Statement by
Organization of the Petroleum Exporting Countries (OPEC)

to

Intergovernmental Group of Twenty Four (G-24)
Meeting of Ministers and Governors

October 2023

The **Organization of the Petroleum Exporting Countries (OPEC)** would like to provide the distinguished delegates to the **G24 Ministers and Governors Meeting** an update on **current oil market conditions and developments**.

Global oil markets continued to witness **healthy fundamentals** since the last **G24 meeting in April 2023** amid resilient world economic and oil demand growth. The continuous efforts of the **OPEC and non-OPEC producers participating in the Declaration of Cooperation (DoC)** have resulted in a more balanced global oil market, providing clarity and confidence to investors and **reducing market volatility**. Consequently, **liquidity in oil futures markets** has continued to improve from the low levels seen in 2022. The **DoC** joint endeavours constitute a **significant contributor** to the **global energy security**, which serves as a key enabler for **economic activity** and as an essential element of **energy access**.

However, **monetary tightening** from leading central banks has added to the **uncertainties** impacting the global economy and thus clouded the outlook for energy demand. The **global economic growth dynamics** in **1H23** have been **resilient** despite the numerous **challenges**, including high inflation, elevated interest rates and geo-political tensions. This steady global economic growth trend continued into **3Q23**, supported by buoyant consumer spending, especially in the services sector. With this, **global economic growth** is expected at **2.7%** for **2023** and **2.6%** for **2024**.

Following estimated economic growth of **1.8%** in **2023**, the **US economy** is forecast to grow by **0.7%** in **2024**. The **Euro-zone's** economic growth is anticipated to stand at **0.6%** in **2023,** and to recover slightly in **2024** to reach **0.8%**. **Japan's** economic growth estimate for **2023** stands at **1.5%**, and is expected to reach **1%** in **2024**. **China's** economic growth is forecast at **5.2%** in **2023**, followed by growth of **4.8%** in **2024**. **India's** economic growth is anticipated to reach a level of **6%** in **2023**, and **5.9%** in **2024**. **Brazil's** economic growth is forecast at **2.1%** for **2023**, then decelerate to **1.2%** in **2024**. **Russia's** economic growth is anticipated to stand at **1%** in **2023** and in **2024**.

Upside potential to the economic forecast may come from less-accentuated inflation, providing central banks with room for accommodative monetary policies in the near-term. The **downside risk** for this projection include the elevated key interest rates in G7 (except Japan), challenges in China's growth dynamic, continuation of the geopolitical tensions in Eastern Europe, and sovereign debt levels which have reached record highs in many economies.

Despite the apparent slowdown in economic growth in several regions towards the end of the previous year, **world oil demand** growth in **2023** is forecast to increase by around **2.4 mb/d** to average **102.1 mb/d**. This will be **largely due to China**, where the abandonment of the zero-COVID-19 policy in December 2022 and subsequent reopening is expected to considerably boost demand for transportation and industrial fuels. Despite some macro-economic headwinds, oil demand in the **OECD** oil demand is expected to rise by **0.1 mb/d** to average **46.1 mb/d**. Demand in OECD Americas is expected to witness the largest regional rise, led by the US, and some pick-up is expected in OECD Asia Pacific. However, oil demand in OECD Europe is expected to stagnate due to the anticipated slowdown in economic activity and supply-chain-related as well as geopolitical developments. In terms of products, jet/kerosene is projected to be the driver of oil demand, with road transportation fuels – diesel and gasoline – also growing. In the **non-OECD** region, total oil demand is expected to rise by about **2.3 mb/d** to average **55.9 mb/d** in 2023. A steady increase in transportation and industrial fuel demand, supported by a recovery in China's activity, as well as other non-OECD regions, is projected to boost demand in the region in **2023.**

In **2024**, **global oil demand** is estimated to increase by **2.2 mb/d** to average **104.3 mb/d**, supported by healthy economic activity mostly in non-OECD. In the OECD region, OECD Americas is set to drive the demand growth by a healthy **0.2 mb/d y-o-y,** and OECD Europe is forecast to expand y-o-y by **0.1 mb/d**. OECD Asia Pacific expected to increase marginally by **22 tb/d, y-o-y**. Overall, oil demand in the **OECD** increased by nearly **0.3 mb/d, y-o-y**. Oil demand in the **non-OECD** is estimated to expand by a healthy **2.0 mb/d, y-o-y,** with China, leading the demand growth to be driven by improvements in jet/kerosene, diesel, and gasoline supported by Other Asia, Middle East, and India.

Non-OPEC liquids supply in **2023** is expected to grow by **1.6 mb/d** from the previous year. The main drivers for growth are the US, Brazil, Norway, Kazakhstan, Guyana and China. In the US, public operators and majors still focus on increasing returns to investors and reducing debt amid moderated supply chain issues and cost inflation. While oil and gas drilling and completion activities have declined since beginning of the year, strong production has been observed in the major shale basins as the companies took the advantage of sufficient drilled but uncompleted well inventories. US production is estimated to increase by **1.2 mb/d y-o-y**. Forecasts show **global E&P Capex spending** for **2023** rising by **12% y-o-y** to average **US$579 billion**, much lower than the US$886 billion recorded in 2014, but 45% more than spending in 2020. **Higher level of upstream investment is required** to **fulfil the demand** outlook and strengthen **spare**

capacity to the market.

