

# Monitoring of OPEC quotas

Oil production at a two-year low

Economics

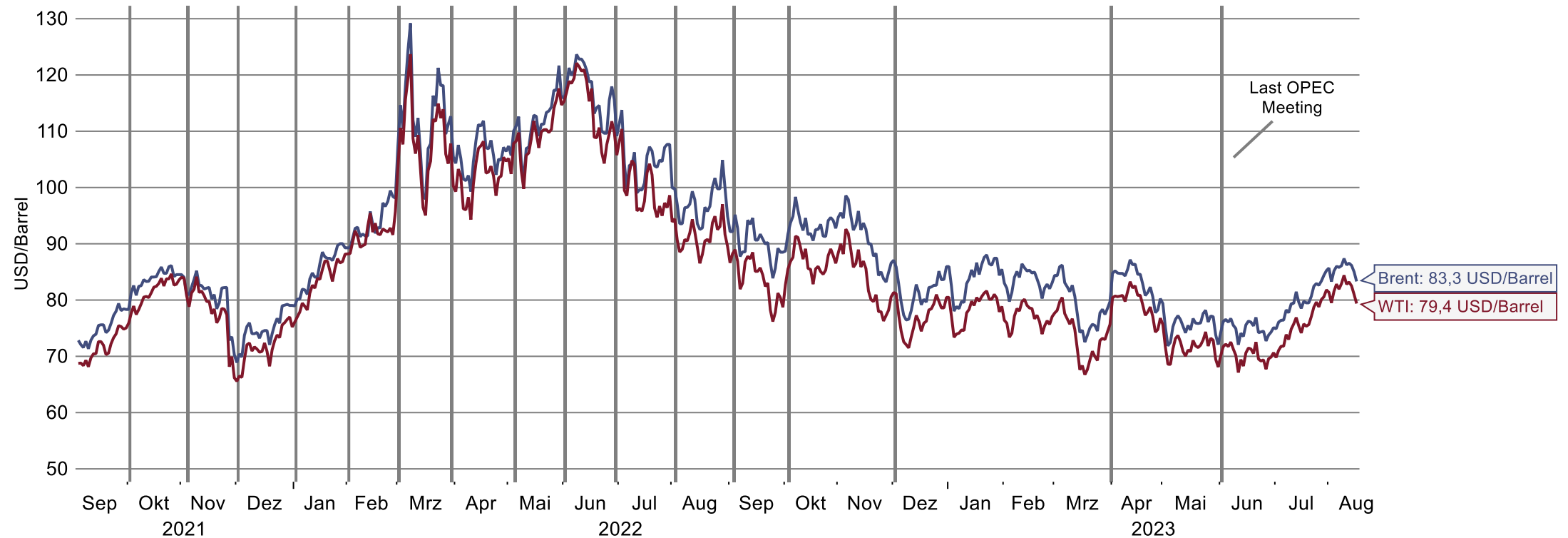
August 17, 2023

# Executive summary

- In July, OPEC Plus reduced its crude oil production to the lowest level in nearly two years. Compared to the previous month of June, OPEC Plus crude oil production decreased from 41.34 million barrels/day to just 40.40 million barrels per day. The 13 OPEC member countries pumped a total of 27.34 million barrels/day, while Russia and eight other allies added 13.06 million barrels/day.
- The decline in crude oil production can mainly be attributed to Saudi Arabia's voluntary quota cuts. As announced, the country reduced its production by approximately 940,000 barrels/day to 9.05 million barrels/day, reaching the lowest level since June 2021. However, the decrease was not as significant as the promised cut of 1 million barrels/day. Due to an issue at Forcados, the OPEC member Nigeria also experienced a reduction of 100,000 barrels/day. Production levels remained stable for all other OPEC Plus members.
- Further cuts are also expected in the coming months. OPEC and its partners plan a significant supply reduction until at least the fall, with the aim of supporting oil prices. Saudi Arabia stated that it will maintain its voluntary cut of 1 million barrels/day until the end of September, while OPEC ally Russia has committed to a decrease in crude oil exports by 500,000 barrels/day in August and 300,000 barrels/day in September. However, there remains uncertainty regarding the compliance with the recent commitments.
- The initial effects of production restrictions are already evident: The previously declining oil price has risen significantly since the last OPEC meeting. The mere announcements of upcoming quota cuts have propelled the oil price upward.
- The forecast for global oil demand in 2023 has been slightly revised upwards. This adjustment, according to OPEC, stems from the continuous rise in fuel consumption in industry and transportation, supported by the economic recovery in non-OECD regions. An increase in oil demand is anticipated for the USA and China, while demand in Europe is expected to decrease. The question remains whether the recent weak economic data from China will prompt OPEC to adjust the oil forecast for China downwards.
- The next regular OPEC meeting is scheduled for November 26, 2023. Extraordinary meetings can be convened at any time.

