

# Economy Watch

## The two sides of low oil prices

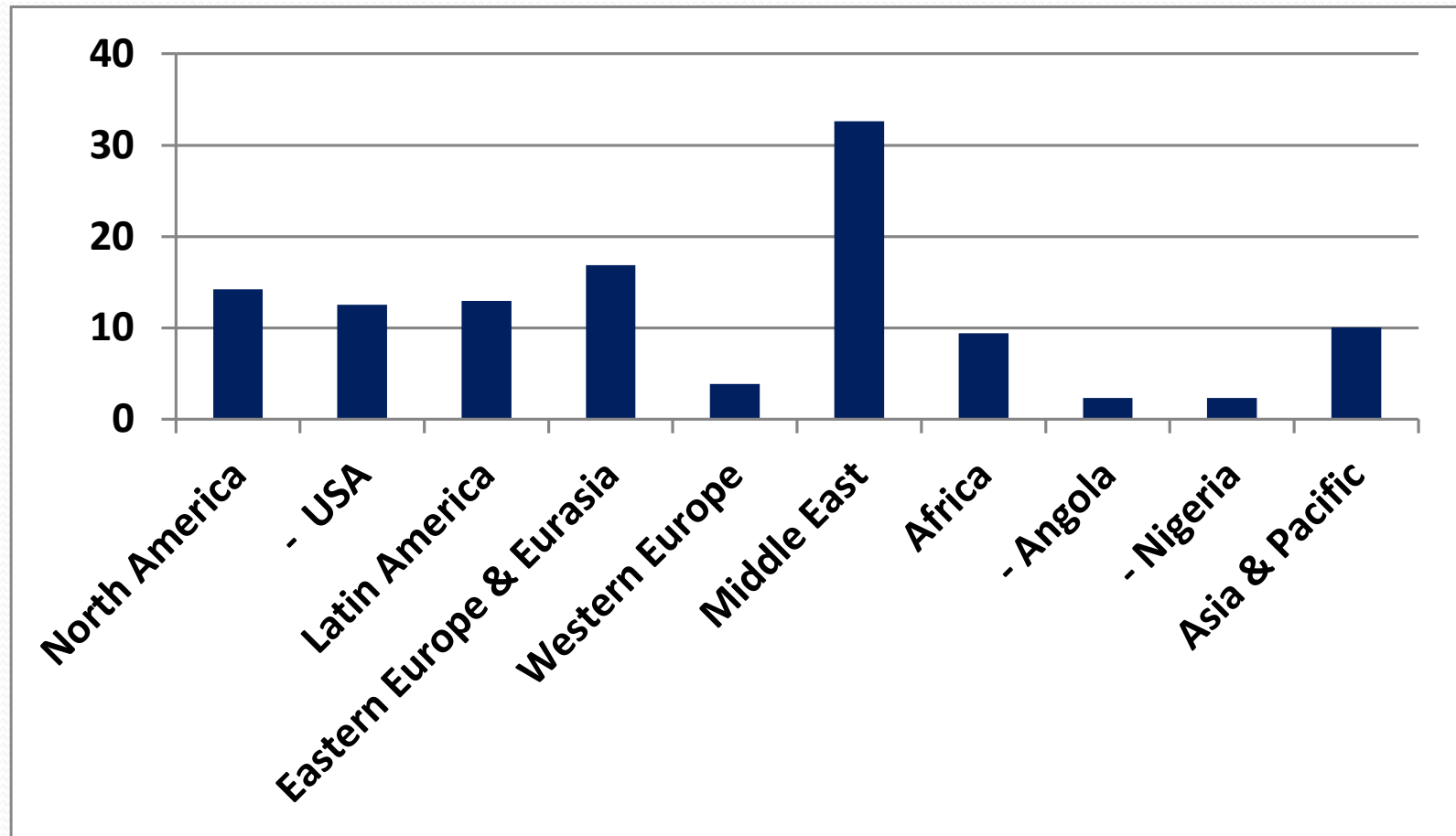
By Klaus Schade

23 June 2016

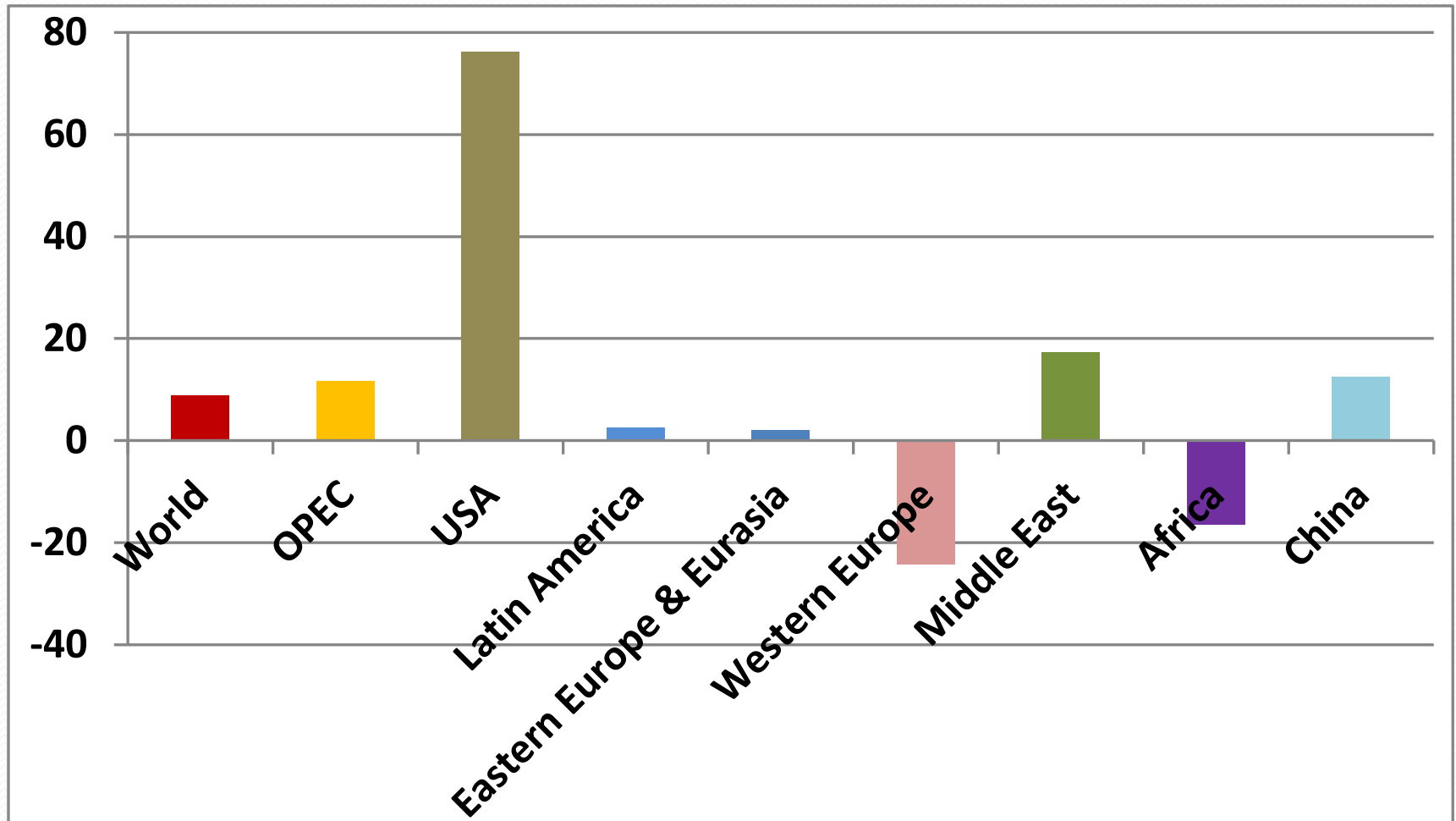


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# Share of world crude oil production, 2015 in percent



