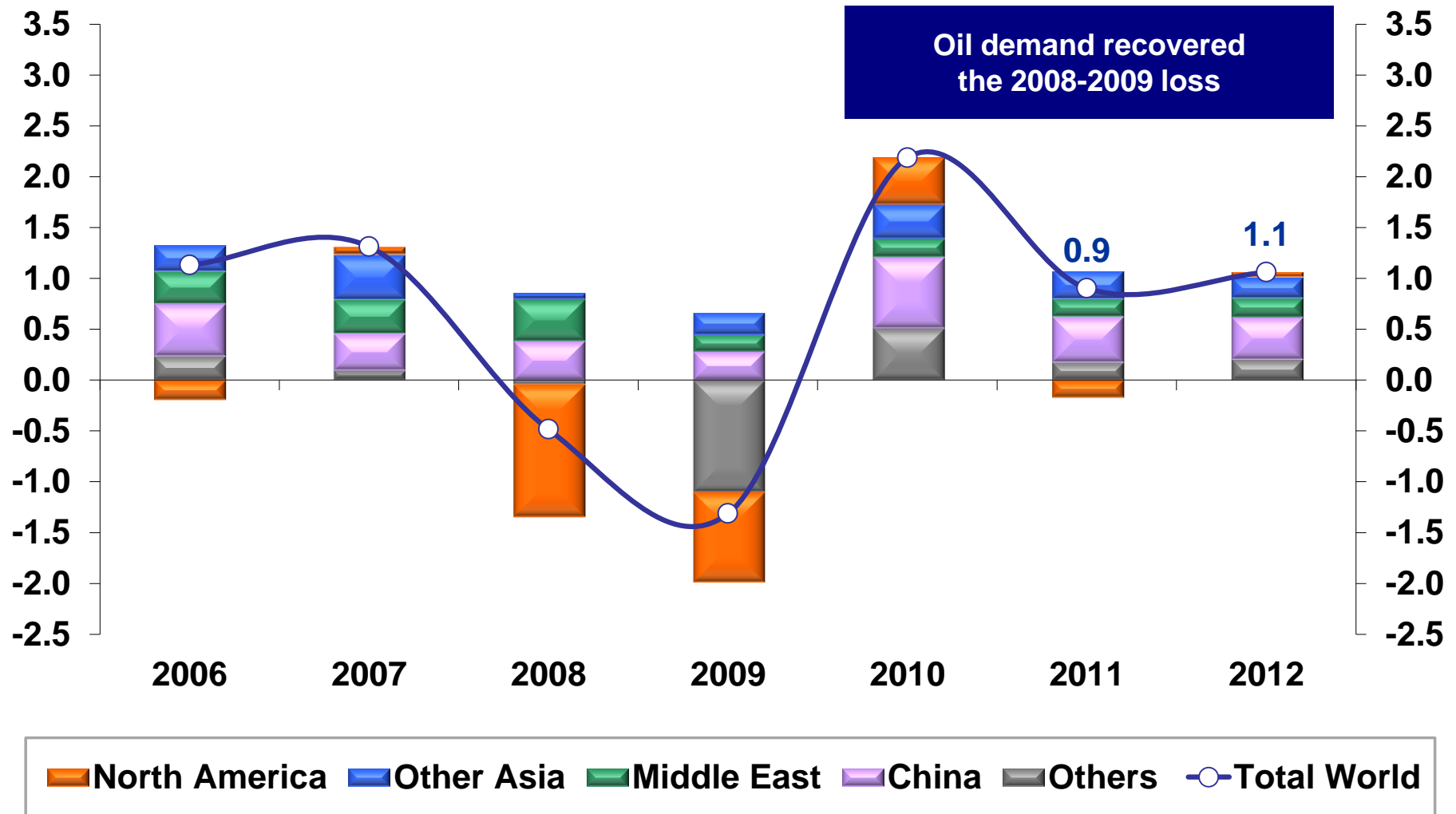
Global activity and trade is slowing



Source: Haver Analytics, International Monetary Fund, JP Morgan and OPEC Secretariat

- Stimulus measures have lifted growth in 2009 and 2010
- Fiscal stimulus is not expected for the future, due to OECD budget constraints
- Contrary to this, **austerity measures** in developed economies combined with high **unemployment**, **deleveraging at global banks** and active measures to **slow growth in developing economies**, have led to deceleration

