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

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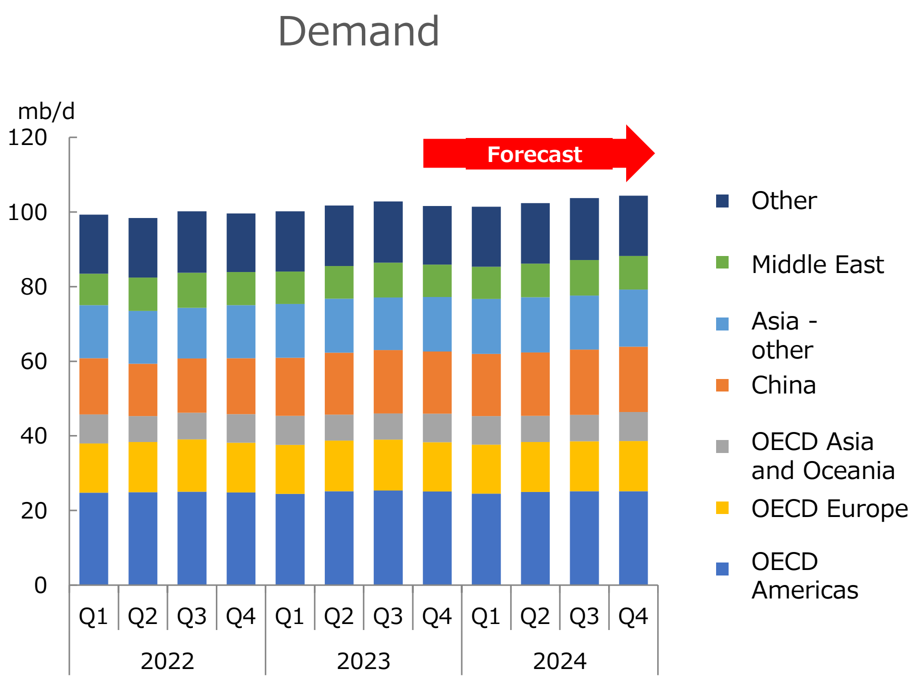
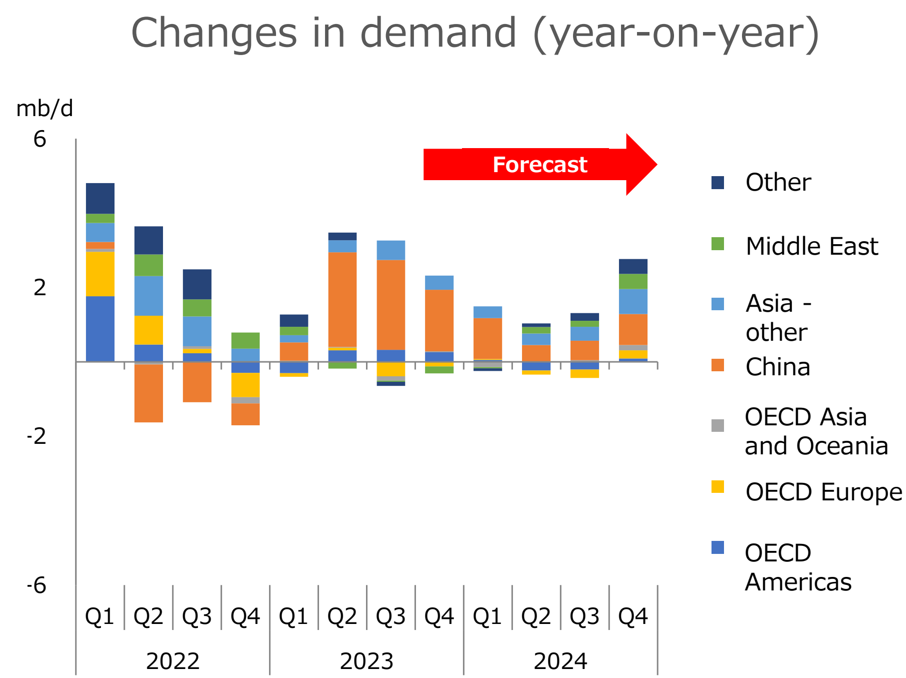
Key points of this report

- ✓ 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 will increase to 103.1 million b/d on an annual basis, partly because of an increase by non-OPEC+ member countries such as the U.S. As a result, supply and demand will be largely balanced throughout the year, if not a slight oversupply.
- ✓ Although the impact of the Israel-Hamas military conflict on oil supply is limited for now, attention is on the impact on Iran’s production volume if the U.S. were to strengthen sanctions, and the risk of supply disruption due to attacks on oil fields and tankers.
- ✓ 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+, sluggish demand due to economic slowdown, and the situation in the Middle East, such as production in Iran.

