

In September, Chinese oil demand reached a new peak at 17.1 million barrels per day (mb/d), contributing significantly to global growth. China is anticipated to be responsible for a substantial portion of the 2.4 mb/d increase in demand projected for 2023. However, overall growth is expected to taper off to 930 kb/d in 2024. Economic challenges are becoming more evident in the OECD, with a contraction in demand anticipated for 2024 after modest gains this year.

Global oil output rose by 320 kb/d in October to 102 mb/d, driven by better-than-expected performance in the United States and Brazil. This surge is set to propel global supply to a record 101.8 mb/d in 2023, with non-OPEC+ countries likely to drive growth in 2024, reaching 1.6 mb/d. Despite the conflict between Israel and Hamas in October, there has been no substantial impact on oil supply flows.

Refinery margins experienced a downturn in October, primarily due to weakened gasoline cracks, though middle distillate cracks kept margins above the five-year average. Projections indicate a rise in global crude runs by 1.9 mb/d in 2023 and 1 mb/d in 2024, averaging 82.6 mb/d and 83.6 mb/d, respectively.

Russian oil exports dipped by 70 kb/d in October to 7.5 mb/d, with lower international oil prices offsetting a narrowing discount for Russian grades versus North Sea Dated. Global observed inventories increased by 9.9 mb in September but remain close to historical lows. The ICE Brent futures witnessed a slump in October, dropping by \$8/bbl, influenced by a deteriorating macroeconomic outlook and eased supply fears following the Israel-Hamas conflict. As of early November, Brent was trading at \$82/bbl.

Despite tight crude supplies and heightened Middle East tensions, benchmark oil prices reversed their upward trend in October, falling to around \$80/bbl for ICE Brent futures. This shift was driven by concerns shifting from supply risks to global economic conditions and oil demand. The paper market trade moving to 1Q24, when markets appear more or less in surplus, further contributed to downward price pressure.

While a more bearish sentiment prevails, world oil demand continues to surpass expectations. The 2023 growth forecast has been slightly revised up to 2.4 mb/d, with resilient US deliveries and record-high Chinese oil demand in September. However, this surge has impacted petrochemical producers in Europe and advanced economies in Asia and Oceania, leading to a combined 560 kb/d year-on-year decline in 3Q23.

Anticipated growth will push world oil demand to 102 mb/d in 2023 before easing to 930 kb/d in 2024. World oil supply growth is also surpassing expectations, with October output up 320 kb/d month-on-month. Non-OPEC+ producers are expected to lead global growth in 2024, reaching an unprecedented 103.4 mb/d.

Additional voluntary output cuts by top exporters Saudi Arabia and Russia are set to keep the oil market in a significant deficit through year-end, with OPEC+ pumping 900 kb/d below the demand for its crude. However, with demand growth slowing, the market could shift into surplus at the start of 2024.

In summary, despite a more bearish mood and concerns about the global economy, both oil demand and supply are exceeding expectations. The market remains vulnerable to economic and geopolitical risks, with heightened volatility expected in the coming months.

IEA (2023), Oil Market Report - November 2023, IEA, Paris <https://www.iea.org/reports/oil-market-report-november-2023>