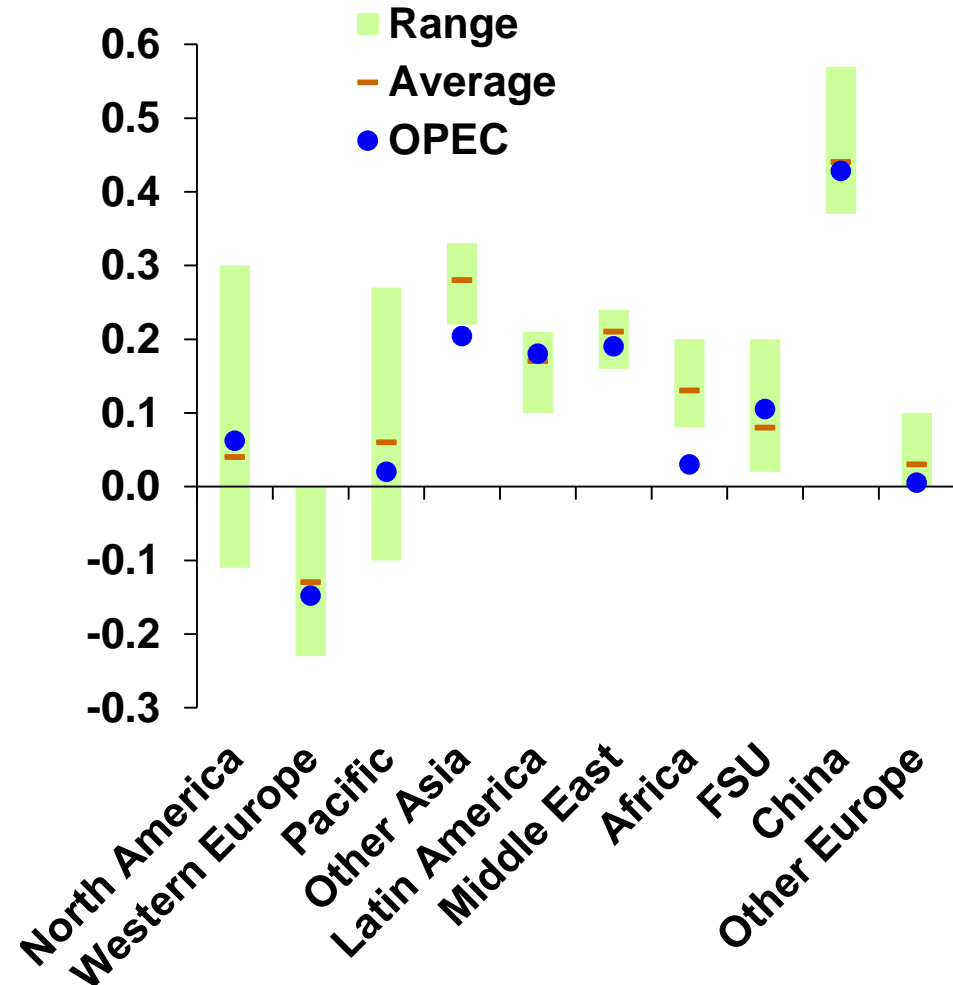
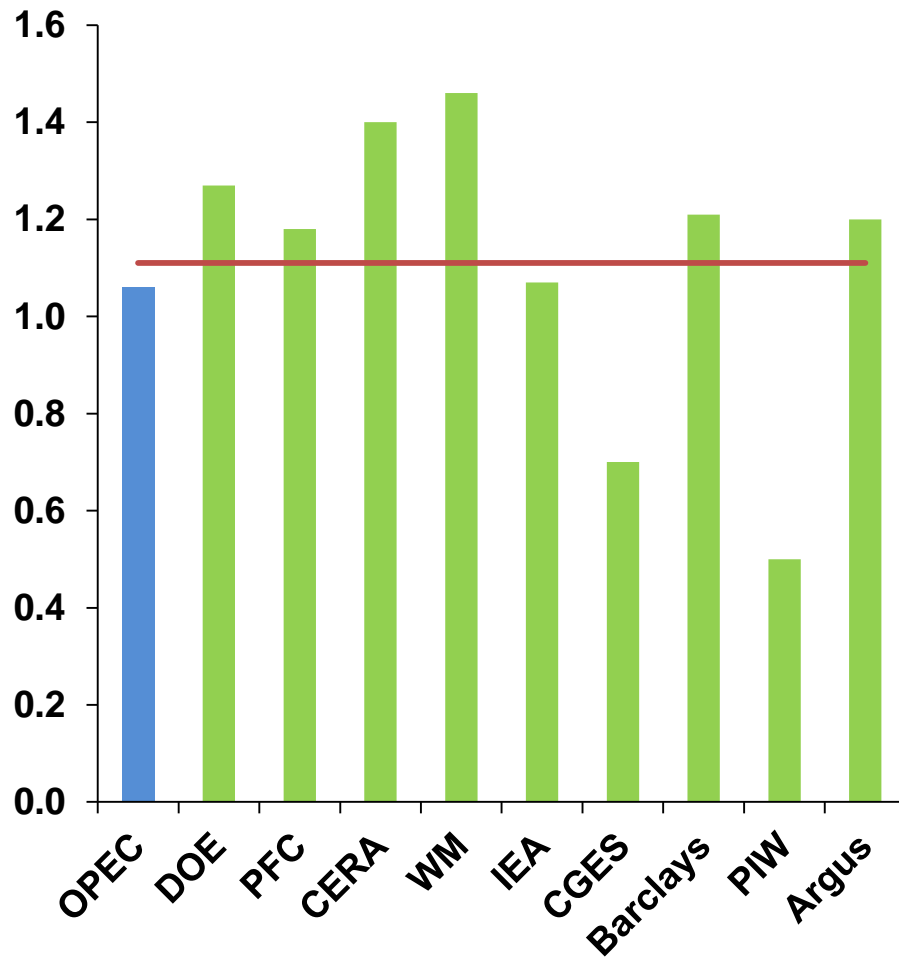
World oil demand growth by regions, y-o-y change, mb/d



