

# Recent Oil Market Developments and Short Term Outlook

EU/ GCC Ninth Energy Experts Meeting

Brussels

February 2009

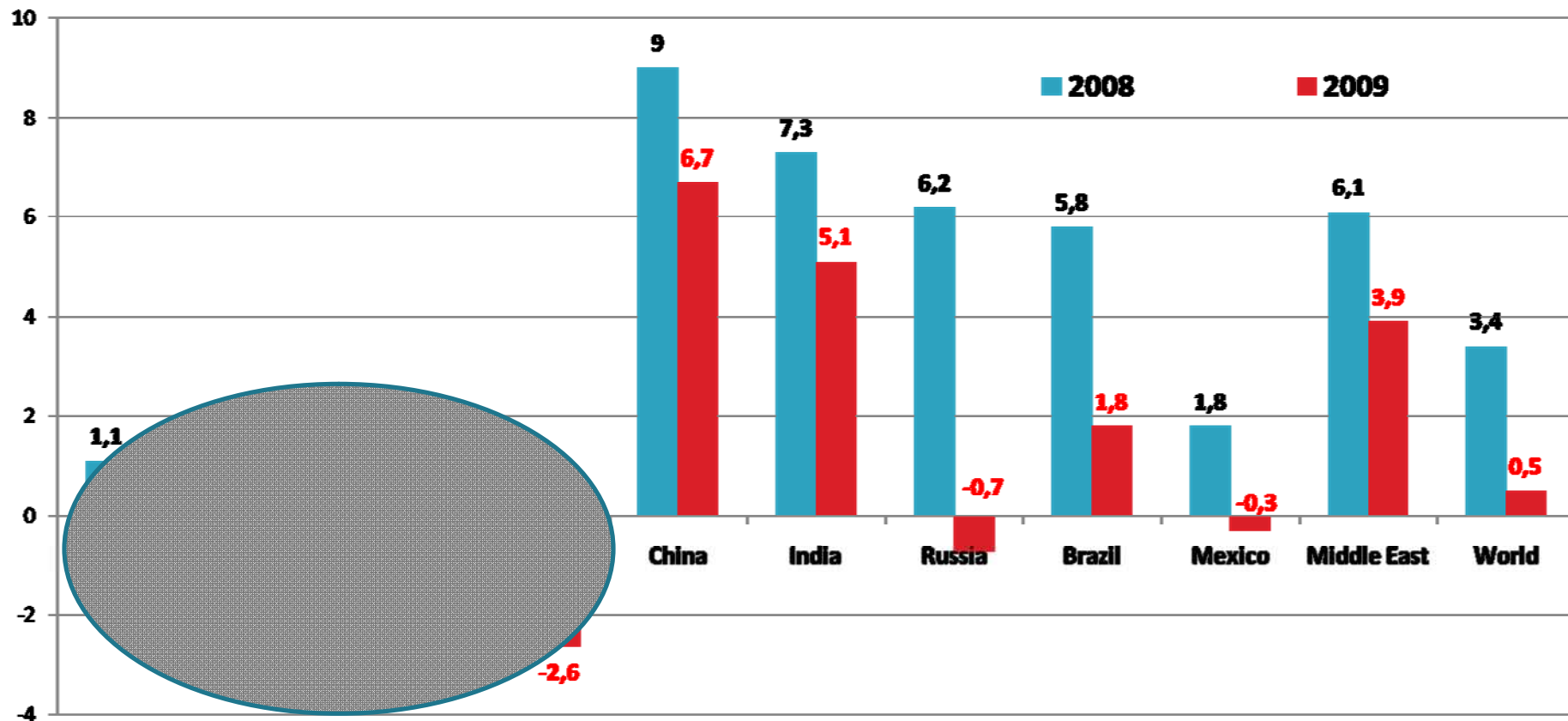
# **Outline**

- **Recent Market Development**
- **Short term Oil Market Outlook**
- **Conclusions**

# Performance of the world economy:

visible downturn (percentage change from previous year)