Oil demand



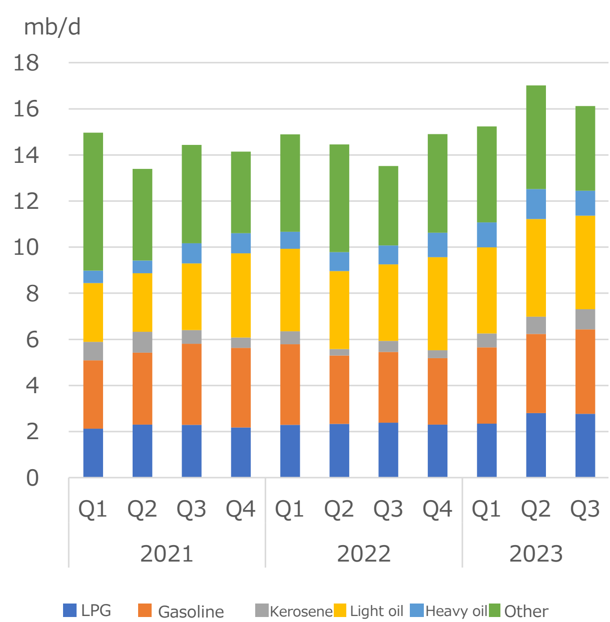


Source: IEA, IEEJ

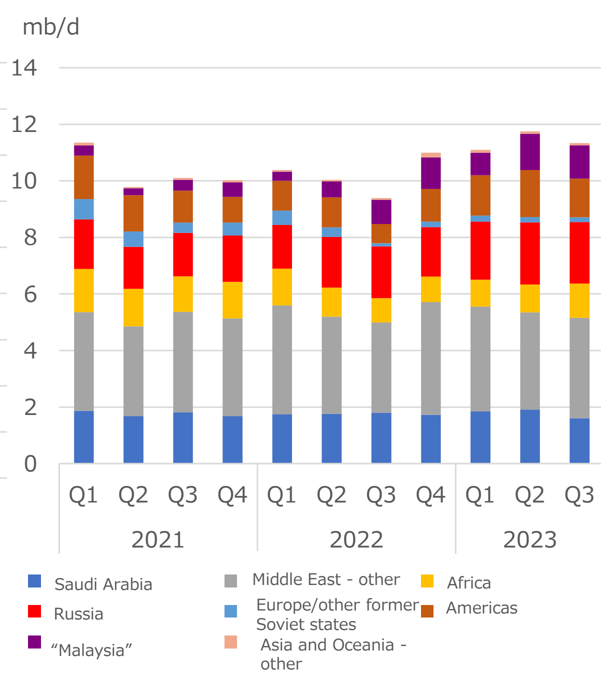
- Demand increased by 2.6 million b/d (2.6%) year-on-year to 102.8 million b/d in the third quarter of 2023. Demand increased steadily, led by China.
- Demand is forecasted to increase by 1.3 million b/d (1.2%) year-on-year to 103 million b/d in 2024. Sluggish demand due to economic slowdown poses a significant risk.

