

Energy and the Economy: Charting the Course Ahead

Session I: Outlook for Global Crude Oil Markets



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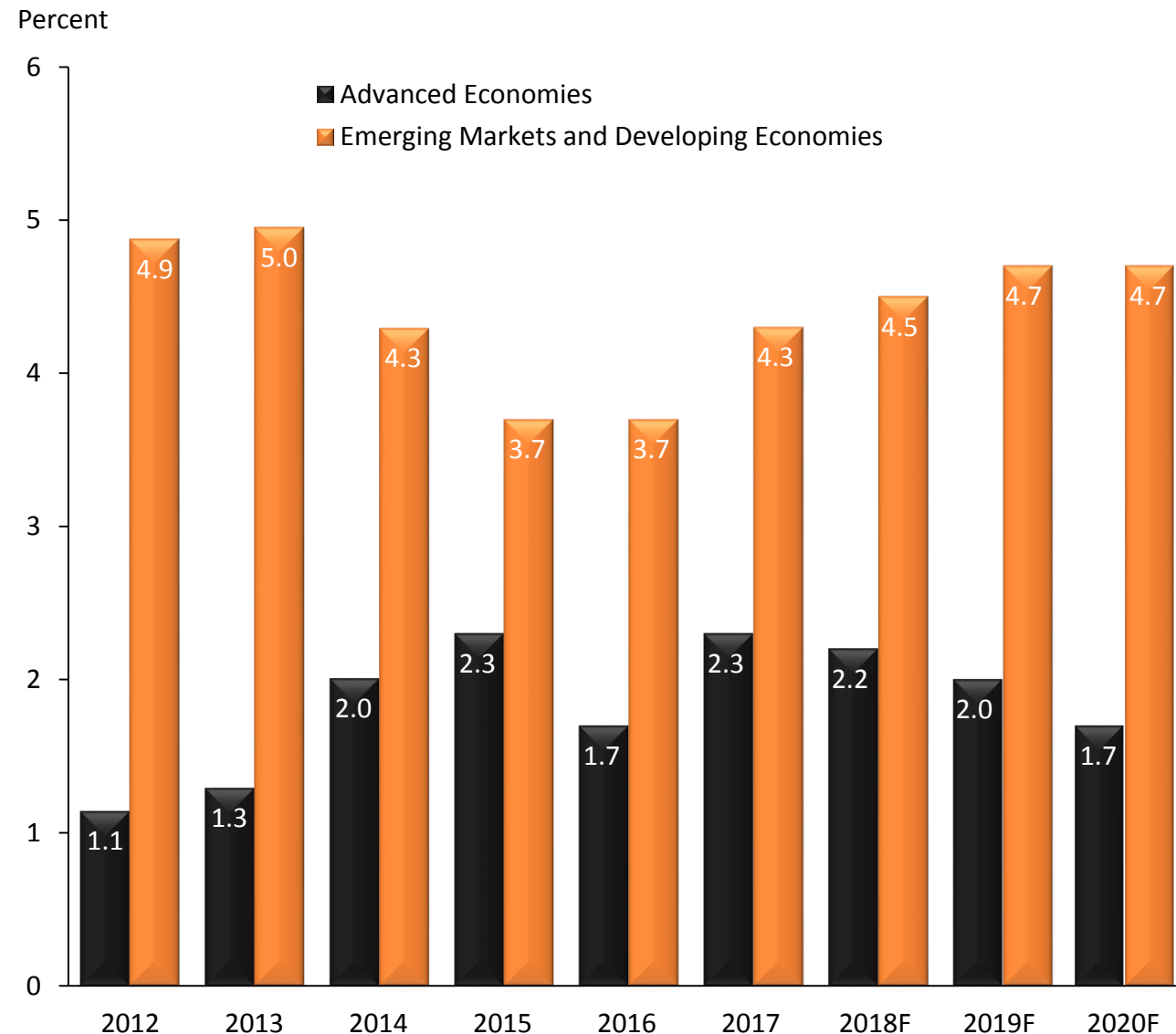
WORLD BANK

Joint conference hosted by the
Federal Reserve Bank of Dallas and
Federal Reserve Bank of Kansas City

DALLAS

September 6-7, 2018

Global growth prospects



Source: World Bank

Notes: *F* denotes forecast as of June 2018.