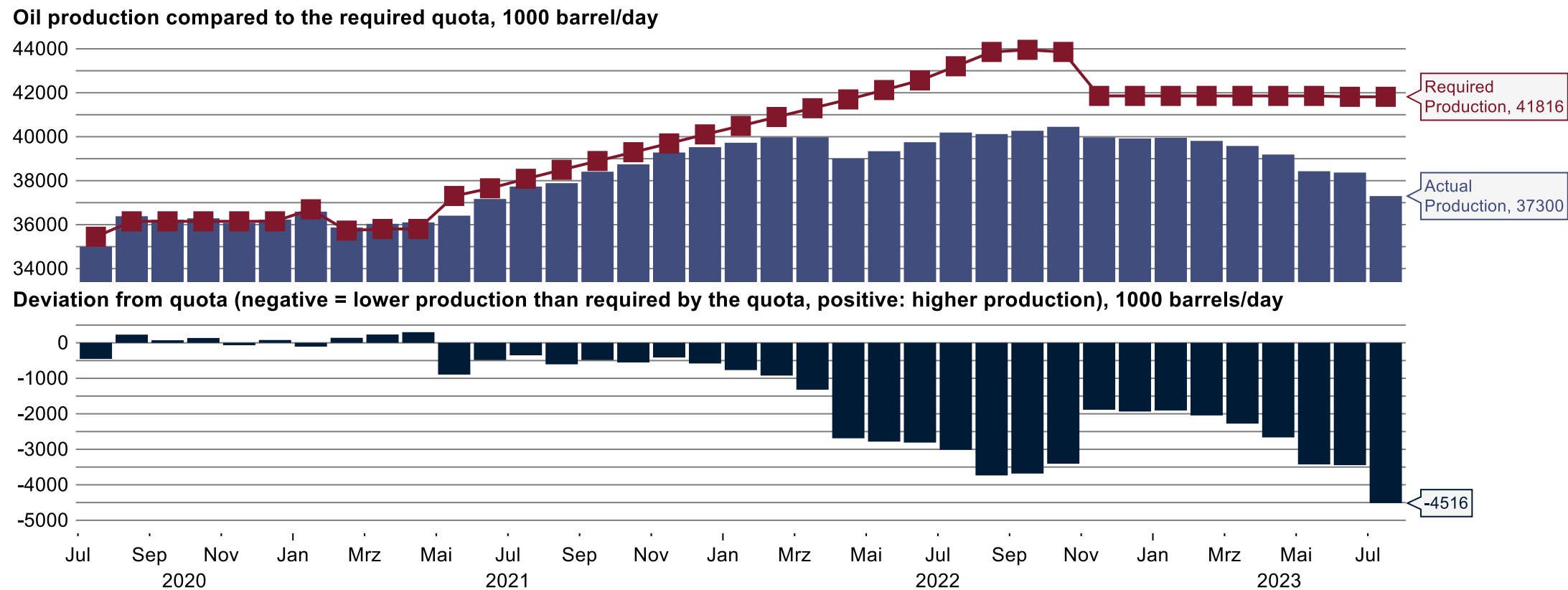
# Price development: Recently, the oil price has risen again, primarily attributed to the supply constraints imposed by OPEC.

Oil price, Brent und WTI, US-Dollar/Barrel (lines indicate the OPEC/OPEC Plus meetings)



