

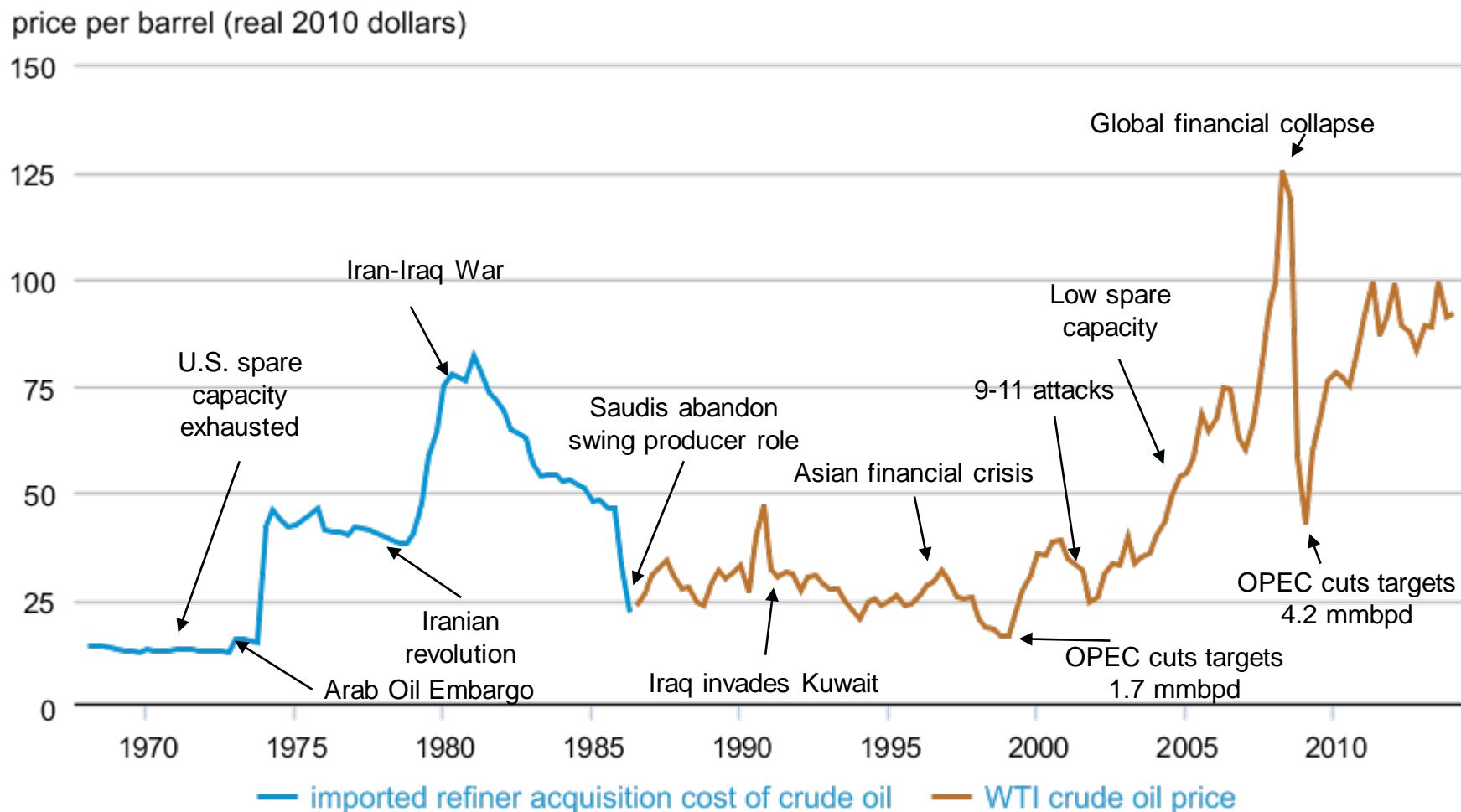
What drives crude oil prices?

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



June 10, 2014 | Washington, DC

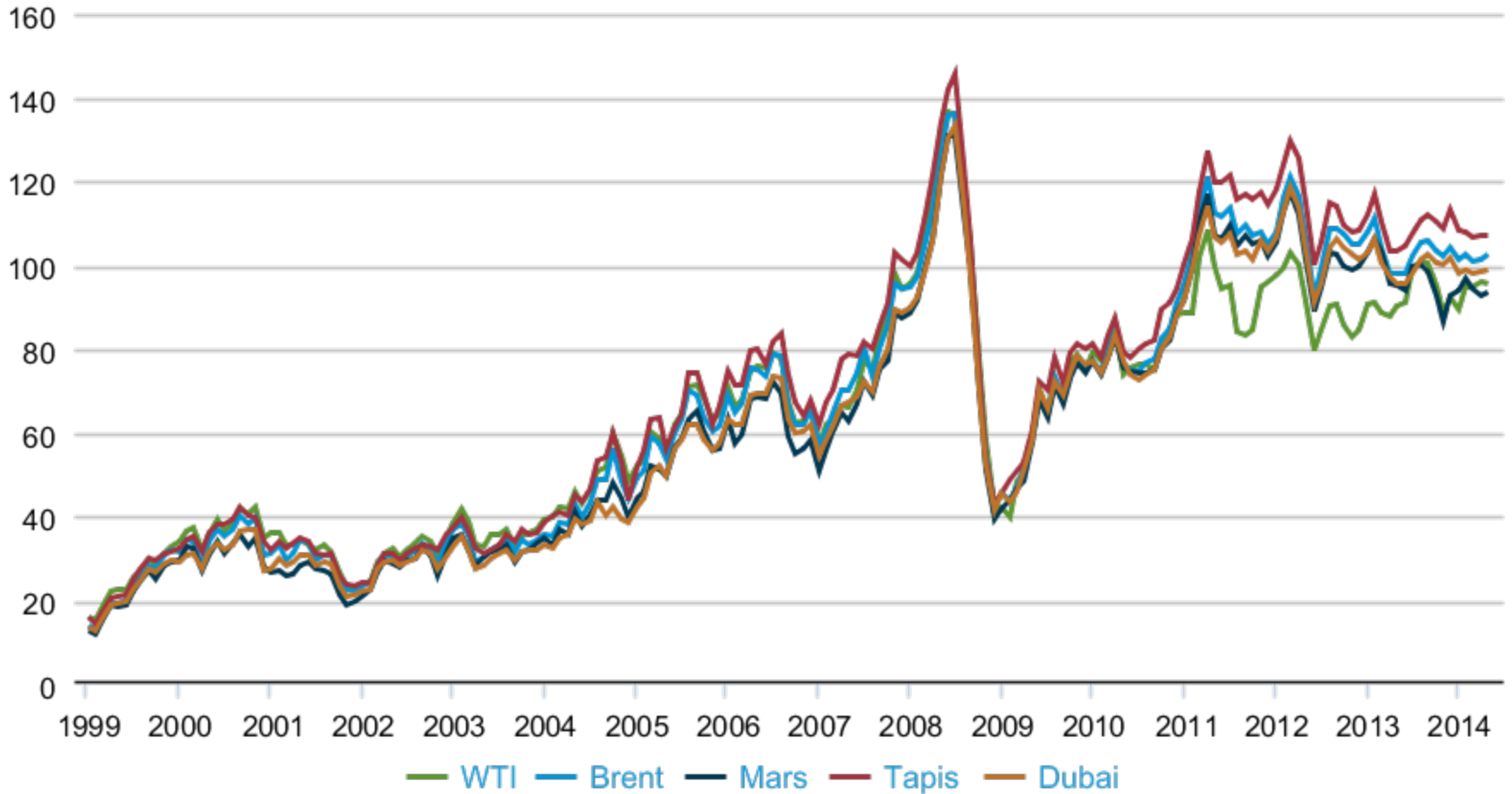
Crude oil prices react to a variety of geopolitical and economic events