Recent developments

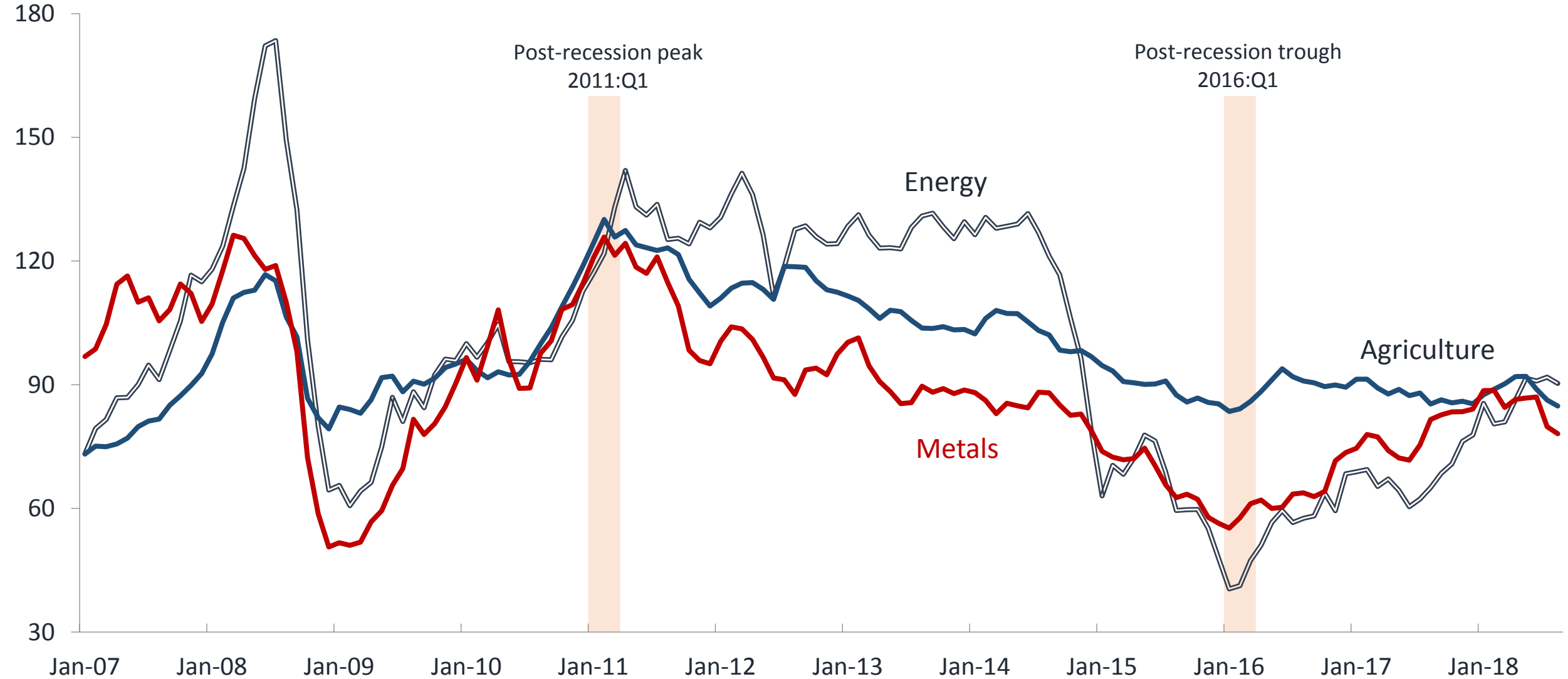
Global growth was projected at 3.0 and 2.9 percent in 2019 and 2020 (June 2018 edition of World Bank's *Global Economic Prospects*.)

Early indications reinforce our view of decelerating activity in 2019 and 2020 (the next edition of *Global Economic Prospects* will be published in January 2019). Reasons for decelerating activity include:

- Tightening of monetary policy in some advanced economies.
- Rapid deterioration of growth prospects in some emerging markets.
- Growth in some advanced economies remains above potential, but likely to slow because of the policy normalization.
- Rising trade tensions.