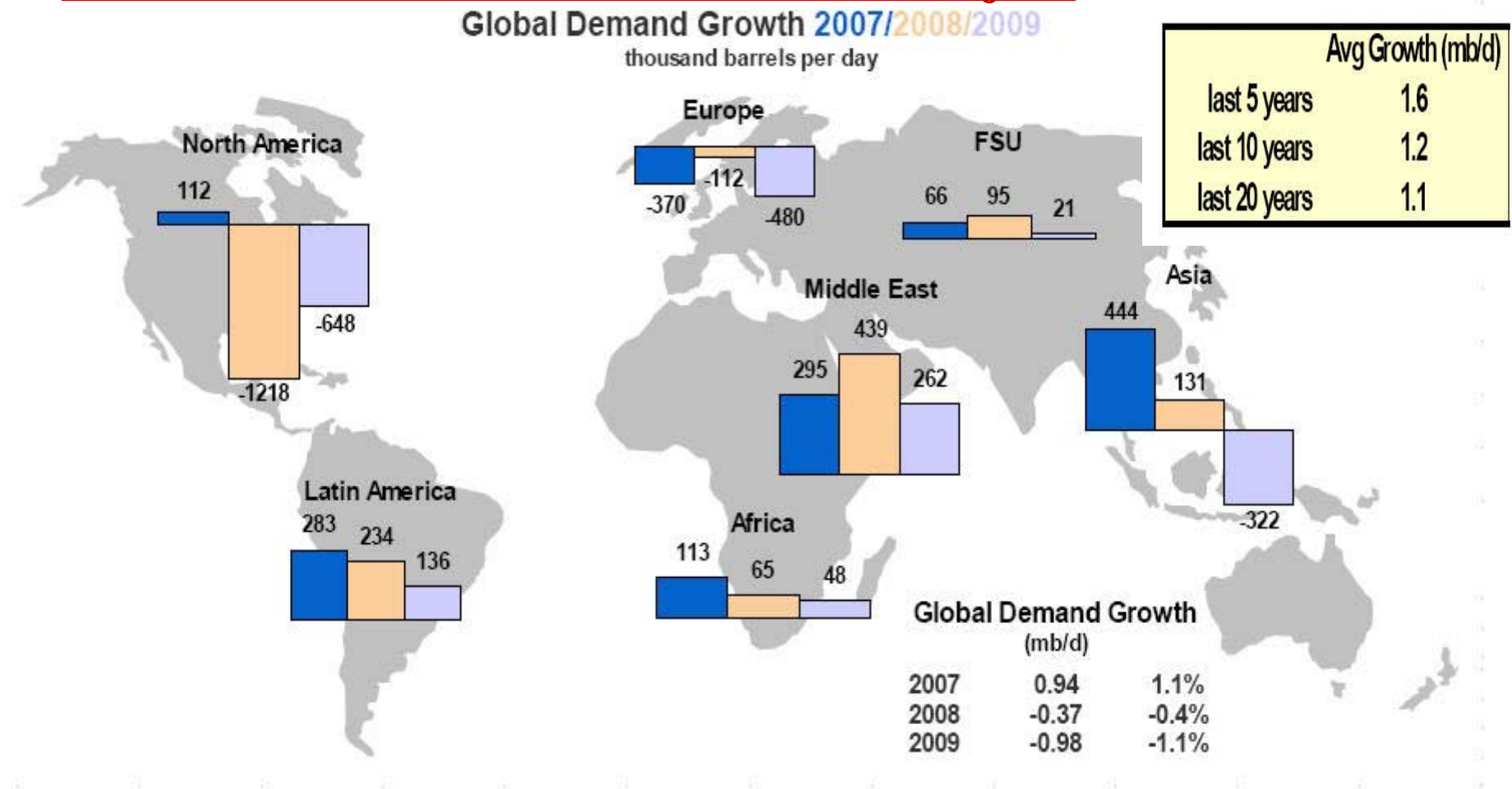
- ⊗ Rapid deterioration in global economic growth (0.5% in 2009 from 3.4% in 2008), length and depth of recession is big uncertainty
- ⊗ OECD regions are all in recession now, worsening US economic outlook (-1.6% in 2009)
- ⊗ Performance in DCs to slide to below 5-year average, growth (2.6% in 2009) could be further affected
- ⊗ Slowing exports dampen growth in China
- ⊗ Huge downside risks for 2009 (global financial crisis continues to drag down the real economy, contracting world trade, impacting business investments & consumer spending, overall confidence remains at record low)



# Oil Market Outlook

## Global Demand

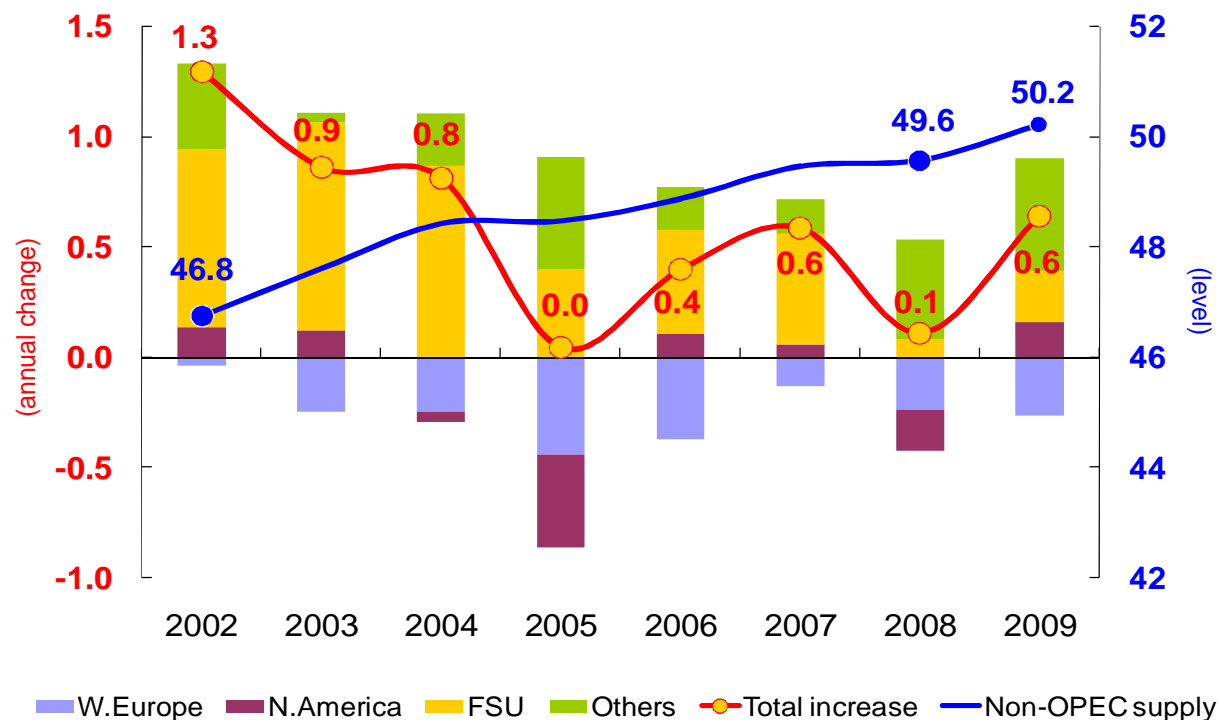
- Global Demand is projected to decline by 1.0 mb/d in 2009 pulled by a decline in OECD of 1.6 mb/d. Global demand declined by 2.6 mb/d since 2007
- Continuous downward revision in demand in all regions