China

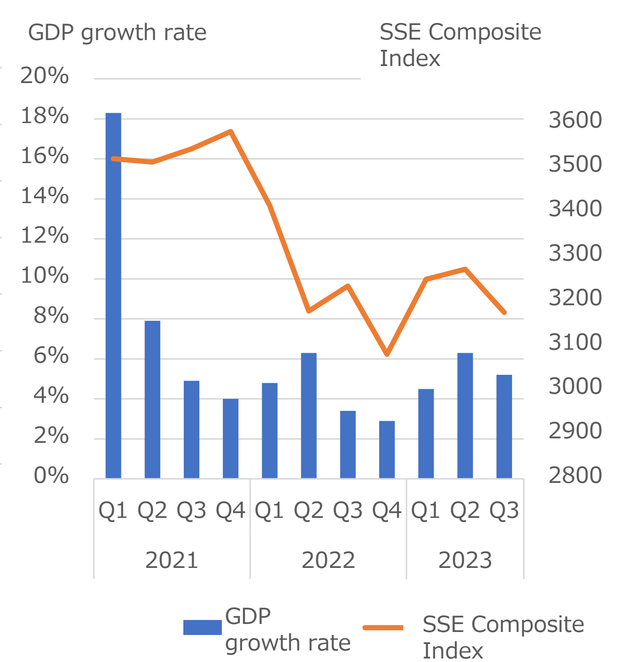
Demand



Import volume



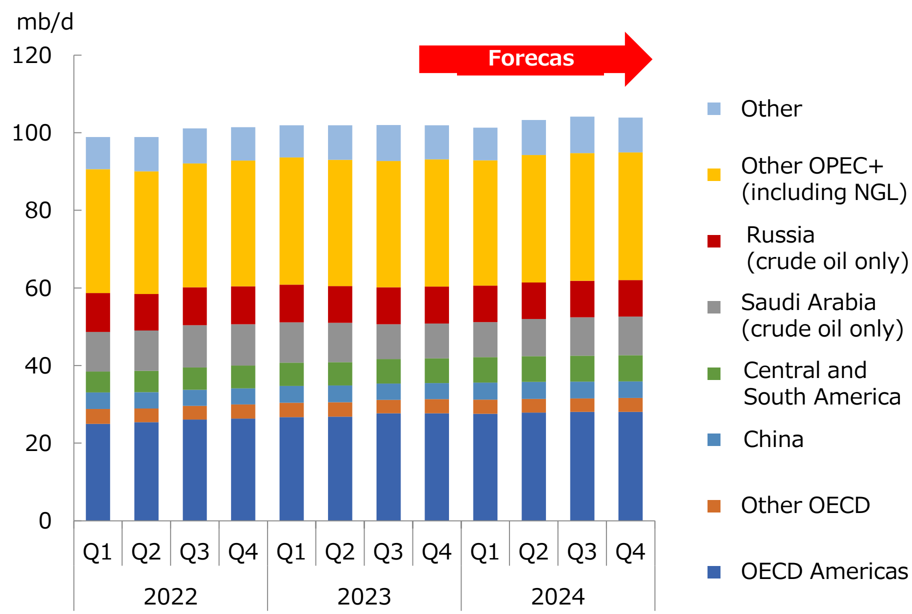
GDP growth rate and stock prices

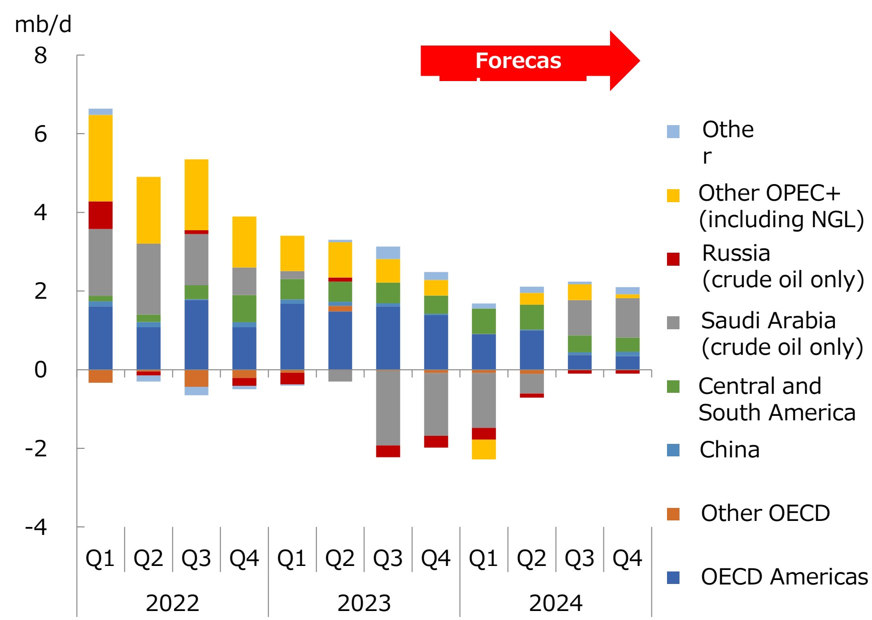


Source: APEC, China OGP, JLC

- Demand increased by 2.6 million b/d (19.2%) year-on-year to 16.1 million b/d in the third quarter of 2023.
- Although demand is growing rapidly, there are also strong concerns about an economic slowdown.
- The volume of Russian crude oil imports has remained at a high level. The increase in "Malaysian" imports could also be subject to U.S. sanctions.