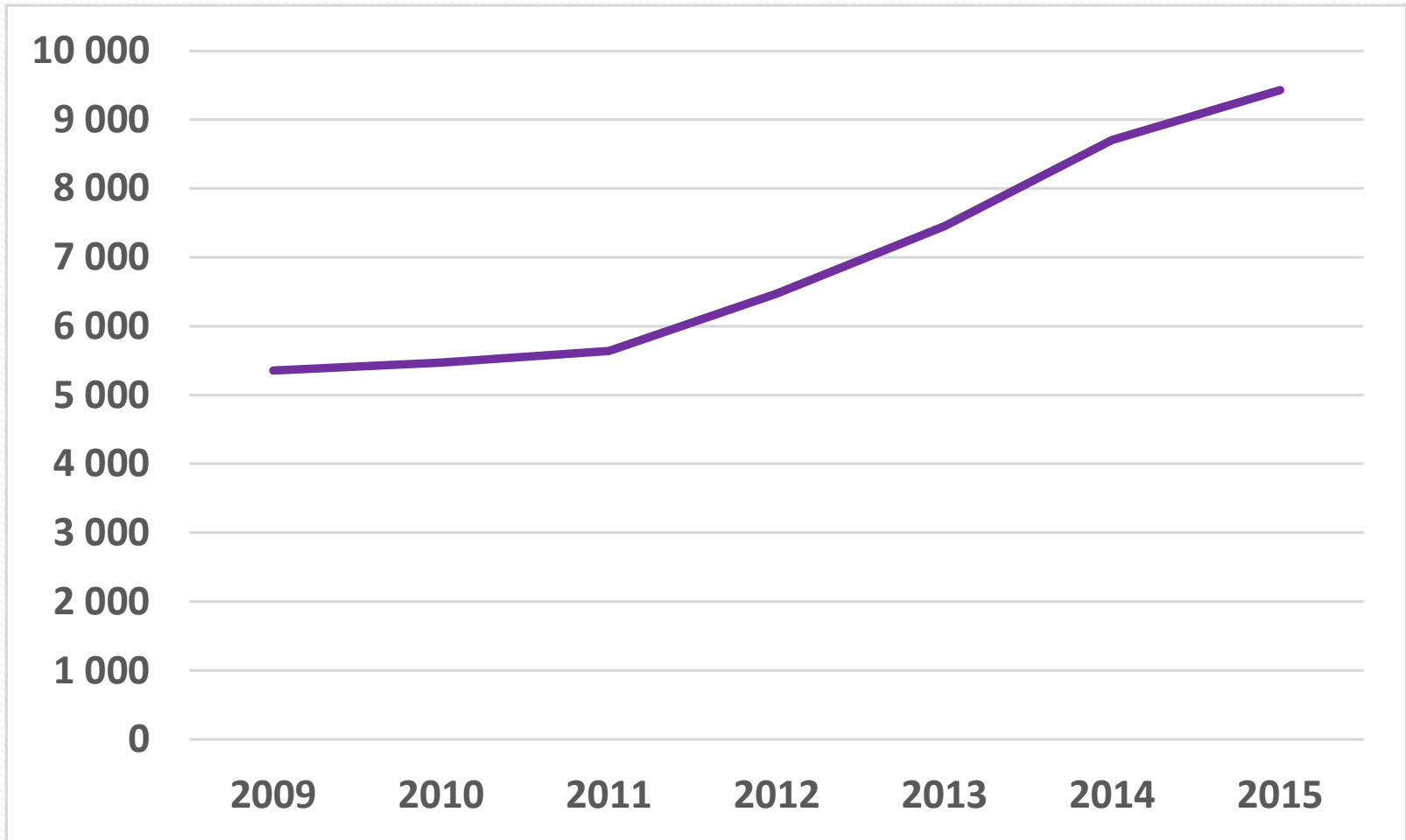
# Change in world crude oil production, 2009 to 2015 in percent