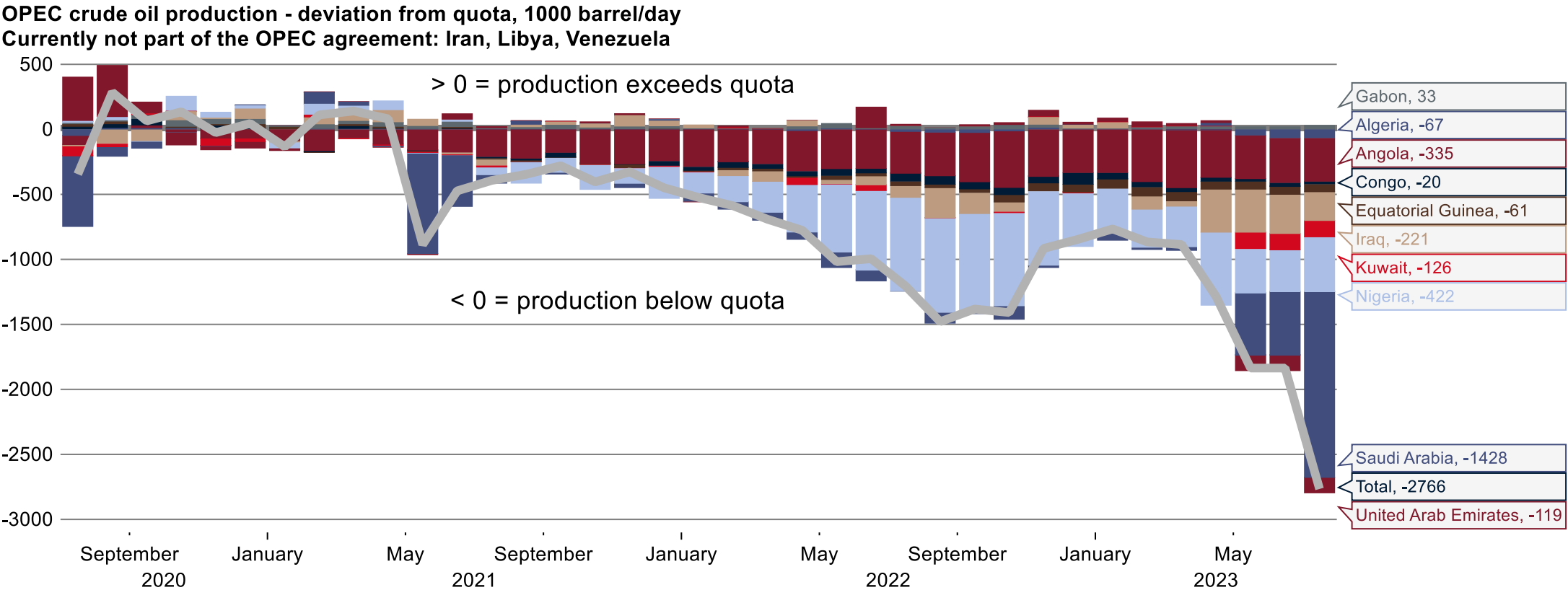
Source: Macrobond, HCOB Economics, Intercontinental Exchange (ICE)

**Production quota: In July, production decreased by 960,000 barrels/day. This decrease is mainly attributed to Saudi Arabia's voluntary cuts. Note: The voluntary quota reductions are not included in the official “required production” figures.**



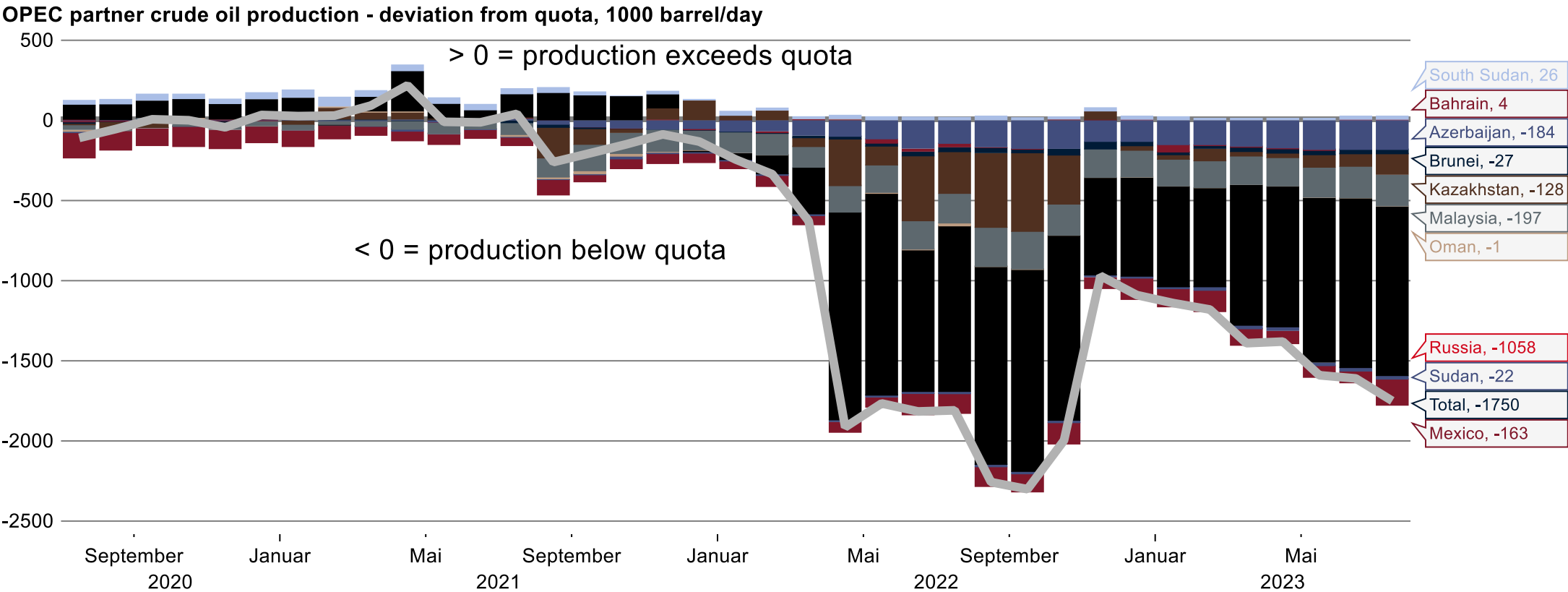
Source: Macrobond, HCOB Economics, S&P Global Platts, IEA

