

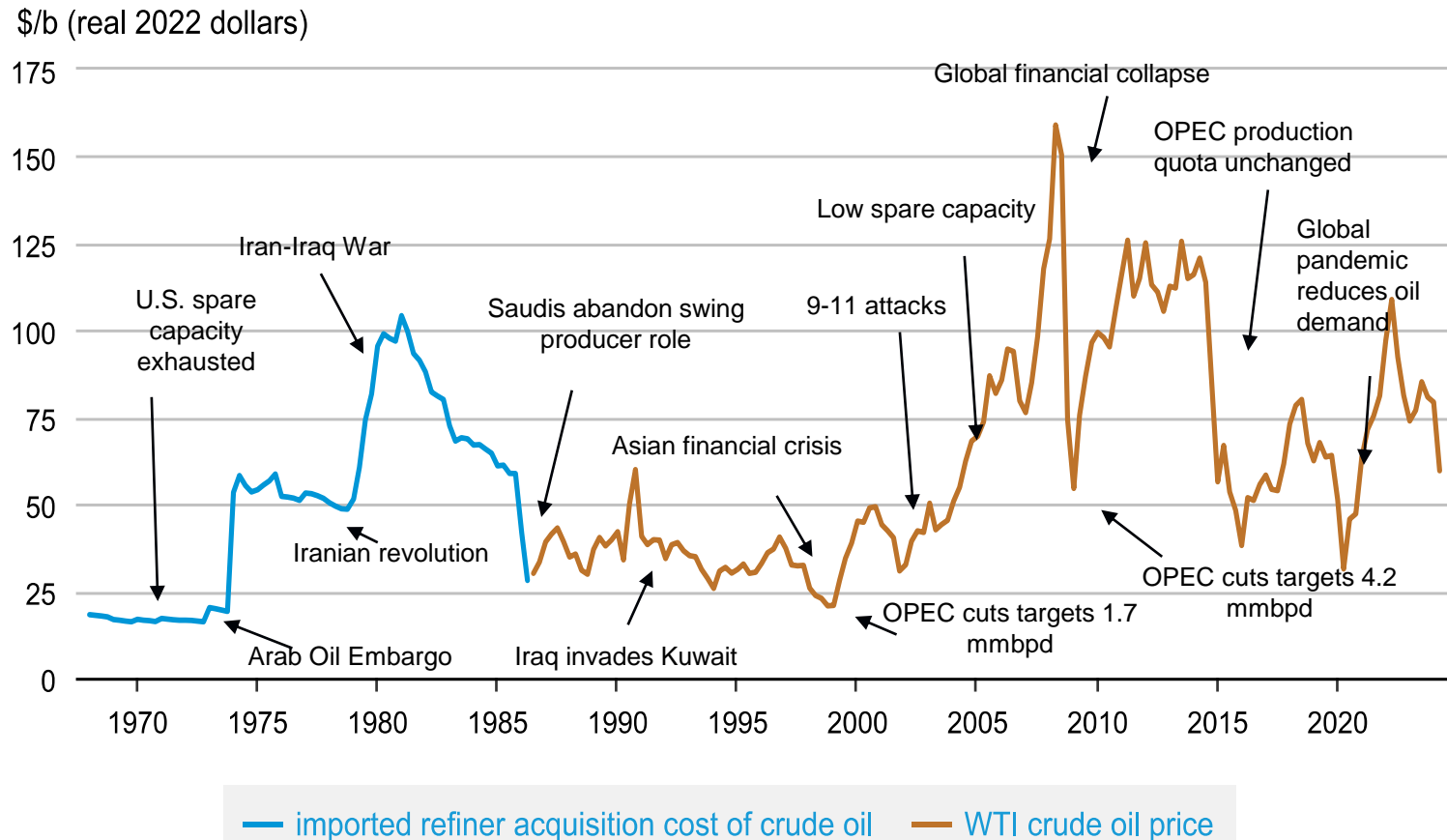


What drives crude oil prices?

An analysis of 7 factors that influence oil markets, with chart data updated monthly and quarterly

