Statement by

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The **Organization of the Petroleum Exporting Countries** would like to update the distinguished delegates to the **International Monetary and Finance Committee (IMFC)** on current oil market conditions and developments.

The global oil market showed relative stability and ended 2019 on a positive note, despite economic headwinds and high uncertainties regarding ongoing trade disputes, Brexit and geopolitical developments throughout the year. At the beginning of 2020, there were signals that the economy would rebound from the slowdown in the second half of the previous year, with global economic activity, including global trade and industrial production, expected to pick up. Furthermore, despite strong growth in non-OPEC production, the global oil market remained well balanced, owing to the strong conformity of OPEC and participating non-OPEC producing countries in the **Declaration of Cooperation (DoC)** of an exceptionally high 145% in 2019, which played a major role in improving oil market conditions and market stability.

However, instead of the expected pick-up in activity in 2020, the global economy and, consequently, the global oil market are drawn into one of the most severe crises in recent history, caused by the **COVID-19** pandemic. Countries around the world have virtually shut down, imposing travel restrictions and mandating social-distancing measures in an effort to contain the pandemic. These measures have not only severely affected global economic growth, they have also caused a historic demand shock in the oil market, which has led to extreme volatility in oil prices. Concerns about this grave oil market imbalance, which would inevitably lead to massive global oil stock overhangs in coming months, led to oil prices dropping significantly in late March to below $20/b and reach the lowest levels in nearly 18 years. Oil prices lost about two-thirds of their value over 1Q20.

Given current market conditions and the massive oil demand destruction so far, OPEC, together with other producing countries participating in the DoC, held an **Extraordinary Ministerial Meeting** on **9 April 2020** to address the huge market volatility and fast growing global oil imbalance, taking an immediate decision to avoid further deterioration in the market. The agreement to once again adjust production is expected to be implemented as of 1 May, necessitating a further revision of the non-OPEC supply and supply/demand balance outlook for the rest of the year in the days and weeks to come. Furthermore, the Meeting welcomed the strong support of other producing countries and states participating in the Meeting to make voluntary contributions and called for comprehensive international cooperation to stabilize the global oil market and prevent extensive and lasting damage to the oil industry.

Following global economic growth of **2.9%** in **2019**, the world economy is forecast to face a severe recession in **2020**, declining by **1.1%**. Despite slight signs of improvement at the beginning of the year, expectations for global economic growth were burdened by the carry-over of weak 4Q19 data in several key economies, which has been significantly worsened by the strong impact of the COVID-19 pandemic. Economic developments in times of COVID-19 are proving to be unique. Contrary to comparable economic shocks, the global economy is witnessing a combination of a supply and a demand shock, together with severe disruption in the financial markets. Moreover, the impact of COVID-19 is exacerbated by high global debt levels, the ongoing general slowdown in world trade, as well as challenges in manufacturing caused by slowing capital expenditure in some key economies and by the global deceleration of the automotive industry. The underlying key assumption for the 2020 GDP growth forecast is that the impact of COVID-19 related developments outside China will be felt most in 2Q20, when world GDP is expected to contract by at least 8%.

Therefore, most regions are forecast to see a slowdown through 2Q20, recovering only towards the second half of 3Q20. China's trajectory is forecast to see a sharp deceleration in 1Q20, and to a lesser extent in 2Q20, before recovering in 2H20. By 4Q20, global activity is assumed to have almost normalized. Nevertheless, depending on future developments, further downside risk remains.

Positively, the sharp downturn is counter-balanced by unprecedented government-led stimulus measures designed to offset the negative economic consequences. Based on OPEC Secretariat estimates, the global stimulus measures in the form of **fiscal and monetary stimulus**, including guarantees, amount to around **US$15 trillion**, or about **17%** of **global GDP**, and constitute the largest stimulus efforts ever undertaken.

Importantly, the fast growing imbalance in oil markets is also taking a significant toll on global economic growth. Therefore, a recovery in the oil sector may provide further support to global economic development.

Within the **OECD** group of countries, the **US** is forecast to experience a strong contraction in 2Q20, following a lesser decline in 1Q20. While the considerable fiscal and monetary stimulus measures will provide a good base for recovery in 2H20, growth is forecast to decline by **3.5%** in **2020**, following growth of **2.3%** in **2019**. An even larger decline is seen in the **Euro-zone**, where economic activity is forecast to fall by **6.0%** in **2020**, compared to growth of **1.2%** in **2019**. Following a largely declining Euro-zone economy in 1H20, fiscal and monetary measures are expected to support a recovery in 2H20. **Japan** is forecast to decline by **3.3%** in **2020**, comparing to growth of **0.7%** in **2019**. After the government's sales tax increase in 4Q19, the economy experienced negative growth in 4Q19 and now faces additional rising challenges amid the COVID-19 crisis. A stimulus package of up to 20% of Japan's GDP will counterbalance some of the downside in 1H20 and support growth in 2H20.

