Statement by

Organization of the Petroleum Exporting Countries (OPEC)

to the

Intergovernmental Group of Twenty Four (G-24)

Meeting of Ministers and Governors

Virtual Meeting

October 2021

The **Organization of the Petroleum Exporting Countries (OPEC)** would like to update the distinguished delegates to the **G24 Ministers and Governors Meeting** on **current oil market conditions and developments**.

Since the last **G24** in April, the global oil market consolidated further and oil supply and demand factors moved towards balance as reflected in a reduced global oil surplus. **Commercial OECD oil stocks** adjusted lower to below the 2015-2019 average. **Rising vaccination** rates across the world, specifically in major economies, along with **improvements in mobility** and the easing of social distancing measures, boosted **oil demand** this year. Moreover, the continued efforts by **OPEC Member Countries and non-OPEC countries participating in the Declaration of Cooperation (DoC)** have significantly contributed to the global oil market stability.

The improving global oil market outlook and growing market confidence translated into higher oil prices in **3Q21**, with ICE Brent averaging about **$72/b,** about **$7** higher than its value in **1H21**. However, oil prices experienced some **volatility** in **3Q21** amid the rise of **COVID-19** variants in several countries that raised **uncertainty** about global oil demand outlooks, in addition to uncertainty regarding the fiscal and monetary stimulus measures. Unplanned oil supply disruptions also added some volatility to the oil market. Therefore, continuous monitoring by **OPEC Member Countries and non-OPEC countries participating in DoC** remains **pivotal** to the **stability of the global oil market.**

Global economic growth has recovered, supported by unprecedented government-led stimulus measures and swift improvements in reining in the pandemic's spread. After a healthy recovery in **1H21**, the global growth momentum accelerated in **3Q21**. Further upside potential may come from additional US fiscal stimulus, ongoing monetary easing and similar support measures in other major economies, as well as global improvements in efforts to contain **COVID-19**. At the same time, numerous challenges have become more accentuated in recent weeks. With these uncertainties in both directions, the global GDP growth forecast stands at **5.6%** for **2021** and at **4.2%** for **2022**.

The **US economy** gained momentum in **1H21**, amid pent-up demand and stimulus measures and is forecast to grow by **6.1%** in **2021** and by **4.1%** in **2022**. Amid improving domestic demand, a recovery in exports and ongoing stimulus measures, the **Euro-zone** economy is forecast to grow at **4.7%** in **2021** and **3.8%** in **2022**. The forecast for **Japan** stands at **2.8%** for **2021** and **2.0%** in **2022**, considering the ongoing impact of **COVID-19** on the economy. **China**'s economy is expected to grow by **8.5%** in **2021** and **6%** in **2022**, taking into consideration a strong **1H21** and normalising growth thereafter. **India**'s **2021** growth forecast stands at **9%**, following the major impact of COVID-19 in **1H21,** and **6.8%** in **2022**. Given the strong growth in **2Q21, Brazil**'s **2021** growth forecast stands at **4.7%**, while grow in **2022** is forecast to slow to **2.5%**. **Russia'**s forecast for **2021** stands at **3.5%**, benefitting from the OPEC/non-OPEC efforts to stabilize the oil market, while growth in **2022** is forecast to slow to **2.5%**.

A further rise in **COVID-19** infections, especially considering the coming winter season in the Northern Hemisphere, could dampen current growth projections. In addition, global supply chain disruptions, rising sovereign debt levels in many regions, together with inflationary pressures and central bank responses, are key factors that require close monitoring. Economic growth is anticipated to remain supported by ongoing fiscal and monetary stimulus and continued efforts to contain **COVID-19** infections.

World oil demand is estimated to recover significantly in **2021** and to increase by **6.0 mb/d**, making up around 65% of the lost demand during **2020**. In absolute terms, world oil demand is foreseen reaching **96.7 mb/d**. In the **OECD** region, oil demand is anticipated to see a **2.6 mb/d** y-o-y increase as demand gains traction in OECD Americas, the largest contributor to oil demand growth in **2021**. However, the region's oil demand is not expected to fully recover from the **2020** decline. Rebounding transportation fuels, mainly gasoline, in addition to healthy light- and middle-distillate requirements, are assumed to support oil demand recovery going forward. In the **non-OECD region**, oil demand is estimated to rise by **3.4 mb/d**. Demand growth is anticipated to be driven by China, followed by Other Asia and India. The healthy rebound in economic activity is expected to stimulate industrial fuel demand. Demand for petrochemical feedstock is also projected to support demand growth.

