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Broad perspective on oil markets

By

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Crude oil prices climbed to 2023 highs in September

Extended cuts from Saudi, Russia propelled crude prices to 10-month high above $90/bbl in September. Speculative futures positions on exchanges rose to highest since Ukraine invasion.
Global oil demand hits record summer highs above 103 mb/d

Total oil demand is set to rise by 2.2 mb/d to 101.8 mb/d in 2023. With the post-pandemic recovery having largely run its course and as the energy transition gathers pace, growth will slow below 1 mb/d in 2024.
Saudi, Russia extend cuts while non-OPEC+ supply surges, led by US

Global oil supply is set to rise by 1.5 mb/d in 2023. Voluntary cuts by Saudi, Russia contributed to a decline in OPEC+ output of 500 kb/d y-o-y. This is offset by soaring non-OPEC+ growth of 2 mb/d, led by the US.
Extended output cuts lock in significant market deficit in 2H23

Market could flip to surplus in 2024, as demand growth slows and if OPEC+ ends voluntary cuts. With global oil inventories set to fall to critically low levels before then, a return to stock builds would be welcome.
Oil’s rally to boost inflation, especially in developing countries

Economic models in developing countries tend to be more oil intensive, with a higher oil-share in CPI consumption baskets. The inflationary impact of oil’s rally will therefore be felt more acutely.

Source: Oxford Economics
Oil’s changed relationship with US dollar to lift inflation further

Oil has become more positively correlated to the US dollar in recent years in the wake of the US Shale Revolution, adding to import costs and contributing to consumer inflation.

<table>
<thead>
<tr>
<th>Country</th>
<th>Retail Gasoline Price</th>
<th>FX vs USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>2405%</td>
<td>-97%</td>
</tr>
<tr>
<td>Egypt</td>
<td>84%</td>
<td>-77%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>260%</td>
<td>-66%</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>149%</td>
<td>-59%</td>
</tr>
<tr>
<td>Ghana</td>
<td>335%</td>
<td>-71%</td>
</tr>
<tr>
<td>Türkiye</td>
<td>260%</td>
<td>-66%</td>
</tr>
</tbody>
</table>

Source: GlobalPetrolPrices.com