Commodity price indexes

Index, nominal terms, 2010 = 100

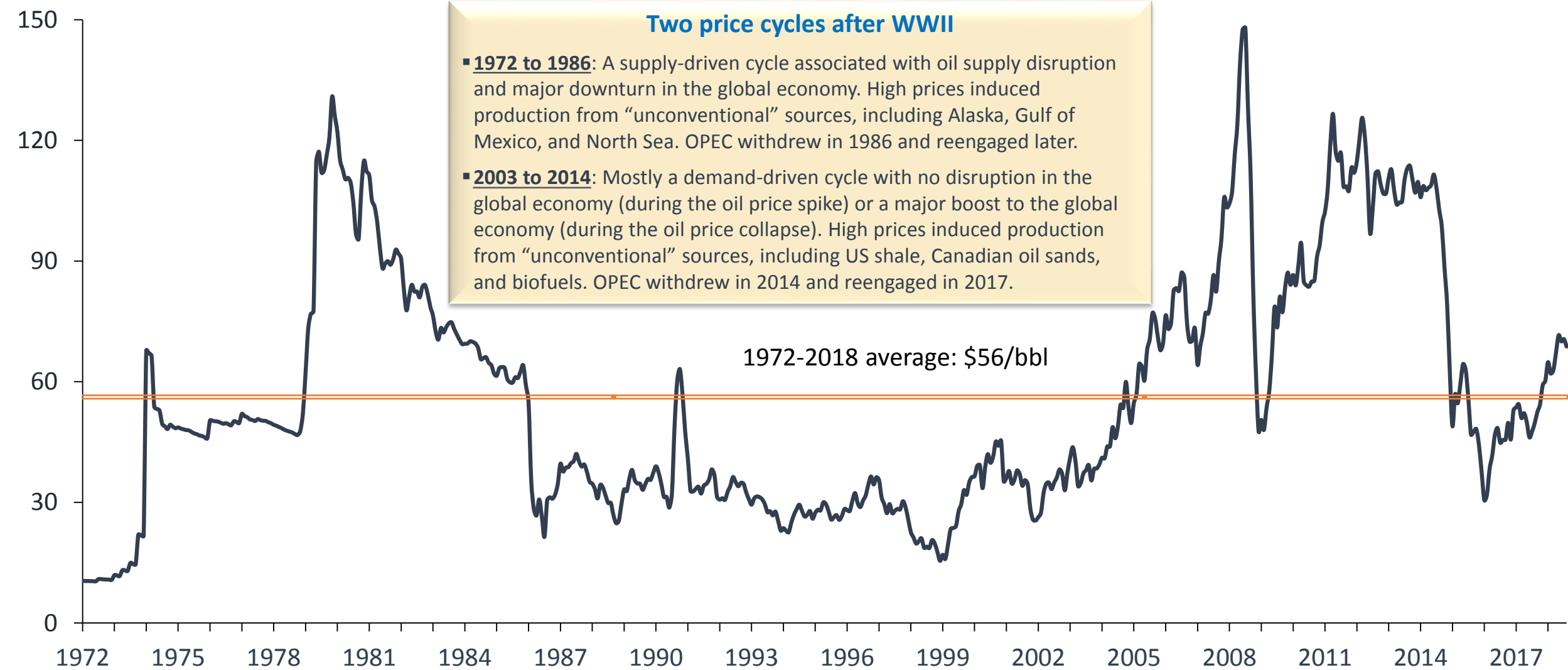


Source: World Bank

Note: Last observation is August 2018.

Oil prices

US\$/bbl, deflated by U.S. CPI (Jan 2017 terms)



Source: World Bank

Note: World Bank average. Last observation is August 2018.

Two oil price mega-cycles since 1970

US\$/bbl, deflated by U.S. CPI (Jan 2017 terms)

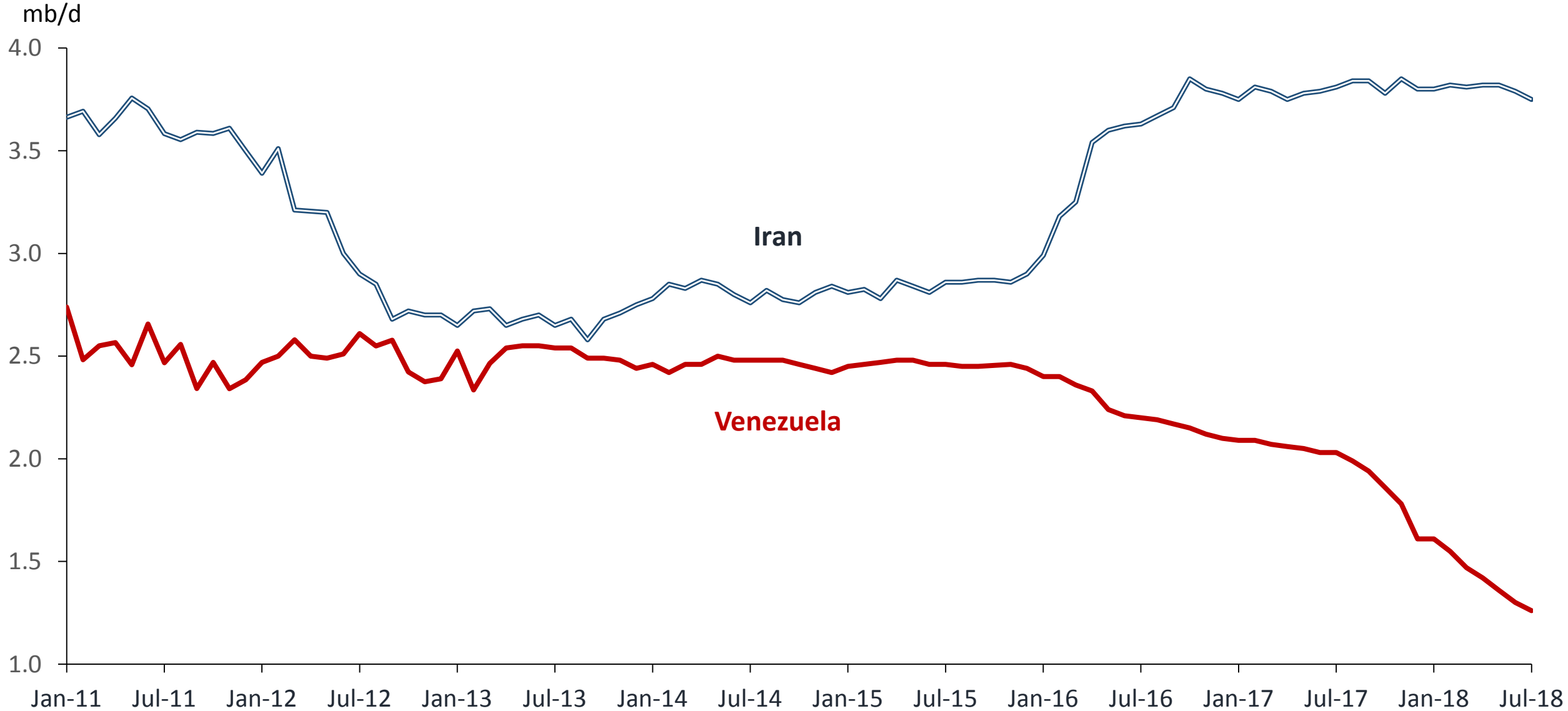
Index



Source: World Bank

Note: The cycles are based on a frequency domain model estimation.