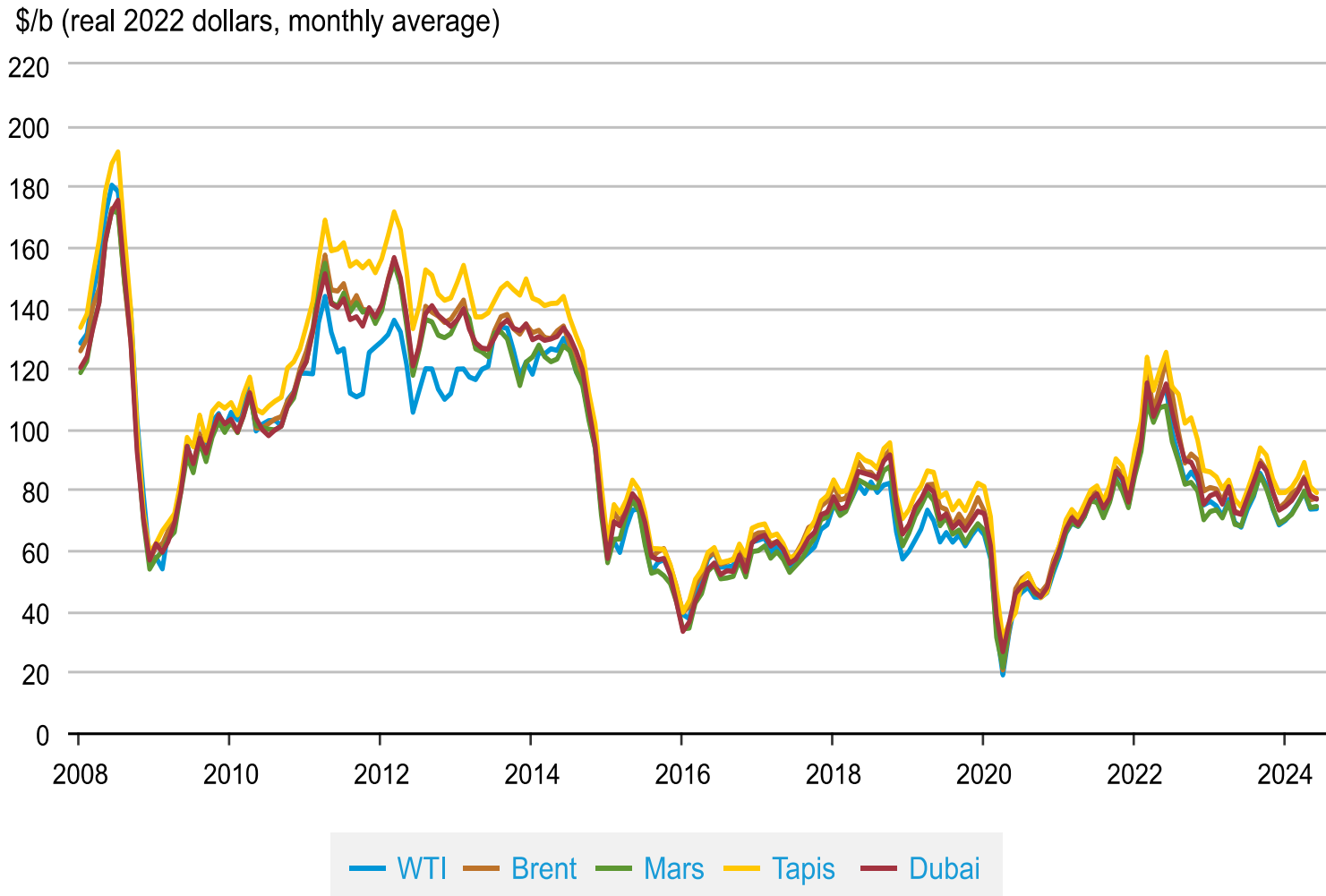
July 9, 2024 / Washington, DC

Crude oil prices react to a variety of geopolitical and economic events



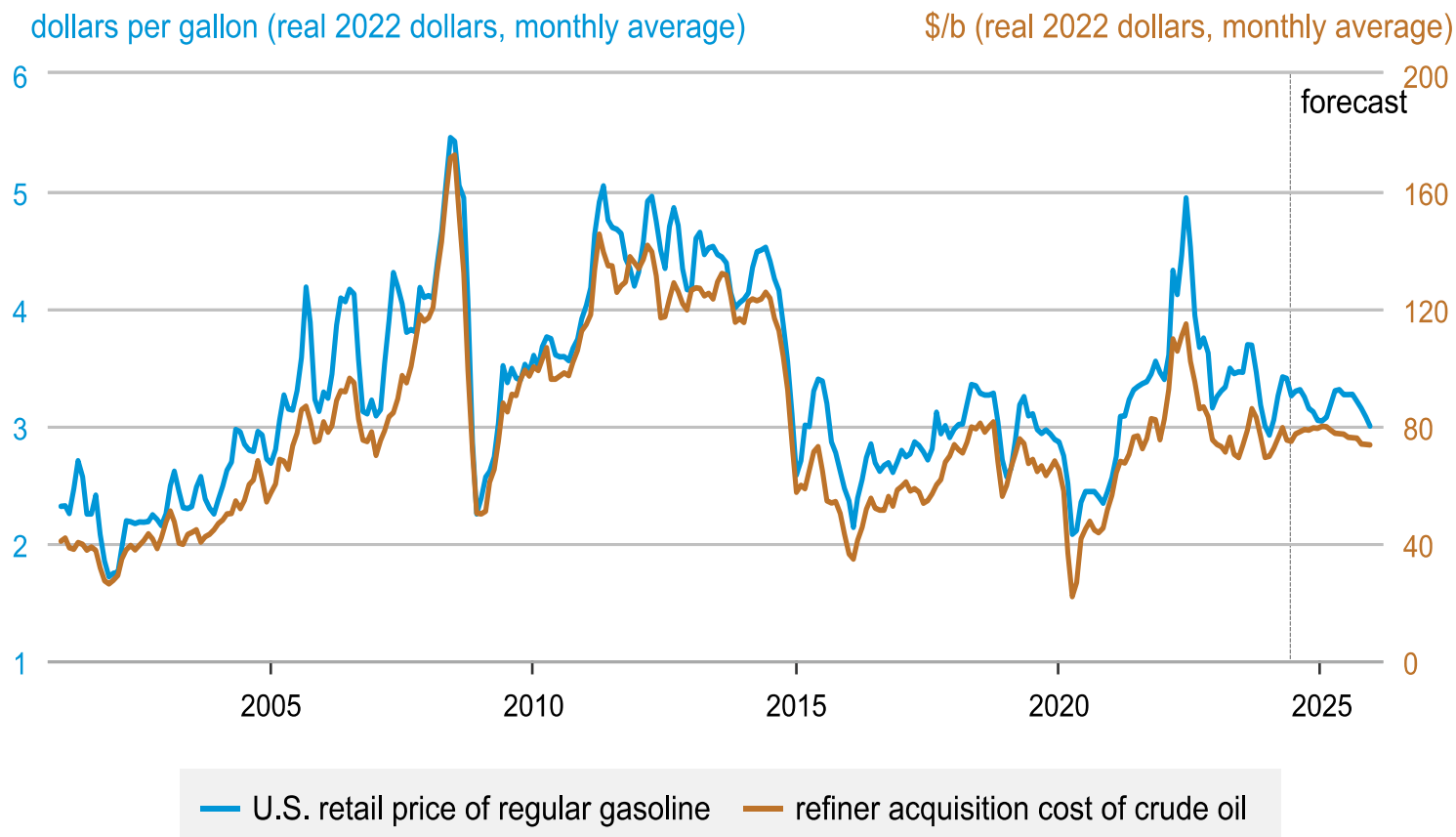
Data sources: U.S. Energy Information Administration, Refinitiv An LSEG Business

World oil prices move together due to arbitrage



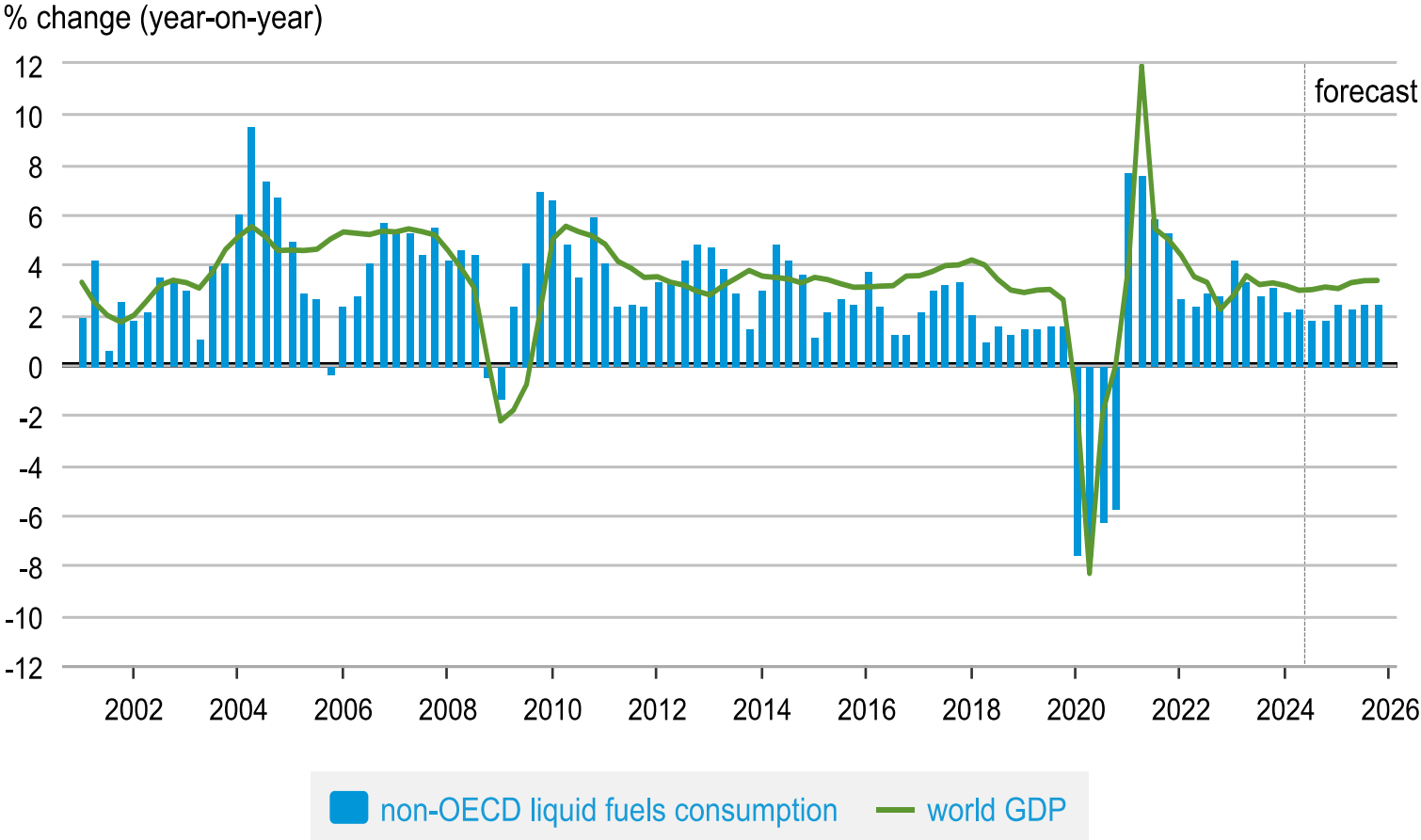
Data sources: Bloomberg, Refinitiv An LSEG Business