For **2024**, the **non-OPEC liquids supply** is expected to grow by **1.4 mb/d**. The main contributors for growth are expected to be the US, Canada, Guyana, Brazil, Norway and Kazakhstan. Global E&P Capex spending for **2024** is forecast to remain **largely unchanged y-o-y** at average **US$579 billion**, just higher by 4% compared with pre-COVID level in 2019. Oil production prospects in non-OPEC countries might be affected by increasing geopolitical and macroeconomic risks around the world in **2024**.

Meanwhile, **OPEC NGLs and non-conventional liquids** production in **2023** is forecast to grow by around **50 tb/d** to average **5.4 mb/d**, and is expected to grow by **65 tb/d** to average **5.5 mb/d** in **2024**. In August 2023, **OPEC crude oil** production increased by **113 tb/d** m-o-m to average **27.45 mb/d**, according to secondary sources, leading to an average of **28.19 mb/d** since January 2023.

In August, **refinery margins** soared in the **US Gulf Coast, Rotterdam and Singapore**, and gained **$9.53/b** vs WTI, **$7.47** vs Brent, and **$7.01/b** vs Oman m-o-m, to average **$35.66/b, $23.91/b,** and **$15.03/b** respectively. This was mainly driven by outstanding **strength at the middle section of the barrel** that pushed margins to their largest monthly gains since January 2023 in some regions. In the **USGC**, margins trended upwards for the third consecutive month, despite considerably smaller gains associated with gasoline markets as robust middle distillates performance drove margins to new highs. In **Rotterdam**, strong diesel exports to the US, amid healthy jet/kero requirements led to lower availability for both products in the region. Meanwhile, in **Singapore**, margins received support from a tighter product balance y-o-y as delays in product export quotas limited product supplies from China to Singapore.

Global refinery offline capacities reversed trends in **August** and **rose by 350 tb/d** to average **6.3 mb/d**, according to preliminary data, amid the start of heavy maintenance season. **Global refinery intake** increased to show a **1.1 mb/d** gain in August, and averaged **82.9 mb/d** compared to **81.8 mb/d** in the previous month. Y-o-Y, intakes were **3.9 mb/d** higher. **In the coming months**, refinery intakes are expected to come under pressure with rising offline capacities as maintenance works intensify in the Atlantic Basin.

US crude imports have exhibited a **strong performance** in recent months, reflecting **healthy demand** for US refined products domestically as well as on the international market. According to preliminary estimates based on weekly data, **US crude imports** averaged **6.9 mb/d** in August, the highest since that same month in 2019. **US crude exports** have turned in a strong performance this year, averaging **3.98 mb/d** over the first eight months of the year, representing a gain of almost 17% or 0.6 mb/d over the same period last year. Crude imports into the **OECD Europe** region have falling from the strong levels seen last year. The latest official data for the shows OECD crude **imports** from outside the region averaging **8.3 mb/d** in the first half of the year, compared to almost 9.0 mb/d in the same period last year. Crude **exports** from OECD Europe have declined sharply, to average around **90 tb/d** in the first half of 2023 from an average of around 500 tb/d just two years ago, as regionally produced grades have been remaining in the region. **Japan**'s crude **imports** have moderated following last year's strong performance, averaging **2.3 mb/d** in June, a 12-month low. **China**'s crude **imports** have shown some volatility in recent months, although with an overall good performance so far this year. Preliminary customs data shows crude **imports** averaged **12.4 mb/d** in August, boosted by support from summer gasoline demand and positive export margins for diesel. Meanwhile, **India** has seen a 2% increase in crude **imports** in the first seven months of the year to average **4.8 mb/d**.

In July, total **OECD commercial oil stocks** fell by **7.9 mb** m-o-m for the third consecutive month. At **2,779 mb**, they were **57 mb** higher than the same time one year ago, but **138 mb** less than the latest five-year average and **190 mb** lower than the 2015-2019 average. Within the components, **crude stocks** fell by **14.0 mb** m-o-m, while **product stocks** rose by **6.3 mb** m-o-m. At **1,348 mb**, **OECD commercial crude stocks** were **32 mb** higher in July than the same time a year ago, but **61 mb** lower than the latest five-year average, and **114 mb** below the 2015-2019 average. **OECD product stocks** stood at **1,430 mb in July 25 mb** higher than the same time a year ago, but **77 mb** lower than the latest five-year average and **77 mb** below the 2015-2019 average.

In terms of **days of forward cover**, **OECD commercial stocks** remained unchanged m-o-m in July to stand **59.5 days.** This is **0.8 days** above July 2022 levels, **4.0 days** below the latest five-year average and **3.0 days** lower than the 2015- 2019 average. All three OECD regions were below the latest five-year average: the Americas by **4.3 days** at **58.6 days**; Asia Pacific by **2.9 days** at **49.0 days**; and Europe by **4.0 days** at **66.4 days**.

In closing, **OPEC reaffirms its long-standing commitment to supporting oil market stability for the mutual benefit of consuming and producing nations, as well as the global economy**. Given the current level of economic uncertainty, and the increased volatility observed in the oil market, **OPEC and the non-OPEC countries in the DoC will continue to closely monitor market developments and remain poised to make adjustments within its existing mechanisms in order to support oil market stability.**