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

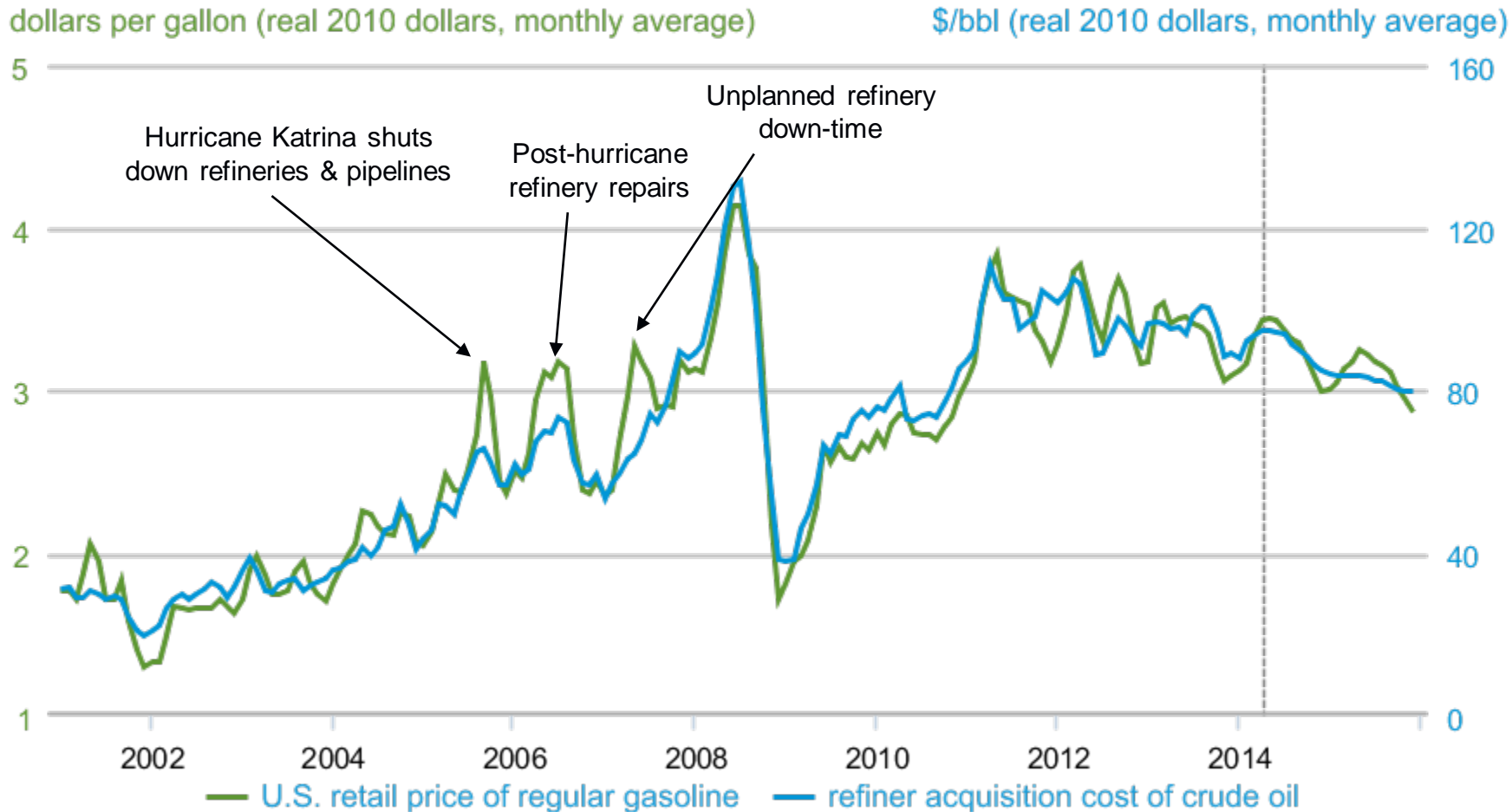
World oil prices move together due to arbitrage

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



Sources: Bloomberg, Thomson Reuters

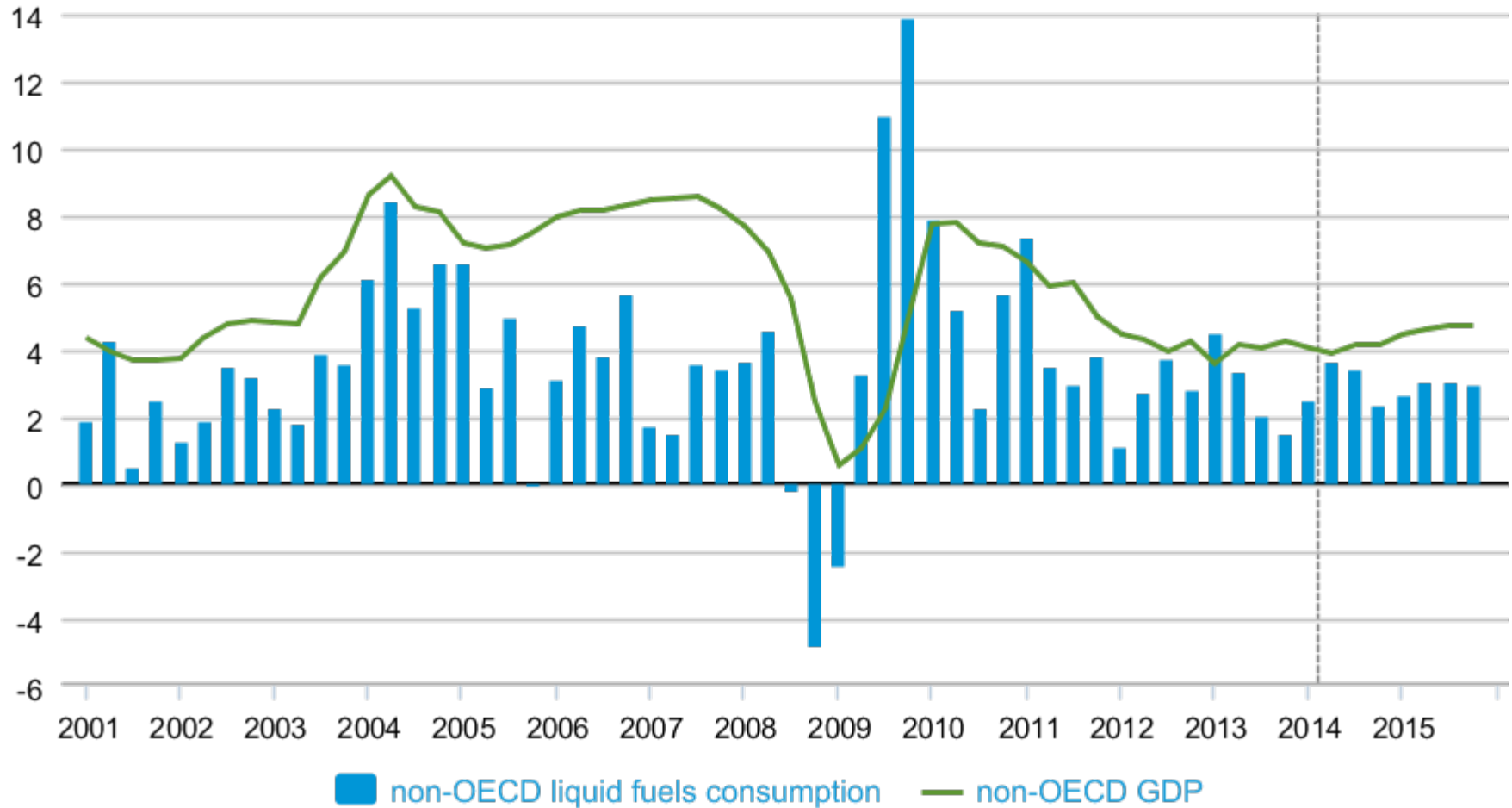
Crude oil prices are the primary driver of petroleum product prices



Sources: EIA Short Term Energy Outlook, Thomson Reuters

Economic growth has a strong impact on oil consumption

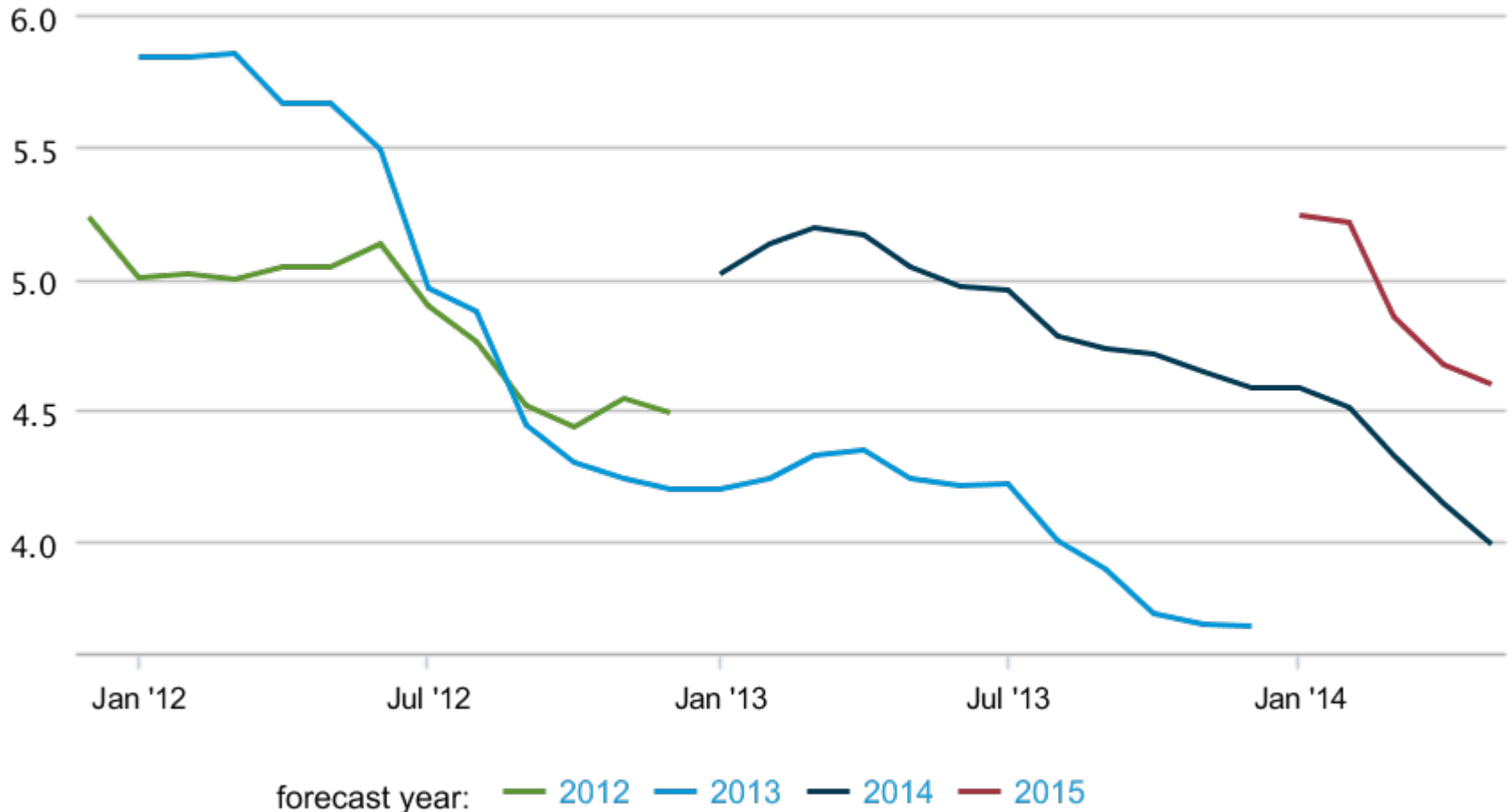
percentage change (year-on-year)



