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Outlook for International Oil Market in 2024
—Can OPEC+ Support Oil Prices?—
<Summary>

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<u>Key points of this report</u>

1. Demand in 2024 will increase gradually to 103 million b/d. Regardless of the voluntary additional output cuts by some OPEC+ member countries in the first quarter of 2024, supply in 2024 will increase to 103.1 million b/d, partly because of an increase by non-OPEC+ countries such as the U.S. As a result, demand and supply will be largely balanced throughout the year, if not a slight oversupply.
2. International (Brent) crude oil price in 2024 is forecasted to hover at the central level of $85/bbl. The main uncertainty lies in the unity of OPEC+ member countries, sluggish demand due to economic slowdown, and the situation in the Middle East, such as production volume in Iran.

<u>Oil demand and supply</u>

3. Global oil demand increased by 2.6 million b/d (2.6%) to 102.8 million b/d in the third quarter of 2023, compared to the same period last year. While there is a possibility of sluggish demand due to economic slowdown, demand is currently at a steady level.
4. Demand from China is growing rapidly, increasing by 2.6 million b/d (19.2%) year on year in the third quarter of 2023 to 16.1 million b/d. However, with the real estate sector going through a serious recession in the country, the GDP growth rate is expected to slow down from 5.0% in 2023 to 4.2% in 2024. While the import volume of "Malaysian" crude, most of which are believed to originate from Iran, is increasing, there is also a possibility that these imports may be subject to sanctions by the U.S.
5. Global oil supply increased by 0.9 million b/d (0.9%) to 102 million b/d in the third quarter of 2023, compared to the same period last year. Under the impact of stronger output cuts by OPEC+, the pace of increase in supply is not keeping up with demand.
6. At the meeting held on November 30, some OPEC+ countries decided to reduce

supply by an additional 2.2 million b/d in the first quarter of 2024. Although the deepened cuts from the current volume of output cuts is limited to 700,000 b/d, a short-term price crash was avoided. However, OPEC+ as a whole could not reach an agreement on the additional output cuts, and with Angola opposing the downward revision of its production target, the unity among OPEC+ member countries will come under scrutiny.

7. There is limited possibility that the Israel-Hamas military conflict, which erupted on October 7, may become a direct cause of disruption to the oil supply. However, if the U.S. were to strengthen sanctions on Iranian oil exports, it would reduce Iran's production volume. There is also a risk of supply disruption if the Houthi or others were to attack oil fields and tankers.
8. Crude oil production volume of the U.S. increased by 1 million b/d (8.7%) year-on-year to 13.09 million b/d in the third quarter of 2023. It is maintaining a gradual increase in production by concentrating on highly productive oil wells.
9. OECD commercial inventory for October 2023 was 2.81 billion barrels, while government stockpiles were 1.21 billion barrels. Although commercial inventories increased due to the stock releases and easing of supply and demand balance in 2022, they have not reached the 5 year average under the impact of the strengthening of output cuts by OPEC+.

Macroeconomics and financial markets

10. Global GDP growth rate is expected to fall slightly from 3.0% in 2023 to 2.9% in 2024. While inflation has eased in the U.S., the real estate crisis in China, the impact of rising interest rates, climate change, and geopolitical conflicts have been pointed out to be risk factors. The risk of an economic slowdown in China, which is the world's largest oil importer, poses significant uncertainty for the oil market.

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