

# **Short and Medium Term Oil Market Outlook**

**EU-GCC Energy Working Group Meeting**

**June 2, 2010**

**Kuwait**

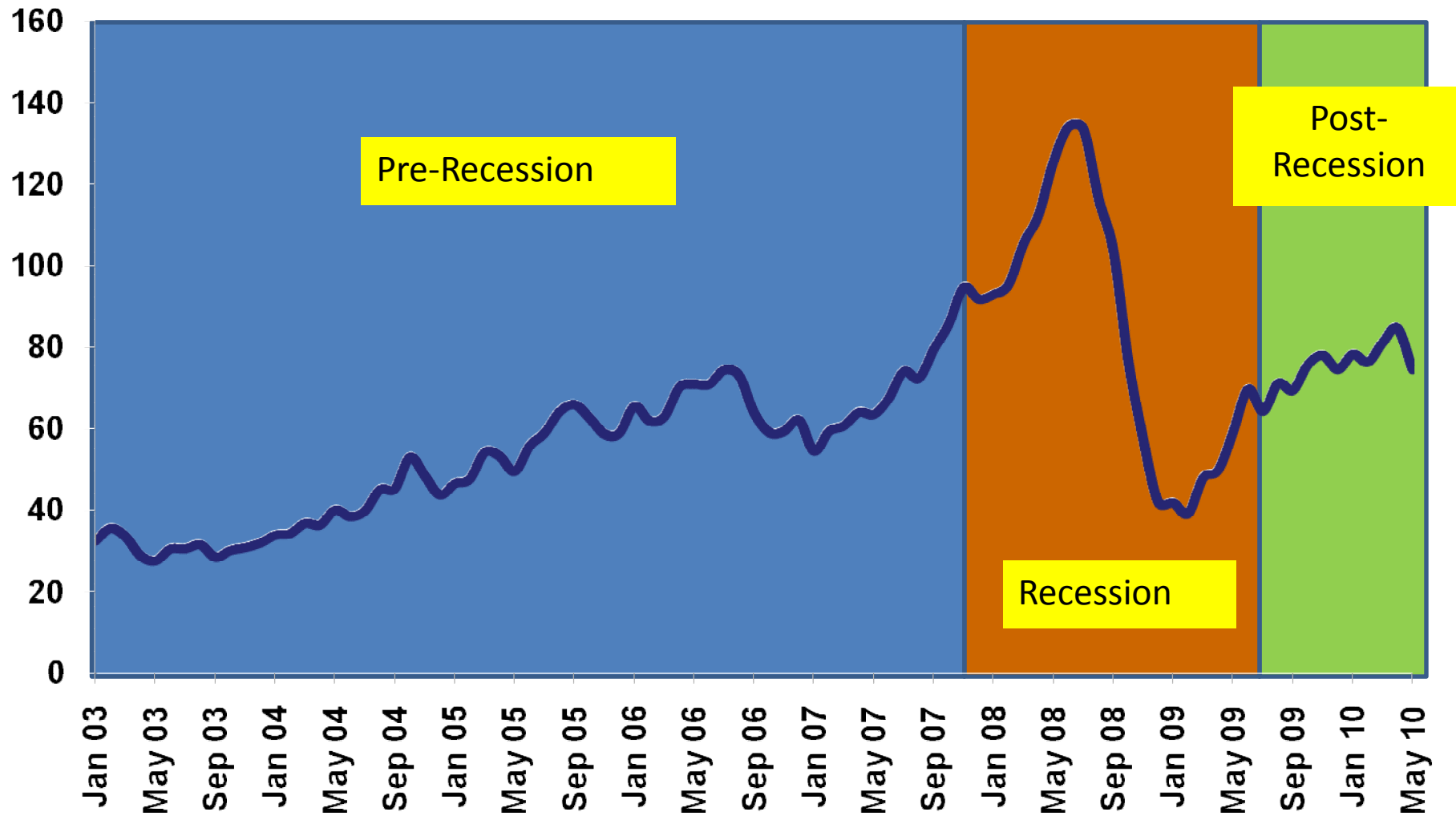
# **Outline**

- ❖ **Economic Outlook after the Recession**
- ❖ **Short term Oil Demand and Supply Outlook**
- ❖ **Financial and commodity Markets**
- ❖ **Medium and Long Term Outlook**

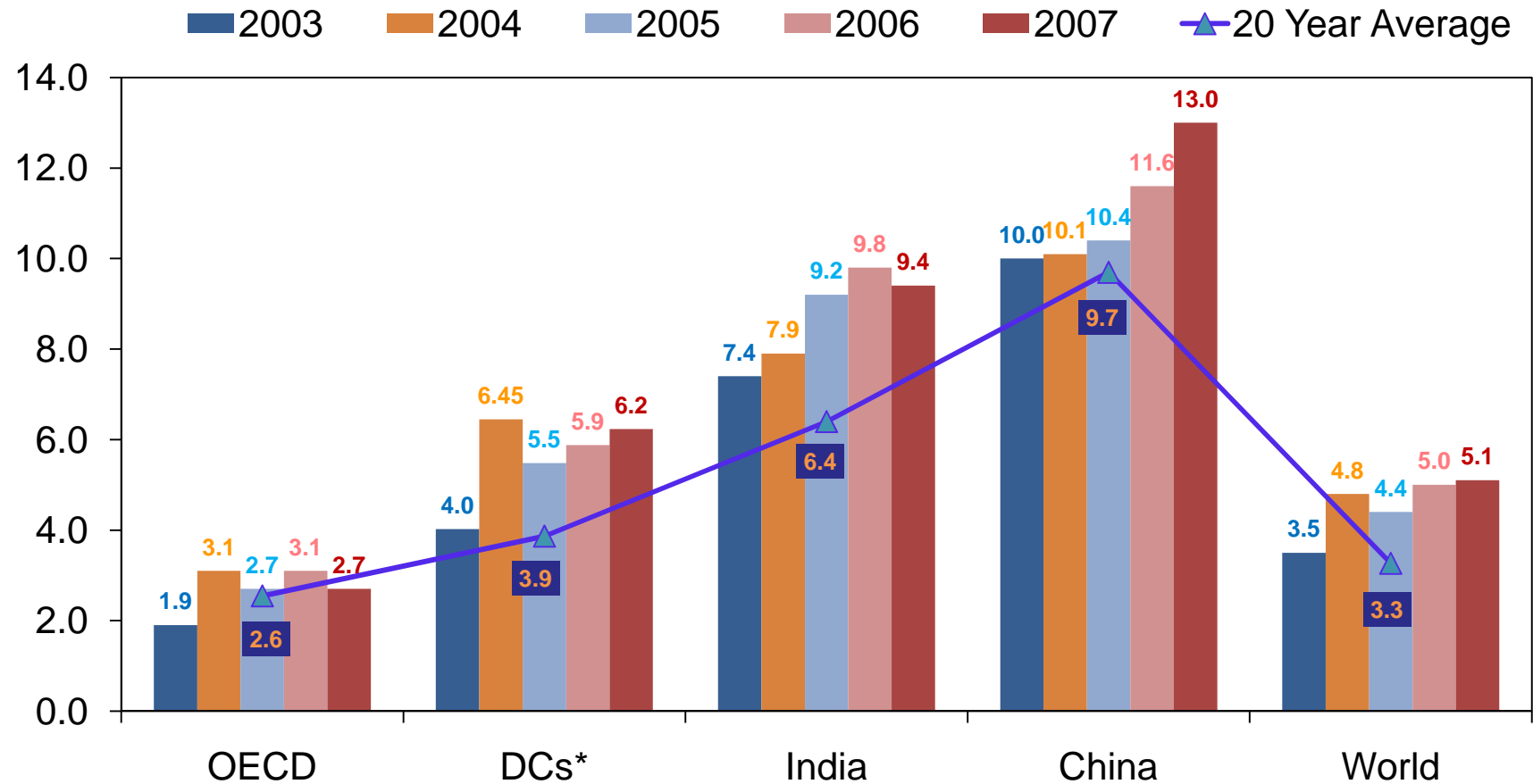
# **Economic Outlook after the Recession**

# Crude oil price development since 2003

WTI, US\$/b



# Pre-recession global economy: GDP growth 2003-2007

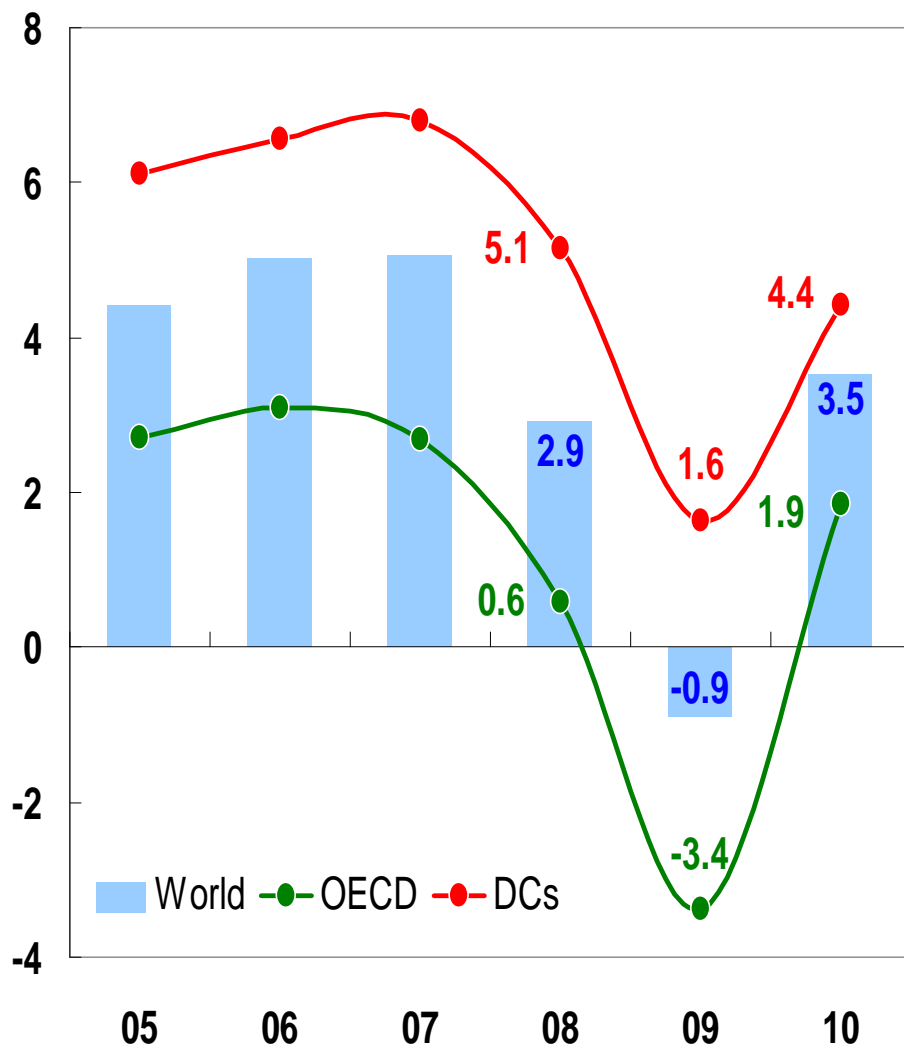


\* Excluding China and India

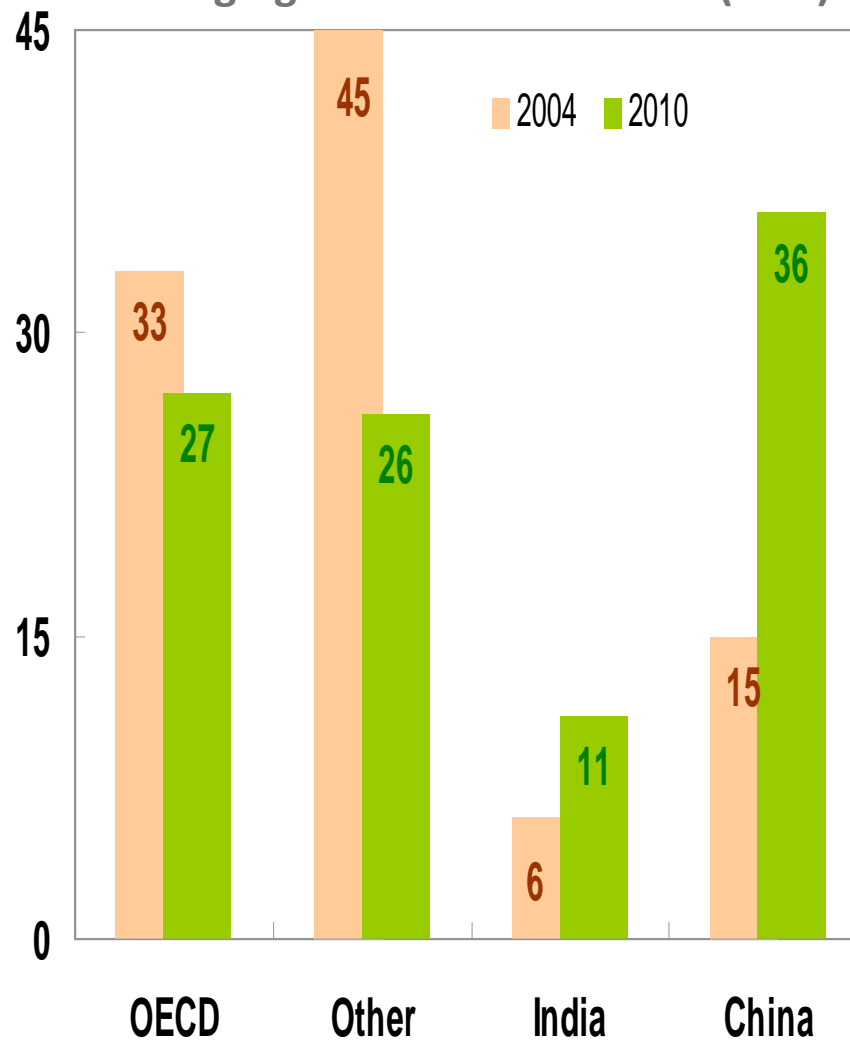
**Global growth 2003-07 higher than 20-year average, especially in developing & emerging markets**