# Oil Market Outlook

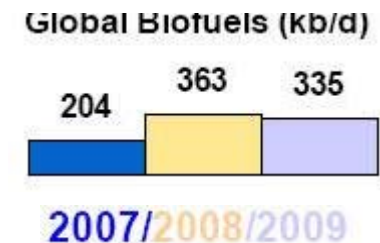
## Non-OPEC Supply

- Ø Non-OPEC supply is forecast to grow by 0.5 mb/d in 2009 despite higher uncertainties
- Ø Major contributions in 2009 are expected to come from Brazil, USA, Canada, Azerbaijan, Kazakhstan and Australia, while the production in Mexico, Russia, North Sea are in decline
- Ø Increase in OPEC NGLs by 0.6 mb/d. Total Non OPEC plus NGLs increase 1.1 mb/d

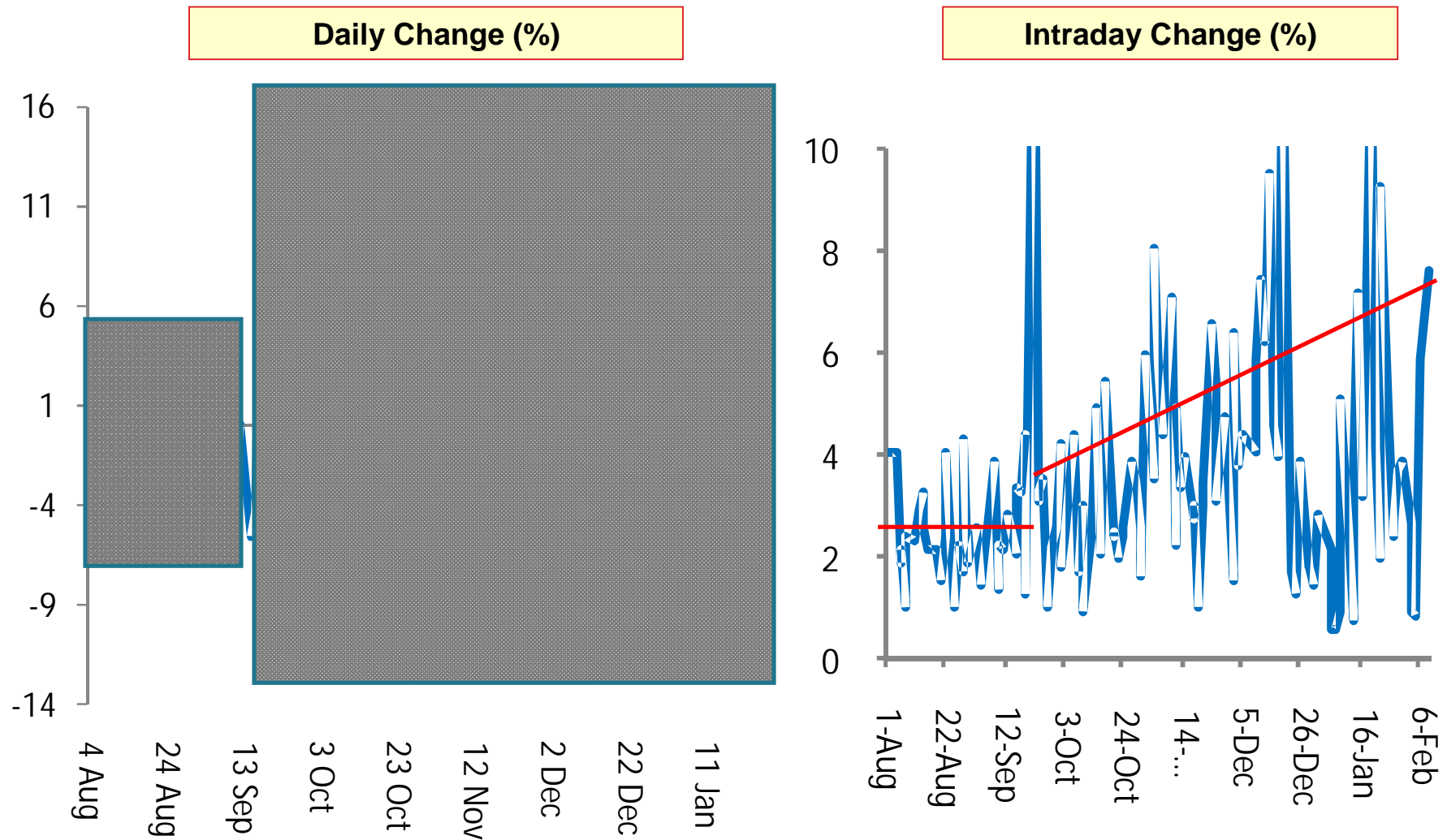


Non-OPEC supply increase  
(annual average, mb/d)