World oil demand growth 2012, mb/d



Uncertainty in demand forecast, 2012

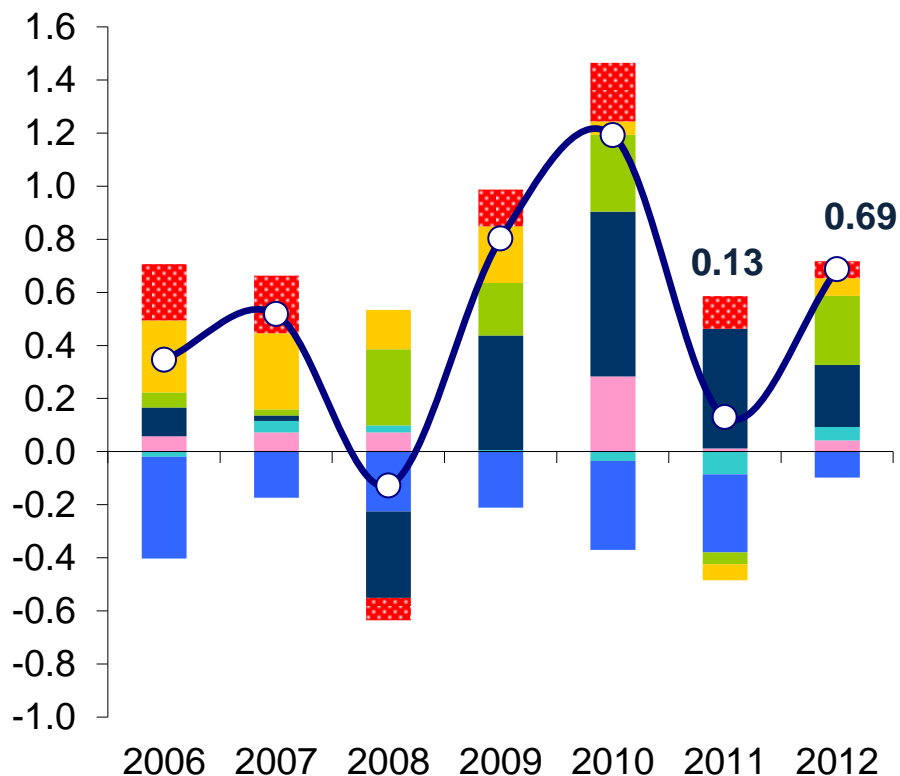


Non-OPEC supply continues positive growth

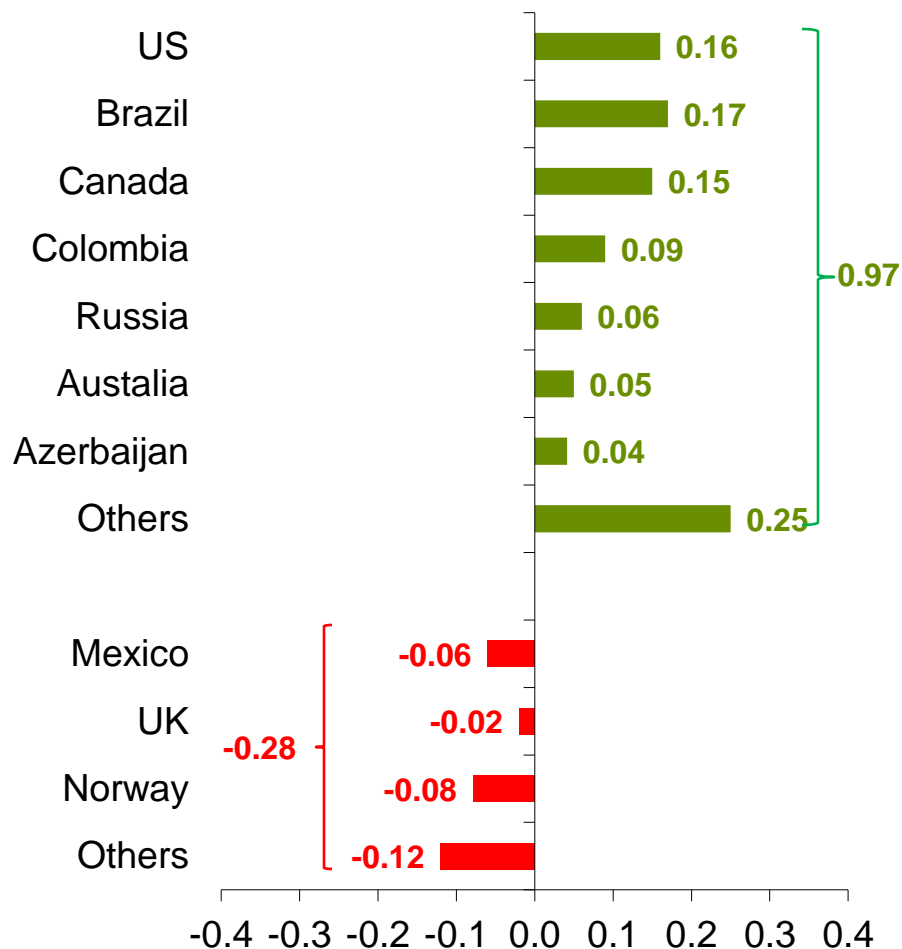
y-o-y change, mb/d



Non-OPEC supply by regions



Annual growth 2012 for selected countries

