

Oil prices face uphill struggle in 2021 despite vaccine progress: Reuters poll



Oil prices will struggle to gain upward traction next year as demand remains in the grip of the coronavirus pandemic despite growing optimism over vaccines and a likely extension of output cuts by top producers, a Reuters poll showed on Monday.

The poll of 40 economists and analysts forecast Brent would average \$49.35 a barrel next year, little changed from last month's \$49.76 outlook. The benchmark has averaged about \$42.50 per barrel so far in 2020.

"The global oil demand outlook remains precarious given the resurgence of the pandemic and resulting lockdowns in Europe and the U.S.," said Marshall Steeves, energy markets analyst at IEG Vantage.

“This will likely remain the case through the first quarter of 2021 if not the second, thus OPEC+ faces muted demand for their oil.”

(Graphic: Brent and WTI price forecast for 2021)

Rising Libyan output also posed a headwind, analysts said, as the market focuses on a meeting on Nov. 30-Dec. 1, when the Organization of the Petroleum Exporting Countries, Russia and other producers, a grouping known as OPEC+, decide strategy.

OPEC+ is leaning towards delaying the group’s existing plan to boost output in January by 2 million barrels per day (bpd) to support a market hammered by the pandemic..

Although an accelerating COVID-19 vaccine race has raised hopes for a quicker economic rebound, analysts said a resultant fillip to demand may only materialise in the second half of 2021.

Global demand was seen growing by 5.1 million to 6.3 million bpd in 2021, led by China.

“Currently the Achilles heel on the demand side is the aviation sector. Business-related travel could still be low next year, as companies may make greater use of video conference calls,” said UBS analyst Giovanni Staunovo.

The survey forecast U.S. WTI crude futures would average \$46.40 a barrel in 2021, versus October’s \$46.03 consensus.

“U.S. rigs are coming back to life but a Joe Biden administration should derail anything that allows for a massive upswing with production,” said Edward Moya, senior market analyst at OANDA.