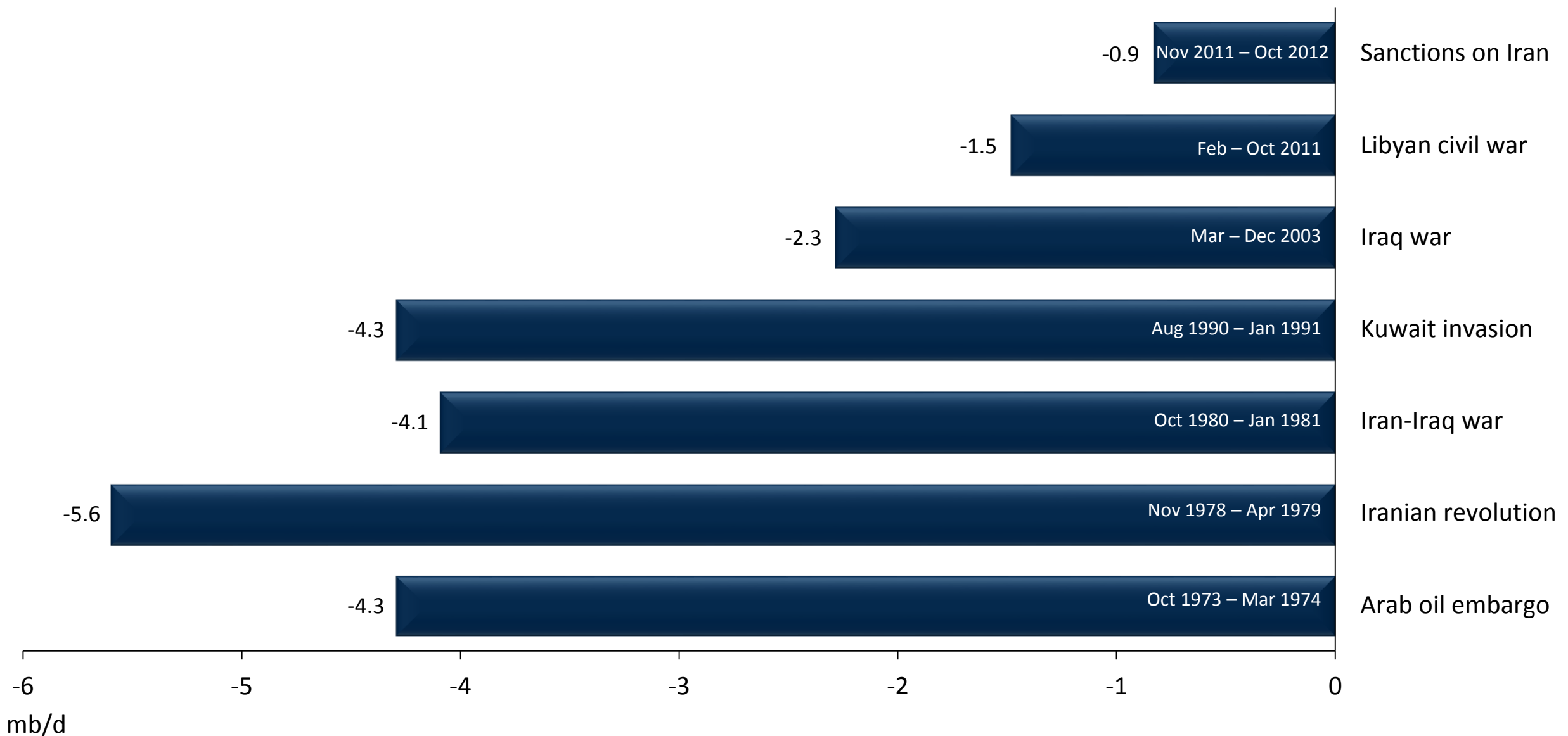
Oil production in Iran and Venezuela



Source: International Energy Agency

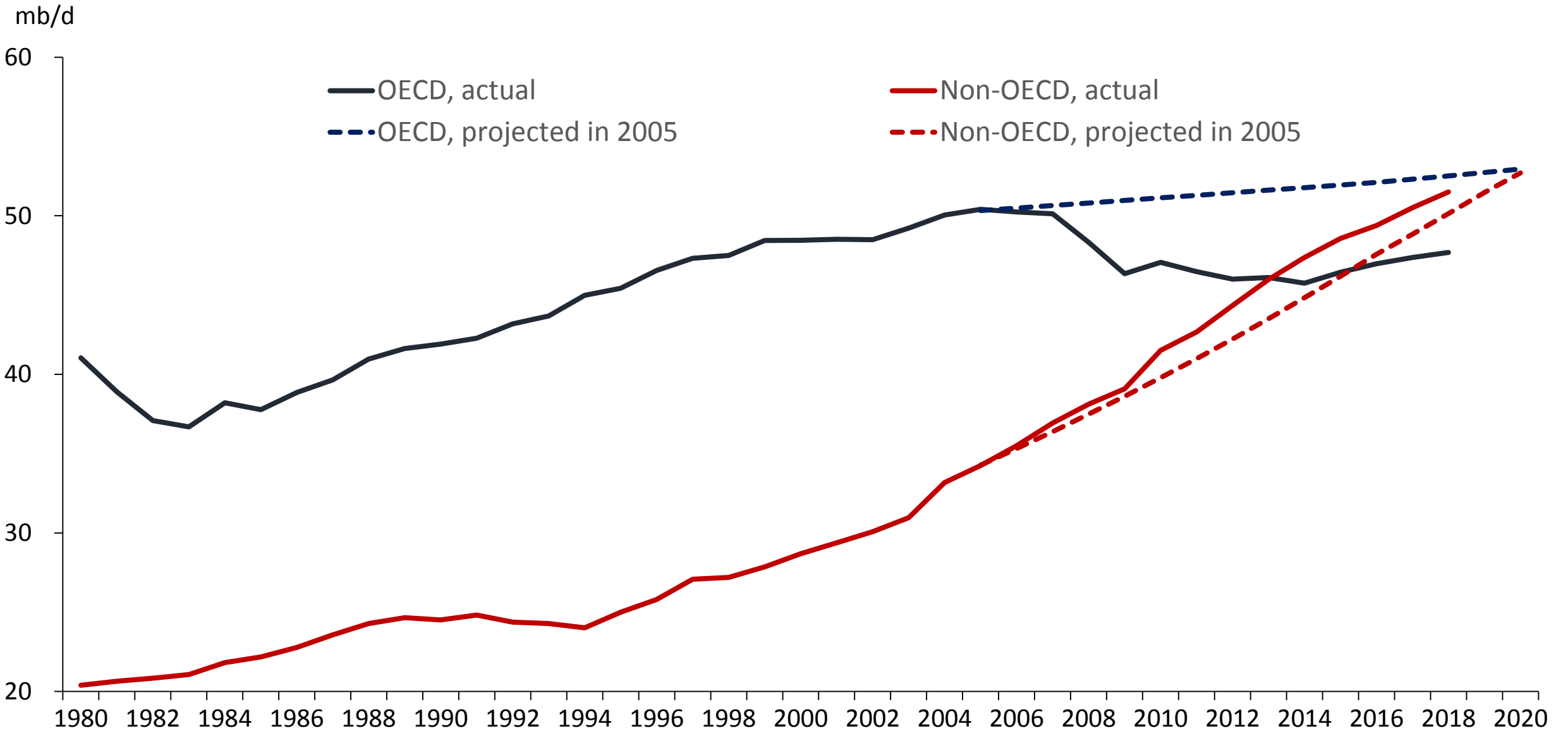
Notes: Last observation is July 2018.

