

## The situation surrounding oil prices (April)

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1 JUNE 2021

(ORIGINAL JAPANESE VERSION RELEASED ON 28 APRIL 2021)

### 1. Oil Prices

Oil prices (WTI front month, price per barrel) fell to just above USD 58 following the decision by OPEC+ on 1<sup>st</sup> April to decrease the scale of their oil production cuts in stages from May. Reports of a link between Oxford/AstraZeneca's COVID-19 vaccine and blood clots led to concerns about a decline in demand due to a slower economic recovery, which in turn put downward pressure on oil prices. However, oil prices started to rise again after the International Energy Agency raised its demand forecast for this year on 14<sup>th</sup> April, citing an acceleration in vaccine rollouts. Currently, oil is trading around between USD 60 and USD 65 (Chart 1, upper).

### 2. Oil Supply and Demand

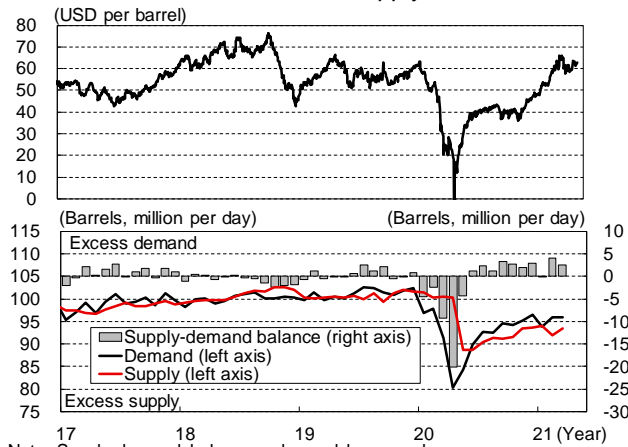
According to the Short-Term Energy Outlook published by the Energy Information Administration, the volume of oil demand in March was 96.0 million barrels per day and the volume of supply was 93.47 million barrels per day. Although the amount of excess demand decreased compared with February when southern states in the US were hit by a cold snap, disruptions to supply caused by a blockage in the Suez Canal also had an impact on the level of supply and demand (Chart 1, lower).

Up until February, demand for oil was close to the lower range recorded during the period from 2015 to 2019 before the COVID-19 pandemic. The recovery in the global economy led to an increase in demand in March, bringing it closer to the median for the same range (Chart 2, upper). However, it would be premature to say oil demand is recovering smoothly. As gasoline demand remains sluggish, aviation demand has been hit badly by the pandemic; the International Air Transport Association's forecast for available seat kilometres\* for global commercial flights is still around 40% to 50% lower than in 2019, reflecting the slower-than-expected vaccine rollouts and reopening of flight routes (Chart 2, lower). It is thought aviation-related oil demand will recover in line with the economy, but it is likely to be some time before it returns to pre-pandemic levels. On the supply side, OPEC+ plans to decrease their oil production cuts (i.e. an increase in production) and there will be an increased likelihood of re-positioning and selling by investors whenever prices exceed USD 60. All in all, it seems the

downward pressure on higher prices will remain.

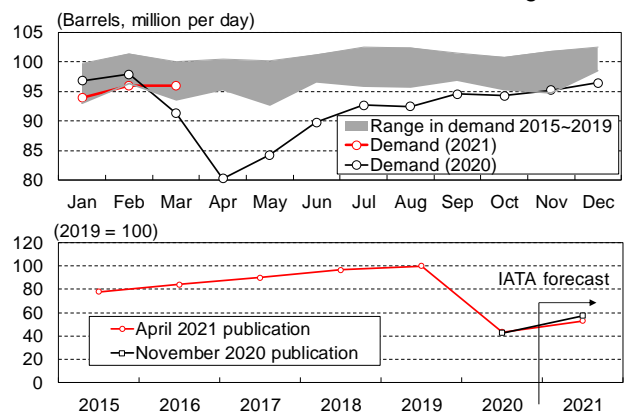
\*Unit of ASK (available seat kilometres): total number of seats multiplied by distance flown.

Chart 1: Oil Price and Global Supply-Demand Balance



Note: Supply-demand balance = demand less supply  
Source: EIA, Bloomberg, MUFG Bank Economic Research Office

Chart 2: Global Oil Demand & Commercial Flights' ASK



Note: The figure for 2020 in the November 2020 publication is a forecast made at that time. ASK = available seat kilometres (passenger capacity)  
Source: EIA, International Air Transport Association, MUFG Bank Economic

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