Sources: EIA Short Term Energy Outlook, Thomson Reuters

Changes in expectations of economic growth in can affect oil prices

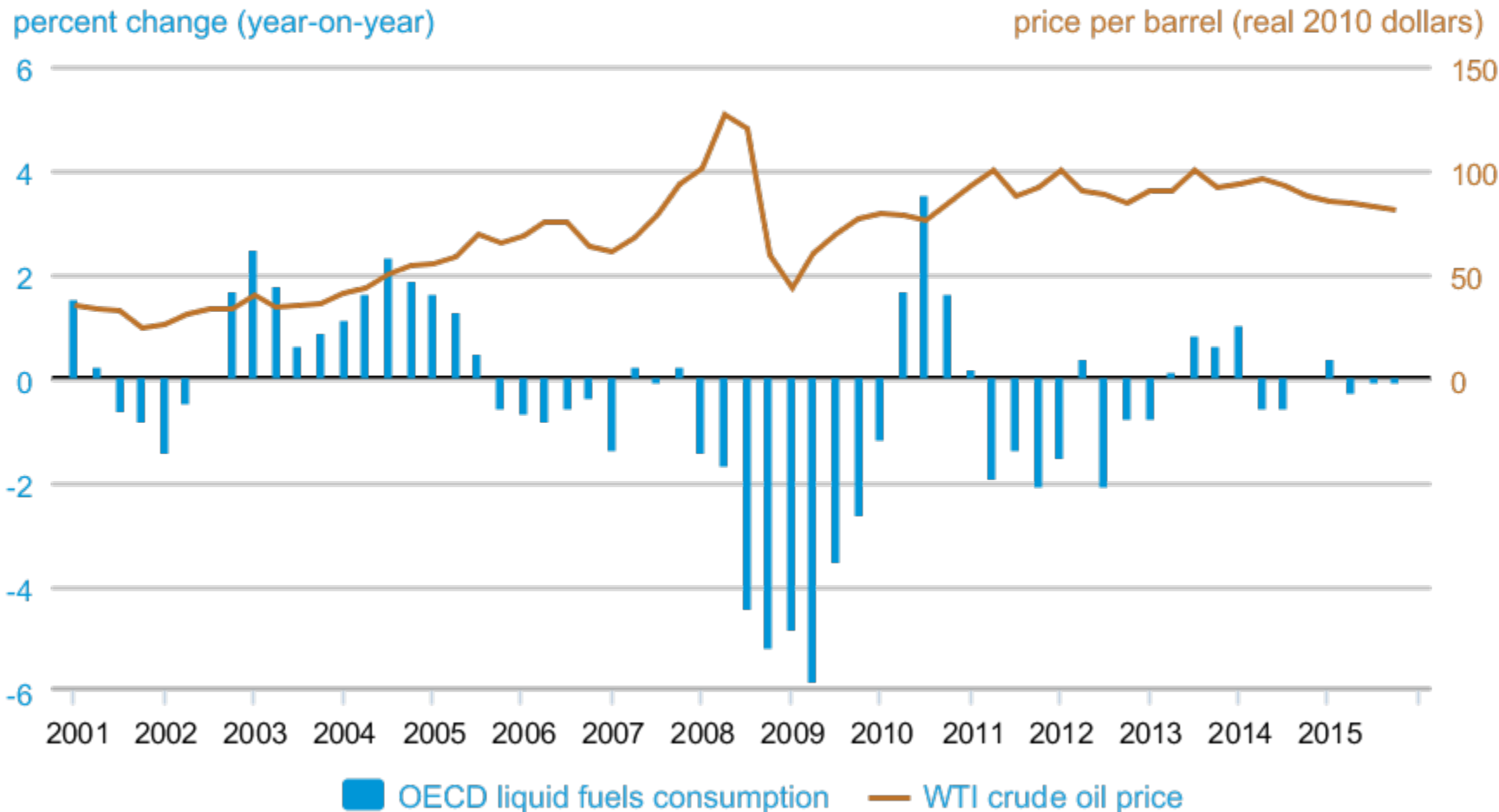
percent GDP growth in non-OECD countries (annual expectations)



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).

