

A hand is shown placing a puzzle piece into a globe that is constructed from many interlocking puzzle pieces. The scene is set against a dark, textured background, possibly wood, with several other puzzle pieces scattered on the surface. The overall color palette is dark blue and black.

# New actors, new risks: The outlook for the global oil market

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# Current oil price outlook

# Brent crude prices in 2019

*Oil market dynamics shifted post-commodity price slump*

**New actors** are changing the market:

US: entirely private-sector led

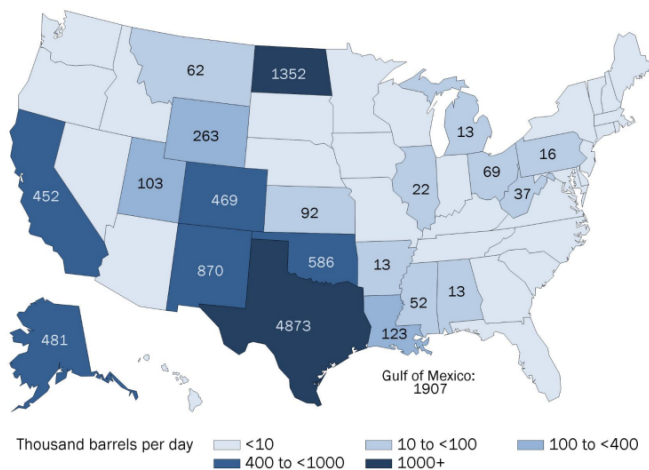
Russia: mix of public and private

OPEC: public control forces

Saudi/OPEC to remain in “swing” role



## Crude Oil Production by State



**New risks** are affecting price outlook:

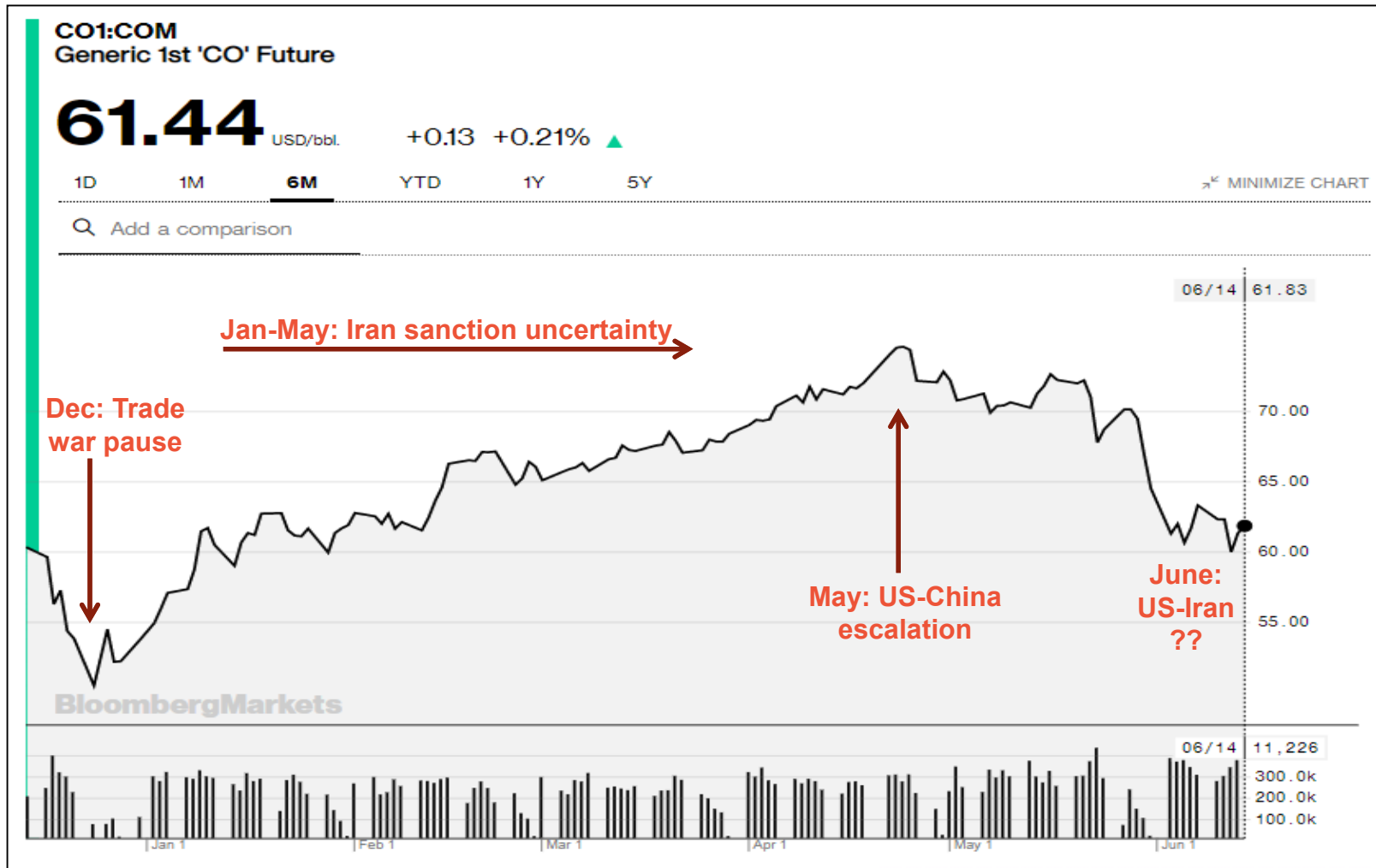
Trump leads surge in geopolitical risk

Signs of structural demand slowdown, amid over-reliance on Chinese growth

Increasingly speculative market

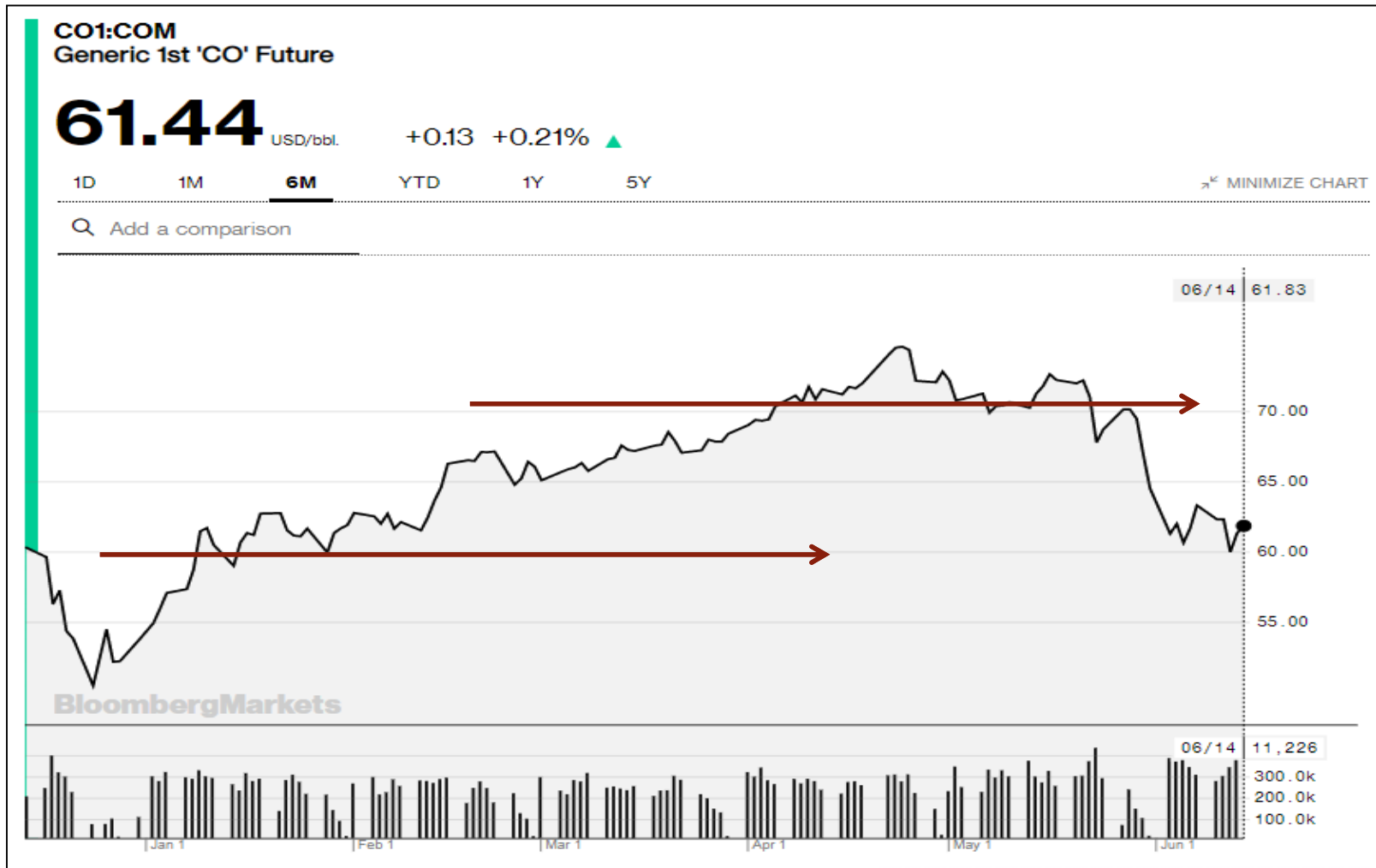
