

Oil Market Monthly Report

April-2022

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Oil rebounds after trading below USD 100/b on easing China lockdowns...

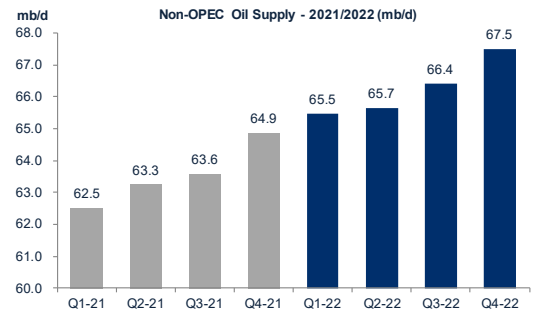
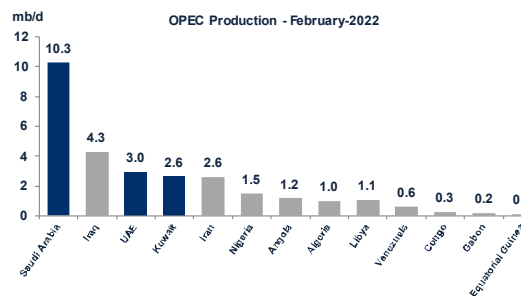
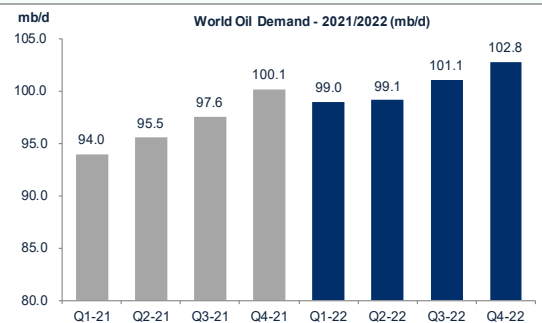
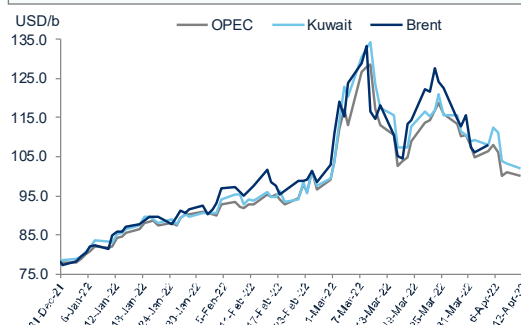
Oil prices showed partial recovery to regain the USD 100/b mark after China announced easing of Covid-19 related restrictions in Shanghai. Talks of increasing sanctions on Russia also supported prices after the market gave up all gains post the start of conflict between Russia and Ukraine.

Prices started trending downwards since the last week of March-2022 and lost almost 17% to close below the USD 100/b mark on 11-Apr-2022. The decline came mainly on the back of expected demand slowdown due to rising cases of Covid-19 in China that resulted in lockdowns across several large cities. In addition, the announcement by the IEA to release a record 120 million barrels of crude oil from its member countries' strategic reserve also significantly affected oil prices by somewhat easing supply-side concerns. This included 60 million barrels of release from the US out of the total 180 million barrels release it announced earlier. A stronger USD also affected demand from crude oil importers.

The ongoing war has affected trade across the globe that resulted in smaller-than-expected growth in oil demand as economies emerged from the Covid-19 pandemic. A recent report from WTO said world merchandise trade is expected to grow at a trimmed 3.0% as compared to previous forecast of 4.7% followed by 3.4% growth in 2023. World GDP is also expected to take a hit with new forecast showing a growth of 2.8% this year, down 130 bps from previous forecast.

A slew of new sanctions were also discussed on Russia last week that broadened to other commodities, including coal imports, although oil and gas were excluded from the European sanction list. Moreover, as Russia offered its crude at deep discounts, some buyers, including India, reportedly took advantage and imported Russian crude oil. These imports were also affected recently when India's IOC excluded Russian crude from its tender after talks with the US, as per reports. Similarly, Chinese state-run refiners also avoided trading in fresh Russian oil cargoes for May-2022 loadings despite the discounts. According to a Reuters report, Chinese refiners will honor long term and existing contracts for Russian crude oil, but would avoid new spot deals.

