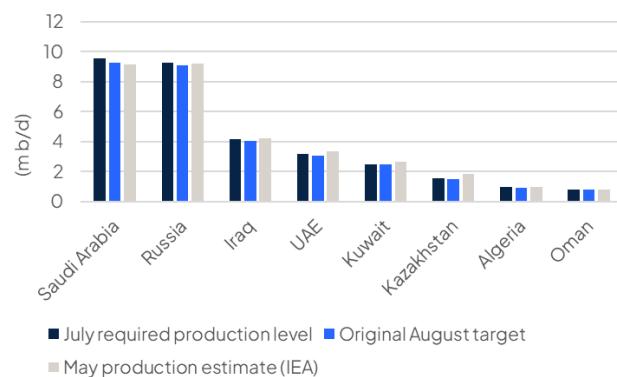


OPEC+ will push for more output in August

July 12025 – Commodities

We expect OPEC+ will endorse another larger than planned production increase for August when it meets July 6. The V-8 countries, those within OPEC+ that had been providing additional voluntary cuts, have agreed to increase output by 411k b/d each month from May to July and conditions in the oil market now are essentially unchanged from when those decisions were made, the escalation of geopolitical anxiety in the second half of June notwithstanding.

OPEC+ will push for higher output



Source: OPEC, IEA.

Saudi Arabia is due to produce 9.53m b/d in July according to the required production level set by the voluntary group on May 31. The originally planned output level for Saudi Arabia for August 2025 was 9.26m b/d, about 3% lower than the July target number. We doubt that Saudi Arabia, or other producers, would be prepared to shift to lower oil output levels when it has been clear that output restraint has had a limited impact on supporting prices. In the UAE, the planned August level of 3.04m b/d is 4% below the July target number and 8% lower than estimates of recent UAE production.

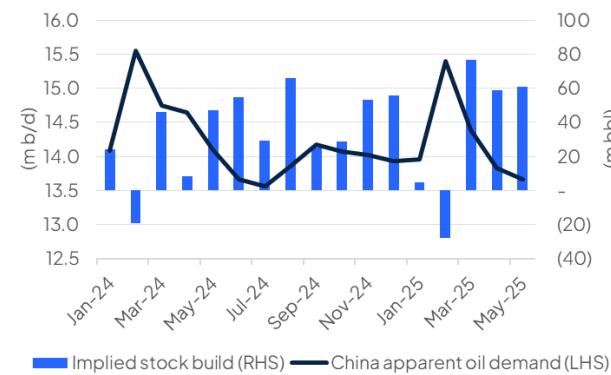
Geopolitical premium has faded

The Israel-Iran war sparked a sharp spike in geopolitical premiums for oil prices but as it became clear that there was no change to supply or shipments from the region and both parties observe a ceasefire, oil markets have quickly refocused their attention to fundamentals. At USD 66/b as of the

start of July, prices for Brent futures are now lower than they were ahead of the first attack on June 12.

The IEA forecasts that oil demand will grow by just 720k b/d in 2025, slower than in 2024, with only a marginal pick-up next year. Recent data from China has been encouraging, indicating that economic momentum has stabilized but with PMIs barely holding onto the neutral 50 level, it hardly presents a picture of an oil-hungry economy. Apparent oil demand in China has been running at an average of nearly 3% lower year/year in the first five months of 2025.

China oil demand waning



Source: Bloomberg, Emirates NBD Research.

No single OPEC+ wide price

Market focus has fixated on why Saudi Arabia and other economies in OPEC+ would adopt a strategy that seemingly works against their purposes, with higher production, all else being equal, likely to push prices lower. There is not a single price that will satisfy all members of OPEC+ given the diversity of economic structures and highly varied degrees of reliance on oil revenues for fiscal and current accounts. Restraining output, and ceding market share to more flexible producers, for an ambiguous goal of an OPEC+ wide price risks building up tensions within the bloc and could culminate in a disorderly breakdown of the exporters' alliance.

Moreover, the performance of major OPEC+ economies like the UAE and Saudi Arabia this year shows non-oil economies that are operating at strength, even amid oil prices being around 11% lower year/year as of July 1. PMI levels from both

Saudi Arabia and the UAE have been holding at strong levels while the non-oil economy in Saudi Arabia recorded nearly 5% growth in Q1.

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