# The world economy: Emerging economies lead the growth

World real GDP growth (in %)

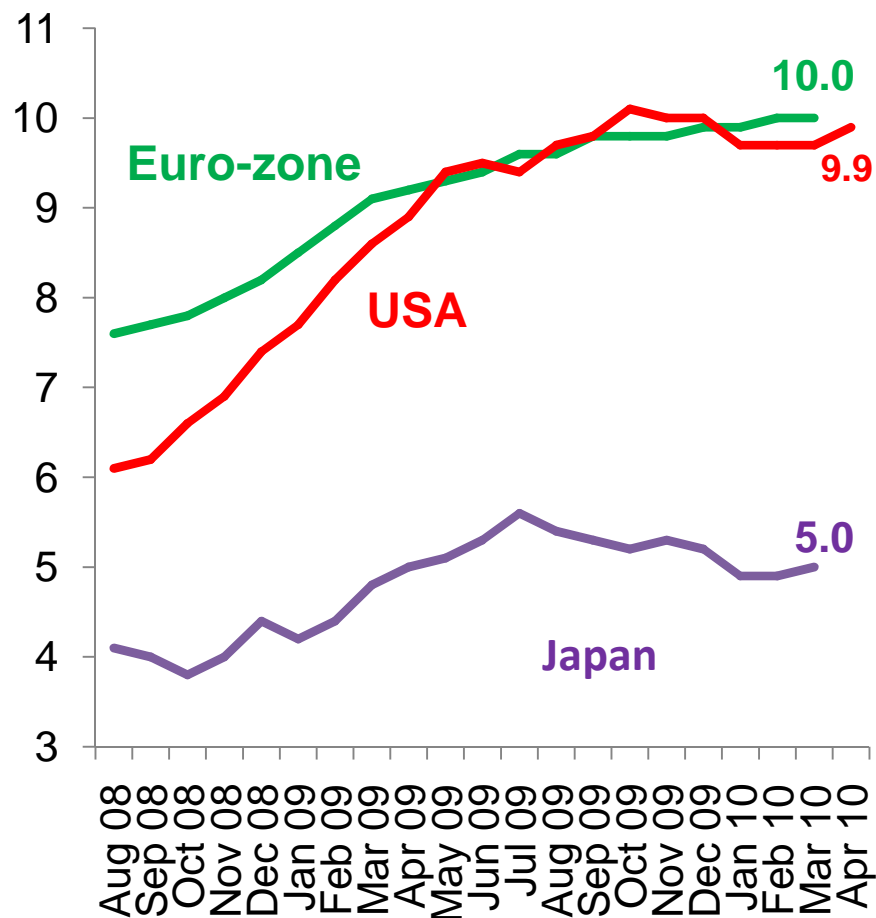


Changing shares in world GDP (in %)

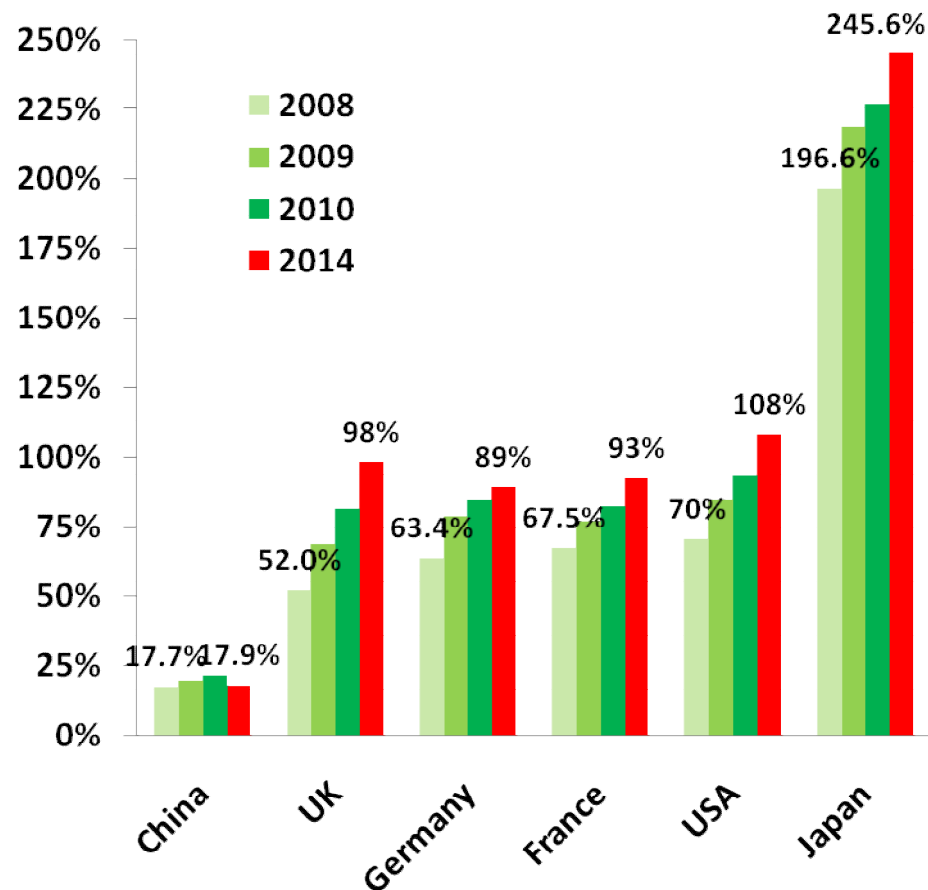


# Key challenges facing global economic recovery

OECD: rise in unemployment (%)



Gross Debt-to-GDP ratio, expected development (2008 until 2014)

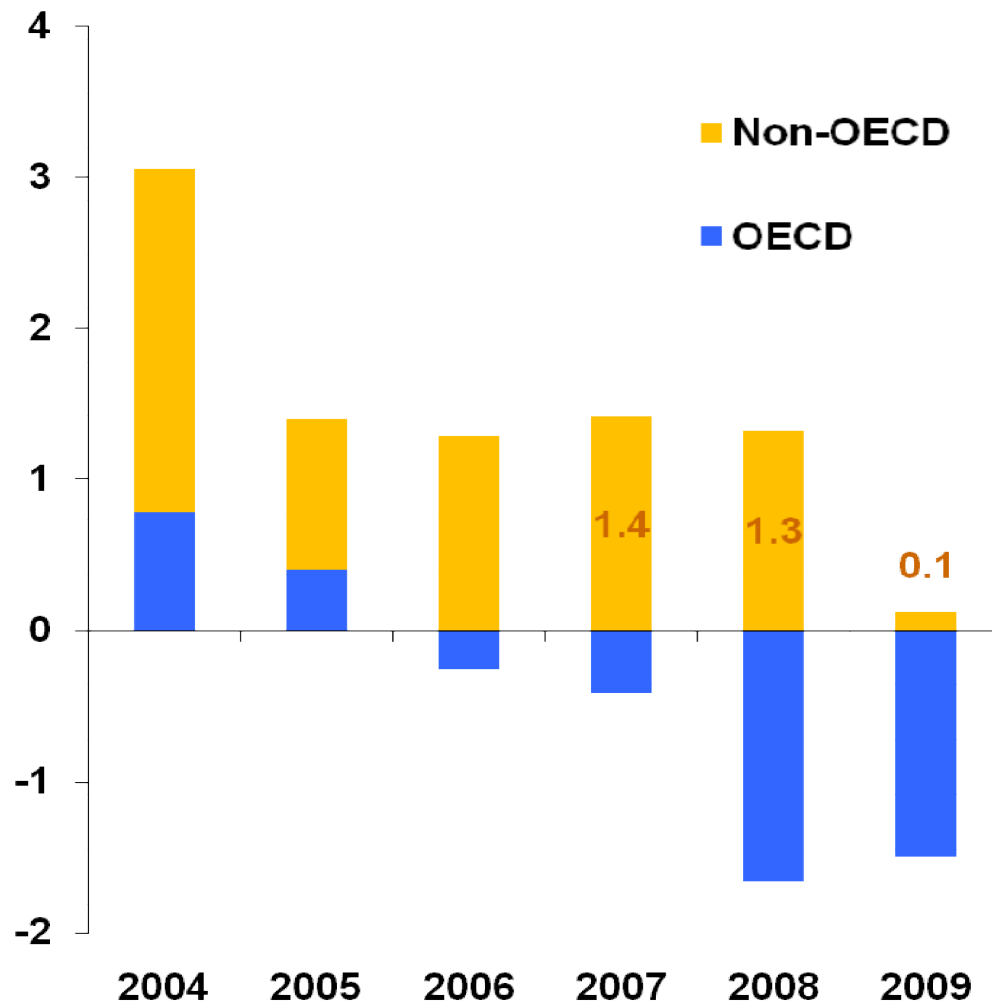


Source: White House – Office of Management and Budget, IMF, OPEC Secretariat

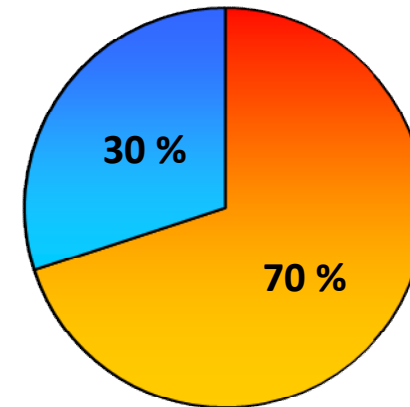
# **Changing Global Oil Demand and Supply Patterns**



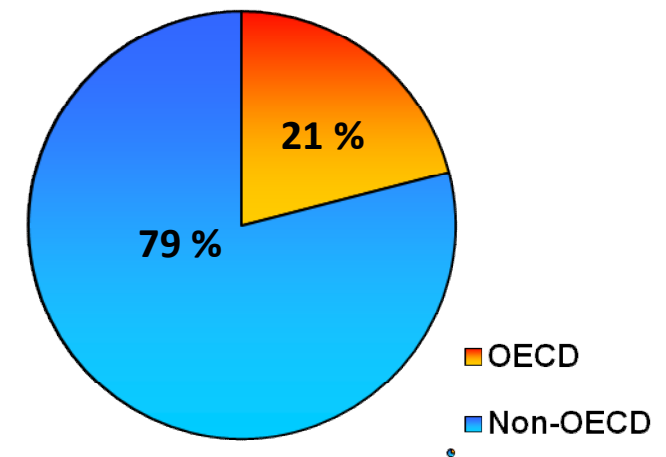
# Structural change in demand growth patterns



1990-1999 (9.7 mb/d)