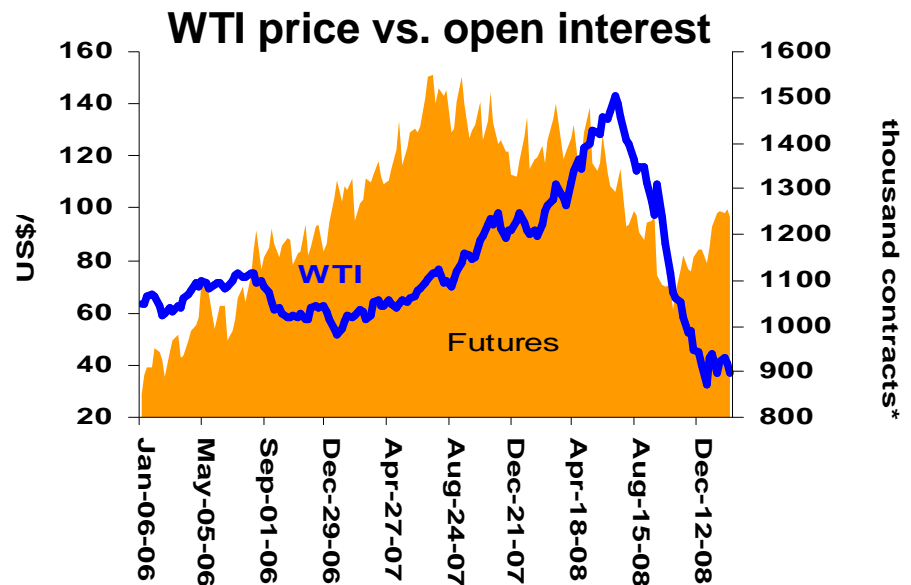
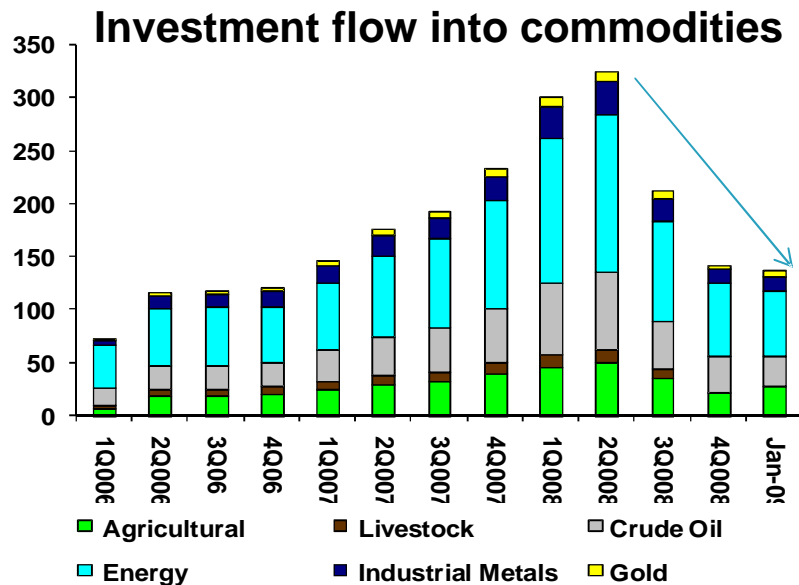
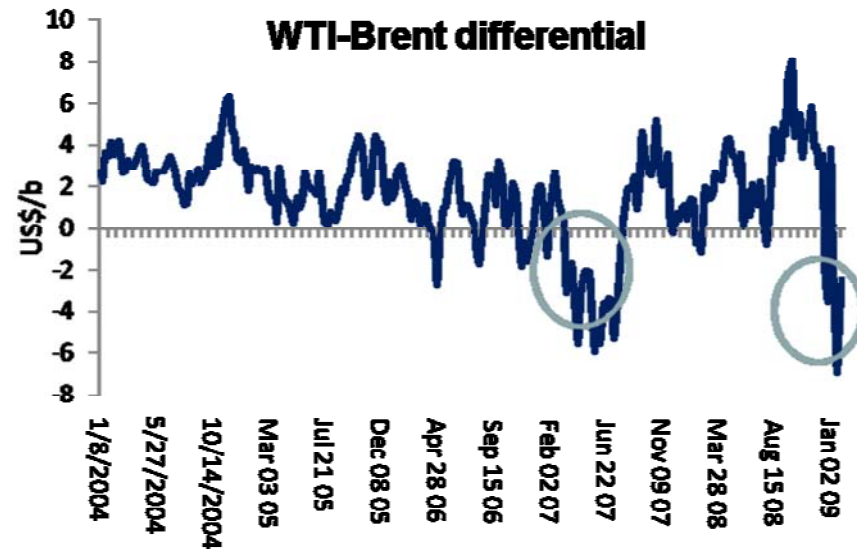
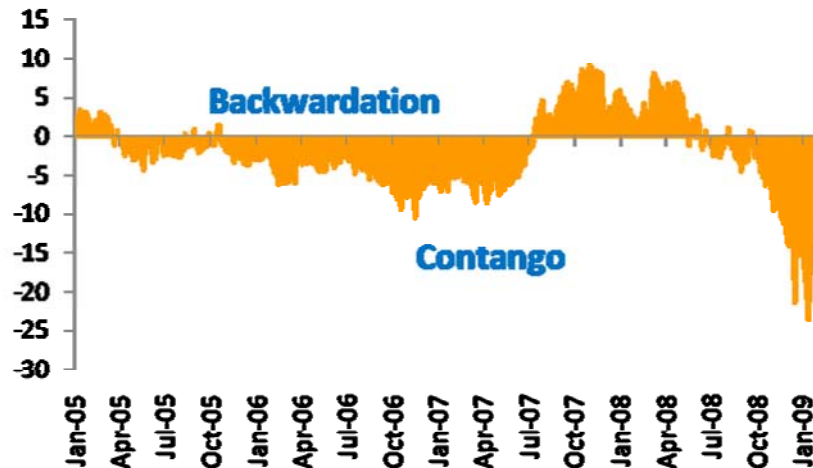
last five years	0.4
last ten years	0.6
last twenty years	0.3