Crude oil prices are the primary driver of petroleum product prices



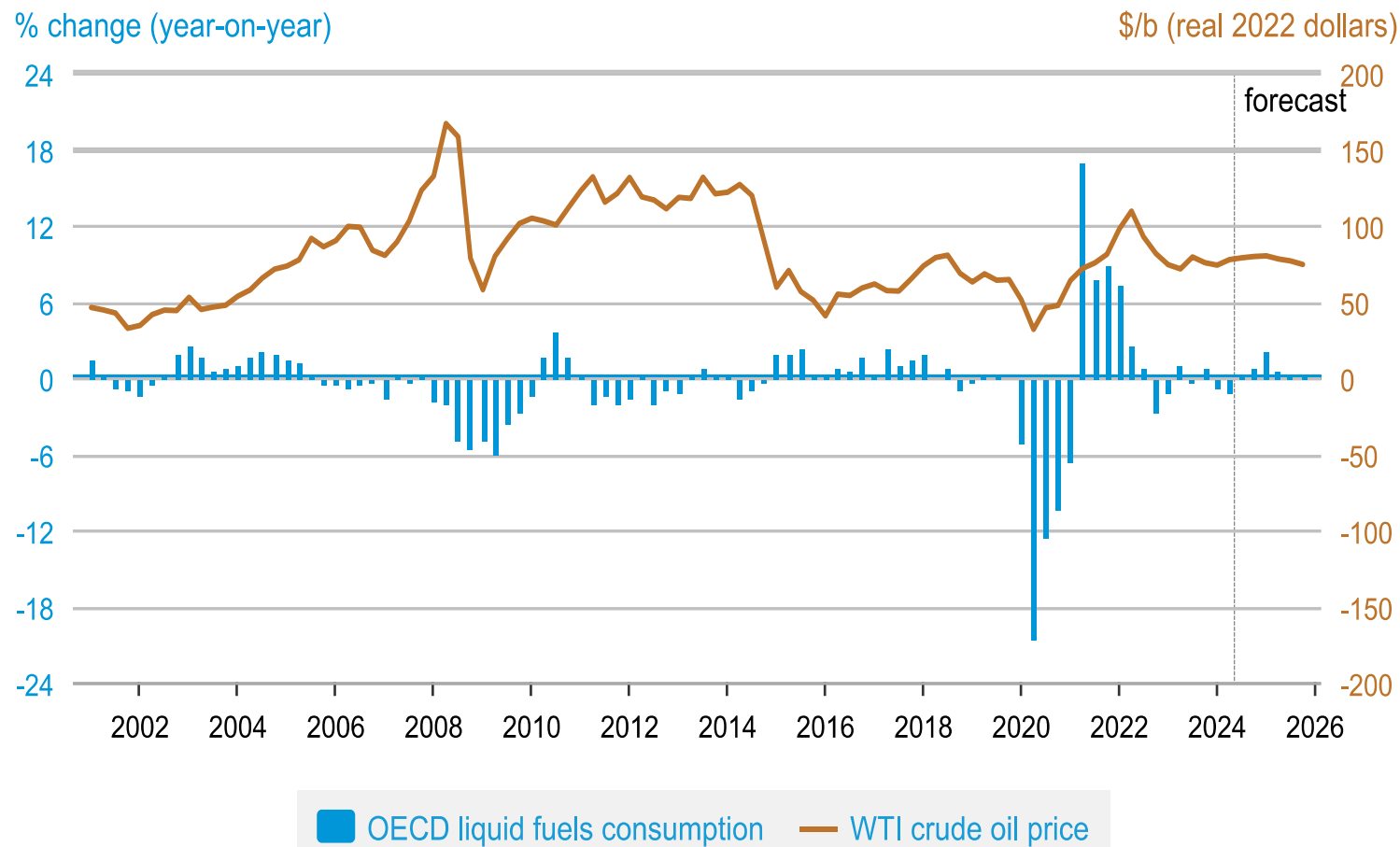
Data source: Short-Term Energy Outlook

Economic growth has a strong impact on oil consumption



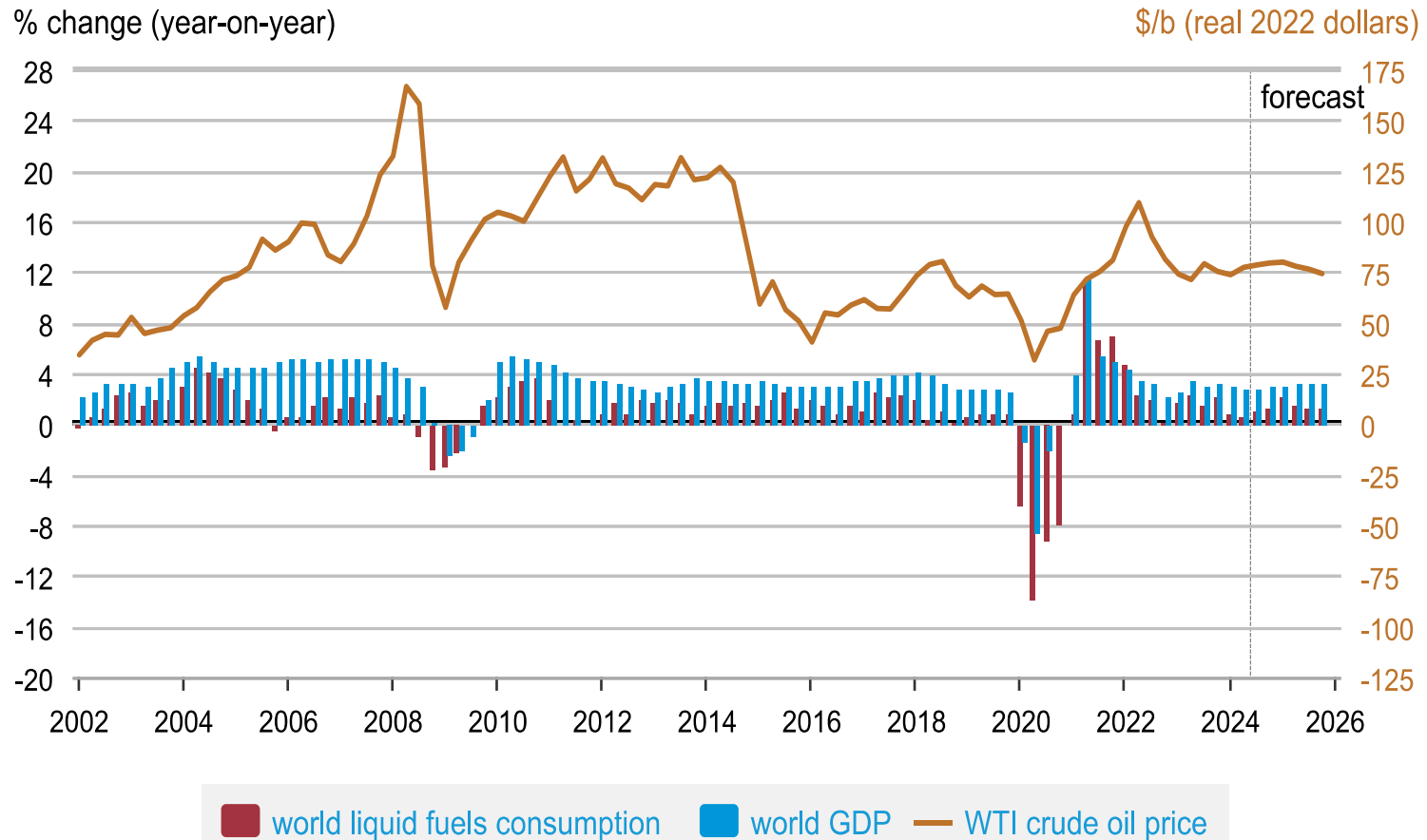
Data sources: U.S. Energy Information Administration, Oxford Economics

In OECD countries, price increases have coincided with lower consumption



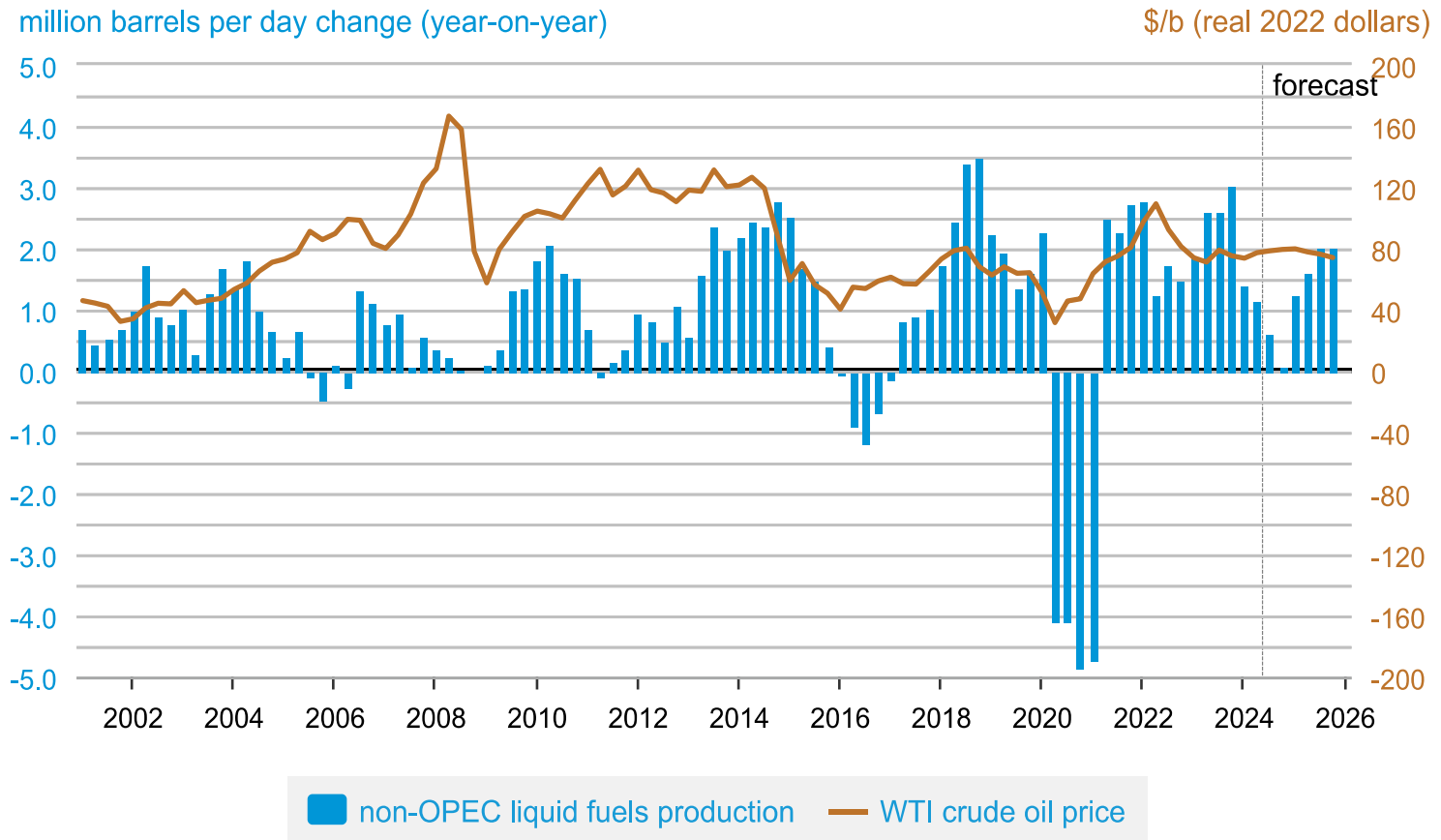
Data source: Short-Term Energy Outlook

Rising oil prices held down global oil consumption growth from 2005-2008, despite high economic growth