# Brent crude prices in 2019

*Opposing risks are keeping oil prices range-bound*



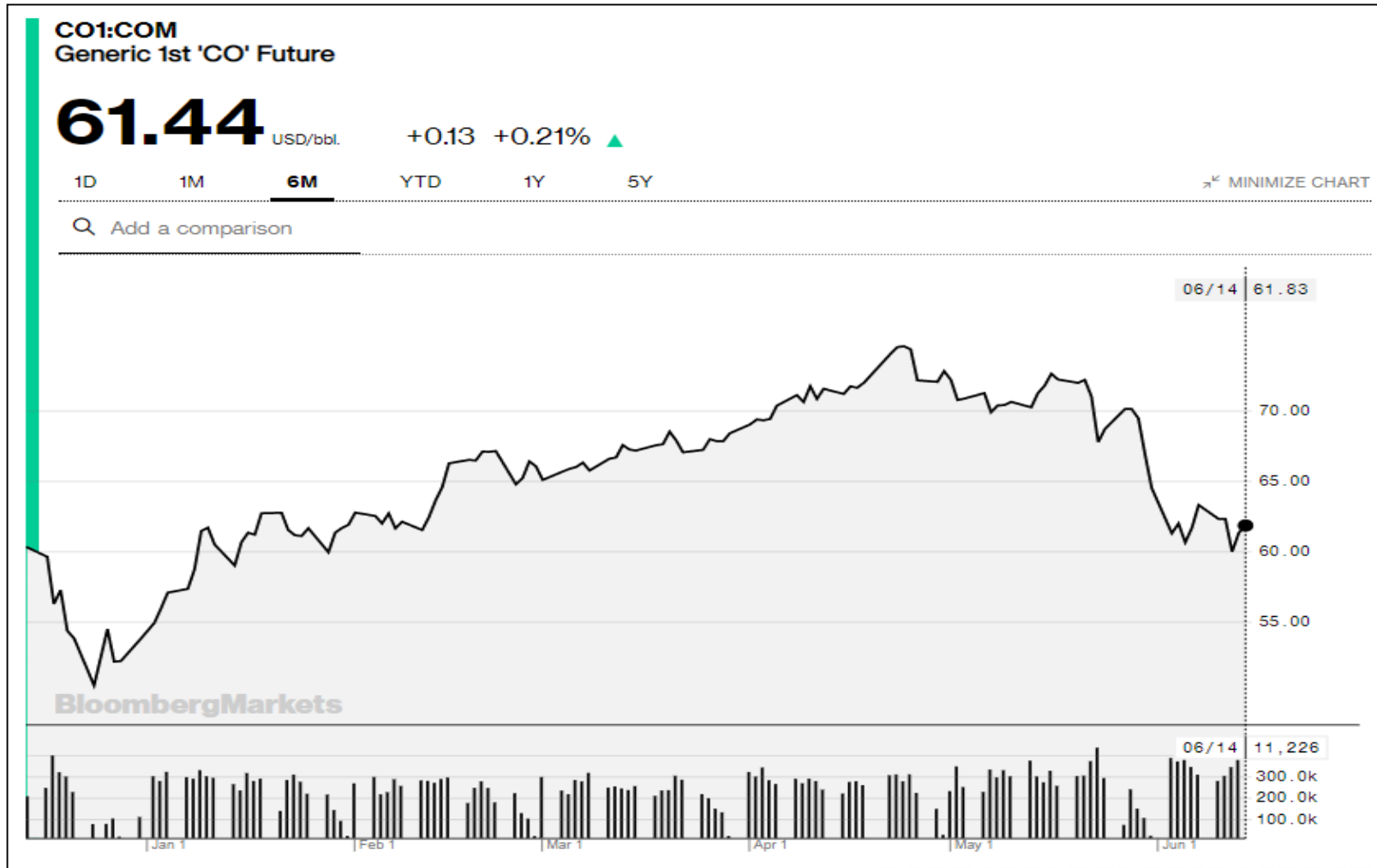
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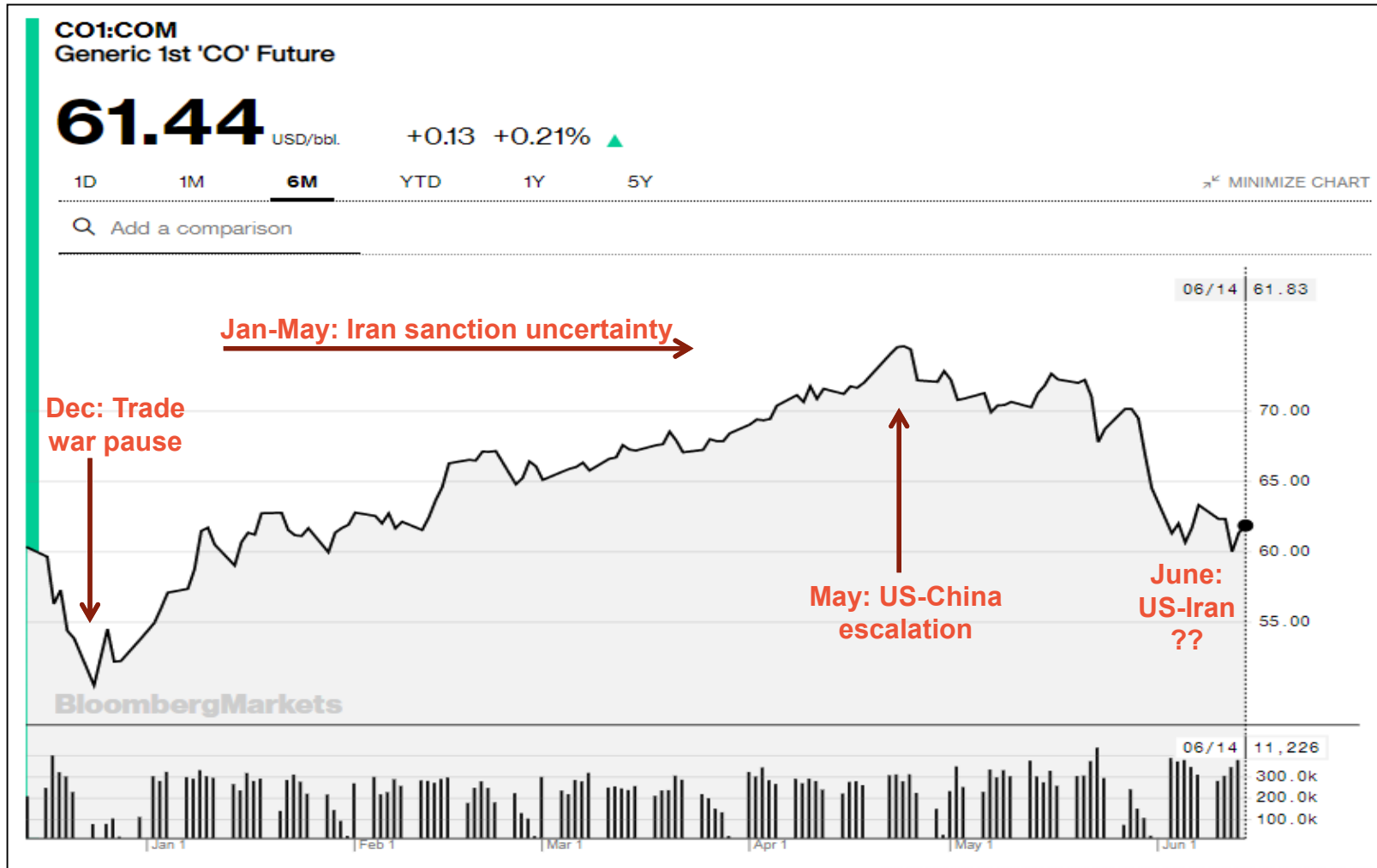
# Brent crude prices in 2019

*Opposing risks are keeping oil prices range-bound*



# Brent crude prices in 2019

*Opposing risks are keeping oil prices range-bound*





# Factors to watch in 2019-20



# Supply-side factors

*New actors have shaken up the global oil market*

Downward:

US oil production forecast to growth by another 8% in 2019

Upward:

Risk of US-Iran conflict

Political collapse in Venezuela

Serious instability in Libya

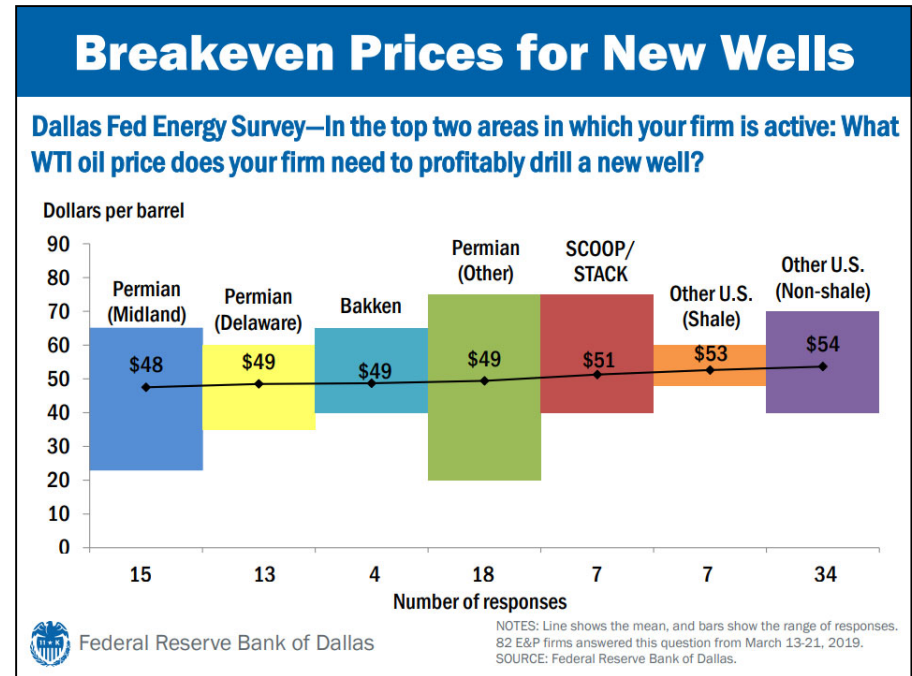
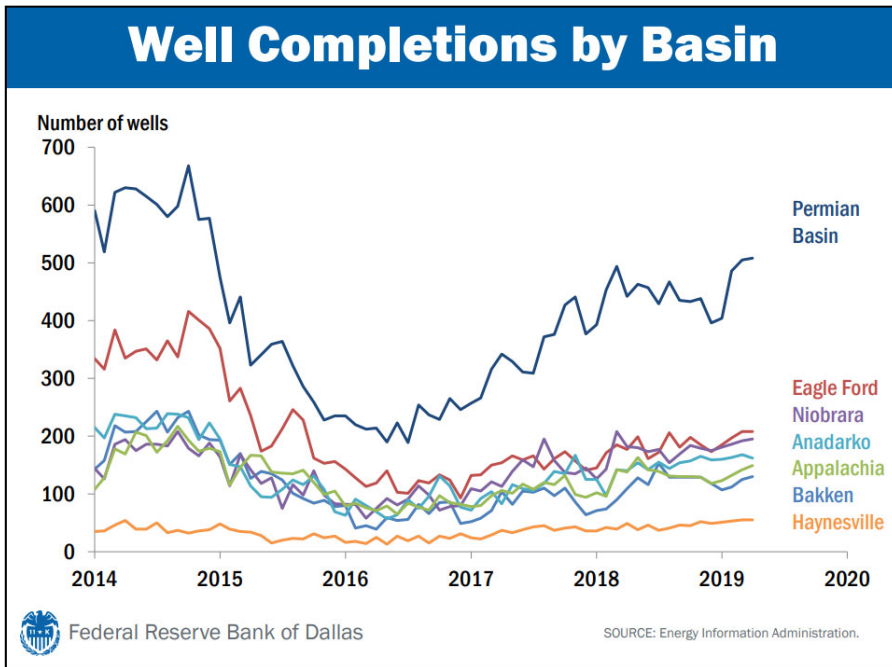


# Supply-side factors

*New actors have shaken up the global oil market*

Downward:

