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IEA Cuts Oil Demand Growth Forecast for 2019

The International Energy Agency downgraded its global oil demand growth forecast for the fourth time in six months. REUTERS/Jason Lee/File Photo **PHOTO:** JASON LEE/REUTERS

By David Hodari

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LONDON--The International Energy Agency downgraded its global oil demand growth forecast for the fourth time in six months on Friday, citing a global economic slowdown.

In its closely-watched oil-market report, the IEA said it expects the rise in the world's demand for oil to amount to 1 million barrels a day for this year and to 1.2 million barrels a day in 2020. Both figures represent a 100,000 barrel-a-day cut.

The agency said it forecasts demand growth in 2019 "to be the weakest since 2016, following evidence of a slowdown in several major consuming regions and countries, including Europe, India, Japan, Korea and the U.S."

That downbeat estimate came after the Organization of the Petroleum Exporting Countries lowered its own demand estimate on Thursday, downgrading its 2019 estimate for the fourth time in five months.

Global supply plunged by 1.5 million barrels a day in September, in the wake of attacks on Saudi processing facilities at Abqaiq and Khurais that temporarily downed 5% of global supply. OPEC output fell to a 10-year low thanks to the outages and continued reductions from sanction-hit Venezuela.

“Even with a swift recovery and steady supply from the rest of OPEC, stock draws are likely” in the final quarter of 2019, the IEA added.

Still, the agency again raised its estimate for global supply growth in 2020, saying its non-OPEC forecast had increased by 400,000 barrels to 2.2 million barrels a day with the U.S., Brazil, and Norway as key contributors. The call on OPEC crude will fall to 29 million barrels a day, in a signal of the cartel’s waning influence.

Attacks on Saudi Arabia came just days after OPEC and its allies met in Abu Dhabi and deferred talk of deepening their continuing supply cut. Instead the bloc attempted to strengthen adherence to pre-agreed cuts and extract around 400,000 barrels of what some delegates called “hidden cuts.”

Those cuts have had only a muted impact so far, with the price gains that followed the assault on Saudi Arabia quickly dissipating.

OPEC Secretary General Mohammed Barkindo told reporters on Thursday that OPEC and its allies will make “appropriate, strong, positive decisions” to sustain oil prices when they meet Dec. 5, and that all options are open.

Brent crude, the global benchmark, was up 2% at $60.38 a barrel in early-day trading Friday after reports of an explosion on an Iranian tanker in the waters off the Saudi port of Jeddah. The Saudi government has blamed last month’s attacks, as well as numerous other incidents this year, on Tehran.

Sagging demand growth will likely set the market pace for oil prices in the coming months, the IEA said, but added that “the precision attacks on Saudi Arabia and the possibility of a repeat should keep the market on edge. There should be talk of a geopolitical premium on top of oil prices.”

The recent attacks on Saudi Arabia contributed to the current decline in refinery runs, with third quarter refinery throughput showing an unseasonable drop of 500,000 barrels a day on the year to its lowest in a decade.

“It is often overlooked how important the Saudi refining industry is both as the main supplier of a 3 million barrel a day domestic market and a net exporter of products to the tune of about 1 million barrel a day,” the IEA report said.

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