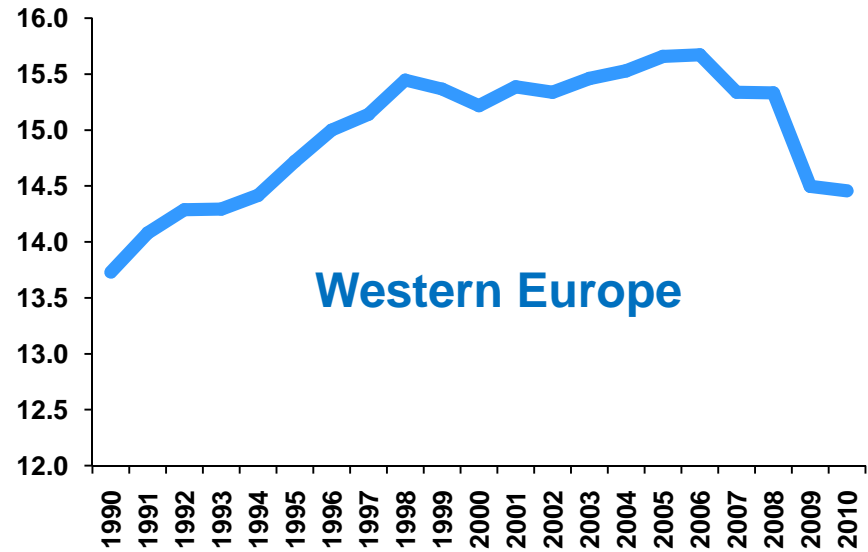
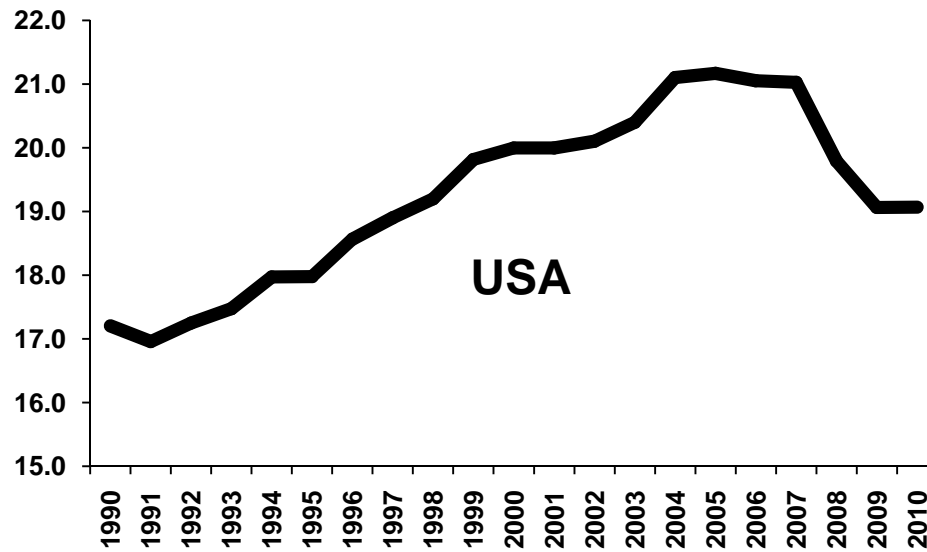
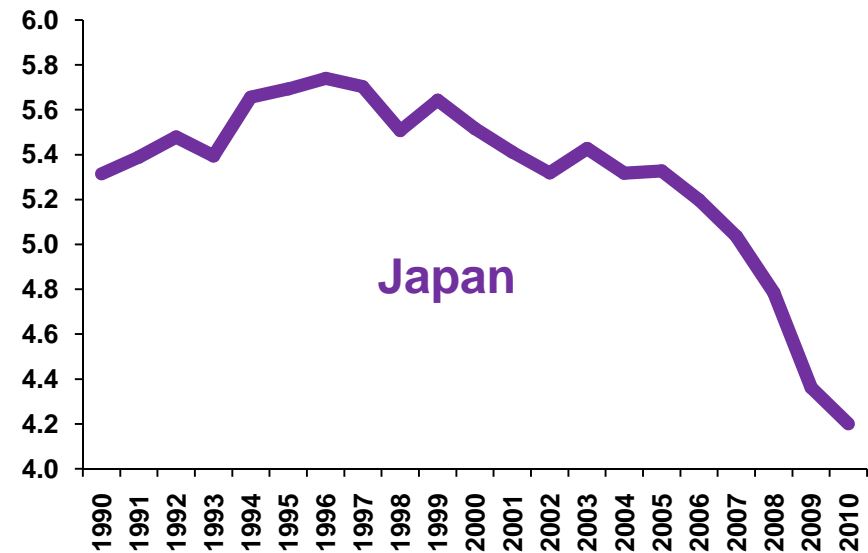
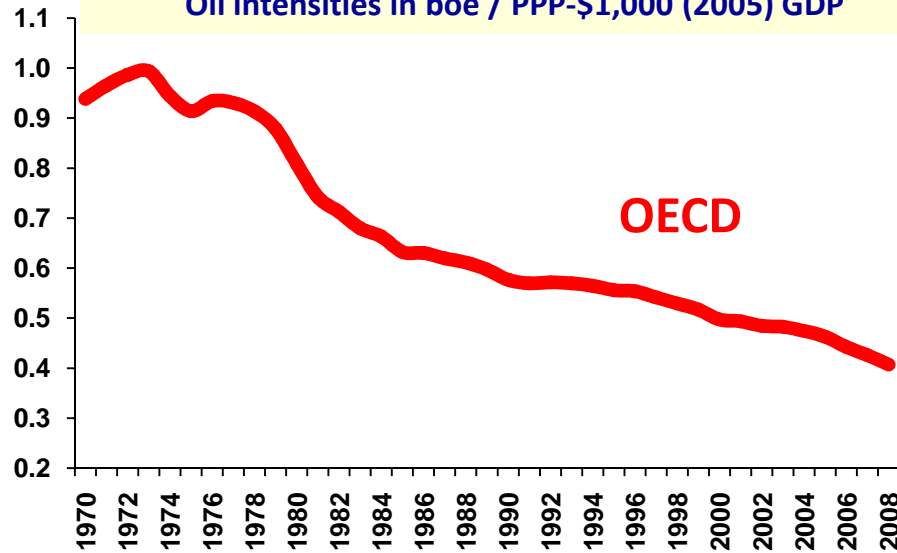


2000-2006 (9.3 mb/d)



