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Oil up 3% on robust U.S. fuel consumption, tight supply outlook

By **Scott Disavino**

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An oil pump jack pumps oil in a field near Calgary, Alberta, Canada on July 21, 2014. REUTERS/Todd Korol/File Photo [Acquire Licensing Rights](#)

Summary

U.S. crude stocks fall by over 7 million barrels
EU sanctions set to sharply curb Russian supply
Russia sees energy export revenue rising 38%

NEW YORK, Aug 18 (Reuters) - Oil prices gained about 3% on Thursday as positive U.S. economic data and robust U.S. fuel consumption offset concerns that slowing economic growth in other countries could undercut demand.

Brent futures rose \$2.94, or 3.1%, to settle at \$96.59 a barrel, while U.S. West Texas Intermediate (WTI) crude rose \$2.39, or 2.7%, to settle at \$90.50.

Prices rose more than 1% during the previous session, although Brent at one point fell to its lowest since February, as signs of a slowdown mounted in some places.

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"Oil prices rallied after another round of impressive U.S. economic data boosted optimism for an improving crude demand outlook," said Edward Moya, senior market analyst at data and analytics firm OANDA. Moya also noted that OPEC will not allow the recent pullback in oil prices to continue much further.

The number of Americans filing new claims for unemployment benefits fell last week and the prior period's data was revised sharply lower, suggesting labor market conditions remain tight despite slower momentum due to higher interest rates. [read more](#)

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The new secretary general of the Organization of the Petroleum Exporting Countries (OPEC), Haitham Al Ghais, told Reuters that policymakers, lawmakers and insufficient oil and gas sector investments are to blame for high energy prices, not the cartel. [read more](#)

At its next meeting in September, Al Ghais said OPEC+, which includes other oil suppliers like Russia, "could cut production if necessary, we could add production if necessary. ... It all depends on how things unfold."

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U.S. crude stocks ([USOILC=ECI](#)), fell by 7.1 million barrels in the week to Aug. 12, Energy Information Administration data showed, against expectations for a 275,000-barrel drop, as exports hit a record 5 million barrels per day (bpd).

Bans by the European Union on Russian oil exports could dramatically tighten supply and drive up prices in coming months.

"The EU embargoes will force Russia to shut in around 1.6 million (bpd) of output by year-end, rising to 2 million bpd in 2023," consultancy BCA research said in a note.

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Russia, however, forecasts rising output and exports until the end of 2025, an economy ministry document seen by Reuters showed, saying revenue from energy exports will rise 38% this year, partly due to higher oil export volumes. [read more](#)

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The market is awaiting developments from talks to revive Iran's 2015 nuclear deal with world powers, which could lead to a roughly 1 million bpd boost in Iranian oil exports.


Open interest in U.S. futures fell on Wednesday to the lowest since January 2015 as investors cut back on risky assets like commodities, worried central banks will keep raising rates. [read more](#)


The U.S. dollar index

A stronger dollar reduces demand for oil by making the fuel more expensive for buyers using other currencies.

Reporting by Scott DiSavino; Additional reporting by Noah Browing in London, Florence Tan in Singapore and Stephanie Kelly in New York; Editing by Kirsten Donovan, David Holmes and Richard Chang




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