



## **International Monetary and Financial Committee**

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On behalf of OPEC



**Statement by the  
Organization of the Petroleum Exporting Countries (OPEC)  
to the  
International Monetary and Financial Committee (IMFC)  
Washington, D.C.**

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OPEC would like to begin by assuring the distinguished delegates to the IMFC of its on-going commitment to oil market stability and to ensuring a regular supply of petroleum to consumers.

The **global economy** has recently gained momentum after a relatively weak start to the year. With a healthy performance in the US and the return to growth in the Euro-zone after six quarters in recession, the developed economies have been the main drivers leading this improvement in global growth, while emerging and developing countries have faced some challenges in the first half. With the major OECD economies expected to continue to improve in 2013 and in the coming year, some positive impact is also likely to be felt in the major non-OECD countries. Recent economic indicators point to an improving economy in China and to some extent in Brazil, while India and Russia are likely to continue being impacted by declining investments in the near-term. Despite recent improvements, global economic growth in 2013 is forecast at 2.9%, due to the low growth at the start of the year. In 2014, the world economy is expected to rebound to 3.5%.

A more positive performance for the world economy could materialize on developments such as any progress made on US fiscal issues; a stronger-than-expected recovery in the Euro-zone; more effective stimulus measures in Japan; further progress in structural reforms in emerging economies; and an improvement in international trade. Among the downside risks are the on-going budget and debt ceiling negotiations in the US; the continued weakness in the Euro-zone's banking system; and Japan's ability to stimulate the economy while at the same time balancing its necessary fiscal adjustments. Further downside risks include the impact on emerging and developing economies of efforts to scale back monetary stimulus in the US; the potential re-emergence of challenges to China's financial system; and reduced foreign and domestic investments in India and Russia.

In the oil market, the current estimation for **world oil demand** growth in 2013 remains at the initial forecast of around 0.8 mb/d, despite a series of revisions. The noticeable improvement in macroeconomic indicators, and the resulting better-than-expected oil consumption figures, has provided some optimism in the OECD regions, especially OECD Europe. In contrast, weakening consumption and the slowing pace of economic growth in some non-OECD countries, such as India, have necessitated a number of downward revisions to the region's demand figures, largely offsetting the gains from OECD economies. In 2013, oil demand growth is estimated to come entirely from the non-OECD regions, increasing by 1.1 mb/d, with China holding the largest share of this growth, while OECD demand is expected to continue its contracting trend, with a decline of 0.3 mb/d.

In 2014, world oil demand is projected to grow at a higher rate of 1.0 mb/d to average 90.7 mb/d. Non-OECD countries are projected to continue to drive global oil demand growth at 1.2 mb/d, mainly from China and the Middle East with each expected to see growth of 0.3 mb/d. In contrast, OECD consumption is set to decline further but at a lower rate of 0.2 mb/d. However, the pace of the recovery in growth in the major economies around the globe remains a key uncertainty affecting world oil demand growth projections in 2014.

Turning to the supply outlook, **non-OPEC supply growth** in 2013 is estimated to stand at 1.1 mb/d. The increase is seen mainly from the US, Canada, South Sudan & Sudan, and Russia, while the disruption in production from Syria along with the decline in North Sea output is seen partially offsetting this growth.

In 2014, non-OPEC supply is expected to increase at a higher rate of 1.2 mb/d, reaching 55.2 mb/d. OECD Americas is the key region behind this growth, with the US accounting for more than half. In Canada, steady gains in oil sands and tight oil production are forecast to add 0.2 mb/d. Supply from Africa is expected to benefit from the return of South Sudan's output. Overall, the outlook for non-OPEC supply in 2014 is subject to risks in both directions, impacted by ongoing economic developments, as well as technical, environmental, and geopolitical factors, along with weather developments.

OPEC NGLs are expected to see steady growth of 0.1 mb/d next year, reaching 5.9 mb/d. As a result, total non-OPEC supply, including OPEC NGLs, is expected to increase by close to 1.4 mb/d in 2014.

Based on these projections, this increase in total non-OPEC supply, including OPEC NGLs, would outpace the expected growth in world oil demand of 1.0 mb/d, resulting in the demand for OPEC crude in 2014 averaging 29.6 mb/d.

This represents a 0.3 mb/d decline from the estimated level for the current year. On a quarterly basis, required OPEC crude is projected at 29.2 mb/d for both the first and second quarters of next year, before increasing to 30.3 mb/d and 29.7 mb/d in the third and fourth quarters, respectively.

Supply disruptions combined with high refinery runs have led to large draws in **commercial crude inventories** in the OECD countries. Crude stocks have lost almost 65 mb since May 2013, remaining well below the latest five-year average. In contrast, product stocks experienced a strong build after a seasonal rise in refinery throughputs, gaining more than 55 mb since last June, but still below the five-year average. On a regional basis, the picture was mixed: stocks in OECD Americas remain at comfortable levels of around 20 mb over the five-year average; and inventories in OECD Asia-Pacific are in line with the average; while OECD Europe stocks show a large deficit reaching nearly 100 mb, driven by lower North Sea crude production as well as the backwardated structure of ICE Brent which provides an economic incentive to keep inventories at a minimum. Lower inventories in Europe also coincided with the lack of demand growth in the region.

Although below the five-year average in absolute terms, total OECD commercial stocks in days of forward cover stood at 58.2 days in August, and therefore remain comfortably above the historical norm, indicating a well-supplied market. In addition to the lower demand for OPEC crude forecast for next year, existing and expanding OPEC spare capacity represents a further supply buffer for the market.

Geopolitical tension and supply outages kept **crude oil prices** at elevated levels during the third quarter. Money managers capitalized on the combination of higher political risks and supply disruptions by increasing their positions to record levels. More recently, easing geopolitical concerns and the gradual return of disrupted supply has helped to reduce the risk premium in the market.

Finally, it is important to note that OPEC Member Countries have continued to undertake enormous **investments** to ensure that supply is sufficient both to meet growing future demand and to provide an adequate cushion of spare capacity. These investments have taken place amid the prevailing large uncertainties in the market, including those impacting the demand for OPEC crude.