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Gulfbrokers: The threat of an economic recession hangs over the world oil market

Gulfbrokers: The threat of an economic recession hangs over the world oil market. Miners are doing well so far

DUBAI, UAE, May 29, 2023 /EINPresswire.com/ -- The global oil market has been looking for direction in recent months. Even at the beginning of the year, it seemed that the disinflation policy of the biggest players would represent a smooth landing for the world economy, but now the risk of recession is growing. In particular, there are signals coming from China that the economy is doing less well than expected. Such developments bring uncertainty to the oil market and the price of this commodity, Gulf Brokers reports.

A barrel of Brent crude is trading below $76 per barrel on world markets. This is the lowest level since the end of 2021, sending oil prices to their 18-month lows. The surprising announcement of the countries associated in the OPEC+ group about further production cuts at the beginning of April did not change anything. Oil temporarily gained, but there was no reversal of the downward price trend. So far, the oil slump has not had too much of a negative impact on the economy of the largest mining giants, according to Gulf Brokers, developments in the second quarter of this year will tell more.

In the first three months of this year, the world's largest mining company, Saudi Aramco, reported a year-on-year decrease in net profit of approximately one-fifth to less than $32 billion, but at the same time, it must be mentioned that last year was a record year for the company. If Saudi Aramco manages to maintain the trend of the first quarter for the rest of the year, its net profit will be about 16 percent higher than in 2021. Therefore, a possible year-on-year decline in profit this year will certainly not be a disaster.

Saudi Aramco stocks are also doing well so far this year. Since January, they have raised by ten percent, and the market value of Saudi Aramco is thus above two trillion dollars. Saudi Aramco is now the third biggest company in the world by market capitalization. Alphabet has a lead of more than $500 billion on the fourth place, only Apple ($2.76 trillion) and Microsoft ($2.37 trillion) are ahead of Saudi Aramco.

But back to the mining sector. Although the top ten largest oil companies are dominated by American players, the Chinese companies China Petroleum&Chemical and PetroChina are in second and third place in terms of sales volume. The market value of both has risen by 45 and 50 percent, respectively, since the beginning of the year. However, both companies lost slightly in the last week after reports emerged that China's economy was slowing.

At the same time, the results of both companies for the first quarter of this year are contradictory. While the net profit of China Petroleum&Chemical fell by less than 12 percent year-on-year, PetroChina, on the other hand, boasted a 12 percent increase in its net profit to $6.3 billion.

The market value of the remaining oil companies in the top ten has developed differently since the beginning of this year. While the shares of ExxonMobil, Royal Dutch Shell and British Petroleum are more or less stagnant, the shares of TotalEnergies and Chevron have lost 6.5 and 10 percent, respectively, since the beginning of this year. This development more or less corresponds to how the profit of the mentioned companies changed in the first quarter of this year.

Total global oil demand is set to rise by 2.2 million barrels per day this year, the International Energy Agency (IEA)* expects. Of the total oil production, less than 30 percent should fall to the OPEC organization, and less than 44 percent to the OPEC+ group. The IEA estimates that Russia exported the most oil in April this year since the beginning of its aggression in Ukraine. Nevertheless, tax revenues from the mining sector fell by almost two-thirds year-on-year.

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*https://www.iea.org/reports/oil-market-report-may-2023

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