Oil supply



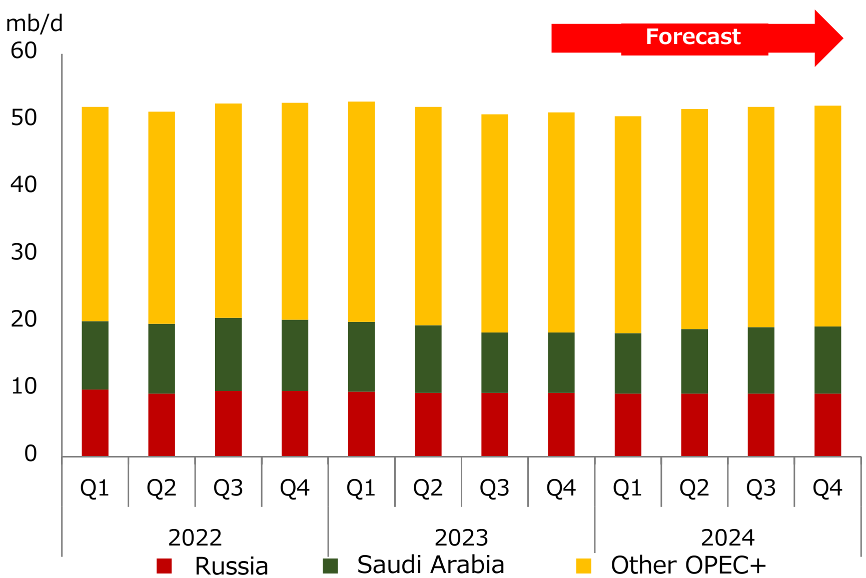


Source: IEA, IEEJ

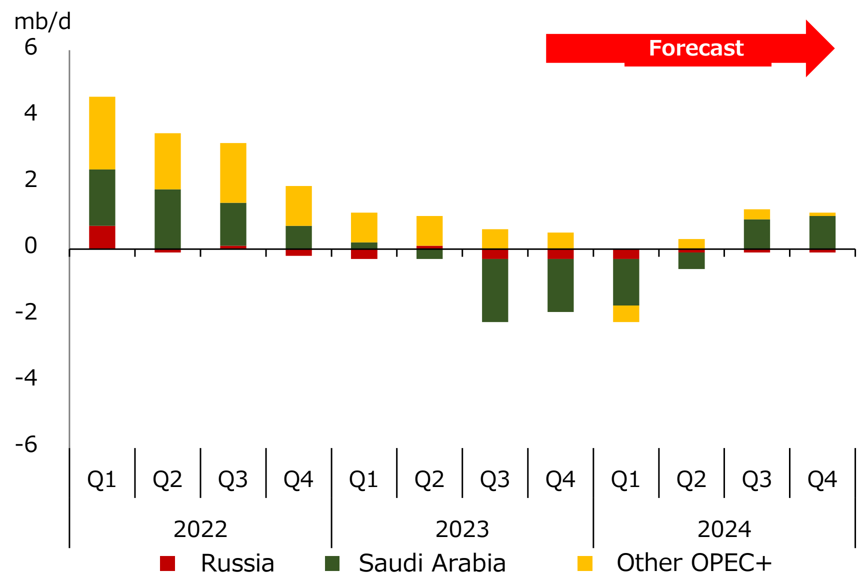
- Global oil production increased by 0.9 million b/d (0.9%) year-on-year to 102 million b/d in the third quarter of 2023. Under the impact of stronger output cuts by OPEC+, the pace of increase in supply is not keeping up with demand.
- Production volume is forecasted to increase by 1.2 million b/d (1.2%) year-on-year to 103.1 million b/d in 2024. Non-OECD+ member countries such as the U.S. will also contribute to the increase in output.

OPEC+

Production volume



Changes in production volume (year-on-year)



Source: IEA, IEEJ

- Production cuts strengthened gradually to support prices. Production fell by 1.6 million b/d (3.0%) year-on-year to 51 million b/d in the third quarter of 2023. On the other hand, Iran’s production volume increased by 430,000 b/d (16.0%) to 3.11 million b/d.

Production targets of OECD+ (including voluntary cuts)

Unit: 1,000 b/d

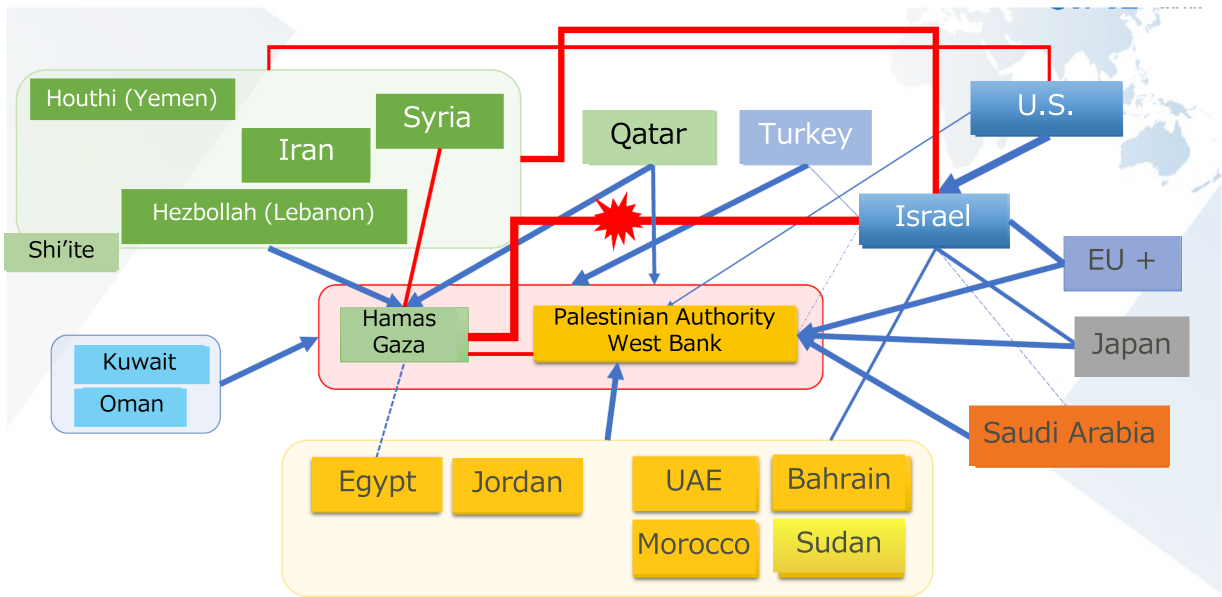
		Production target				Actual production volume
	Country	Nov. 2022 – Apr. 2023	May – Dec. 2023	Jan. – Mar. 2024	Apr. – Dec. 2024	Oct. 2023
Member countries' voluntary production and export cuts from Jan. – Mar. 2024	Saudi Arabia	10,478	9,980 from May to Jun. 8,980 from Jul. to Dec.	8,980	8,980 - 10,478	9,010
	UAE	3,019	2,875	2,712	2,712 - 3,075	3,250
	Kuwait	2,676	2,548	2,413	2,413 - 2,548	2,570
	Kazakhstan	1,628	1,550	1,468	1,468 - 1,550	1,630
	Algeria	1,007	959	908	908 - 959	960
	Oman	841	801	759	759 - 801	800
	Russia	10,478 (9,410 from Mar. to Apr. 2023)	9,410	9,410	9,410	9,530
Other countries participating in output cuts	Iraq, Gabon, Angola, Congo, Equatorial Guinea, Nigeria, Azerbaijan, Brunei, Malaysia, Sudan, Bahrain, Mexico, South Sudan	11,729	11,510	11,310	11,510	10,440
	Total	41,854 (40,788 from Mar. to Apr. 2023)	39,633 from May to Jun. 38,633 from Jul. to Dec.	37,960	38,160 - 40,331	38,190
Countries exempted from output cuts	Iran, Libya, Venezuela	-	-	-	-	5,000

