

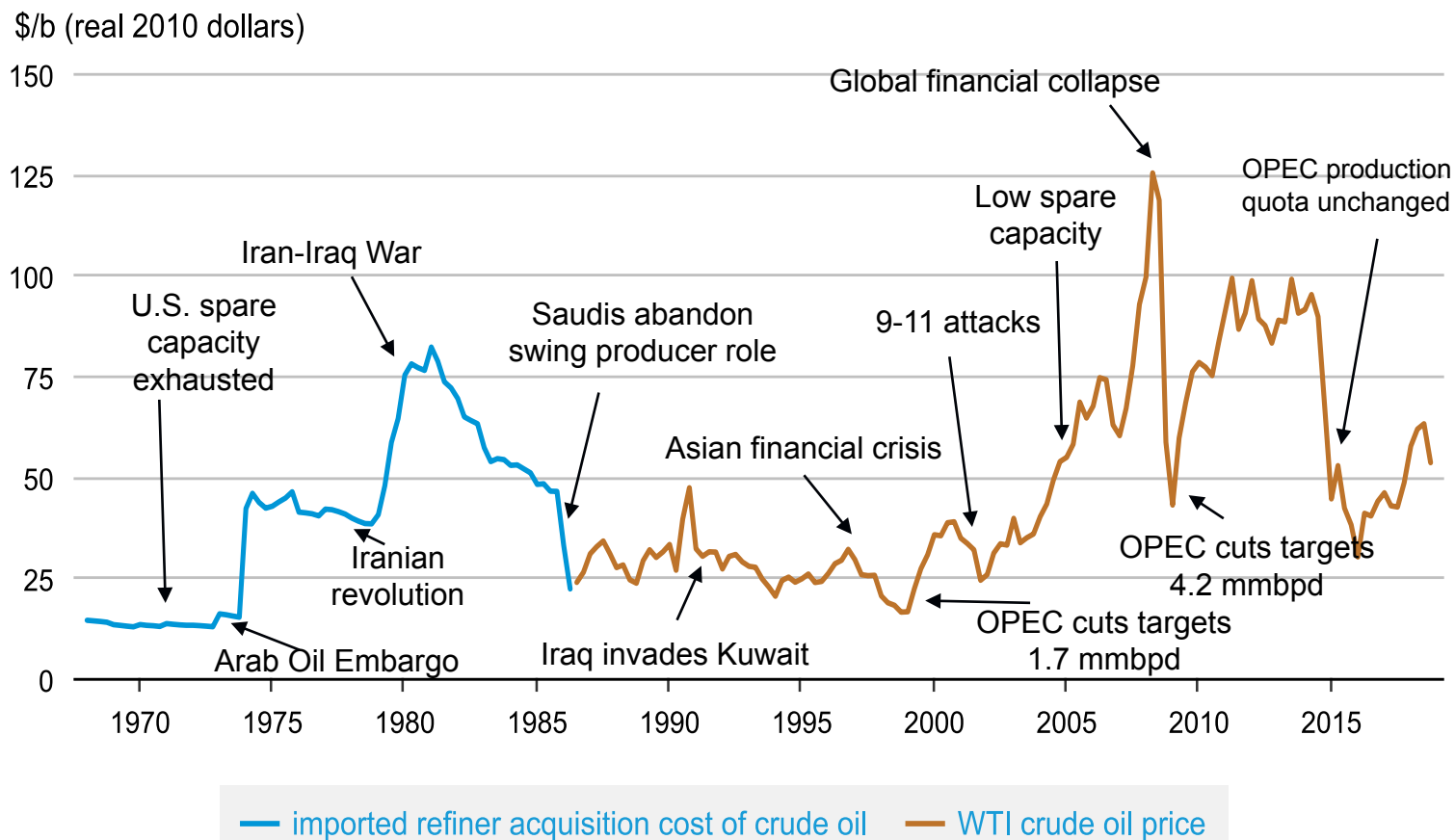
What drives crude oil prices?

*An analysis of 7 factors that influence oil markets,
with chart data updated monthly and quarterly*



