

SectorVector

Reading the topical trends

November 2024

Crude confined

Weak global demand caps a run up in crude oil prices

Crude oil prices rise slightly to \$75.7/bbl in October amid geopolitical uncertainties

Crude oil prices increased 2% on-month to \$75.7 per barrel (bbl), on average, in October but fell ~17% on-year.

Though geopolitical uncertainties pushed prices up a tad in the first half of the month, subdued demand, especially from major economies such as China, prevented a further rise.

China announced a stimulus package in late September to combat the current downturn in its economy, but lack of demand-side measures kept the sentiment sluggish.

The recent flare-up in geopolitical tensions has limited the decline and prices are expected to stay in the \$74-79 per bbl range in the fourth quarter of this year. Developments in the Middle East remain a key monitorable.

Demand stagnates

Global crude oil demand slipped a marginal ~1% sequentially but increased ~1% on-year in October.

A ~5% on-month demand decline in China and ~1% in Europe was partially offset by ~1% rise in the US.

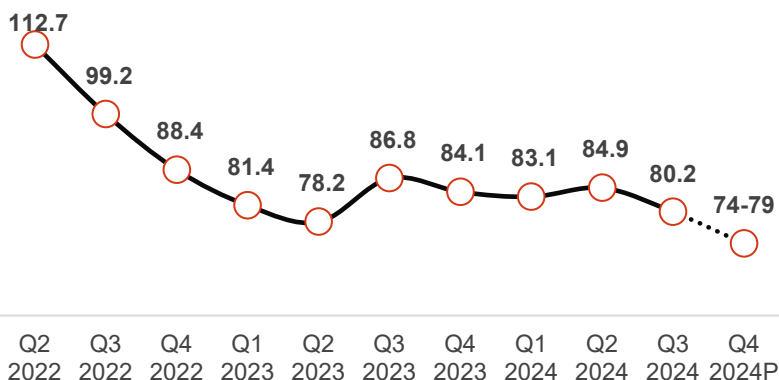
Supply stable

Crude oil supply increased 1% on-month in October, owing to increase in supply from non-OPEC+ nations such as the US (~1%) and Canada (~4%).

Iraq's attempts to adhere to the pledged cutbacks dragged down overall supply, though offset by higher supply from Libyan oilfields.

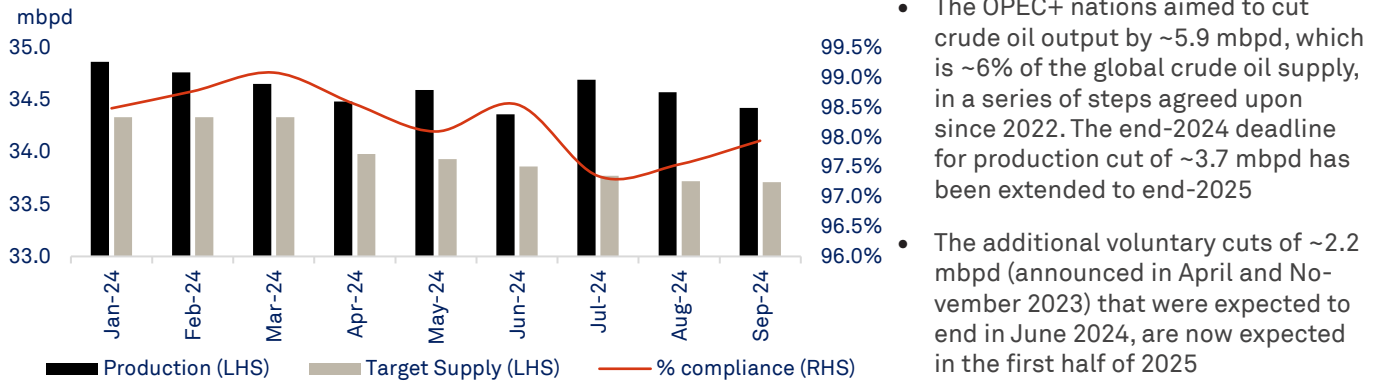
OPEC+ has deferred plans to increase production by a few months as its members delay phasing out their voluntary cuts. However, adherence to supply quotas will bear watching.