Note: Russia has reduced export volume by 30-50 b/d from May 2023. Voluntary production cuts will be eased gradually from April 2024.
Source: OPEC

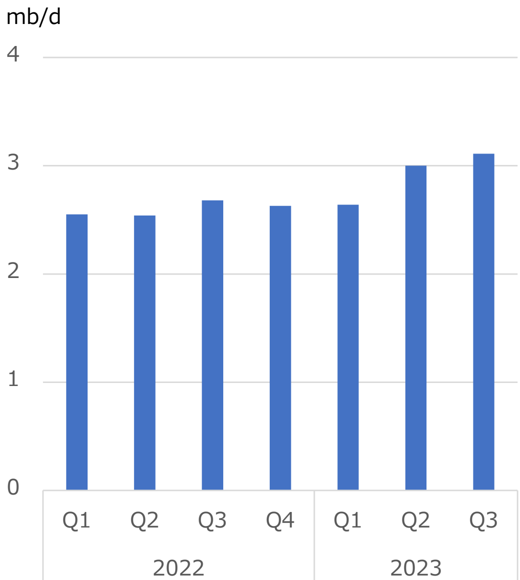
- Some OPEC+ countries decided to raise output cuts and reduce supply by an additional 2.2 million b/d from January to March 2024. Although the deepened voluntary cuts from the current volume of output cuts are limited to 700,000 b/d, a short-term price crash was avoided.
- OPEC+ as a whole could not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