# Increased crude price volatility since mid-September

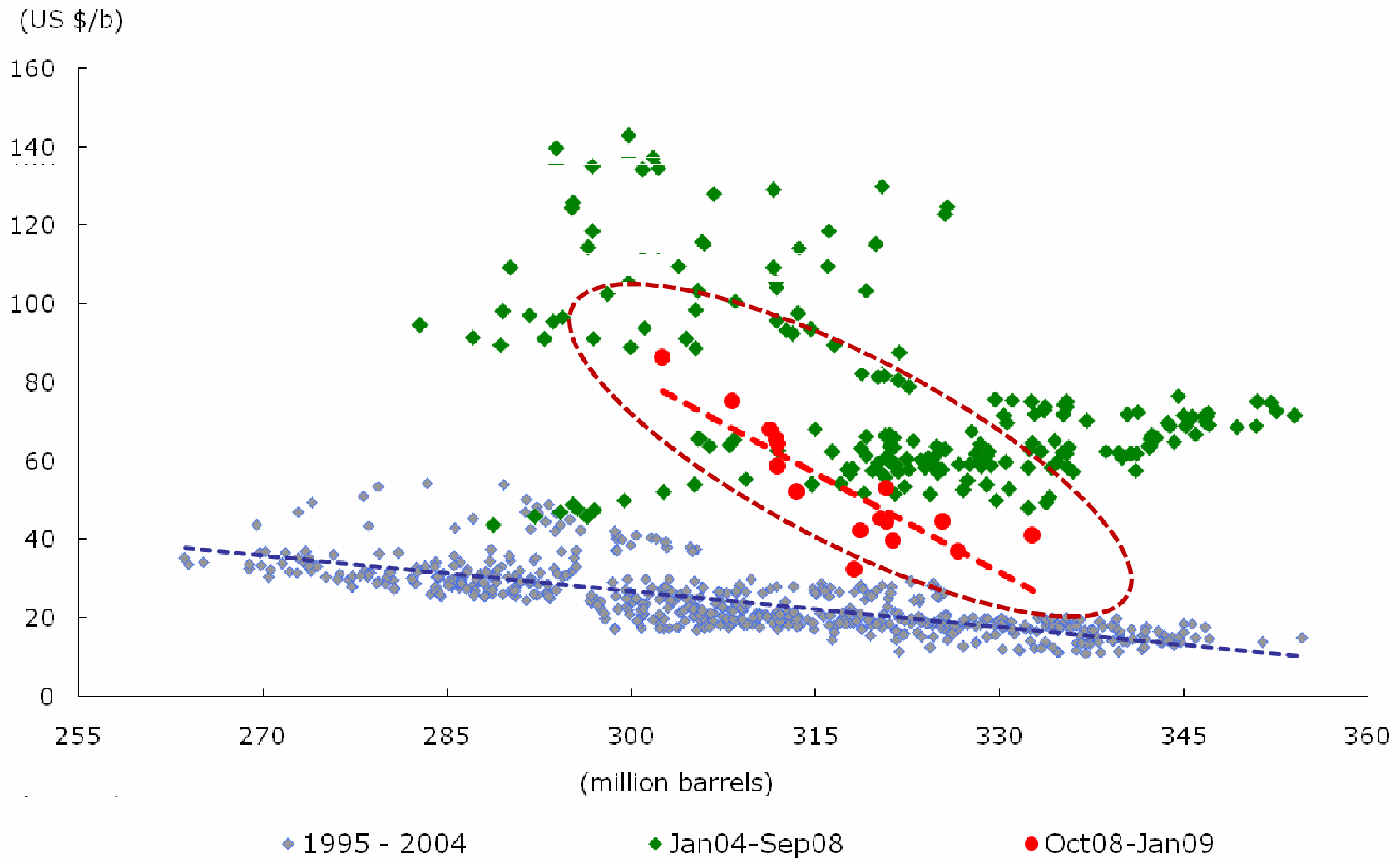


# Deepening contango: Higher inventories and distortion in benchmark