

Wednesday 2 August 2023

Oil demand reaches highest level ever

In the past month, global demand for oil rose to a record high. Limited economic growth in large parts of the world is being offset by growth in emerging countries in Asia. As a result, oil demand continues to grow steadily. In addition, the production cut by OPEC+ is also pushing up prices. We interpret the longer-term price risks as oil demand continues to rise. This clashes with the assumptions in most climate scenarios towards 2030 and beyond. Although TTF gas prices are fairly stable, the price differential between gas in Europe and gas in Asia continues to increase. It leads to European LNG imports decreasing, with many tankers sailing on to Asia. With another period of maintenance on Norwegian gas infrastructure ahead, new major price movements cannot be ruled out. Finally, we zoom in on the correlation between heating days and gas demand.

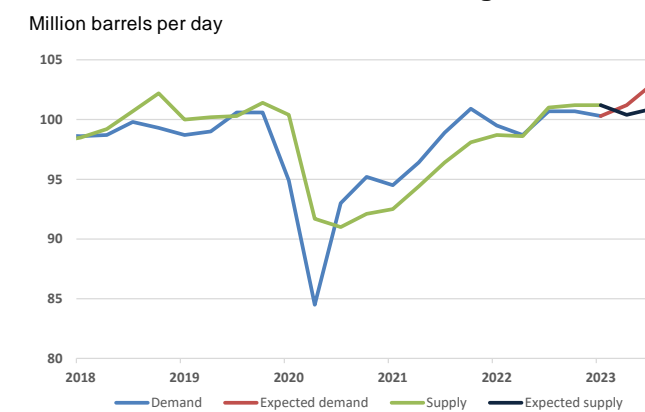
Demand for oil keeps rising ... and rising

Earlier this week, we saw reports on the news that oil demand reached its highest point ever. According to Goldman Sachs, global oil demand rose to a record high of 102.8 million barrels per day (mv/d) in the month of July. This puts demand for oil higher than during 2019, just before the drop in oil demand due to measures to combat the Corona pandemic. BP's CEO Bernard Looney, while presenting the quarterly figures, also indicated that oil demand remains firm. He, like the International Energy Agency (IEA), foresees growth of around 2 mb/d by 2023.

From an economic point of view, the oil price rise is also hardly hampered. We see that high inflation rates and increased interest rates do put pressure on economic growth. But despite the fact that some countries are in recession, and others may enter it soon, we see that the impact on oil demand is only small. The price elasticity of oil is not very high. This is not surprising because even during a recession, people need to go to work and many industrial processes continue as usual.

It makes the demand for oil grow in a slower pace, rather than actually shrinking. In addition, the biggest growth in oil demand for years has been seen in emerging countries such as China and India. Countries where economic growth has been somewhat muted as a result of Covid-19, and still has not fully recovered. Nevertheless, economic growth - and by extension energy demand growth - is still very high at over 6% in China and 7% in India.

Oil demand rises further to record high



Source: IEA

Another explanation for increased oil prices is OPEC+'s oil production cut combined with Saudi Arabia's voluntary production cut. The Saudi voluntary cut initially applied only to the month of July. However, it was soon extended to July as well as August. The general expectation is that Saudi

Would you like to read the full version? Or would you like more information regarding this update or regarding the other services of Publieke Zaken (PZ) Energy Research & Strategy, please contact:

Hans van Cleef - hans.vancleef@publiekezaken.eu / 0031- 6 30 90 33 76

Bart van der Pas - bart.vanderpas@publiekezaken.eu / 0031-6 36 52 95 51

DISCLAIMER

This document was compiled by Publieke Zaken Energy Research & Strategy (ERS). Its sole purpose is to provide financial and general information on the energy and financial markets. Publieke Zaken ERS reserves all rights regarding the information in the document and the document is provided to you for your information only. It is not permitted to copy, distribute or pass this document (in whole or in part) to a third party or use it for any other purpose than that stated above. This document is for information purposes only and does not constitute an offer of securities to the public, nor an advice regarding your investments, cost management or business activities, nor an invitation to these mentioned actions. The information and opinions contained in this document have been compiled or arrived at from sources believed to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. The information contained in this document is not to be relied upon by the recipient as authoritative or taken in substitution for the exercise of judgement by any recipient. Any opinions, forecasts or estimates herein constitute a judgement of Publieke Zaken ERS as at the date of this document, and there can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates. You should not rely for any reason on the information, opinions, estimates and assumptions in this document or on its completeness, accuracy or correctness. No warranty, express or implied, is given by or on behalf of Publieke Zaken ERS, its directors or employees as to the accuracy or completeness of the information contained in this document and no liability is accepted for any loss, arising, directly or indirectly, from the use of this information. The views and opinions expressed herein may be subject to change at any given time and Publieke Zaken ERS is under no obligation to update the information contained in this document after the date thereof. Further, internal and external publications may have been issued prior to this publication where strategies may conflict according to market conditions at the time of each publication. Publieke Zaken ERS reserves the right to make changes to this material. The distribution of this document in other jurisdictions may be restricted by law and recipients of this document should inform themselves about, and observe any such restrictions. All rights reserved.

© Copyright 2023 Publieke Zaken ERS and affiliated companies ("Publieke Zaken").