

# Top Three Predictions For Oil Market In 2018

The year 2017 was a good one for the oil market.

Overall, 2017 ended on a positive note with oil prices around 15% higher. The oil market was healthy, vibrant, and stable for the entire year than the previous years. So, what about this year? Will 2018 be another great year for the oil market?

Most analysts say that this year will be another positive one for the oil industry, citing inventory declines, shale growth, and a gradual increase in the oil prices, among others, as their primary reasons.

However, when we look deep down at the current conditions of the oil market and economic outlook in our world, it is safe to anticipate the following:

## **Shale growth is uncertain**

Most predictions about the shale growth in the U.S. are not precise. For example, the majority of the experts agree that the U.S. shale output will rise, but that general statement begs two significant questions:

1. Will the growth continue unabated?

1. Is it a short-term or a long-term?

These questions need to be answered, because, as it happens, the anticipations of the growth have varied last year. In January this year, for instance, the EIA and IEA were optimistic in their predictions, more especially for the shale's production. The EIA expected U.S. output to amount to at least 10 million barrels per day in this year. However, as the time goes, serious issues emerged in the shale industry:

- 1) The cost of drilling has skyrocketed.

- 2) Investors started requesting more control.

Many shale companies experienced operational problems. These issues will make several anticipations about the shale's operational output to be reversed. So, rather than just to say that the shale output will grow in 2018, it's better to be clear: The growth is somewhat uncertain.

## **Oil production output is mainly dependent on the OPEC deal**

OPEC can make or break the oil industry, and it has contributed to some positive development in the market recently. For one thing, it has resolved to maintain output limit for oil productions; for another, the organization has collaborated with the Saudis, which has helped reassure the oil market, especially at the organization's previous meeting.

OPEC mentioned its exit strategy in recent times but that could pose a big problem for the oil market. In fact, to suggest that it will resume its full production could result in "jittery oil traders," the central reason many top OPEC execs were keen to kick-start that discussion.

In 2018, it's most likely that OPEC will go on a smooth path to exiting. Maybe a slow lifting of the oil production limit?

## **Unexpected supply outages are probable**

We all have to agree that we are in an unstable world.

And instability crushes the economy and oil output. Many uncertainties are currently brewing this year, and they could lead to oil supply outages, which will affect the oil industry in general.

Take the case of Venezuela for instance. Since the death of its former President Hugo Chavez, the country has sprawled into deep political tensions, which affected its oil supply considerably. The country's output, for example, has fallen by 41, 000 bpd in November last year, after it suffered another decrease of 26, 000 bpd in October.

Other countries like Nigeria will also, most likely, experienced outages, as the country is unstable politically and economically. But in cases like the U.S. and Iran, which are in a deep political conflict, the possibilities of the outage is possible, though it's difficult to predict its scale and impact on the oil market.

For now, we will have to wait and see what will happen.

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