US oil production forecast to growth by another 8% in 2019



US oil producers are leaner and invest more cautiously than they did pre-2014

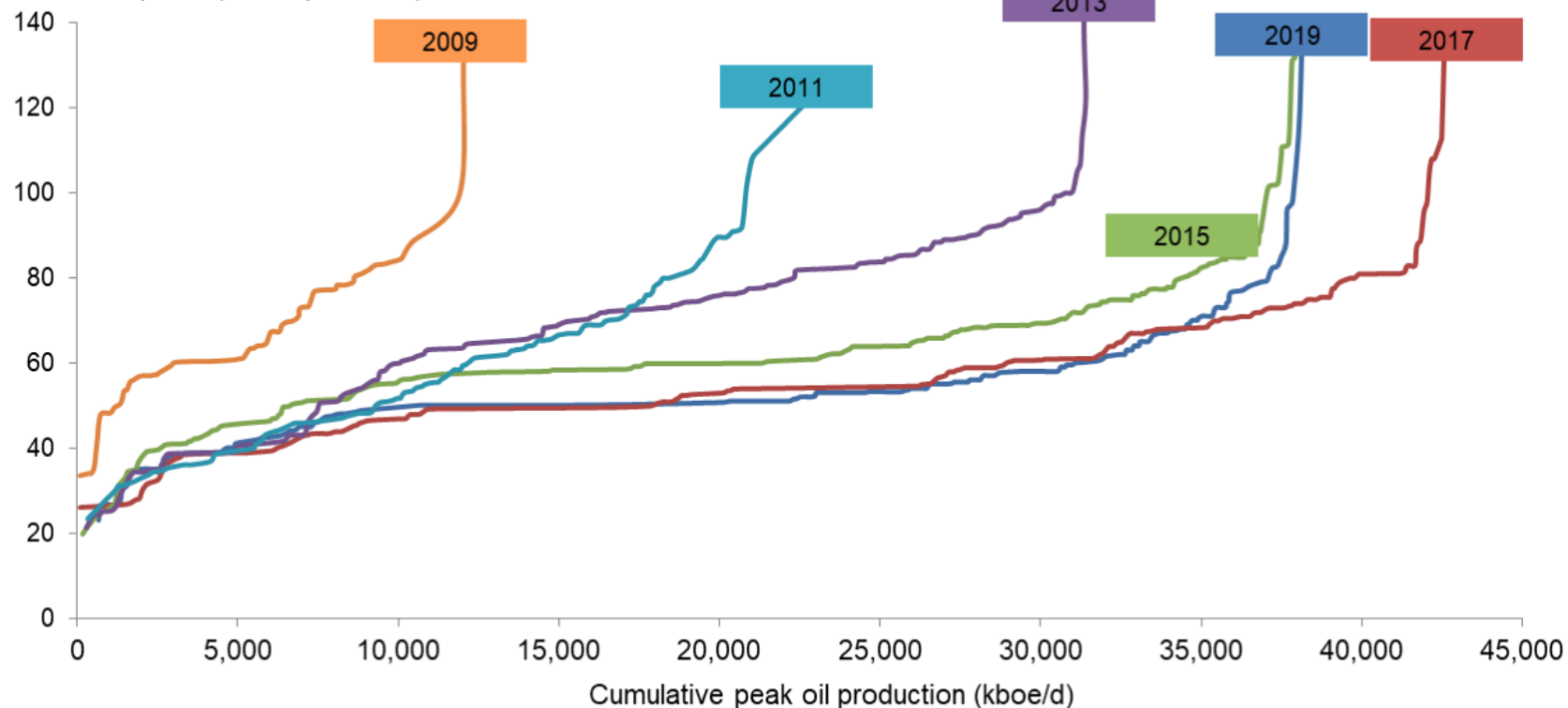
WTI prices < US\$50/b will not affect most Permian-based operations

# Supply-side factors

*New actors have shaken up the global oil market*

**Chart 3**  
**Oil Cost Curve Flattens in Recent Years**

Breakeven prices (dollars per barrel)



NOTES: Identified projects (pre-sanction, under development and producing) are evaluated each year and assigned a breakeven price and peak oil production. The oil cost curve depicts the cumulative peak oil production of identified projects. Kboe/d is thousand barrels of oil equivalent per day.  
SOURCE: Goldman Sachs Global Investment Research.

Federal Reserve Bank of Dallas

# Supply-side factors

*The geopolitical risk premium is here to stay*

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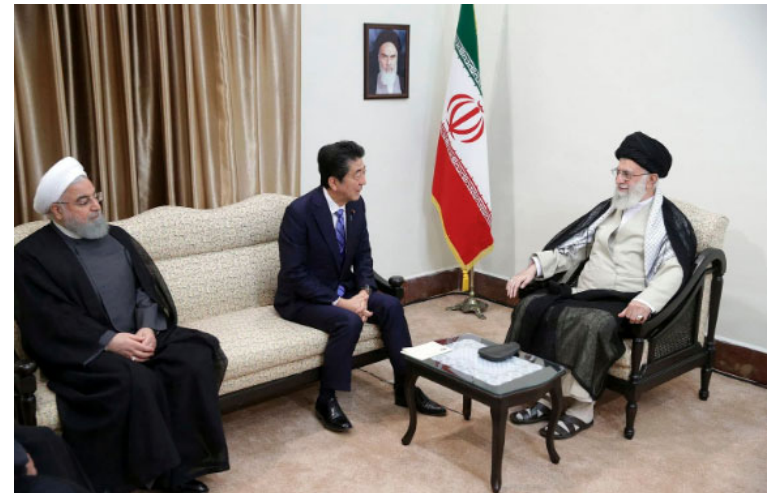
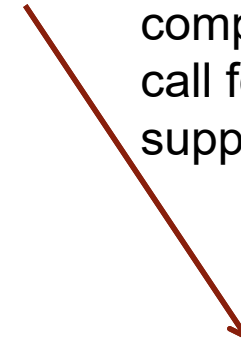
# Supply-side factors

