

Economy Watch

The two sides of low oil prices

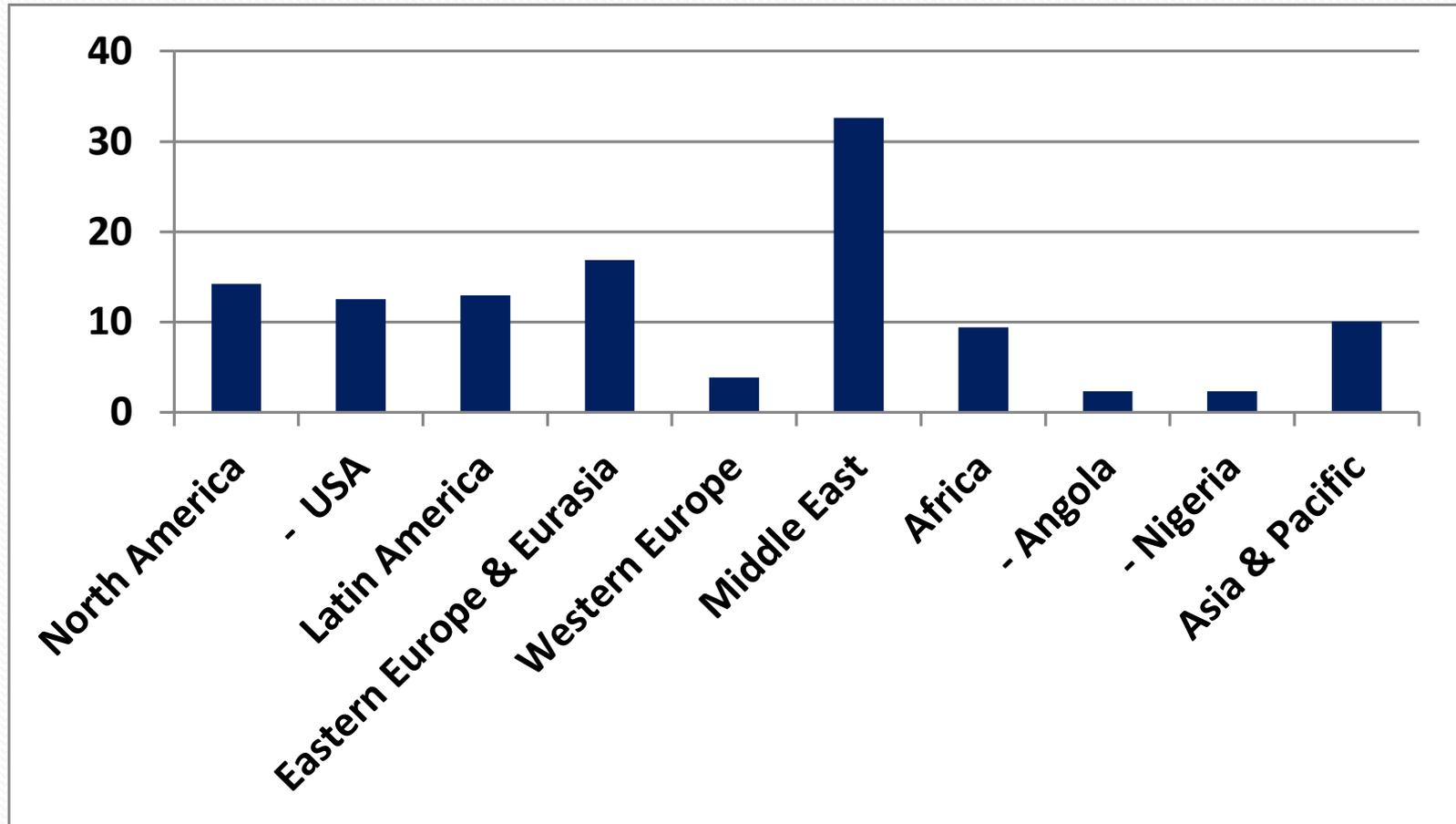
By Klaus Schade

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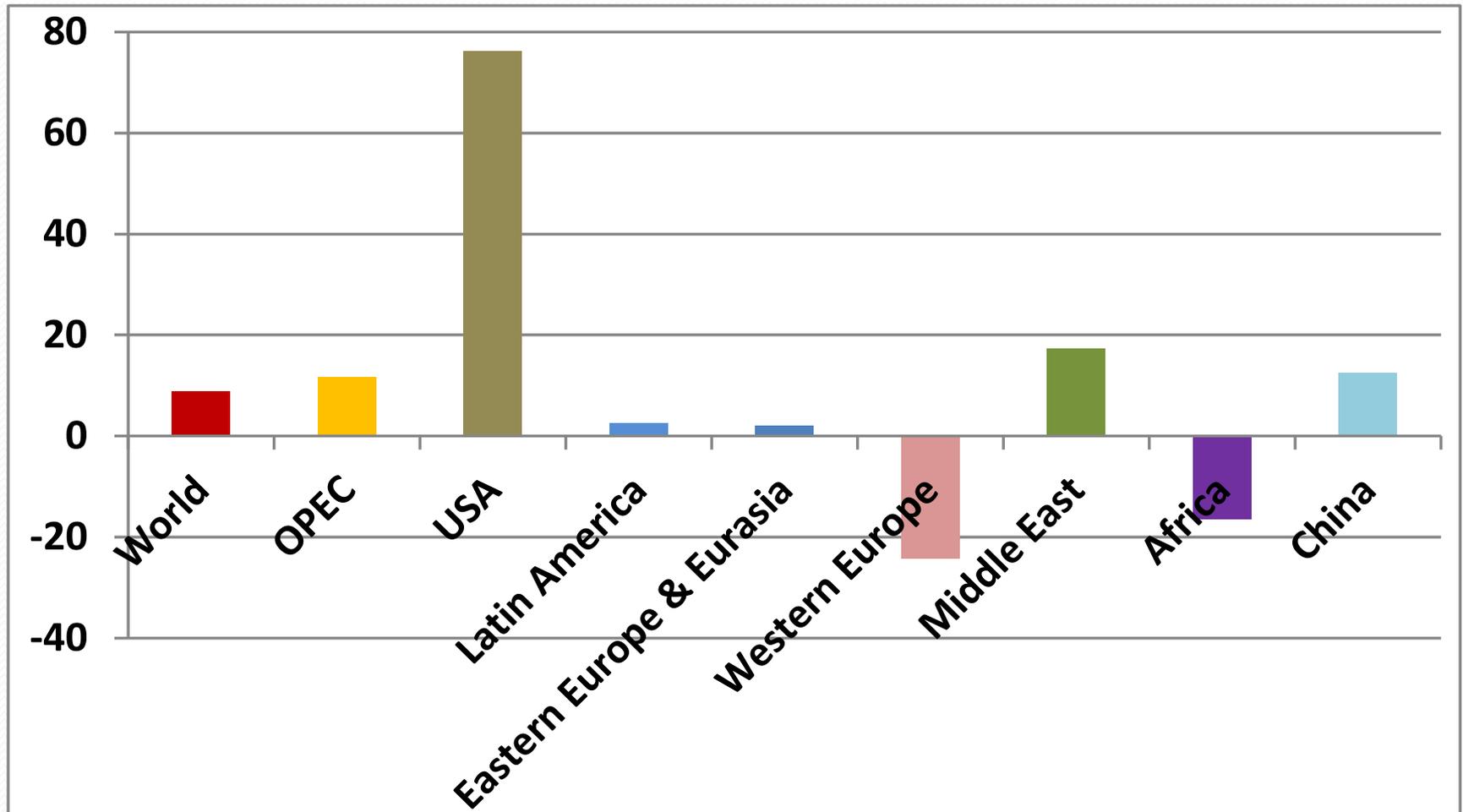