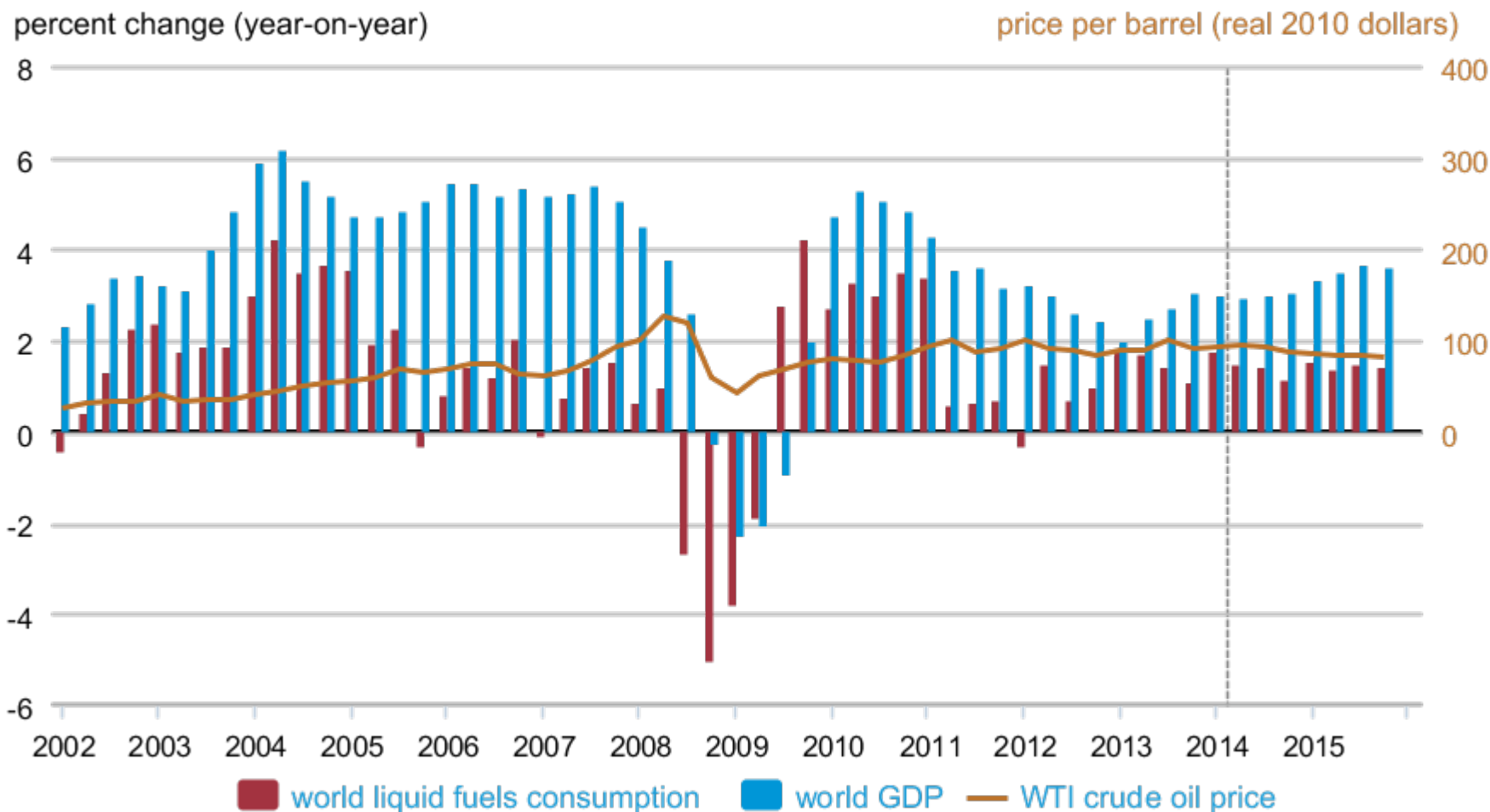
Source: IHS Global Insight

In OECD countries, price increases have coincided with lower consumption



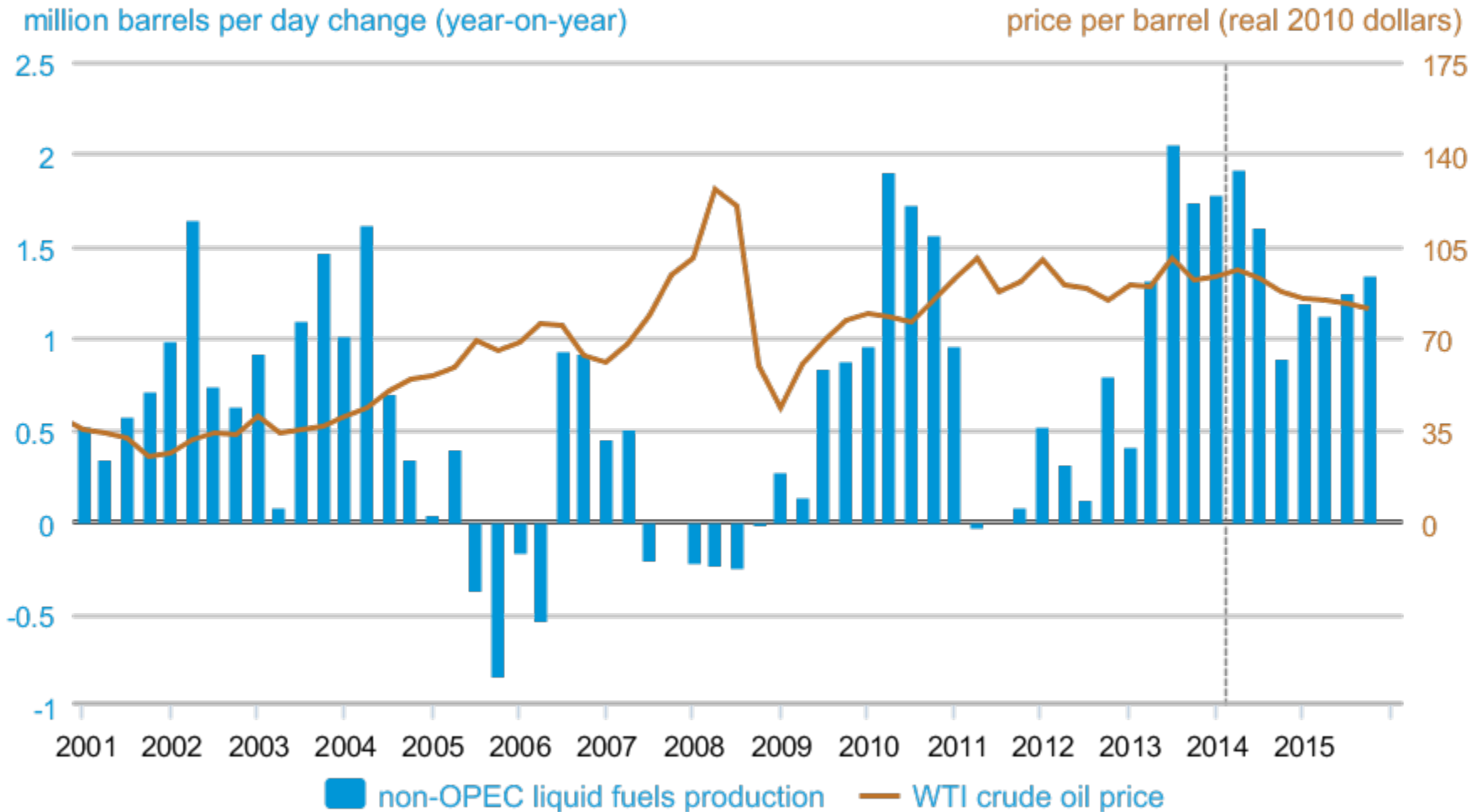
Sources: EIA Short Term Energy Outlook, Thomson Reuters

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



Sources: EIA Short Term Energy Outlook, Thomson Reuters

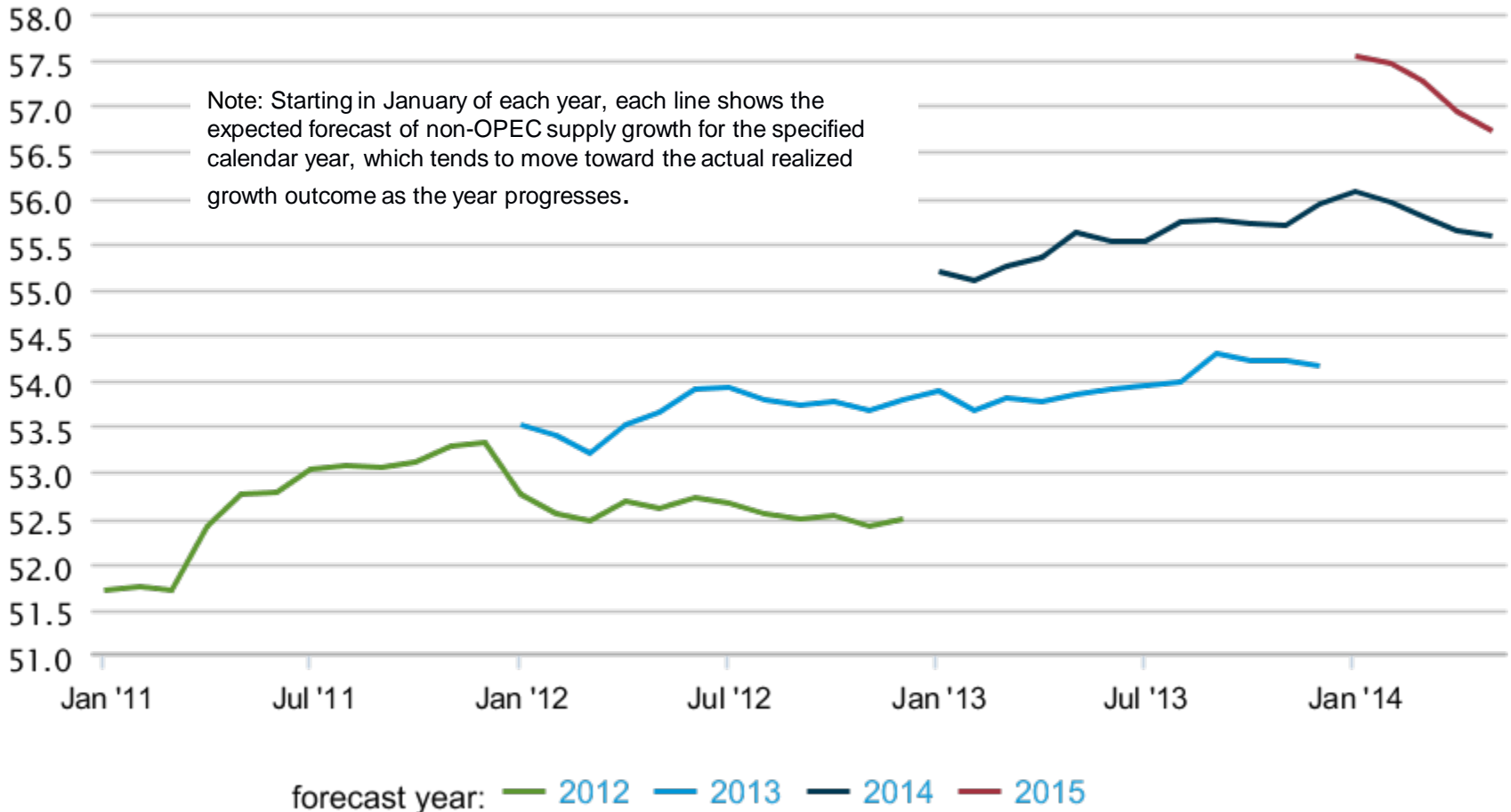
EIA expects strong growth in non-OPEC production in 2014 and 2015