Israel-Hamas military conflict

Relationship between various forces



Iran's crude oil production

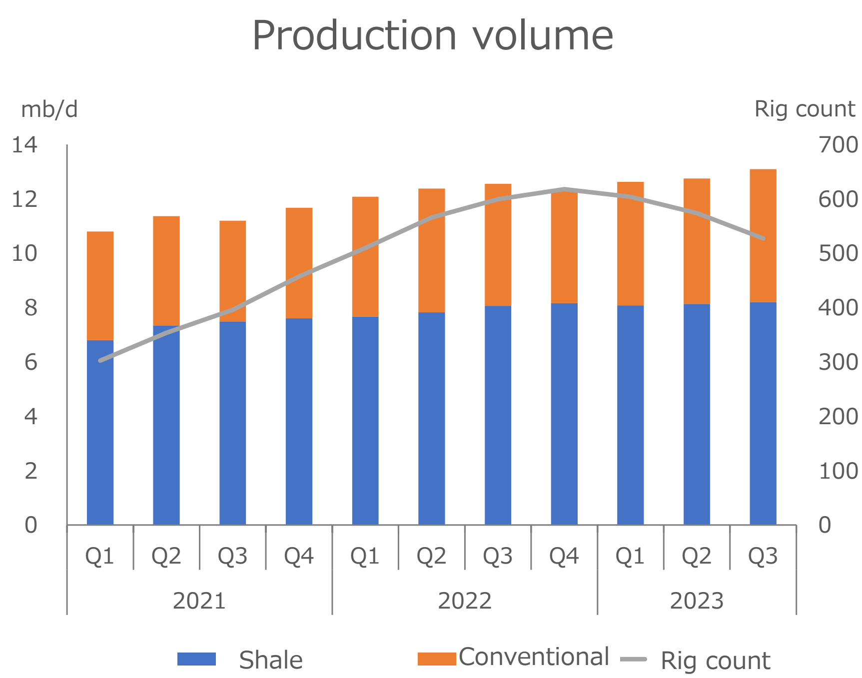


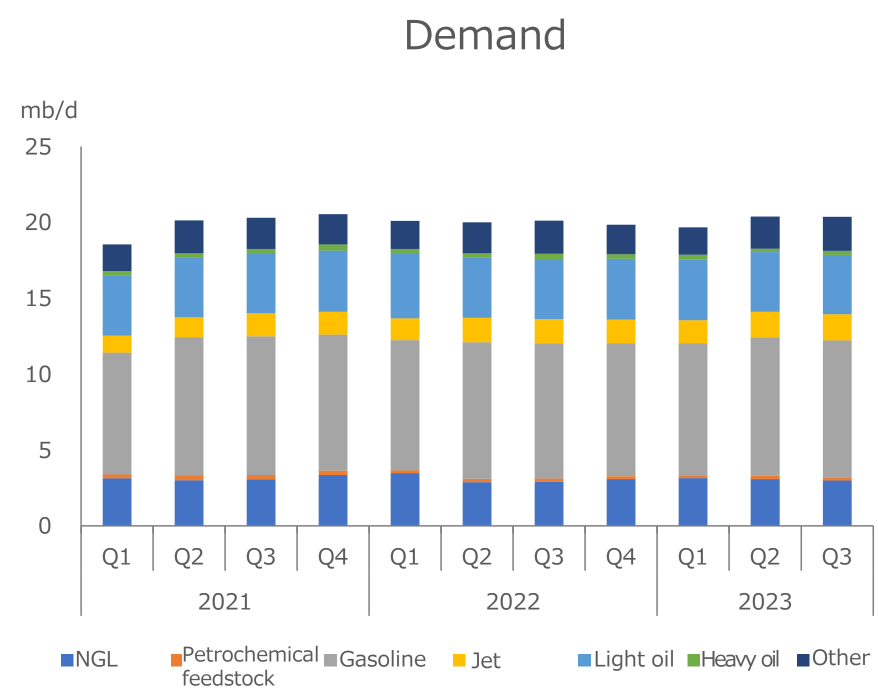
Source: JIME Center of IEEJ, IEA

- There is a limited possibility that the Israel-Hamas military conflict may become a direct cause of disruption to the oil supply.
- However, if the U.S. strengthens sanctions on oil exports from Iran, which supports Hamas and Hezbollah, it could cause a decrease in Iran's oil production volume.

  There is also a risk of supply disruption if the Houthi or others were to attack oil fields and tankers.

U.S.



