



## INTERNATIONAL

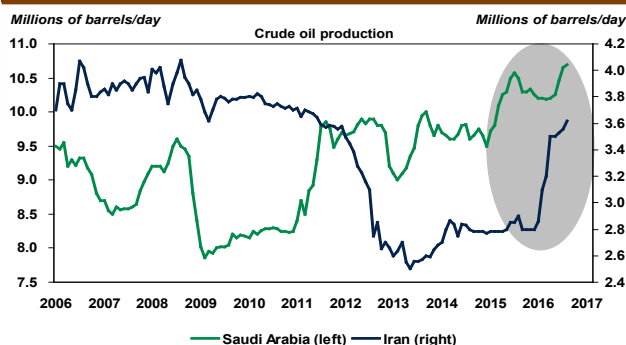
### The agreement between OPEC countries could restore balance to the global oil market in 2017

After several months of fruitless attempts, it would seem that the members of the Organization of the Petroleum Exporting Countries (OPEC) have finally reached an agreement, at their meeting of September 28 in Algiers, to cut their production to some degree. While these countries' output recently reached around 33.5 mbd (millions of barrels per day), the agreement would aim to reduce it to between 32.5 mbd and 33.0 mbd. However, we will have to wait until OPEC's November meeting for the agreement to be finalized, and for it to have a real impact on oil production. In the meantime, OPEC will endeavour to convince other countries, particularly Russia, to also limit their output.

While obstacles remain, an agreement appears possible due to the fact that it would not do much harm to the main signatories. Saudi Arabia and Iran in particular have sharply increased their oil production in recent months, so a freeze, or even a slight reduction, would leave their outputs at very comfortable levels. Russia is in a similar situation. Even without an agreement, it is far from certain that Iran and Russia would be able to keep steeply increasing their oil supplies. But an agreement would limit the risk of Saudi Arabia continuing to expand its production, and should even establish a balance between supply and demand for oil in 2017.

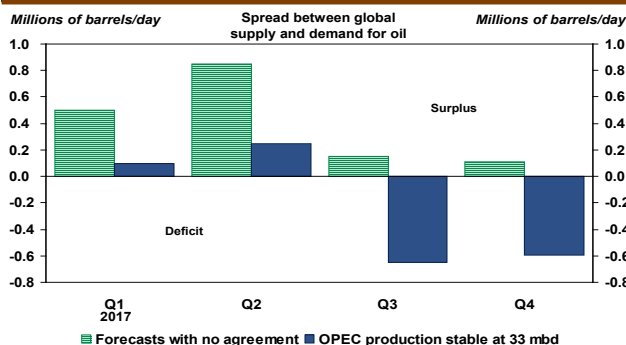
**Implications:** Whether or not an agreement between the OPEC member countries is ratified, it will have little impact on oil price trends in the medium term, especially since OPEC countries have frequently fallen short of meeting their commitments in the past. The speed at which U.S. crude production starts picking up again will be far more significant. Yet, by limiting their production, OPEC countries could support oil prices in the short term, enabling them to hover closer to US\$50 per barrel, rather than US\$40.

After sharply boosting their output, Iran and Saudi Arabia now seem prepared to limit it



Sources: Bloomberg and Desjardins, Economic Studies

A freeze on OPEC output could transform the slight surplus of oil expected in 2017 into a slight deficit



OPEC: Organization of the Petroleum Exporting Countries; mbd: millions of barrels per day  
Sources: International Energy Agency and Desjardins, Economic Studies

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