Meanwhile, OPEC recently said that the sanctions on Russia could affect supply of around 7mb/d of crude in the global oil market. The OPEC Secretary General said that this would be far beyond the group's capacity to replace while pointing out that the problem is more political than fundamental relating to supply and demand issues. On the production side, OPEC secondary sources showed OPEC production showing marginal m-o-m growth of 57 tb/d during March-2022 to reach an average of 26.8 mb/d after growth in production in Saudi Arabia was partially offset by a decline reported by Libya and Nigeria.



Sources : OPEC, EIA, Bloomberg

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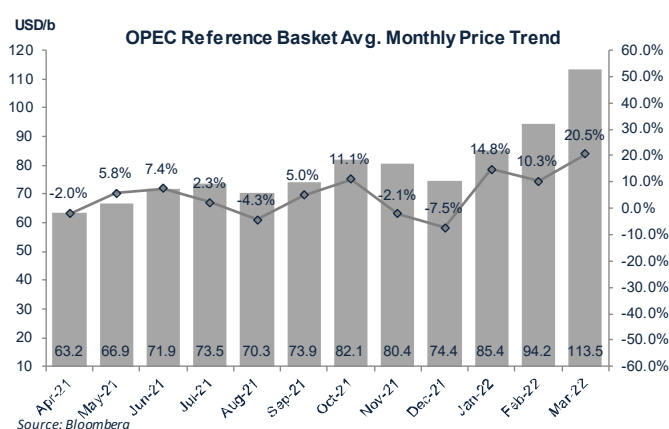
Oil Prices

The general direction in crude oil prices showed a downward trend after peaking during the first week of March-2022. Brent crude oil future prices have shown increase only in one week over the last five weeks. The fall in prices by 13.5% for the week ended 1-April-2022 was the steepest weekly decline since the pandemic. The decline wiped-off all the gains related to the Russia/Ukraine conflict and was led by both supply and demand side factors.

Supplies remained constrained, both in the US as well as by OPEC+ producers, despite the sanction-led decline in crude oil coming out of Russia. OPEC producers maintained their outlook on the market by sticking to marginal increase in production, although decline in some of the OPEC producers had minimal incremental impact on overall production.

However, the release of crude oil from the strategic petroleum reserve had a deep impact on prices. The report of an increase in crude oil inventories in the US also affected prices. On the other hand, production in the US increased for the first time in seven week during the week ended 25-Mar-2022, albeit marginally by 100 tb/d followed by an equal increase in the following week. With these additions, the average crude oil production in the US reached 11.8 mb/d. The marginal growth in US crude oil production came despite consistent increase in rig count. Data from Baker Hughes showed US oil rig count up for the third consecutive week by 13 rigs last week taking the total count to 546 oil rigs. Elsewhere, the failure to reach a deal with Iran kept a lid on production growth in Iran.

Average crude oil prices for March-2022 showed the biggest monthly gain in 21 months. OPEC crude oil basket was up 20.8% during the month to average at USD 113.5 /b during March-2022. Kuwait crude grade also showed a similar growth and averaged at USD 113.3/b. Brent crude showed a slightly higher growth of 21.2% to reach an average of USD 118.8/b during March-2022. In its latest Short Term Energy Outlook, the US EIA forecasted Brent crude oil to remain above the USD 100/b mark this year but decline to USD 93/b in 2023, although the report said that its outlook remains highly uncertain and depends on the impact of existing and future sanctions on Russia.