Sources: EIA Short Term Energy Outlook, Thomson Reuters

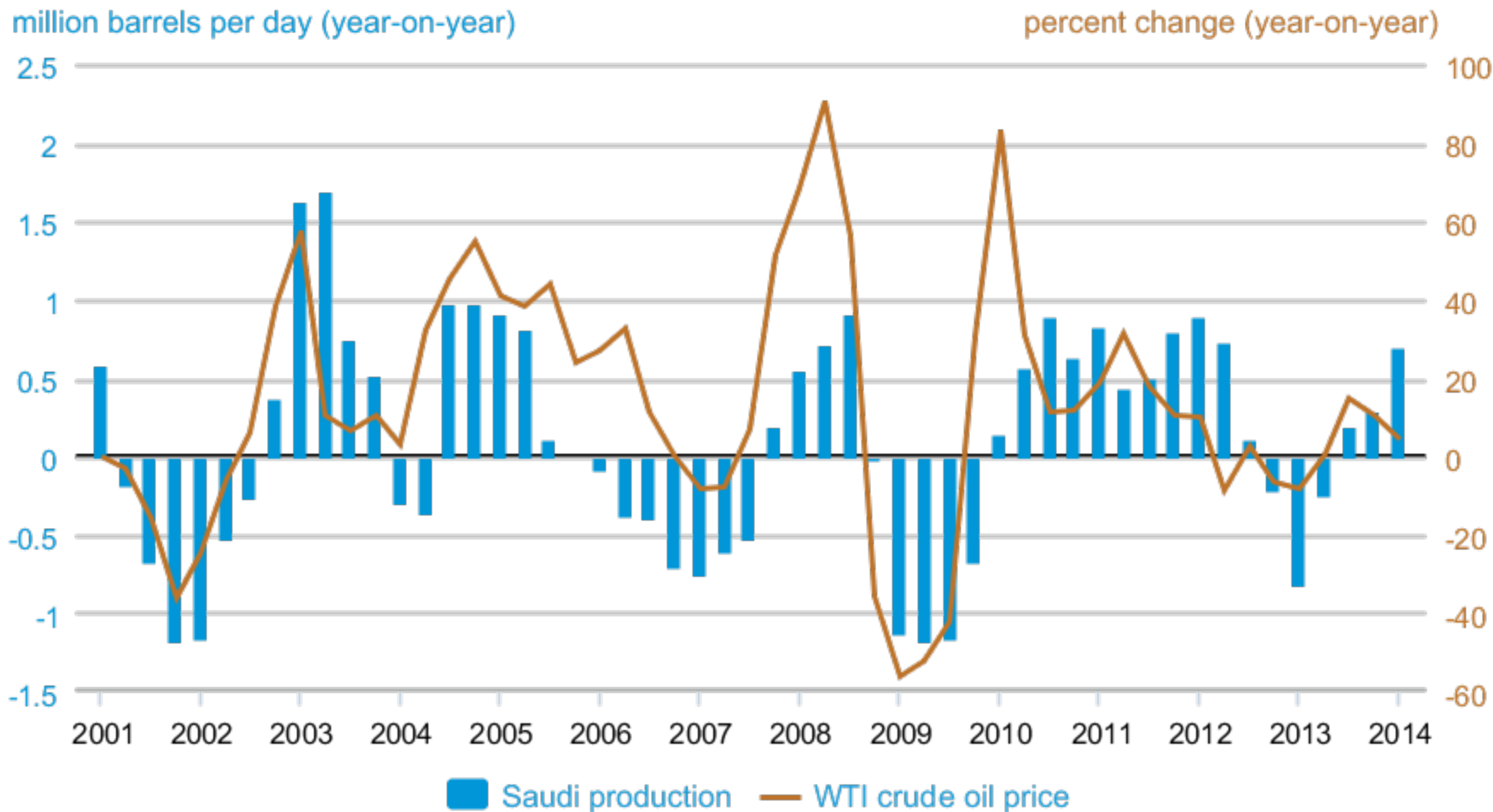
Non-OPEC supply expectations indicate changes in market sentiment concerning oil supply

million barrels per day (annual expectations)



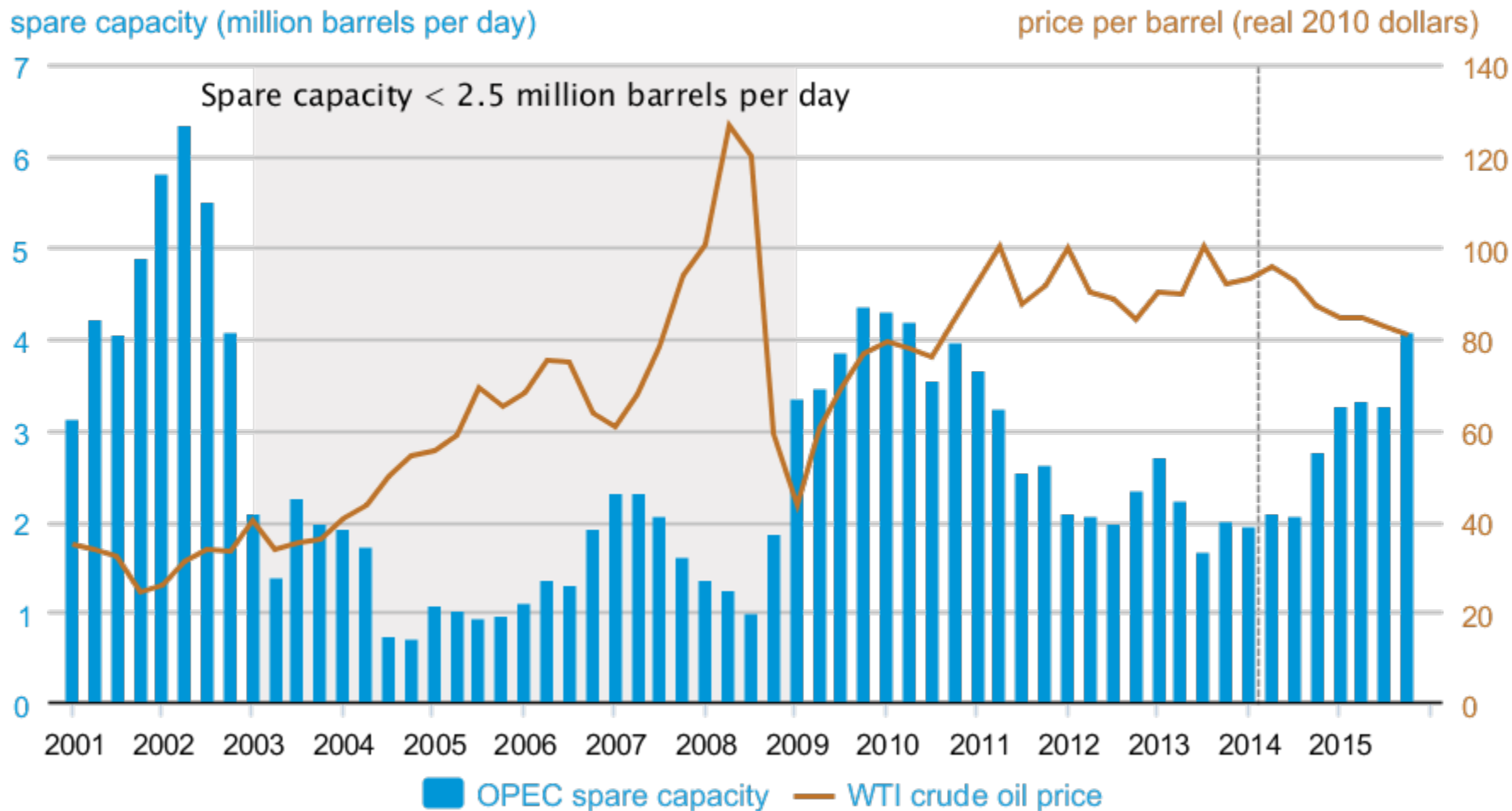
Sources: EIA Short Term Energy Outlook

Saudi Arabia often acts to balance the oil market. Cuts in Saudi Arabian production tend to lead to price increases.