February 12, 2019 | Washington, DC

Crude oil prices react to a variety of geopolitical and economic events

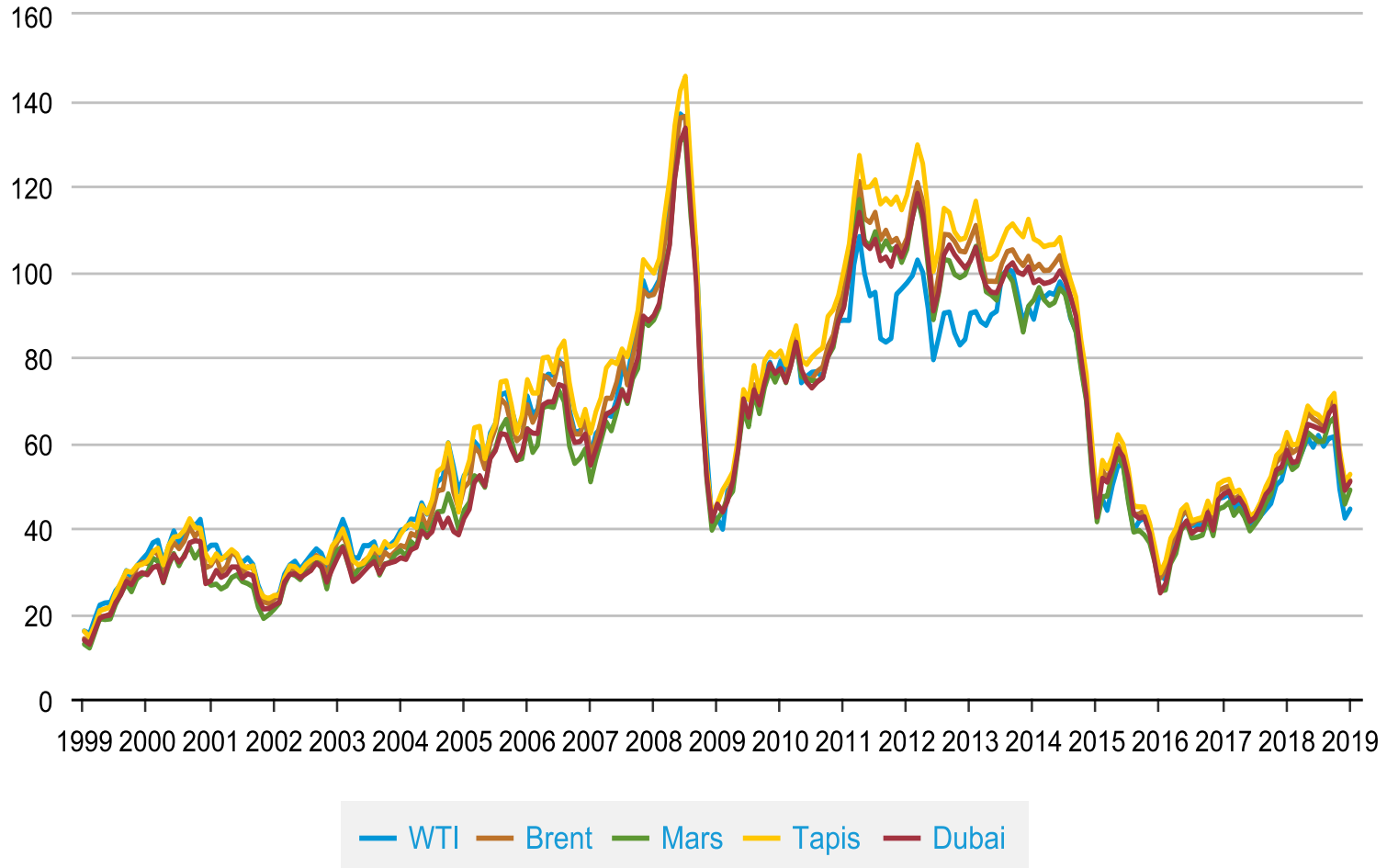


Sources: U.S. Energy Information Administration, Thomson Reuters



World oil prices move together due to arbitrage

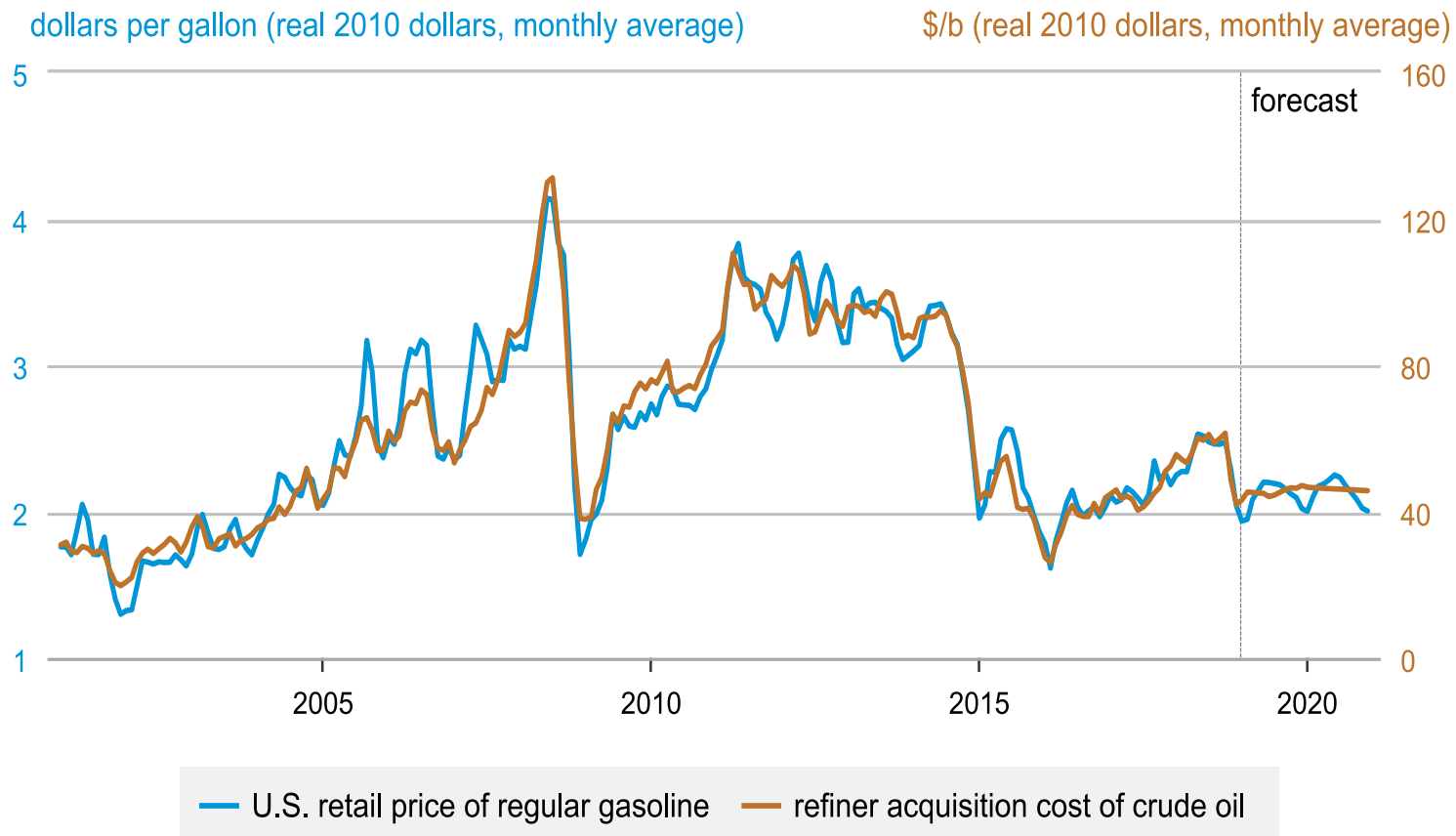
\$/b (real 2010 dollars, monthly average)



Sources: Bloomberg, Thomson Reuters



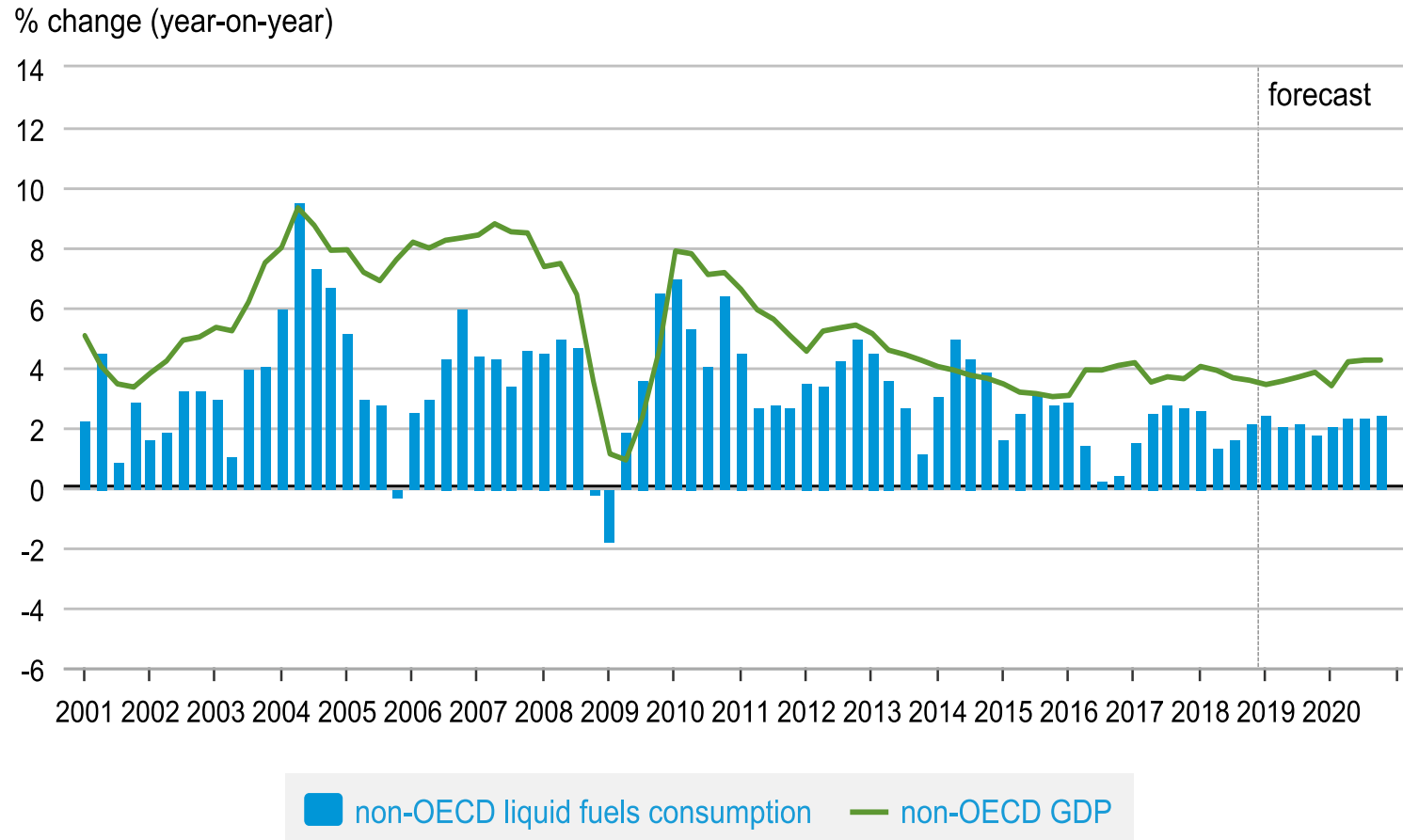
Crude oil prices are the primary driver of petroleum product prices



Sources: EIA Short Term Energy Outlook, Thomson Reuters



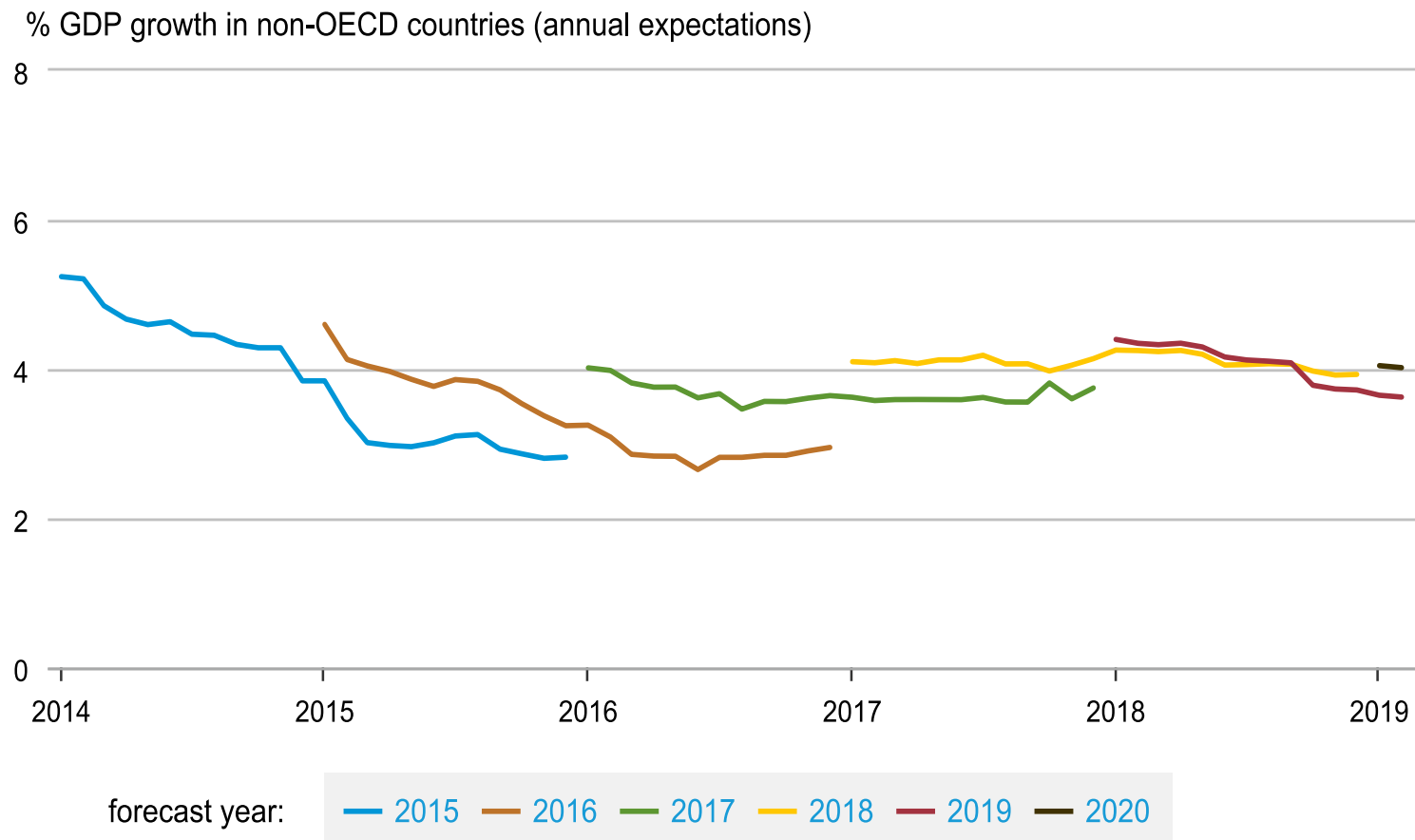
Economic growth has a strong impact on oil consumption



