Oil Market Report - November 2024

Global oil demand is expected to increase by 920 kb/d in 2024 and nearly 1 mb/d in 2025, reaching levels of 102.8 mb/d and 103.8 mb/d, respectively. This slower growth, compared to previous years, is largely attributed to the tapering off of pent-up demand following the pandemic and weaker global economic conditions, along with the rising adoption of clean energy technologies.

In October, global oil supply climbed by 290 kb/d to a total of 102.9 mb/d, driven by a recovery in Libyan production, which counterbalanced reduced output from Kazakhstan and Iran. The OPEC+ alliance has postponed the gradual easing of additional voluntary production cuts, potentially extending the restraint into January 2025. Non-OPEC+ producers are projected to increase supply by around 1.5 mb/d annually over both 2024 and 2025.

Refinery margins saw improvement in October, supported by seasonal maintenance and cutbacks in economic runs, which bolstered product crack spreads. Global refinery throughput, which bottomed out seasonally in October, is projected to rebound in November. The average run rate is expected to be 82.8 mb/d for 2024 and rise slightly to 83.4 mb/d in 2025. This growth, averaging approximately 600 kb/d per year, is primarily driven by increased output from OECD Americas (+360 kb/d) this year, with non-OECD regions expected to contribute significantly in 2025.

Oil inventories worldwide dropped sharply in September, plunging by 47.5 mb to the lowest level recorded since January. This decline was led by significant draws in OECD oil products and non-OECD crude stocks. Industry stocks in the OECD fell by 36.4 mb to 2,799 mb, positioning them 95.3 mb below the five-year average. Preliminary data for October indicate a fifth consecutive month of global stock reductions.

In the futures market, Brent crude prices increased by $2.50/bbl month-on-month in October, reaching $75.38/bbl, despite fluctuating within a $10/bbl range. Prices peaked at $80.90/bbl early in the month due to escalating tensions in the Middle East but eased to around $73/bbl by the end of October as geopolitical fears subsided. Speculative activity remains subdued, with market positioning near historical lows.

Oil prices, which spiked in early October, have since cooled as market sentiment shifted from supply concerns back to worries over global economic health, sluggish demand, and a plentiful supply outlook. After briefly surpassing $80/bbl at the start of October, Brent crude retreated to about $72/bbl by mid-November, reflecting easing fears of disruptions linked to potential conflicts involving Iran's energy infrastructure.

Market participants are now concentrating on core fundamentals, including weak demand from China, a resumption of Libyan crude exports, and the anticipated rollback of OPEC+ production constraints—all of which point to a well-supplied oil market going into 2025. Speculative interest in the futures market remains near historic lows.

With less than two months left in 2024, oil demand growth is projected to average 920 kb/d, bringing the year's demand to 102.8 mb/d. This contrasts sharply with the nearly 2 mb/d growth observed last year and the annual average of 1.2 mb/d seen from 2000 to 2019. China's economic slowdown has been a significant drag, with its demand growth expected to be only a fraction of the 1.4 mb/d increase experienced in 2023. In September, Chinese demand fell for the sixth consecutive month, pulling the 3Q24 average down by 270 kb/d year-on-year. On the other hand, demand in advanced economies picked up by 230 kb/d year-on-year in 3Q24. The projected global oil consumption growth for 2025 remains at approximately 990 kb/d, as the fading of post-pandemic demand and the accelerated deployment of clean energy technologies continue to limit growth.

Global oil supply remains robust, with significant contributions expected from non-OPEC+ countries, led by the United States, which is set to drive 1.5 mb/d of supply growth annually in both 2024 and 2025. Additional output from Canada, Guyana, and Argentina, alongside Brazil's recovery from operational setbacks, will further bolster supply. Brazil, in particular, is forecasted to increase production by 210 kb/d, reaching 3.7 mb/d in 2025, driven by the addition of over 800 kb/d in new capacity. The combined output from these five American producers is expected to surpass the projected demand growth for 2024 and 2025.

In light of the current supply surplus, OPEC+ chose to defer a scheduled production hike at its meeting on 3 November. The group had initially planned a gradual increase starting with 180 kb/d in December but has now delayed the unwinding of voluntary cuts until January at the earliest. The next full ministerial meeting of OPEC+ is slated for 1 December 2024, where they will review market conditions and set policies for 2025.

According to the latest balance estimates, even if OPEC+ maintains its current production cuts, global supply is expected to exceed demand by over 1 mb/d next year. While supply risks persist, a more relaxed balance could help stabilize a market that has been repeatedly disrupted by the Covid pandemic, the ongoing conflict in Ukraine, and heightened tensions in the Middle East.

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