MENA Oil Market in the Period of Pandemic

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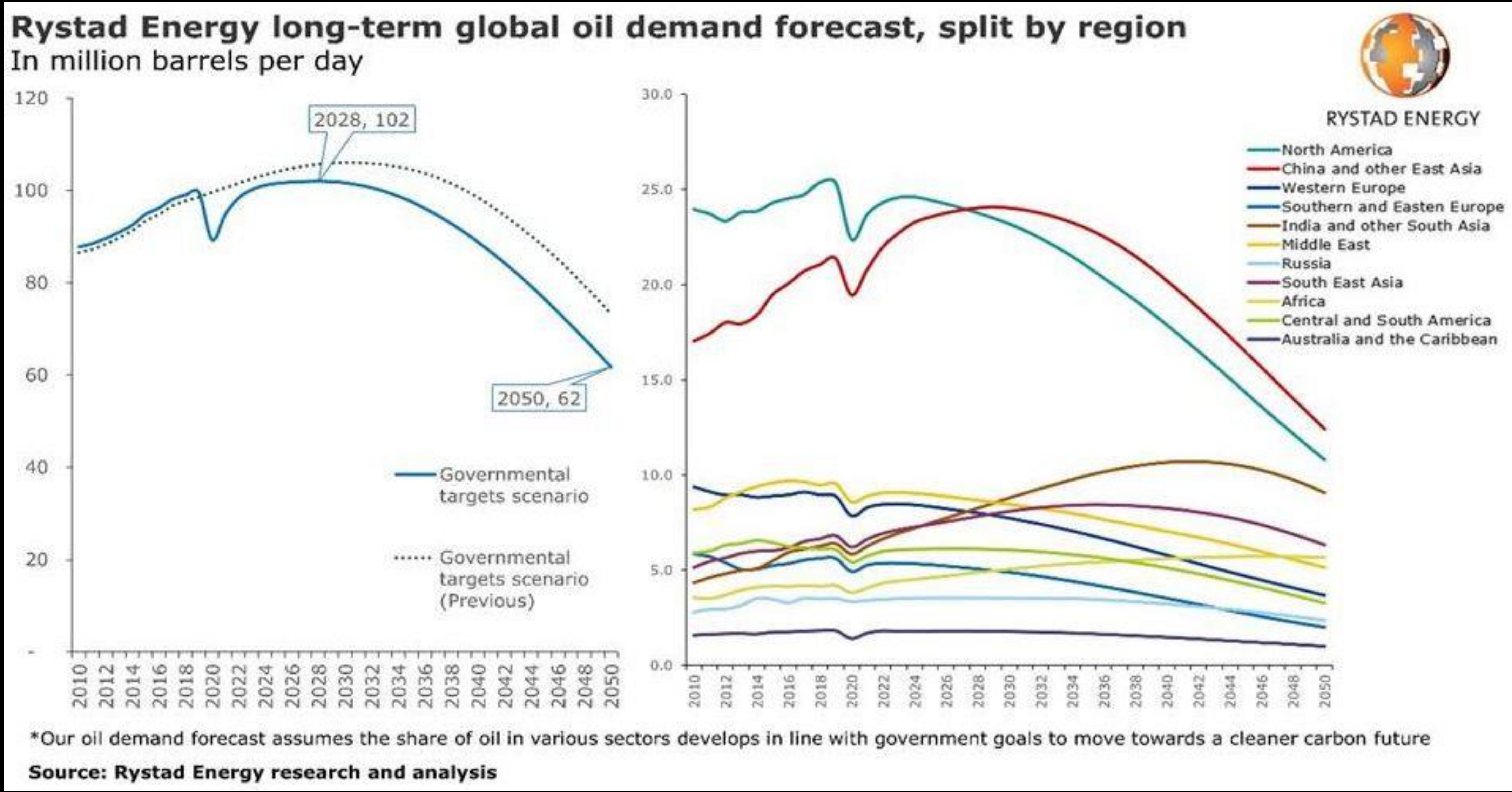
Has it ever been worse?

- The 2008/09 financial crisis is an example. At the time the global economy shrank by around 1.7%. Oil demand fell by 1.6% and oil prices fell from a historic high of $147 per barrel in 2008 to $32 per barrel within just four months.
- The Covid-19 crisis is completely different to any previous crisis we have seen in modern history because it has delivered a dual shock – a catastrophic health crisis and an economic crisis at the same time.

