OIL MARKET REPORT - FEBRUARY 2024

Oil market dynamics are undergoing a notable shift, as global demand growth shows signs of losing steam. Following a robust expansion of 2.8 mb/d in the third quarter of 2023, growth moderated to 1.8 mb/d in the fourth quarter, primarily driven by a sharp decline in China. This downturn led to a global oil demand drop of 830 kb/d, bringing the total to 102.1 mb/d by the end of 2023. Looking ahead, the pace of growth is expected to further decelerate to 1.2 mb/d in 2024, a significant decrease from the 2.3 mb/d witnessed the previous year. Notably, China, India, and Brazil are anticipated to remain the key players driving demand.

Conversely, world oil supply experienced a sharp decline in January, plummeting by 1.4 mb/d month-on-month. This decline was attributed to an Arctic blast that disrupted production in North America, compounded by deeper output cuts from OPEC+. Despite this setback, record output from the US, Brazil, Guyana, and Canada is expected to boost non-OPEC+ supply by 1.6 mb/d in 2024. However, this is a decrease from the 2.4 mb/d increase seen in 2023.

Refinery throughputs are projected to pick up from a seasonal low in February, with activity in the Atlantic Basin recovering from weather-related disruptions in the United States. Although there will be a rise in planned maintenance and the introduction of new capacity in the non-OECD, refinery crude runs for 2024 as a whole are forecasted to increase by 1 mb/d to 83.3 mb/d. This growth will be partially offset by a decline of 330 kb/d in the OECD.

Following a period of weakness in early January, refining margins rebounded, particularly in the Atlantic Basin led by the US Gulf Coast. Despite a modest month-on-month gain in Singapore margins, the USGC experienced an average increase of $4.50/bbl, driven by late-month rallies.

In January, global observed oil stocks witnessed a significant decrease, with preliminary data suggesting a decline of approximately 60 mb, bringing on-land inventories to their lowest levels since at least 2016. This followed a rise in global stocks of 21.6 mb in December, primarily driven by an increase in oil on water. OECD industry stocks also fell by 24.1 mb in December.

Amidst escalating tensions in the Middle East and supply outages in North America, ICE Brent futures saw a $5/bbl increase in January, marking their first monthly gain since September. This upward trend was further supported by a shift in the forward structure from contango to backwardation.

In conclusion, while the post-pandemic growth phase in global oil demand appears to be waning, supply dynamics continue to face challenges, particularly due to weather-related disruptions and OPEC+ output cuts. Despite these obstacles, geopolitical tensions and low global inventories may contribute to market volatility in the near term.

IEA (2024), Oil Market Report - February 2024, IEA, Paris https://www.iea.org/reports/oil-market-report-february-2024