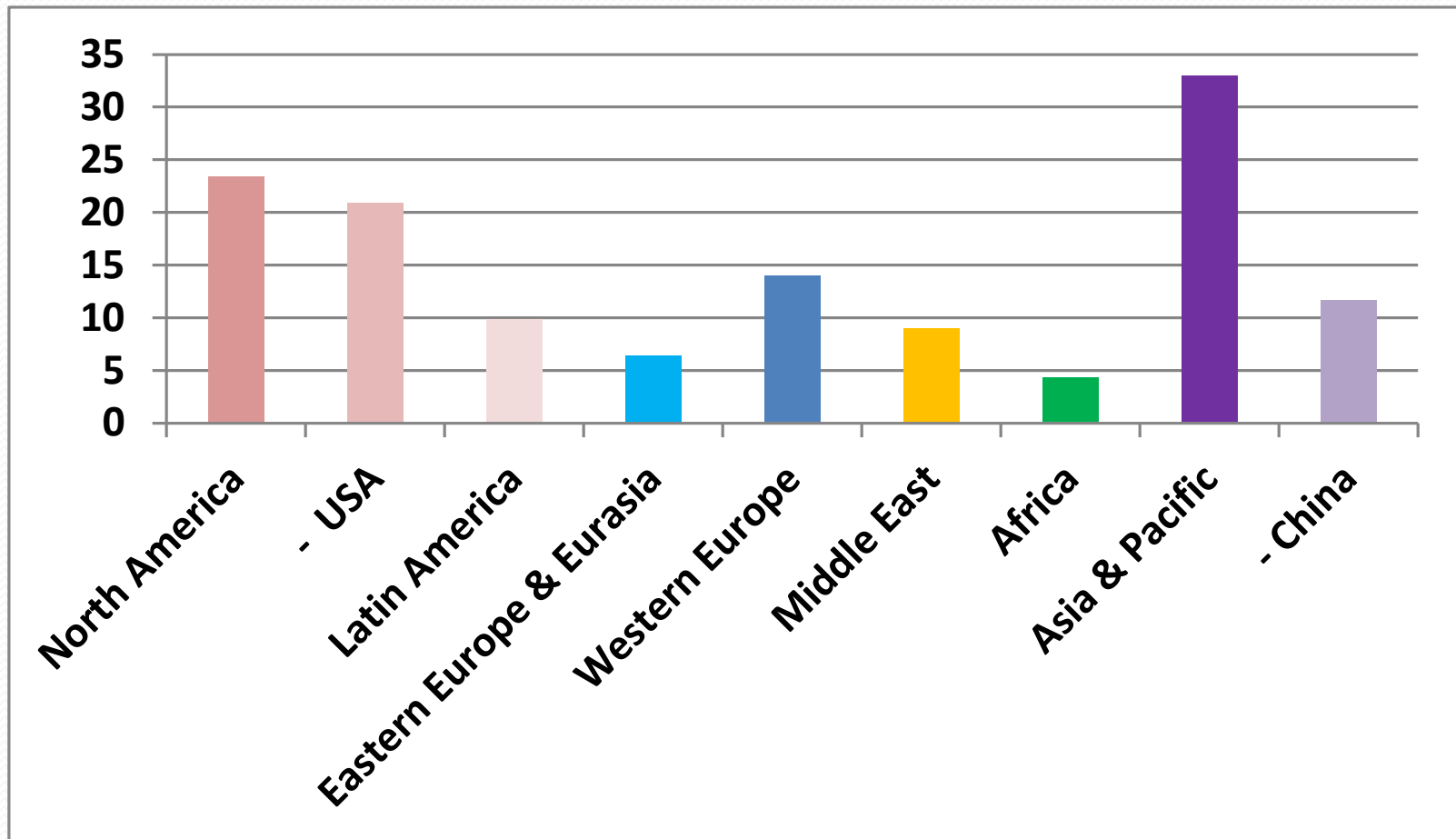
# Crude oil production in figures

- World crude oil production increased from 69 mln b/d to 75 mln b/d
- OPEC accounts for 43 percent – 32 mln b/d
- Africa accounts for 9.4 percent – 7 mln b/d
  - Angola and Nigeria on par (1.7 mln b/d) after declines in Nigeria's oil production – 2.4 percent

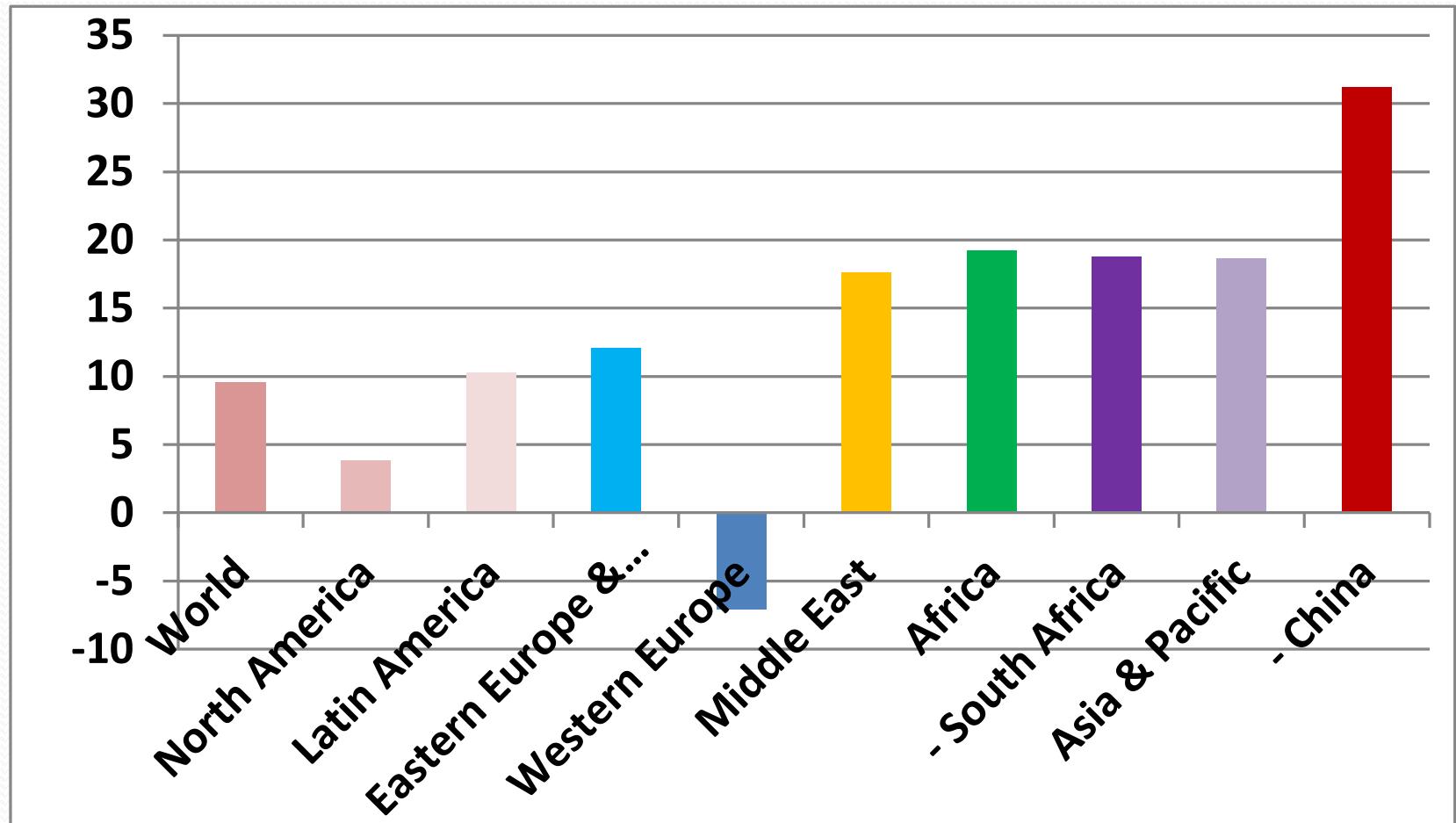
# Crude oil production, USA in '000 barrel per day