Average Crude Oil Prices, USD/b	Feb-2022	Mar-2022	Change (USD)	Avg 2021	Avg 2022
OPEC Reference Basket	94.0	113.5	19.5	60.2	98.1
Arab Light	93.8	113.0	19.2	60.7	98.2
Basrah Light	92.4	112.2	19.8	59.4	96.7
Bonny Light	98.8	120.7	21.9	61.2	102.7
Djeno	90.6	111.3	20.7	53.6	94.3
Es Sider	98.1	117.9	19.8	59.4	101.3
Girassol	100.8	121.6	20.8	61.8	104.2
Iran Heavy	93.0	112.4	19.4	60.0	97.6
Kuwait Export	93.8	113.3	19.4	60.6	98.3
Merey	71.0	88.1	17.1	42.5	74.7
Murban	94.2	112.5	18.3	60.3	97.8
Rabi	97.6	118.3	20.7	60.6	101.3
Saharan Blend	100.7	121.8	21.1	61.3	104.2
Zafiro	99.5	120.5	21.0	61.4	103.0
Other Crudes					
Brent	98.0	118.8	20.7	61.1	101.7
Dubai	92.1	110.5	18.4	60.2	95.8
Isthmus	89.7	107.4	17.7	57.8	92.7
LLS	94.2	110.8	16.7	60.2	97.3
Mars	90.0	106.5	16.5	58.6	93.1
Minas	92.3	111.2	19.0	59.1	96.0
Urals	94.9	92.6	(2.4)	60.4	91.2
WTI	91.7	108.5	16.8	58.1	94.9
Differentials					
Brent/WTI	6.3	10.2	3.9	3.0	6.8
Brent/LLS	3.9	8.0	4.1	0.9	4.5
Brent/Dubai	5.9	8.3	2.4	0.9	5.9

Source: OPEC Monthly Oil Market Report - April-2022

World Oil Demand

After adjusting it upwards in its previous report, the OPEC almost fully reversed world oil demand growth estimates for 2021 in its latest monthly report after making upward adjustments to the base data for 2020. World oil demand growth was lowered by 0.4 mb/d to 5.7 mb/d and demand is estimated to have averaged at 96.82 mb/d in 2021.

Demand forecast for 2022 was also lowered in the latest report. The OPEC now expects oil demand growth of 3.7 mb/d, 0.4 mb/d lower than its previous growth forecast, to average at 100.5 mb/d. Quarterly data showed strong demand during Q1-2022 led by economic recovery backed by stimulus programs and easing of Covid-19 related restrictions. OECD region recorded a stronger growth in demand by 2.8 mb/d y-o-y, while non-OECD growth stood at 2.2 mb/d. The growth was more than offset by

World Oil Demand - 2020/2021, mb/d	2020	Q1-21	Q2-21	Q3-21	Q4-21	2021	Y-o-Y Growth	% Chg.
Americas	22.56	22.82	24.38	24.83	25.01	24.27	1.71	7.58
of which US	18.35	18.60	20.17	20.35	20.56	19.93	1.58	8.60
Europe	12.43	11.91	12.64	13.85	13.88	13.08	0.64	5.18
Asia Pacific	7.14	7.67	7.04	7.11	7.82	7.41	0.27	3.77
Total OECD	42.13	42.40	44.05	45.79	46.7	44.75	2.62	6.23
China	13.56	13.85	14.61	14.57	15.21	14.56	1.00	7.39
India	4.51	4.94	4.50	4.59	5.02	4.76	0.25	5.61
Other Asia	8.13	8.56	8.98	8.34	8.62	8.63	0.50	6.09
Latin America	6.01	6.25	6.16	6.46	6.34	6.30	0.29	4.84
Middle East	7.55	7.95	7.77	8.24	7.97	7.98	0.44	5.80
Africa	4.08	4.37	4.08	4.15	4.43	4.26	0.17	4.27
Russia	3.39	3.65	3.42	3.63	3.76	3.61	0.23	6.69
Other Eurasia	1.07	1.23	1.24	1.09	1.28	1.21	0.14	12.69
Other Europe	0.70	0.78	0.72	0.73	0.79	0.75	0.06	8.27
Total Non-OECD	49.00	51.58	51.48	51.80	53.42	52.07	3.07	6.28
Total World	91.13	93.98	95.53	97.59	100.12	96.82	5.70	6.25

