

Will the oil price bounce?

PRIX index Q4 forecast of supply risk for international oil markets

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Will oil exports continue flowing onto the world market, suppressing the oil price? The PRIX index forecast for the rest of 2015 has just been calculated and indicates that supplies from the world's 20 largest oil exporters are not going to fall this year, contributing stably low oil prices. The forecast also implies that:

- Neither sanctions nor the low oil price are impeding Russian oil exports
- Iran is going to up its exports faster than many market actors have expected
- The conflict with the Islamic State is not going to curb the rise of Iraqi oil exports
- Kuwait may be the first Arab Gulf state to curb its exports, a possible early sign that that they are beginning to feel the pain of lower oil prices—or that they are beginning to see the job of defending market share as completed.

The PRIX index is a new analytical tool for oil market forecasting based on the input of 265 country analysts. Their insider views on the 20 countries covered by the index are brought together using a diffusion index formula similar to a purchasing manager index (PMI). This makes it possible to put a single global number on the supply-side risk in international oil markets. For further information and analysis of the implications for oil markets, see the new analytical note at <http://prixindex.net/wp-content/uploads/2015/09/2015-Q4-PRIX-index-analytical-note.pdf>

John Friedman, Analytical Advisor to the PRIX index, has made the following statements for the press:

— “Everybody is waiting to see who will blink first in the oil price war. The current PRIX index update indicates that it is not going to be OPEC—yet.”

— “Who is going to swerve first in this game of chicken? The sudden drop in the numbers for Kuwait could be a sign of things to come. Could they be the first Arab Gulf country to throw in the towel and reduce oil exports?”

— “All the producers are feeling the pain of lower oil prices, but nobody wants to give in. At this point they all desperately need the cash, so they are stuck in a death spiral in which cartel solidarity is increasingly difficult to achieve.”

— “The Iranians and the Iraqis are hell-bent on taking back their market shares—fair enough.”

— “Don’t hold your breath. So far neither sanctions nor the oil price have dented Russia’s oil exports.”

— “We’re still in a bear market for oil.”

Background information

Political events can have a powerful influence on the oil price. Historical examples include OPEC’s 1973 embargo in reaction to the Yom Kippur War and the 1979 Iranian Revolution. Analysts, traders and academics have had few and weak tools to handle such political events compared to what is available on economic aspects of oil price formation. The PRIX index attempts to fill this gap with a metric on export trends from world’s 20 largest oil exporters for the coming three months. The index is similar to a purchasing manager index (PMI). PMIs are based on polls of purchasing managers in companies across a sector or an economy and are used to forecast business cycles and economic trends. The PRIX index is instead based on input from experts on the world’s 20 largest oil exporters, and forecasts how political developments will affect exports during the coming months. The index was first published in January 2015 and is updated quarterly. The PRIX index is made freely available to the public and is neither dependent on nor owned by any other institutions, companies, or governments.

Contact

To sign up for future updates of the index, go to <http://prixindex.net/receive-index-updates/> or <https://twitter.com/@PRIXindex>

For further information, contact spokesman Indra Overland at info@prixindex.net

The upcoming index update will be publically announced on Oct. 1st, and is embargoed until then.

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