# Share of oil demand, 2015 in percent



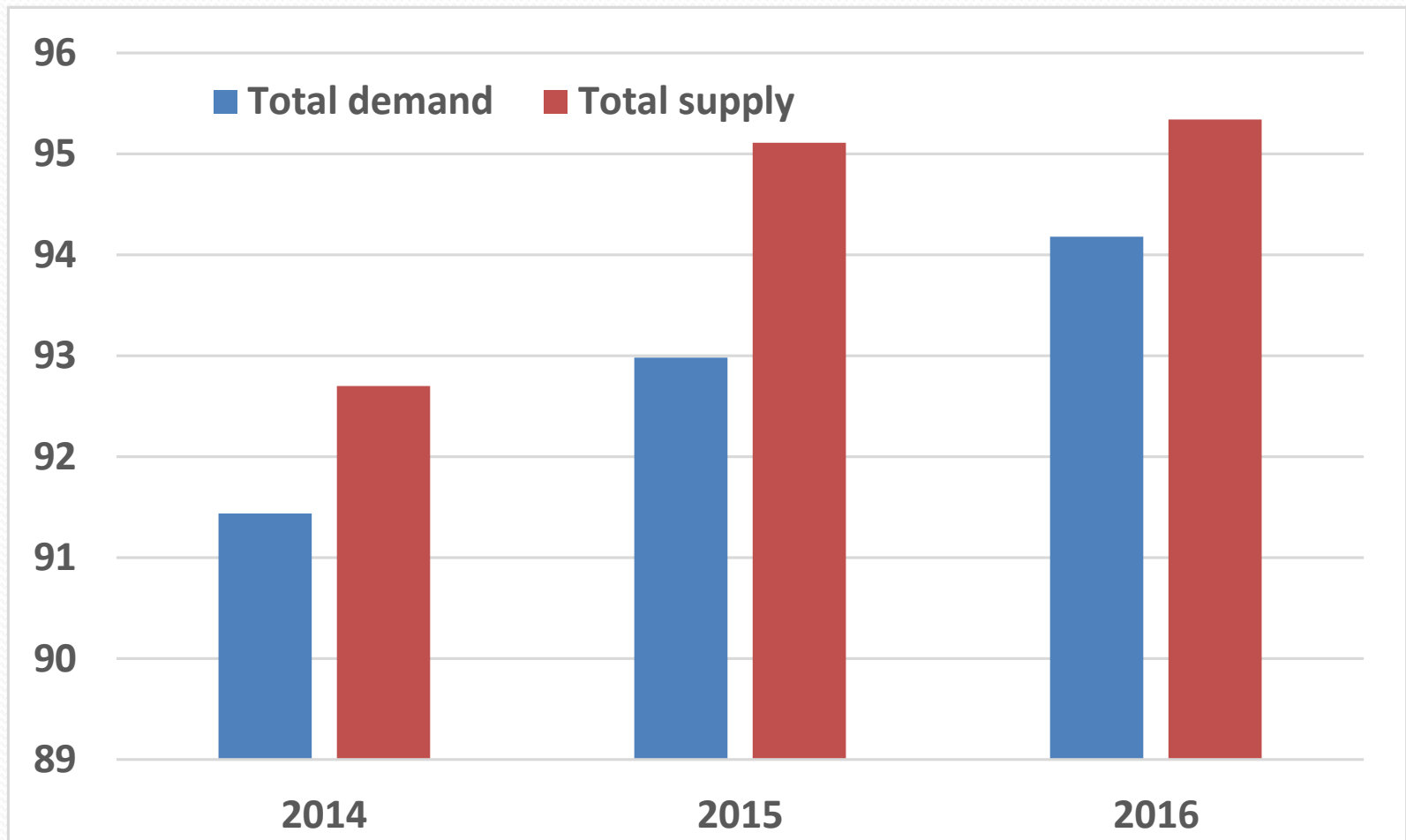
# Change in oil demand in percent, 2009 to 2015



# Oil demand in figures

- Increase from 85 mln b/d to 93 mln b/d (2009 to 2015)
- Asia main consumer followed by North America
- USA consumes almost twice as much as China (the second largest economy)
- Africa accounts for less than 5 percent of global demand led by South Africa.
  - South Africa consumes 1.5 times as much as Nigeria and almost 5 times as much as Angola

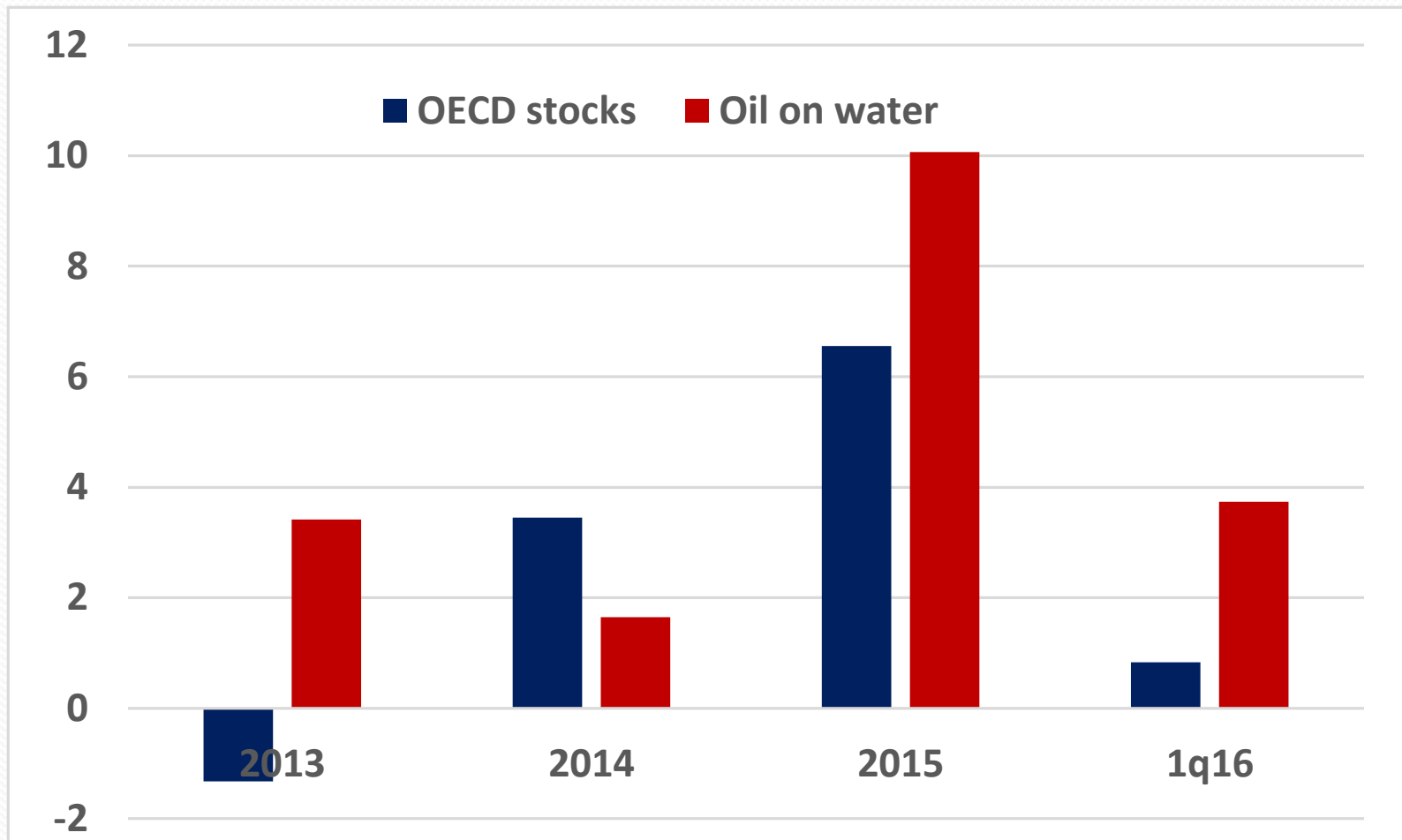
# Oil supply vs demand (mln b/d)