Source: OPEC Monthly Oil Market Report - April-2022

downward revision to demand estimates for the remaining three quarters of 2022. World oil demand estimates from the US EIA also showed a steep downward revision. The agency now expects demand in 2022 to grow at a much smaller pace of 2.4 mb/d in 2022 to reach 99.8 mb/d, trimmed by 0.8 mb/d as compared to its outlook last month. The trimmed forecast reflects a lowered growth expectation for global GDP growth. For 2023, the agency also lowered the forecast and expects world consumption of petroleum and liquid fuels will increase by 1.9 mb/d to an average of 101.7 m b/d.

The latest crude oil import data from China once again showed a steep decline of 14% y-o-y to 10.06 mb/d during March-2022 led by decline in purchases by independent oil refiners due to lower margins. State-owned refineries going into maintenance also affected imports during the month, according to Reuters. Q1-2022 imports also showed a y-o-y decline of around 8% or 0.89 mb/d to reach 10.4 mb/d. On the other hand, oil demand in India showed robust growth during March-2022 to reach a 3-year high level. Total consumption of fuel increased by 4.2% during the month to reach 19.41 million tonnes, surpassing the previous record in pre-pandemic era.

World Oil Demand - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	24.27	24.38	25.43	25.82	25.78	25.36	1.09	4.50
of which US	19.93	19.70	21.01	21.30	21.26	20.82	0.89	4.49
Europe	13.08	12.83	13.17	14.40	14.24	13.66	0.59	4.49
Asia Pacific	7.41	7.96	7.22	7.25	7.93	7.59	0.18	2.42
Total OECD	44.75	45.16	45.82	47.47	47.95	46.61	1.86	4.16
China	14.56	14.34	15.10	15.06	15.65	15.04	0.48	3.27
India	4.76	5.28	4.82	4.97	5.35	5.10	0.34	7.16
Other Asia	8.63	9.20	9.59	8.93	8.95	9.16	0.54	6.24
Latin America	6.30	6.43	6.33	6.61	6.50	6.47	0.16	2.62
Middle East	7.98	8.28	8.01	8.49	8.20	8.25	0.26	3.28
Africa	4.26	4.52	4.21	4.27	4.56	4.39	0.13	3.11
Russia	3.61	3.70	3.33	3.50	3.59	3.53	(0.08)	(2.29)
Other Eurasia	1.21	1.24	1.19	1.04	1.28	1.19	(0.02)	(2.06)
Other Europe	0.75	0.80	0.71	0.73	0.80	0.76	0.01	0.69
Total Non-OECD	52.07	53.79	53.29	53.60	54.86	53.89	1.81	3.48
Total World	96.82	98.95	99.12	101.06	102.81	100.5	3.67	3.79

Source: OPEC Monthly Oil Market Report - April-2022

World Oil Supply

World liquids production once again recorded an increase during March-2022 with preliminary data indicating a monthly growth of 0.37 mb/d to an average of 99.66 mb/d. The increase was mainly led by higher non-OPEC production with a m-o-m increase of 0.32 mb/d to an average of 71.10 mb/d. OPEC crude oil production increased by 57 tb/d during the month to reach 28.56 mb/d, according to OPEC secondary sources.

Non-OPEC liquid supply growth estimates for 2021 was once again lowered marginally in OPEC's latest report by 6 tb/d to a growth of around 0.6 mb/d. Total non-OPEC supply is expected to have averaged at 63.56 mb/d last year after downward revisions were made to 4Q-2021 supply data for the OECD region by 55 tb/d that resulted in a 12 tb/d downward revision for

