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International

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## Economic Alert: OPEC agrees to extend output for 9 months

- OPEC decided it would extend cuts in oil output by nine months to March 2018
- This comes as the group seeks to curb a global supply overhang which has depressed prices and revenues over the past three years
- Six months after forming an unprecedented coalition of 24 nations and delivering output reductions that exceeded expectations, resurgent production from U.S. shale fields has meant oil inventories remain well above targeted levels.
- While supplies are shrinking, ministers acknowledged that the surplus built up during three years of overproduction won't clear until at least the end of 2017.
- Saudi Arabia energy minister Al-Falih stated that stockpile reductions will accelerate in third quarter and inventory levels will come down to a five year average in the first quarter of 2018.
- However, Libya and Nigeria will remain exempt from the outputs curbs as they restore lost production.
- Benchmark Brent is currently trading at USD53.36, down 1.11%, while the West Texas Intermediate (WTI) traded at USD50.68 down 1.34%.

*Total OPEC month on month production*

Production ('000 b/d)		Apr	Mar	Chg
- Total OPEC		31,895	31,935	-40
Algeria		1,040	1,040	0
Angola		1,660	1,630	+30
Ecuador		530	530	0
Gabon		200	180	+20
Iran		3,760	3,785	-25
Iraq		4,410	4,430	-20
Kuwait	ⓘ	2,700	2,705	-5
Libya		550	620	-70
Nigeria		1,600	1,550	+50
Qatar		615	610	+5
Saudi Arabia	ⓘ	9,950	9,940	+10
U.A.E.		2,900	2,915	-15
Venezuela		1,980	2,000	-20

Source: Bloomberg

## Barrels Of Crude Oil Produced by OPEC members vs. NYMEX and Brent Crude Oil Futures



Source: Bloomberg

- Compounded by seasonal demand growth, the cuts should help accelerate global inventory drawdowns over the balance of the year and will likely set a new floor for crude oil prices in the low USD50 per barrel range.
- There have been concerns that the resulting rise in oil prices would provide incentive for U.S. producers to boost oil output and would therefore be the closest monitored data.
- OPEC members will discuss the extension with non-members producers later today.



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