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**Statement by the
Organization of the Petroleum Exporting Countries (OPEC)
to the
International Monetary and Financial Committee (IMFC)
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OPEC would like to reiterate to the delegates attending the IMFC that the Organization continues its longstanding efforts to support oil market stability, with a view to eliminating harmful and unnecessary volatility. In this regard, the current oil market environment is characterized by ample supply, increasing crude oil inventories, and with consumers experiencing lower oil prices.

Indeed, between June 2014 and January 2015, **crude oil prices** have fallen by more than 60%. Although they have recovered a little since then, prices are still around half the level seen a year ago. This was largely a reflection of higher oil output, at a time when economic growth outside of the United States, particularly in China, has slowed. Record-high US crude inventories, as well as a stronger US dollar have also weighed on oil prices. The expected end of a longstanding zero interest rate policy in the United States has also contributed to the volatility in oil prices, along with speculative flows which have amplified the impact of uncertainties in the market, resulting in increasing price fluctuations.

The **global economic** recovery continues, although still impacted by some of the after-effects of the global financial crisis. High public and private debt in many major economies, persistently weak labour market in the Euro-zone and – with the exception of India – slowing economic growth in emerging economies have prevented the global economic recovery reaching its potential. Taking these challenges into account, 2015 global GDP growth is forecast at 3.4%, after 2014's growth of 3.3%. While the economies of the OECD are still facing various impediments, their recovery since 2013 has been considerable with an expected growth of 2.2% this year, after 1.8% in 2014 and 1.4% in 2013. The US is the main growth engine within the OECD, but also the Euro-zone slowly continues to recover. This has lifted oil consumption in some of the advanced economies, softened budgetary constraints in some others, allowing major central banks to maintain monetary stimulus and even implement new measures. However, some recent weaker-than-expected economic indicators in the US need to be carefully monitored in the future. Japan still seems to face problems in moving away from its low growth trajectory and while the Euro-zone economies improve relatively, they continue to deal with a variety of challenges.

In the emerging economies, India is expected to recover from its lower growth in the past years. Based on the latest revisions by the government, 2014 GDP growth estimate now stands at 7.2% and the forecast for 2015 is 7.5%. China's latest lead indicators point at possible lower growth in 2015 compared to last year. The forecast stands at 7.0% for 2015, after 7.4% in the past year. Brazil and Russia are not currently contributing to the global economic recovery. Russia is forecast to face a significant contraction of 3.2% this year; while Brazil's economic growth is almost stagnant at 0.2% GDP growth.

Importantly, monetary stimulus played a major role in the global economic recovery in recent years and it might continue to play the same role. The low interest rate environment in advanced key-economies has been a major support for foreign investments in emerging economies, hence lifting oil demand in these countries. In the advanced and emerging economies alike monetary policies could continue to cause unexpected outcomes in many aspects, such as – volatility in commodity, foreign exchange and capital markets –affecting the global economy.

Turning to the oil market, **world oil demand** grew by around 1.0 mb/d in 2014, in line with the initial projection. Lower oil prices and improvement in economic activities in major demand centres resulted in better-than-expected acceleration in oil demand in the 4Q14.

In OECD Americas, improvements in macroeconomic indicators supported by lower oil prices boosted transportation fuels consumption in the US while in OECD Europe, oil demand in 2014 contracted, with the bulk of losses seen in the first half of the year. Some signs of improvement have emerged since then as lower oil prices increased oil consumption. In OECD Asia-Pacific, oil demand declined last year, mainly as a result of less Japanese direct crude/fuel oil burning for electricity generation and a weakening economy.

In the non-OECD, positive economic conditions in India have supported oil demand, leading to a growth of 1.2 mb/d last year. In Latin America, support to oil demand stemmed from last year's drought in Brazil; while in the Middle East, the expected pace of growth in most countries was affected by geopolitical tensions. In China, demand was better-than-initially-projected as higher demand from the petrochemicals and transportation lent support to higher oil consumption.