# Compliance of OPEC: Deviations from the required production arise, for instance, due to the voluntary quota cuts for Saudi Arabia, Kuwait, and the UAE.



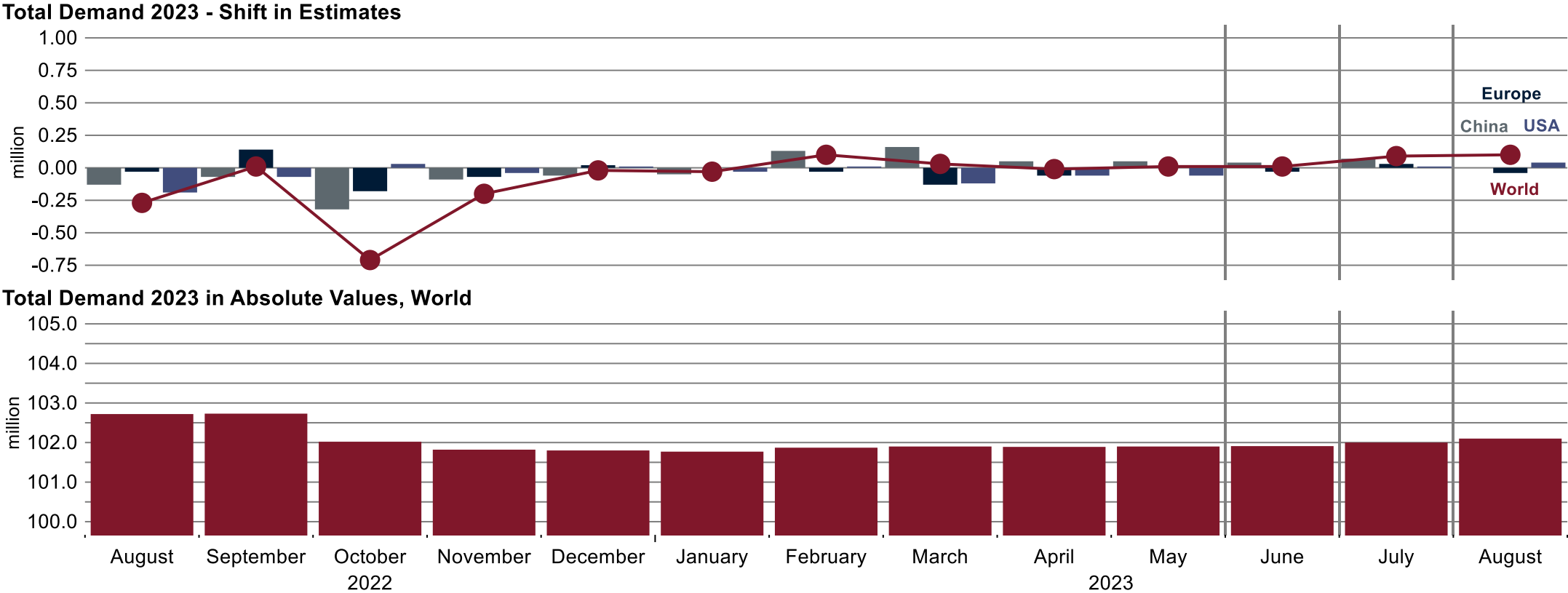
Source: Macrobond, HCOB Economics, Bloomberg, S&P Global Platts

# Compliance of OPEC partners: Russia continues to miss the production target. At the same time, Russia has announced further voluntary production cuts for August and September.