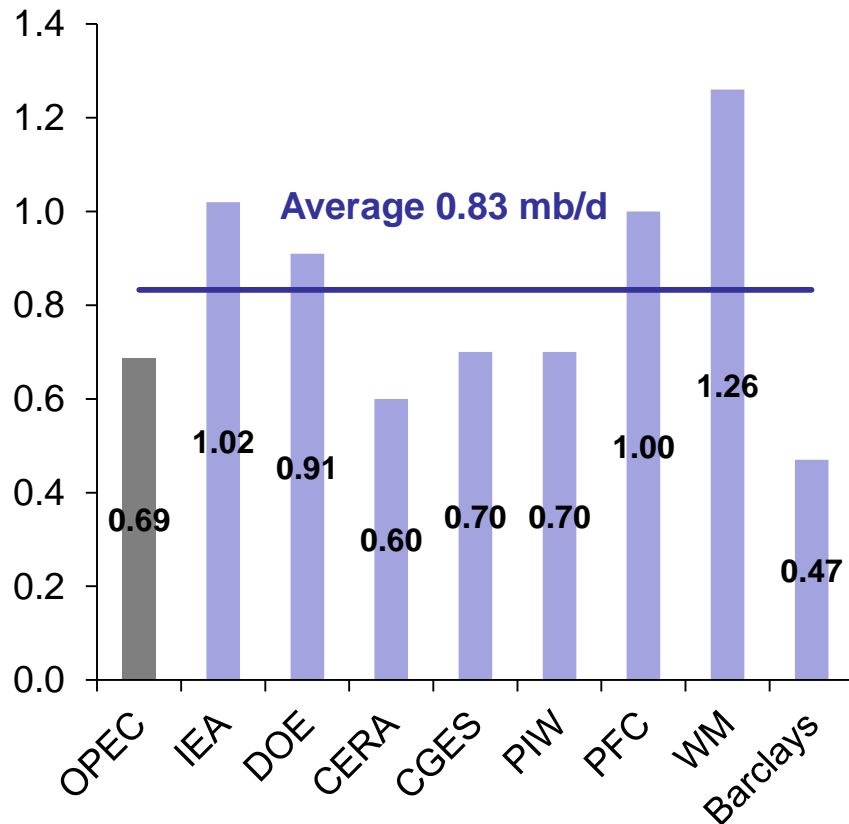


Non-OPEC supply and OPEC NGLs growth 2012, by various sources



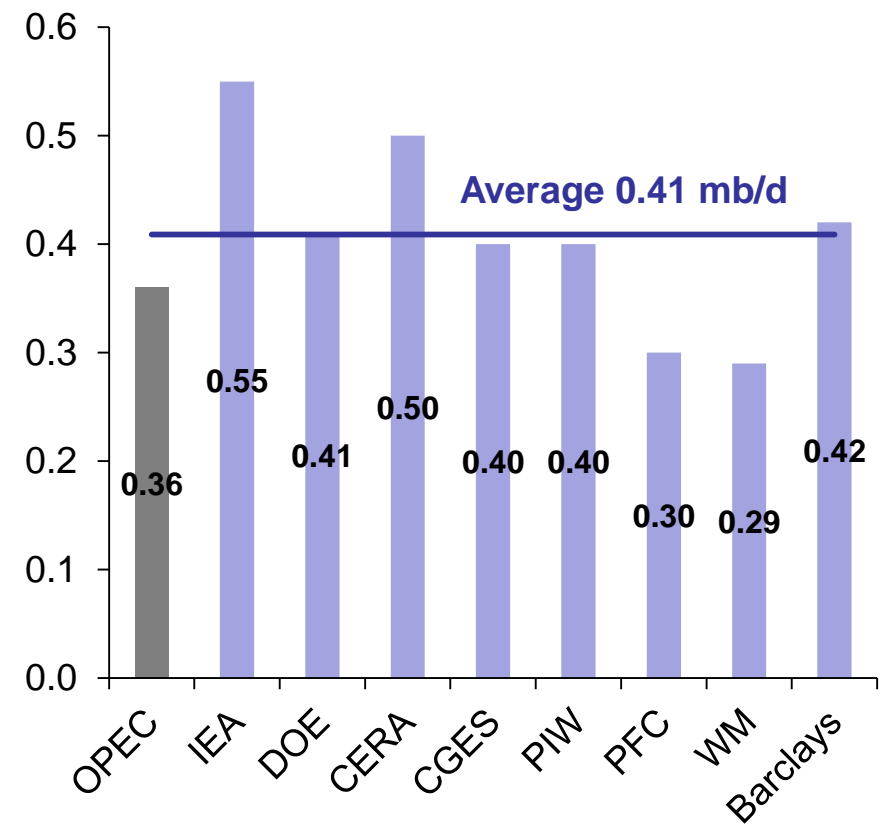
**Non-OPEC supply growth 2012
by various sources**

mb/d



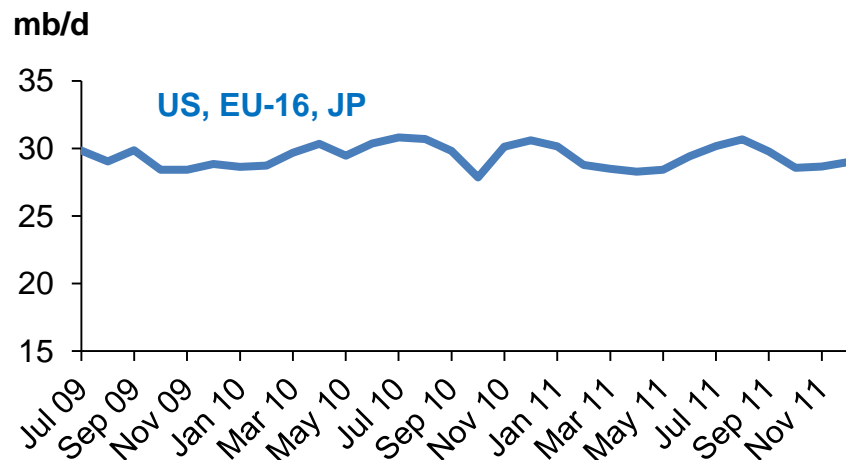
**OPEC NGL growth 2012
by various sources**

