KERATAN AKHBAR

TARIKH : 17 OKTOBER 2022

AKHBAR : NEW STRAITS TIMES

MUKA SURAT : 14

‘Oil price may shoot up to US$150 per barrel

OPEC+ PRODUCTION

‘OIL PRICE MAY SHOOT UP TO US$150 PER BARREL’

Market will stay volatile due to supply cuts and looming energy crisis, says economist

The Organisation of Petroleum Exporting Countries says oil demand is expected to increase by 2.64 million barrels per day (bpd), or 2.7 per cent, this year, down 460,000 bpd from the previous forecast. EPA PIC

FARAH ADILLA
KUALA LUMPUR
bt@nst.com.my

THE decision by the Organisation of the Petroleum Exporting Countries and its allies (Opec+) to rein in output may push the oil price to as high as US$150 per barrel, said economists.

They said the production cut announced last week would slow demand for oil and weaken the world economy which is on the brink of a recession.

Juwai IQI chief economist Shan Saeed said the Opec+ decision may lead to the oil price ranging from US$110-US$150 per barrel this year.

"The energy market is still in backwardation where the spot price is higher than futures. Demand is still in the energy market equation. Presently, daily demand for oil ranges from 92 million to 97 million barrels per day (bpd)."

Last Wednesday, Opec cut its world oil growth demand forecast for 2022 for the fourth time since April.

It also trimmed next year's figure, citing slowing economies, resurgence of China's Covid-19 containment measures and high inflation, according to a Reuters report.

Oil demand is expect to increase by 2.64 million bpd, or 2.7 per cent, in 2022, said Opec in a monthly report, down 460,000 bpd from the previous forecast.

"Opec+ has decided to cut production by two million bpd last week. The crisis in Europe is getting severe as demand and prices for oil and gas are going up. The energy crisis will hit the global economy next year."

Saeed said the oil market would stay volatile due to supply cuts.

"Saudi Arabia and Russia are calling the shots in the energy market. Another oil production cut is possible in the next Opec meeting. Prices above US$90 to US$95 per barrel are acceptable to many Opec members to bolster the gross domestic product (GDP) outlook."

He said sanctions against Russia have put pressure on oil and gas companies.

"Russia will only produce nine million bpd for the market next year, a sharp decline of two million bpd," added Saeed.

SPI Asset Management managing partner Stephen Innes said whenever there is any poor growth headline, it always triggers an adverse reaction in the oil market.

"With back-to-back doom loop reads from China's lockdown to the International Monetary Fund growth outlook and Opec's demand downgrade, it is challenging for traders to hold their nerve given the heightened cross-asset volatility," he told the *New Straits Times*.

Innes said there would be no growth in global oil supply thanks to years of under-investment.

"Forget 2023 GDP. When China eventually normalises, it will be a massive tailwind and a significant driver for the medium term."

He said Opec's willingness to plank prices against the backdrop of an impending European Union embargo on Russia was substantial bullish skews despite the US extending strategic petroleum reserve releases and considering the No Oil Producing and Exporting Cartels legislation

"Oil is still high but gas price in Europe have come off quite a bit, and with China importers staying out of the spot market this winter as demand growth is now the slowest since 2002, the world's top fuel importer will likely avoid competing with crisis-hit Europe for supplies," he added.