Oil Market Report - April 2024

World oil demand growth in the first quarter of 2024 displayed a slight slowdown, reaching 1.6 mb/d, which was 120 kb/d below earlier projections primarily due to subdued OECD deliveries. As the global economy's post-Covid rebound nears completion, factors such as vehicle efficiencies and the expanding electric vehicle fleet are further dampening oil demand. Forecasts indicate a continued deceleration in growth for 2024 and 2025, with expected rates of 1.2 mb/d and 1.1 mb/d, respectively.

Non-OPEC+ countries, led by the United States, are poised to steer world supply growth until 2025. Projections suggest global output may rise by 770 kb/d to reach 102.9 mb/d in 2024. Non-OPEC+ production is anticipated to expand by 1.6 mb/d, while OPEC+ supply could potentially decrease by 820 kb/d if voluntary cuts persist. Looking ahead to 2025, global growth could climb to 1.6 mb/d, with Non-OPEC+ countries expected to lead gains, increasing by 1.4 mb/d, while OPEC+ output may rise by 220 kb/d if current constraints remain in effect.

Forecasts for global refinery throughputs indicate a rise of 1 mb/d to 83.3 mb/d in 2024, reflecting a decrease of 160 kb/d compared to previous estimates. This adjustment is attributed to lower Russian runs, unplanned outages in Europe, and subdued Chinese activity. Throughputs are projected to further increase by 830 kb/d to 84.2 mb/d in 2025, with non-OECD growth of 1.1 mb/d offsetting declines in OECD countries.

Observations on global oil inventories indicate a rise of 43.3 mb in February, reaching a seven-month peak, with oil on water at its highest level in 15 months. Conversely, on-land stocks declined to their lowest levels since at least 2016. OECD industry stocks decreased by 7.6 mb in February, remaining 65.1 mb below the five-year average, but early data suggests an increase of 22 mb in March.

Brent crude futures reached a six-month high of $90/bbl in early April amid escalating tensions in the Middle East, attacks on Russian refineries, and an extension of OPEC+ output cuts through June. Bullish investor sentiment supported crude's price strength, with exchange net fund positions in Brent rising to their highest in a year.

The narrative of escalating oil supply security concerns unfolds against a backdrop of solid global oil demand growth in the first quarter and a positive outlook for the global economy. However, world oil demand growth has been slightly revised down since the previous report due to weak deliveries in the OECD at the beginning of the year. The newly released 2025 forecast indicates a further deceleration in growth, with Non-OECD countries driving the outlook.

Continued output curbs by the OPEC+ alliance suggest that non-OPEC+ producers, particularly those in the Americas, will continue to propel world oil supply growth through 2025. The call on OPEC+ crude is expected to decrease by approximately 300 kb/d in 2025, to an average of 41.5 mb/d. This scenario could lead to effective spare capacity exceeding 6 mb/d, marking its largest ever supply buffer, excluding the Covid-19 period.