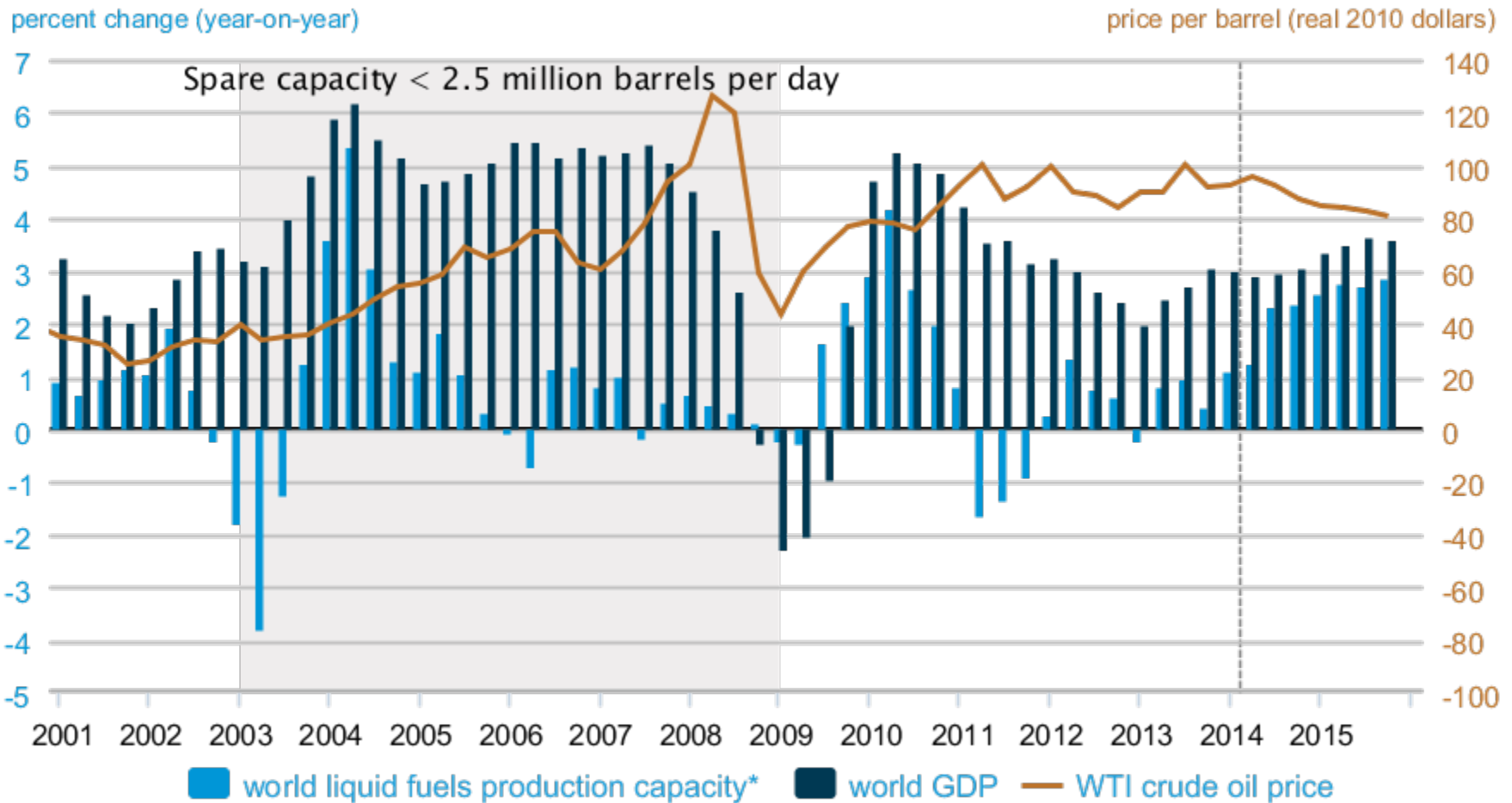
Sources: U.S. Energy Information Administration, Thomson Reuters

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

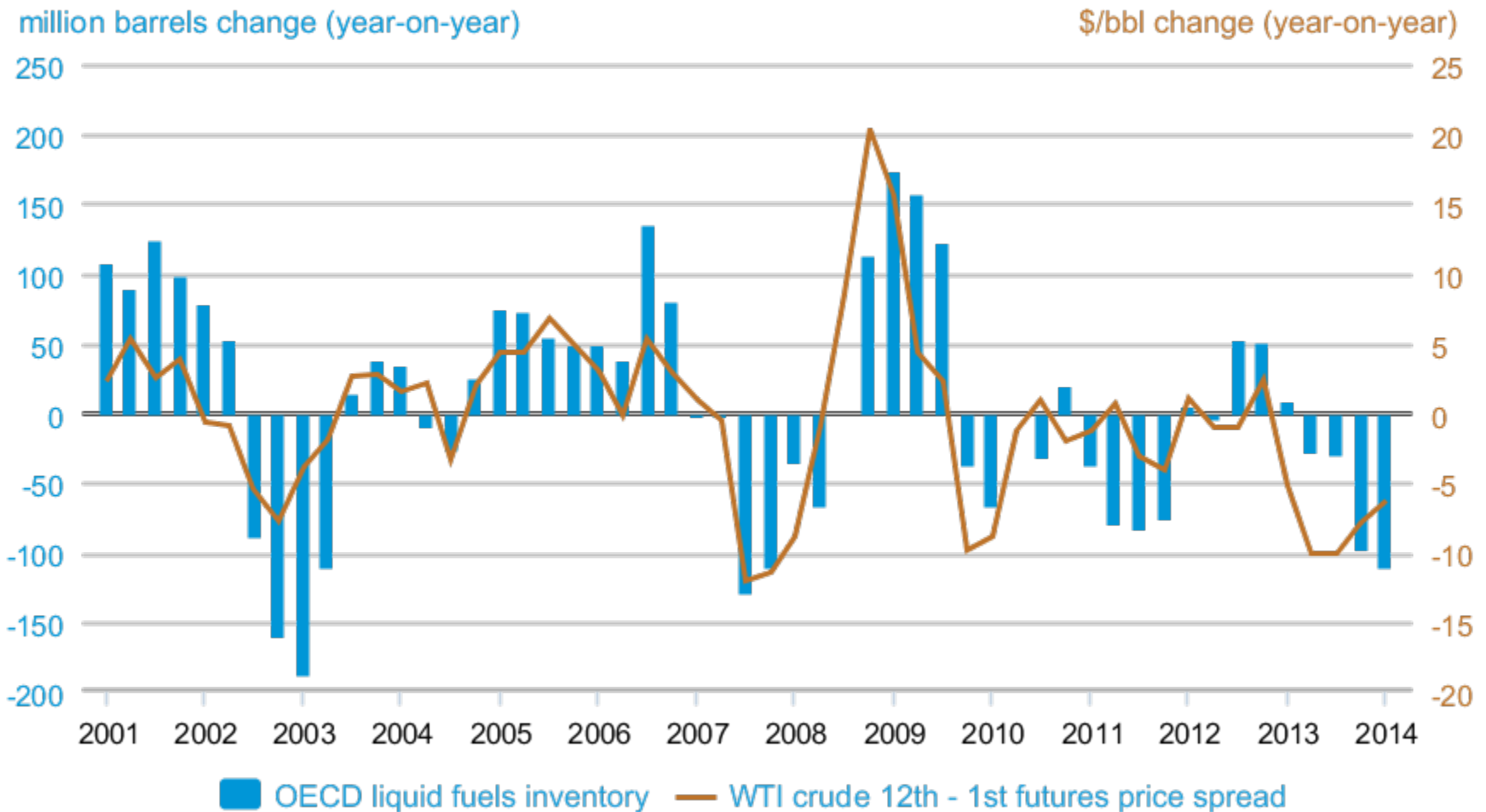
The years 2003-2008 experienced periods of very strong economic and oil demand growth, slow supply growth and tight spare capacity



