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OPEC Plus Decision in Charts: Russia's Production Shortfall Will Not Be Absorbed

Economics

May 11, 2022

OPEC Plus decision of May 5

- Although OPEC Plus seems to have been **unable to meet** agreed **quotas** for months and the war in Ukraine apparently forced **Russian Federation** to **cut production** in April, oil producers have **stuck to** their policy of gradually **increasing quotas**. At its May 5 meeting, OPEC Plus decided to increase the production quota by 432,000 barrels/day for the month of June to a total of 42.558 million barrels/day.
- At the same time, suppliers such as **Saudi Arabia** and the United Arab Emirates are **not prepared to absorb** the **deficit** in the market, which is also reflected in very low stock levels among OECD countries.
- In April, OPEC Plus produced 2.65 million barrels/day **less oil** than had been agreed. In addition to **Russia**, the OPEC countries **Angola** and **Nigeria** as well as OPEC partner country **Kazakhstan** were primarily responsible for this.
- It is possible that OPEC Plus is not as confident about the **demand side** as previously suggested. In fact, the organization slightly **reduced its forecast** for global oil demand in April. In particular, **China** is expected to increase its oil consumption less in the face of an economic slowdown.
- The next OPEC Plus meeting will be held on **June 2, 2022**.

Price development: the oil price rose only briefly after the OPEC plus meeting and has since fallen significantly as economic concerns have increased.

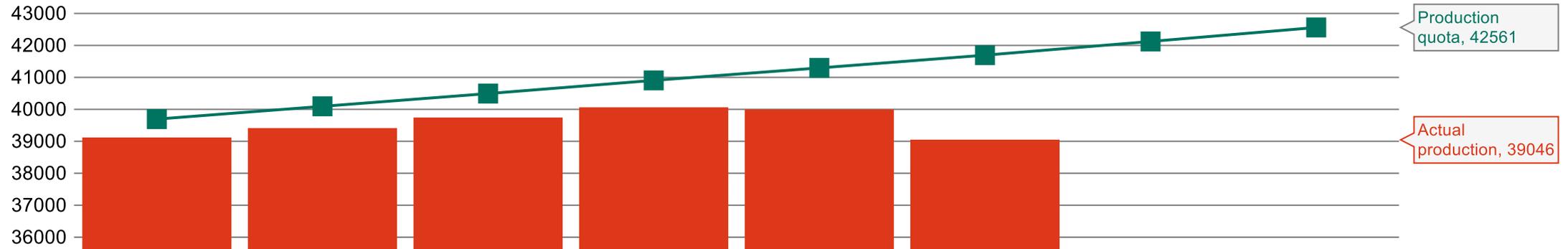
Oil price, Brent und WTI, US-Dollar/Barrel (lines indicate the OPEC/OPEC Plus meetings)



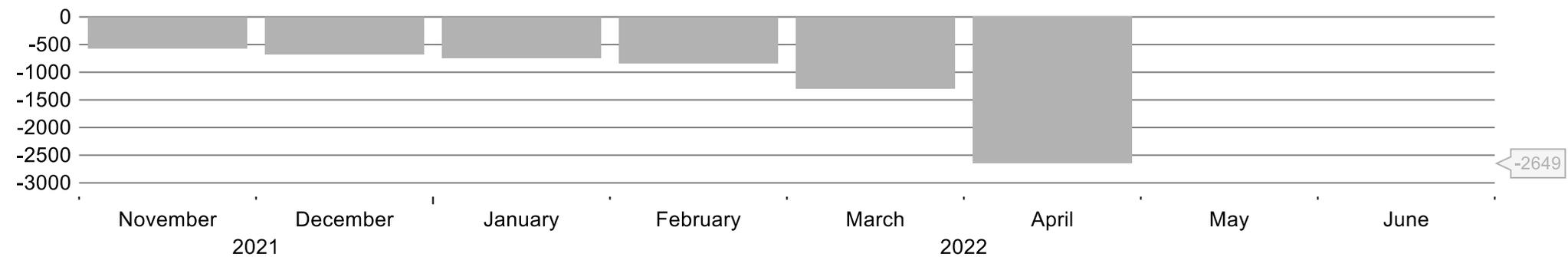
Source: Macrobond, Hamburg Commercial Bank Economics, Intercontinental Exchange (ICE)

Production quotas: although the agreed production quota was missed by a wide margin in April, OPEC Plus decided to expand the quota again by 432,000 barrels/day.

