



بنك الإمارات دبي الوطني
Emirates NBD

Commodities

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Crude oil update

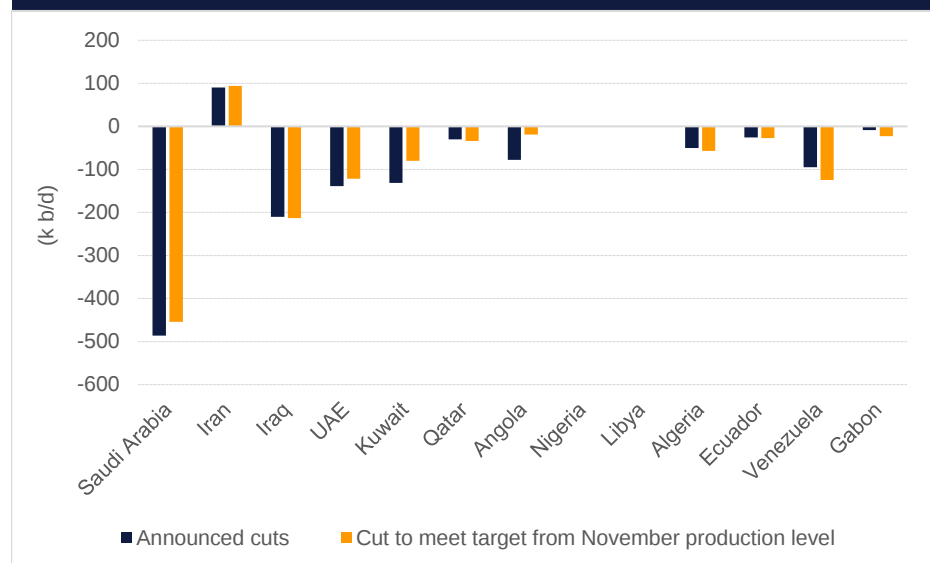
OPEC output update

OPEC's production hit 33.87m b/d in November according to the producer bloc's latest monthly oil market report. Total production rose more than 150k b/d from a month earlier and was more than 1.4m b/d higher than November 2015. The latest data is under substantial scrutiny as it follows OPEC's announcement that it was prepared to cut production in order to improve oil prices starting from January 2017.

In its production cut announcement, OPEC set individual country levels that would mean overall the bloc would cut output by 1.2m b/d to reach collective output of 32.5m b/d. However, using the latest November data, a cut closer to 1.4m b/d would be needed and that also leaves to one side allowing Nigeria and Libya to increase production thanks to carveouts from the deal.

Nigerian production is quickly recovering ground lost from militant attacks last year. Nigeria's production is still down more than 160k b/d from where it was in November 2015 but the oil minister expects 200k to be added within six months. The outlook for Libya is far more uncertain. Output there is recovering quickly (575k b/d in November compared with 270k b/d in August) but the political situation remains highly fluid and poses direct threats to oil output as rival groups can shut down critical oil infrastructure.

Some work left to do to get to 32.5m b/d



Source: OPEC, Emirates NBD Research. Note: Indonesia has suspended its membership in OPEC

Both countries are key to OPEC meeting its production target of 32.5m b/d. Better than expected growth from either would help push OPEC past its output target and not leave much wiggle room for other OPEC producers for variations in monthly output. By setting an overall target the oil market is at risk of monthly lurches similar to when OPEC was trying to limit output to just 30m b/d and any output over or under contributed to the market swinging back and forth.

Several producers are on their way to hitting their individual targets with the most ground to be made up in Venezuela. Iraq and Algeria also have some work cut out to meet their obligations. Iran had special dispensation to raise output by 90k b/d according to the terms of the cut agreement and now must limit growth to less than 100k b/d over the next six months.

OPEC has revised higher its estimate of non-OPEC production growth in 2017 to 300k b/d, from around 200k b/d last month. The OPEC secretariat still expects a decline of 150k b/d from the US but the weekly data coming out from the EIA may put paid to these forecasts relatively rapidly. Total US output rose 100k b/d in the last week alone and is up 368k b/d since hitting its recent trough in July.

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