Oil Market Report - December 2024

Global oil demand growth is projected to rise from 840 kb/d in 2024 to 1.1 mb/d in 2025, pushing total consumption to 103.9 mb/d by next year. The key driver for this increase remains petrochemical feedstock demand, while growth in transport fuel consumption will remain limited due to ongoing behavioral changes and technological advancements. Although demand growth in China and other non-OECD regions has notably decelerated, emerging economies across Asia are expected to lead demand gains over the next two years.

On the supply side, global oil production increased by 130 kb/d in November (month-on-month) to reach 103.4 mb/d, marking a year-on-year rise of 230 kb/d. This growth was primarily attributed to production rebounds in Libya and Kazakhstan. For the full year, global oil supply is forecast to grow by 630 kb/d, followed by a sharp increase of 1.9 mb/d in 2025, reaching a total of 104.8 mb/d. Notably, this outlook assumes no reversal of current OPEC+ production cuts. Non-OPEC+ countries, particularly the United States, Brazil, Guyana, Canada, and Argentina, will drive supply growth, contributing around 1.5 mb/d in both 2024 and 2025.

Refinery activity is also on the rise, with throughputs expected to peak at 84.3 mb/d in December, a significant increase of nearly 3 mb/d compared to October when seasonal maintenance and economic factors constrained operations. Average crude runs are projected to reach 82.7 mb/d in 2024 and 83.3 mb/d in 2025, reflecting gains of 520 kb/d and 620 kb/d, respectively. While refining margins in Asia improved in November due to higher middle distillate cracks, weaker gasoline and naphtha prices limited margin strength in the Atlantic Basin.

Oil inventories saw significant changes in October, with global stocks falling by 39.3 mb, led by a sharp drawdown of 82.3 mb in oil products as refinery activity remained subdued amid rising demand. Industry stocks within OECD countries declined by 30.9 mb to 2,778 mb, leaving inventories 91.6 mb below the five-year average. Preliminary data for November indicates a rebound in global stocks, particularly in non-OECD regions and oil in transit.

Crude oil prices remained largely stable in November, with ICE Brent futures averaging around $73/bbl, moving within a narrow $5/bbl range. Market volatility dropped to six-month lows, with daily price fluctuations averaging $0.87/bbl. This relative calm was supported by competing concerns about global oil demand growth and supply security.

A major factor influencing supply forecasts is the decision by OPEC+ to delay the rollback of voluntary production cuts. Ministers from the eight OPEC+ nations that implemented an additional reduction of 2.2 mb/d in November 2023 confirmed another delay in restoring these volumes to the market. This postponement, the third since September, extends the phase-out period until September 2026 at the earliest. Heightened geopolitical risks and slowing global demand growth, particularly in China, have prompted this cautious approach.

Despite the latest OPEC+ decision, uncertainty lingers regarding when the unwinding of these cuts will begin. Current projections assume no increase in quotas until a definitive phase-out schedule is established. However, if OPEC+ starts unwinding cuts in March 2025, the resulting supply overhang could grow from a projected 950 kb/d to 1.4 mb/d. Compliance with production targets remains a concern, with OPEC+ output exceeding agreed quotas by 680 kb/d in November.

Further increases in OPEC+ production could arise from sustained gains in Libya, South Sudan, and Sudan, alongside Kazakhstan's anticipated 260 kb/d expansion at the Tengiz field. On a global scale, supply growth will be primarily driven by non-OPEC+ producers, led by the United States, Brazil, Canada, Guyana, and Argentina, which together are expected to add more than 1.1 mb/d of crude oil and NGL output. Additionally, Saudi Arabia’s Jafurah gas project, set to commence next year, will boost the country’s NGL production.

The trajectory of global oil demand remains the biggest question heading into 2025. A dramatic slowdown in China’s oil demand growth, combined with weaker-than-expected gains in other emerging markets such as Nigeria, Indonesia, Pakistan, South Africa, and Argentina, has led to a more conservative outlook. Non-OECD demand growth slowed sharply in Q3 2024, increasing by just 320 kb/d year-on-year—its weakest performance since the pandemic—while OECD demand posted a modest increase of 190 kb/d during the same period.

Looking ahead, global oil demand growth is expected to remain modest, rising to 1.1 mb/d in 2025 from 840 kb/d this year. Total consumption is forecast to reach 103.9 mb/d next year. Additional demand could emerge from inventory builds as industry stocks recover to historical norms and governments replenish strategic reserves.
As 2024 draws to a close, oil markets appear relatively stable, with prices holding in the $70-75/bbl range. Nevertheless, the potential for unexpected market disruptions remains high, underscoring the ongoing importance of monitoring oil supply security amid a dynamic global landscape.

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