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World oil demand to be higher than expected, IAE says

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Reuters

World oil demand will be higher than expected as a recovering global economy drives up consumption, the International Energy Agency (IEA) said on Friday, increasing the need for oil from producer group OPEC.

The IEA, an adviser to 28 industrialised countries, in a monthly report lifted its 2011 oil demand growth forecast by 130,000 barrels per day (bpd) to 1.32 million bpd and boosted its projections for consumption to 2015.

Oil prices, which this week hit \$90 a barrel for the first time in more than two years, rose after the report was released.

The IEA said price strength most likely derived from a surge in consumption in the third quarter of 2010 when demand grew by 3.3 million bpd, showing a convincing recovery from global economic recession. In 2009, oil consumption shrank by 1.15 million bpd.

"Although economic concerns remain skewed to the downside, not least if current high prices begin to act as a drag on growth, more immediately demand could surprise to the upside," the report said.

The Organization of the Petroleum Exporting Countries, which has been restraining supplies since January 2009, meets on Saturday to review policy. The group is not expected to change its official output targets.

The demand surge in the third quarter was largely driven by industrialised countries, which almost matched expansion in China and other nations outside the Organisation for Economic Cooperation and Development (OECD).

For the whole of 2010, the IEA expects global demand growth to average 2.47 million bpd. Annual growth reached a peak of 3 million bpd in 2004 led by rapidly rising Chinese consumption, according to IEA figures.

"Upward demand revisions have outstripped those for supply," the IEA said. "Fundamentals do matter, even if they sometimes only become evident after the event."

MORE NEEDED FROM OPEC

In an update of its medium-term projections, the IEA said 2009-2015 world oil demand would grow by an average of 1.4 million bpd each year, higher than its previous forecast made in June.

While it also increased supply projections, the IEA said rising consumption would boost demand for OPEC crude to 32.35 million bpd in 2015.

The IEA raised its forecast for demand for OPEC crude next year by 100,000 bpd to 29.5 million bpd because of the higher demand outlook. The 12-member group pumped 29.24 million bpd in November, the IEA estimated.

The IEA is forecasting a similar rate of oil demand growth next year to the U.S. government's Energy Information Administration. The EIA on Tuesday said it expected consumption to rise by 1.43 million bpd next year.

OPEC's own monthly update of supply and demand projections is due out on Friday at 1140 GMT.