

## IEA warns oil demand recovery at risk from virus resurgence

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The International Energy Agency bolstered its outlook for global oil demand, but warned that the recovery could be derailed by the resurgence of coronavirus.

A collapse in fuel consumption during the second quarter was slightly less severe than previously estimated, and demand should rebound sharply over the next three months as economic activity resumes, the agency said in a monthly report. Bloated inventories will diminish as OPEC and its allies persevere with vast production cuts, it predicted.

Yet a flare-up of the virus, which is raging across several U.S. states and re-emerging in Asia, is "casting a shadow over the outlook," the IEA cautioned. Oil fell 1.4 per cent to US\$39.06 a barrel at 7:20 a.m. in New York, heading for a weekly loss.

"The large, and in some countries, accelerating number of COVID-19 cases is a disturbing reminder that the pandemic is not under control and the risk to our market outlook is almost certainly to the downside," the IEA said. The Paris-based agency advises major economies on energy policy.

International oil prices have more than doubled from the lows reached in late April, trading just under US\$42 a barrel in London on Friday, as fuel use picks up and crude supplies are reined in.

The shock waves of the coronavirus crisis are, however, still being felt.

Global oil demand is on track to slump by 7.9 million barrels a day, or about 8 per cent, this year as lockdowns and the economic contraction reduce the need for products like jet fuel and gasoline. While still a record loss, it's not as bad as anticipated last month, when the agency projected a drop of 8.3 million barrels a day.

The IEA boosted its demand assessment for the second quarter, the height of the crisis, by 1.5 million barrels a day — though that still equates to a 17 per cent drop in the

period from the same point in 2019.

Going into the third quarter, worldwide consumption should now pick up by about 14 per cent from the previous three-month period, with the revival in economic activity, to average 94.3 million barrels a day, according to the agency.

Global oil supply dropped to a nine-year low of 86.9 million barrels a day last month.

Bloomberg



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