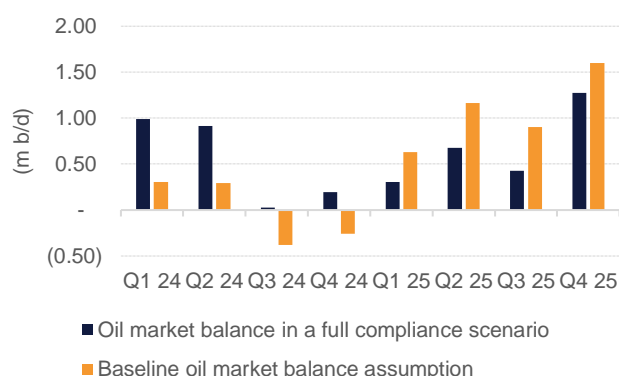


OPEC+ extends delay

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Members of OPEC+ that have been making additional voluntary cuts to their production have agreed to extend their curbs until the end of March next year. The UAE, Saudi Arabia, Russia, Iraq, Kuwait, Kazakhstan and a few others have been making these additional cuts since May 2023 to prevent global oil inventories from expanding but have had to delay increasing production three times. Previous plans for an increase in October and January ran up against unfavourable conditions in oil markets.

Oil market balances under new OPEC+ targets



Source: OPEC, IEA, Emirates NBD Research.

The latest agreement means that production will phase in slowly over the rest of 2025 and into 2026 as well. The original target levels for the end of 2025 have now been delayed until September 2026, meaning output will only trickle back into markets. For end of 2025, most producers making the voluntary cuts will have output between 2-5% higher compared with the end of 2024. The UAE has a larger increase though at nearly 8% to reflect a new higher “required production level” that compensates for substantial upstream capacity investment.

Assuming that all OPEC+ members fully comply with their targeted production for next year, oil markets will still be in a considerable surplus based on projections for oil demand and non-OPEC supply growth from the IEA. We estimate a “full-compliance” scenario would result in a surplus on average of about 700k b/d next year, Market Economics | Research

weighted toward the end of 2025. Compliance with targets is as ever essential for OPEC+ to have a meaningful effect on oil markets and they noted in the statement following the official OPEC+ meeting the “critical importance of adhering to full conformity and compensation mechanism”, which would account for previous periods of over-production.

Our oil outlook for next year is for prices to drift lower from current levels and to record an average of USD 73/b in the Brent market compared with a projected average of USD 80/b in 2024. Post the OPEC+ meeting we are maintaining that call and would stress that downside risks to the outlook are growing. President-elect Donald Trump has pledged to be an ally of the US oil and gas industry which could allow for easier permitting for drilling and production on federal lands or fewer regulations. We don’t think President-elect Trump’s election is necessarily a game-changer in terms of the outlook for US production but the new administration is unlikely to put many barriers in place on increasing output. That sets the US up for another few years of steady production increases which are likely to weigh on prices. At the same time, a moderation of geopolitical risks could also take some of the premium out of prices in the short term.

There is likely to be more of an impact on headline GDP levels across many of the key OPEC producers, in particular Saudi Arabia. Our assumption for UAE GDP growth in 2025 was based on a modest increase in oil production and we are keeping that forecast intact, with headline GDP growth expected at 5% in 2025. A flatter production increase path for Saudi Arabia means there are downside risks to our real GDP growth forecast of 3.7% for next year.

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