

WEEKLY ANALYSIS

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POSITIVE OUTLOOK FOR THE CRUDE AND OIL SECTOR

A market close to imbalance this winter. Reduction in Russian production. New American sanctions change the situation. Oil prices higher than expected. Positive outlook for prices and the global oil sector.

Key points



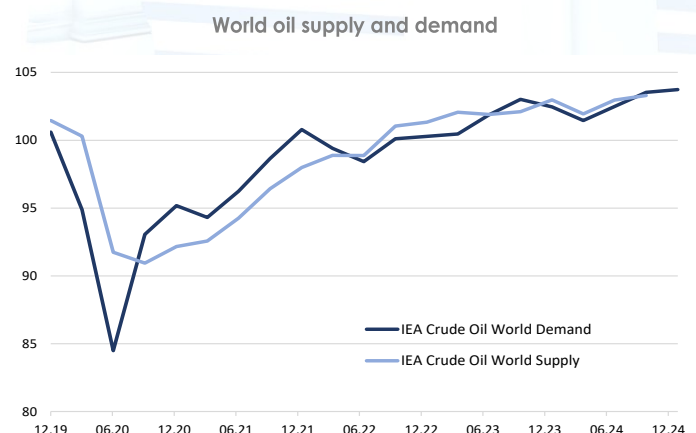
- World oil market: oversupply?
- Oil demand underestimated for 2025
- The oil market may already be out of balance this winter
- Russian production likely to be reduced in the incoming months
- Crude prices to rise above consensus forecast to \$85/bbl
- Positive outlook for the oil sector in 2025

The recent decision by OPEC+ ministers to postpone additional voluntary production cuts by three months, and to extend the ramp-up period to September 2026 by nine months, has significantly reduced the risk of potential overproduction in 2025. Nevertheless, some member countries that are already exceeding their quotas will continue to produce at the same rate. This third postponement since September comes against a tense geopolitical backdrop that threatens supply, and a political context in the United States that could ultimately affect supply, with a new Trump administration favoring deregulation of the sector. The reductions will therefore be phased in, at the earliest, from the 2nd quarter of 2025 to September 2026. Moreover, it is by no means out of the question that the March 31, 2025 date may be postponed again if the evolution of supply and demand parameters between now and then do not show sufficient signs of strengthening to enable prices to remain stable, or even rise, in the event of a gradual reduction in production quota cuts.

World oil market: oversupply?

Our growth forecasts for the global economy in 2025 take into account a strengthening of economic conditions in China, supported by government measures and somewhat stronger external demand. In Europe, we expect momentum to exceed that of 2024. In the USA, however, the expected slowdown in growth should be limited. Emerging countries are expected to make a greater contribution to global growth. The global macroeconomic context should thus support world GDP growth of around +4% in 2025. In this environment, global demand for crude oil is set to increase by around 1.3 mbpd in 2025, bringing total world consumption to almost 105 mbpd. Growth in demand is still expected to come from emerging Asian countries, but also from China. On the production side, supply should also be able to increase by 1.2 mbpd to just over 104 mbpd, thanks to supply growth in the USA and Canada in particular, without taking into account the possibility of an end to current OPEC+ production cuts.

We therefore feel that it is still far too early to really anticipate this decision. In the meantime, we must bear in mind that actual OPEC+ production is still almost 0.7 mbpd higher at the start of the year than the production levels set. However, global supply is estimated to be in surplus, particularly if all non-OPEC+ countries manage to increase their production by around 1 mbpd of crude oil.



Sources: Bloomberg, BBGI Group SA