mb/d

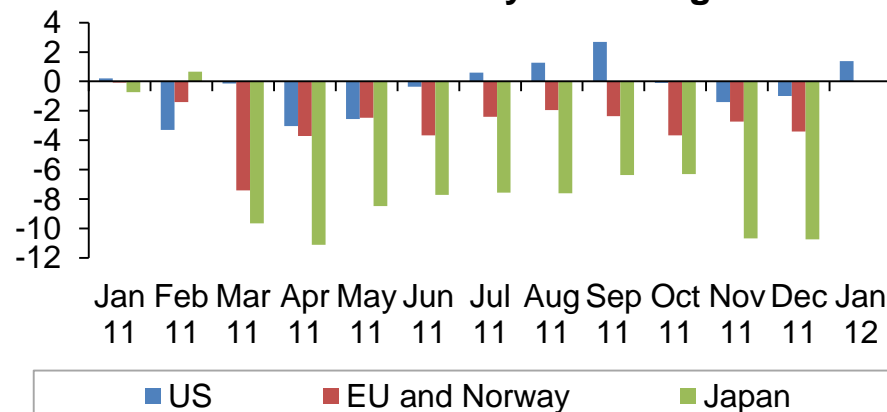




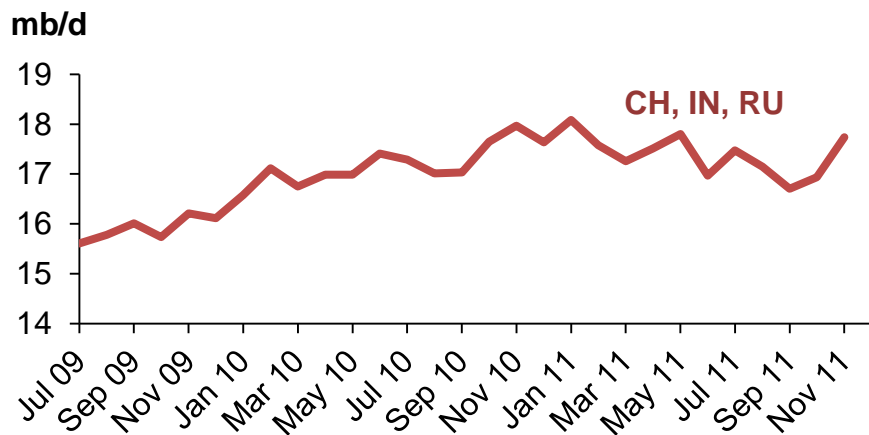
Refinery throughput in major markets



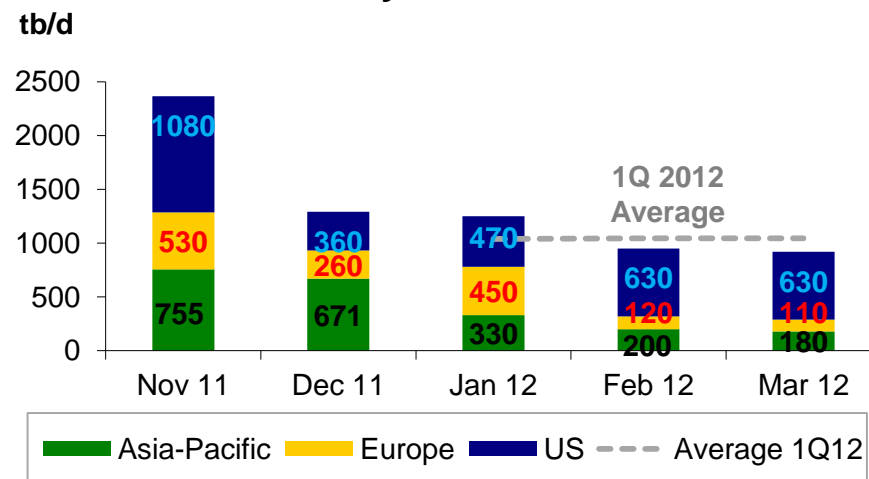
Refinery utilization: Difference from 5-year average