Data source: Short-Term Energy Outlook

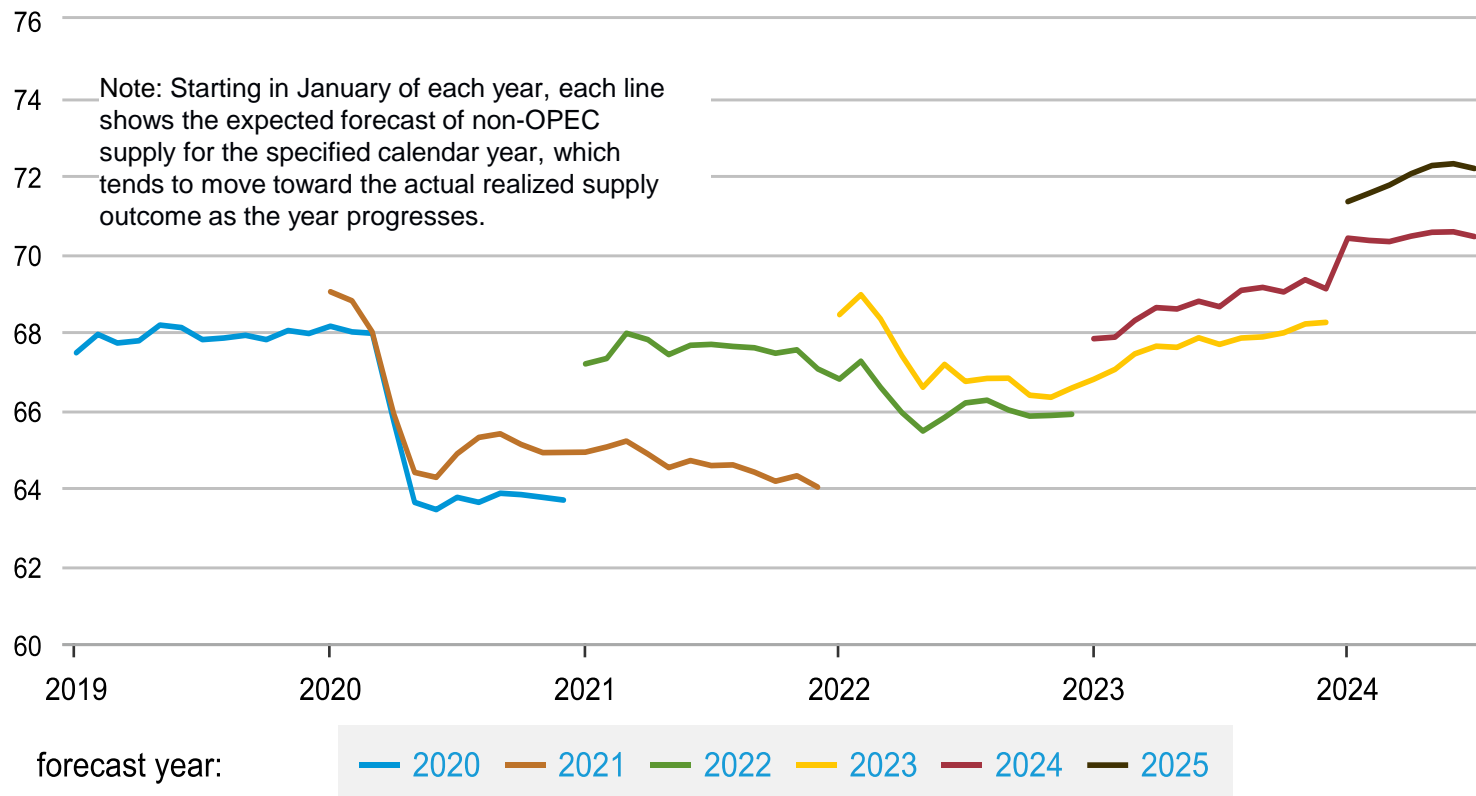
Changes in non-OPEC production can affect oil prices



Data source: Short-Term Energy Outlook

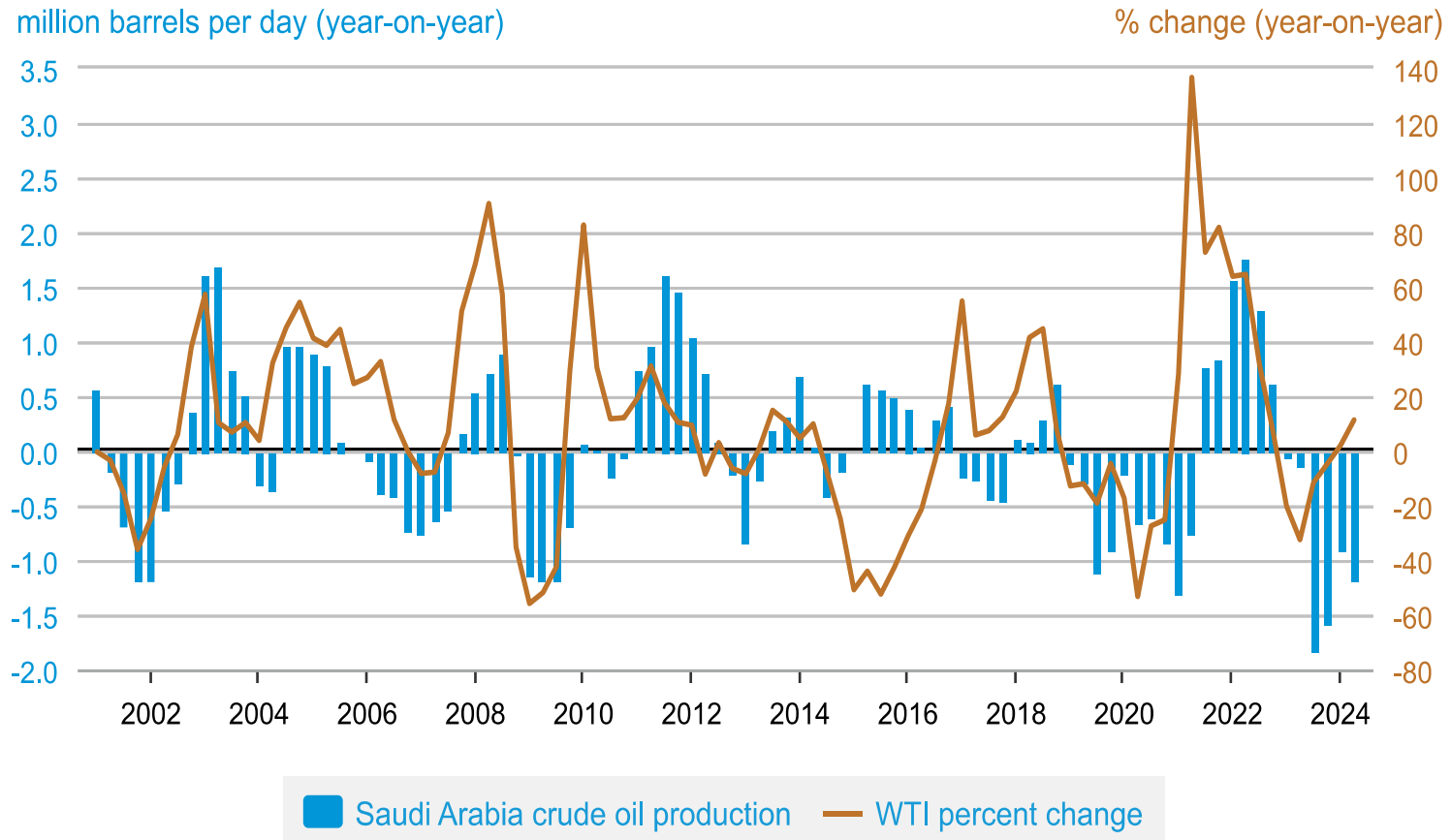
Non-OPEC supply expectations indicate changes in market sentiment concerning oil supply

million barrels per day (annual expectations)