Institute for Public Policy Research

Share of world crude oil production, 2015 in percent



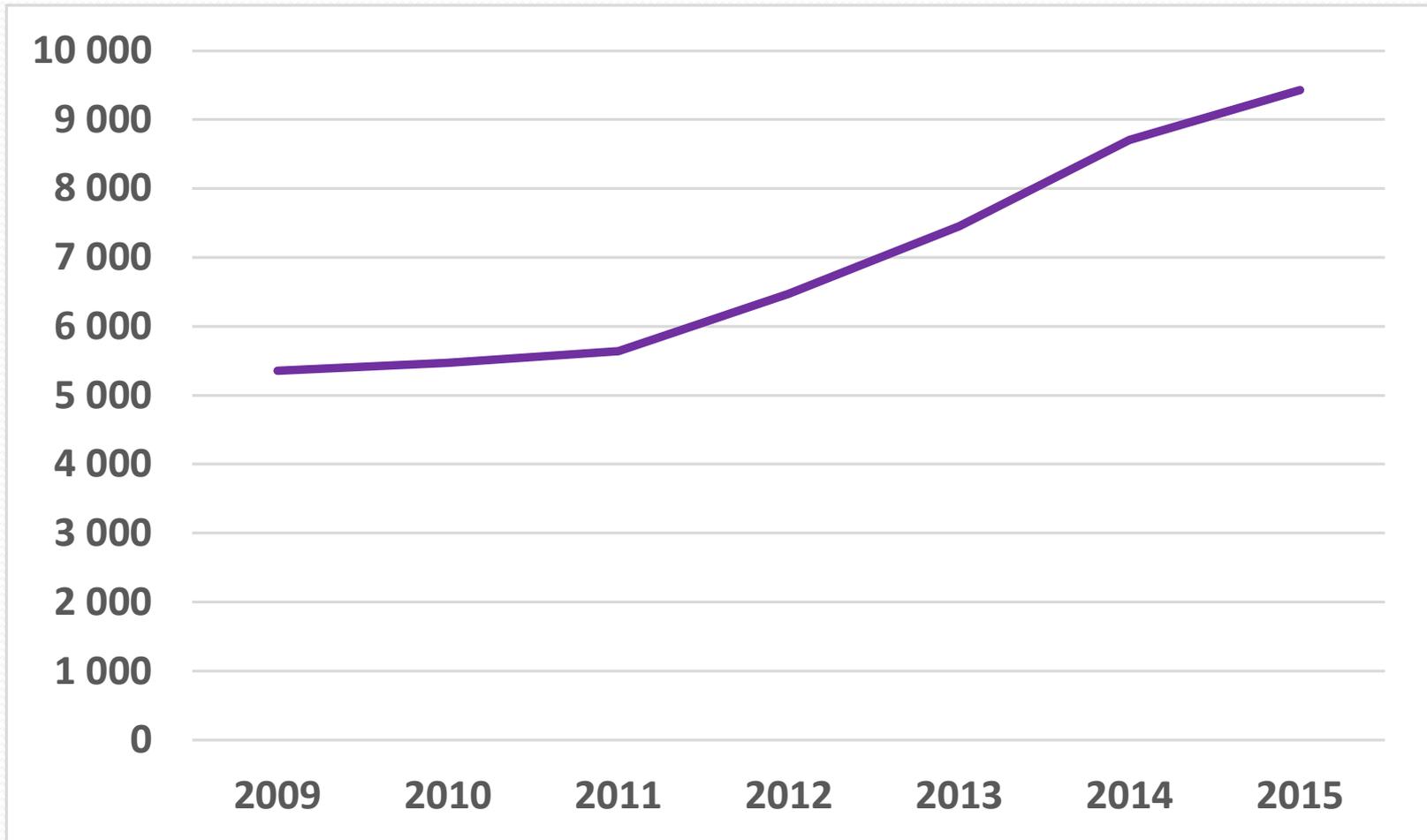
Change in world crude oil production, 2009 to 2015 in percent



