

IEA: Oil Demand To Drop For First Time Since 2009



Global oil demand is set to drop this year for the first time since the financial crisis in 2009, the International Energy Agency (IEA) said on Monday, as it slashed its demand outlook by 1.1 million bpd due to the coronavirus outbreak and its impact on economies.

The IEA now sees global demand falling by 90,000 bpd year on year in 2020, the agency said in its Monthly Oil Market for March 2020, after its executive director Fatih Birol warned two weeks ago that the coronavirus outbreak could hit global oil demand growth more than initially expected.

In the February market report, the IEA had slashed its 2020 oil demand growth forecast by 365,000 bpd to just 825,000 bpd—the lowest oil demand growth since 2011, and warned that the coronavirus outbreak would lead to the first quarterly contraction in global oil demand in more than 10 years.

In view of the global spread of the coronavirus and its impact on the global economy, the agency now expects full-year oil demand to drop.

“While the situation remains fluid, we expect global oil

demand to fall in 2020 – the first full-year decline in more than a decade – because of the deep contraction in China, which accounted for more than 80% of global oil demand growth in 2019, and major disruptions to travel and trade,” the IEA said in its March report.

The report commented on the collapse of the OPEC+ coalition, saying that the implication is that “the OPEC+ countries will be free to exercise their commercial judgement when assessing future levels of production.”

The IEA report comes a day after Saudi Arabia effectively launched an oil price war on Russia after the former allies abruptly ended the OPEC+ agreement last Friday. Over the weekend, the Saudis slashed their official selling prices by \$6-7 a barrel to all markets including Asia, and signaled they would boost production as of April, sending oil prices into a tailspin on Monday to the biggest fall since 1991.