History of conflict-driven oil supply reductions



Source: International Energy Agency and World Bank

Oil consumption: History and prospects as envisaged in 2005

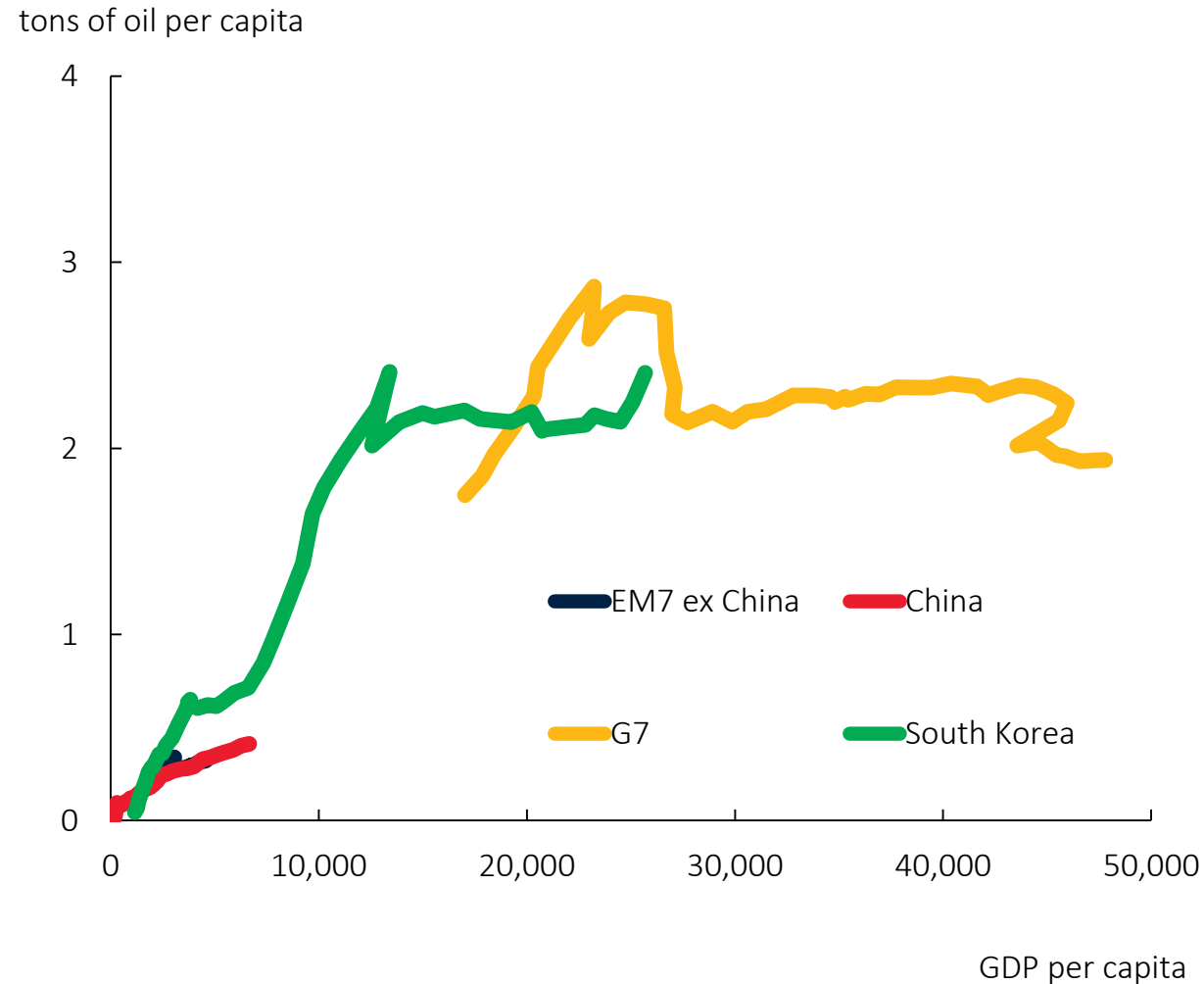


Source: International Energy Agency and World Bank.