Just Some Indicators…



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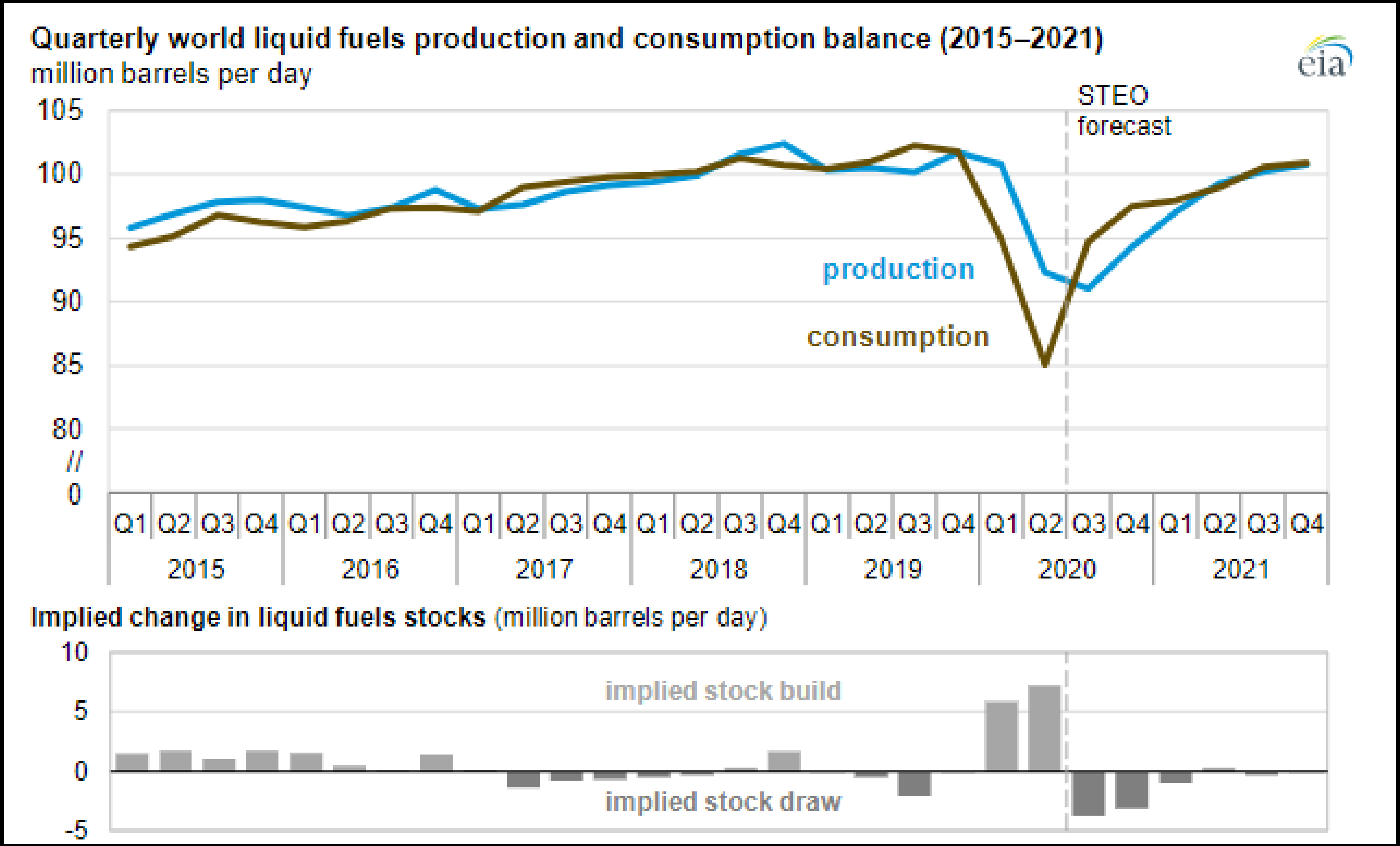

OPEC+: Last Chance for Salvation?

- On April 15, members of the Organization of the Petroleum Exporting Countries (OPEC) and 10 non-OPEC partner countries, collectively known as OPEC+, agreed to reduce crude oil production in response to rapidly increasing global oil inventories in the first quarter of 2020. At the time, efforts to contain the spread of coronavirus resulted in a steep decline in demand for petroleum liquids and lower crude oil prices. Starting in May 2020, the OPEC+ agreement called for a decrease in crude oil output by an initial 9.7 million barrels per day (b/d) that gradually tapers through April 2022, the end of the current agreement period.

Main Findings

- The coronavirus pandemic and the related oil price slump is a double whammy for economies in the Middle East and North Africa (MENA). While financially still highly dependent on the global oil market that has tanked, the countries have also been diversifying towards the tourism sector, which is severely affected by the coronavirus outbreak

Main Findings

- A new oil market boom that could refuel the economies may be some time away and will not last in the long-run, as the global energy transition gains momentum. Meanwhile, public debt overhang continues to increase and requires urgent fiscal consolidation. Structural job losses and low capital investment could harm the region’s economic growth potential.

Main Findings

- It is time for the economic model to be renewed and made more sustainable via acceleration of broad-based economic diversification efforts and a boost in technological innovation. Among stepping-stones identified in this crisis is pharmaceuticals. North African economies could also build on the ongoing shift to higher tech manufacturing and expansion of their trade networks.

Main Findings

- The region’s growing interest in renewable energy projects needs to be taken to the next level, with investment in renewable energy capacity at the core of the economic renewal process. By providing a green way to satisfy the continued increase in local energy demand, fossil fuels could be freed up for the export market, reducing the risk of stranded assets in the transition period.

Thank You for Your Attention!