Non-OPEC Oil Supply - 2020/2021, mb/d	2020	Q1-21	Q2-21	Q3-21	Q4-21	2021	Y-o-Y Growth	% Chg.
Americas	24.70	24.10	25.17	25.20	26.13	25.15	0.46	1.84
of which US	17.61	16.63	17.93	17.85	18.58	17.75	0.15	0.83
Europe	3.89	3.95	3.51	3.81	3.78	3.76	(0.13)	(3.34)
Asia Pacific	0.52	0.50	0.45	0.53	0.51	0.50	(0.02)	(4.02)
Total OECD	29.11	28.55	29.13	29.53	30.42	29.41	0.30	1.05
China	4.15	4.30	4.34	4.33	4.26	4.31	0.15	3.65
India	0.78	0.78	0.77	0.77	0.77	0.77	0.00	(0.44)
Other Asia	2.51	2.51	2.45	2.33	2.35	2.41	(0.10)	(4.09)
Latin America	6.03	5.94	5.97	6.09	5.83	5.96	(0.08)	(1.26)
Middle East	3.19	3.22	3.23	3.24	3.27	3.24	0.05	1.46
Africa	1.41	1.37	1.35	1.32	1.32	1.34	(0.07)	(5.28)
Russia	10.59	10.47	10.74	10.81	11.17	10.8	0.21	1.95
Other Eurasia	2.92	2.96	2.89	2.79	3.08	2.93	0.02	0.57
Other Europe	0.12	0.12	0.11	0.11	0.11	0.11	(0.01)	(4.66)
Total Non-OECD	31.71	31.66	31.86	31.79	32.17	31.87	0.16	0.50
Total Non-OPEC Production	60.82	60.22	60.98	61.32	62.59	61.28	0.46	0.76
Processing gains	2.15	2.28	2.28	2.28	2.28	2.28	0.13	6.03
Total Non-OPEC Supply	62.97	62.5	63.26	63.6	64.87	63.56	0.59	0.94
OPEC NGLs and non-conventionals	5.05	-	-	-	-	5.14	0.10	1.78
OPEC Crude Oil Production	25.72	25.16	25.52	26.93	27.08	26.36	0.63	2.46
Total World Supply	93.74	-	.	-	-	95.06	1.31	1.40

Source: OPEC Monthly Oil Market Report - April-2022

the year for the region. The revisions were mainly made to data for OECD Europe while data for US and Canada also witnessed marginal downward revisions. On the other hand, non-OECD data was revised upward by 6 tb/d reflecting upward revision made to data for China and India. Non-OPEC supply growth forecast for 2022 was also lowered by a steep 0.32 mb/d to now show a growth of 2.7 mb/d and average at 66.26 mb/d for the year. The biggest adjustment was made to supplies from Russia which is now expected to reach 11.23 mb/d in 2022 vs. 11.76 mb/d in the previous forecast. Supply estimates from Kazakhstan, Canada, Brazil and Azerbaijan were also lowered that were partially offset by upward revision of 261 tb/d made to supplies from the US and a 20 tb/d upward revision for China.

Non-OPEC Oil Supply - 2021/2022, mb/d	2021	Q1-22	Q2-22	Q3-22	Q4-22	2022	Y-o-Y Growth	% Chg.
Americas	25.15	25.92	26.30	26.95	27.32	26.63	1.47	5.86
of which US	17.75	18.42	18.95	19.23	19.54	19.04	1.29	7.24
Europe	3.76	3.77	3.74	3.80	4.12	3.86	0.10	2.64
Asia Pacific	0.50	0.50	0.54	0.53	0.53	0.52	0.02	5.00
Total OECD	29.41	30.19	30.58	31.28	31.97	31.01	1.60	5.43
China	4.31	4.45	4.31	4.35	4.43	4.38	0.08	1.80
India	0.77	0.77	0.78	0.8	0.83	0.79	0.02	2.78
Other Asia	2.41	2.41	2.39	2.37	2.36	2.38	(0.03)	(1.19)
Latin America	5.96	6.15	6.21	6.17	6.40	6.23	0.28	4.65
Middle East	3.24	3.30	3.35	3.37	3.37	3.35	0.11	3.27
Africa	1.34	1.31	1.27	1.25	1.23	1.27	(0.07)	(5.58)
Russia	10.8	11.33	11.23	11.16	11.2	11.23	0.43	4.01
Other Eurasia	2.93	3.05	3.03	3.17	3.22	3.12	0.19	6.36
Other Europe	0.11	0.11	0.11	0.10	0.10	0.10	(0.01)	(6.90)
Total Non-OECD	31.87	32.88	32.68	32.75	33.13	32.86	0.99	3.11
Total Non-OPEC Production	61.28	63.08	63.26	64.03	65.1	63.87	2.59	4.22
Processing gains	2.28	2.39	2.39	2.39	2.39	2.39	0.11	4.91
Total Non-OPEC Supply	63.56	65.47	65.65	66.42	67.5	66.26	2.70	4.25