Oil production compared to the required quota, 1000 barrel/day



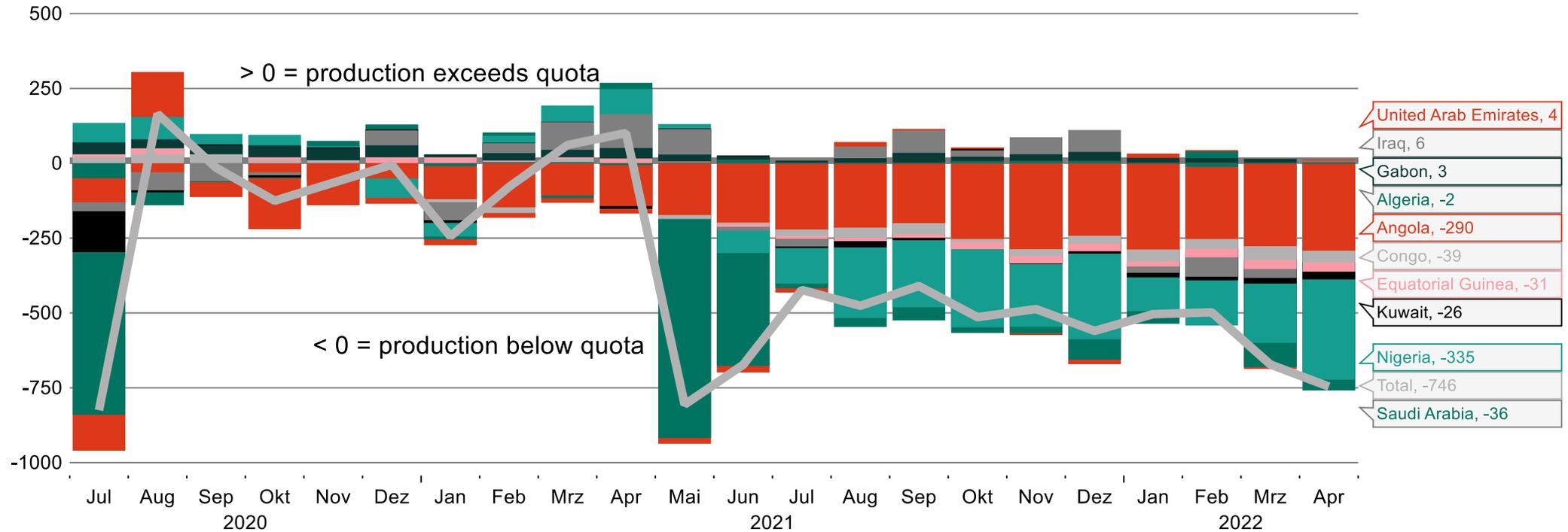
Deviation from quota (negative = lower production than required by the quota, positive: higher production), 1000 barrels/day



Source: Macrobond, HCOB Economics, S&P Global

OPEC compliance: only a few countries are currently managing to meet the agreed production quotas. Angola and Nigeria in particular are falling well short of their quotas.

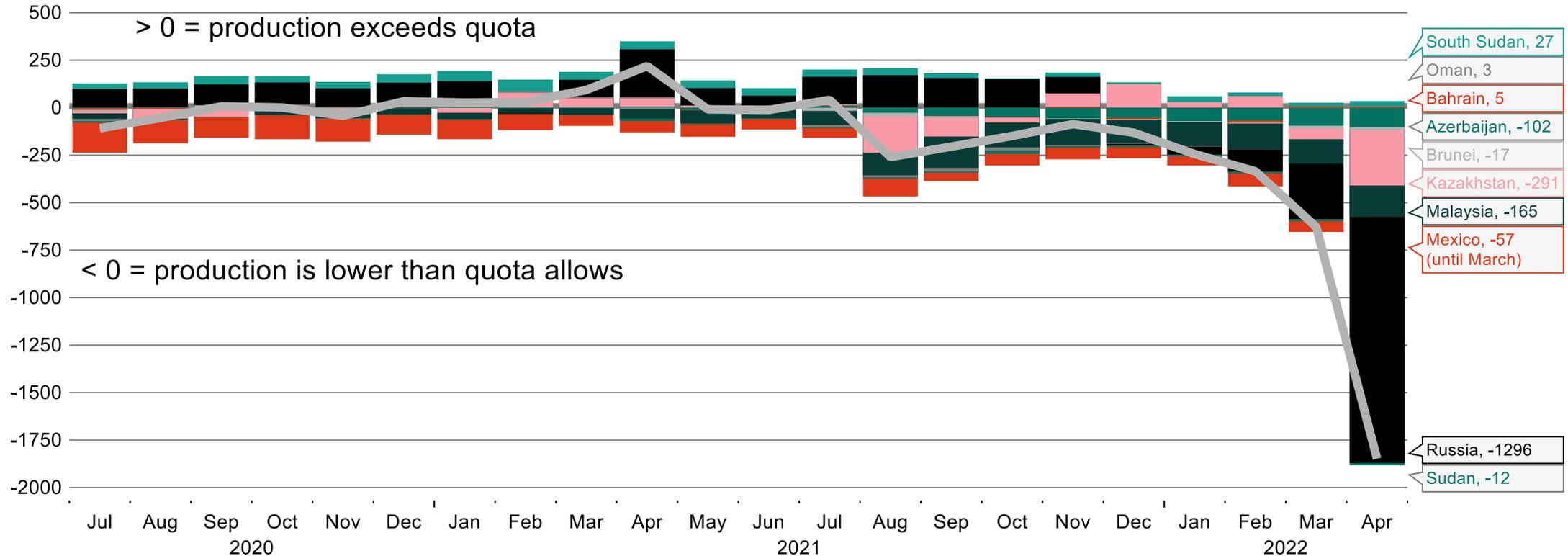
OPEC crude oil production - deviation from quota, 1000 barrel/day
 Currently not part of the OPEC agreement: Iran, Libya, Venezuela