Sources: U.S. Energy Information Administration, IHS Global Insight



Changes in expectations of economic growth in can affect oil prices

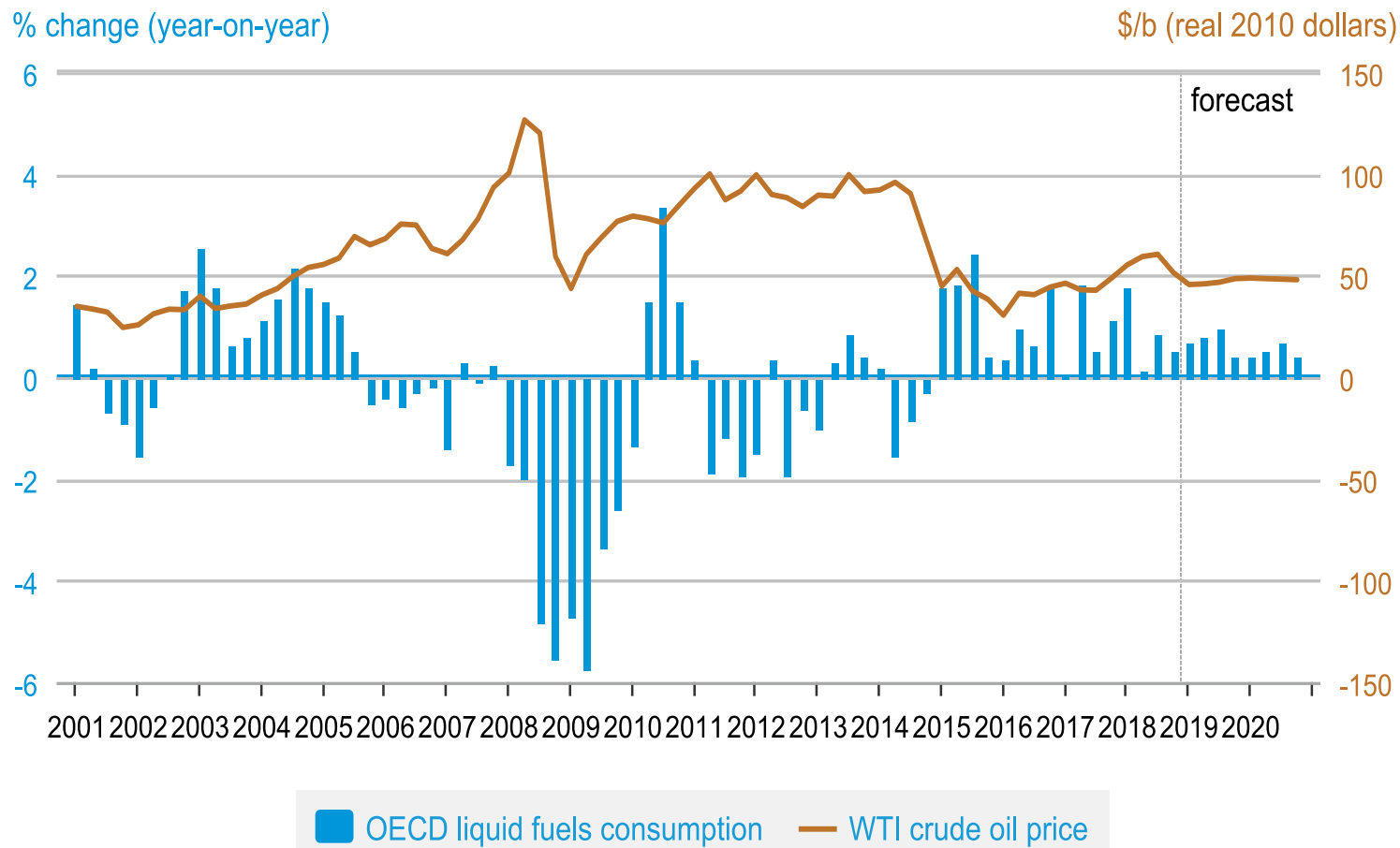


Note: Starting in January of each year, each line shows the expected forecast of GDP growth for the specified calendar year, which tends to move toward the actual realized growth outcome as the year progresses. Expectations continue to evolve into the next calendar year as revised GDP data become available (e.g., 2008 GDP expectations are revised even during 2009).

Source: IHS Global Insight



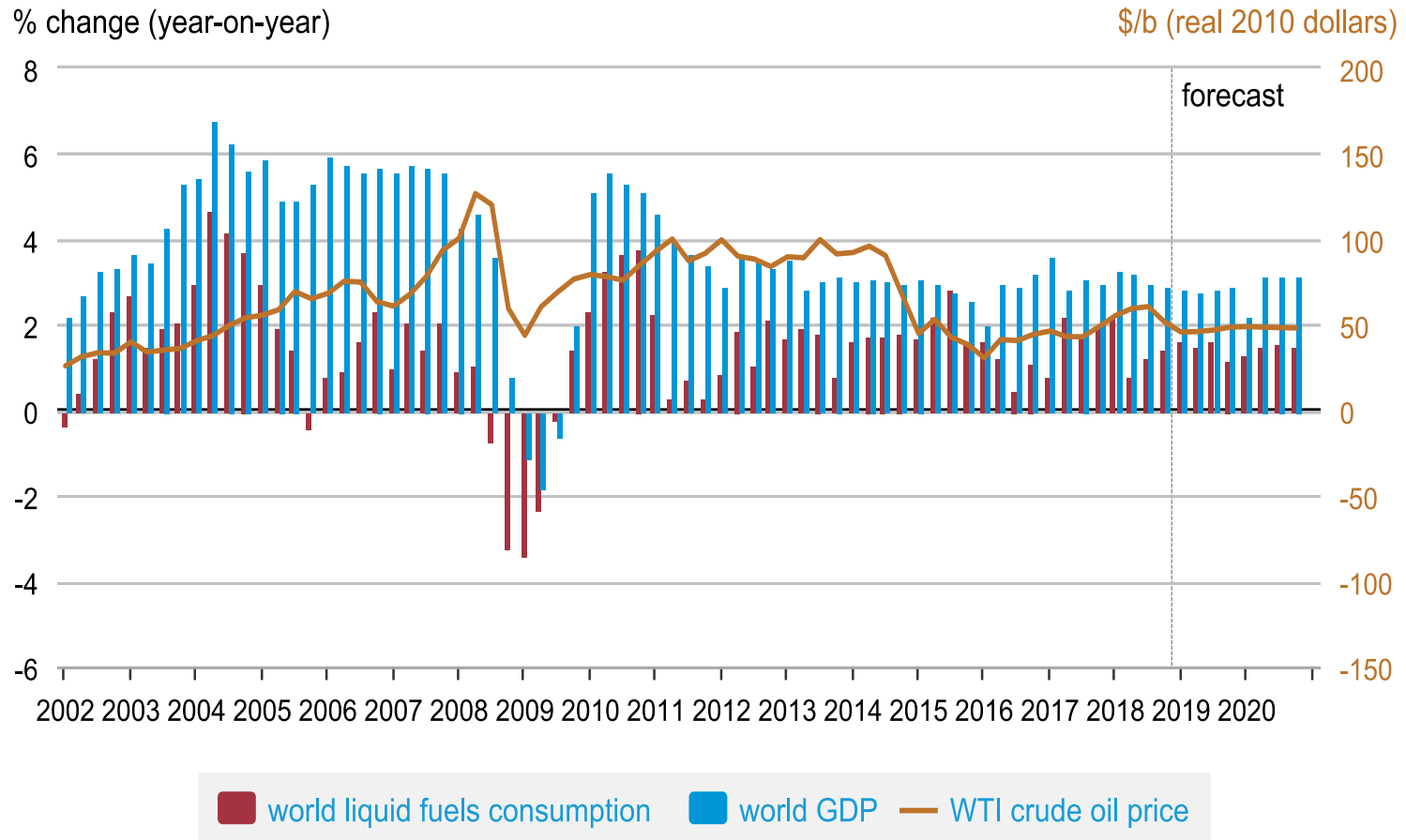
In OECD countries, price increases have coincided with lower consumption