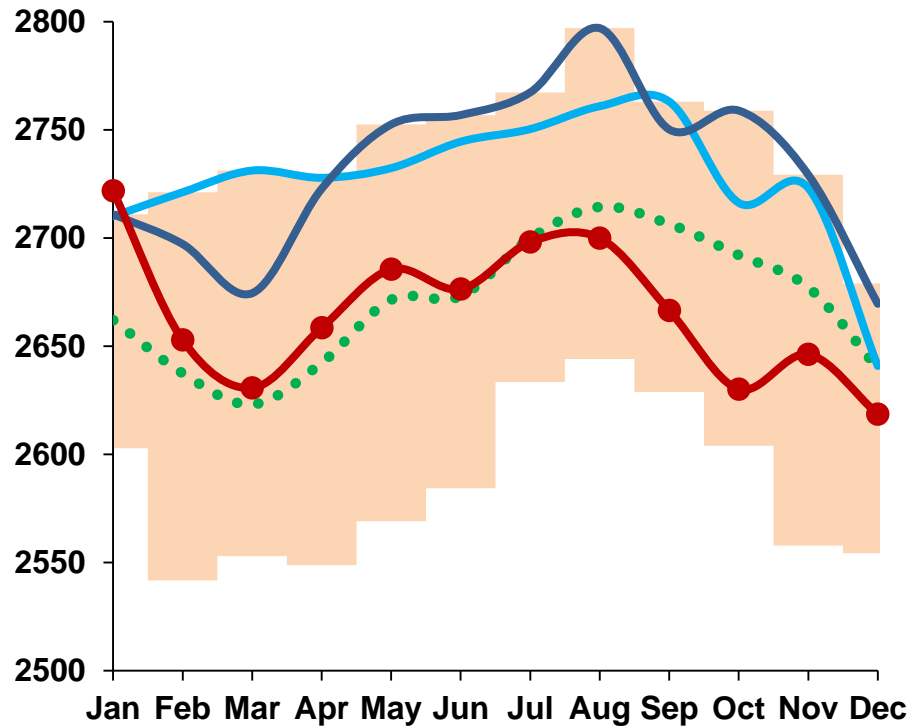
Refinery throughput in major markets



Refinery maintenance

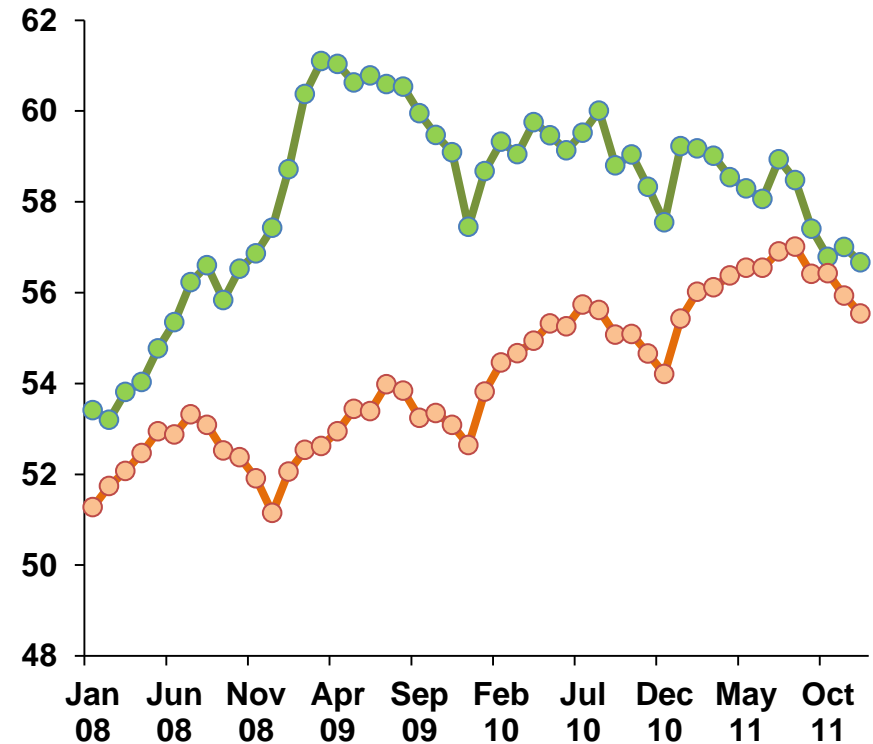


**OECD commercial stocks:
Absolute value, mb**



■ Max/Min 2006-10 ●●● Avg. 2006-10
— 2009 — 2010
—● 2011

Days of forward cover

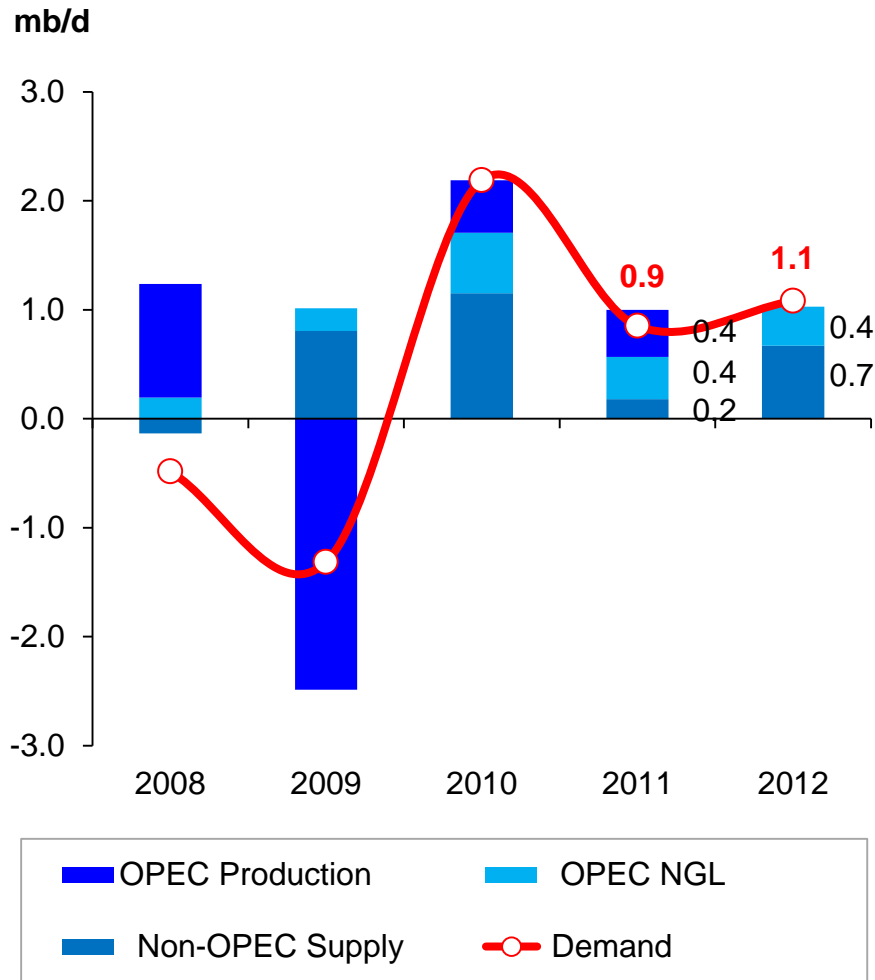


—● Days of forward cover —● Rolling average

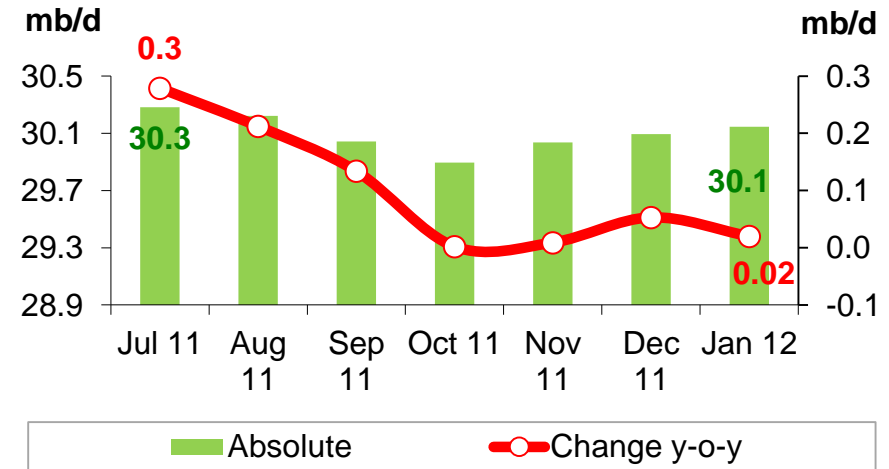