Source: OPEC Monthly Oil Market Report - April-2022

OPEC Oil Production & Spare Capacity

OPEC oil production increased for the eleventh consecutive month during March-2022, albeit marginally, to reach the highest output in 23 months. The group produced at 28.6 mb/d during the month with a monthly increase of 57 tb/d, according to data from OPEC secondary sources. Bloomberg data showed slightly higher production growth of 90 tb/d for the month. The growth in production was mainly led by higher output from Saudi Arabia which reported a monthly production growth of 54 tb/d (+100 tb/d as per Bloomberg data). This increase was partially offset by a decline in production mainly in Nigeria and Libya. UAE, Kuwait and Iran also reported marginal m-o-m increase in production during March-2022 aggregating to around 50 tb/d increase. At its recent meeting, the OPEC+ maintained its policy of gradually increasing its output by 0.4 mb/d. However, the actual increase was much lower than the target. According to a Reuters survey, OPEC's 10 producer increased output by 90

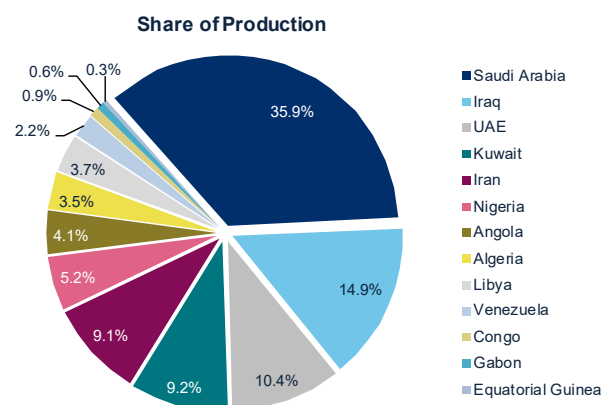
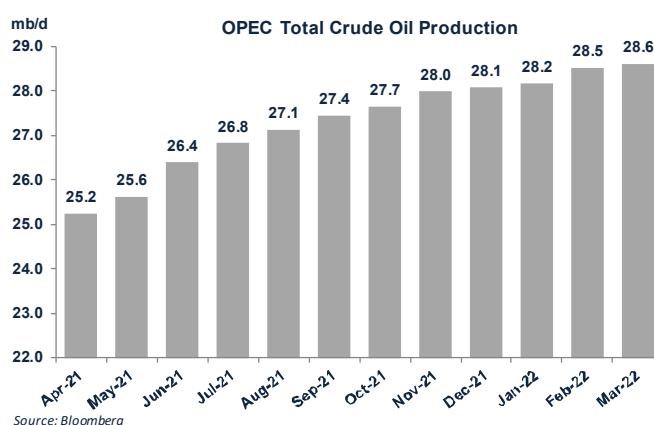
Production ('000 b/d)	Feb-22	Mar-22	Change		Capacity	Spare Capacity
Total OPEC-13	28,510	28,600	90	0.32%	33,415	4,815
Saudi Arabia	10,170	10,270	100	1.0%	11,500	1,230
Iraq	4,280	4,260	-20	-0.5%	4,800	540
UAE	2,960	2,980	20	0.7%	4,200	1,220
Kuwait	2,620	2,640	20	0.8%	2,715	75
Iran	2,550	2,590	40	1.6%	3,830	1,240
Nigeria	1,500	1,480	-20	-1.3%	1,600	120
Angola	1,170	1,170	0	0.0%	1,200	30
Algeria	980	990	10	1.0%	1,060	70
Libya	1,120	1,050	-70	-6.3%	1,200	150
Venezuela	620	620	0	0.0%	670	50
Congo	260	270	10	3.8%	300	30
Gabon	180	180	0	0.0%	220	40
Equatorial Guinea	100	100	0	0.0%	120	20
Total OPEC-12	24,230	24,340	110	0.45%	28,615	4,275