Sources: EIA Short Term Energy Outlook, Thomson Reuters



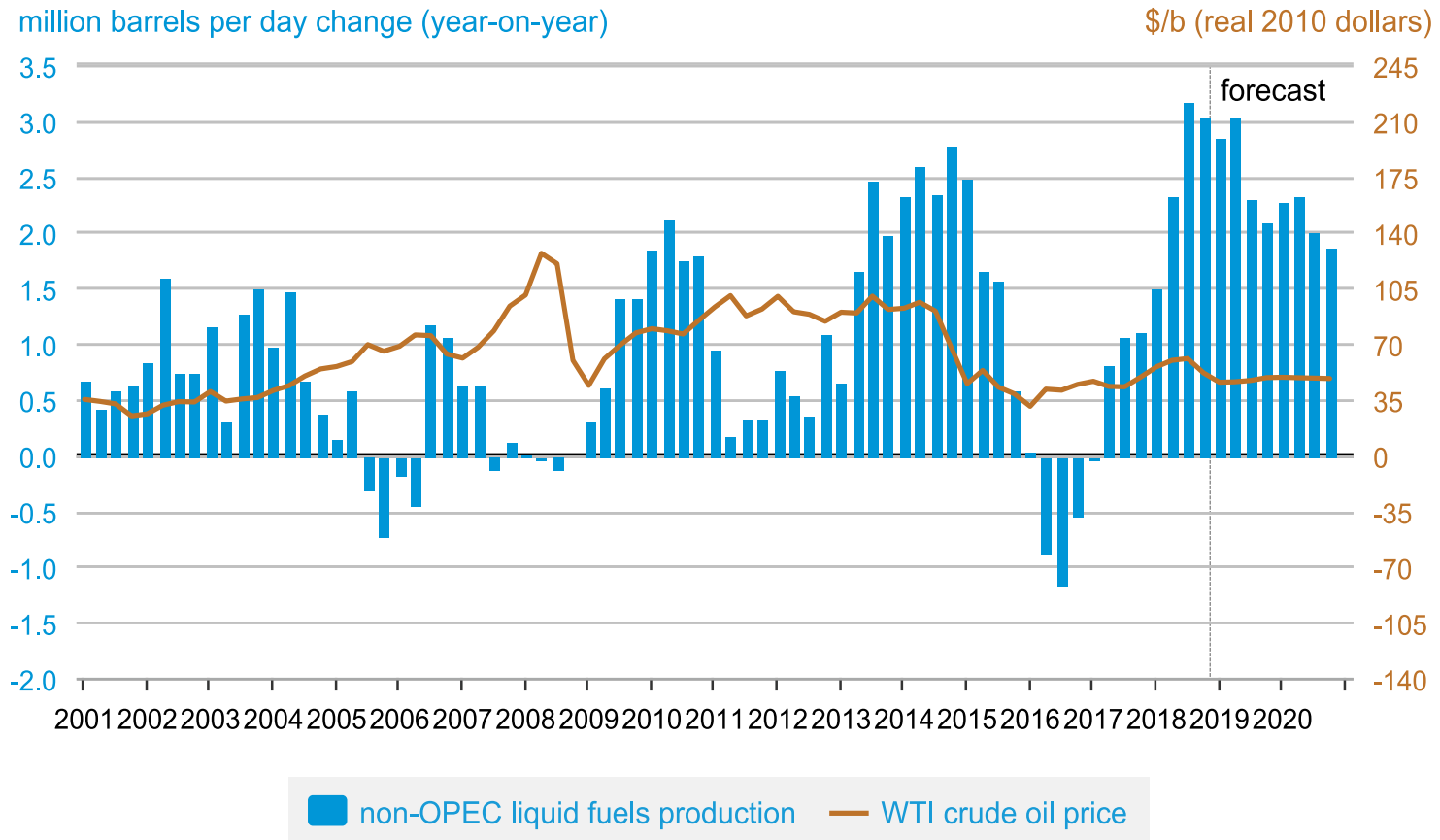
Rising oil prices held down global oil consumption growth from 2005-2008, despite high economic growth



Sources: EIA Short Term Energy Outlook, Thomson Reuters



Changes in non-OPEC production can affect oil prices

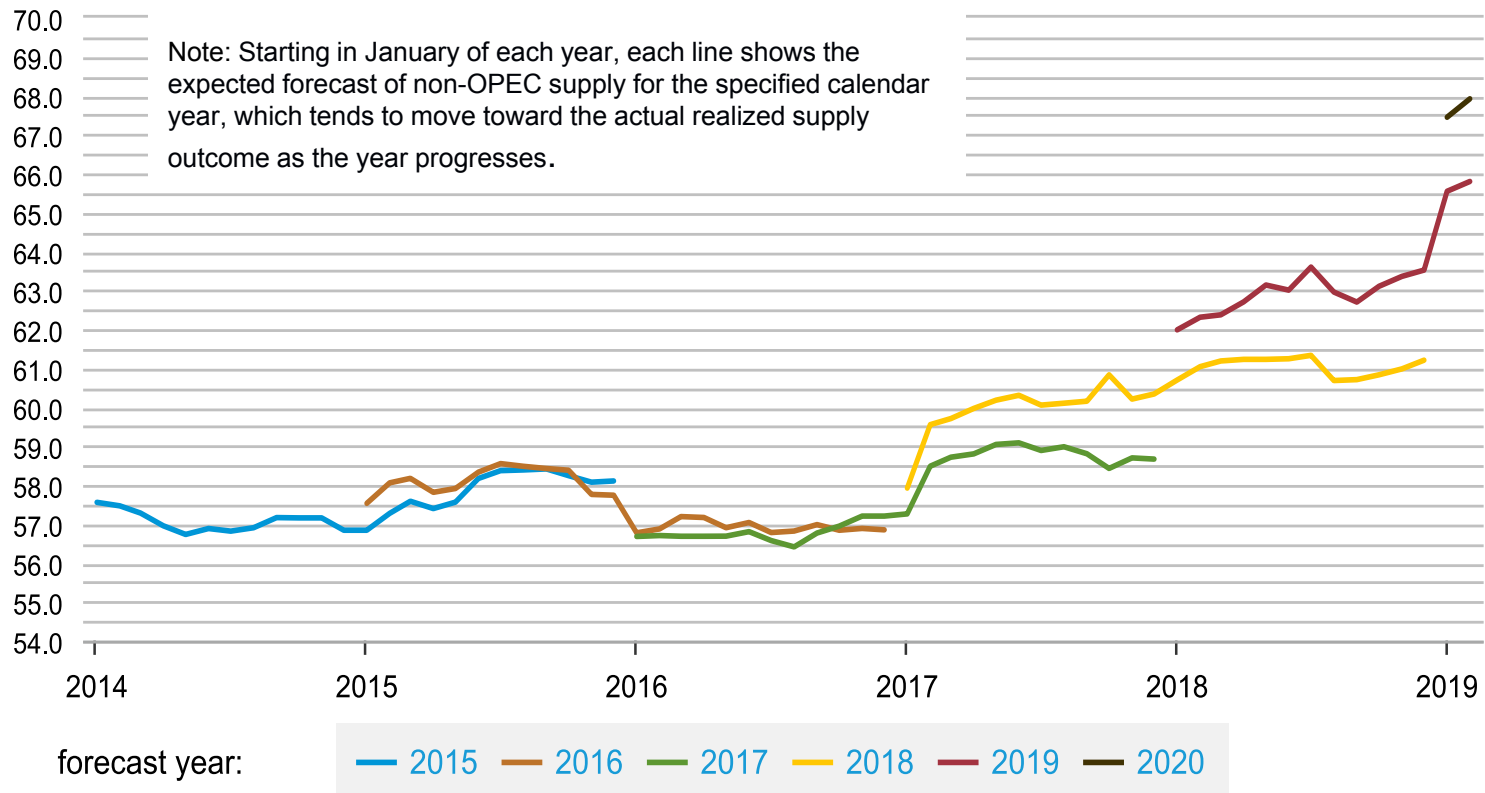


Sources: EIA Short Term Energy Outlook, Thomson Reuters



Non-OPEC supply expectations indicate changes in market sentiment concerning oil supply

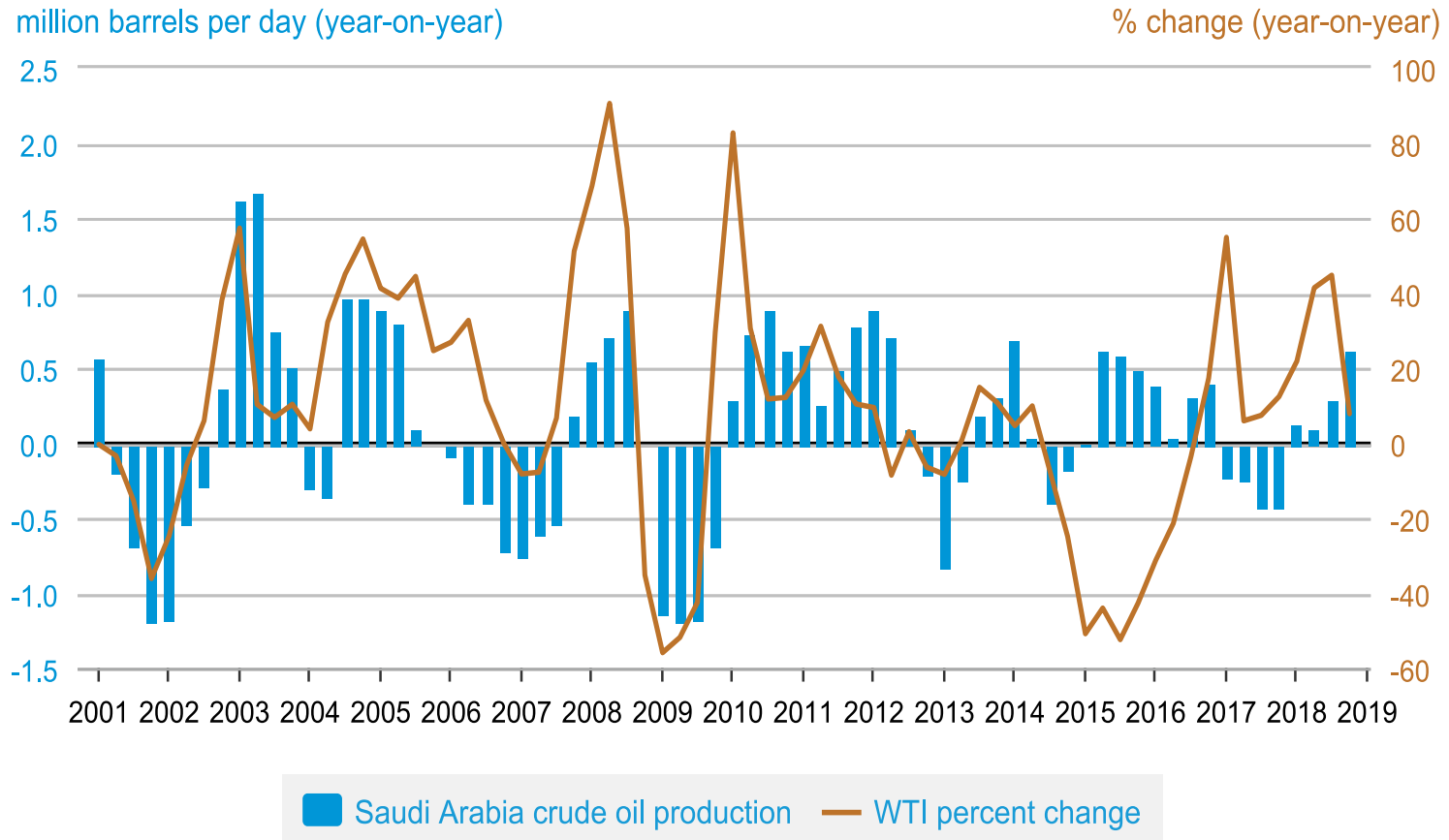
million barrels per day (annual expectations)