Sluggish demand to keep crude oil prices down in 2H24



Particulars (September 2024)	On-year (% change)	On-month (% change)
Dated Brent (% change)	(\$75.7 per bbl) -17%	2%
Global demand (% change)	1%	-1%
Global supply (% change)	0%	1%

OPEC+ non-adherence to target supplies a key monitorable



- The OPEC+ nations aimed to cut crude oil output by ~5.9 mbpd, which is ~6% of the global crude oil supply, in a series of steps agreed upon since 2022. The end-2024 deadline for production cut of ~3.7 mbpd has been extended to end-2025
- The additional voluntary cuts of ~2.2 mbpd (announced in April and November 2023) that were expected to end in June 2024, are now expected in the first half of 2025

Note: OPEC+ includes Algeria, Congo, Equatorial Guinea, Gabon, Iraq, Kuwait, Nigeria, KSA, UAE, Azerbaijan, Kazakhstan, Oman, Russia, Bahrain, Brunei, Malaysia, Sudan and South Sudan. Other nations such as Iran, Libya, Venezuela are excluded as they are not subject to cuts, and is Mexico excluded as it is not subject to OPEC+ compliance
Source: International Energy Agency (IEA), CRISIL MI&A Research

Operational issues hit domestic crude production

Down 4% on-year in September

Domestic crude oil production slipped 4% on-year to ~559,000 bbl per day in September. ONGC's output declined 5% owing to a fall in output from ageing fields such as Ratna and R-series. Output from fields of other majors such as Vedanta and Reliance Industries also declined because of unplanned downtime, well failure and water cuts.

Production slips



Source: Petroleum Planning & Analysis Cell, CRISIL MI&A Research
Note: YTD refers to April-September

Russia enjoys major share in import pie

Indian refiners replace expensive Middle Eastern oil with Russian produce

Share of Russian crude in India's import basket at 35%, volume from Saudi Arabia drops 54% in August

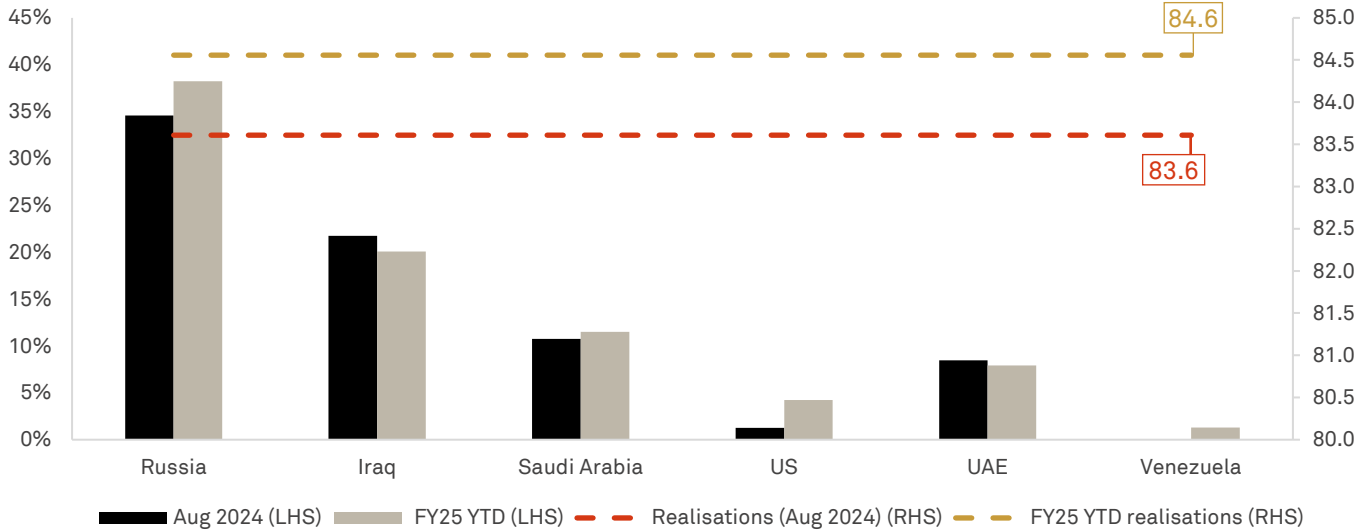
India's oil realisations were high at ~\$83.6 per bbl in August, prompting domestic refiners to lower imports from Saudi Arabia and increase from Russia, which has sufficient supply because of lower imports by Chinese refiners.