WTI, Speculative Activity



# Inventory/price relation: Returning to normal?

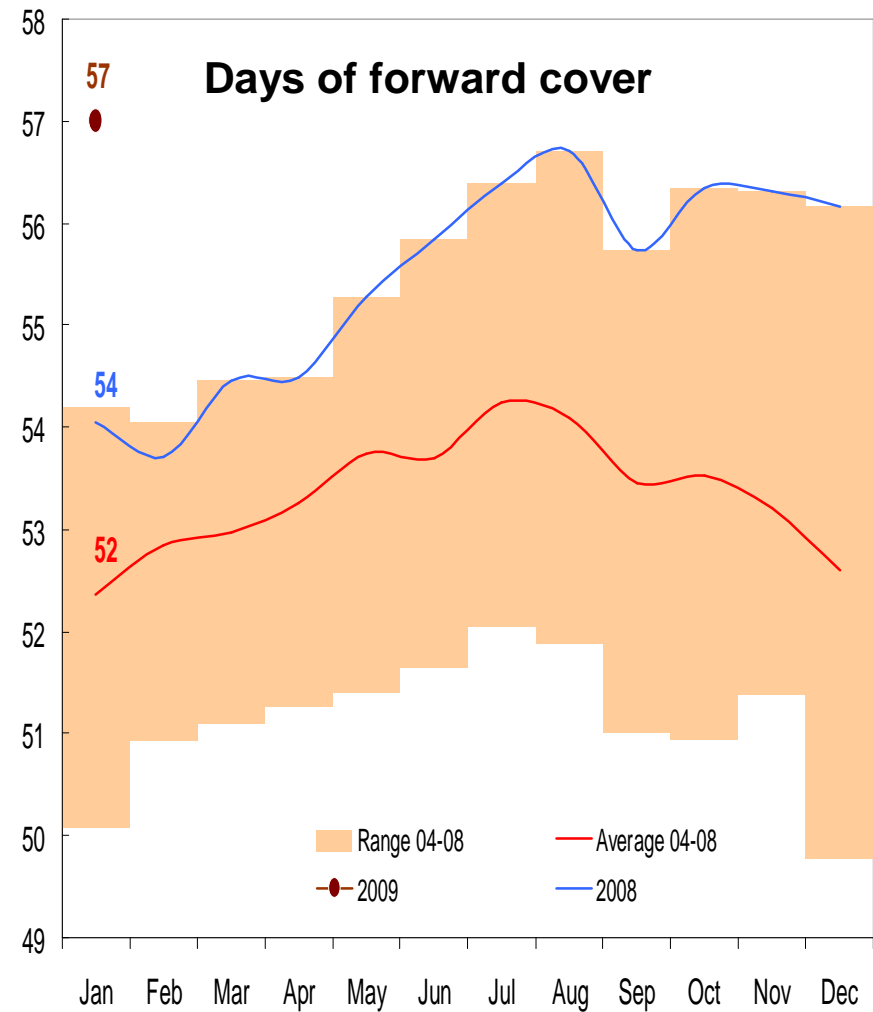
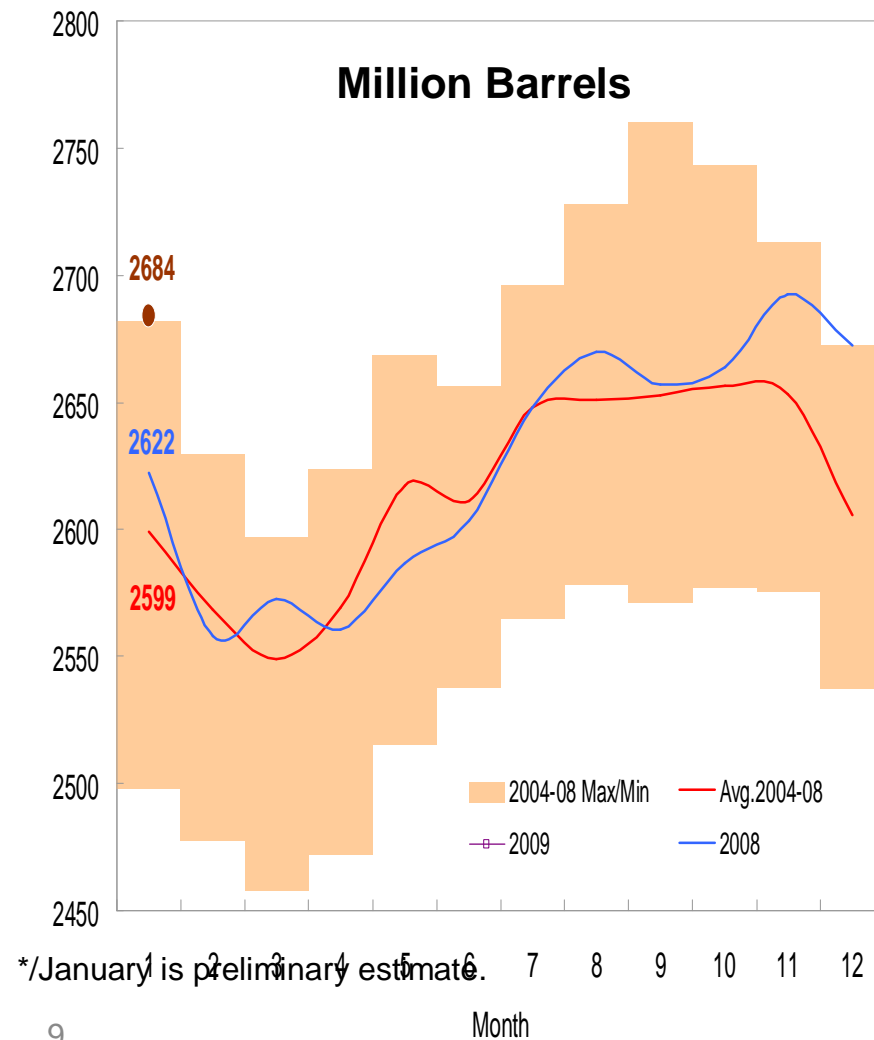
## US, weekly