Source: Macrobond, HCOB Economics, S&P Global Platts, IEA

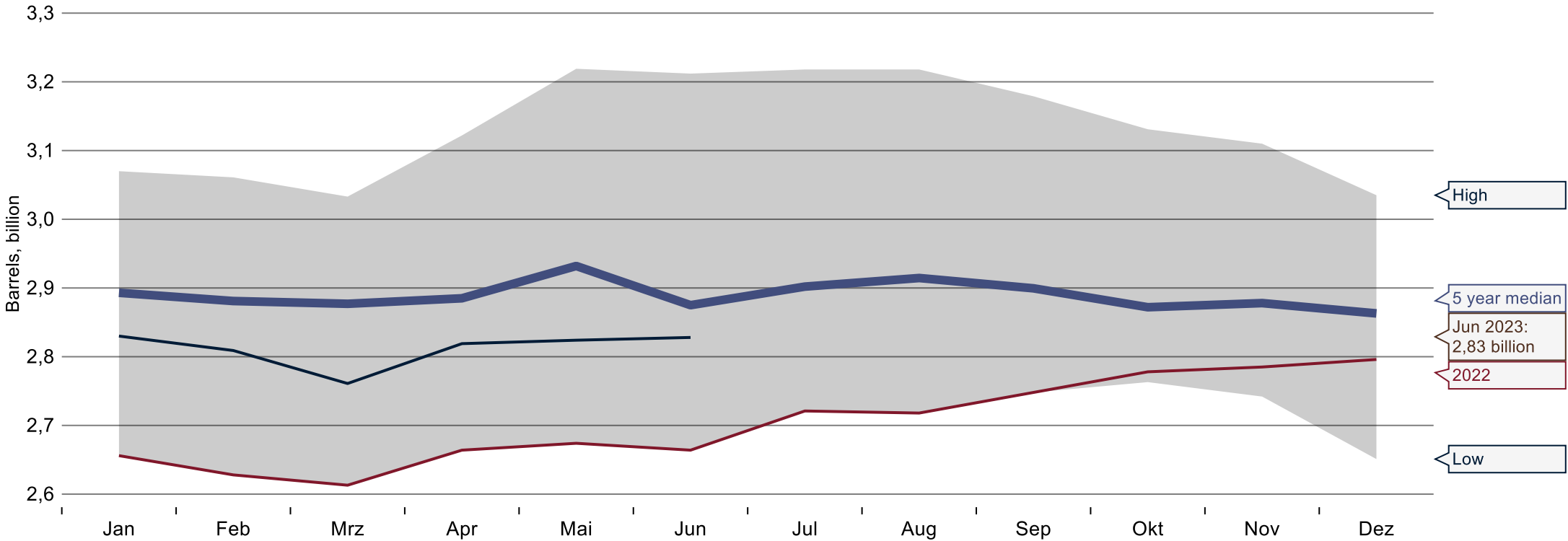
**Oil demand forecast 2023: The forecast has been adjusted upward for the USA and China, while a decline is expected for Europe. Global demand is expected to rise due to increased fuel needs in the industry and transportation sector.**



Source: Macrobond, HCOB Economics, OPEC

# OECD inventories: Stocks in OECD countries continue to rise, with this increase solely attributed to refined oil products.

Oil inventories (crude and products) of OECD countries according to the data of OPEC, most recent development and five year average



Source: Macrobond, HCOB Economics, OPEC



# Background: OPEC countries and OPEC partners

## OPEC

- Algeria
- Angola
- Congo
- Equatorial Guinea
- Gabon
- Iraq
- Kuwait
- Nigeria
- Saudi Arabia
- United Arab Emirates

Excluded from the agreement due to political difficulties:

- Libya
- Iran
- Venezuela

## OPEC partners

- Azerbaijan
- Bahrain
- Brunei
- Kazakhstan
- Malaysia
- Mexico
- Oman
- Russia
- Sudan
- South Sudan

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## Editing and shipment

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Editorial deadline for this issue: August 17, 2023

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