Oil Market Report - February 2025

Global oil demand growth is anticipated to average 1.1 million barrels per day (mb/d) in 2025, rising from 870,000 barrels per day (kb/d) in 2024. China will continue to be the leading contributor to this growth, albeit at a significantly slower pace compared to previous years, with its petrochemical sector being the primary driver. Meanwhile, India and other developing Asian nations are taking on a larger role in global demand expansion. In contrast, demand in the OECD is expected to return to a structural decline following a slight increase last year.

In January, global oil supply saw a significant drop of 950 kb/d, bringing total output down to 102.7 mb/d. This reduction was primarily due to harsh winter conditions impacting North American production, coupled with output declines in Nigeria and Libya. However, supply remained 1.9 mb/d above the levels recorded a year prior, with the Americas leading the growth. Projections for 2025 suggest global oil supply will increase by 1.6 mb/d, reaching 104.5 mb/d, assuming OPEC+ voluntary cuts remain in effect, with non-OPEC+ producers accounting for most of the growth.

Global crude runs decreased by 1 mb/d in January, settling at 82.9 mb/d, as colder temperatures and scheduled maintenance work impacted US refinery throughput. Refining activity is expected to average 83.3 mb/d over the course of the year, reflecting a 580 kb/d year-on-year increase, primarily driven by non-OECD regions. In mid-January, refining margins for sour crude in Asia plummeted after new US sanctions on Russian oil pushed up Dubai crude prices. In contrast, margins in the Atlantic Basin improved, buoyed by stronger middle distillate cracks.

Observed global oil inventories declined by 17.1 million barrels month-on-month in December, totaling 7,647 mb. This was largely due to a steep 63.5 mb drawdown in crude stocks, despite a 46.4 mb rise in product inventories. OECD industry stocks continued to shrink, decreasing by 26.1 mb to 2,737.2 mb, which is 91.1 mb below their five-year average. Preliminary figures indicate a further decline of 49.3 mb in January, largely driven by substantial crude drawdowns in China.

North Sea Dated crude experienced an $8 per barrel surge in early January, briefly reaching a five-month peak of $83 per barrel. This rally was fueled by new US sanctions on Russia and colder temperatures across the Northern Hemisphere. However, these gains were largely erased as macroeconomic concerns resurfaced, with fears of higher US tariffs potentially sparking a trade war. By the end of January, prices had settled at $77 per barrel, reflecting a $2.50 per barrel increase for the month, and remained around this level in early February.
Resilience and Adaptability

Oil markets faced considerable volatility in January, with early-year price surges giving way to renewed pressures. Initial concerns over supply disruptions from fresh sanctions on Russia and Iran drove prices upward, but market sentiment soon shifted as global economic worries and trade tensions emerged, affecting demand growth projections. Following an early-January rally of $8 per barrel to over $82 per barrel, ICE Brent futures retreated to approximately $75 per barrel amid escalating trade concerns.

The deceleration in growth, evident in recent data, indicates a reversion of oil consumption to its historical trend following several years of post-pandemic rebound-induced volatility. A subdued economic outlook, coupled with efficiency improvements and the burgeoning sales of electric vehicles, further moderates oil consumption. Moreover, growth remains heavily skewed towards non-OECD countries, even as China's dominance gradually wanes, with its oil demand growth projected to decrease from 1.7 mb/d in 2023 to 620 kb/d in 2024.

Similar to 2023, non-OPEC+ oil supply growth is anticipated to surpass oil demand expansion by a considerable margin. Led by the United States, non-OPEC+ production is forecasted to increase by 1.6 mb/d in 2024, compared to 2.4 mb/d in the previous year, when global oil output climbed by 2 mb/d to 102 mb/d. Substantial production gains are also expected from countries such as Guyana, Brazil, and Canada, all poised to achieve record-high production levels this year. Collectively, the non-OPEC+ Americas quartet is anticipated to add 1.3 mb/d of new oil production in 2024.

Iran, which ranked as the world's second-largest source of supply growth after the United States last year, is projected to increase production by an additional 280 kb/d in 2024. The output policy for the remaining OPEC+ bloc members will be reassessed during a meeting in Vienna on 1 June to review market conditions. In this report, OPEC+ voluntary cuts are expected to remain in place throughout 2024, with adjustments contingent on confirmation by the producer alliance. Consequently, the balance for the year shifts from a surplus to a slight deficit, although relief may be in sight as the massive volumes of oil on water reach their final destination.

This year's global oil demand forecast has been adjusted slightly upward to 1.1 mb/d, while 2024's estimate was revised downward to 870 kb/d due to weaker-than-anticipated fourth-quarter demand. Despite colder temperatures, demand underperformed across all OECD regions and in China. Notably, US oil deliveries in November contracted by 510 kb/d year-on-year, marking the steepest decline since June. Looking ahead to 2025, demand growth will continue to be led by China, though its contribution to global expansion is set to shrink to 19%, down from an average of 60% over the past decade. This shift is entirely attributable to the petrochemical sector, while India and other Asian markets are expected to contribute a combined 500 kb/d.

Although fresh US sanctions on Russia and Iran caused initial market turbulence, they have not yet significantly impacted global oil supply. Iranian crude exports have only slightly declined, while Russian flows remain largely steady. Meanwhile, non-OPEC+ producers, particularly in the Americas, are projected to boost output by 1.4 mb/d in 2024—well exceeding the anticipated demand growth. However, OPEC+ members' improved adherence to production targets is gradually curbing the projected supply surplus. On February 3, the alliance reaffirmed its intention to begin rolling back voluntary cuts from April, emphasizing that these adjustments have helped stabilize the oil market.

With near-complete data for 2024, global oil market balances indicate that total supply matched demand at 102.9 mb/d for the year. A closer look at crude oil, other liquids, and refined products reveals a more complex picture. Crude oil markets were undersupplied in 2024, as crude and condensate production declined by 120 kb/d year-on-year, while output of natural gas liquids and biofuels rose by 570 kb/d and 200 kb/d, respectively. Refiners had to increase throughput to compensate for dwindling product inventories. In December, crude oil stocks dropped by 64 mb, whereas product inventories increased by 46 mb. Preliminary January data suggest further crude stock drawdowns, particularly outside the OECD. Tight US crude supplies, reflected in historically low Cushing inventories, helped sustain a strong price structure. The M1-M12 spreads for WTI and Brent increased by $2 per barrel, with WTI briefly trading near a $10 per barrel backwardation mid-month—its highest in over a year.

The long-term impact of escalating trade restrictions and the latest round of sanctions on Russia and Iran remains uncertain. However, history has shown that oil markets possess remarkable resilience and adaptability in the face of significant challenges. There is little reason to believe this time will be any different.

IEA (2025), Oil Market Report - February 2025, IEA, Paris https://www.iea.org/reports/oil-market-report-february-2025