*The geopolitical risk premium is here to stay*

Attack reinforces  
hardliners' view  
of Iran threat



Attack  
complicates Iran's  
call for EU  
support

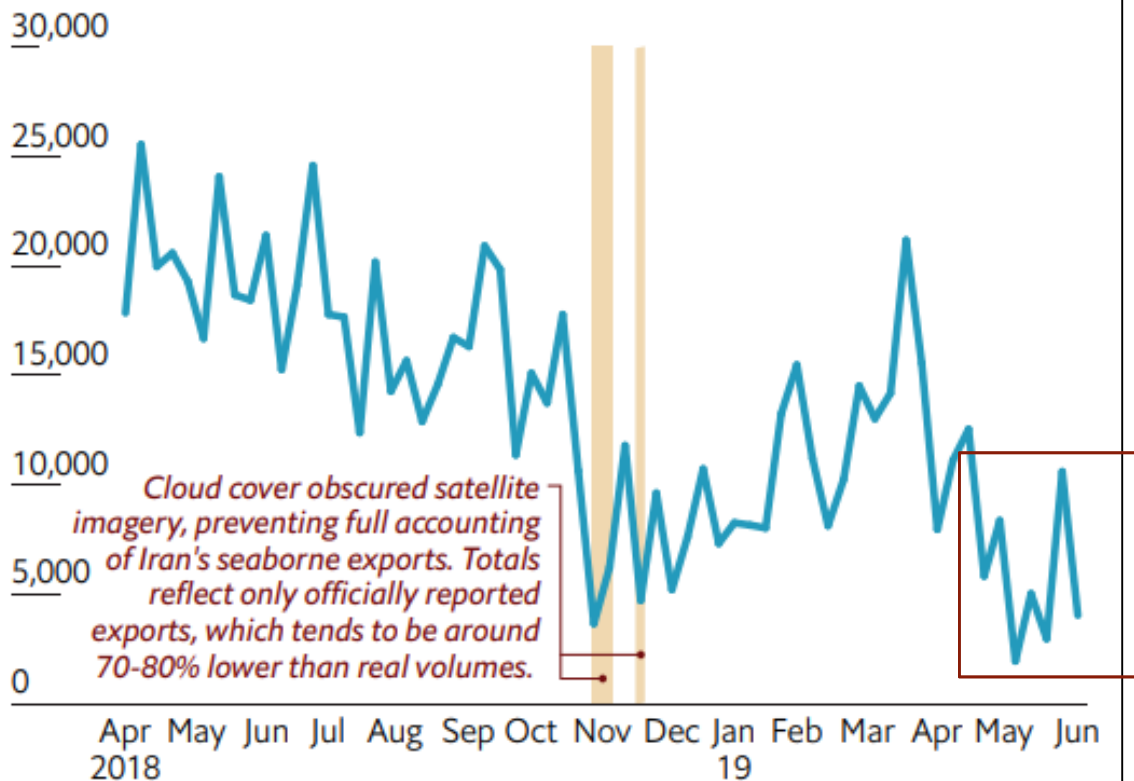


# Supply-side factors

*The geopolitical risk premium is here to stay*

## Iranian seaborne crude oil exports

('000 barrels/week)



Source: CargoMetrics.

Iran's exports have fallen considerably compared with September 2018

Build-up in Iranian supplies in Q1 2019 was temporary

But Iran maintains partial access to global oil market

Crude oil exports averaged 700,000 b/d in May-June, **well below Iran's 1.5m b/d target**



# Supply-side factors

*The geopolitical risk premium is here to stay*

Downward:

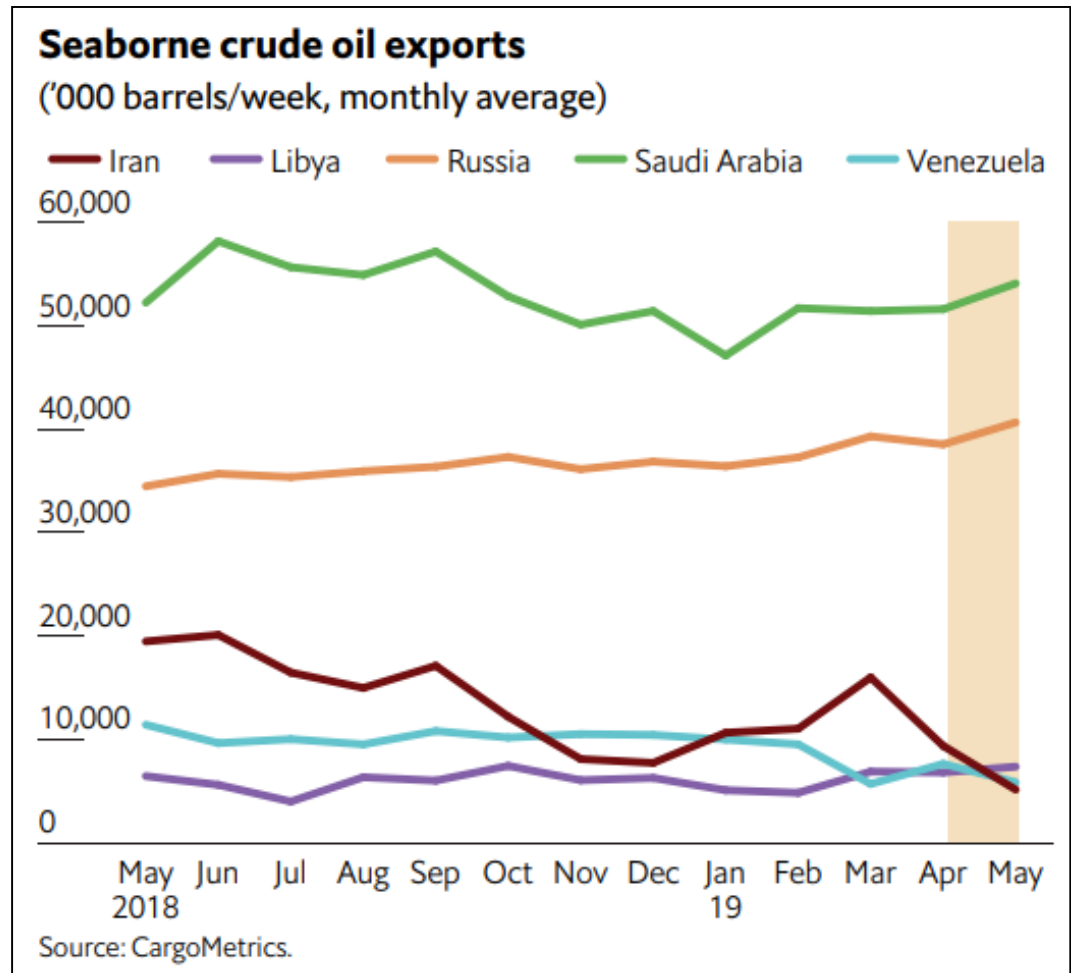
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Upward:

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# Demand-side factors

*The US-China trade war will set the tone*

EIU core forecast:

Trump and Xi meet, no deal but an agreement to pause tariffs

Temporary relief for both markets allows GDP growth of:

--US: 2.2% in 2019, 1.7% 2020

--China: 6.3% in 2019, 6.1% 2020

*But*, there's no end to the trade war in sight

Existing tariffs (on US\$360bn worth of goods, 50% of bilateral trade) and non-tariff barriers (eg, Huawei) will limit 2019-20 growth

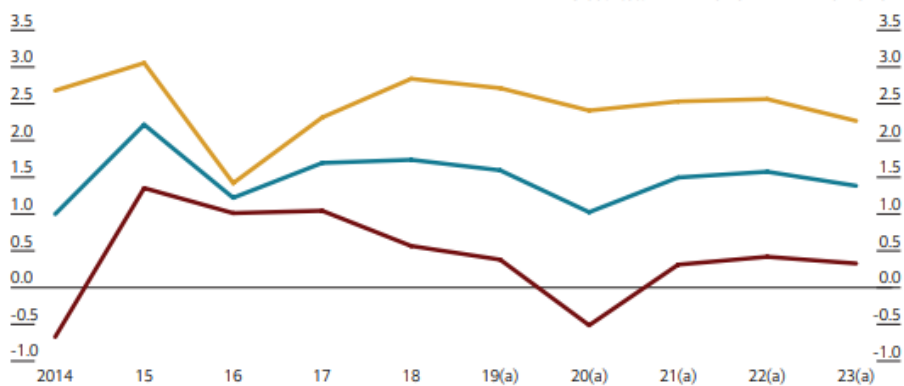


# Demand-side factors

*The US-China trade war will set the tone*

## Growth in crude oil consumption

(%, year on year)



(a) Forecast.  
Sources: International Energy Agency actuals; EIU forecasts.

Best case scenario:

US and China agree a limited trade deal by end-2019; some tariffs are removed

GDP growth increases by 0.1-0.3 pp; boosting oil demand growth by 0.1-0.2 pp

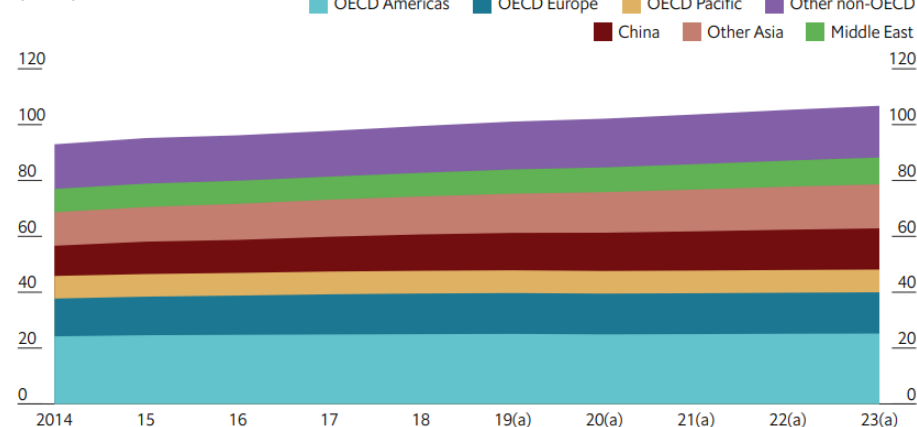
Worst case scenario:

US-China trade talks fail completely; US imposes tariffs on further US\$300bn; China responds with non-tariff barriers

GDP growth falls by 0.1-0.3 pp and **US faces recession risk**; oil demand sags

## Global oil consumption

(m b/d)