Change in demand for OPEC crude in 2012



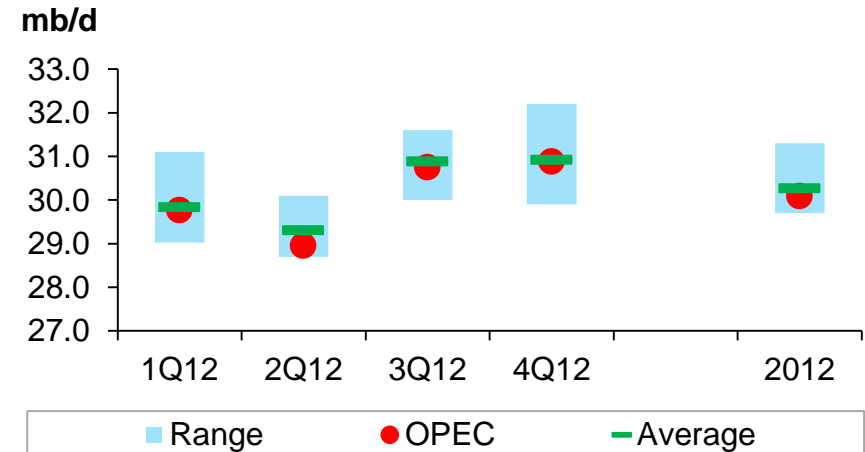
Supply demand yearly, y-o-y change



Revisions



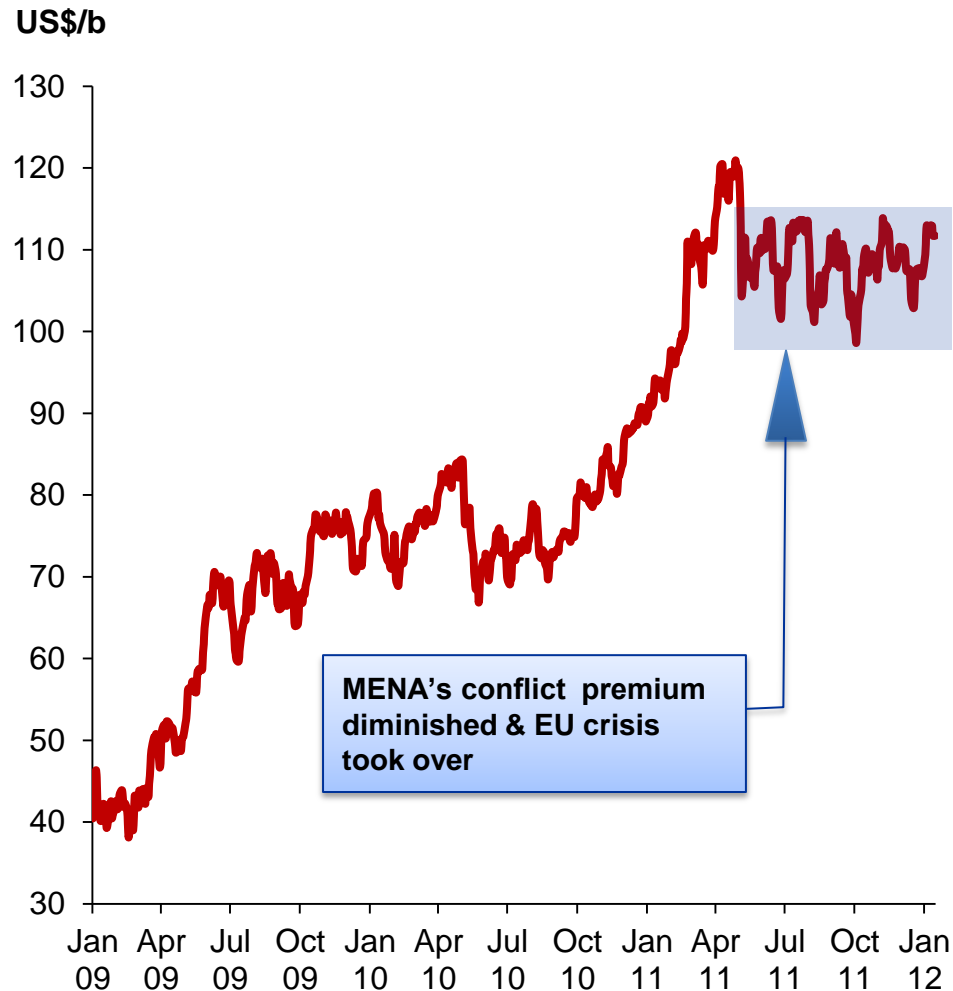
Uncertainties



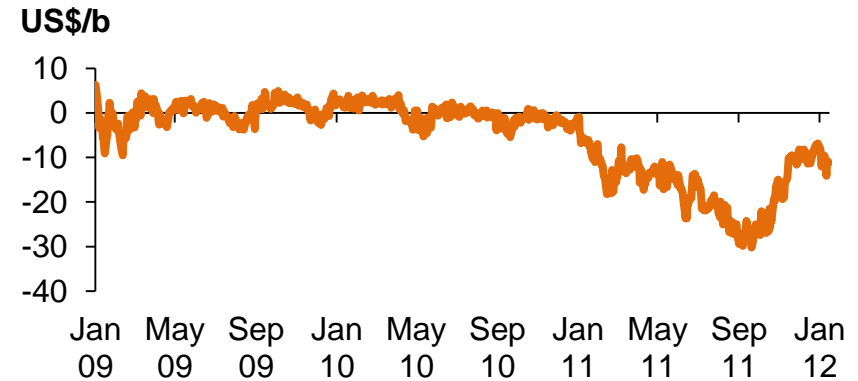


- **Review of the oil market for 2011 and outlook for 2012**
- **Oil price developments**
- **Challenges in forecasting/assessing the short-term**