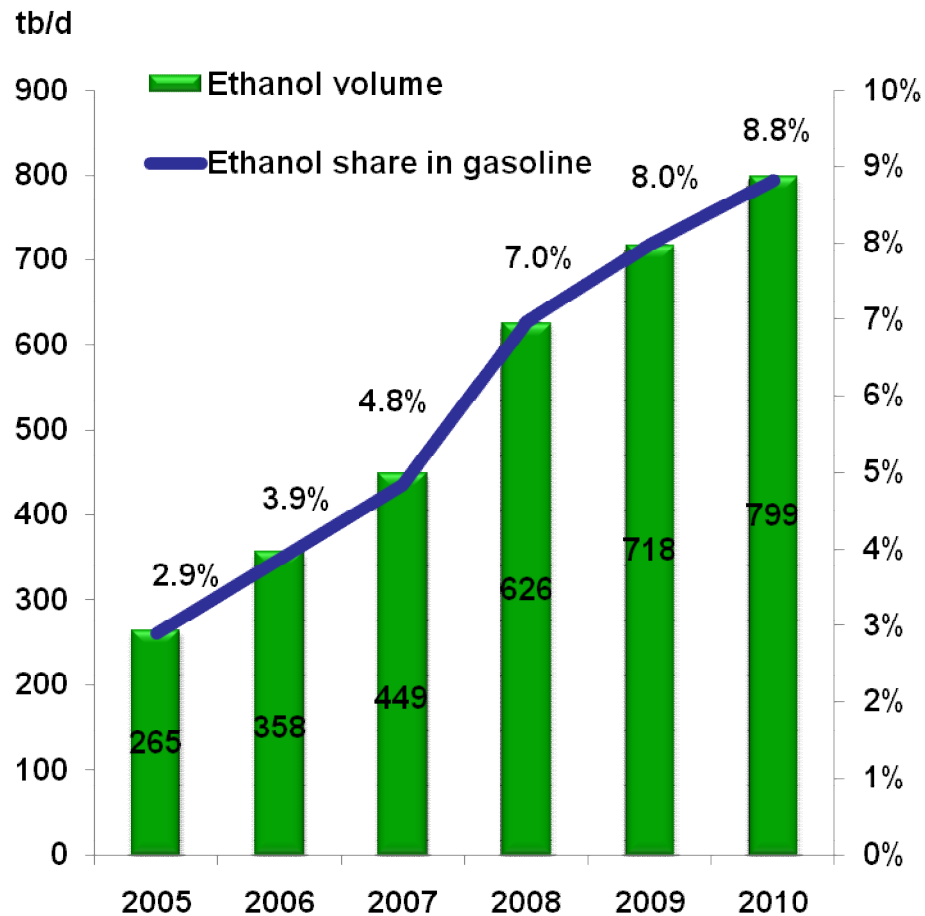
# Oil demand peaking in OECD, mb/d

Oil intensities in boe / PPP-\$1,000 (2005) GDP

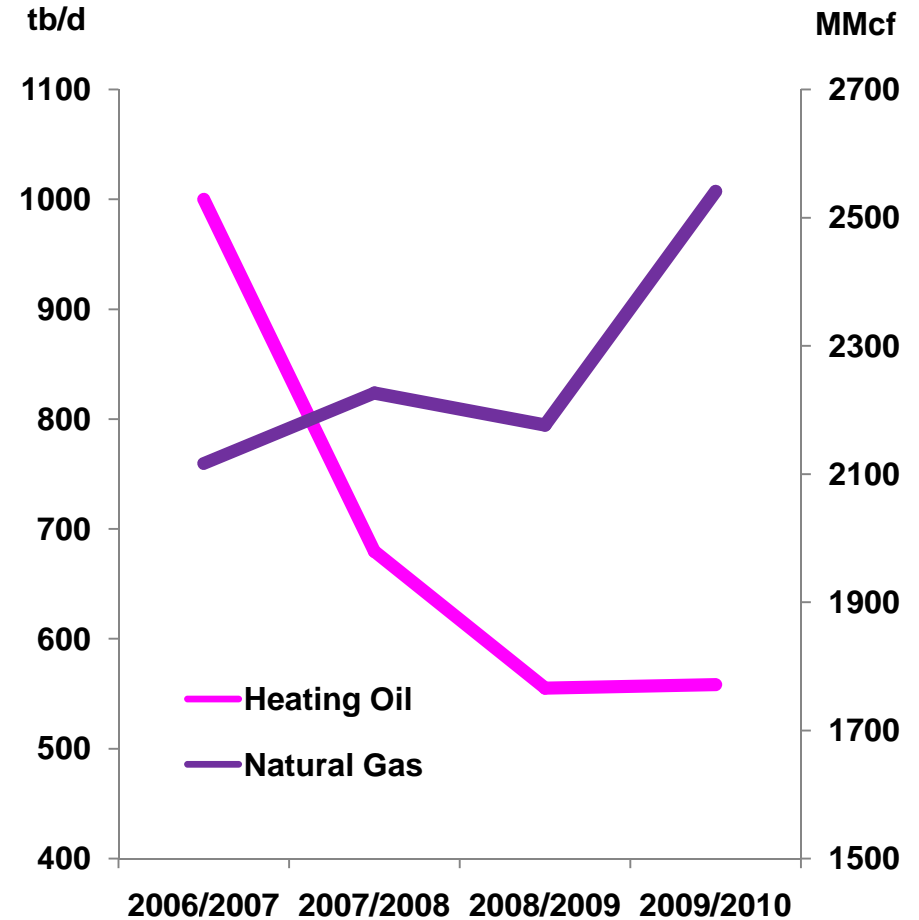


# Increasing fuel substitution

## Increasing ethanol demand in US

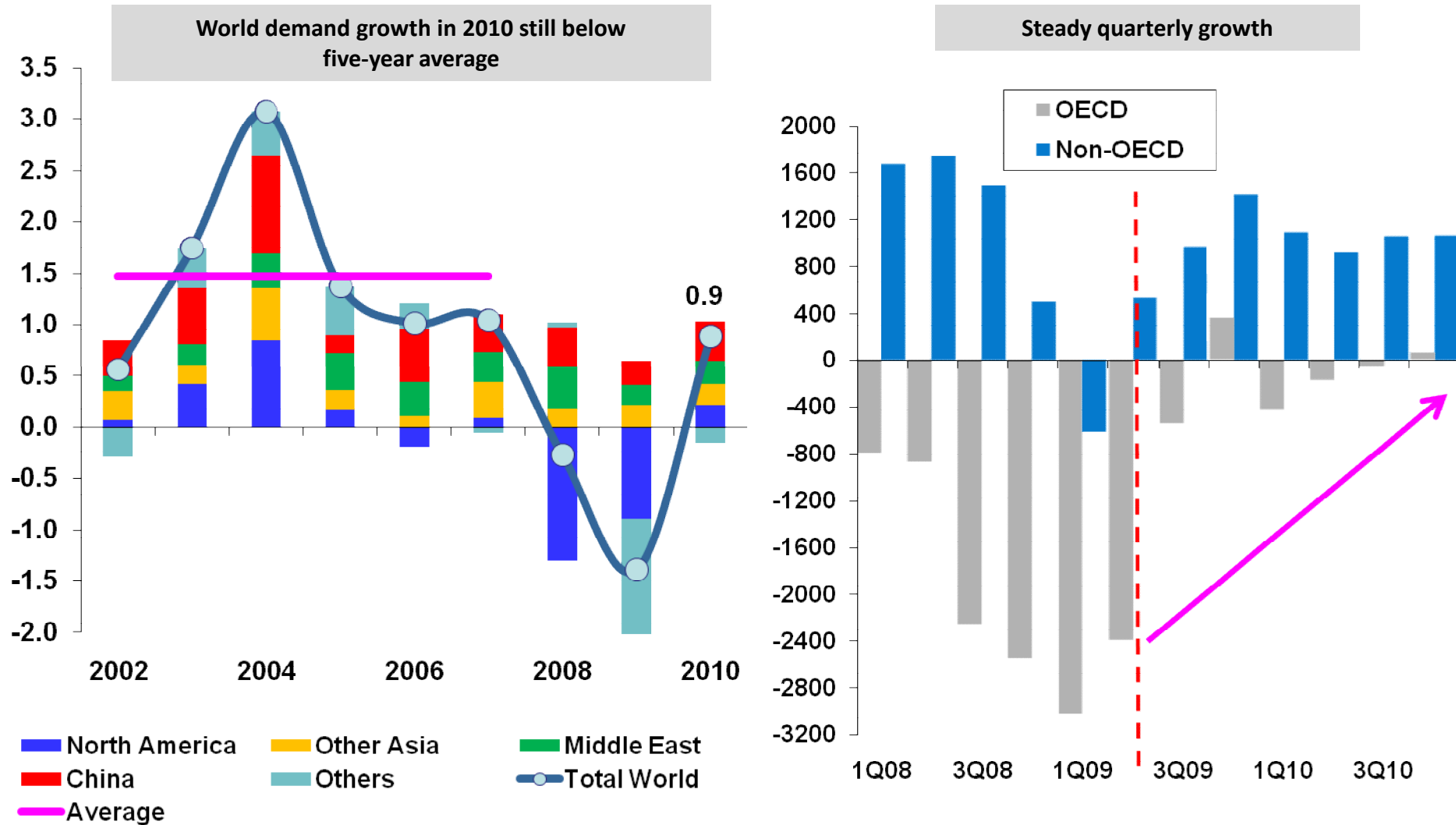


## Shift to natural gas consumption in US



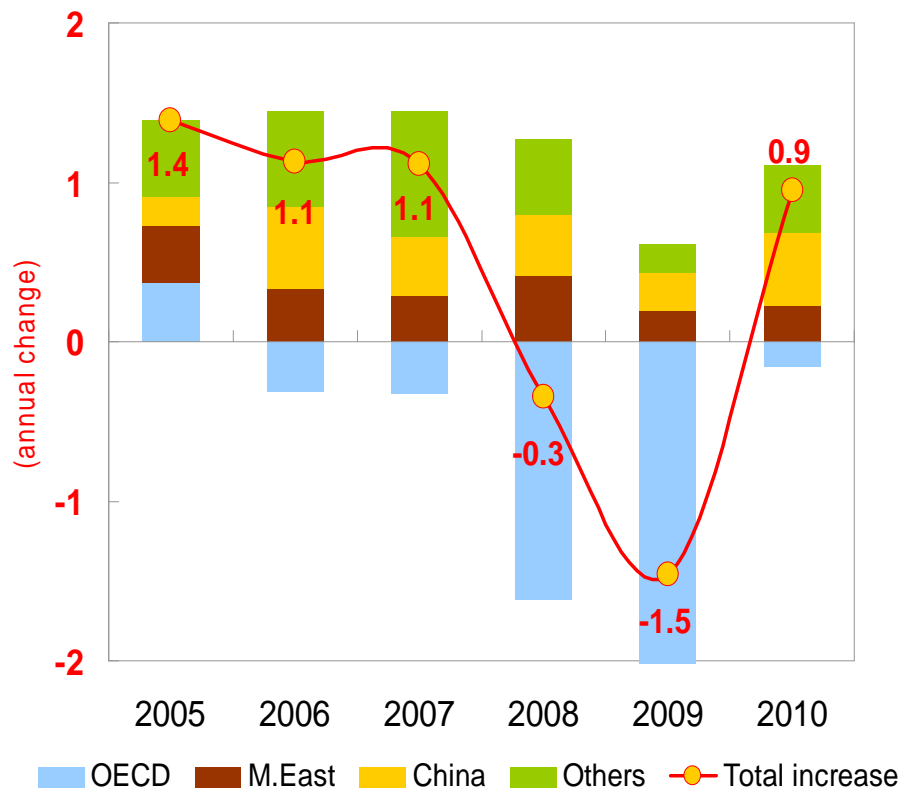
# Oil demand returning to growth

all coming from non-OECD year-on-year change, mb/d

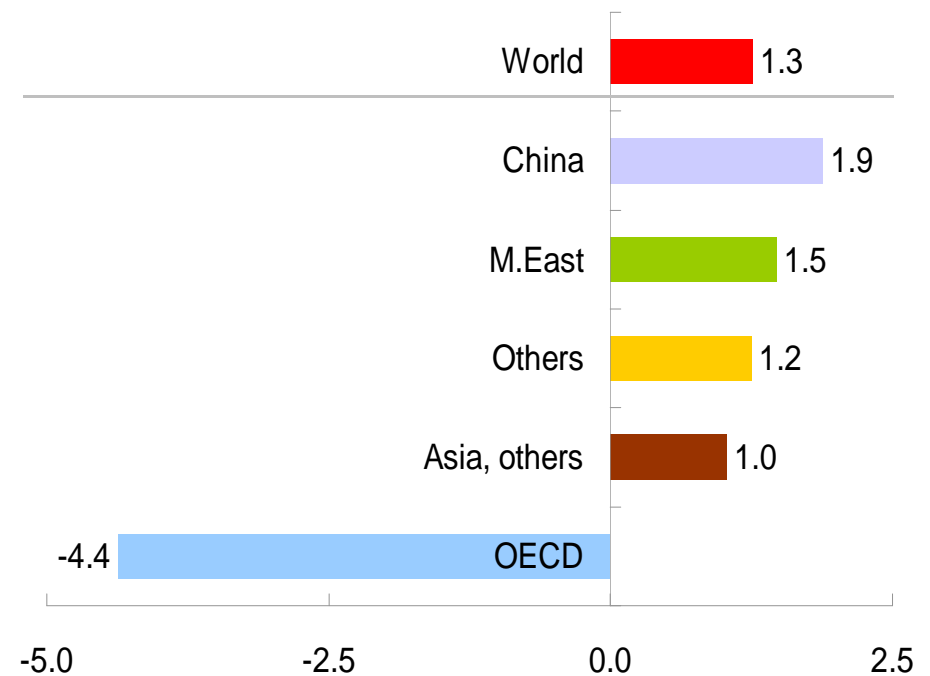


# Global oil demand: Non-OECD is the only growth region

Oil demand growth  
(mb/d)

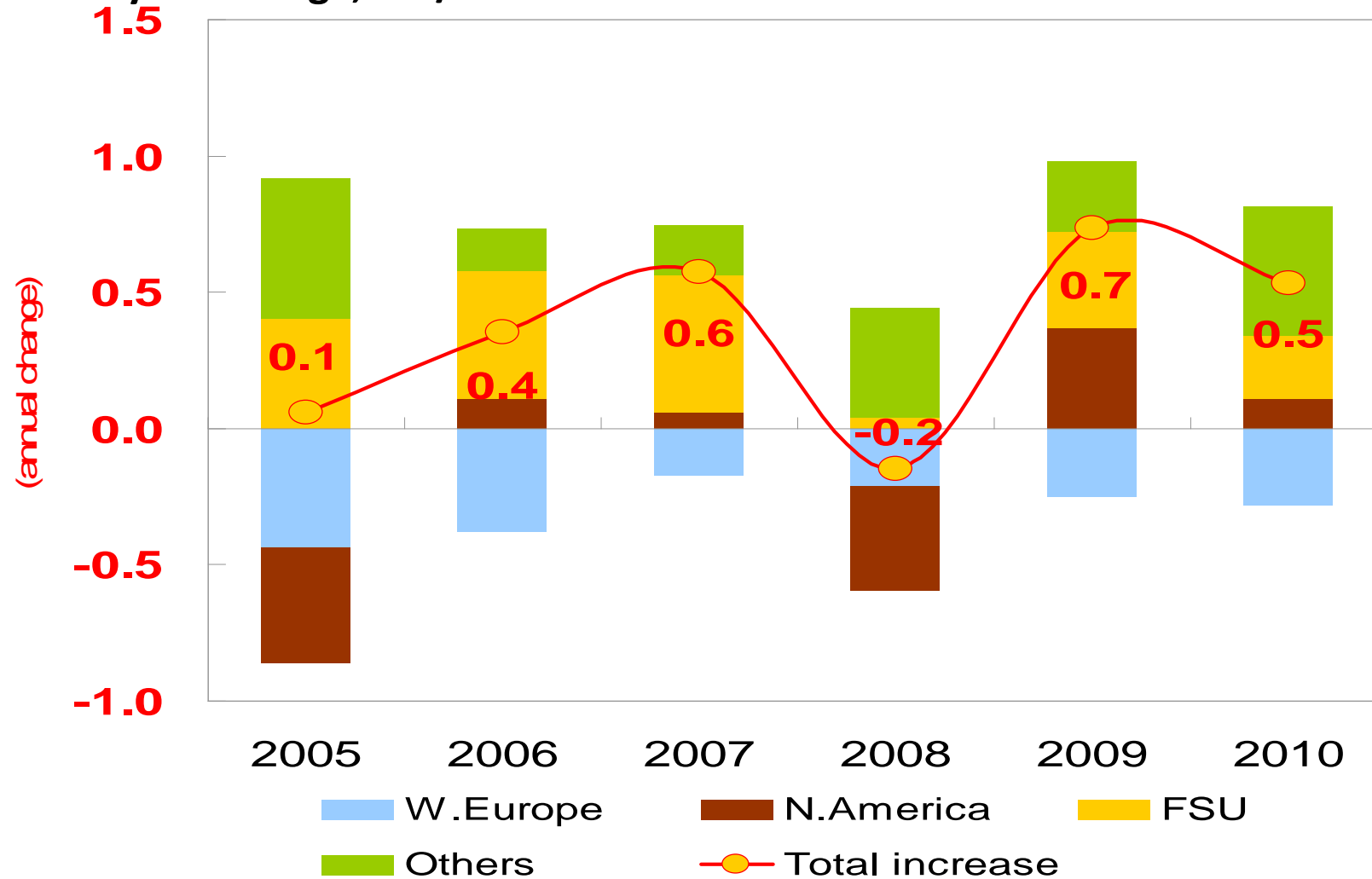


Cumulative change in oil demand  
(2006-2010, mb/d)



