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Chinese growth figures unsettle OPEC+

In the oil market, market focus has shifted to the demand side. China's disappointing economic growth is expected to dampen demand for oil and oil products. Economic growth in China has stabilised at around 5%, suggesting that oil imports have 'decoupled' from the linear growth path. Without the Chinese government's order to increase strategic oil reserves, the impact on oil prices would have been even more significant. Nevertheless, the price drop has prompted OPEC+ to delay the phasing out of production cuts until December.

Furthermore, this Market Update analyses the global LNG market. The TTF/JKM spread is an indicator of how attractive the European market is compared to the Asian one. Last summer, this spread diverged further, with gas demand in Asia higher due to a heat wave. This is also reflected in Russian exports, where LNG has increasingly had Asia as its final destination in recent months. Finally, supply risks and constraints in the gas market are mentioned, including maintenance in Norway, the US elections and the approaching hurricane in the Gulf of Mexico.

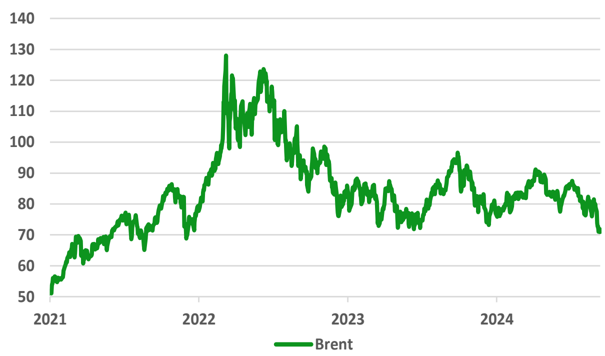
Chinese data pushes oil price to lowest point of the year

After oil prices peaked in March 2022 due to the war in Ukraine and its possible impact on oil markets, the downtrend for oil prices has started. Still we see a pattern of lower tops. In recent weeks, the price is under pressure again after an earlier temporary uptrend due to geopolitical tensions in the oil-rich Middle East. The negative sentiment in oil markets was mainly due to the absence of a major escalation in the Middle East, leaving oil supply fairly stable.

Market participants' attention thus shifted to the demand side. For some time, we have been seeing signs that Chinese economic growth is somewhat disappointing. This is leading to less oil demand growth than previously expected. As a result, the Brent oil price has dropped to its lowest point of the year, just above the important support zone of USD 70-72/barrel. Following this, other oil benchmarks such as *West Texas Intermediate* (WTI) also fell to a 2024 low.

Oil prices fall to lowest level in 2024

USD/barrel



Source: LSEG Eikon

Chinese growth continues to hover around 5% a year. This might sound like solid growth to Western ears, but by Chinese standards this is moderate. Less local consumption leads to excess production capacity. Especially now that the economy in Europe and the US is growing only moderately. As a result, goods produced through state aid, such as electric cars, are 'dumped' on the European market. Something that leads to the implementation of import tariffs back and forth. A situation that seems to be getting more and more heated.

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