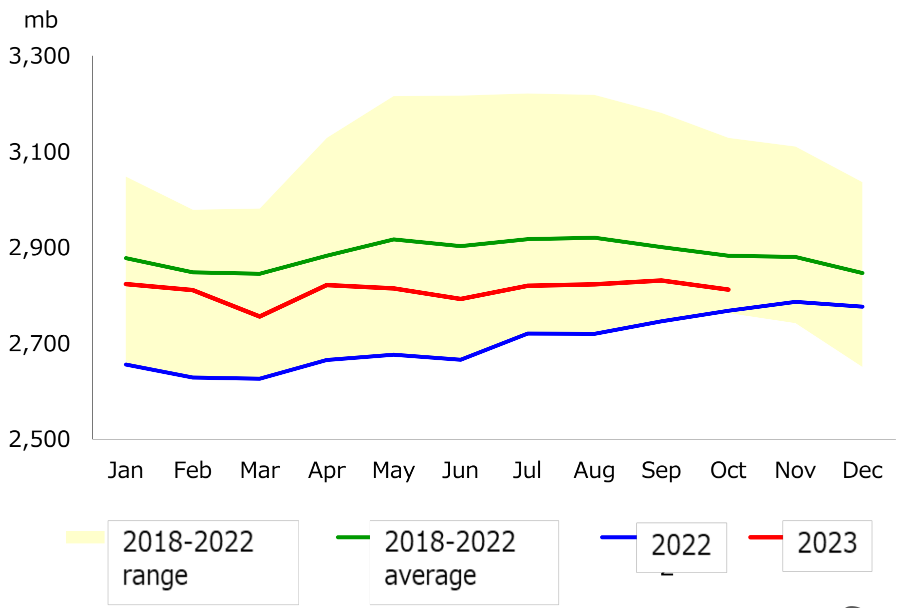


Source: IEA

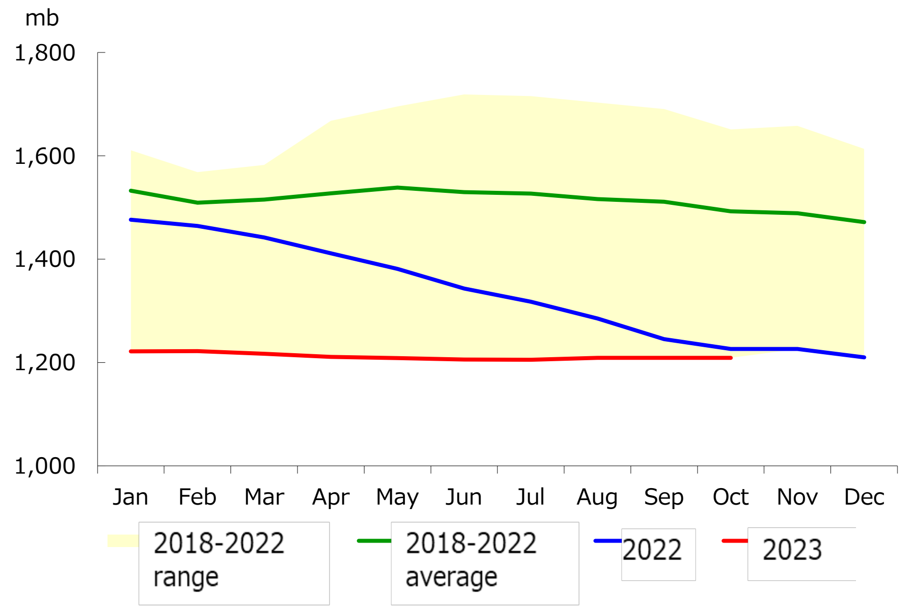
- Production volume increased by 1 million b/d (8.7%) year-on-year to 13.09 million b/d in the third quarter of 2023. Despite a fall in rig count, it is maintaining a gradual increase in production by concentrating on highly productive oil wells.
- Demand remained steady with a year-on-year increase of 260,000 b/d (1.3%) to 20.4 million b/d in the third quarter of 2023.