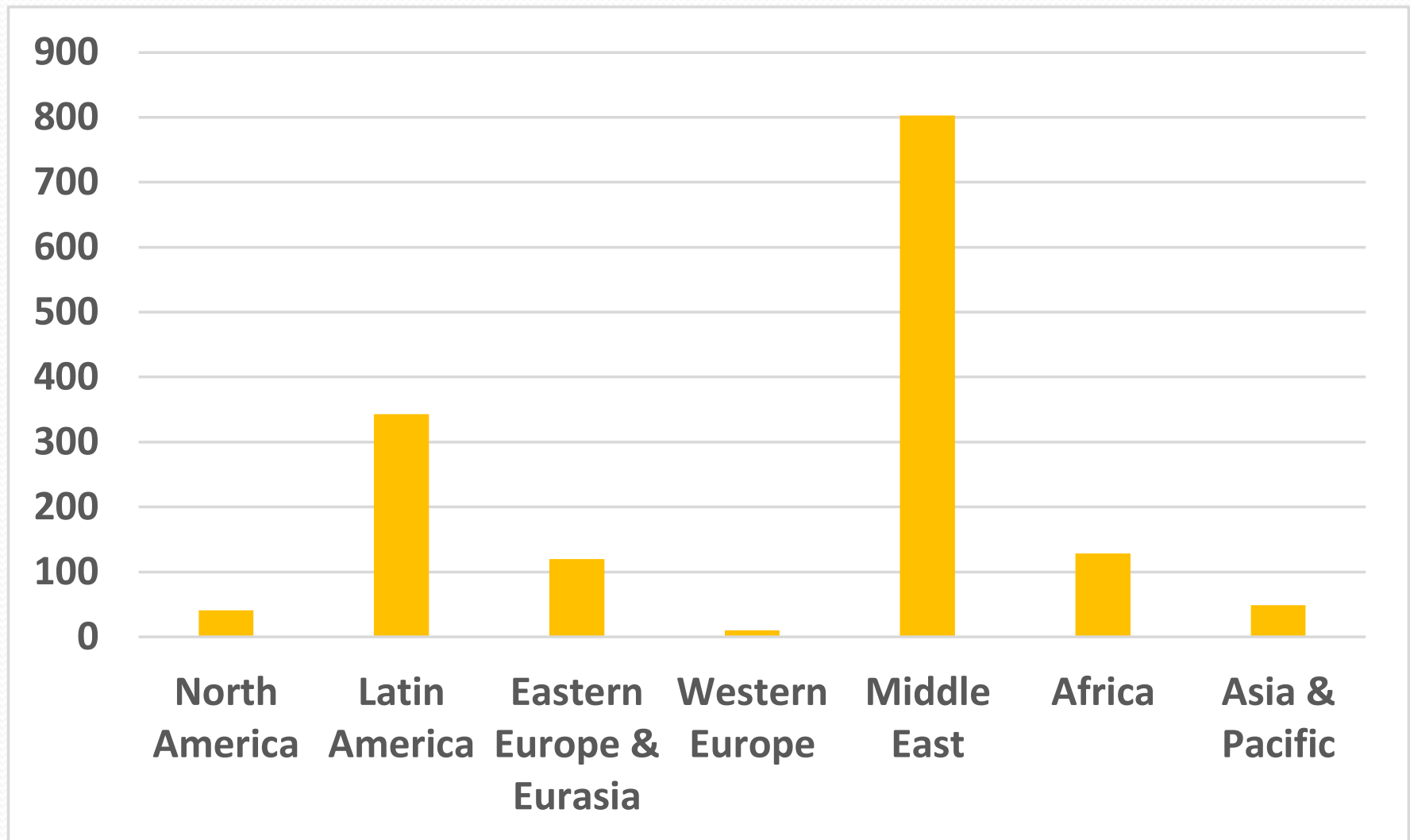
# Oil supply and demand

- It is expected that oil supply from non-OPEC producers will drop by 1.3 percent. Affects all countries including USA (-3.1 %) to 13.55 mb/d
- USA first decline from 13.987 down to 13.557 mb/d in 2016 expected
- Saudi Arabia overtaking Russia for first time – indicative for Saudi Arabia's attempt to maintain or expand market share. No cut expected.

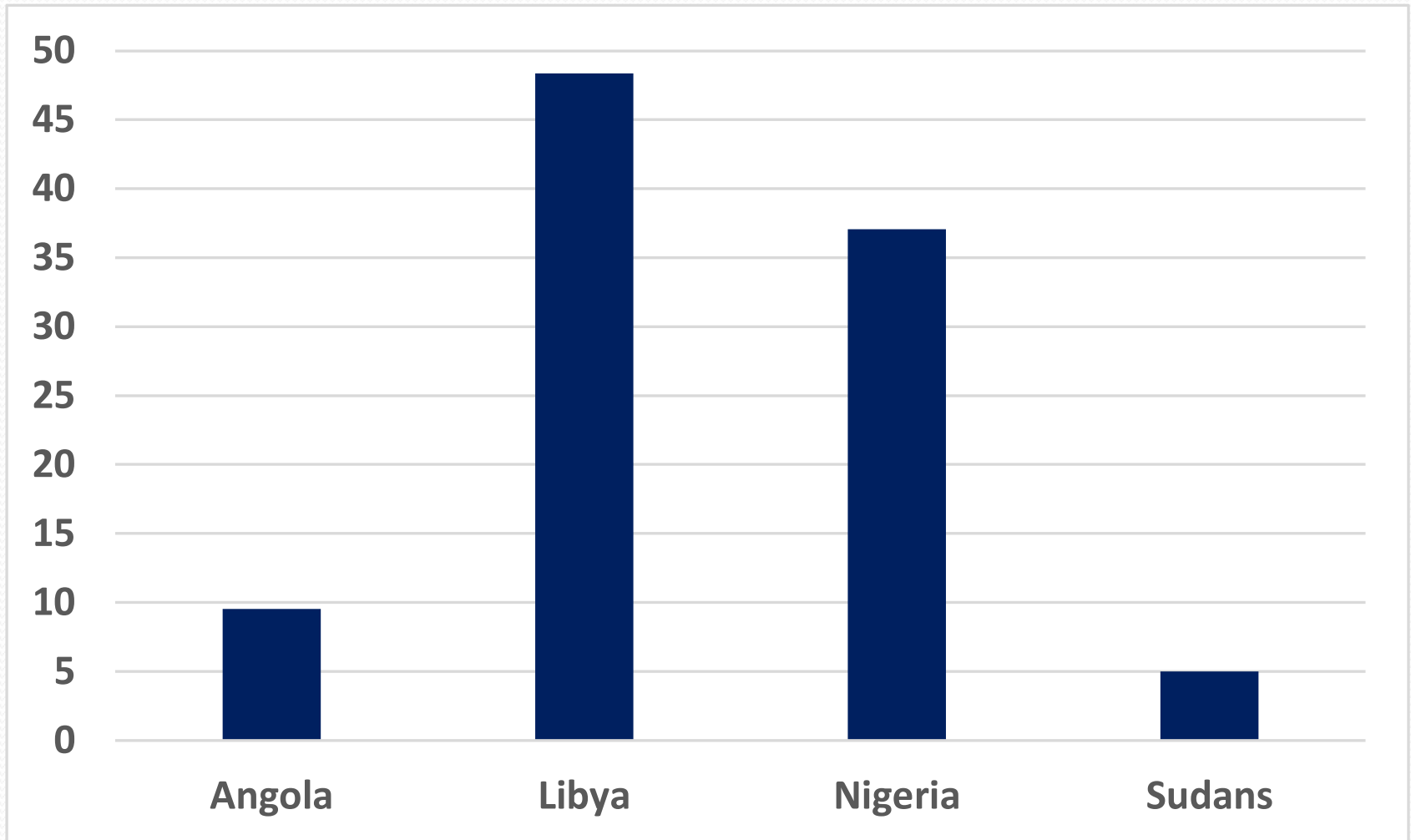
# Change in oil stocks and oil on water in percent