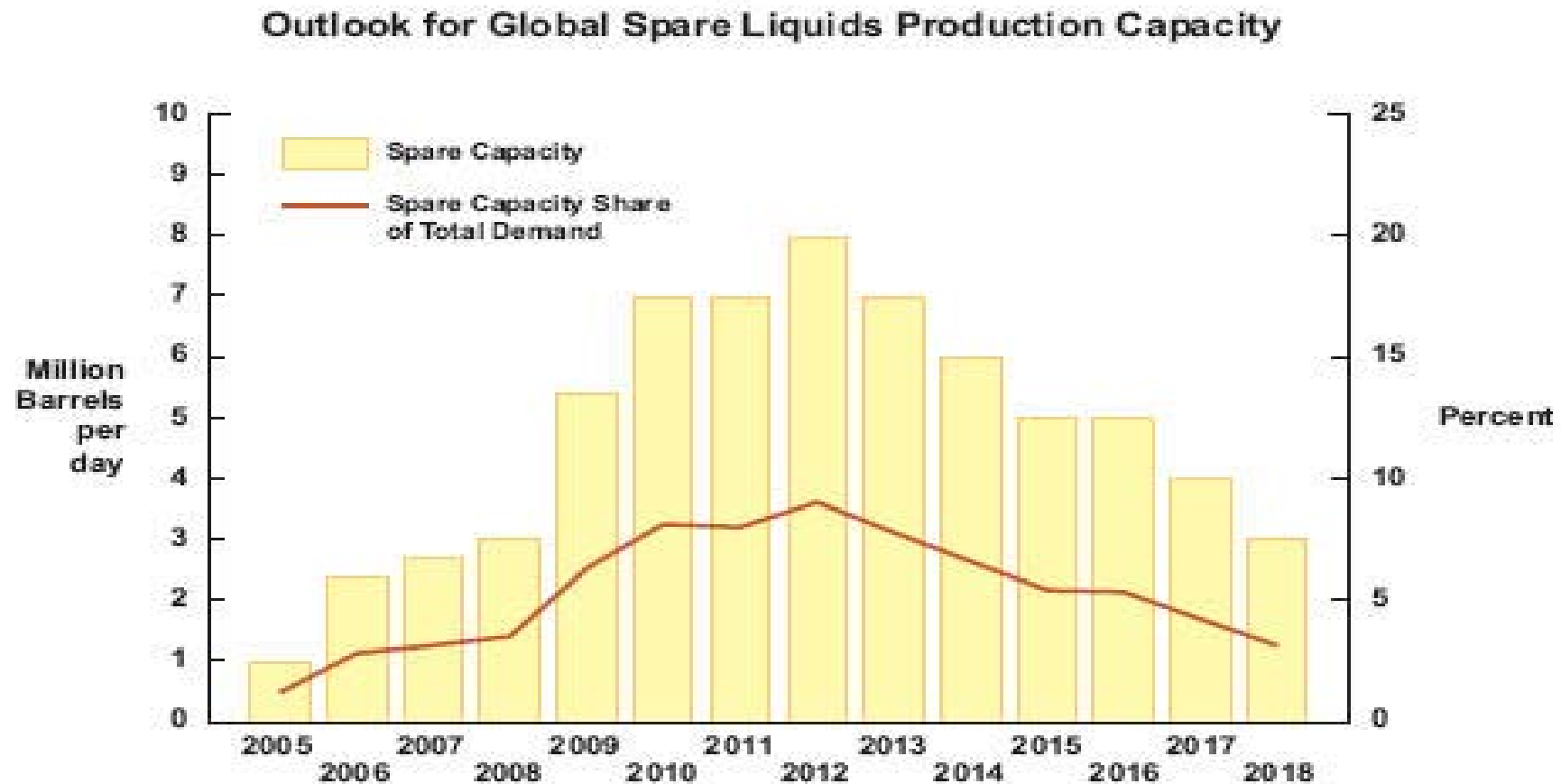
# OECD commercial oil stocks

(up to end-January\* 2008,mb)