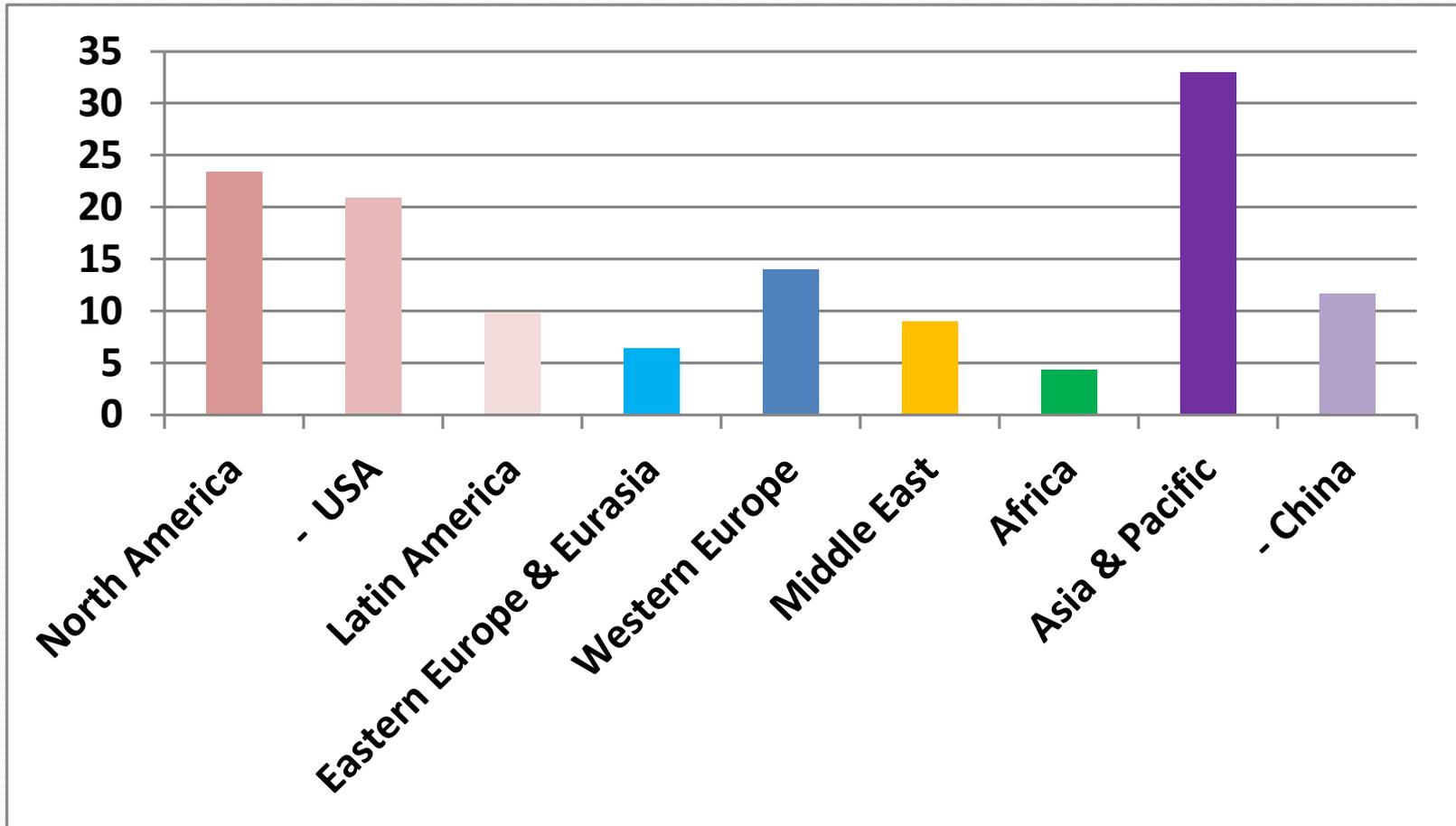
Crude oil production in figures

- 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

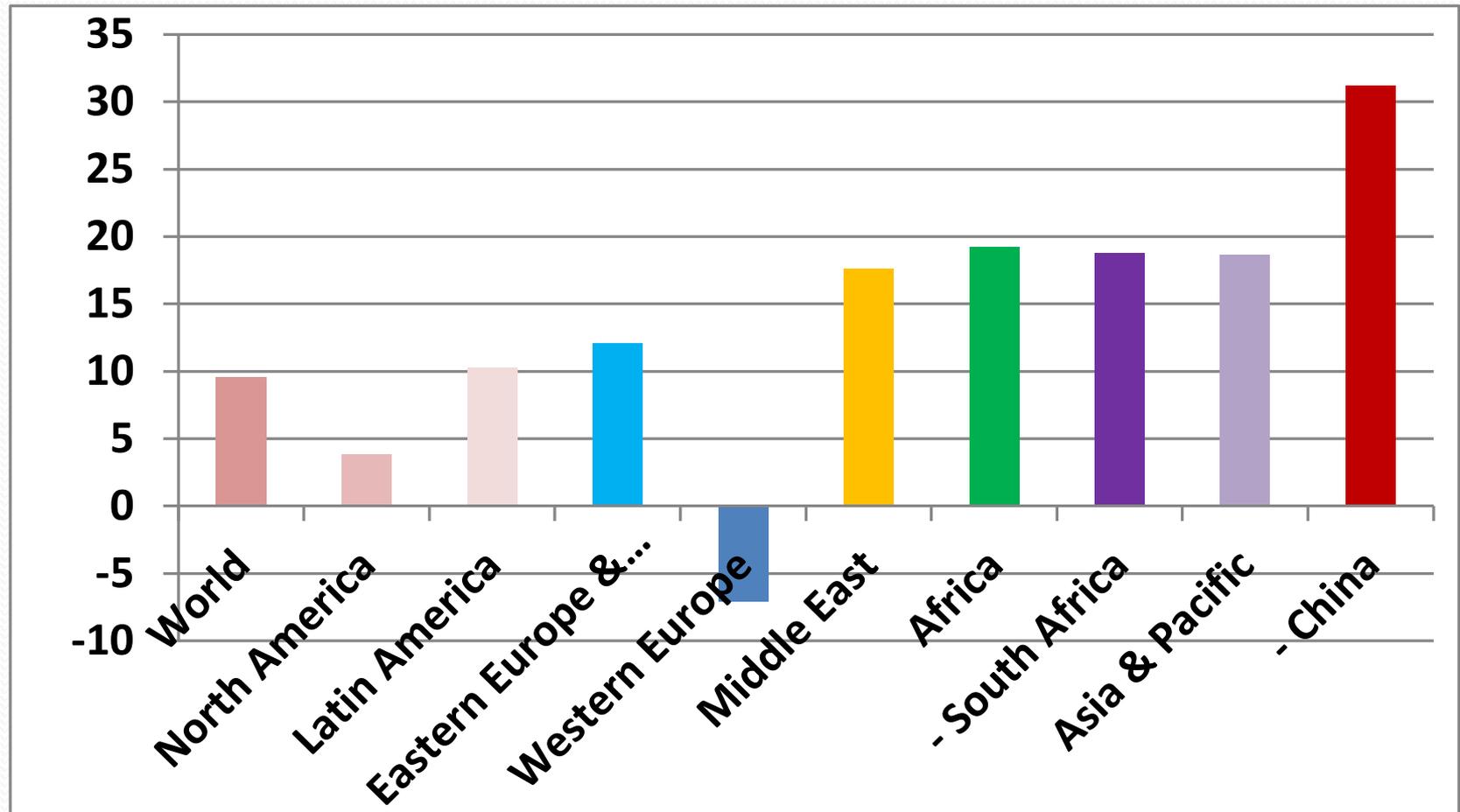
Crude oil production, USA in '000 barrel per day