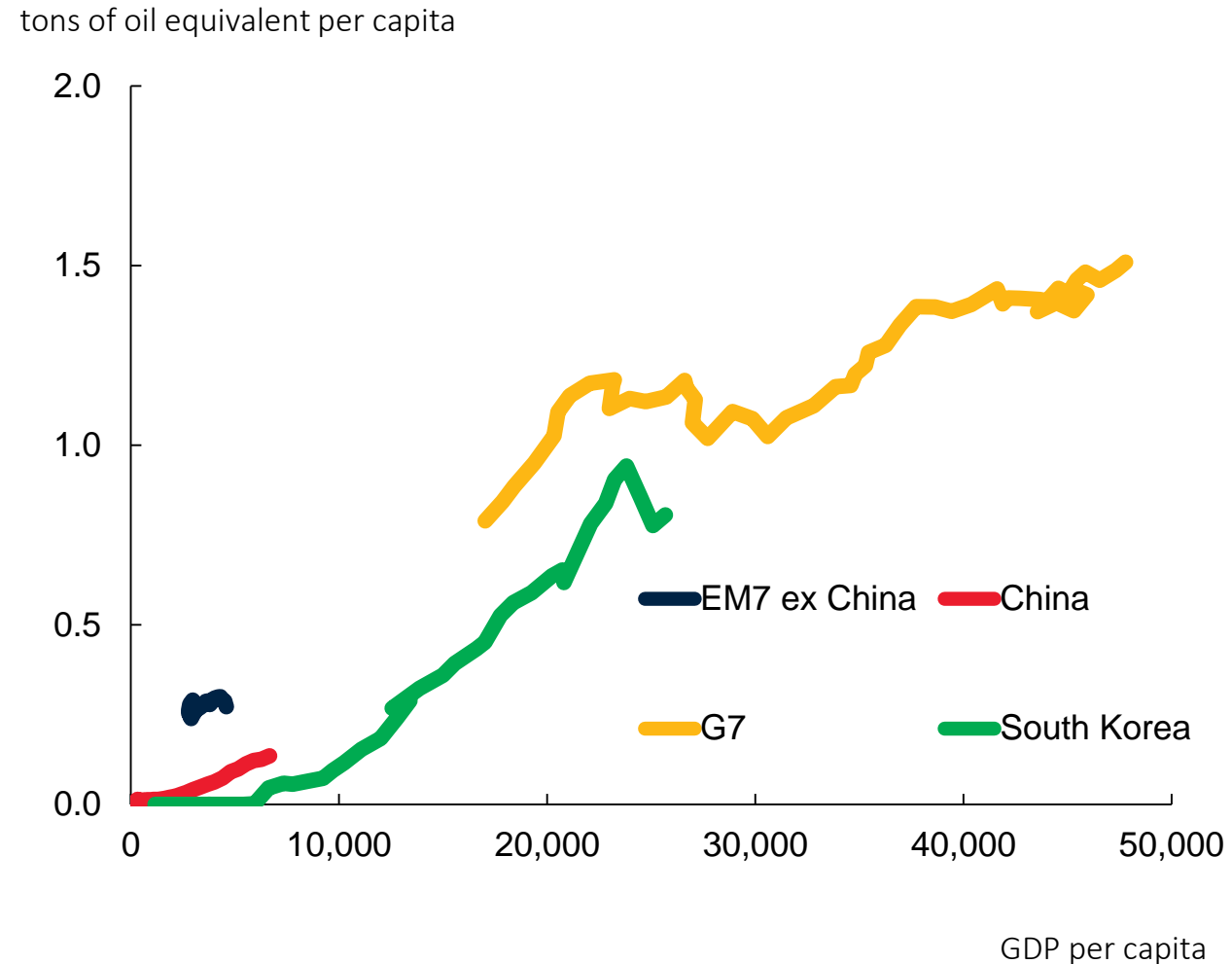
Note: The projection was taken from the 2005 IEA *World Energy Outlook*. The 2018 “actual” is estimate as of August 2018.