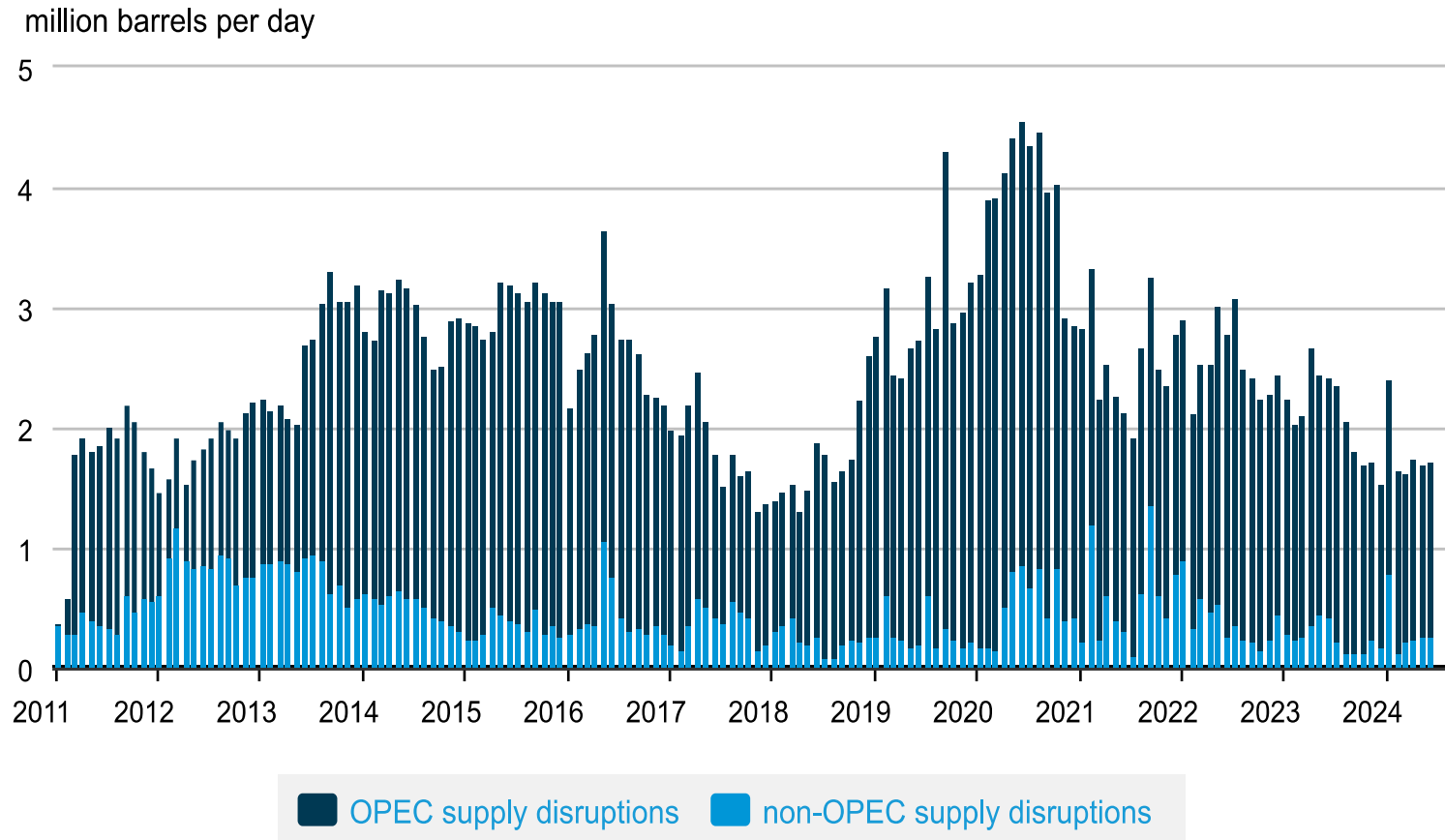
Data source: Short-Term Energy Outlook

Changes in Saudi Arabia crude oil production can affect oil prices



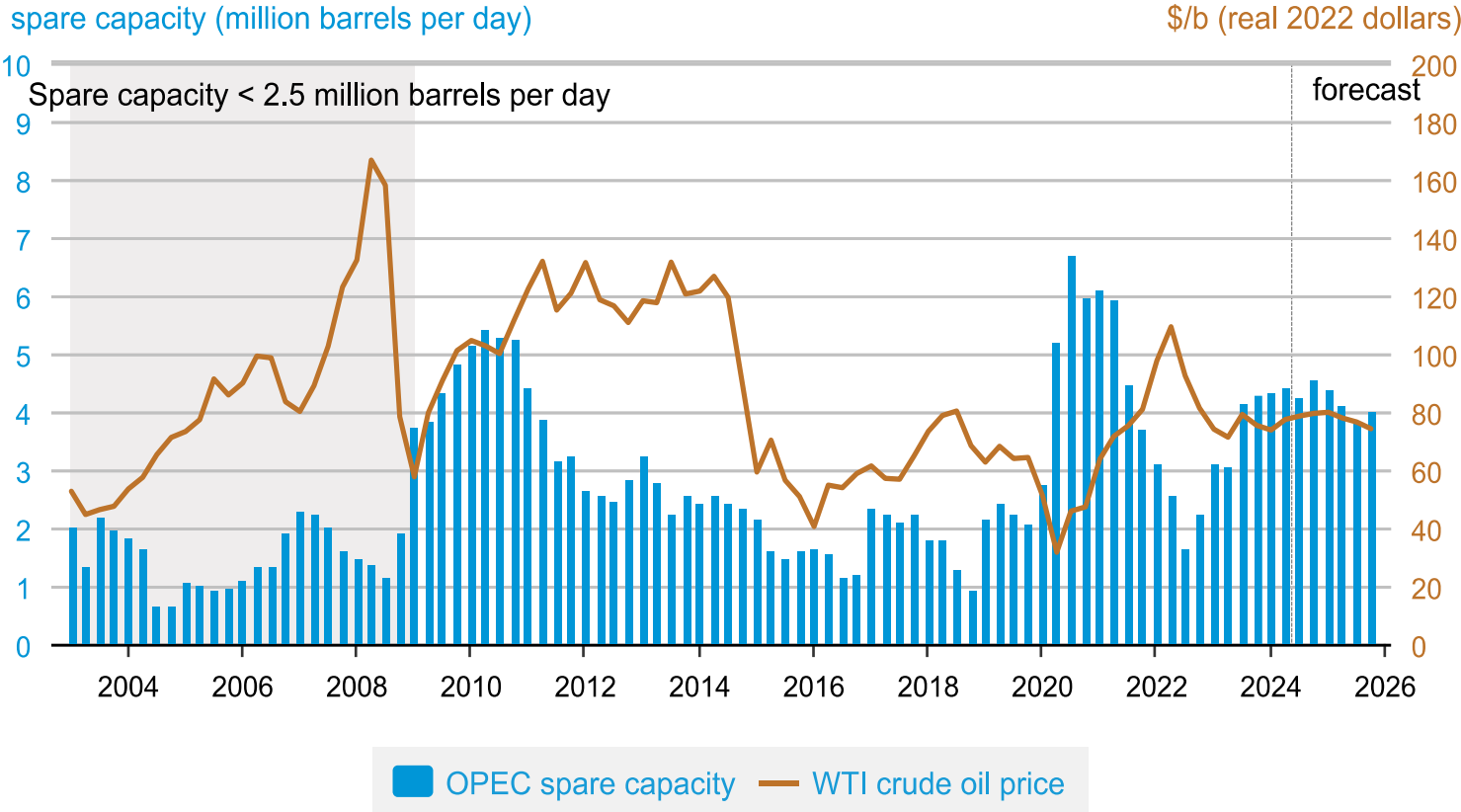
Data sources: U.S. Energy Information Administration, Refinitiv An LSEG Business

Unplanned supply disruptions tighten world oil markets and push prices higher



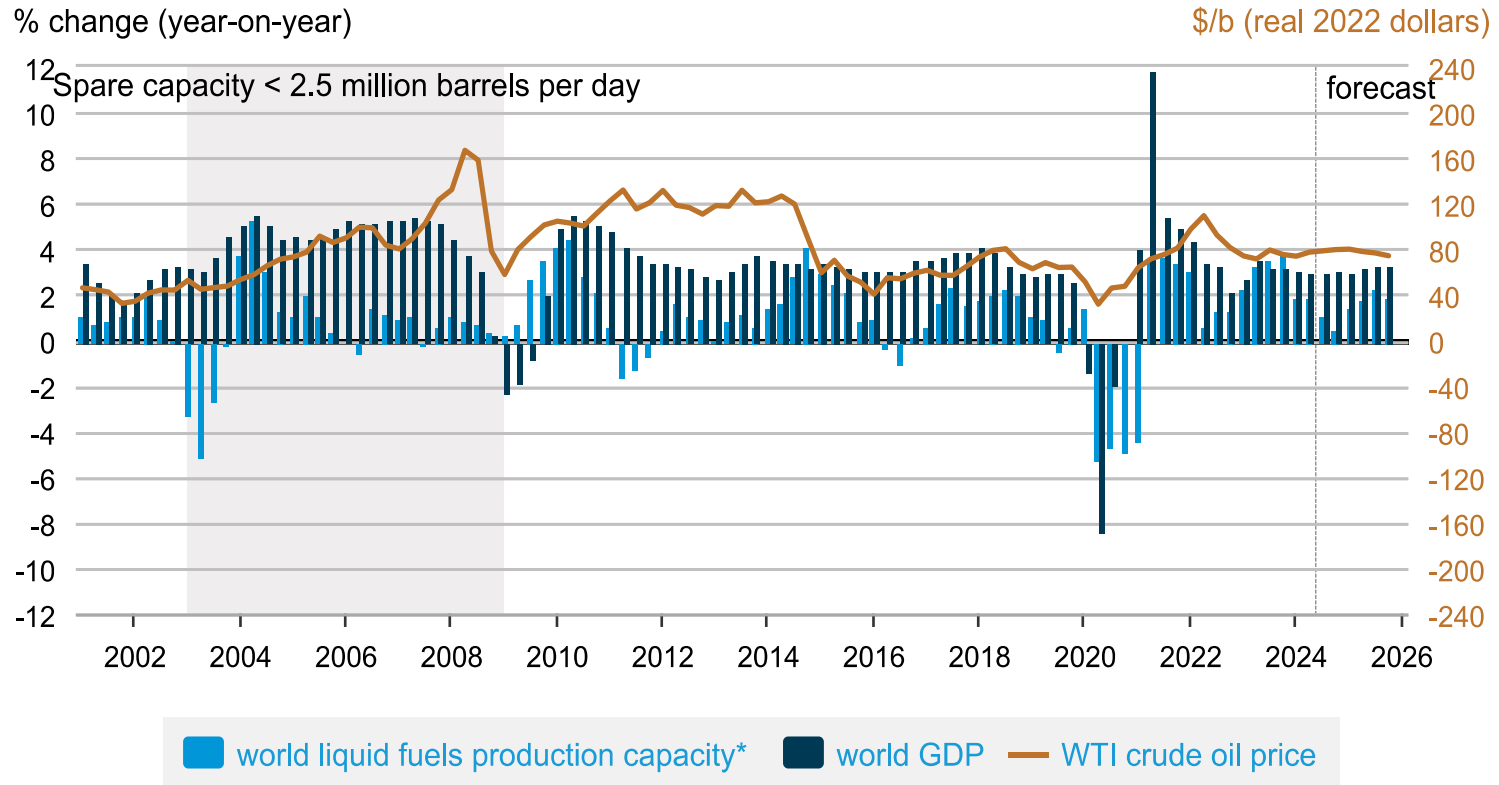
Data sources: U.S. Energy Information Administration