Share of oil demand, 2015 in percent



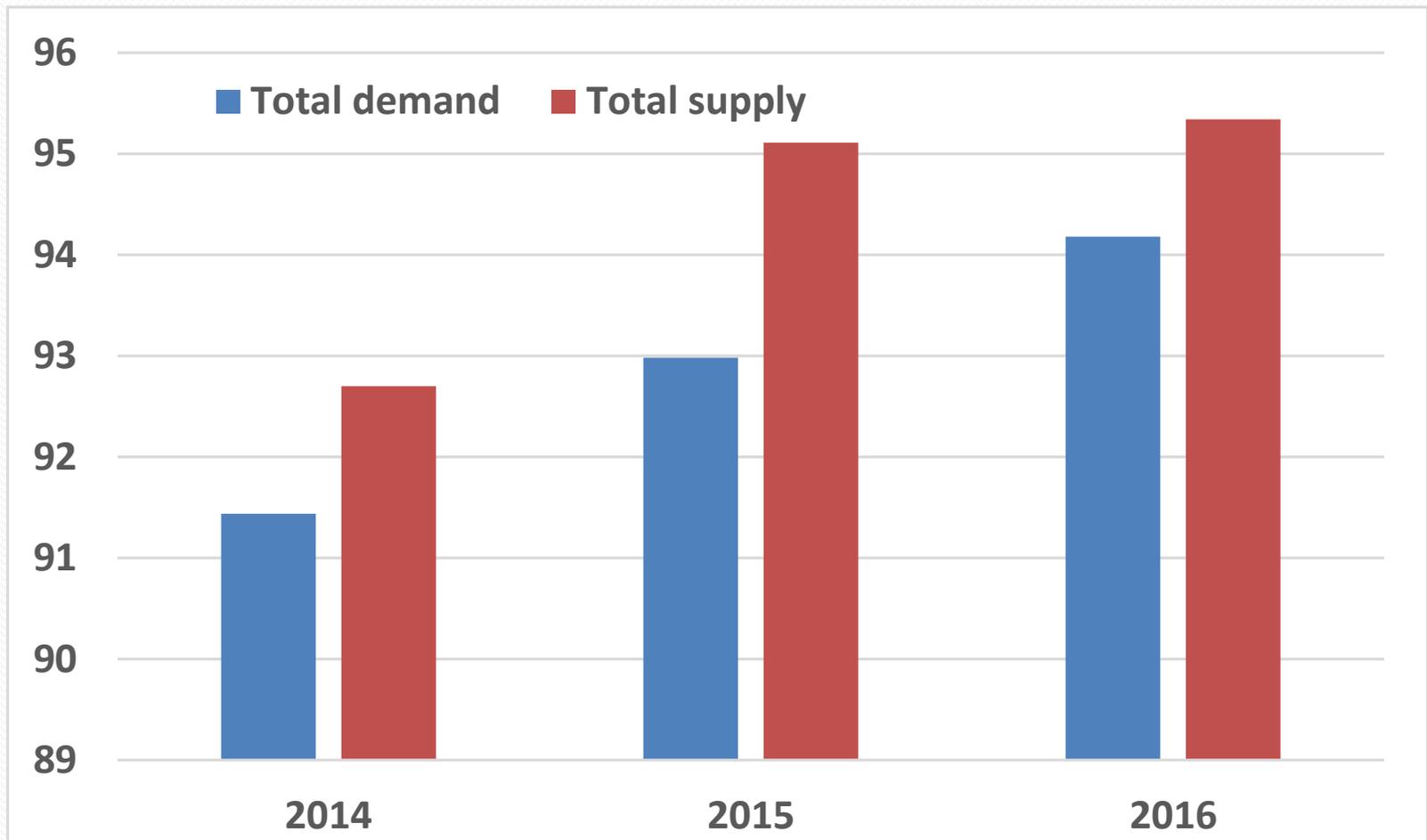
Change in oil demand in percent, 2009 to 2015



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

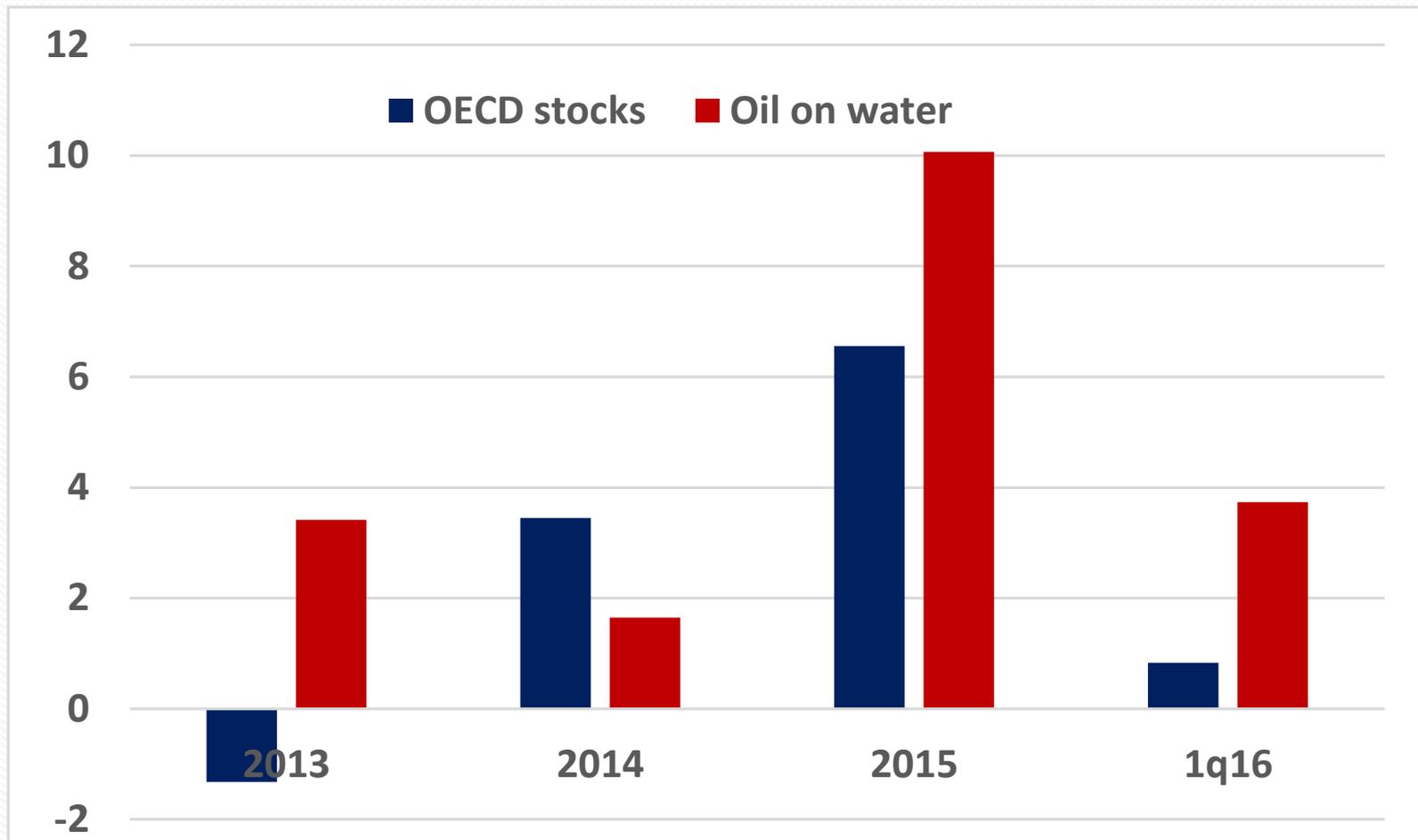
Oil supply vs demand (mln b/d)