Consumption against income in per capita terms

Oil



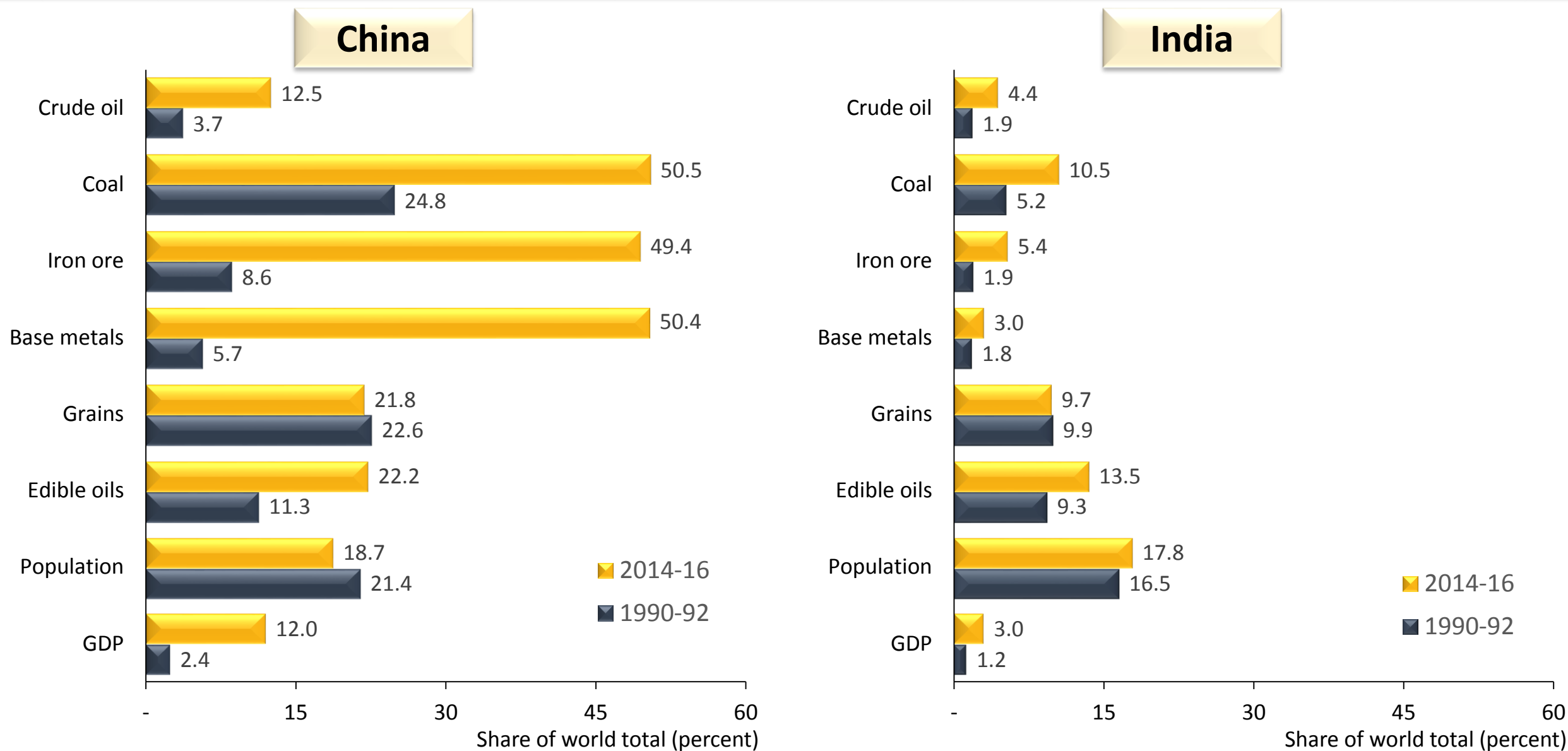
Natural gas



Source: BP Statistical Review and World Bank.

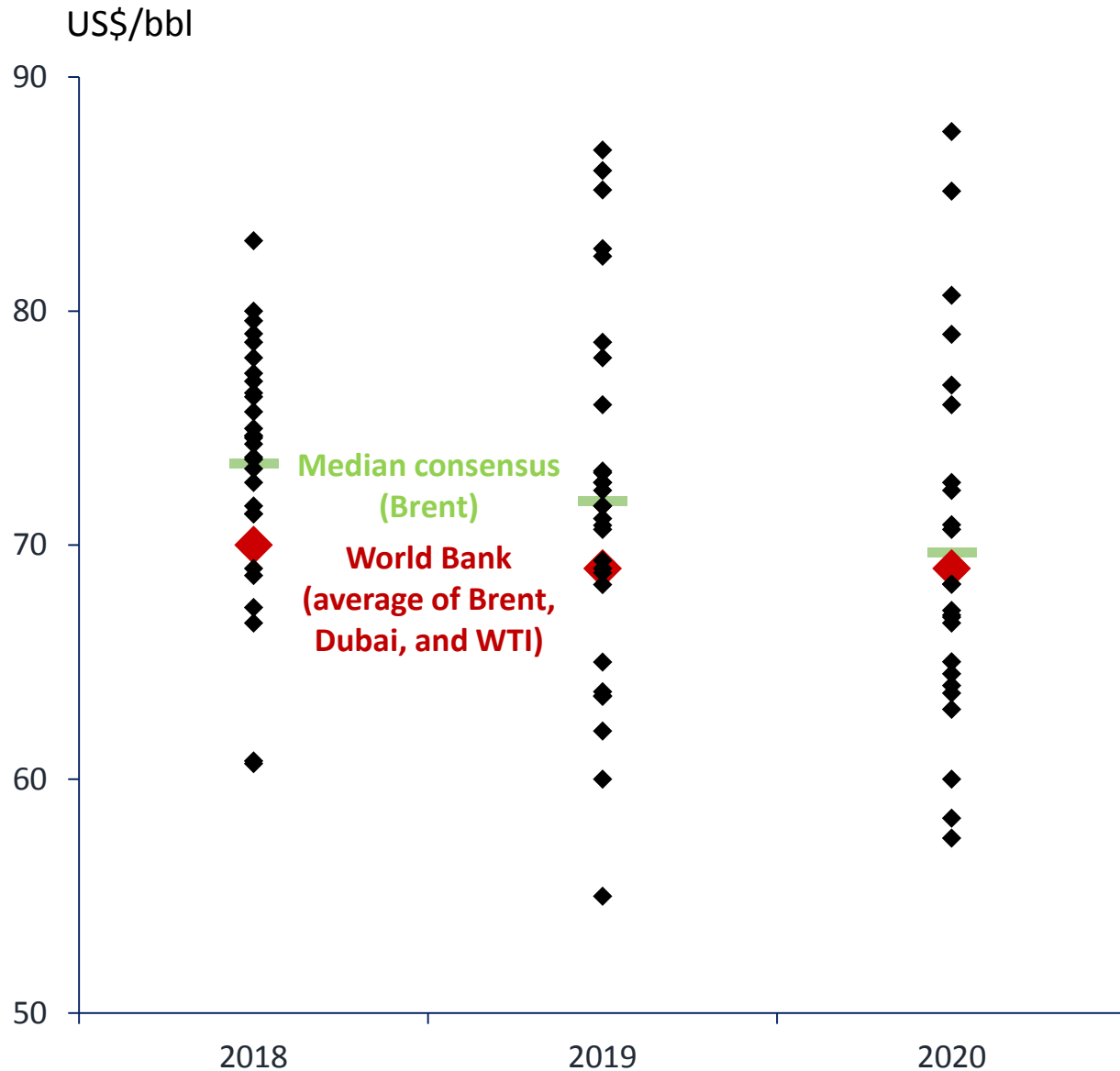
Note: Consumption per capita vs. GDP per capita (1965-2016).