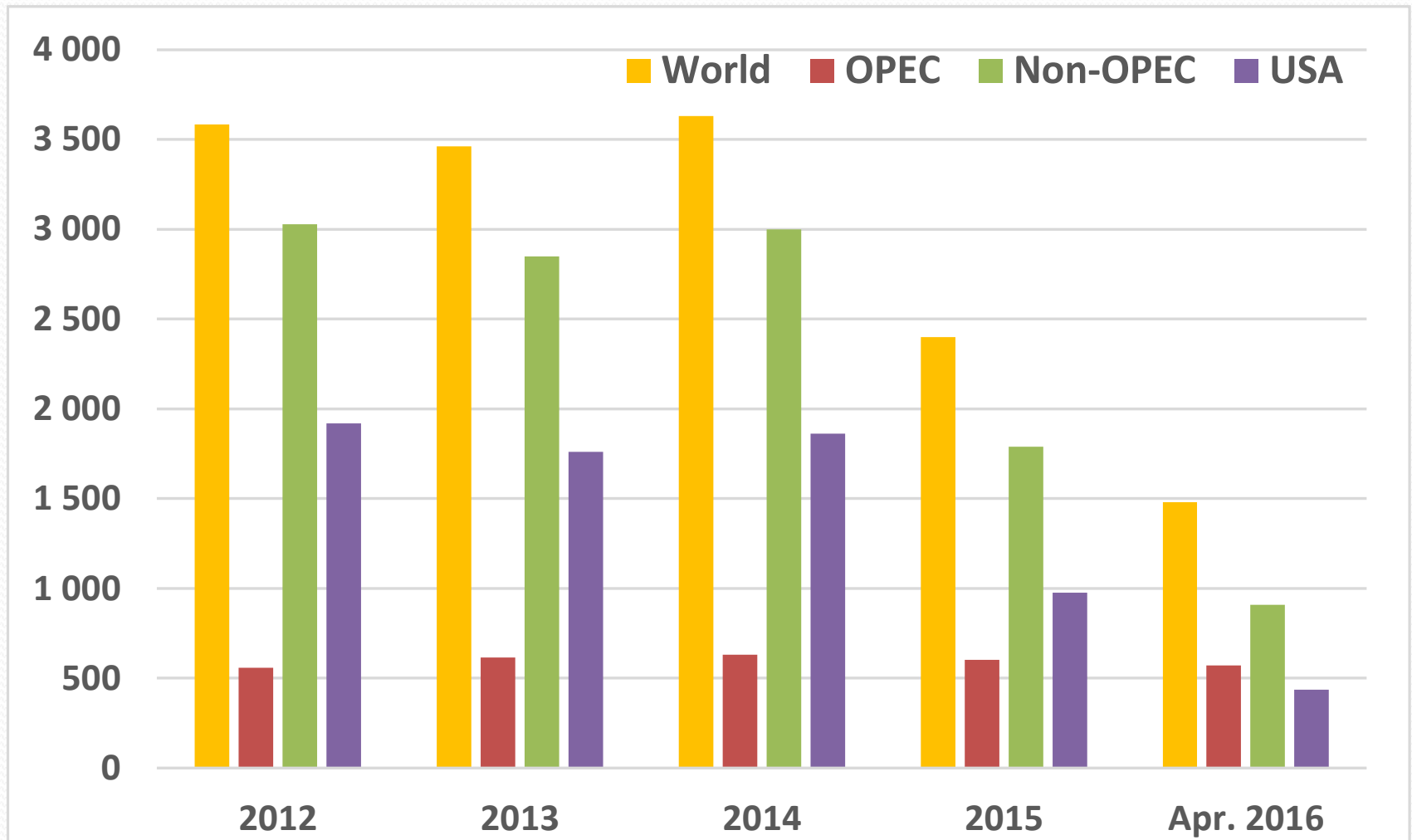
# Proven crude oil reserves (bln barrels)



