Oil Market Report - July 2024

In the second quarter of 2024, global oil demand growth decelerated to 710,000 barrels per day (kb/d) year-on-year, marking the slowest quarterly increase since the fourth quarter of 2022. This slowdown was notably influenced by a contraction in Chinese consumption as the country's post-pandemic recovery reached its end. The overall global demand gains are projected to average just below 1 million barrels per day (mb/d) in both 2024 and 2025, with subpar economic growth, enhanced efficiencies, and vehicle electrification serving as significant headwinds.

Global oil supply increased by 150 kb/d to 102.9 mb/d in June, owing to reduced field maintenance and a rise in biofuels, which counterbalanced a substantial decrease in Saudi Arabian output. Solid monthly gains pushed second-quarter 2024 output 910 kb/d higher quarter-on-quarter. A growth of 770 kb/d is anticipated for the third quarter of 2024, with non-OPEC+ countries contributing 600 kb/d of these gains. Annual supply increases are forecasted at 770 kb/d in 2024, with a more substantial gain of 1.8 mb/d expected the following year.

Refinery throughputs globally are forecasted to rise by 950 kb/d to 83.4 mb/d in 2024, and by an additional 630 kb/d to 84 mb/d in 2025. In May, weak demand and poor margins pressured crude processing in China and Europe. Margins declined in June in the Atlantic Basin and approached multi-year lows, though they saw a modest rebound in Asia as regional crude market tensions eased due to run cuts.

Crude oil prices recovered from six-month lows in June, with Brent futures increasing by $5 per barrel to $86 per barrel. This price recovery was driven by declining crude stocks, investor short covering, and renewed geopolitical tensions in the Middle East, with fund positions rebounding from historically low levels.

Global observed oil inventories rose for the fourth consecutive month in May, increasing by 23.9 million barrels (mb). Offshore inventories decreased by 17.3 mb while onshore stocks built by 41.3 mb, reaching a 30-month high. OECD industry stocks rose by 27.8 mb to 2,845 mb but remained 69 mb below their five-year average. Preliminary data indicate that global oil stocks fell by 18.1 mb in June, primarily driven by a draw in crude while products built up.

During June, benchmark crude oil prices bounced back from six-month lows after OPEC+ officials indicated that the unwinding of voluntary production cuts would depend on market conditions. Brent futures rose by $5 per barrel to $86 per barrel by the end of the month.

Oil prices increased in June despite growing concerns about the Chinese economy's health and slowing oil demand growth. Global observed inventories rose for the fourth month in a row in May, reaching their highest level since August 2021. Offshore inventories moved ashore rapidly, with oil on water decreasing sharply, while on-land stocks rose to a 30-month high ahead of the seasonal uptick in refinery activity. OECD industry stocks built for the second consecutive month after a six-month decline. Preliminary data suggests global oil stocks fell by 18.1 mb in June, led by a draw in crude of 1 mb/d.

Global oil demand growth in the second quarter of 2024 slowed to 710 kb/d, its lowest quarterly increase in over a year. Chinese oil consumption, a significant driver of global demand growth, contracted in both April and May, dropping marginally below year-earlier levels in the second quarter of 2024. This contrasts sharply with annual gains of 1.5 mb/d in 2023 and 740 kb/d in the first quarter of 2024. Demand for industrial fuels and petrochemical feedstocks was notably weak. Conversely, second-quarter delivery data for gasoil and naphtha in OECD economies exceeded expectations, indicating a potential recovery in Europe's struggling manufacturing sector. This temporary boost pushed quarterly OECD demand growth back into positive territory, but non-OECD countries will account for all of this year's global gains. World oil demand growth forecasts for 2024 and 2025 remain largely unchanged at 970 kb/d and 980 kb/d, respectively.

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

Simultaneously, global oil supply trended higher, with second-quarter 2024 production up 910 kb/d from the first quarter, led by the United States. Output is forecasted to rise by another 770 kb/d in the third quarter of 2024, with non-OPEC+ providing 600 kb/d of the gains. For 2024 overall, global oil supply growth is expected to average 770 kb/d, boosting total supply to a record 103 mb/d. Non-OPEC+ output is anticipated to rise by 1.5 mb/d, while OPEC+ production will fall by 740 kb/d year-on-year if existing voluntary cuts are maintained. Global supply growth in 2025 is projected to be a much stronger 1.8 mb/d, with non-OPEC+ countries, particularly the United States, Canada, Guyana, and Brazil, leading gains for the third consecutive year, adding 1.5 mb/d.

In early June, OPEC+ outlined a roadmap for gradually reversing extra voluntary supply reductions of up to 2.2 mb/d from the fourth quarter of 2024 through the third quarter of 2025. The bloc assured that the production increase could be paused or reversed depending on market conditions. Adjustments to OPEC+ supply numbers will be made once such decisions are confirmed. The OPEC+ Joint Ministerial Monitoring Committee is set to meet on 1 August to review global oil market conditions and production levels. Current non-OPEC+ supply and global demand forecasts indicate a call on OPEC+ crude at 42.2 mb/d in the third quarter of 2024 and 41.8 mb/d in the fourth quarter of 2024, roughly 800 kb/d and 400 kb/d above its June output, respectively. For the next year, the call on OPEC+ crude is expected to drop to 41.1 mb/d as demand growth continues to slow and non-OPEC+ output expands. After the hot summer, cooler trends are expected to prevail.

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