Consumption of commodities in India and China



Source: World Bank, BP Statistical Review of World Energy, World Bureau of Metals Statistics, U.S. Department of Agriculture.

Oil price forecasts

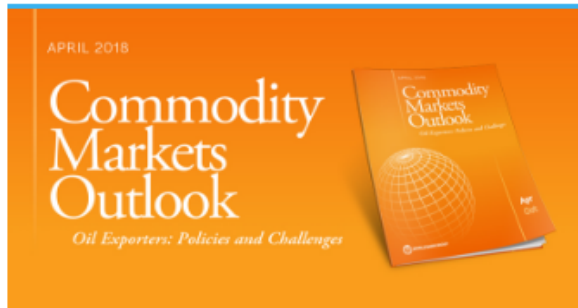


Oil price outlook

- Oil prices (average of Brent, Dubai, and WTI) were expected to average \$70/bbl in 2018 and \$69/bbl in the next two years (as of June 2018)—left chart.
- These projections—which were the equivalent of about \$3/bbl below consensus—stand.
- Elevated upside risks due to rapid deterioration in Venezuela and faster-than-expected reductions of exports from Iran will be partially offset lower growth in emerging markets and developing economies and increase in US shale production.
- We project oil prices to average \$70/bbl in 2030 (nominal terms) or \$59/bbl (deflated by manufacturing prices, 2010 terms).
- Technological improvements, both on the production- and (most importantly) consumption-side underpin the downward (real) price path.
- In some respects, this path mimics the relatively stable prices during 1986-2004, which were preceded and followed by the two (similar) price cycles.

Commodity Markets

FEATURED

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REPORT

Commodity Markets Outlook

April 24, 2018 — Oil prices are forecast to average \$65 a barrel over 2018, up from an average of \$53 a barrel in 2017, on strong demand from consumers and restraint by oil producers, while metals prices are expected to rise 9 percent this year, also on a pickup in demand and supply constraints, the World Bank reports. [Read More »](#)

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PUBLICATIONS AND DATA

ARCHIVES (ANALYSIS)

ARCHIVES (DATA)

Prices	Outlook	Focus
Pink Sheet May 2018 (PDF)	Commodity Markets Outlook April 2018 (PDF)	Investment weakness in commodity exporters January 2017
Price forecasts April 2018 (PDF)	Executive summary April 2018 (PDF)	OPEC in historical context: Commodity agreements and market fundamentals October 2016
Monthly prices April 2018 (XLS)	Chart data April 2018 (XLS)	From energy prices to food prices: Moving in tandem? July 2016
Annual prices April 2018 (XLS)		Resource development in an era of cheap commodities April 2016

RELEASE SCHEDULE

Pink Sheets are released on the second business day of the month. Next release: June 4.

The next Commodity Markets Outlook will be published in October.

NEWS

News release, English (04/24/18): [Commodity prices to rise more than expected in 2018.](#)

News release, other languages (04/24/18): [العربية](#) | [中文](#) | [Français](#) | [日本語](#) | [Português](#) | [Español](#) | [Русский](#)

BLOGS

[Why commodity prices are rising, in nine charts \(5/17/18\)](#)

[Oil exporters after the 2014-16 price collapse: In need of deeper reforms \(5/14/18\)](#)

[Energy prices advanced, fertilizer prices declined in April -- Pink Sheet \(5/8/18\)](#)

[Commodity prices to rise in 2018 \(4/27/18\)](#)

CONTACT US

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Global Economic Prospects


The Turning of the Tide?

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Overview



After reaching 3.1 percent in both 2017 and 2018, global growth is expected to decelerate over the next two years as global slack dissipates, major central banks remove policy accommodation, and the recovery in commodity exporters matures. Amid moderating international trade and tightening global financing conditions, growth in emerging market and developing economies (EMDEs) is projected to plateau, reaching 4.7 percent in 2019 and 2020, up from 4.5 percent in 2018.

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Thank you!