

The Commodities Feed: OPEC sees stronger demand in 2022

Your daily roundup of commodity news and ING views



Energy

The oil market continues to edge higher. ICE Brent is moving ever closer to US\$74/bbl and is trading at its highest levels since early August, while WTI is trading back above US\$70/bbl. The impact of Hurricane Ida continues to provide support to the market. 43.6% of US offshore Gulf of Mexico production is still shut in. And since late August, around 26MMbbls of crude oil production has been lost as a result of Hurricane Ida. However, the industry is already facing another storm. Tropical storm Nicholas is now set to make landfall along the Texas coast. Some producers have already evacuated staff from offshore platforms, and we will need to keep a close eye once again on downstream assets along the Gulf Coast.

OPEC released its latest monthly market report yesterday in which they made some upward revisions to their demand forecasts for 2022. OPEC is expecting that oil demand will grow by 4.15MMbbls/d (an increase of 870MMbbls/d from their previous forecast) next year to average 100.83MMbbls/d, which is above pre-pandemic levels. There was little change to demand growth forecasts for 2021. The group expects demand this year to grow by 5.96MMbbls/d. While on the supply side, some downward revisions were made to non-OPEC supply for 2021 as a result of Hurricane Ida, disruptions to Mexican output and lower North Sea production. OPEC expects non-

OPEC supply growth of 920Mbbls/d in 2021 compared to a previous estimate of 1.09MMbbls/d. 2022 non-OPEC supply growth was kept largely unchanged at 2.95MMbbls/d. This leaves the call on OPEC production at around 28.75MMbbls/d in 2022, compared to the current production of 26.76MMbbls/d.

On the calendar for today, the IEA will release its latest monthly market report, which will include its forecasts for global oil supply and demand for the remainder of this year and 2022.

Metals

Yunnan province in China has ordered steel and aluminium producers to make further cuts to output for the remainder of the year in order to meet energy intensity reduction goals. 'Green' aluminium producers will keep monthly average output between September and December at or below August output levels. The steel industry will need to delay some planned production for September to the last two months of the year, while still ensuring that output this year falls.

Agriculture

Both CBOT corn and soybeans traded soft yesterday after the USDA's weekly export inspection report showed that grain shipments from the US continued to be weak due to the infrastructure damage caused by Hurricane Ida. The USDA data shows that corn export inspections dropped to just 138.2kt for the week ending 9 September, compared to 278.3kt in the previous week and around 939.1kt at the same stage last year. Weekly export inspections are the lowest in over five years and reflect the severity of logistic bottlenecks. Disruptions to overseas shipments have created short-term supply surpluses in the domestic market and this is reflected in the forward curve. The CBOT corn prompt contract has been trading at a discount of around US\$16.4/bu to the December 2021 contract. For soybeans, the export inspections improved marginally from 90.6kt to 105.4kt; although that still remains well below the 1.6mt of exports for the same week last year.

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