Sources: EIA Short Term Energy Outlook



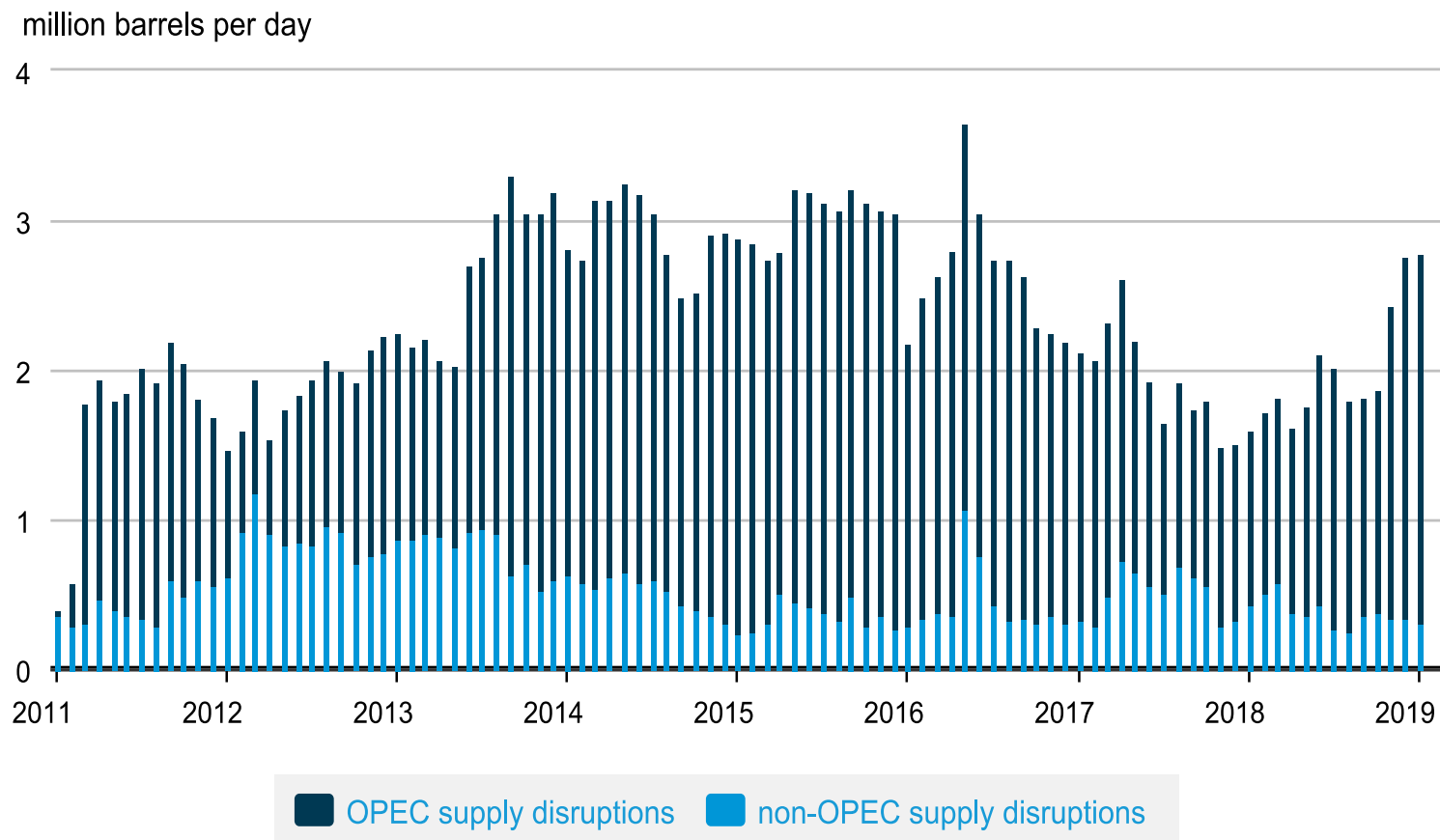
Changes in Saudi Arabia crude oil production can affect oil prices