In 2015, world oil demand is anticipated to rise by 1.2 mb/d, with total growth continuing to come mostly from non-OECD countries. North America in the OECD is the only region expected to see positive growth, driven mainly by an improvement in economic growth in the US. In OECD Europe and OECD Asia Pacific, oil demand growth is expected to continue to decline but at a slower pace.

In the non-OECD, oil demand in Other Asian is expected to be positively affected by India, as more data seems to suggest an improvement in economic

activities in the country with transportation fuels leading the growth. In Latin America and the Middle East, downward risks are currently being observed as governments spending on projects are already reduced and economic activities are anticipated to slow. In China, the outlook is balanced with the downside risks of possible ease in economic conditions and policies supporting reduction in transportation fuels consumption. A healthy petrochemical industry and expansion projects in the refineries represent the upside potentials for China's oil demand growth. Overall, non-OECD is expected to remain the main contributor to global oil demand growth, increasing by 1.1 mb/d in 2015.

On the **supply** side, the initial forecast for non-OPEC supply output in 2014 has experienced an upward revision to currently stand at 2.2 mb/d, the largest gain since the emergence of shale oil output in the US. Much of the growth was due to better-than-expected tight oil output in the US, as well as the Canadian oil sands and oil flow from pre-salt reservoirs in Brazil, while oil production decline from Mexico is seen as higher-than-expected. North America remained the main driver for the non-OPEC supply growth in 2014. Despite declining rig counts from early October, the 4Q14 oil output in the US and Canada, q-o-q, indicates 0.4 mb/d and 0.2 mb/d growth, respectively.

For 2015, non-OPEC supply is expected to grow by around 0.7 mb/d due to the sharp decline in rig counts and an anticipated slowdown in tight oil output later this year. International oil companies have reduced their CAPEX and postponed planned upstream projects, following the slump in oil prices that started in mid-2014. OECD Americas is expected to experience the highest growth and Latin America will see a minor increase, while FSU is likely to see a major decline in 2015. However, a high level of uncertainty is associated with the 2015 non-OPEC supply forecast, including crude oil price developments, fiscal regulatory measures, oil policies and geopolitical concerns, as well as technical challenges such as unplanned shutdowns and sharper-than-expected decline rates, particularly in tight oil plays and brown fields.

Meanwhile, OPEC NGLs are expected to increase at a faster pace in 2015, rising 0.19 mb/d to average 6.0 mb/d, following growth of 0.18 mb/d in 2014.

The latest information for February indicates that **OECD commercial stocks** stood above the latest five-year average indicating a surplus of 75 mb. However, the picture is mixed within the components as crude experienced a surplus of 107 mb, while product inventories remain at a deficit of 32 mb. Commercial crude oil stocks in the OECD remain at a very comfortable level, with crude inventories now at all-time highs in some countries, mainly in the US. This surplus came from increasing non-OPEC supply along with the contango structure in the futures markets, which has encouraged refineries and traders to fill crude inventories.

OECD commercial stocks in terms of days of forward covers stood at 60.9 days in February, which is around 4.0 days above the same period last year and 3.0 days higher than the five-year average. Non-OECD stocks have continued to show a steady increase, especially in China and India, as low crude oil prices provide an opportunity to fill the strategic petroleum reserves. Estimated total non-OECD stocks stood at 1985 mb at the end of 2014, up by around 80.0 mb from the end of 2013.

The contango structure of the forward market contributed to the build in OECD crude commercial oil inventories and also opened opportunities for traders to store oil in tankers. Since the beginning of this year, the premium between the first and 12th month futures contract has been above \$7/b, making it profitable for traders to book tankers and store oil at sea, which currently estimated at 60 mb.

Based on supply/demand projections, the increase in world oil demand growth is expected to outpace the total of non-OPEC supply and OPEC NGLs growths. In February OPEC crude production averaged 30.0 mb/d. Market fundamentals are expected to be more balanced in the second half of this year.