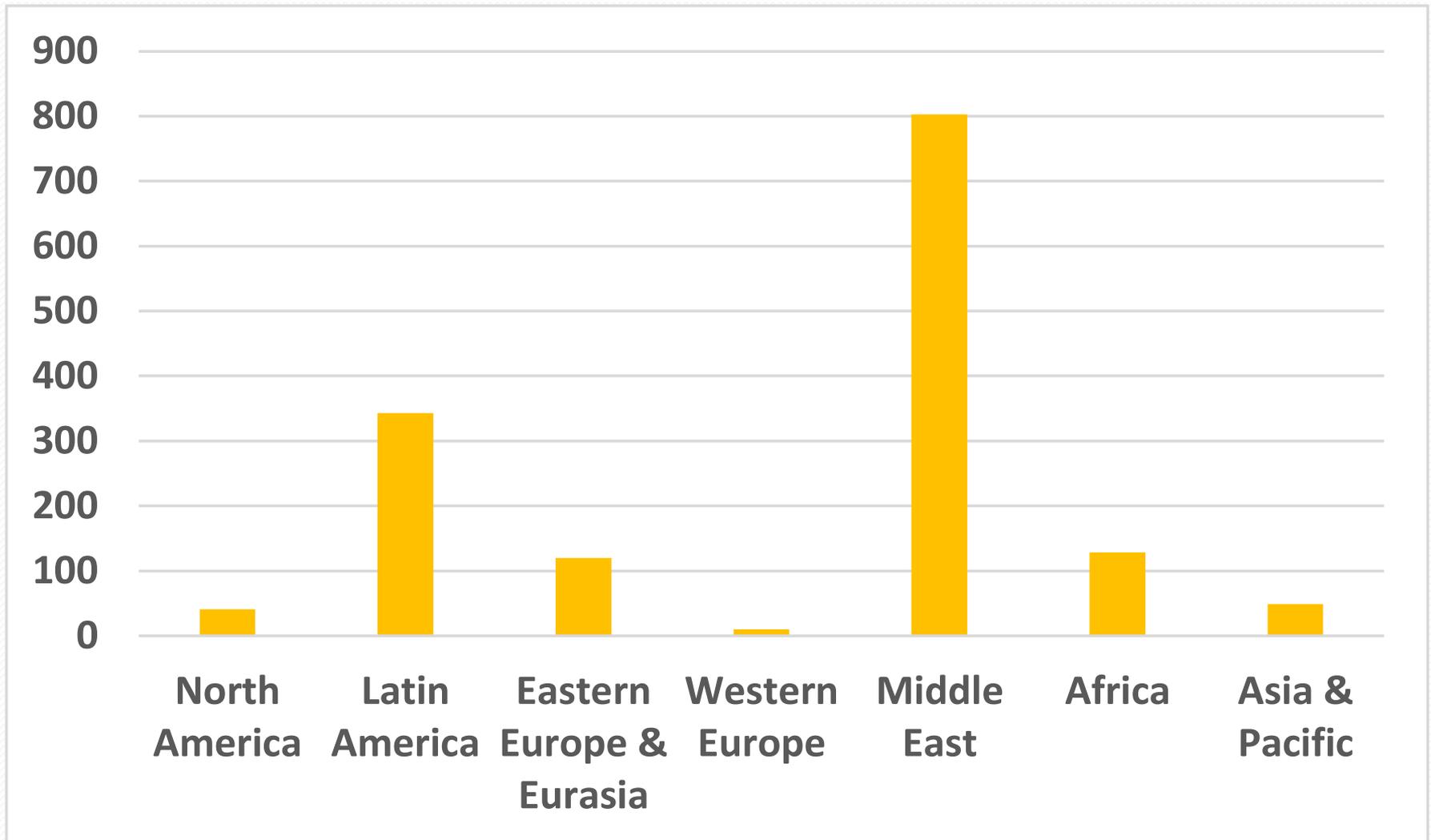
Oil supply and demand

- 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.

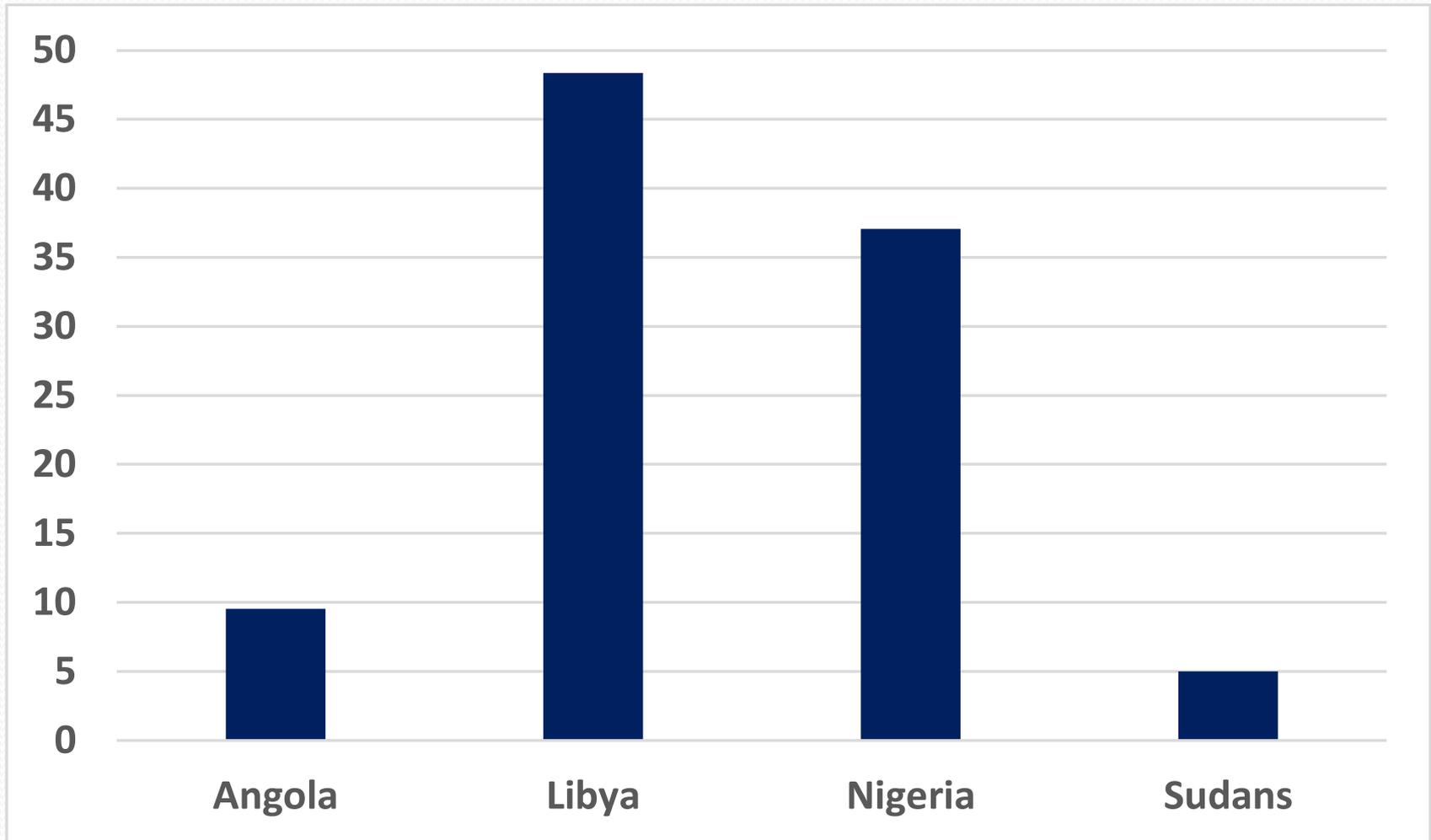
Change in oil stocks and oil on water in percent