Sources: U.S. Energy Information Administration, Thomson Reuters

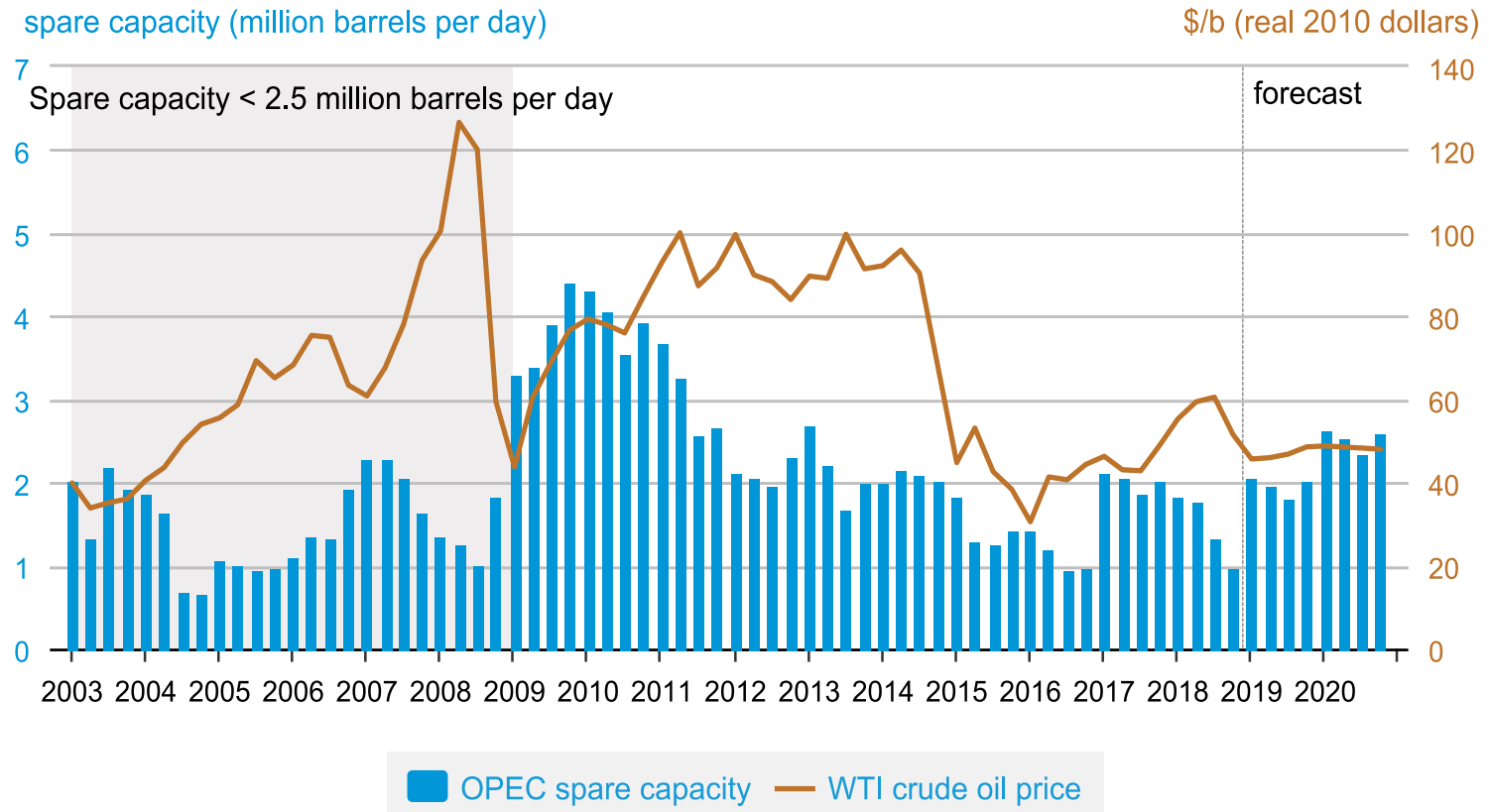


Unplanned supply disruptions tighten world oil markets and push prices higher



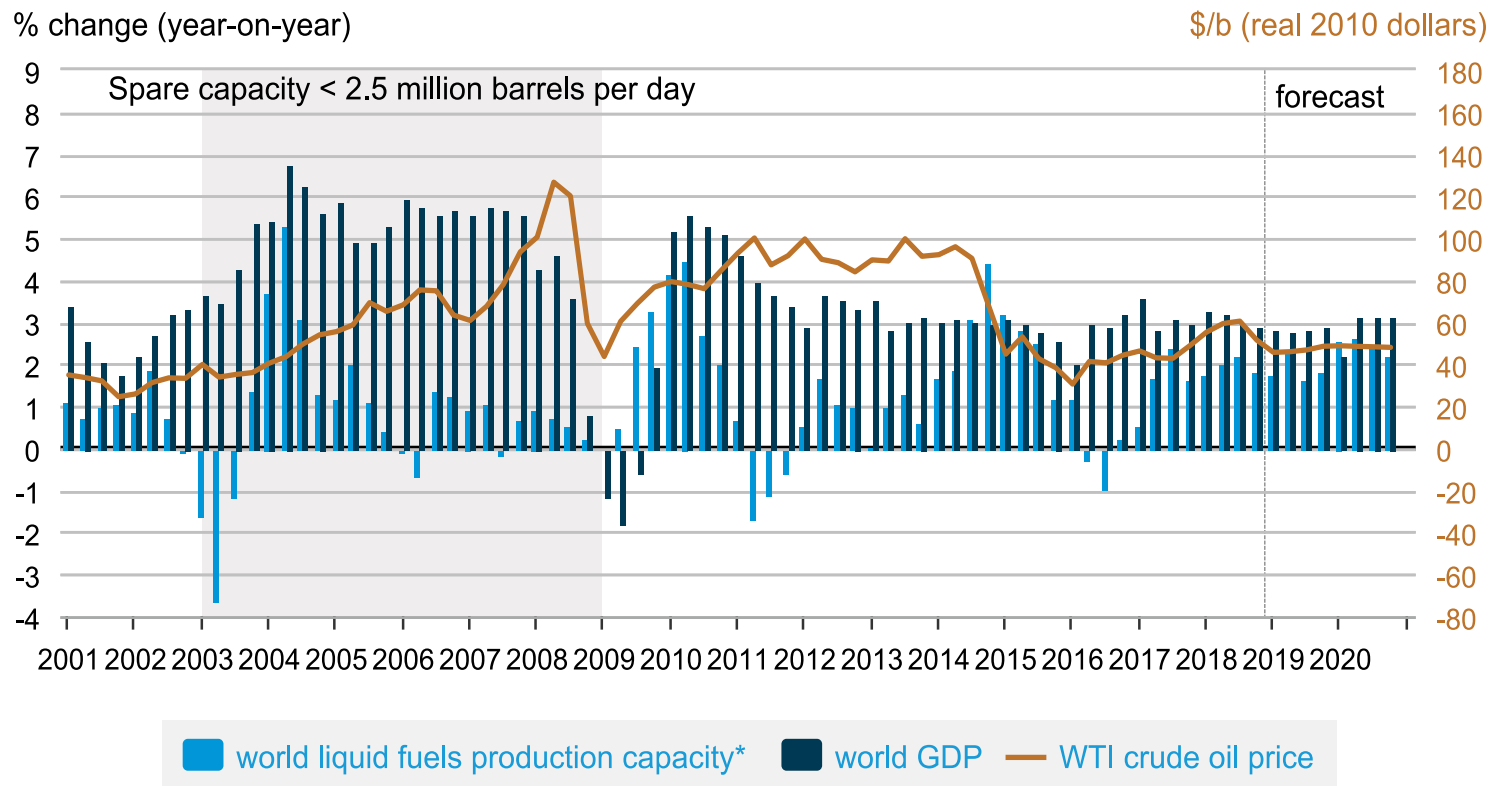
Sources: U.S. Energy Information Administration

During 2003-2008, OPEC's spare production levels were low, limiting its ability to respond to demand and price increases



Sources: EIA Short Term Energy Outlook, Thomson Reuters

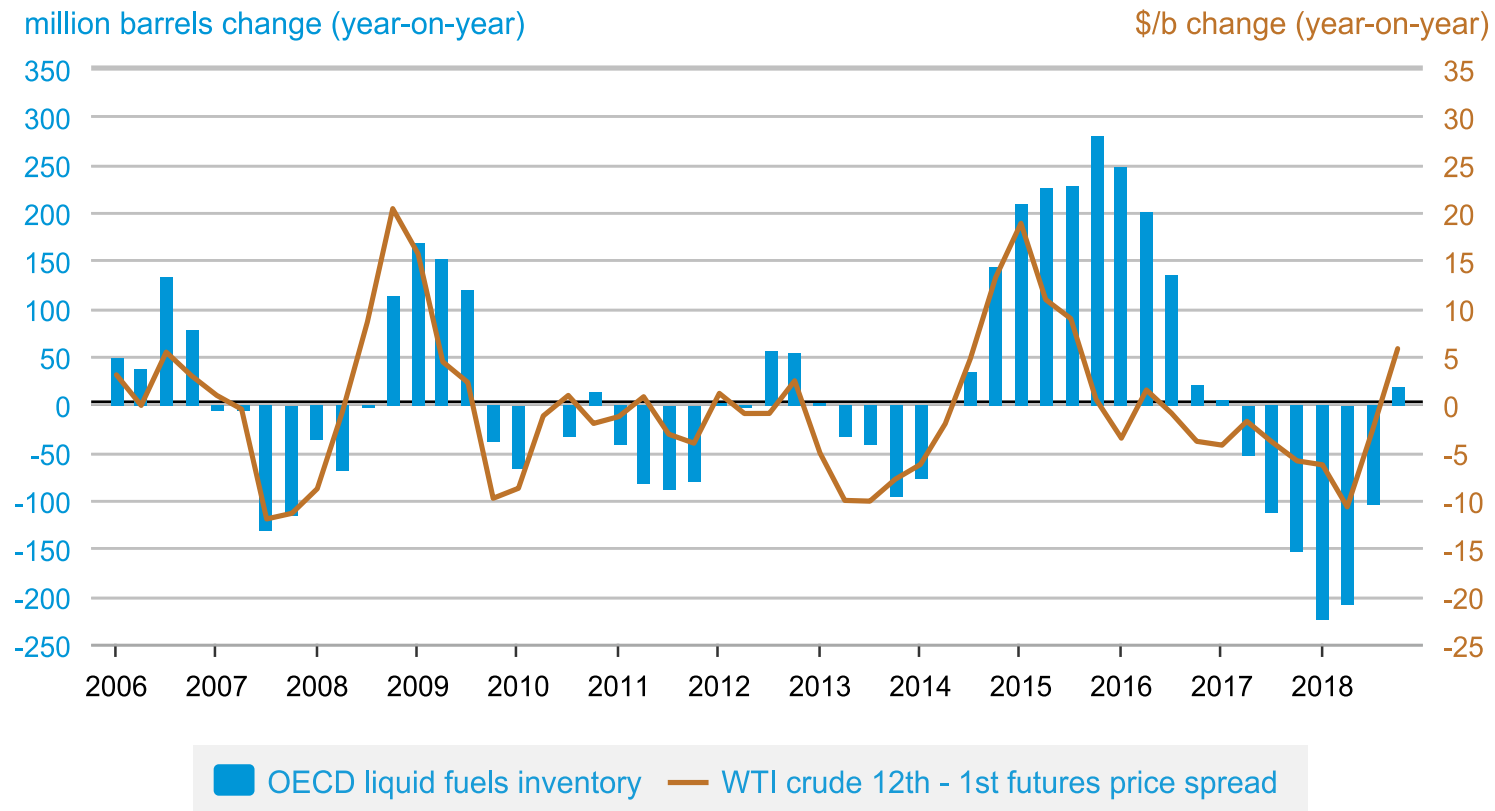
The years 2003-2008 experienced periods of very strong economic and oil demand growth, slow supply growth and tight spare capacity



Sources: EIA Short Term Energy Outlook, Thomson Reuters



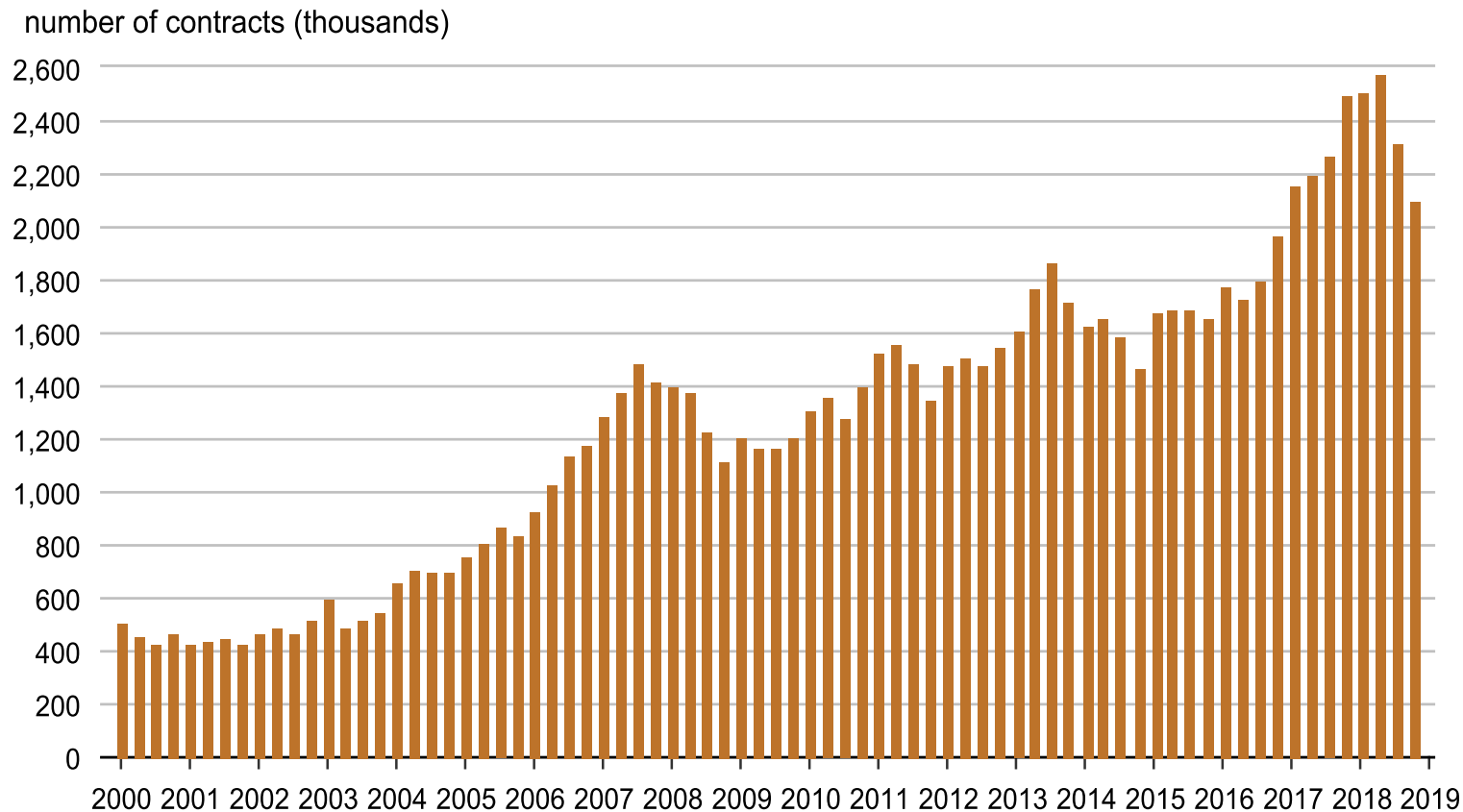
Inventory builds go hand-in-hand with increases in future oil prices *relative to* current prices (and vice versa)