During 2003-2008, OPEC's spare production levels were low, limiting its ability to respond to demand and price increases



Data source: Short-Term Energy Outlook

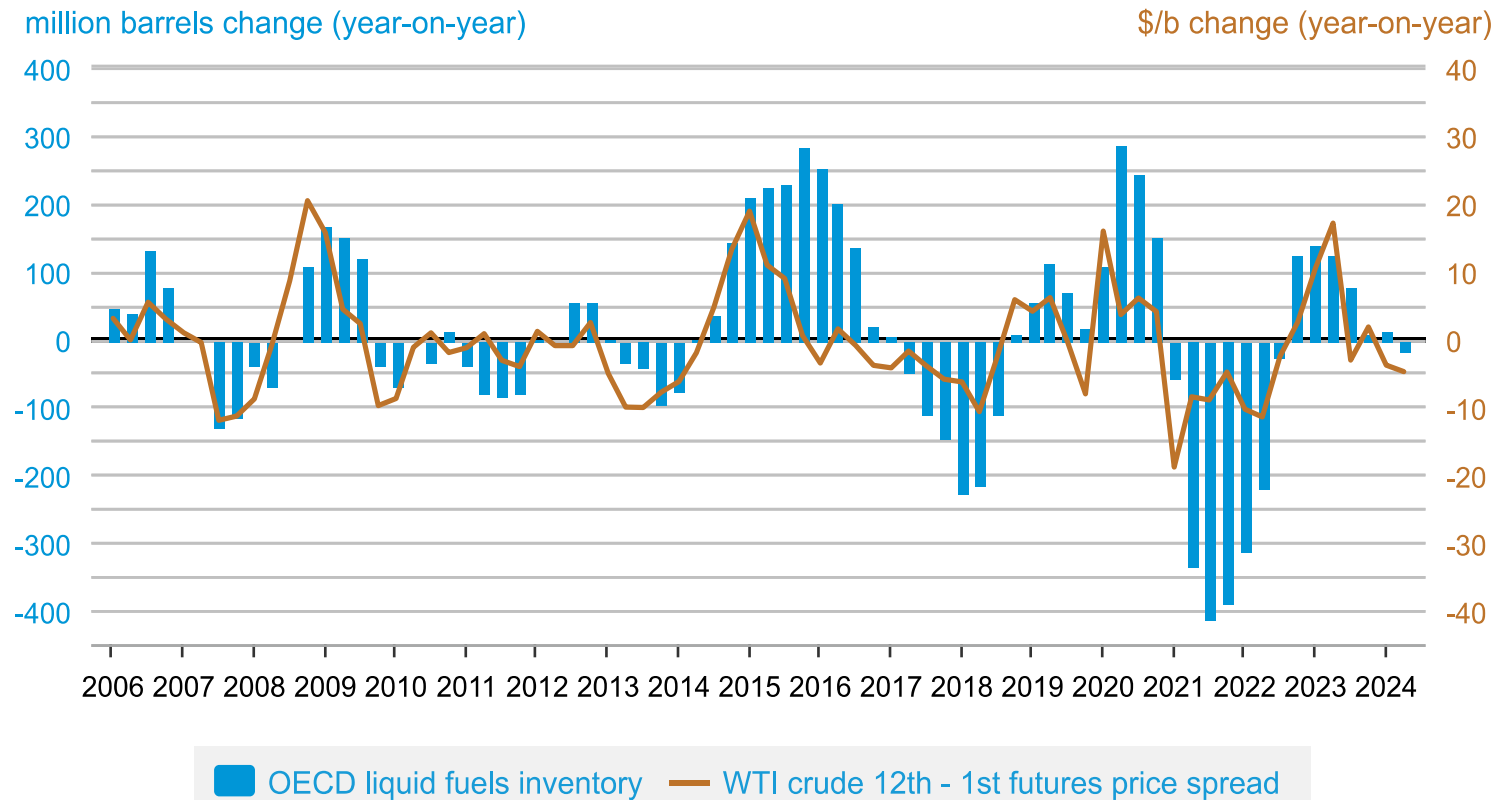
The years 2003-2008 experienced periods of very strong economic and oil demand growth, slow supply growth and tight spare capacity



Data source: Short-Term Energy Outlook

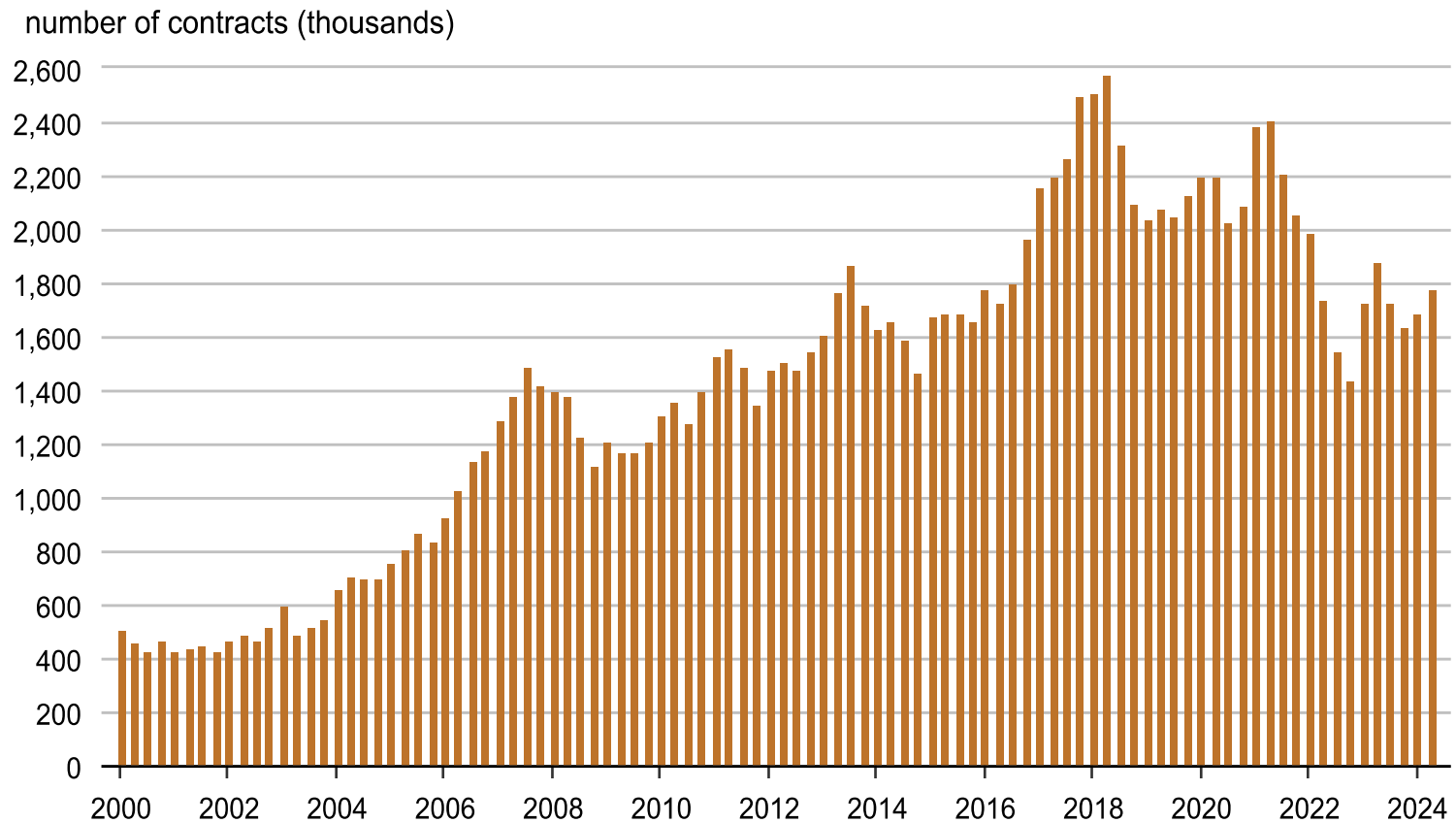
*World Capacity = OPEC capacity plus non-OPEC production