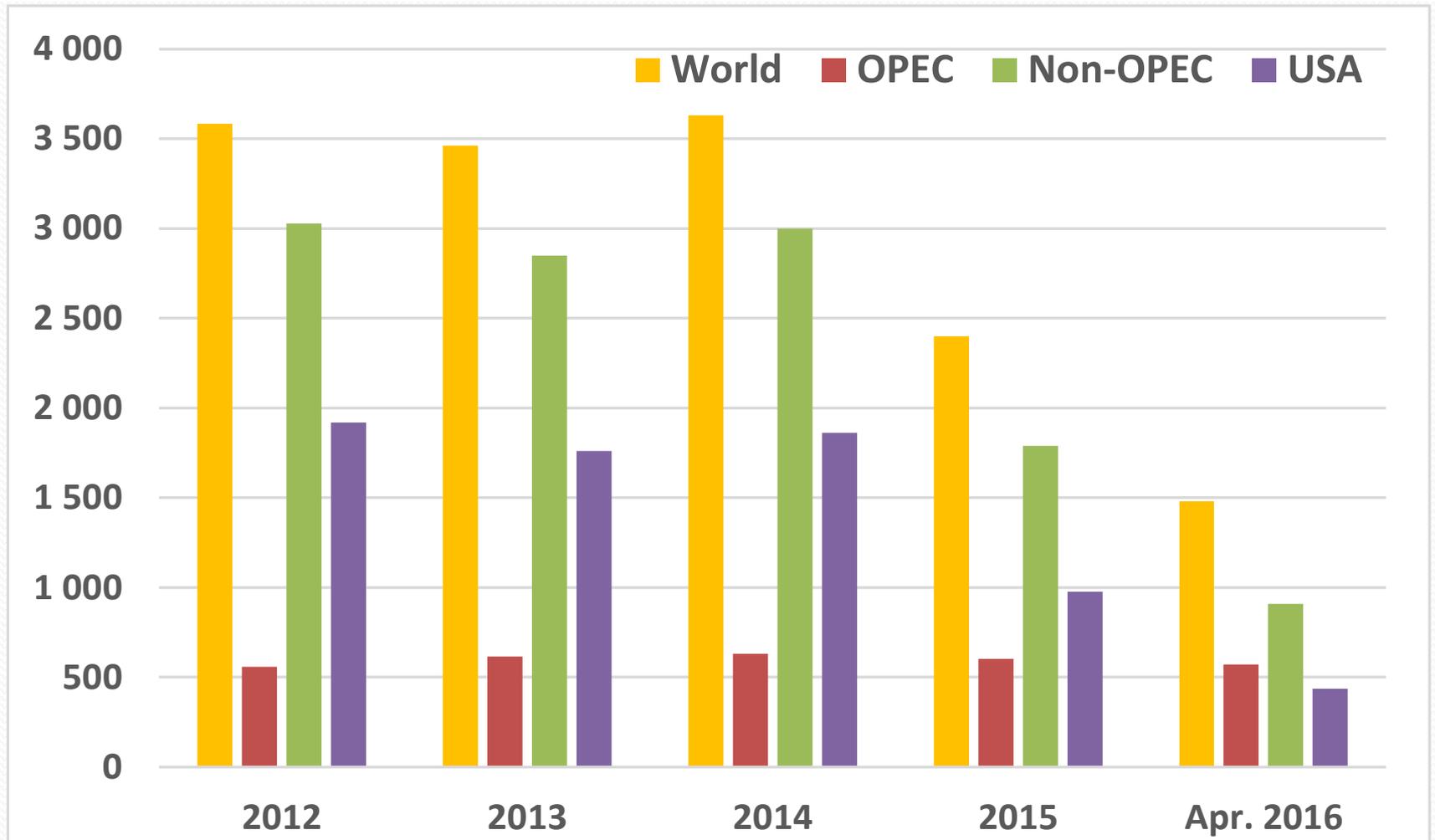
Proven crude oil reserves (bln barrels)