Sources: EIA Short Term Energy Outlook, Thomson Reuters



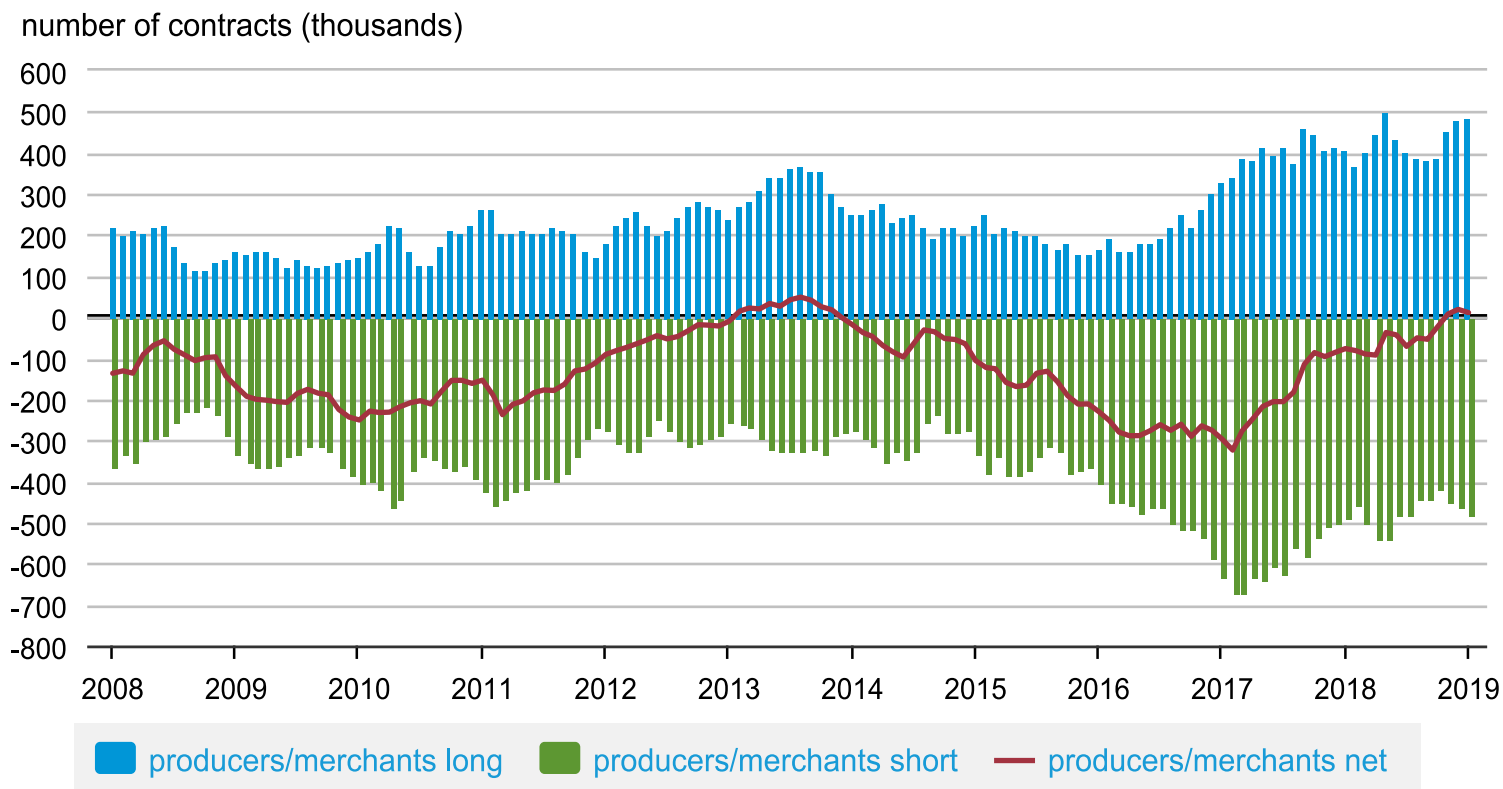
Open interest in crude oil futures grew over the last decade as more participants entered the market



Source: Bloomberg



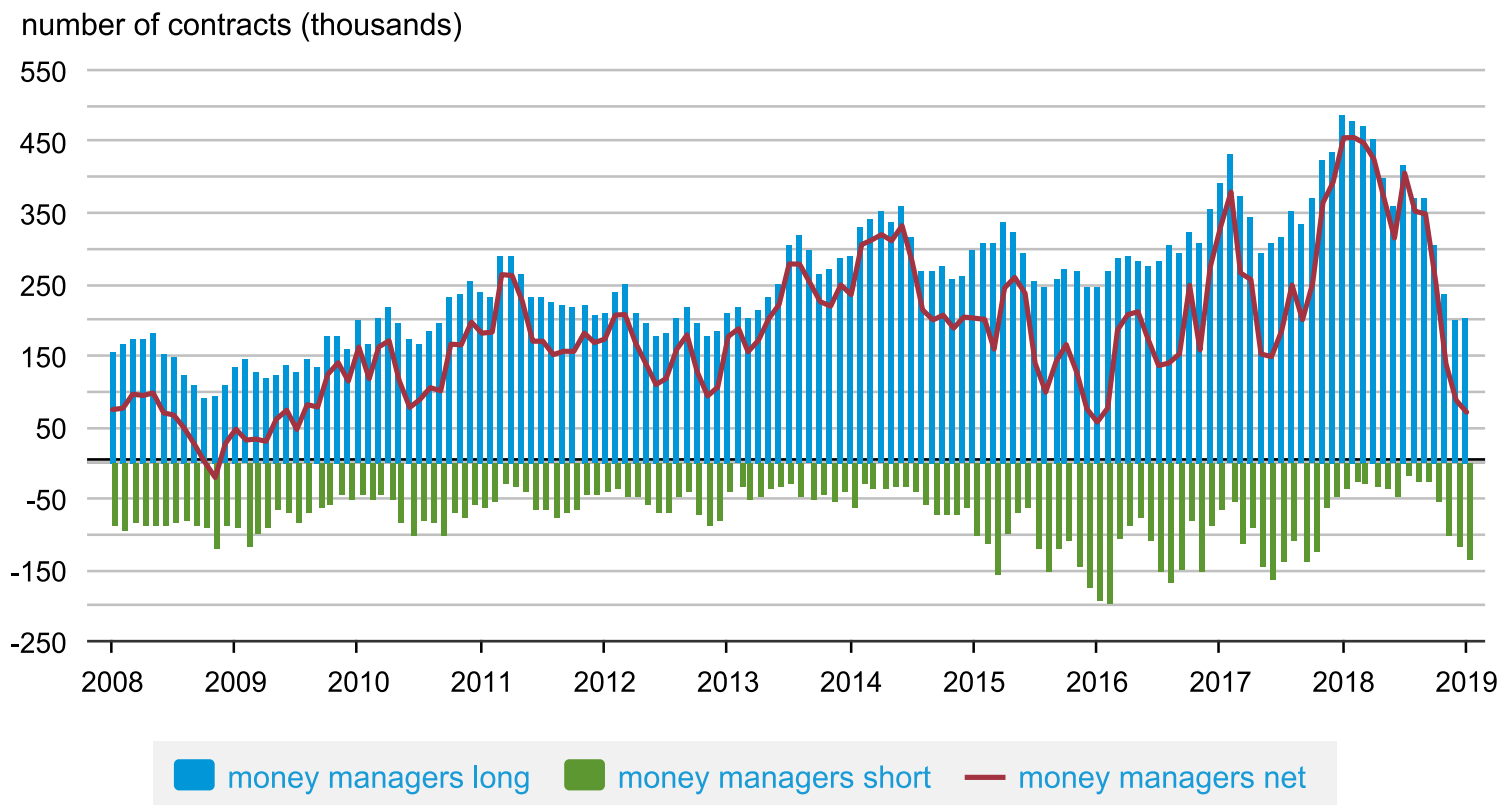
Physical participants' (producers, merchants, processors, and end users) U.S. futures market contract positions