# Non-OPEC supply growth in 2010 same as the last five year average

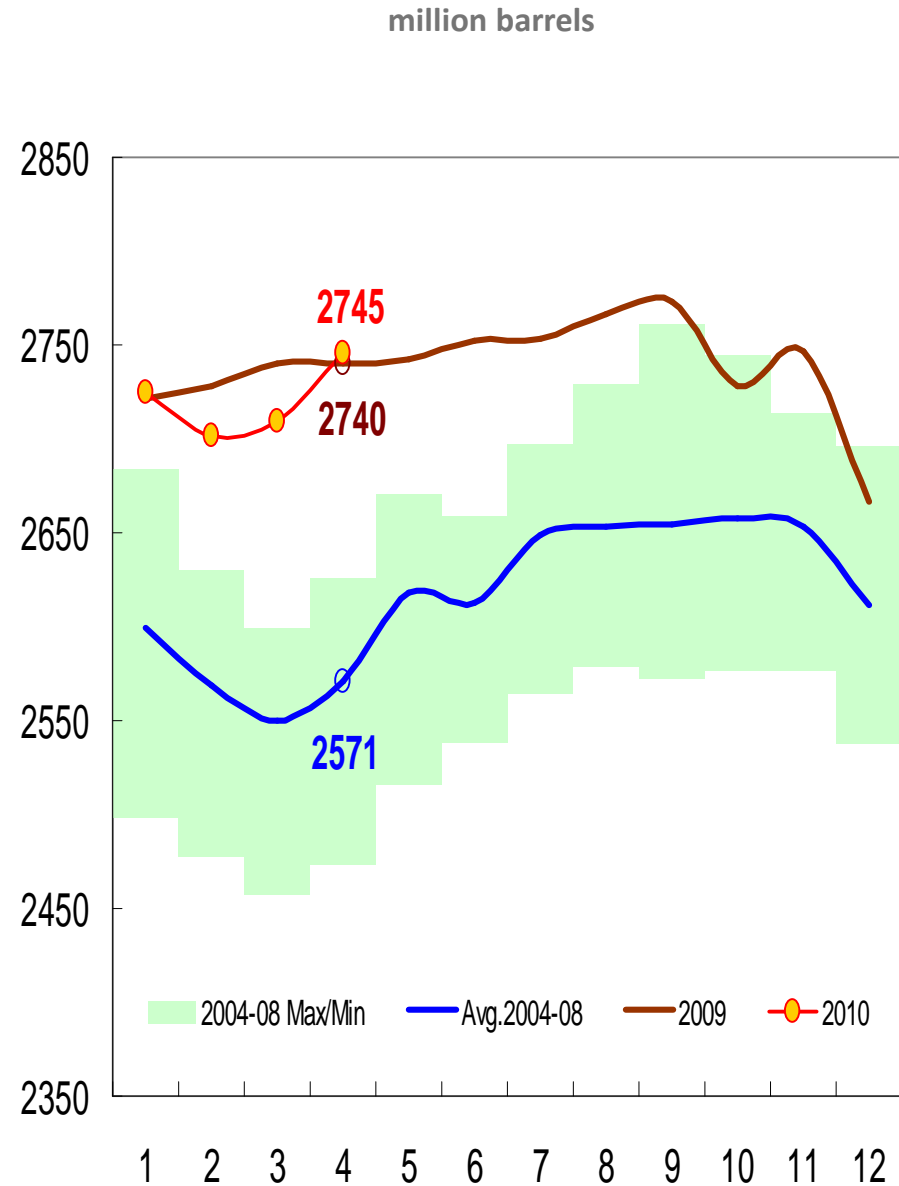
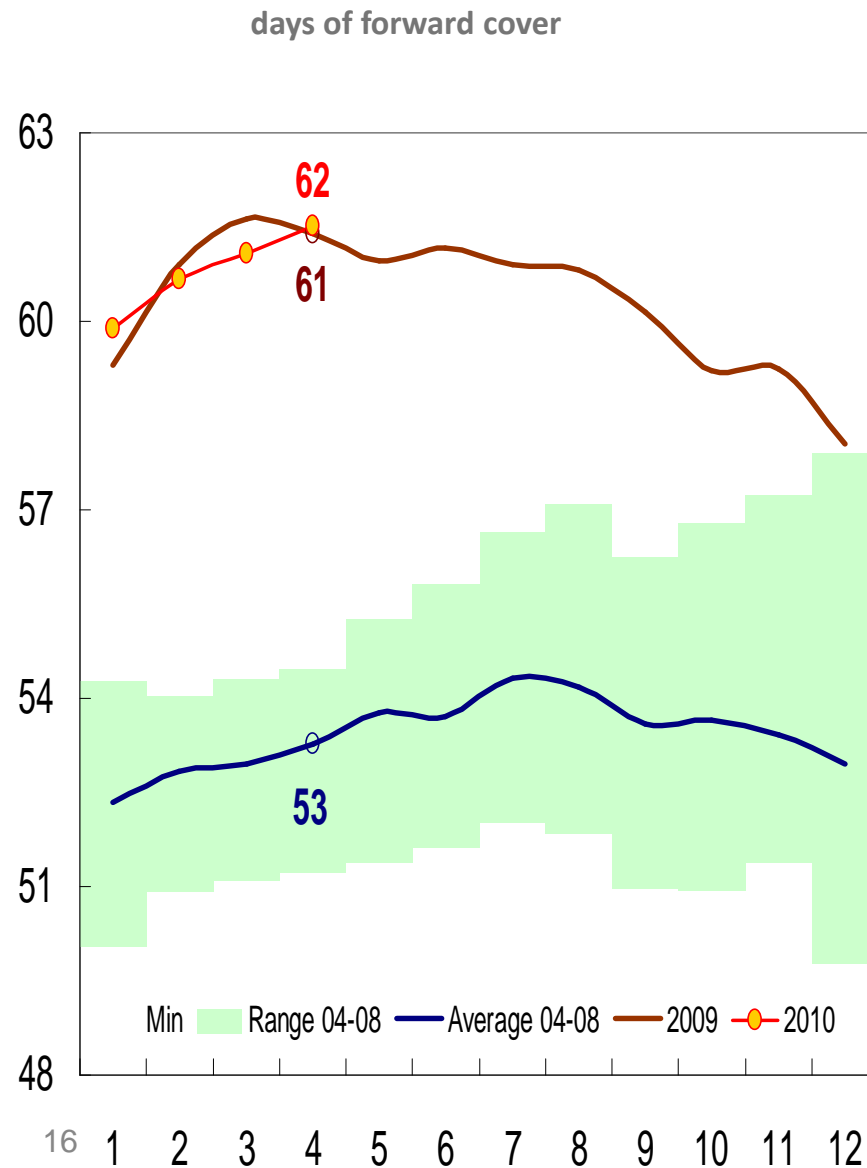
year-on-year change, mb/d



# **The Global Inventory Situation**

# OECD commercial oil stocks

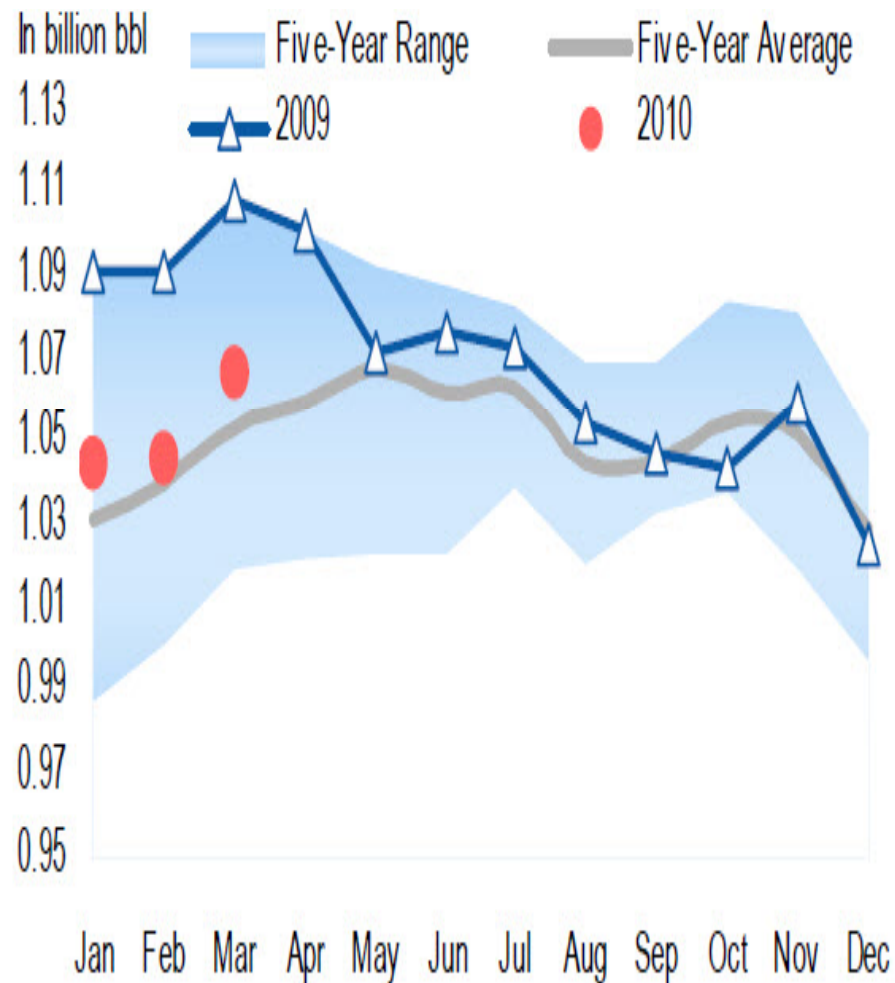
(up to end-April 2010)