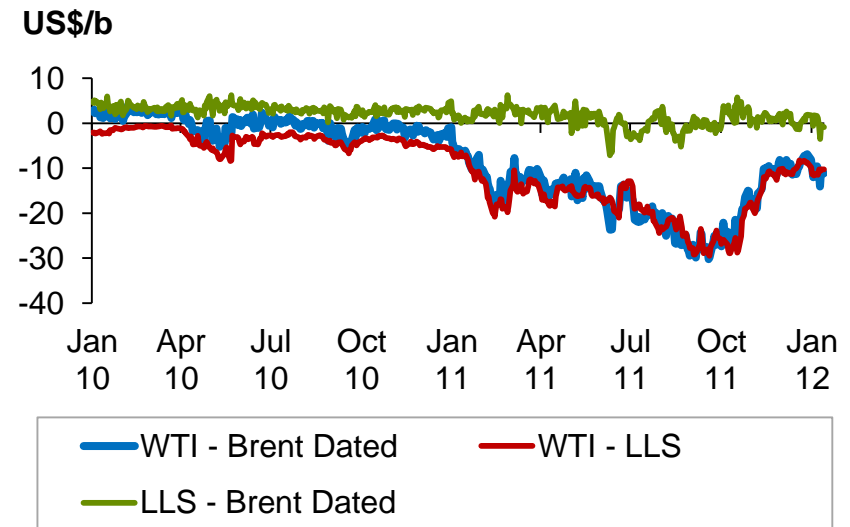
OPEC Reference Basket



WTI-Brent Dated differential



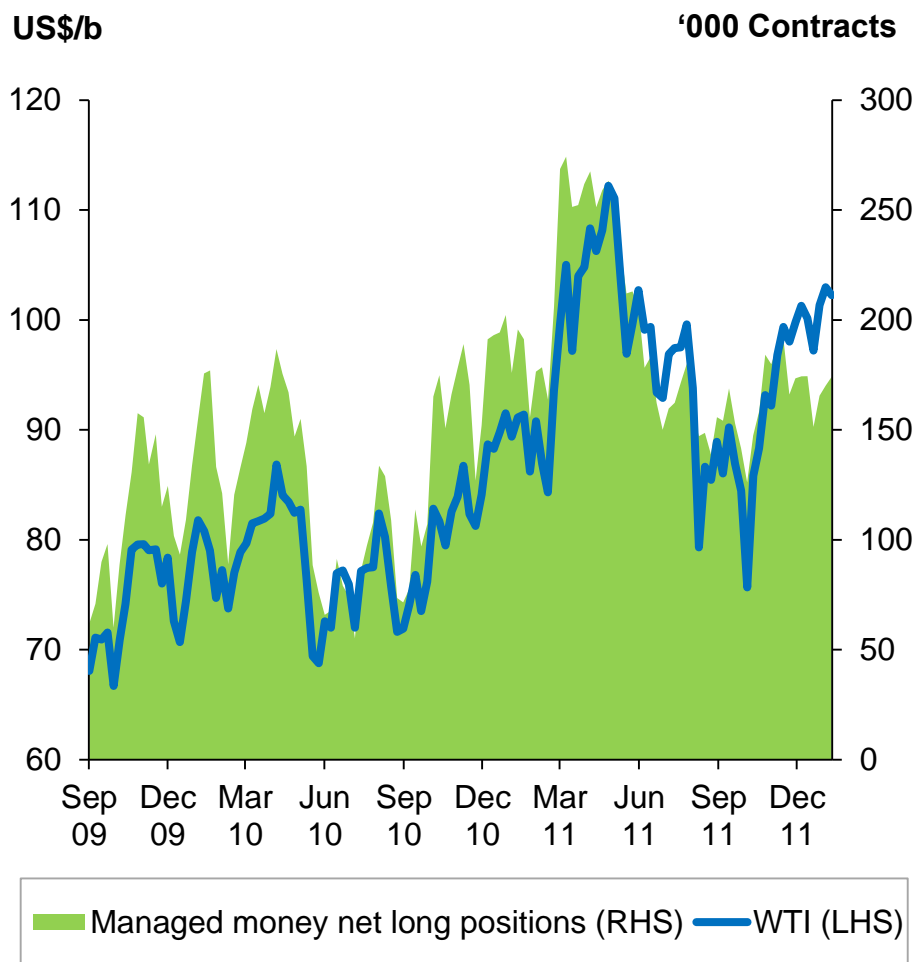
WTI dislocation from the global market



Close link with speculative activity and equity markets



Nymex WTI price vs. speculative activity



Nymex WTI price vs. equities





- **Review of market for 2011 and outlook for 2012**
- **Price developments**
- **Challenges in forecasting/assessing the short-term**



● World

- Lack of data from main consumers (China, FSU, etc.)
- Lack of data for important flows (i.e. bunkers for Singapore)
- Lack of accuracy of preliminary data from main consuming countries
(e.g. US weekly data from DoE)
- Lagged qualitative historical data with considerable revisions
(OECD and Non-OECD)
- Uncertainty in economic data
- Differences due to product interpretations (e.g. Middle East ethane)



● China

- Lack of reliable consumption data
- OPEC definition: Apparent oil demand is oil production \pm net oil trade \pm oil stock changes, however some sources do not include oil stocks data
 - For instance, a significant amount of oil was transferred to storage during 2010
 - Although some Chinese oil stocks data has been available as of 2008 and is regularly published (commercial stocks for crude, gasoline, diesel and kerosene), however some sources do not use them in their assessments



● Non-OPEC

- Supply forecast is based on bottom-up approach, adding growth to the baseline, therefore the base year is essential in estimating the year ahead
- Data availability and accuracy for the base year
- Lack of projects development transparency in some of non-OPEC countries
- Changes in crude price levels and the impacts on Capex and future supply
- Lack of decline rate information
- Taxation, political, environmental, and weather factors
- Renewable policies and biofuels mandates

● NGLs

- Change in natural gas prices and its impact on NGLs production
- Discrepancy among various sources



● **Stocks data:**

- Frequent revision in historical monthly OECD commercial stocks
- Discrepancy between weekly and monthly US inventory data
- Lack/inaccuracy of some non-OECD countries' stocks data
- The oil inventories should reflect the interaction between supply and demand, therefore the global picture of stocks is the ultimate tool for checking the supply and demand numbers. However, the lack/inaccuracy of stocks data makes it difficult to check the supply/demand figures

ORGANIZATION OF THE PETROLEUM EXPORTING COUNTRIES

www.opec.org



OPEC

Thank you