In **2022**, **world oil demand** growth is expected to continue recovering and to increase by around **4.2 mb/d** to **100.8 mb/d**. Oil demand in the **OECD** is anticipated to rise by **1.83 mb/d**, with OECD Americas rising steadily, and OECD Europe and Asia Pacific recording respectable growth. Additionally, ongoing improvements in vaccination rates and a potential increase in public confidence in managing COVID-19 is anticipated to be more widespread in **2022**, further supporting the recovery of oil demand, particularly transportation fuels. Petrochemicals and transportation will be sectors of the economy that will require more oil in 2022. Gasoline demand will be supported by higher employment and rising vehicle sales while expansion in the petrochemical industry and steady petrochemical margins will support light distillates in **2022**. In the **non-OECD** region, growth is expected to be around **2.32 mb/d**, with China continuing to lead the region in terms of growth, followed by Other Asia and India. As vaccination rates rise, the COVID-19 pandemic is expected to be better managed and economic activities and mobility will return to pre-COVID-19 levels in the main consuming countries. Light distillates supported by NGL capacity additions and steady petrochemical margins, strong middle distillate requirements, in light of healthy industrial and aviation sectors, as well as firm gasoline consumption supported by an expansion in the global vehicle fleet, are projected to lead the petroleum product increases next year.

Uncertainties surrounding the outlook remain high and are similar to the world economic outlook. These uncertainties particularly stem from issues related to **COVID-19 developments** – including rises in infections, the emergence of new variants and the pace of vaccination efforts. Additionally, developments in the global and regional **economic outlook**, such as progress in industrial activity and labour markets and the effect of monetary and fiscal stimulus measures, are also factors to be monitored closely over the short term.

Non-OPEC liquids supply in **2021** is expected to grow by **0.9 mb/d** from a year ago. The main drivers for growth are Canada, Russia, China, the US, Norway, Brazil and Guyana. Following the drastic fall in the US oil production due to freezing weather in February and the recent outages caused by Hurricane Ida in the US Gulf of Mexico, US production is expected to increase by **0.08 mb/d**. **Global E&P spending** for **2021** is forecast to grow by a slight **3.9%** y-o-y to average $418 billion, much lower than the $886 billion recorded in 2014.

For **2022**, the **non-OPEC liquids supply** is expected to grow by **2.9 mb/d**. The main contributors for growth will be Russia, the US, Canada, Brazil, Norway and Guyana. This will help the non-OPEC producers to begin returning shut-in wells, particularly in North America, although capital-spending circumstances still prevail. Global E&P spending for **2022** is forecast to grow by only 0.5% y-o-y to average $420 billion. Given the fluidity of ongoing developments, there is a great deal of uncertainty surrounding the non-OPEC supply forecast for **2022**, mainly with regard to oil demand and spending by E&P companies.

Meanwhile, **OPEC NGLs and non-conventional liquids** production in 2021 is estimated to grow by **0.1 mb/d to average 5.2 mb/d**, and forecast to grow by **0.1 mb/d to average 5.3 mb/d** in **2022**. In August **2021**, **OPEC crude oil production** increased by **0.15 mb/d** m-o-m to average **26.76 mb/d**, according to secondary sources.

Total OECD commercial oil stocks fell by **20.1 mb** m-o-m in August 2021 to stand at **2,855 mb**. At this level, they were **363.8 mb** lower than the same time one year ago, **183.9 mb** below the latest five-year average, and **131.2 mb lower than the (2015-2019) average.**

Within the components, **OECD commercial crude stocks** fell in August by **27.0 mb** to stand at **1,358 mb**. This is **175.7 mb** lower than the same time a year ago and **106.6 mb** less than the latest five-year average, as well as **91.5 mb below the (2015-2019) average**. In contrast, **total product inventories** rose by **6.9 mb** m-o-m in August to stand at **1,497 mb.** This is **188.1 mb** lower than the same time a year ago and **77.3 mb,** less than the latest five-year average, as well as **39.7 mb below the (2015-2019) average**.

In terms of **days of forward cover,** OECD commercial stocks fell m-o-m by 0.1 days in August to stand at **62.5 days**. This is **12.3 days** below August **2020** levels and **2.5 days** lower than the latest five-year average, as well as **0.3 days less than the (2015-2019)** average. All OECD regions were below the latest five-year averages: the Americas by **2.7 days** at **61.5 days**; Europe by **1.3 days** at **70.8 days**; and Asia Pacific by **5.0 days** at **50.0 days.**

In closing, **OPEC** would like to take this opportunity to reaffirm its **long-standing commitment to supporting oil market stability** for the mutual benefit of consuming and producing nations, as well as the global economy. In the midst of the unprecedented crisis created by the pandemic, the countries participating in the **Declaration of Cooperation** have once again demonstrated their unswerving dedication to pursue stabilization of the global oil markets and contribute to restoring healthy oil market fundamentals and once again help balance the oil market in support of the global economy.