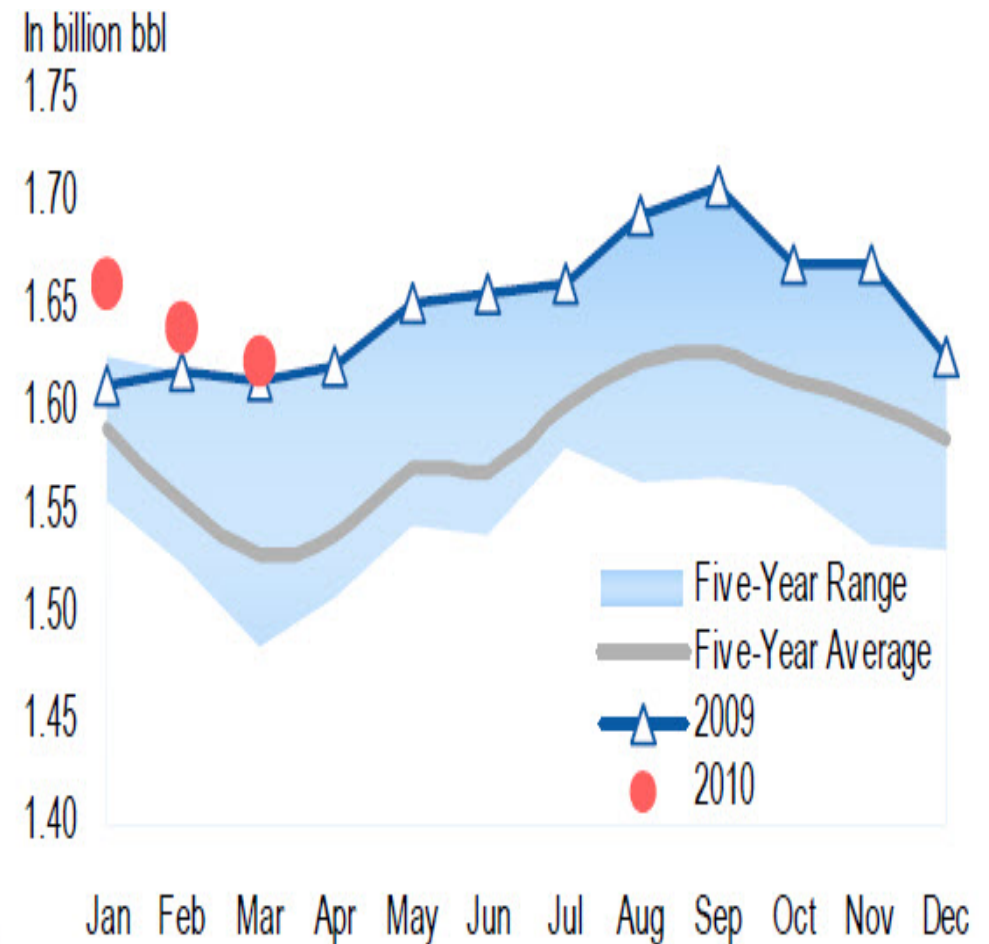


# OECD Crude and Products inventories

## Crude



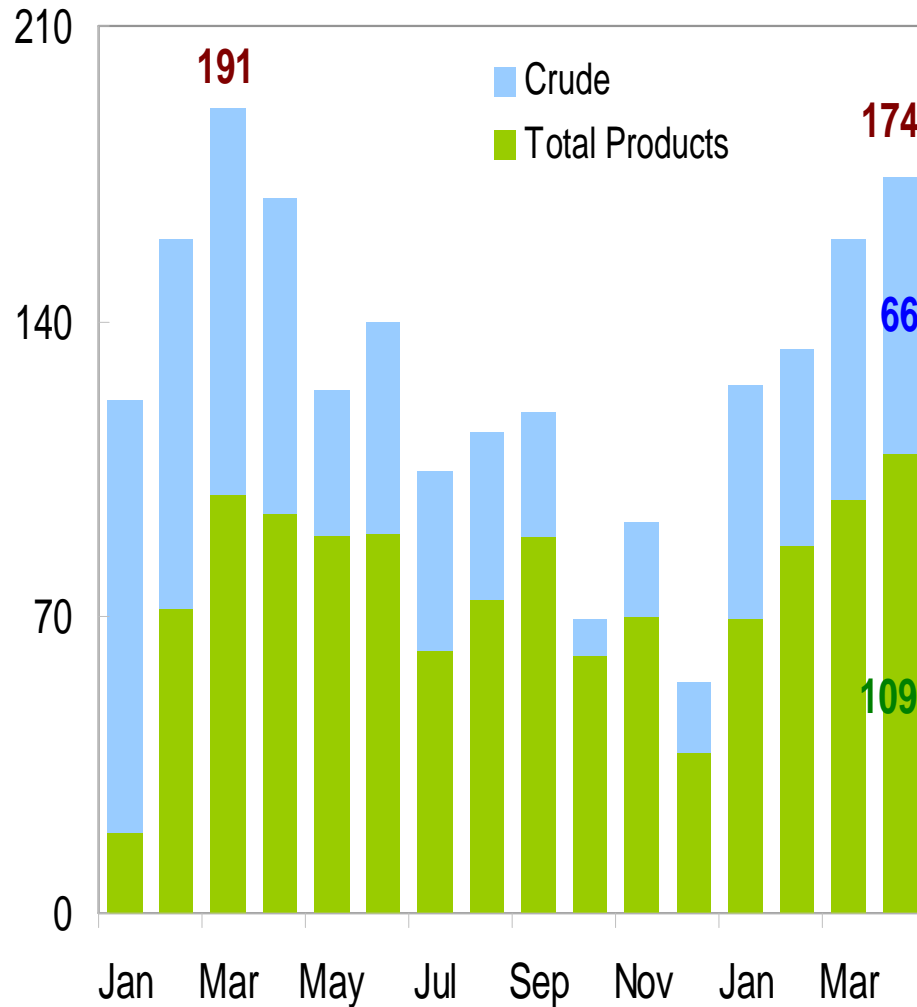
## Products



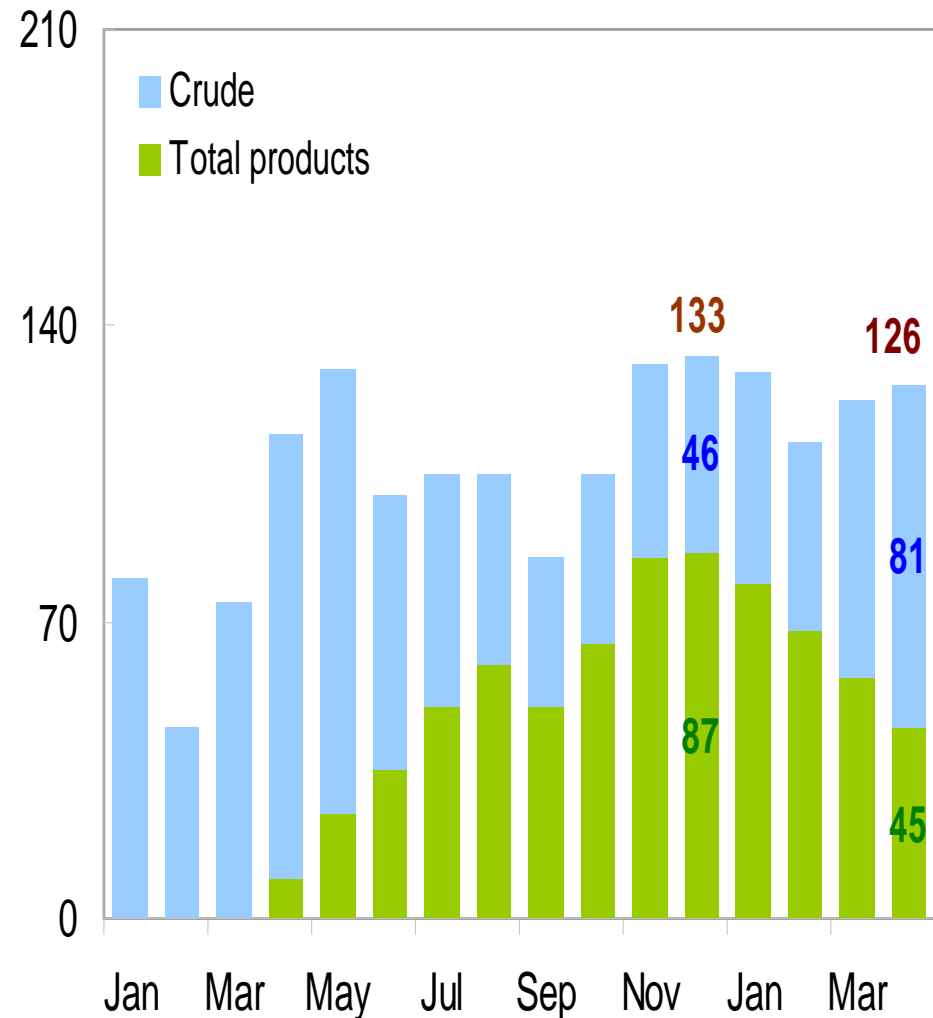
# Commercial oil stocks: large overhang continues

(January 2009- April 2010, mb)