Proven crude oil reserves in Africa



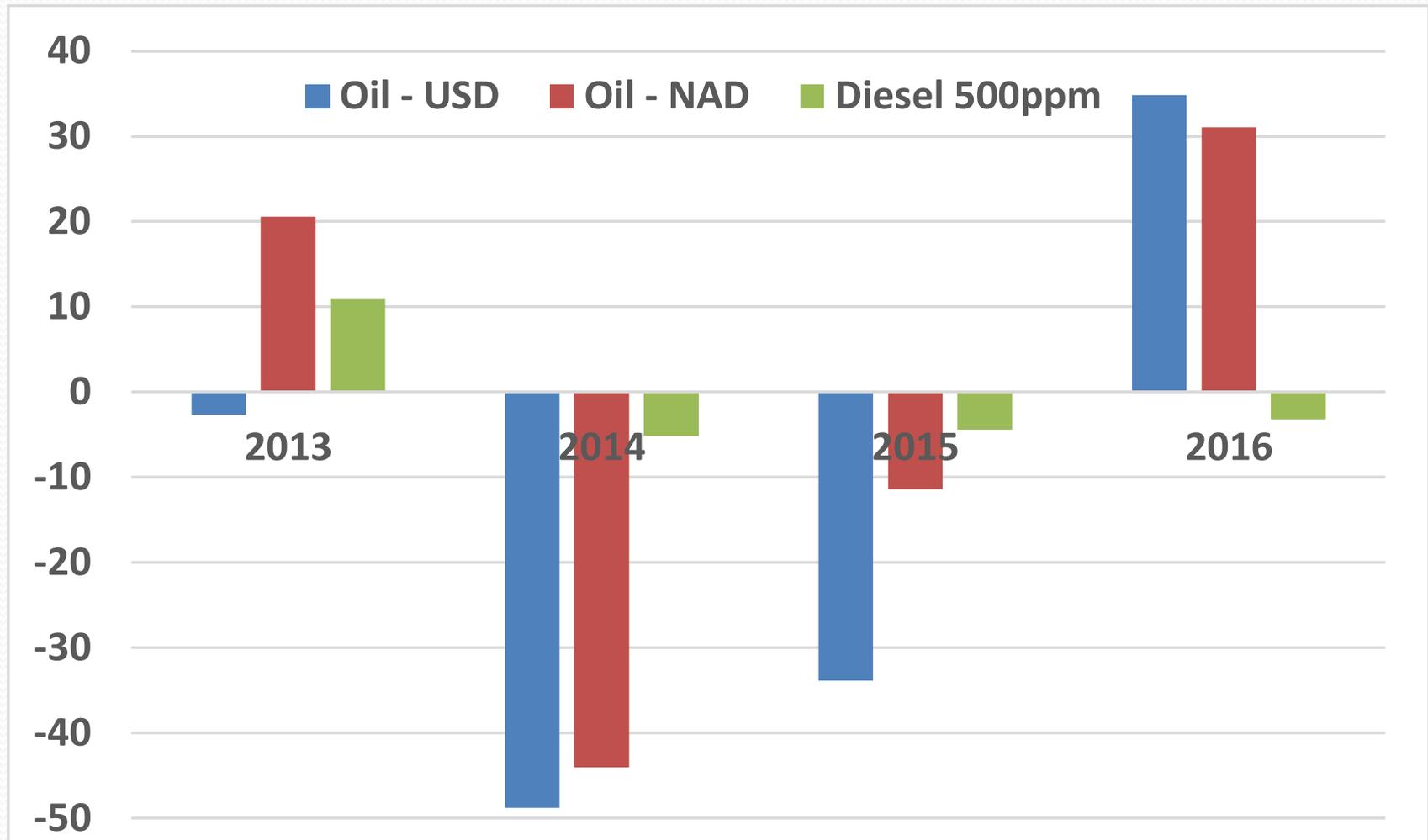
Rig count



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



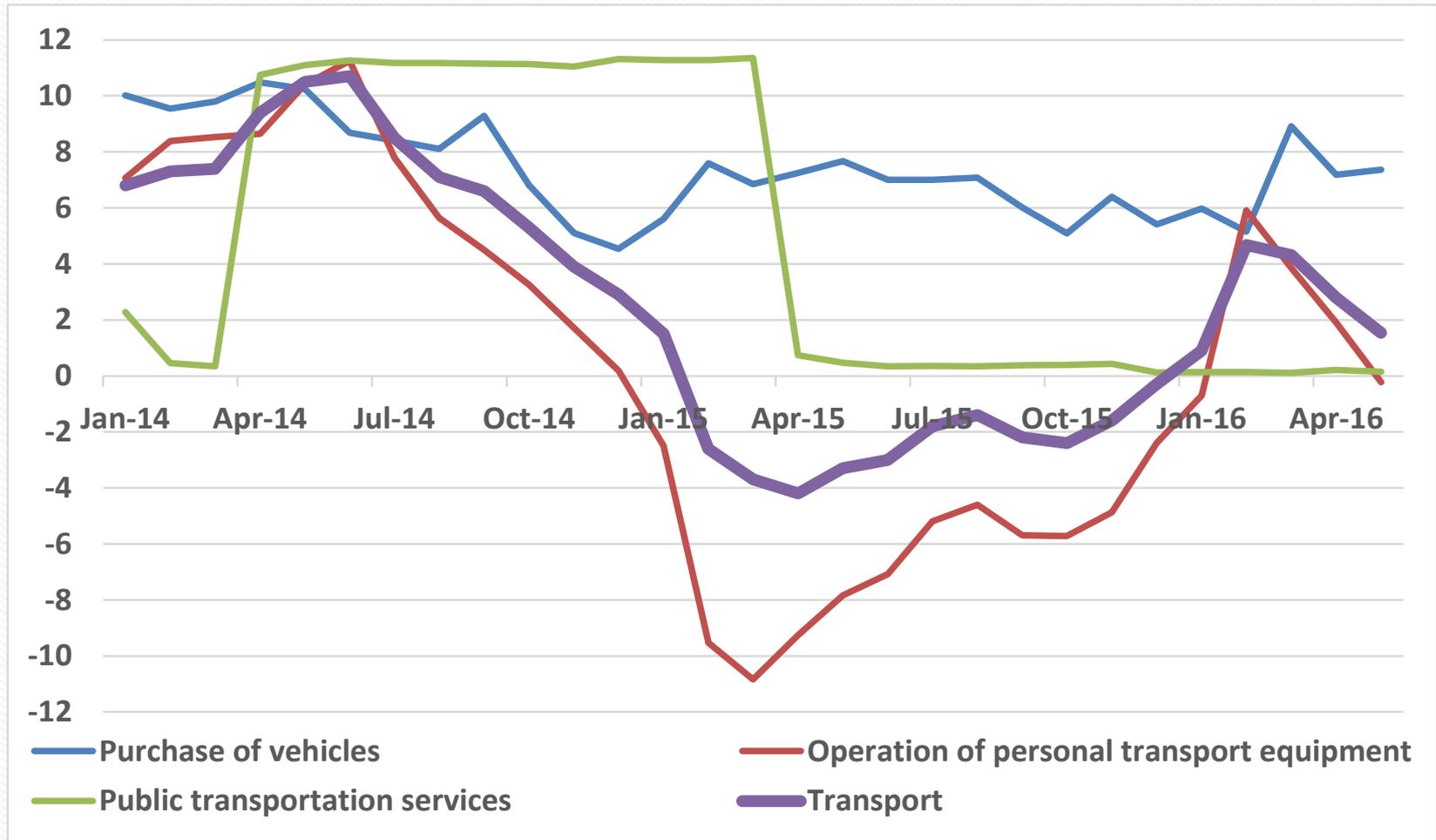
Oil and fuel price changes

- 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