# Oil Market Outlook

Spare Capacity Increasing in the Medium Term and Declining in the Long Term



Source: Cambridge Energy Research Associates.  
81208-17

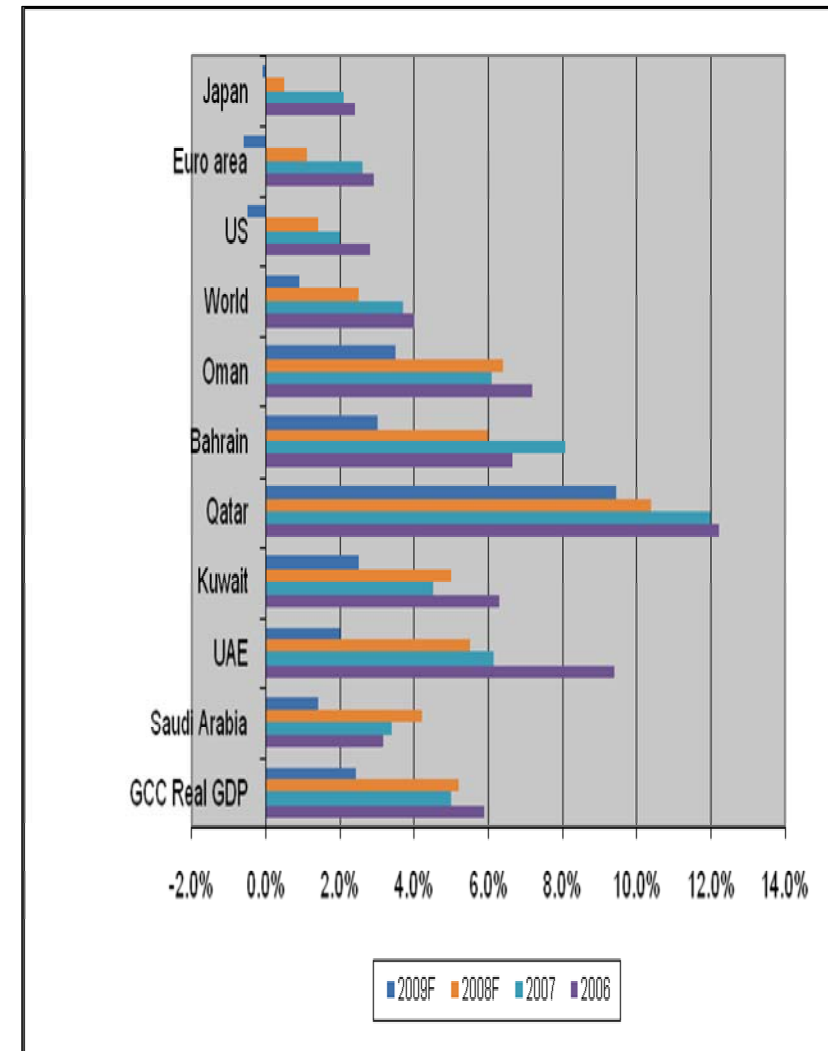
# Oil Market Outlook

## Supply/Demand Balance

	2008	Q1	Q2	Q3	Q4	2009	Chg.
<b>World Demand</b>	85.7	84.8	84.2	84.9	84.9	84.7	-1.0
<b>OECD</b>	47.5	46.6	45.3	45.8	46.3	46.0	-1.5
<b>DCs</b>	25.1	25.2	25.6	25.6	25.7	25.5	0.4
<b>China</b>	7.9	7.9	8.1	8.0	7.8	8.0	0.1
<b>World Supply</b>	86.7	85.5	85.4	84.8	85.9	85.7	-1.0
<b>Non-OPEC</b>	49.6	50.4	50.1	49.6	50.1	50.1	0.5
<b>OPEC NGLs</b>	5.1	5.1	5.3	5.6	5.8	5.6	0.5
<b>OPEC Crude</b>	32.0	30.0	30.0	30.2	30.0	30.0	-2.0

# GCC Economy

- § 2009 will be a year of contraction across the globe.
- § The combined size of GCC economies will increase from US\$822.2bn in 2007 to about US\$1.04tn in 2008 and it is likely to fall to about US\$923.6bn in 2009.
- § The real growth is estimated to reach about 5.2% in 2008, while in 2009, the growth rate is likely to decline to about 2.4%.
- § The GCC economies will recover quickly in 2010, with real growth rate at about 4.8%.



# **Concluding remarks**

- ü Real economy in deep recession in OECD, sharp slow-down in Emerging Markets. Despite efforts to limit length and severity of global recession, economic recovery unlikely in 2H09 and expected to remain below potential in near term**
- ü The resolution of financial crisis key to the timing and speed of recovery**
- ü Downturn in real economy to continue to erode world oil demand growth which has been revised downward repeatedly**
- ü Demand deterioration has created excessive supply overhang and pushed crude stocks towards maximum storage capacity in some regions**
- ü Demand for OPEC crude set to fall sharply in 2009; current market imbalance will only worsen with approach of low demand season and expected refinery maintenance.**
- ü OPEC spare Capacity is to increase in the Medium Term**

THANK YOU