*World capacity = OPEC capacity plus non-OPEC production

Sources: EIA Short Term Energy Outlook, Thomson Reuters

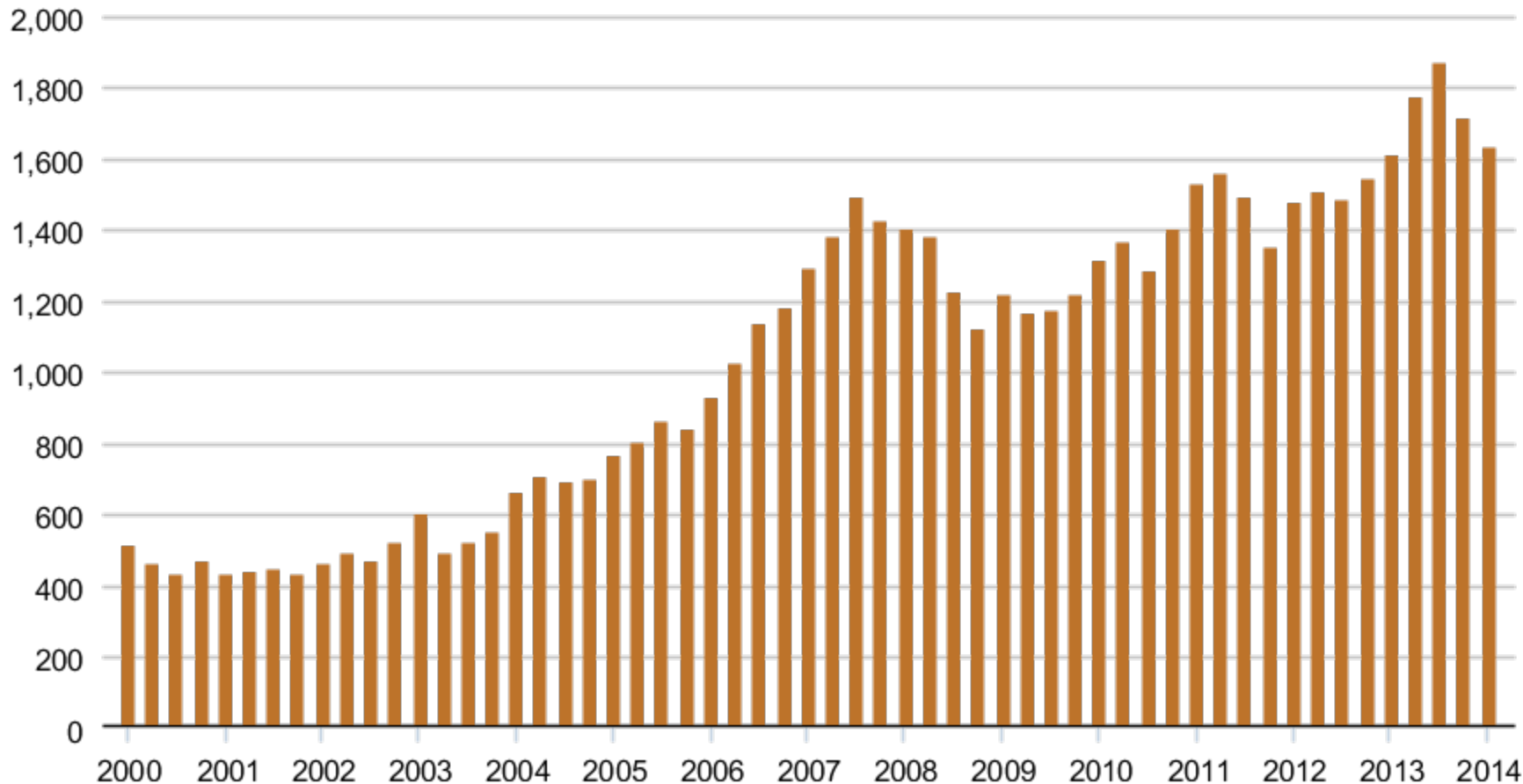
Inventory builds go hand-in-hand with increases in future oil prices *relative to* current prices (and vice versa)



Sources: EIA Short Term Energy Outlook, Thomson Reuters

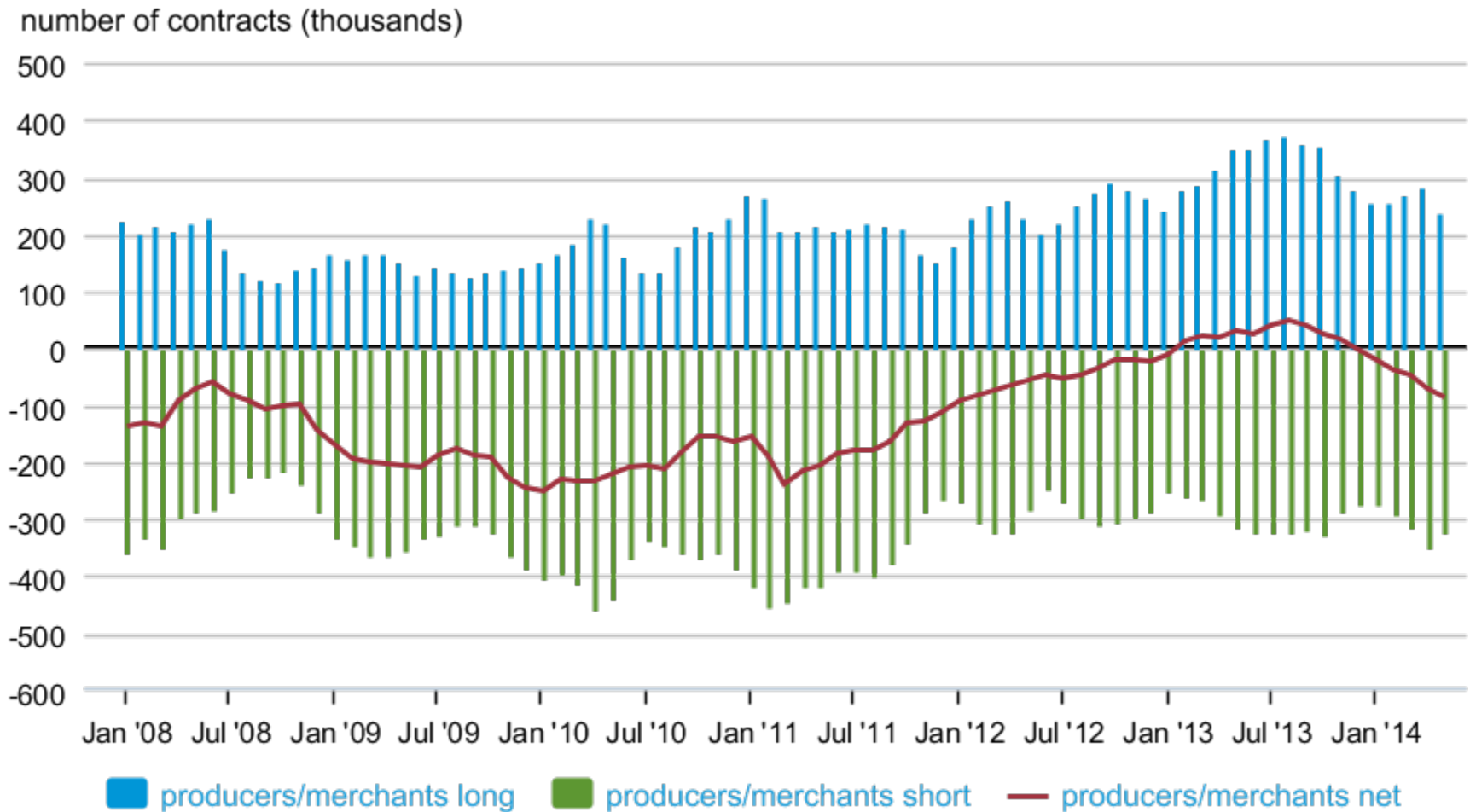
Open interest in crude oil futures grew over the last decade as more participants entered the market

number of contracts (thousands)