Over April-August, share of Russian crude declined to 38%

The share of Russian crude oil in India's imports declined to ~38% over April-August from 40% a year ago, while that of Iraq remained at 20%.

Switch to Russian oil helped India reduce oil realisations by ~\$1.8 per bbl, saving \$60-70 million for domestic refiners in April-August.

Russia and Venezuelan crude softens price shock for Indian refiners



Source: Ministry of Commerce and Industry, CRISIL MI&A Research
Note: YTD refers to April-August

Demand for petroleum products picks up during festive season

Consumption increases ~8% on-month

Overall consumption rises 8% on-month

Demand for transportation fuels increased 3% on-year and 15% on-month with significant growth in vehicle sales during the festive season.

Industrial demand increased 3% on-year and 12% on-month with substantial growth in demand for naphtha.

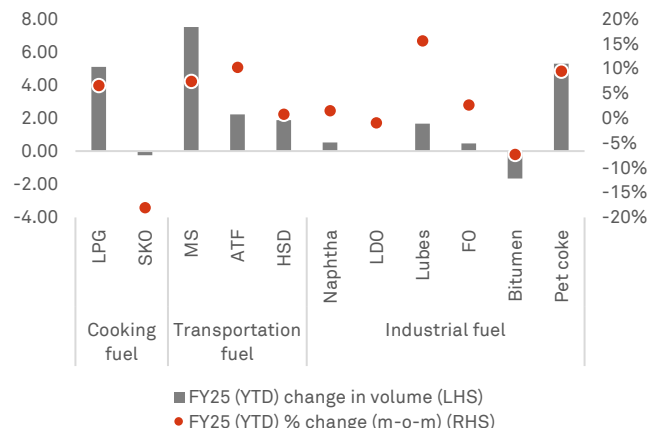
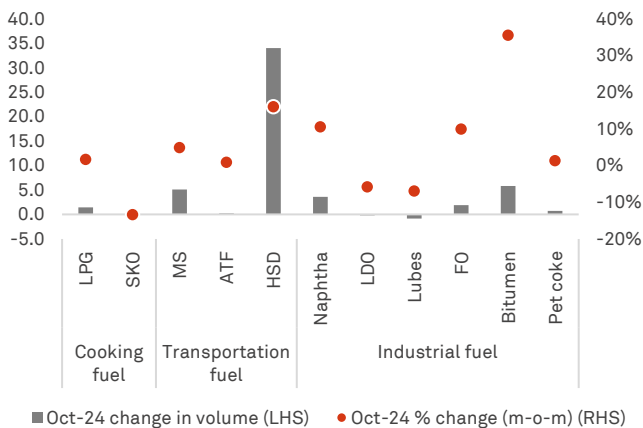
Cooking fuel demand rose 9% on-year and 5% on-month on significant consumption of liquefied petroleum gas (LPG).

April-October demand up ~4% on-year

Demand for transportation fuels rose ~3% on-year during April-October despite a decline in August, led by MS (up 7%) and aviation turbine fuel (10%).

Industrial demand grew 4% on-year during the period owing to stable consumption of pet coke and naphtha despite a decline in bitumen consumption.

Robust LPG demand kept cooking fuel consumption growth at 6% during the period.



Source: Petroleum Planning & Analysis Cell, CRISIL MI&A Research
Note: YTD refers to April-October

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