OECD commercial inventories and government stockpiles

Commercial inventories



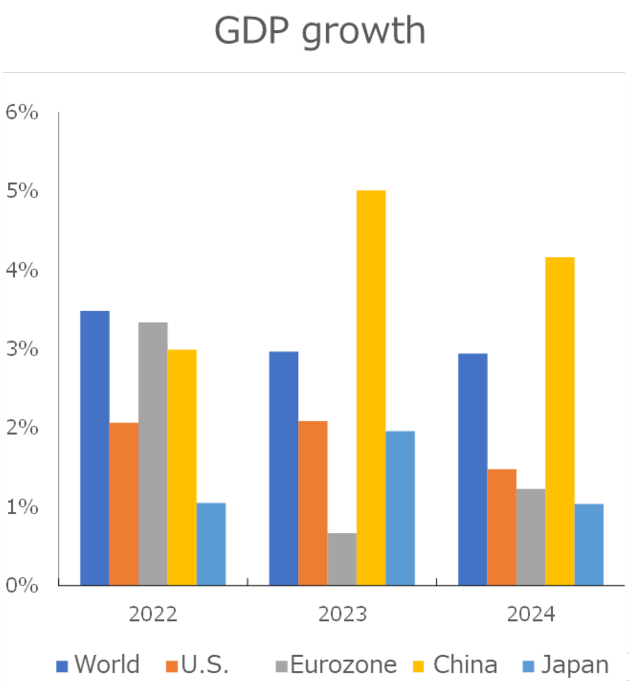
Government stockpiles

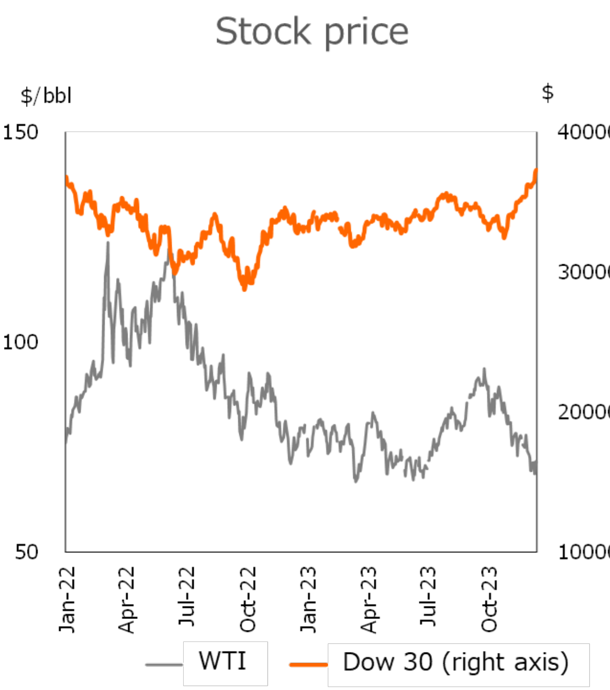


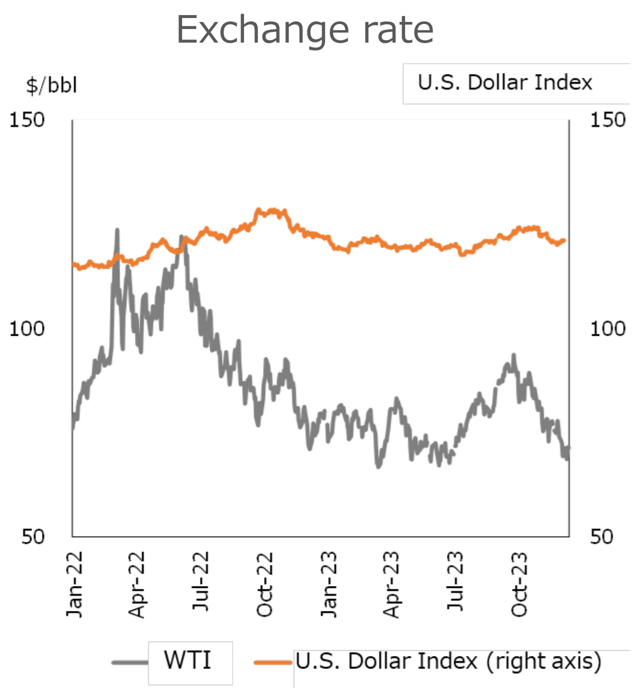
Source: IEA

- 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



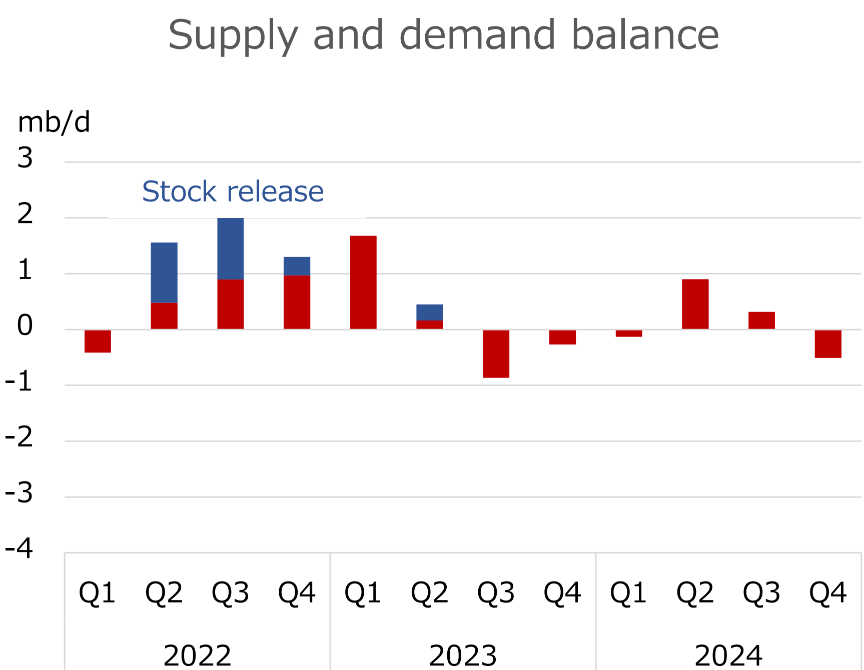


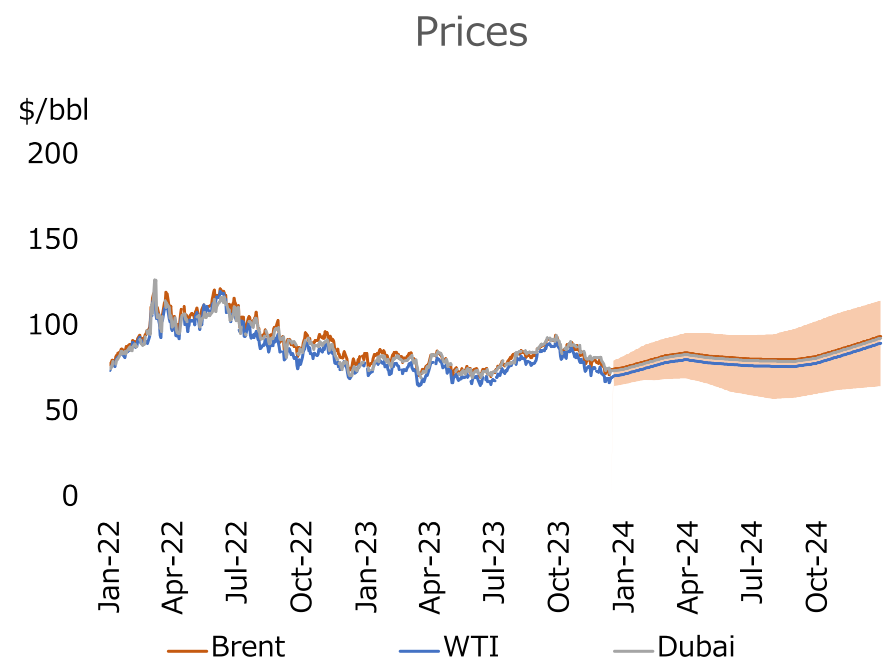


Source: IMF, FRB, CME

- IMF forecasts GDP growth rate to be 2.9% in 2024. It points to the real estate crisis in China, the impact of rising interest rates, climate change, and geopolitical conflicts as risk factors.
- On the other hand, with growing expectations that FRB will cut interest rates in 2024, stock prices hit record highs.

Oil supply and demand balance, and price outlook, for 2024





Source: IEA, CME, ICE, IEEJ

- Despite the additional output cuts by OPEC+ in the first quarter of 2024, supply and demand will be largely balanced throughout the year, if not a slight oversupply.
- Brent price in 2024 is forecasted to hover at the central level of $85/bbl.
- The main factors of uncertainty drawing attention will be 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.

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