OECD commercial oil stocks  
deviation from 5-year average

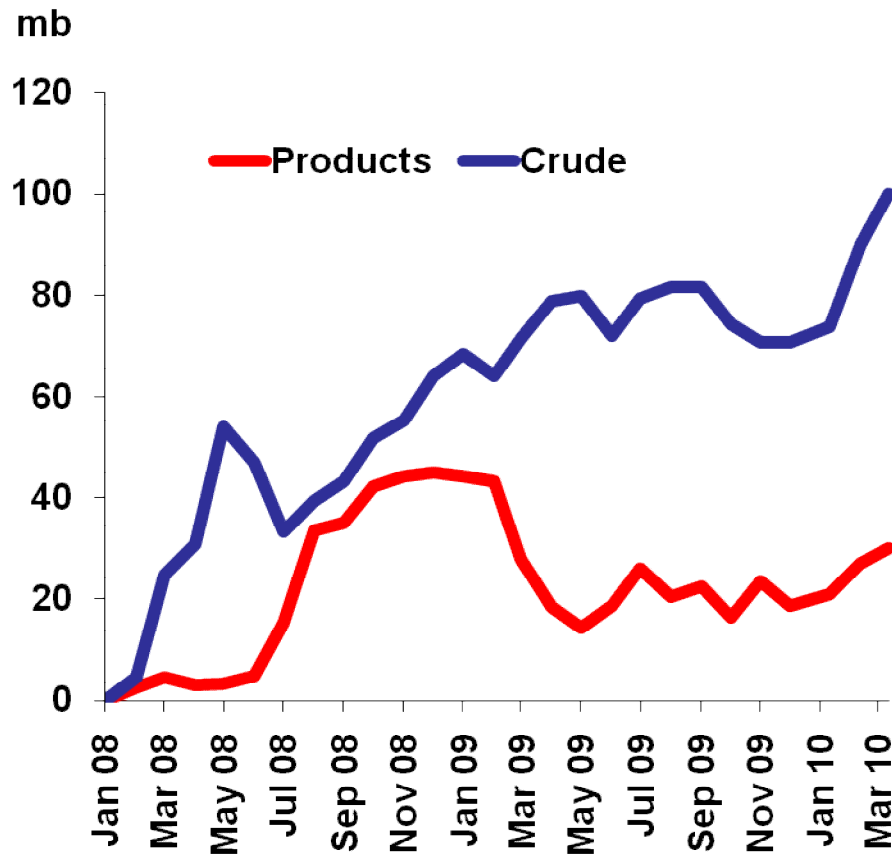


Estimated floating oil storage

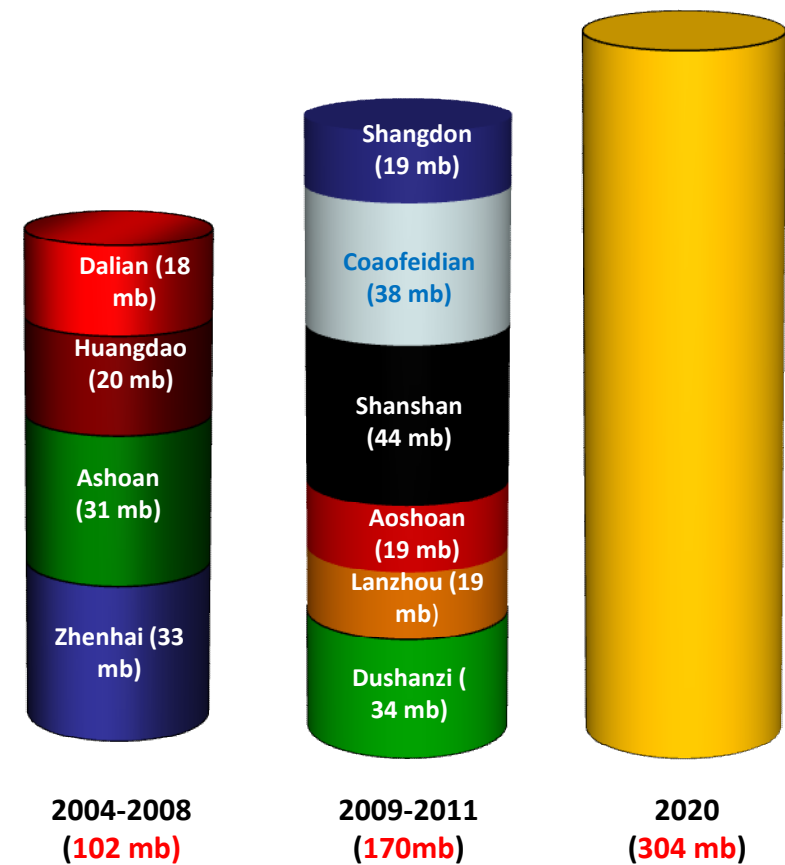


# Steady and continued growth in inventories in China

Cumulative stocks in China  
increase since January 2008

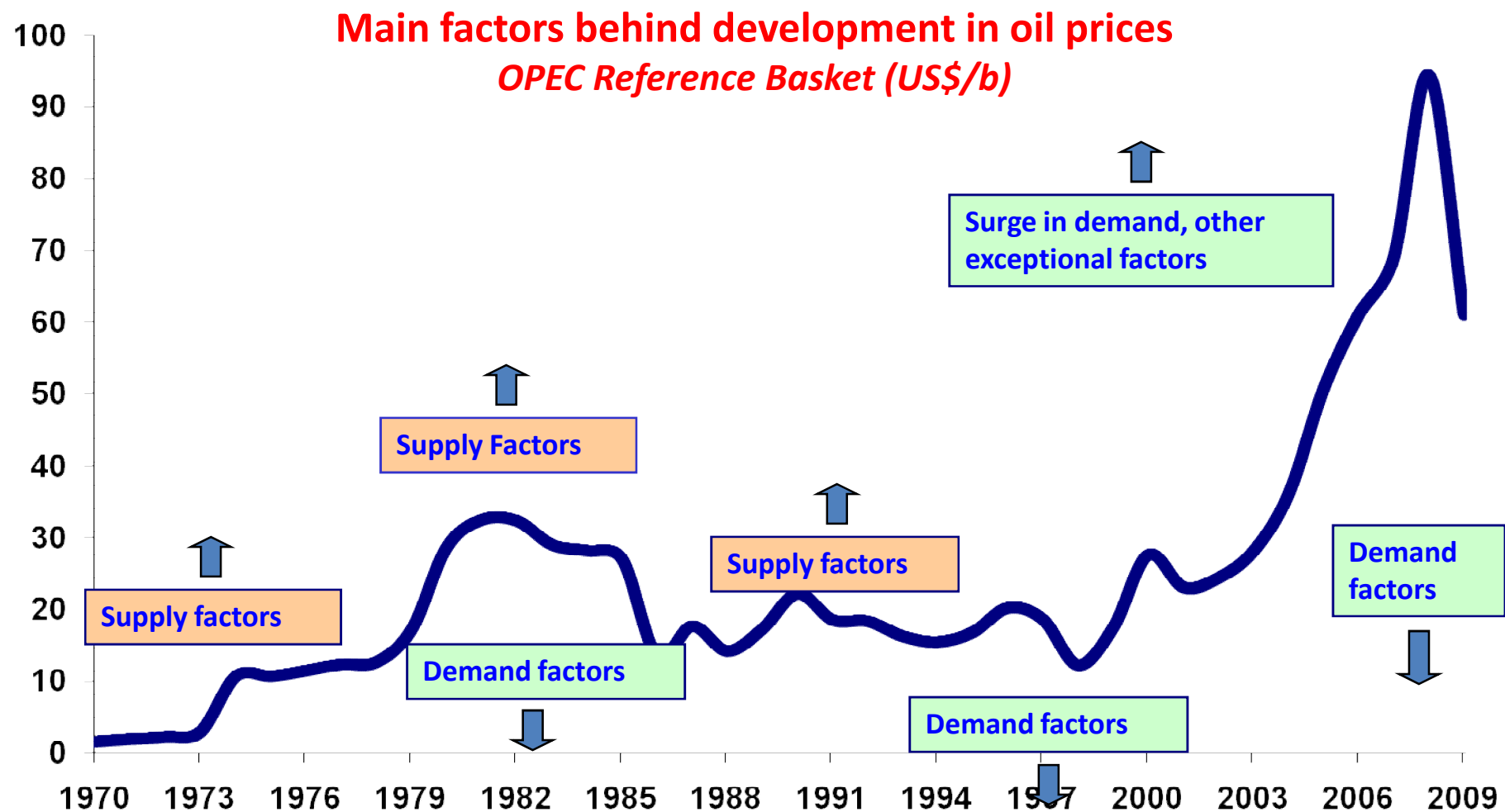


China moving toward OECD  
inventory standard by 2020



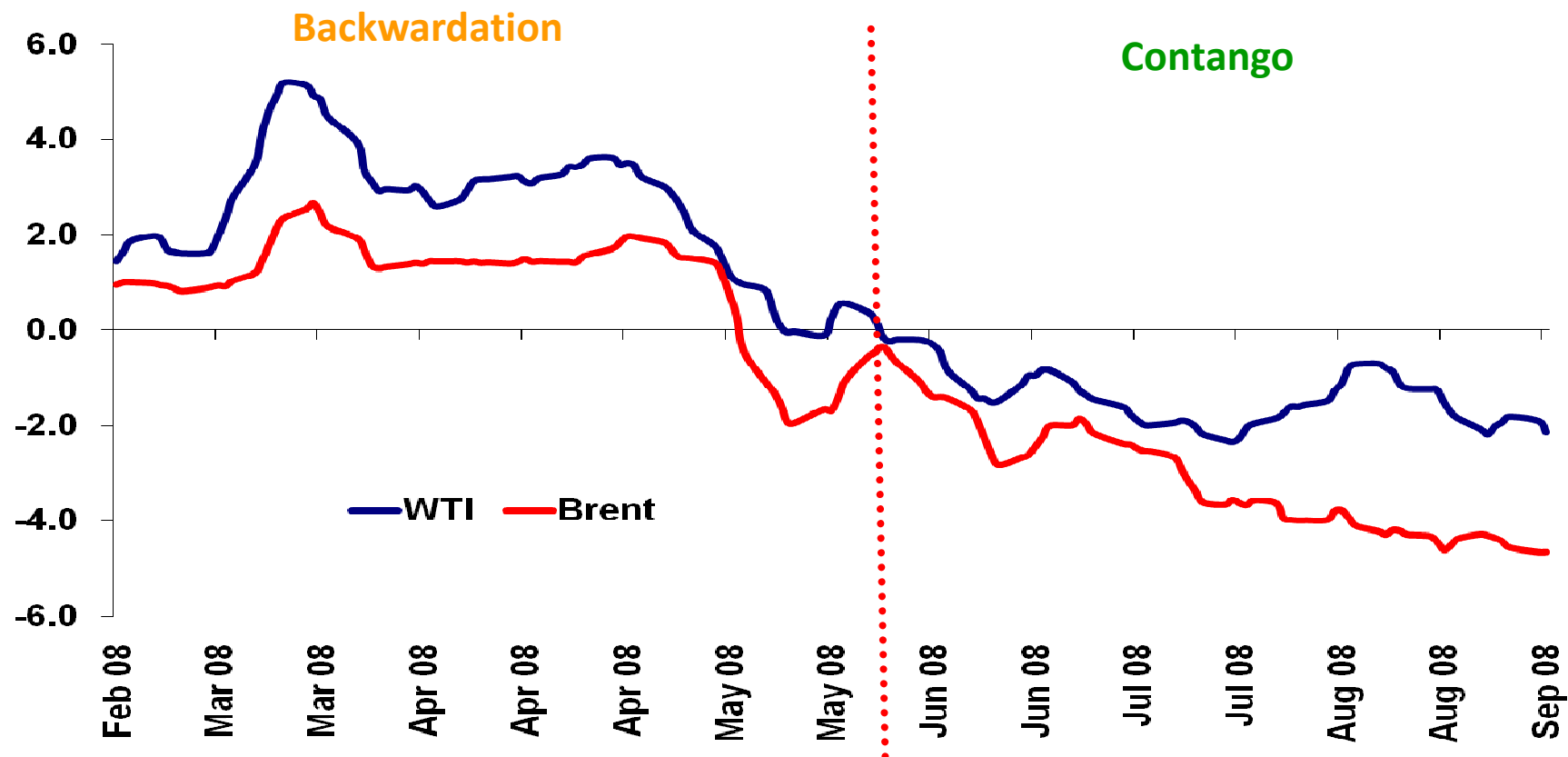
# **Prices and the Financial Market**

# Demand as a main price driver in recent years



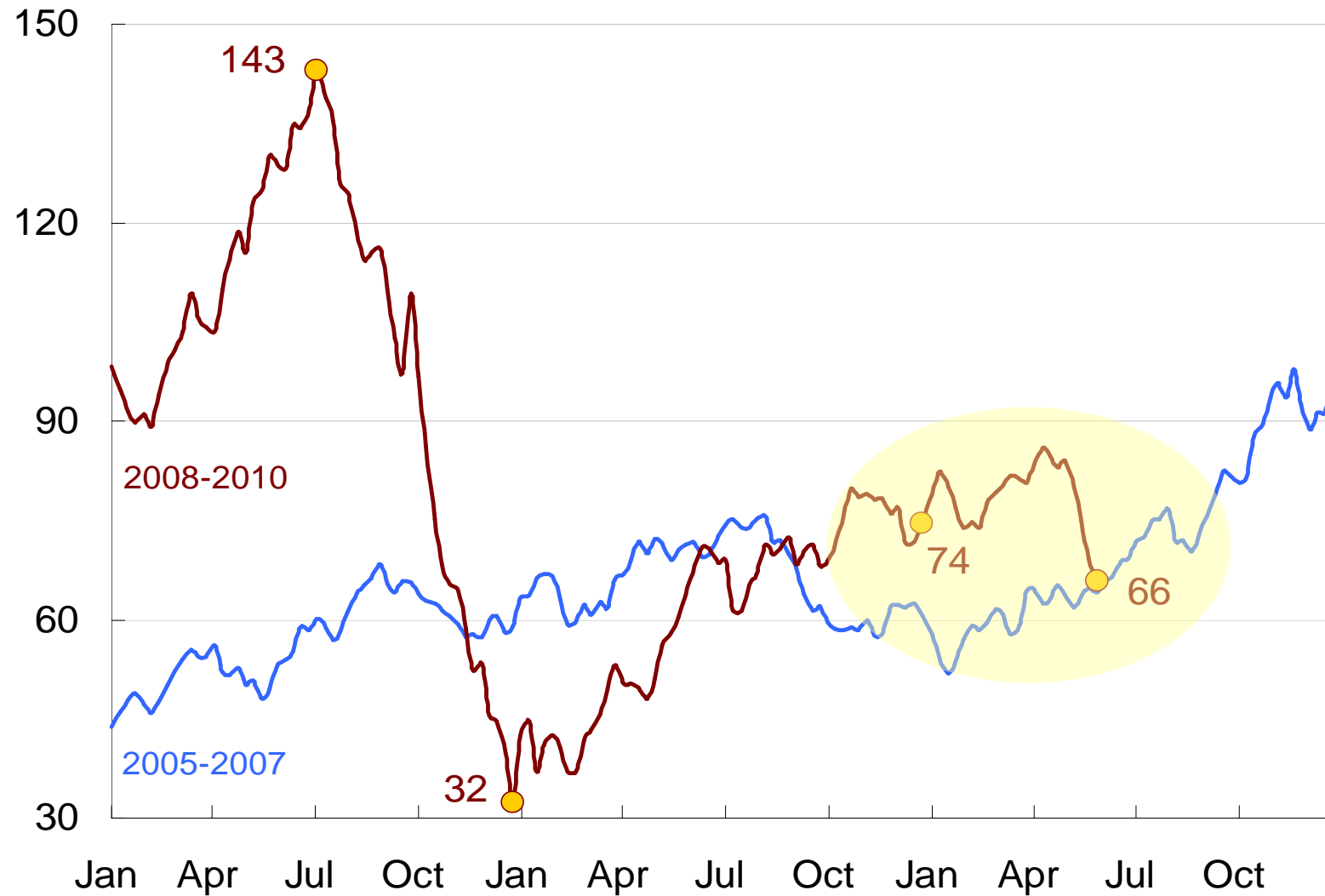
## Market structure and Price Range

- ✓ In 2008 the range of Brent prices was \$110 (\$144-\$34)
- ✓ The 2009 trading range was \$39 (\$79-40)
- ✓ The 2010 (year to date) trading range \$20 (\$87-\$67)

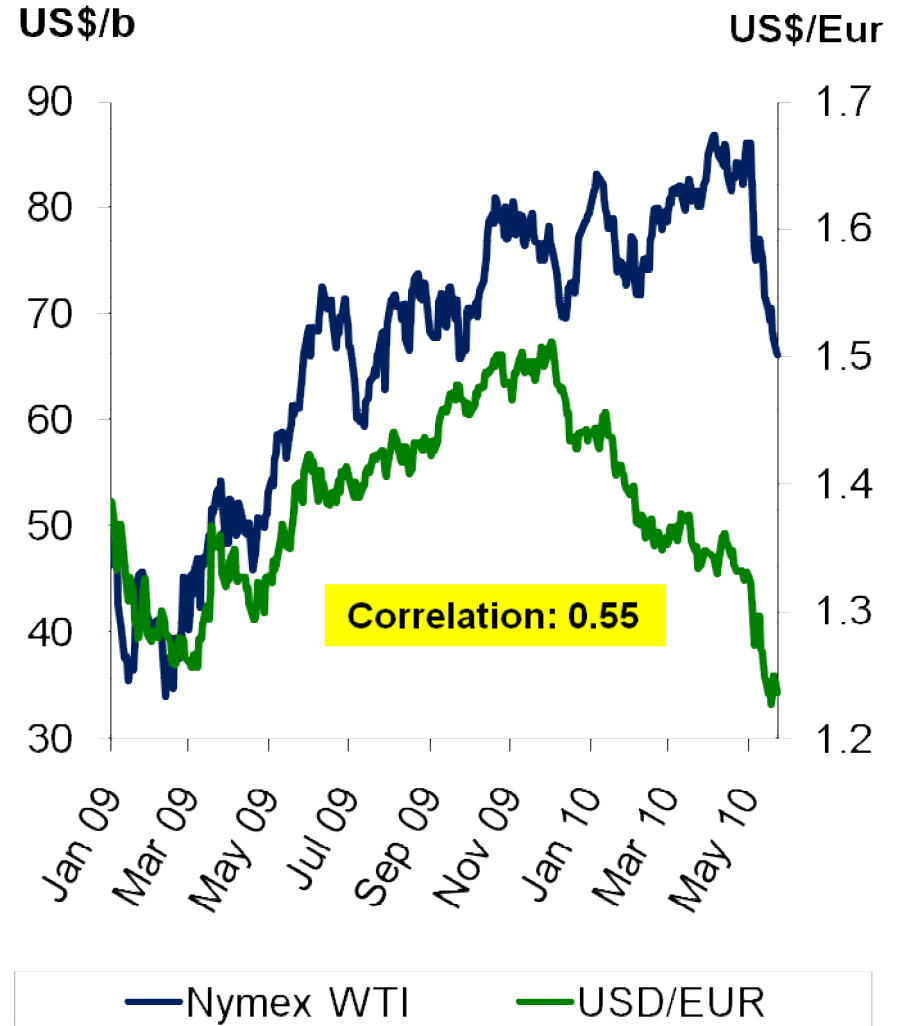
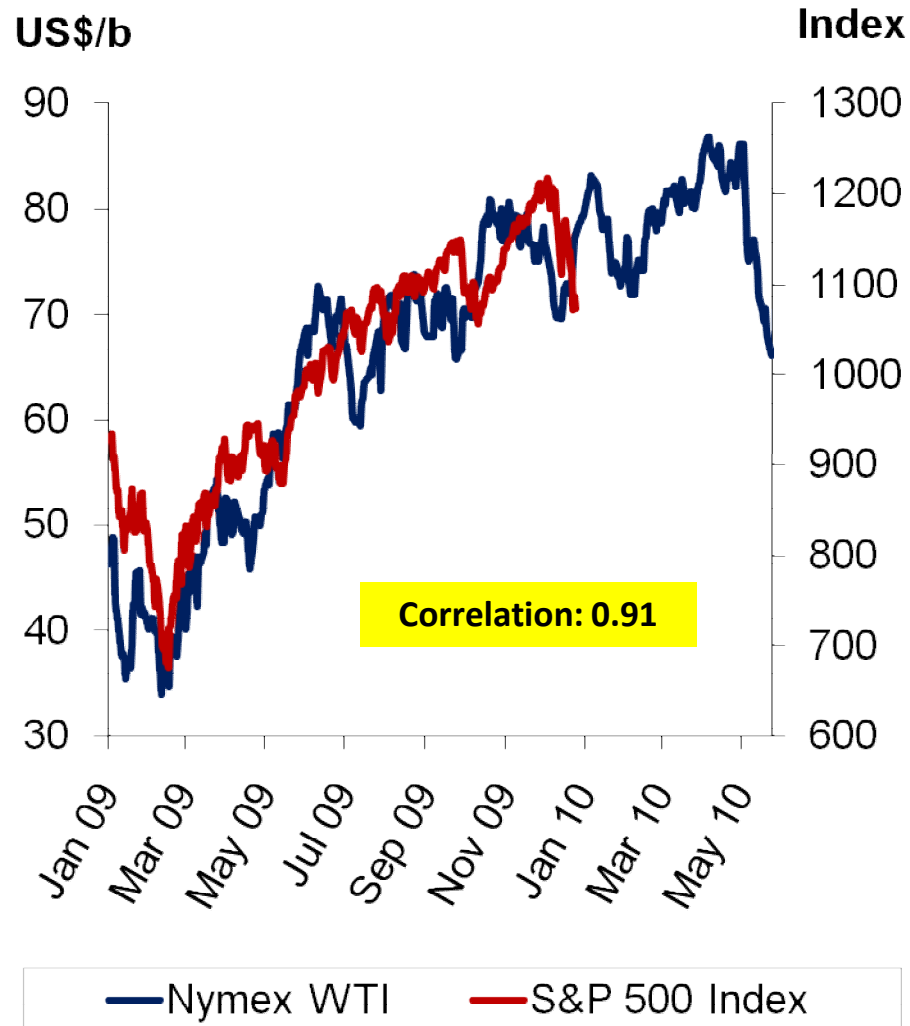