COVID-19 is also expected to take its toll on **emerging markets**. While **China** has been particularly affected since the beginning of the year, the situation now seems to be under control. Following growth of **6.1%** in **2019**, Chinas' **2020** GDP is forecast to grow by **1.5%**, mainly due to a sharp contraction in 1Q20. A tender recovery should materialise in 2Q20, before the rebound accelerates in 2H20. While **India** was less impacted during the first two months of the year, the negative economic impact of COVID-19 will increase going into 2Q20. With a recovery forecast in 2H20, growth in **2020** is forecast at **2.7%**. Similarly in **Brazil**, economic growth is forecast to show a significant contraction in 1H20, with some recovery in 2H20 leading to a y-o-y decline of **1.6%** in **2020**. **Russia's** economy is forecast to decline by **0.3%** in **2020**, not only due to COVID-19, but also because of the considerable decline in oil prices. Depending on near-term developments in the oil market, the Russian economy is forecast to recover in 2H20, after an expected considerable contraction in the first two quarters of the year.

World oil demand in 2019 grew by a lower-than-expected **0.83 mb/d**. Both the OECD and non-OECD regions saw weaker y-o-y growth due to softer economic growth in 1H19, as well as warmer weather in the Northern Hemisphere in 4Q19.

In stark contrast to earlier expectations, **global oil demand** in **2020** is now forecast to fall by as much as **6.8 mb/d** y-o-y, due to the global COVID-19 pandemic and its impact on transportation and industrial fuels. Oil demand is expected to suffer the most in the first half of the year and shrink by more than 10 mb/d, and to recover somewhat in 2H20.

In **OECD Americas**, oil demand in 2020 is projected to drop significantly y-o-y. Government measures to reduce the spread of the pandemic are expected to have a significant negative impact on transportation fuels, particularly gasoline. In **OECD Europe**, oil demand is also projected to decline, especially for transportation and industrial fuels, with jet fuel experiencing the largest impact. In **OECD Asia Pacific,** contracting y-o-y oil demand in both Japan and South Korea is expected to be exacerbated by the impact of COVID-19 in 1Q20. Similar to OECD Europe, demand for transportation and industrial fuels, including petrochemical feedstock, will suffer particularly in 1H20, with some improvement anticipated in 2H20. Nevertheless, overall demand is expected to be deeply in the negative. Jet fuel is forecast to be significantly hit in 2020, as along with diesel and fuel oil, in light of reduced economic activity.

In the **non-OECD**, oil demand growth in **China** is forecast to show a y-o-y decline. Jet fuel demand was affected in 1Q20 because of reduced air travel, while gasoline will be impacted by a decline in kilometres driven. Industrial fuels and petrochemical feedstock will also face serious challenges going forward, with growth very much dependent on the extent of the rebound during 2H20. In **Other Asia**, oil demand is also projected to decline y-o-y, with the transportation and industrial sectors projected to be impacted the most due to government measures to prevent the spread of the pandemic. In **Latin America**, growth in oil demand is also forecast to be slower y-o-y, driven by an expected slowdown in economic growth and the impact of COVID-19. Industrial fuels, led by diesel, are projected to decline, followed by transportation fuels, particularly gasoline. In the **Middle East**, oil demand is projected to contract y-o-y in 2020, mainly as a result of slower economic expectations and the restrictions placed on individual mobility in an attempt to contain COVID-19.

In **2019**, **non-OPEC liquids supply** (including processing gains) is estimated to have grown by **1.99 mb/d** y-o-y. The US, Brazil, Canada, Russia, Australia and China were the main growth drivers, while Mexico and Norway saw the largest declines. Though non-OPEC supply in 2019 was challenged by infrastructure constraints in Texas and Alberta, growth was supported by production ramp ups in Brazil, Australia and the new giant oil field in Norway in 4Q19.

For **2020**, COVID-19, the ensuing global economic recession and oil demand destruction are forecast to impact **world oil supply** substantially. Oil companies have announced reductions in planned capital expenditure amid sharp declines in oil price levels. Global E&P spending for 2020 is forecast to drop by 20% and now estimated at $450 billion, the lowest level in 13 years. Before the COVID-19 pandemic, upstream investment was expected to remain flat y-o-y. Non-OPEC liquids supply (including processing gains) for 2020 was revised lower by around **1.6 mb/d** from previous estimations and was expected to grow by **0.16 mb/d**. These numbers, however, will require further revisions as the outcome of the recent meeting and agreement unfolds and begin to take effect. Given the fluidity of ongoing developments, the non-OPEC supply forecast for **2020** faces a large amount of uncertainty, mainly with regard to oil demand, oil price levels and spending by E&P companies.

Meanwhile, **OPEC NGLs and non-conventional liquids** are estimated to have grown by 0.04 mb/d in 2019, to average 4.79 mb/d, and are forecast to grow by 0.04 mb/d in 2020 to average 4.83 mb/d. In March 2020, **OPEC crude oil production** increased by **843 tb/d** to average **28.62 mb/d**, according to secondary sources.

OECD commercial oil stocks rose by **5.6 mb** m-o-m in February 2020 to stand at **2,945 mb**. This was **64.3 mb** higher than the same time one year ago and **24.7 mb** above the latest five-year average. Within components, crude stocks fell by **6.1 mb**, while product stocks rose by **11.7 mb** m-o-m.

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, thus contributing significantly to the health of the global economy. The historic success of the **Declaration of Cooperation** has underscored the Organization's leadership in ensuring a **stable and constructive environment** in which future energy requirements can be met. Given the current global crisis brought on by the COVID-19 pandemic, the need for international coordination has become ever more apparent. OPEC reiterates its commitment to spearhead the joint efforts in re-establishing healthy oil market fundamentals and restoring balance to the oil market in support of the global economy.