

Oil Market Report



International
Energy Agency

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HIGHLIGHTS

- **Oil markets began the New Year confronting a host of supply issues**, not least a pending EU ban on Iranian oil imports and retaliatory threats from Tehran to close the Strait of Hormuz, through which flows roughly one-third of world oil exports. Oil prices jumped \$4-5/bbl on the reports, but eased on mounting euro zone debt issues. Brent was last trading near \$112/bbl and WTI at \$100.50/bbl.
- **Clear signs of economic weakness tipped global oil demand into a declining year-on-year trend at the end of 2011**, down 0.3 mb/d in 4Q11, its first such drop since the tail-end of the credit crunch. The significantly lower starting point has accordingly trimmed global oil demand growth to 1.1 mb/d for 2012 (from 1.3 mb/d previously).
- **Non-OPEC supply fell by 140 kb/d to 53.2mb/d in December**, as rising North Sea output only partially offset a seasonal decline in biofuels and lacklustre supply from the FSU. Middle East unrest and other unplanned outages limited annual growth in 2011 to only 45 kb/d. A rebound to 340 kb/d growth is expected for 1Q12, and 1.0 mb/d for 2012 overall, as non-OPEC output averages 53.7 mb/d.
- **December OPEC crude output rose by 240 kb/d to 30.89 mb/d, the highest in more than three years**, on a rapid recovery in supplies from Libya, and lesser increases from Saudi Arabia and the UAE. OPEC in December raised its output target to 30 mb/d for 2012, close to OMR projections for the 'call on OPEC crude and stock change'.
- **OECD industry oil inventories rose by 4.1 mb to 2 647 mb**, or 57.5 days of forward cover, in November, led by North American and European gasoline. Stock levels nonetheless remained below the five-year average for a fifth consecutive month. December preliminary data show a seasonal 23.6 mb draw in OECD industry stocks.
- **Global refinery crude runs are revised down by 250 kb/d and 170 kb/d for 4Q11 and 1Q12, to 74.8 mb/d and 74.9 mb/d, respectively**. Weak economic growth and mild weather led to global demand contraction in 4Q11. A weakening economic outlook and recent refinery shutdowns in Europe curb early-2012 activity levels.

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