Source: Macrobond, Hamburg Commercial Bank Economics, S&P Global Platts

OPEC partner compliance: due to the invasion of Ukraine, Russia is obviously not able to maintain oil production at the previous level.

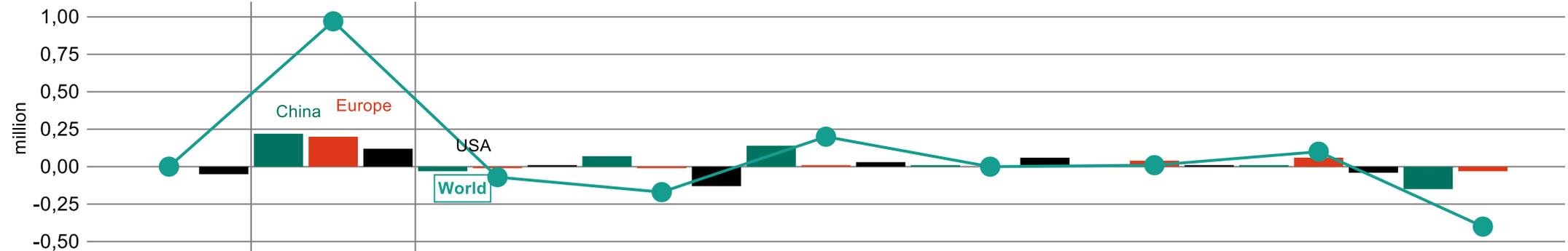
OPEC Plus crude oil production - deviation from quota, 1000 barrel/day



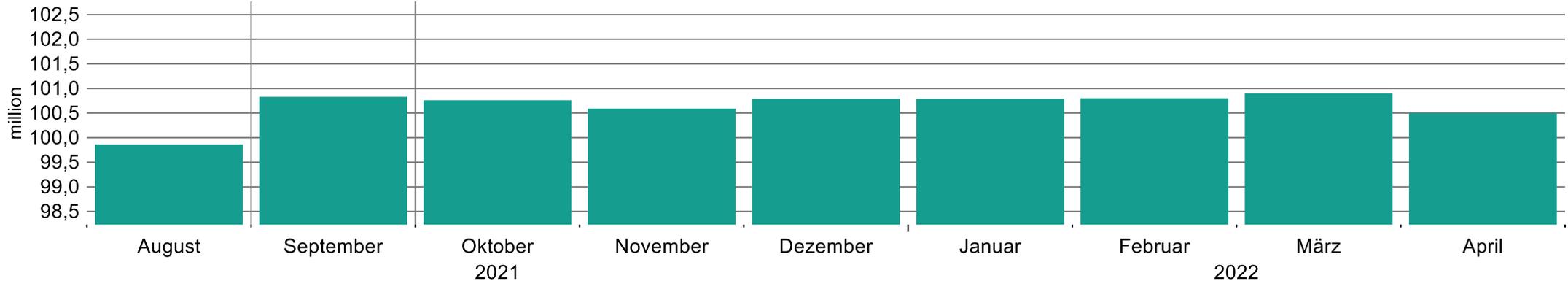
Source: Macrobond, Hamburg Commercial Bank Economics, S&P Global Platts

Oil demand forecast: OPEC is somewhat less confident about global demand in the current year. China's weaker growth is particularly responsible here.