Source: Commodity Futures Trading Commission, Commitments of Traders

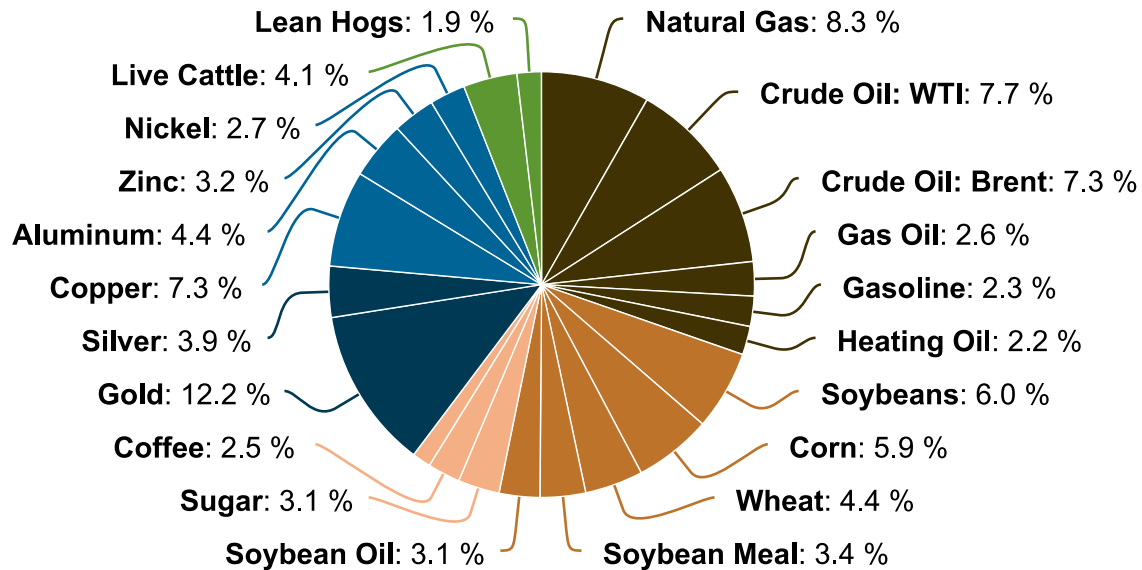


Money managers tend to be net long in the U.S. oil futures market



Source: Commodity Futures Trading Commission, Commitments of Traders

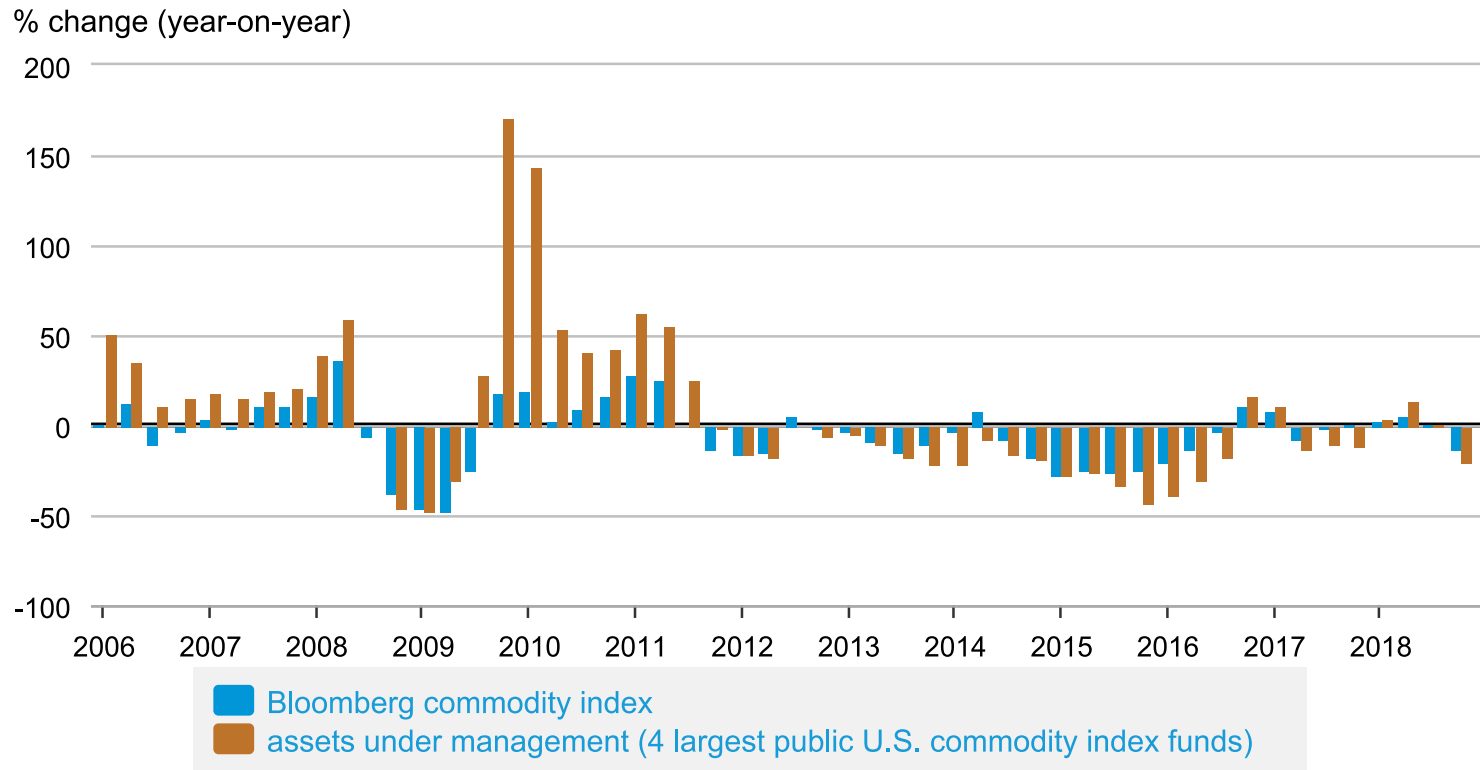
Crude oil plays a major role in commodity investment



Source: Bloomberg



Commodity index investment flows have tended to move together with commodity prices

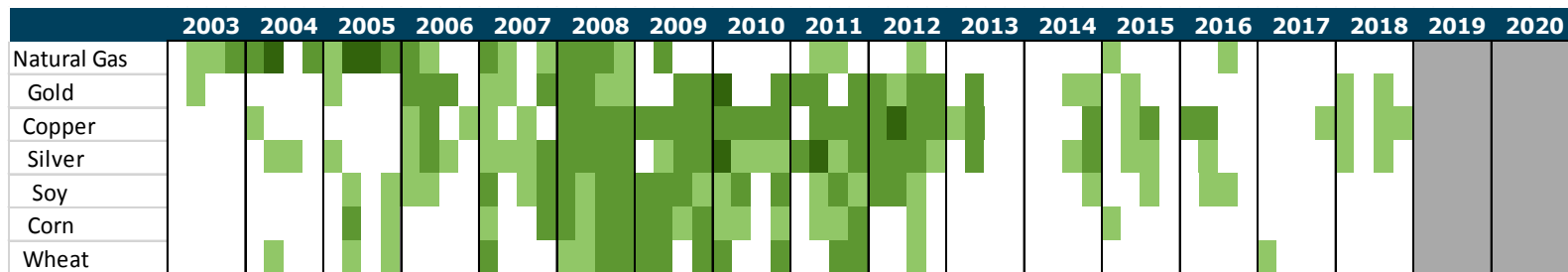


* Note: CFTC discontinued the collection of index investment data in November 2015.

Source: Bloomberg, Commodity Futures Trading Commission (CFTC)



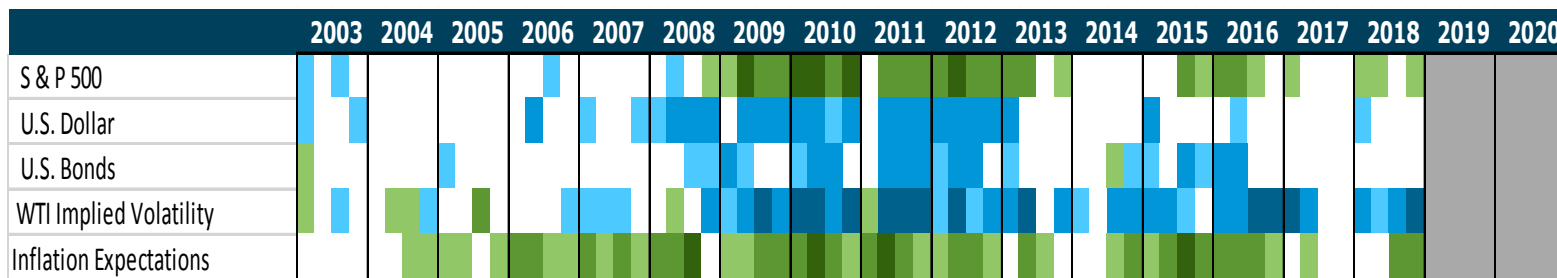
Correlations (+ or -) between daily price changes of crude oil futures and other commodities generally rose in recent years



Note: Correlations computed quarterly



Correlations (+ or -) between daily returns on crude oil futures and financial investments have also strengthened



Note: Correlations computed quarterly



For more information

U.S. Energy Information Administration home page | www.eia.gov

Short-Term Energy Outlook | www.eia.gov/steo

Annual Energy Outlook | www.eia.gov/aeo

International Energy Outlook | www.eia.gov/ieo

Monthly Energy Review | www.eia.gov/mer

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