# Proven crude oil reserves in Africa



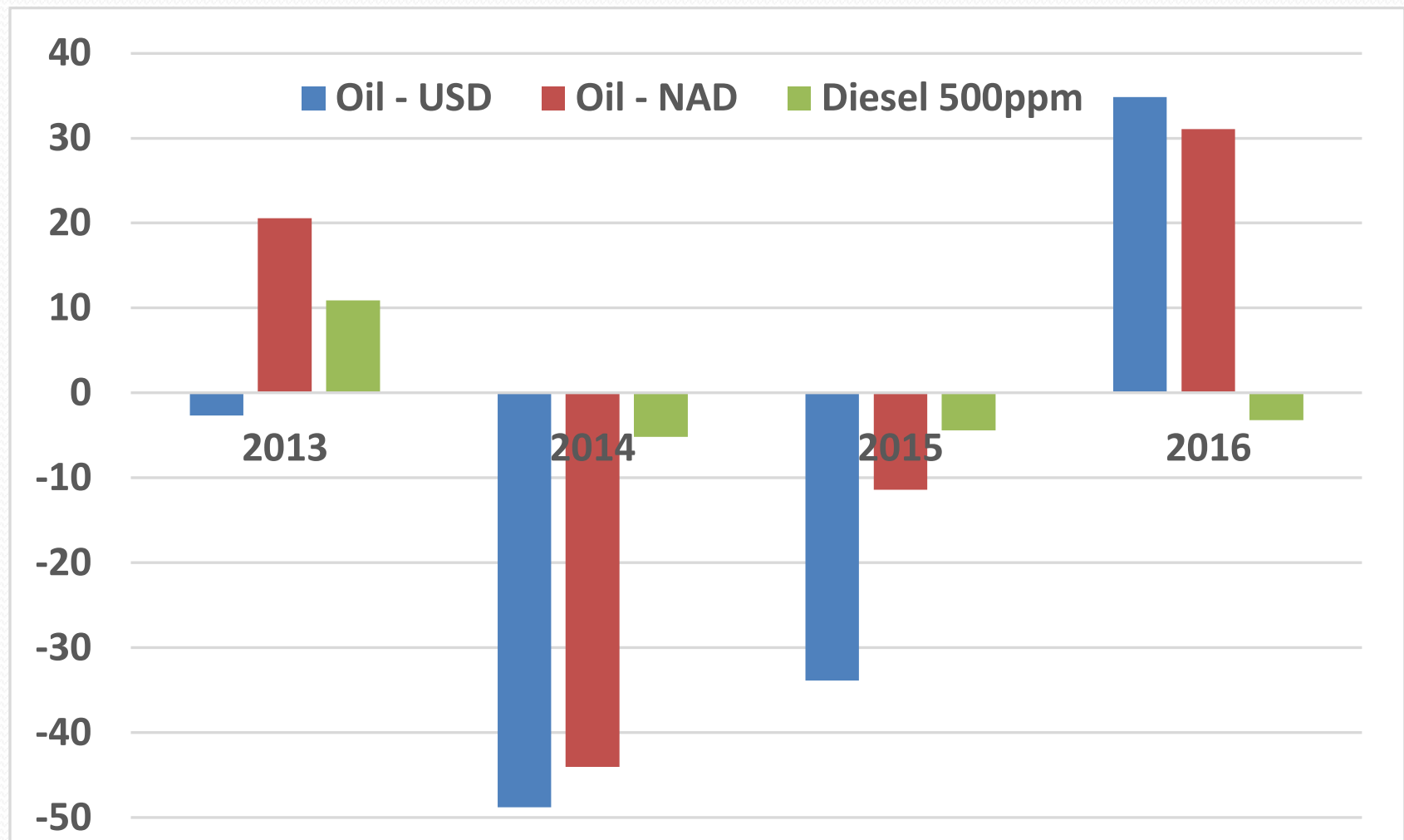
# Rig count



# Rig count

- Number of rigs dropped from 3,584 (2012) to 1,480 in Apr 16
- OPEC fairly stable at 572 compared to 557 (2012)
- USA sharp decline by 77 percent from 1,919 to 436

# Oil and fuel price changes



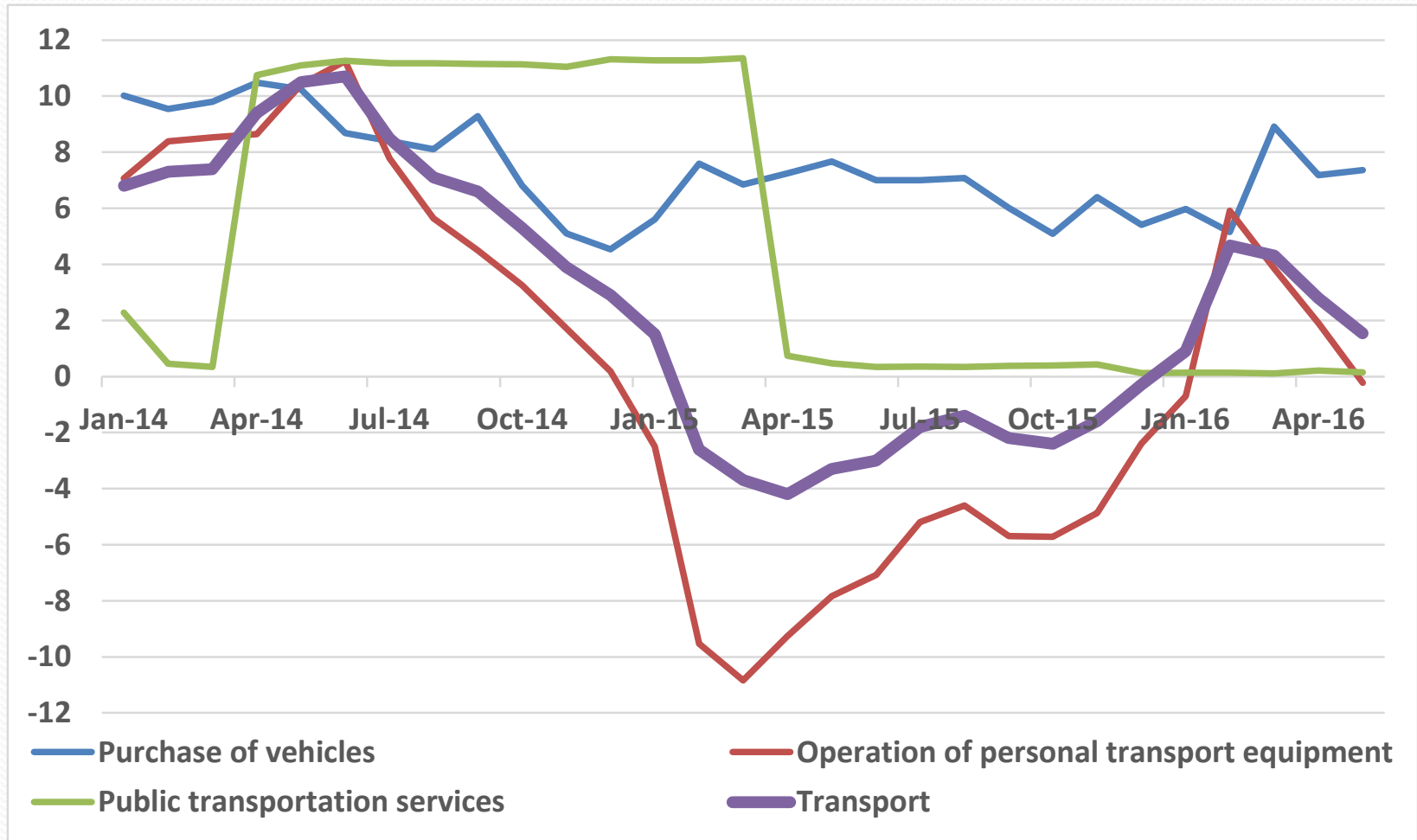
# Oil and fuel price changes

- 13 June 16 – USD49.36 pb – NAD747 Diesel NAD10.40
- Dec 15 – USD36.51– NAD570 Diesel NAD10.75
- Dec 14 - USD55.27 - NAD640 Diesel NAD11.85
- Dec 13 - USD109.95 - NAD1,151 Diesel NAD12.50

## Price fluctuations

- Supply side adjustments (less efficient producers will be forced to leave)
- USD strength vis-à-vis other major currencies
- No demand-side pressure expected