# Current oil prices reflect sensitivity to financial markets

(weekly spot WTI price, US\$/bbl)



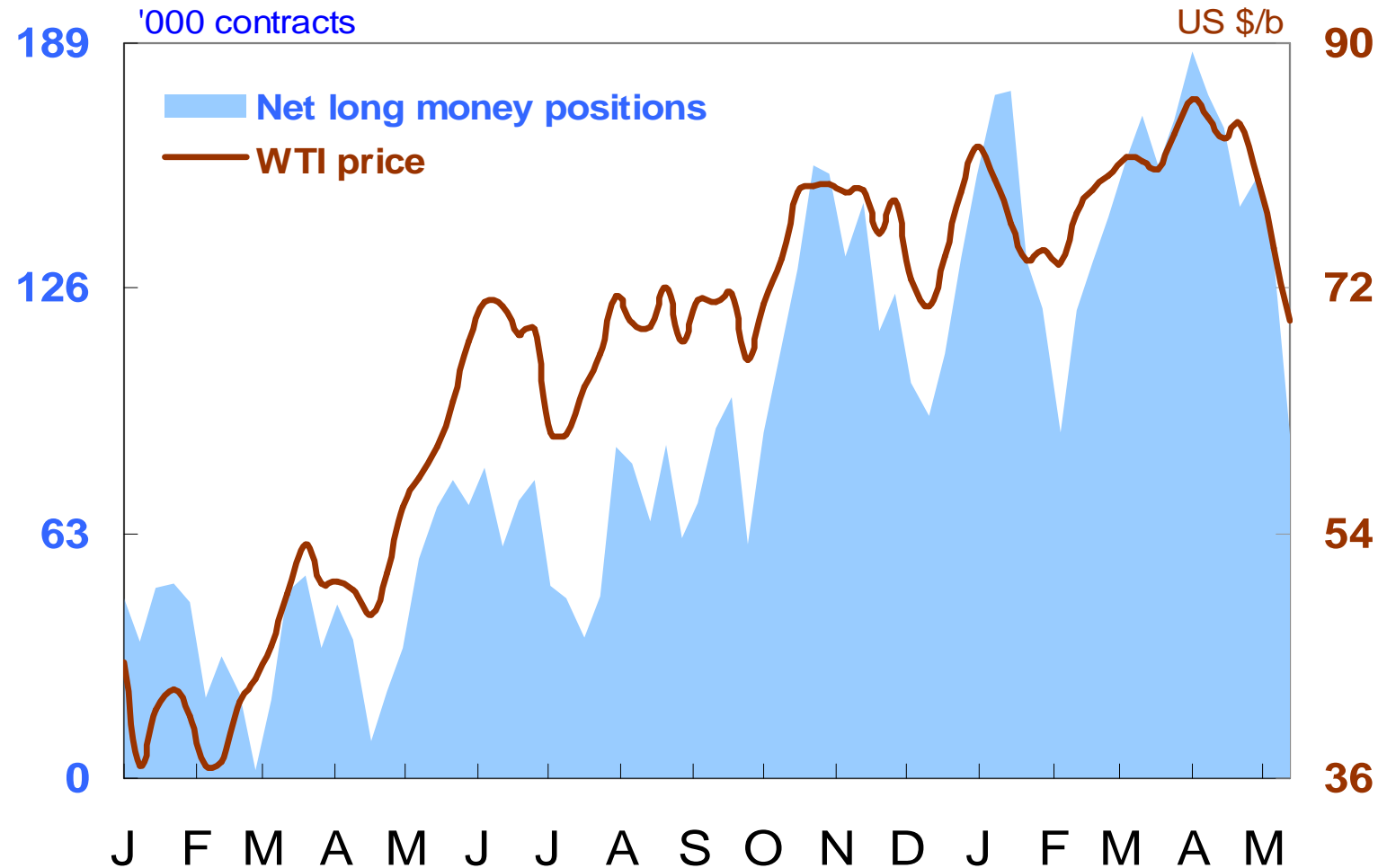
# Crude prices influenced by equities market and US\$ exchange rate





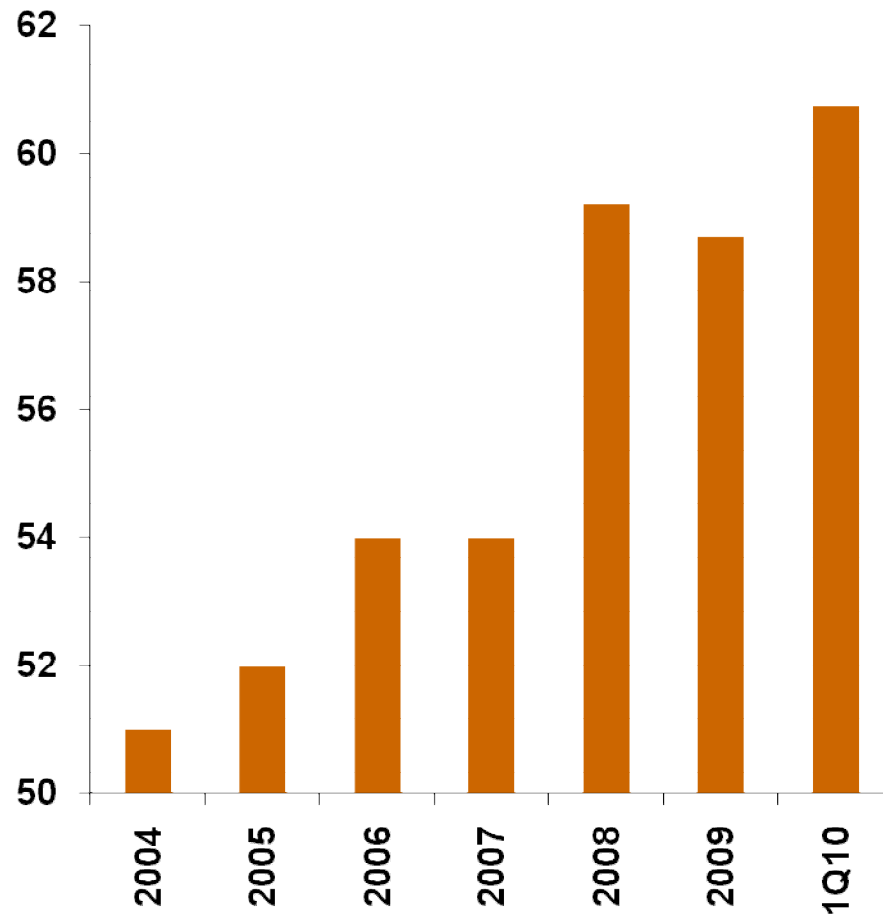
## Influence of the financial markets on crude prices entrenched

**Net-long positions of managed money  
(NYMEX WTI futures, 2009-2010)**

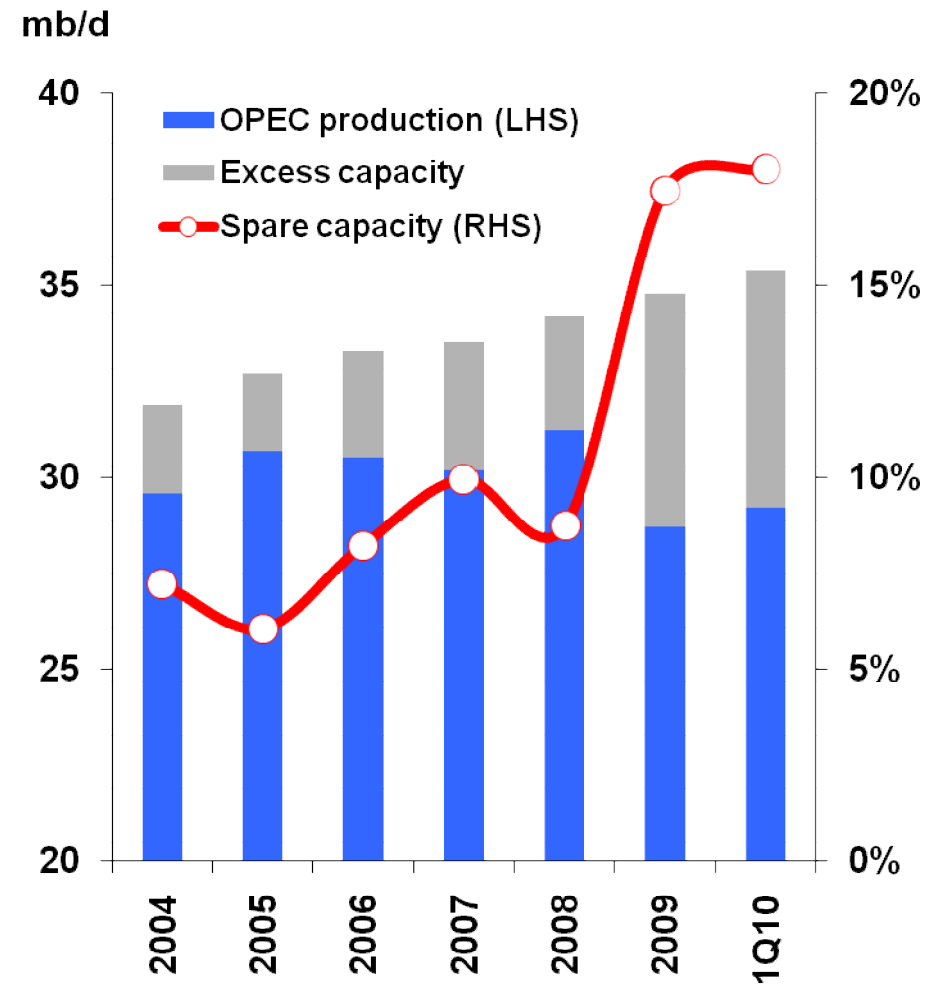


# Increasing cushion of supply

Increasing OECD days of forward cover



Rising OPEC spare capacity



# Short Term World oil demand supply balance (mb/d)

	<u>1Q09</u>	<u>2Q09</u>	<u>3Q09</u>	<u>4Q09</u>	<u>2009</u>	<u>09-08</u>	<u>1Q10</u>	<u>2Q10</u>	<u>3Q10</u>	<u>4Q10</u>	<u>2010</u>	<u>10-09</u>
<u>Demand (a)</u>	84.3	83.3	84.7	85.5	84.4	-1.5	84.8	84.2	85.9	86.7	85.4	0.9
<u>Supply (b)</u>												
Non-OPEC	51.0	50.8	51.0	51.7	51.1	0.7	52.0	51.6	51.3	51.7	51.7	0.5
OPEC NGL	4.1	4.3	4.5	4.5	4.4	0.2	4.6	4.8	4.9	5.2	4.9	0.5
OPEC	28.5	28.5	28.9	29.0	28.7	-2.5	29.2	29.2	29.2	29.2	29.2	0.5
(a -b)	29.2	28.2	29.2	29.3	29.0	-2.4	28.1	27.8	29.6	29.8	28.8	-0.1
Balance	-0.7	0.3	-0.3	-0.3	-0.2		1.1	1.3	-0.5	-0.6	0.3	
<u>Seasonal stock change</u> (2004-2008)	-0.9	0.7	0.1	-0.7			-0.9	0.7	0.1	-0.7		

Note: As of May 2010, April 2010 OPEC production is assumed.

**Thank You**