

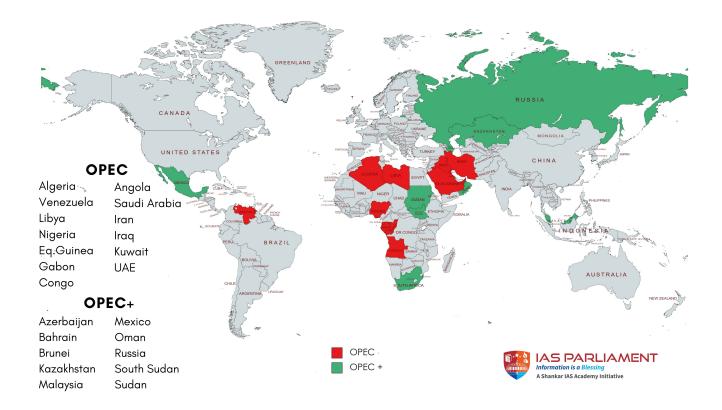
OPEC's Oil Output Cut

Why in news?

Recently, the OPEC decided to cut the oil production due to low demand and to stabilize the oil markets.

What is OPEC?

- Organization of Petroleum Exporting Countries (OPEC) is a permanent intergovernmental organization of 13 oil-exporting developing nations.
- **Mission** -To coordinate and unify the petroleum policies of its Member Countries ensuring the stabilization of oil markets in order to ensure regular supply of petroleum to consumers.
- **OPEC Secretariat** -Is the executive organ of <u>OPEC</u>.
- Headquarters Vienna, Austria.
- Significance OPEC
 - Hold more than 80% of the world's proven oil reserves
 - Produces about 40% of the world's crude oil
 - Exports make up around 60% of global petroleum trade
- **OPEC+** -It is a loosely affiliated entity consisting of the 13 OPEC members and 10 of the world's major non-OPEC oil-exporting nations.
- It includes Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, South Sudan and Sudan in addition to OPEC members.
- Since 2016, they cooperate in fixing the global crude oil prices.



What are the impacts of the oil cut?

Global impacts

- The global benchmark Brent rose by more than 5%
- Inflationary pressures on the global economy
- Fluctuations in global assets
- The oil producing nations other than OPEC have also reduced the oil production
- The oil market might move into a deficit

The Brent benchmark is used to price over three-quarters of the world's traded oil as one of the most liquid crude grades. It is processed by refiners around the world.

Impact on India

- Higher oil import bills and this could lead to inflation
- Current account deficit will increase
- Weaken Indian rupee
- o May decrease global investment in India especially USA
- Complex for the monetary policy committee to fix the basis points

Quick facts

- India buys around 85% of its crude oil needs from overseas oil markets.
- India's current account deficit in 2022 was 3.7%.

References

- 1. The Business Line OPEC Oil Production Cut Down
- 2. The Economic Times Impacts Of Oil Production Cut Down
- 3. OPEC About OPEC