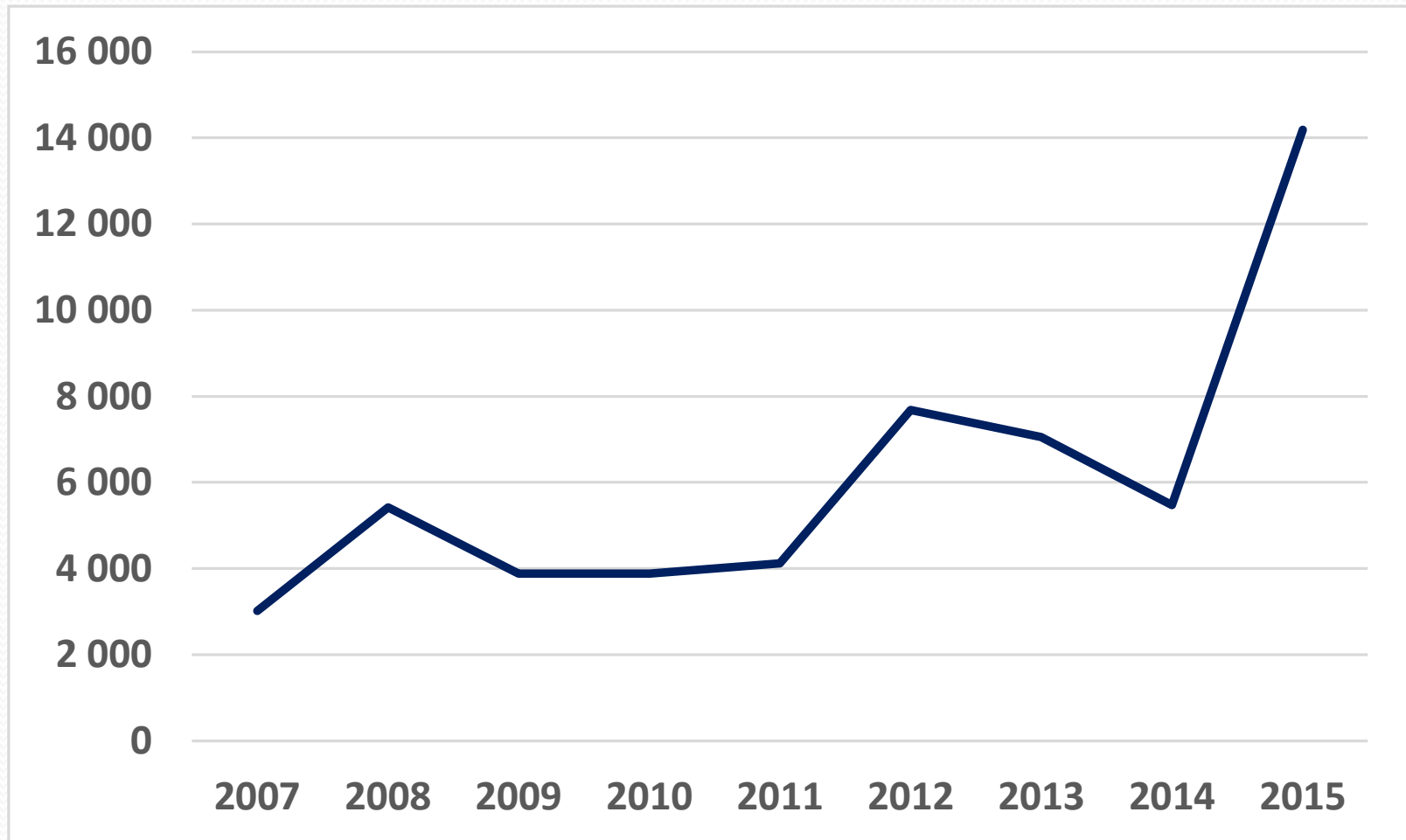
# Transport inflation



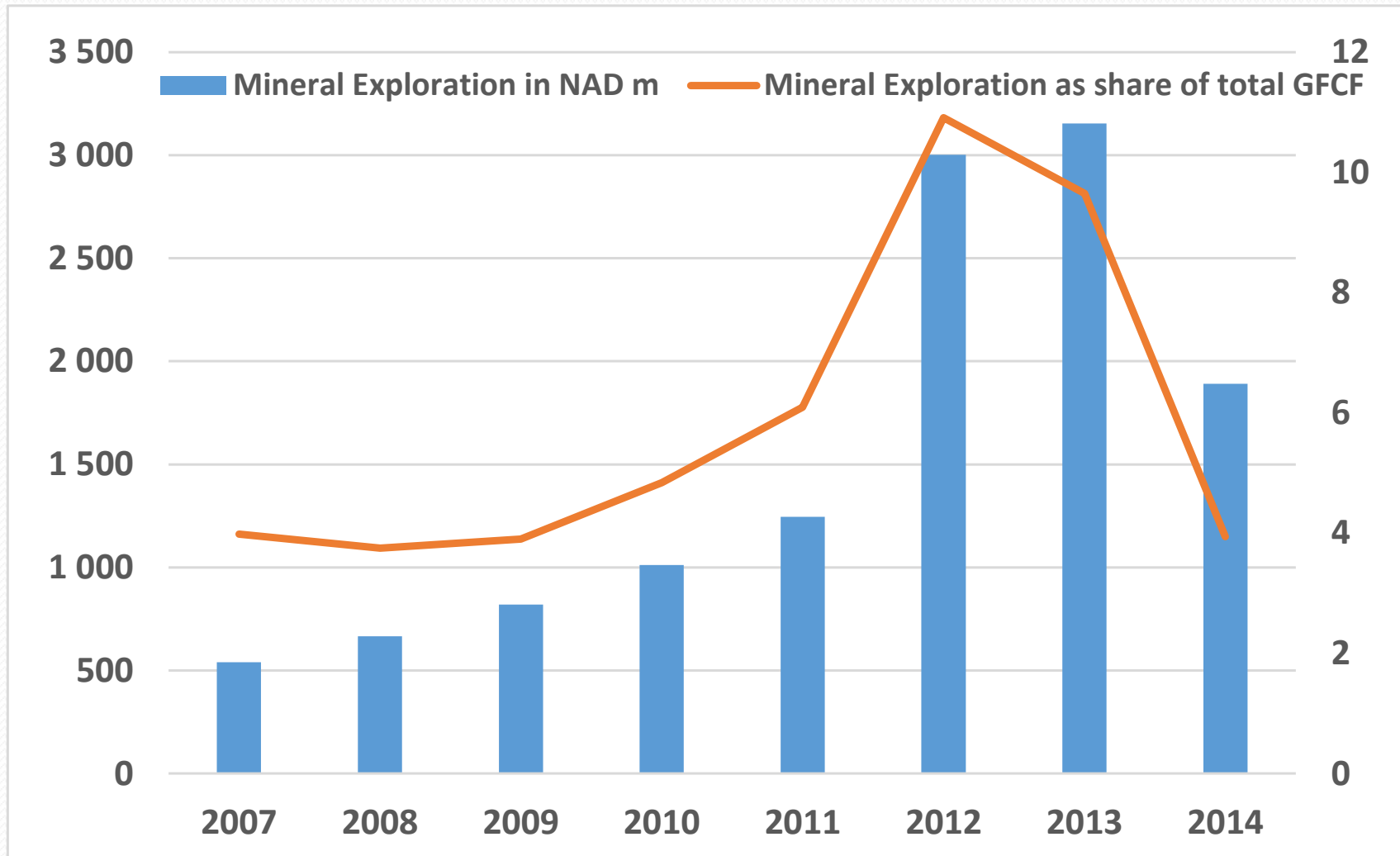
# Beneficiaries

- Transport sector
- Fisheries
- Mining
- Construction
- Electricity generation
- Individual motorists ( but not individuals relying on public transport – 3.1 percent inflation in 2015)
- Foreign currency reserves, but refined petroleum imports surged in 2015

# Imports of refined petroleum products (NAD m)



# Mineral exploration



# Mineral exploration

- Drilling off-shore wells requires substantial financial resources – about USD100 million per well, up to USD140 mil. (NAD1.5 bln)
- Only 20 percent success rate
- To prove viability drilling of further wells needed

# Downside of low energy prices

- Wholesale & Retail trade
  - Exports to Angola declined from NAD4.7 bln in 2014 to NAD2.6 bln 2015. Angola no longer among top ten export destinations.
- Transport incl. air transport, ports
- Health services
- Education services
- Financial services (Bureaus de exchange etc.)
- Mineral exploration
- Environmental impact



Thank you for your attention

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