

Saudi Arabian crude inventories sink to historic low



Riyadh's production cuts to support the oil price have caused domestic stocks to plummet

Saudi Arabia's crude oil inventories have fallen under 200 mn bl for the first time in a decade as the Kingdom's production cuts continue, according to Jodi data released on Wednesday.

The Kingdom's oil stocks fell to 193.4mn bl in April, representing a 17pc drop year-on-year. It is the lowest inventory level since February 2009, when the price of WTI was just \$35/bl.

The decline in stocks continues a trend that has gathered speed since the inventory peaked at 329mn bl in September 2015. The trend accelerated in Q1 due to crude refinery runs growing 8pc to 2.653mn bl/d and a 7.4mn bl draw during April alone.

However, the inventory decline comes despite a rise in average production in the Q1, year-on-year, by 0.7pc to 9.993mn bl/d. Average monthly oil exports during Q1 2019 were 1pc lower than the same period in 2018, at 7.137mn bl/d.

Opec+ production

Opec+ members agreed last December to cut a combined 1.2 mn b/d of production. Saudi Arabia is contributing the lion's share of Opec's 800,000 bl/d contribution, which equates to roughly 6pc of its income.

Saudi Arabia needs to maintain stable production and export figures to limit the damage to the government's coffers.

Saudi rulers are also mindful maintaining good relations with the US Trump administration. By ensuring the global oil market is well supplied it bolsters the partnership that is aligned against the shared regional rival, Iran.

The price of WTI plummeted 23pc from a high of \$66.5/ bl in mid-April to \$50.82/ bl in early June, led by global demand concerns worsened by the US-China trade war as well as continued growth of US inventories.

The price slide persisted until a bomb attack on shipping in the Gulf led to rising tensions and a subsequent price surge starting 19 June.

All eyes are now on the Opec+ meeting to be held in in Vienna on 1-2 July, where the organisation will decide whether to extend the cuts.