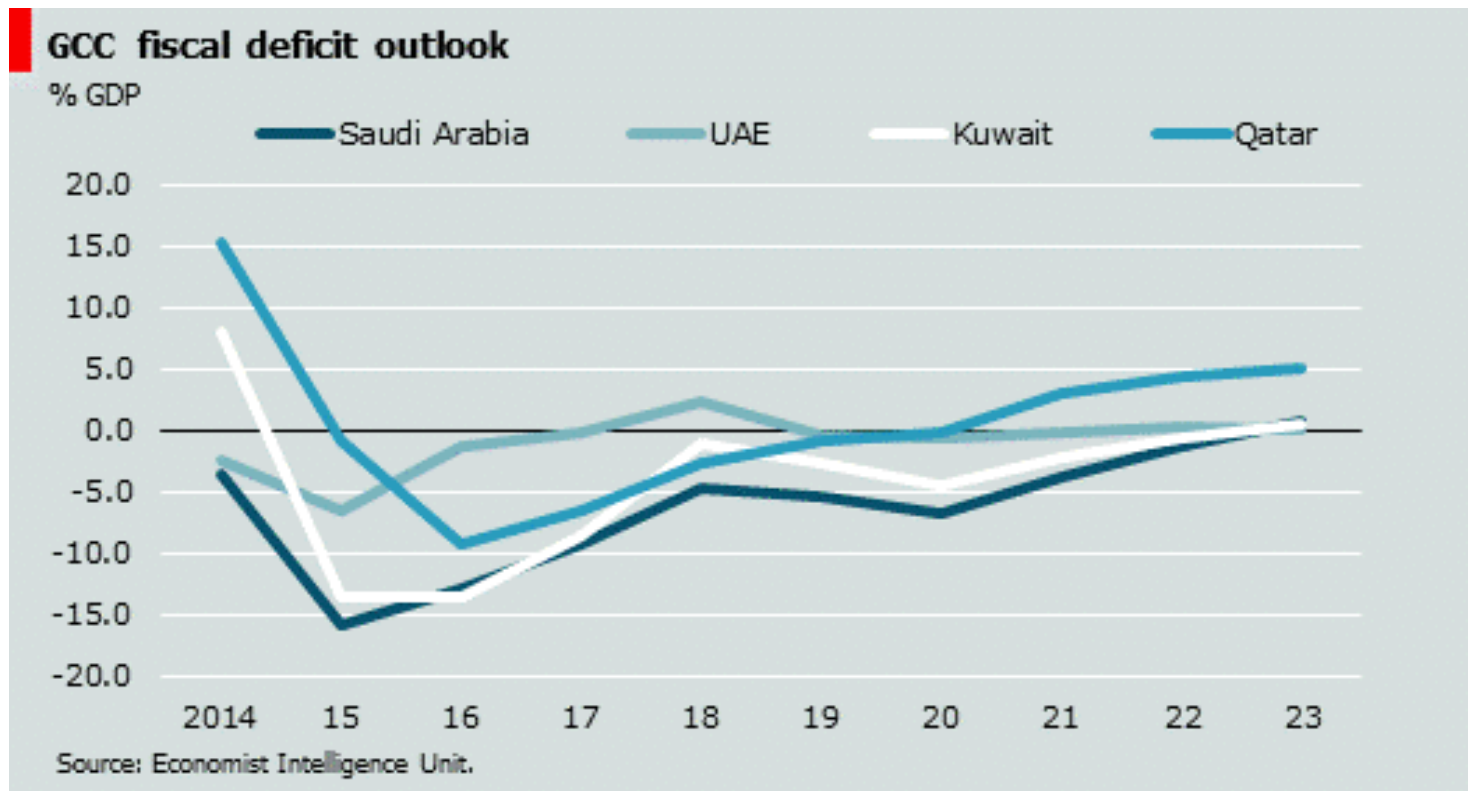


(a) Forecast.  
Sources: International Energy Agency actuals; EIU forecasts.

# Impact on GCC economies

# GCC market outlook

*Things will get worse before they get better*



Oil price assumption

2019  
US\$68/b

2020  
US\$62.5/b

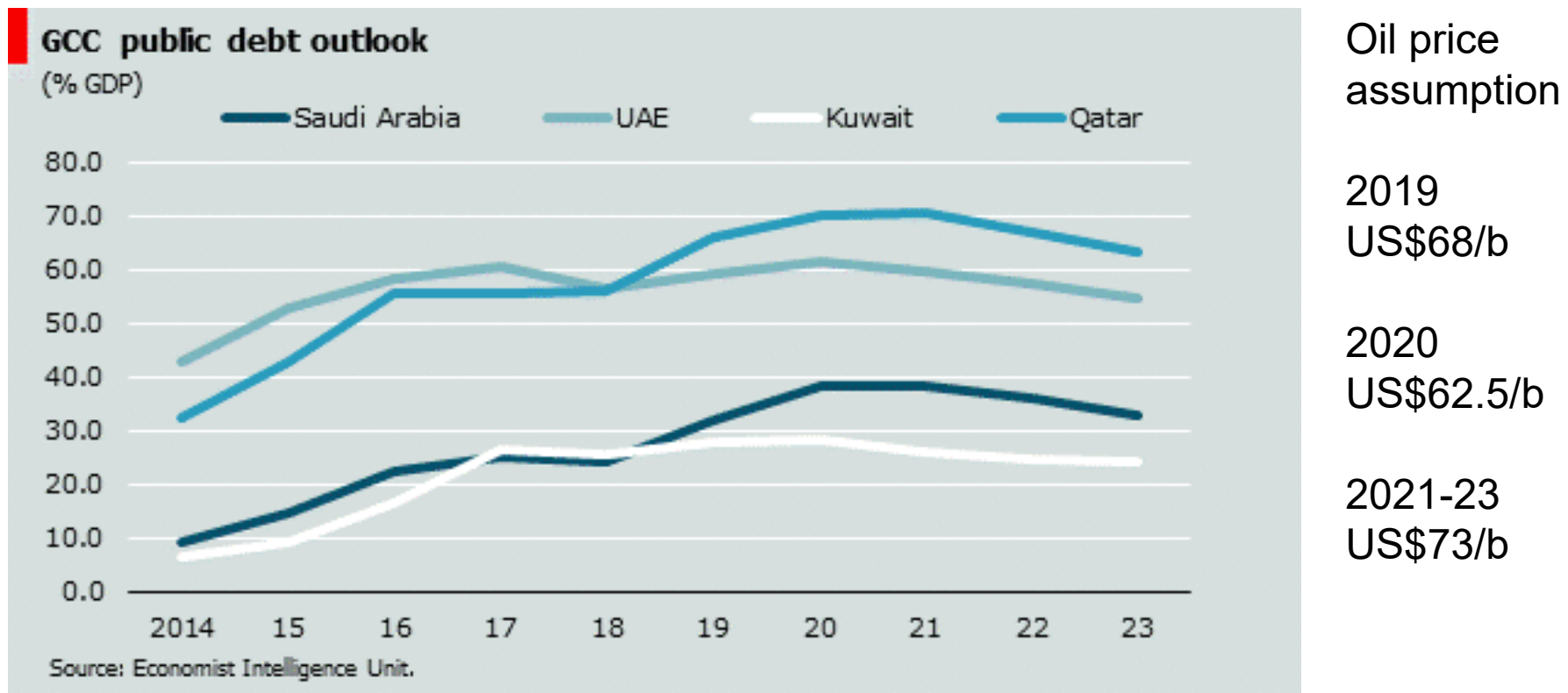
2021-23  
US\$73/b

Fiscal deficit nowhere near where they were in 2014-16...

...but economies haven't recovered significantly, and deficits remain the norm  
KSA likely to be worst off given high breakeven point and ambitious spending

# GCC market outlook

*Things will get worse before they get better*



Saudi sees the fastest rise in debt as it seeks to cover domestic investment  
But other GCC countries have a much higher level of debt (% GDP)  
Modest compared to other regions (OECD and non), but oil price outlook is risky



# GCC market outlook

*Things will get worse before they get better*



High levels of government spending will be necessary to sustain modest growth  
Situation should improve toward the end of the forecast period (2021-23)  
But med- and long-term is uncertain – oil prices high enough for diversification?

Thank you!

Any questions?