Oil price outlook 2018/2019
Selected indicators

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REUTERS
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Oil prices are no longer low in real terms
Real oil prices now well into the upper half of the post-1973 distribution

Source: *BP Statistical Review of World Energy, 2017* and author calculations

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Real oil prices again in the upper half of the cycle
Current oil price now slightly above the $75 average for the last cycle

Brent crude price
One complete price cycle (1998-2016)
Front-month futures, real U.S.$/bbl

- Mean + 1 S.D. ($110)
- Mean ($75)
- Mean - 1 S.D. ($39)

Dec 1998 $15
Jan 2016 $32
01/06/2018 75.91

Brent price (real U.S.$ 2018 monthly average)  Brent price (U.S.$ monthly average)
Oil prices are now well above expectations at the start of the year. Energy market professionals expected prices to average $70 by 2020.

**Expected Brent crude oil prices 2018-2022 ($US/bbl)**
Frequency distribution of results from price survey

Source: Survey of *Best in Energy* readers in early Jan 2018
(Population size 7000+, responses 1000+)
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Excess oil inventories have been eliminated. OECD oil stocks back in line with five-year average.

OECD commercial crude and products inventories
actual compared with 5-year average, million bbl

Source: Energy Information Administration
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OPEC spare capacity now down to less than 2 million b/d
Spare capacity set to shrink to less than 1 million b/d by end 2019

OPEC spare production capacity
million b/d, EIA estimates and forecasts

Source: U.S. Energy Information Administration  
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Higher oil prices have encouraged resumption of drilling
U.S. oil rig count has almost tripled since May 2016
Rising rig count has brought a big increase in production.
U.S. output up +1.3 million b/d year-on-year to record 10.5 million b/d in Mar.
U.S. crude output forecast to rise almost +1.4 million b/d in 2018
And another +1.1 million b/d in 2019
Synchronised global growth has boosted oil consumption.

World trade volumes rising at fastest rate since 2011.

Oil consumption rose by average of +1.7 million b/d in 2015-2017. Acceleration from +1.1 million b/d in 2012-2014.

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Oil consumption growth is responsive to prices
Especially in the advanced economies

World oil consumption growth, 1996-2017
(million barrels per day)

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