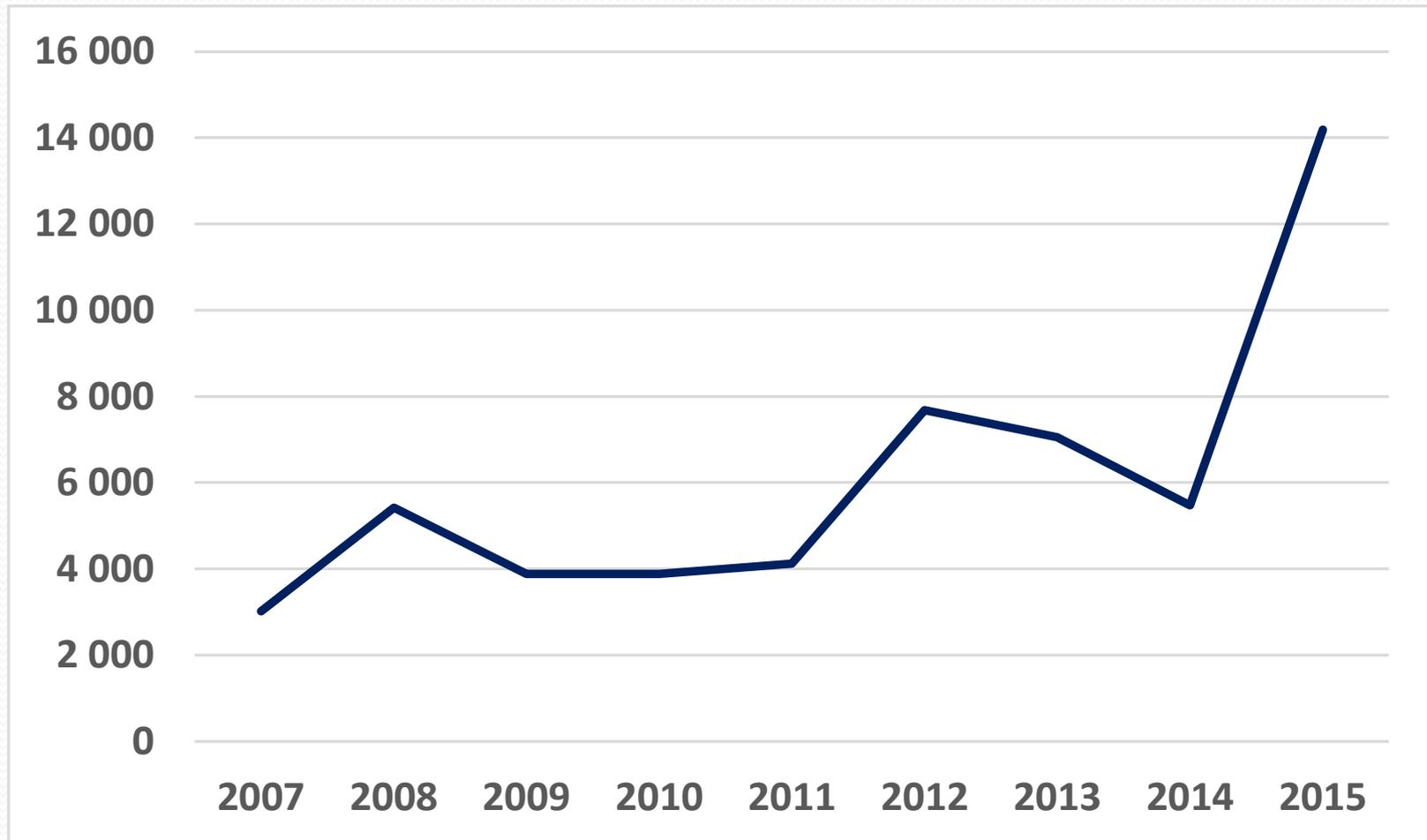
Transport inflation



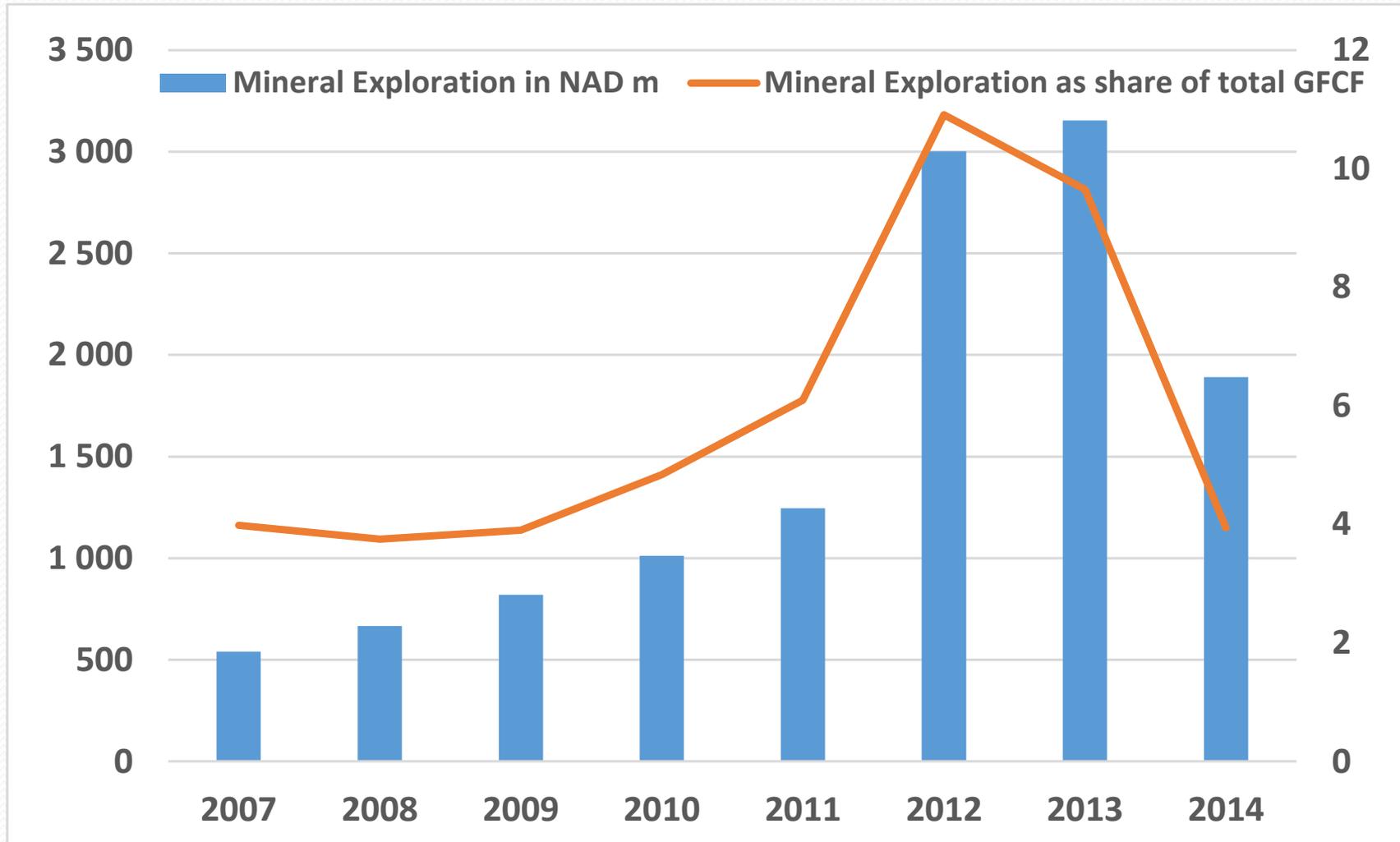
Beneficiaries

- 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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