

## EXCLUSIVE SERIES

# VIEWS YOU CAN USE

**Dr. Carole Nakhle**  
**Chief Executive Officer**  
**Crystal Energy**



### Outlook for oil markets as we enter the second half of the year?

Oil prices were up 40% in the first half of the year and the increase continues to speed up but we are also seeing more volatility compared to other commodities. The key difference is that the oil market is politicized by supply constraints whereas the driver for other commodities has been real demand growth. Also impacting oil demand going forward will be the Delta variant which is ravaging Asia and looking quite worrying for Europe and elsewhere.

### How should we view US and China growth versus weaker demand centers?

These higher prices are already impacting struggling emerging economies. Our eyes have been focused on the US and China, not surprisingly, as they are the two largest economies but even in China, vaccine effectiveness is becoming more of an issue. It's still a fluid situation for long term global economic growth because of the divergent speed of recovery between richer and poorer countries. And the Saudis have been aware of this when it comes to increasing supply. They need to feel more confident about long term structural change, looking beyond China and the US.

### Will 2H 2021 bring the recovery juggernaut we have been expecting?

I look at it as two quarters. We have the summer season where we expect to see pent up demand for travel kicking in, but the more you look at the numbers today, that's maybe not going to happen. In Q4, things might look better but we already have warnings in the UK for example of a tough winter ahead. We need to look at it bit by bit – this is what the virus has taught us. As for next year, I'm trying to get my head around the figures - even the most trustworthy forecasting agencies don't have a solid grip on what's going to happen to demand. And on supply, we haven't heard the end of US shale. It will come back at some point, especially if prices stay where they are today. It's simple economics. ■

*\*Paraphrased comments*

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