Inventory builds go hand-in-hand with increases in future oil prices *relative to current prices (and vice versa)*



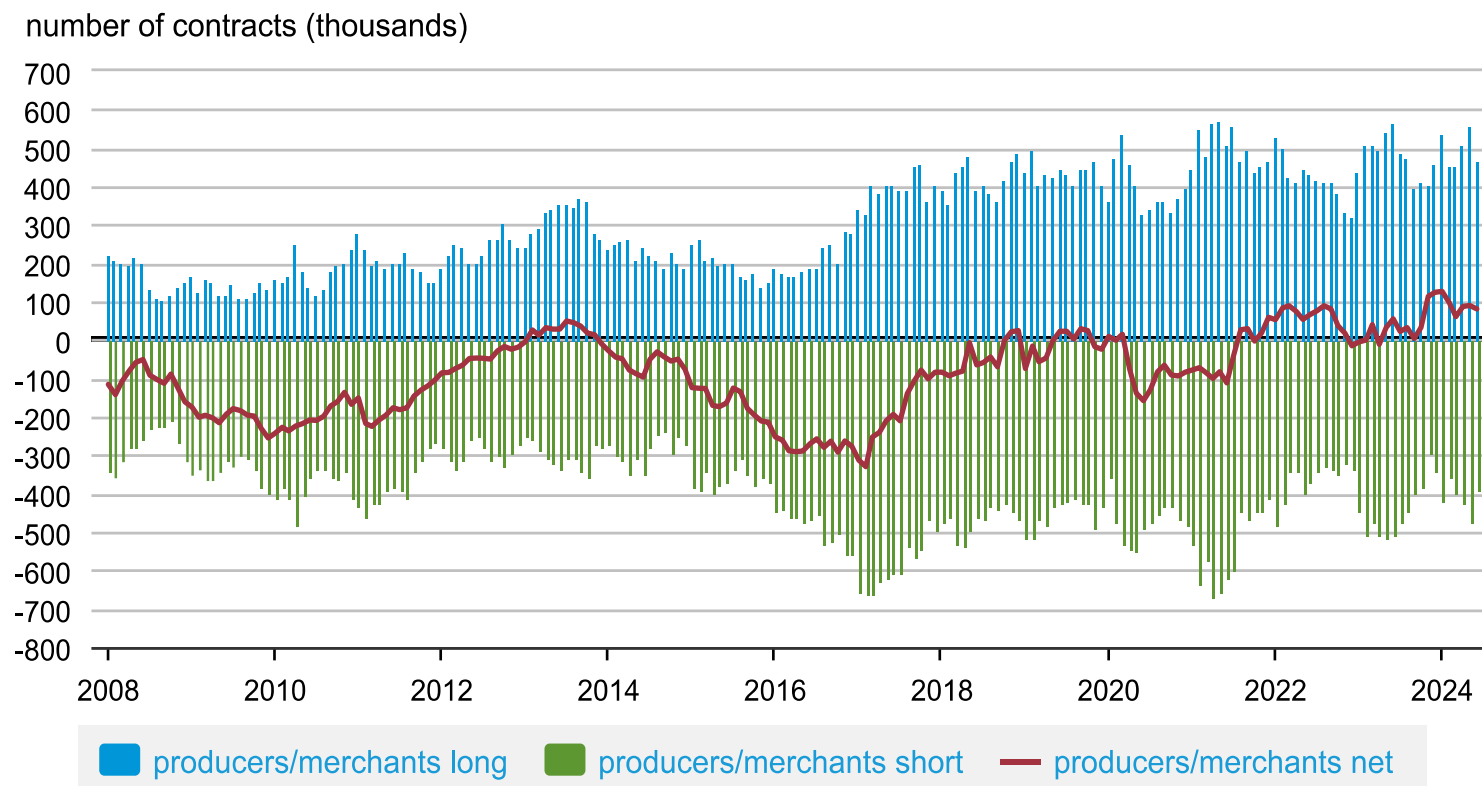
Data source: Short-Term Energy Outlook

Open interest in crude oil futures grew over the last decade as more participants entered the market



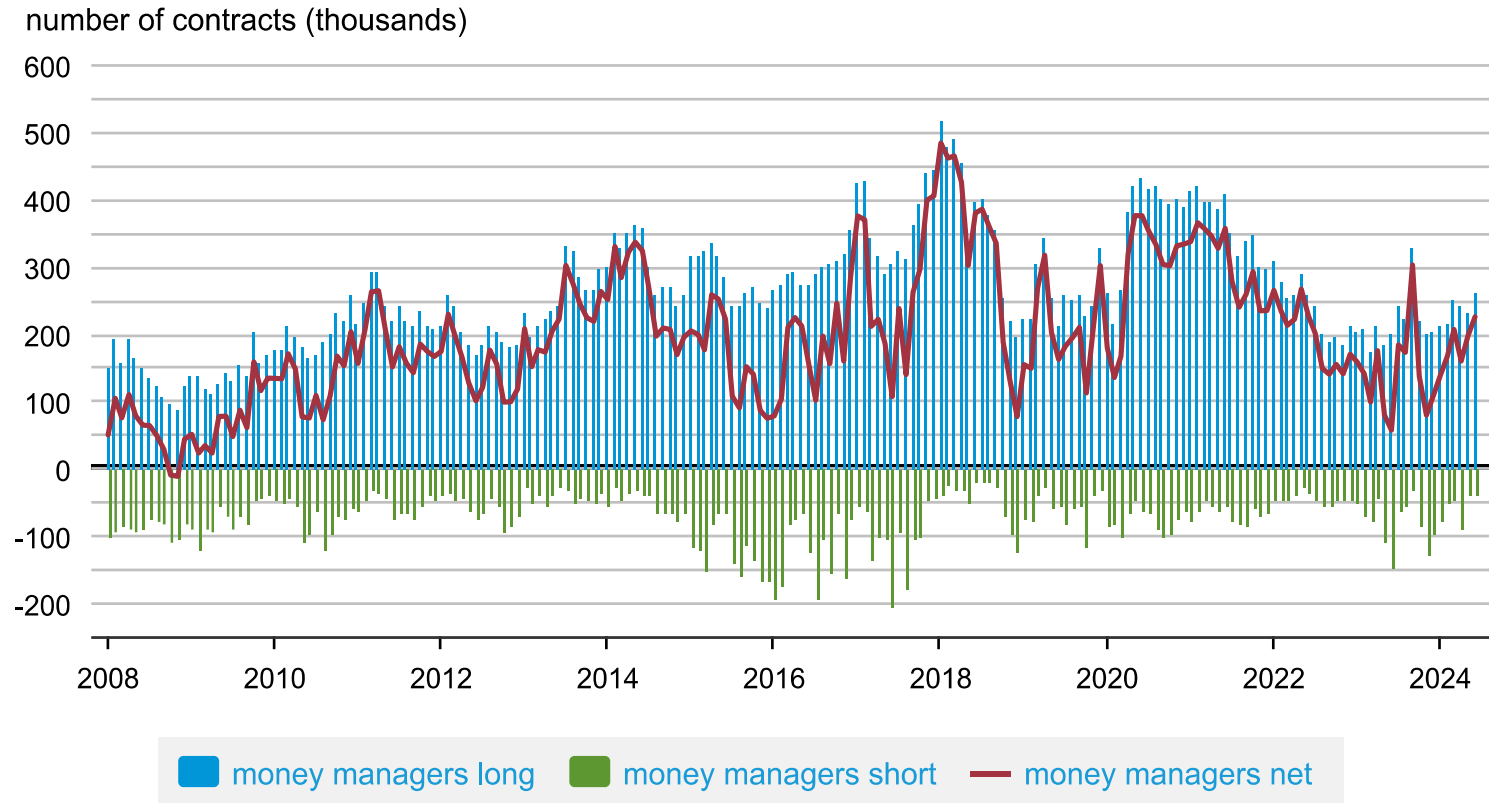
Data source: Bloomberg

Physical participants' (producers, merchants, processors, and end users) U.S. futures market contract positions



