

SPECIAL REPORT

27th March 2021

OPEC Contracts Oil Demand Forecast to 5.9 Million bpd for the Year 2021

As per the latest OPEC monthly report, World oil demand in 2020 shows a contraction of 9.6 mb/d, to stand at 90.4 mb/d. OECD oil demand contracted by 5.6 mb/d, while non-OECD demand declined by 4 mb/d. For 2021, world oil demand is expected at **5.9 mb/d**, to stand at **96.3 mb/d**. Oil requirements in 1H21 are adjusted lower, mainly due to extended measures to control COVID-19 in many key parts of Europe. In addition, elevated unemployment rates in the US slowed the recovery process. In contrast, oil demand in 2H21 is adjusted higher, reflecting expectations for a stronger economic recovery with the positive impact of vaccination rollouts. In regional terms, OECD oil demand is expected to increase by **2.6 mb/d** in 2021 to stand at 44.6 mb/d, while non-OECD demand is seen rising by 3.3 mb/d to average 51.6 mb/d

The Non-OPEC liquids production is estimated to average 62.9 mb/d in 2020, a contraction of 2.6 mb/d on a yearly basis. Non-OPEC oil supply in 2020 declined in Canada, Colombia, Kazakhstan, Malaysia, the UK and Azerbaijan, but increased in Norway, Brazil, China, and Guyana. Non-OPEC liquids supply for 2021 is forecast to grow by almost **1 mb/d** to average **63.8 mb/d**. The US liquids supply forecast remains unchanged, with growth of 0.16 mb/d in 2021, although uncertainties persist. The main contributors to supply growth are expected to be Canada, the US, Norway, Brazil and Russia. OPEC NGLs are forecast to grow by **0.08 mb/d** in 2021 to average 5.2 mb/d, following a decline by **0.13 mb/d** last year. In February, OPEC crude oil production decreased by 0.65 mb/d, m-o-m, to average 24.85 mb/d, according to secondary sources.

Outlook:- For the coming month, we are estimating Global Crude prices to trade sideways with the slightly lower global demand with full lockdown being imposed with various western countries. However, the global economic growth forecast contraction of **-3.7%** for **2020** from **-3.9%** in the preceding month, amid a further improved momentum in especially in developed economies. Additional stimulus measures in the US and an accelerating recovery in Asian economies are expected to lift the **2021** forecast to **5.1%**, compared to the previous month's forecast of 4.8%. The global central banks have not been hawkish in the last month's meeting as they are very much well prepared for the ongoing second and third wave of covid-19 which will limit extreme bearishness in the global crude prices.

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