Total Demand 2022 - Shift in Estimates



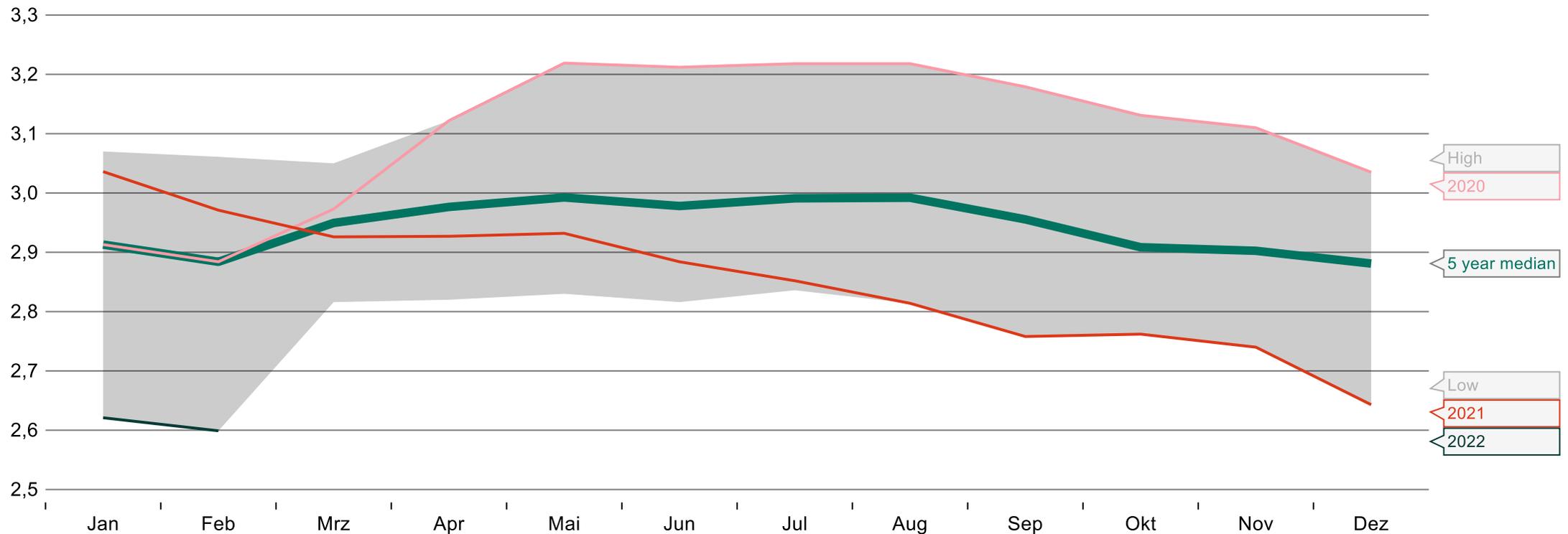
Total Demand in Absolute Values, World



Source: Macrobond, HCOB Economics, S&P Global

OECD inventories: Oil inventories are at an extremely low level, reflecting the supply shortage.

Oil inventories 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 agreements due to political trouble:

- Libya
- Iran
- Venezuela

OPEC partner

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

Contact persons

Editing and shipping

Economics

Dr. Cyrus de la Rubia

Chief Economist

Phone: +49 160 90180792

Email: cyrus.delarubia@hcob-bank.com

Norman Liebke

Junior Economist

Phone: +49 171 5466753

E-mail: norman.liebke@hcob-bank.com

Christian Eggers

Senior FX Trader

Phone: +49 171 8493460

Email: christian.eggers@hcob-bank.com

Tariq Chaudhry

Junior Economist

Phone: +49 171 9159096

E-mail: tariq.chaudhry@hcob-bank.com

Further contact persons at Hamburg Commercial Bank

Institutional & Liability Sales

Thomas Benthien

Phone: +49 151 14833046

Corporate Treasury Sales

Fritz Bedbur

Phone: +49 151 14651131

Boris Gettkowski

Phone: +49 175 2281619

Syndicate & Credit Solutions

Tim Boltzen

Phone: +49 151 15244845

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Gerhart-Hauptmann-Platz 50, 20095 Hamburg, Phone 040-3333-0

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