Data source: Commodity Futures Trading Commission, Commitments of Traders

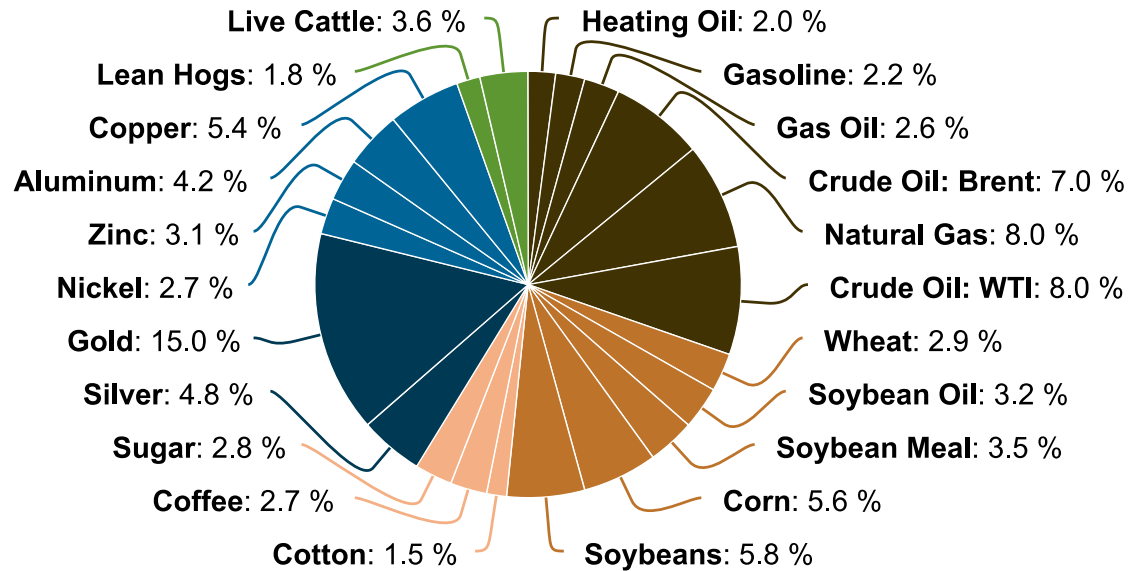
Money managers tend to be net long in the U.S. oil futures market



Data source: Commodity Futures Trading Commission, Commitments of Traders

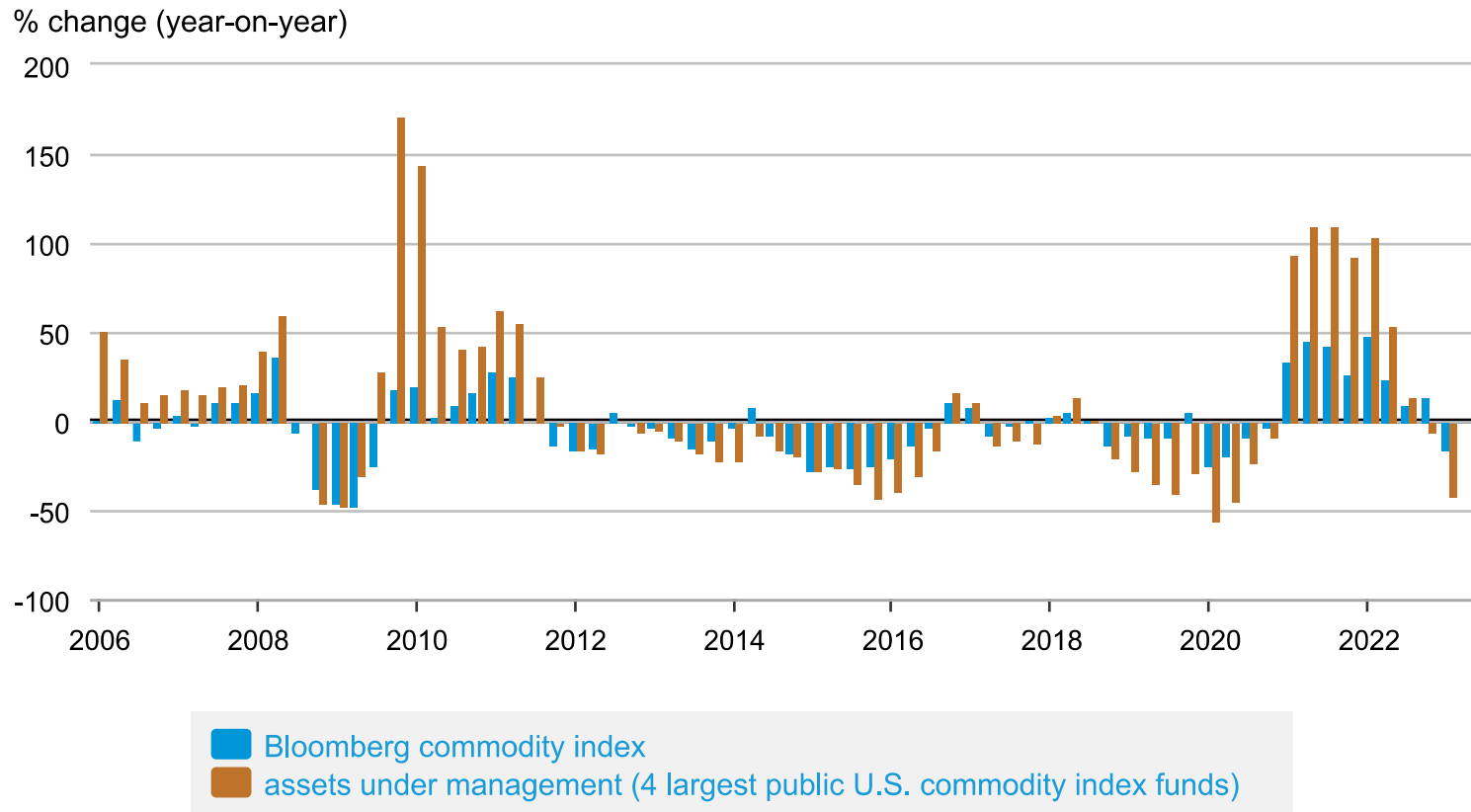
Crude oil plays a major role in commodity investment

Commodity index assets under management and Bloomberg commodity index level



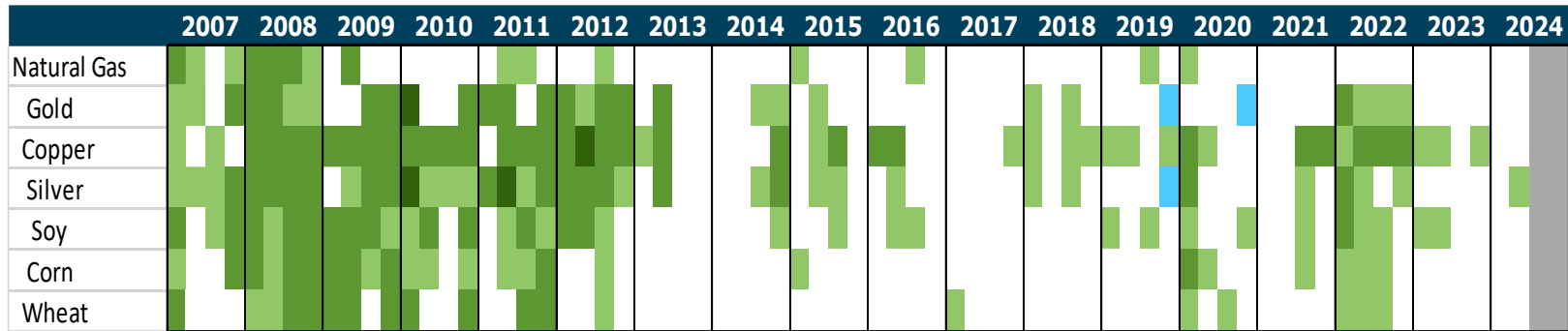
Data source: Bloomberg

Commodity index investment flows have tended to move together with commodity prices



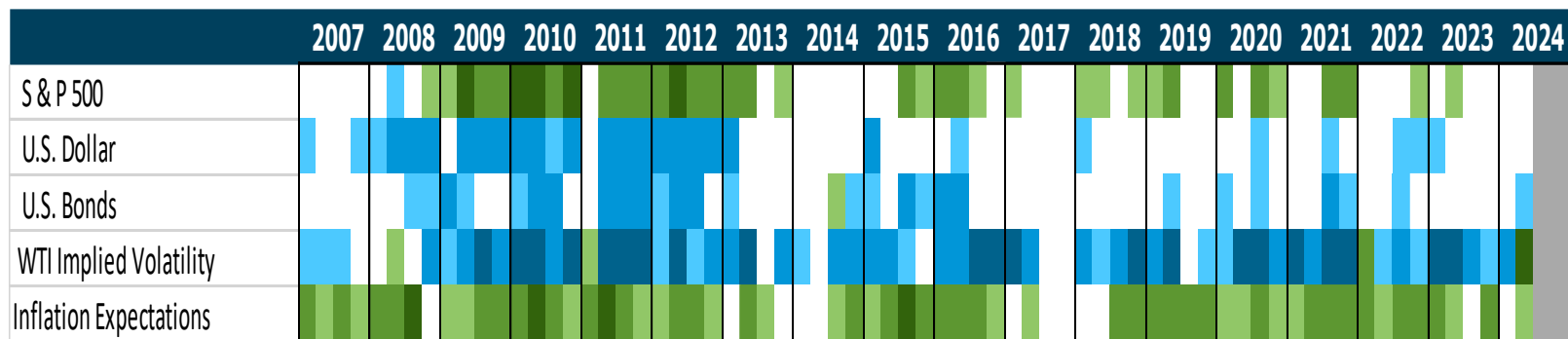
Data source: Bloomberg

Correlations (+ or -) between daily price changes of crude oil futures and other commodities generally rose in recent years



Note: Correlations computed quarterly

Correlations (+ or -) between daily returns on crude oil futures and financial investments have also strengthened



Note: Correlations computed quarterly

For more information

U.S. Energy Information Administration home page | www.eia.gov

Short-Term Energy Outlook | www.eia.gov/steo

Annual Energy Outlook | www.eia.gov/aeo

International Energy Outlook | www.eia.gov/ieo

Monthly Energy Review | www.eia.gov/mer

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