Source: Bloomberg, OPEC

tb/d during the month as against a target increase of 253 tb/d. The shortfall was mainly led by outages in some African members of OPEC partially offset by increase in production by Saudi Arabia and other top producers in the group. The shortfall also pushed compliance level to 151% by OPEC producers during March-2022 as against 136% in February-2022.

Oil production in Nigeria declined by 24 tb/d according to OPEC and averaged at 1.35 mb/d during March-2022. Bloomberg data showed production reaching a 3-month low level of 1.48 mb/d. The decline in production was led by disruption at the start of the month caused by a pipeline blast in Nigeria's Bayelsa state that halted oil and gas flows from the Brass terminal. The blast led to a fore majeure that was lifted by the end of the third week of March-2022.

Libya, on the other hand, reported the biggest production decline during the month. The country produced at an average rate of 1.07 mb/d during March-2022 with a decline of 37 tb/d. Bloomberg data showed a much steeper decline of 70 tb/d during the month. The decline was caused by the closure of Libya's El Feel and Sharara oilfields that resulted in a production decline of 330 tb/d. The shut down at the Sharara oilfield was led by a pipeline valve shut down that resulted in enforcing of a force majeure on the oilfield.



Brent Crude Oil Price Forecast

Firm	As Of	Q2-22	Q3-22	Q4-22	Q1-23
Natixis SA	7/Apr/22	117.0	113.0	98.0	90.0
MUFG Bank	1/Apr/22	124.6	141.0	112.0	110.0
Citigroup Inc	1/Apr/22	102.0	87.0	79.0	62.0
Goldman Sachs Group Inc/The	1/Apr/22	120.0	135.0	135.0	110.0
Rabobank International	23/Mar/22	129.0	135.7	138.1	136.1
Emirates NBD PJSC	23/Mar/22	120.0	120.0	115.0	
Westpac Banking Corp	18/Mar/22	114.6	113.3	103.3	96.7
Banco Santander SA	11/Mar/22	100.0	90.0	85.0	80.0
Intesa Sanpaolo SpA	9/Mar/22	120.0	110.0	100.0	95.0
Landesbank Baden-Wuerttemberg	3/Mar/22	100.0	95.0	90.0	85.0
Capital Economics Ltd	2/Mar/22	100.0	92.5	82.5	78.1
Commerzbank AG	15/Feb/22	85.0	80.0	80.0	75.0
JPMorgan Chase & Co	7/Feb/22	68.0	67.0	66.0	
Market Risk Advisory Co Ltd	6/Jan/22	73.0	72.0	74.0	73.3
MPS Capital Services Banca per le Imprese SpA	27/Dec/21	73.0	70.0	69.0	
Australia & New Zealand Banking Group Ltd	25/Oct/21	79.0	75.8	76.2	78.8
BNP Paribas SA	19/Oct/21	78.0	78.0	80.0	78.0
ABN AMRO Bank NV	14/Oct/21	83.0	78.0	73.0	67.0
Median		100.0	91.3	83.8	80.0
Mean		99.2	97.4	92.0	87.7
High		129.0	141.0	138.1	136.1
Low		68.0	67.0	66.0	62.0
Current Fwd		98.2	96.8	94.7	92.6
Difference (Median - Current)		1.8	-5.5	-11.0	-12.6

Source: Bloomberg

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