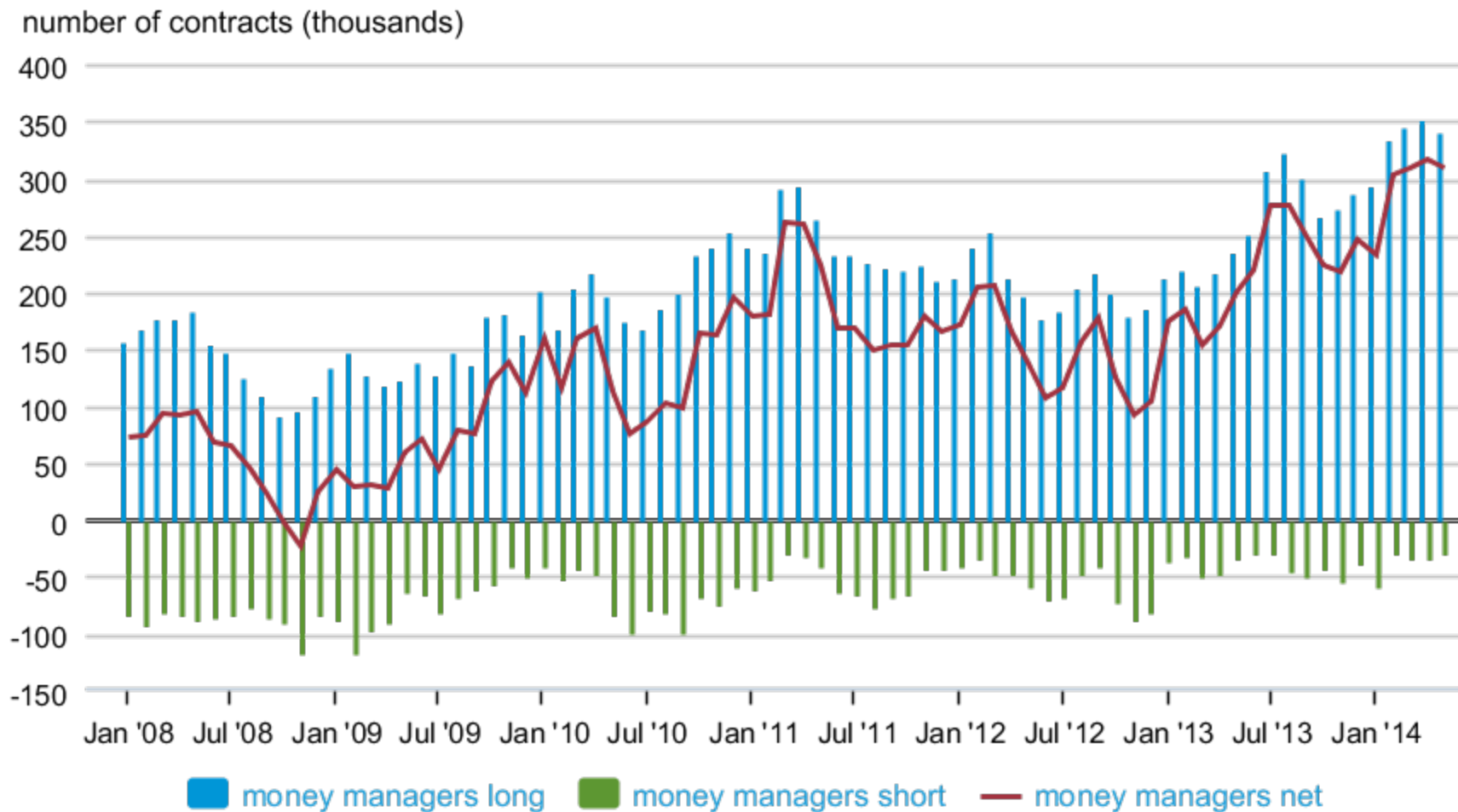
Source: Bloomberg

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



Source: CFTC Commitment of Traders

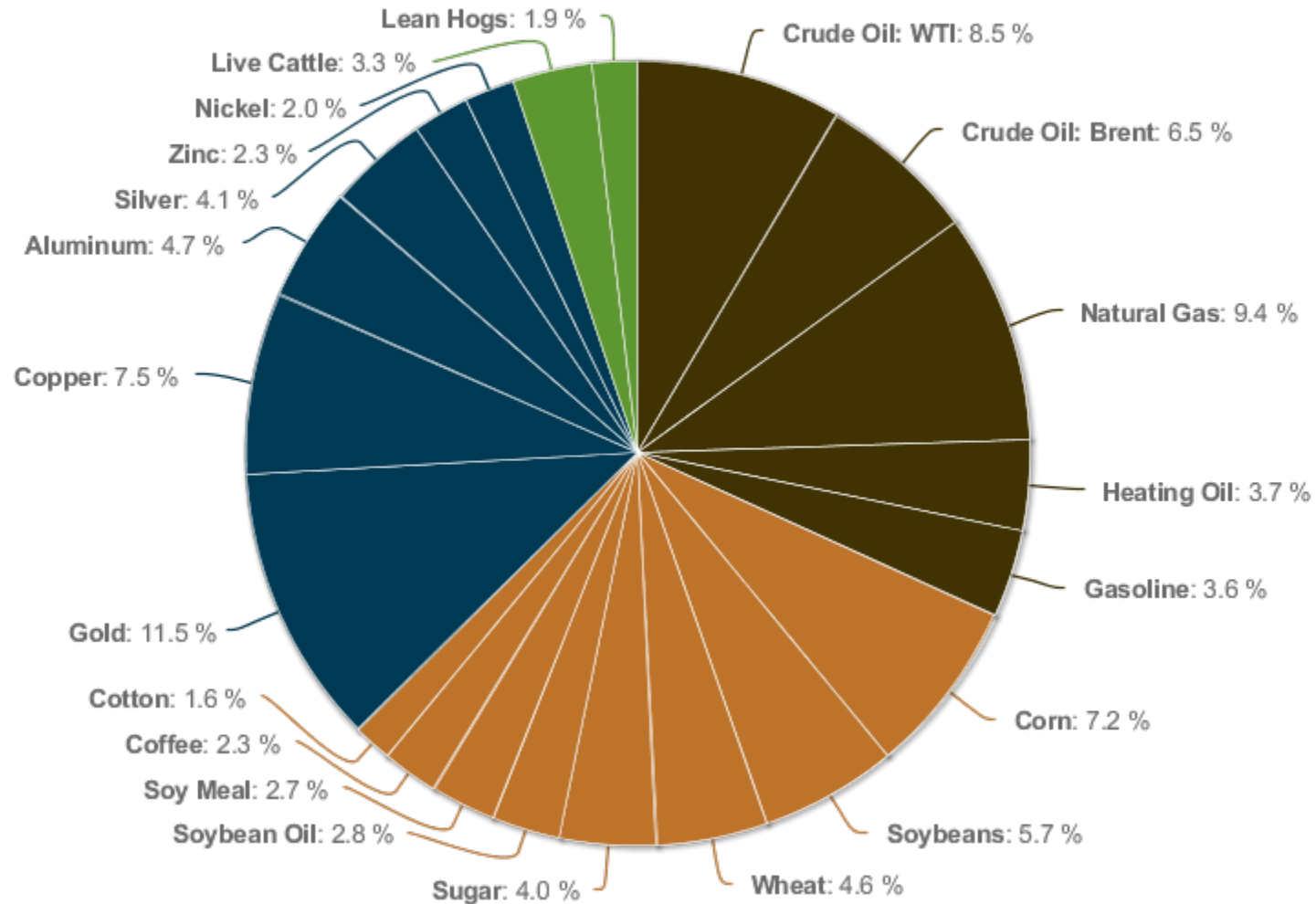
Money managers tend to be net long in the U.S. oil futures market



Source: CFTC Commitment of Traders

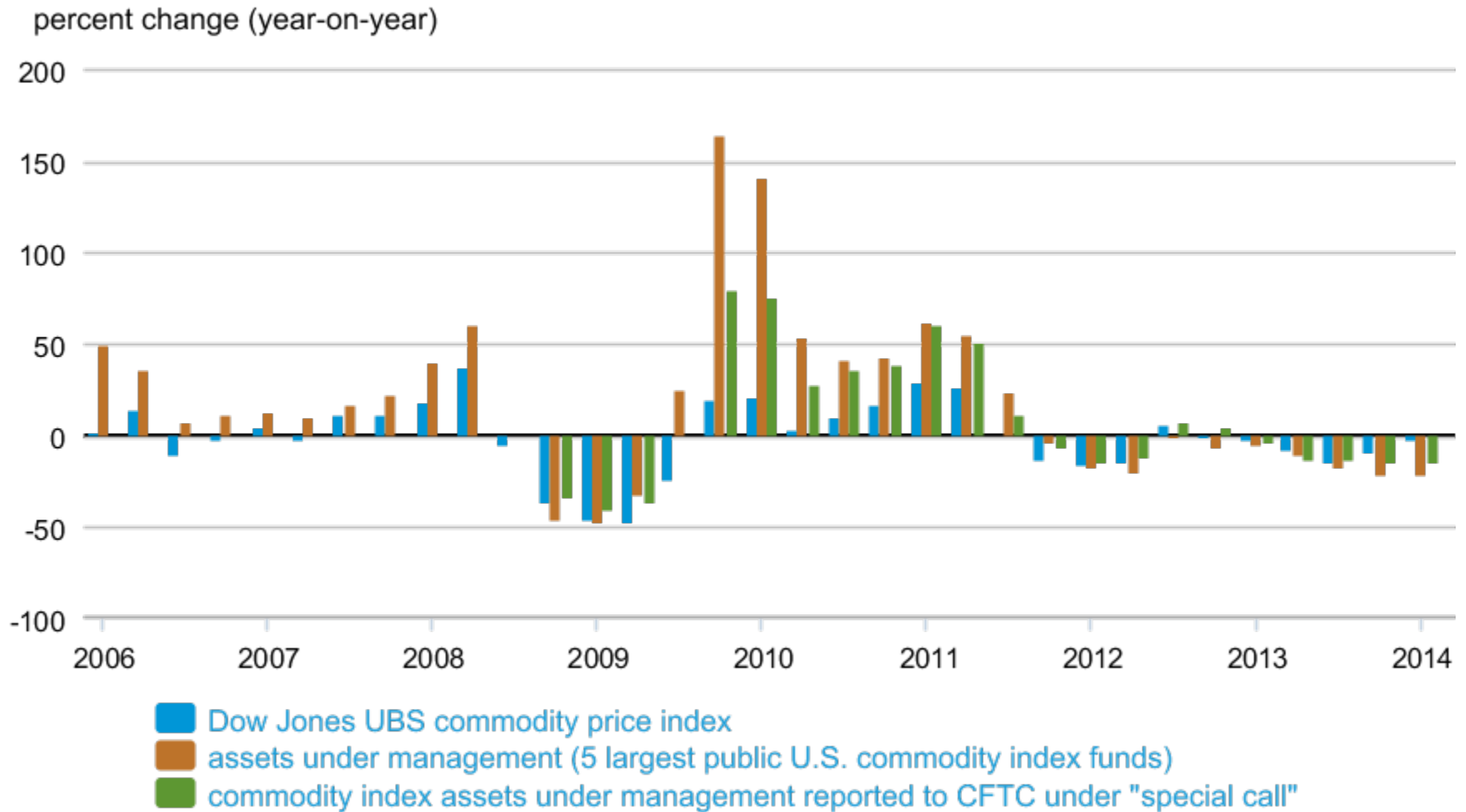
Crude oil plays a major role in commodity investment

2014 Target Weights of the Dow Jones - UBS Commodity Index



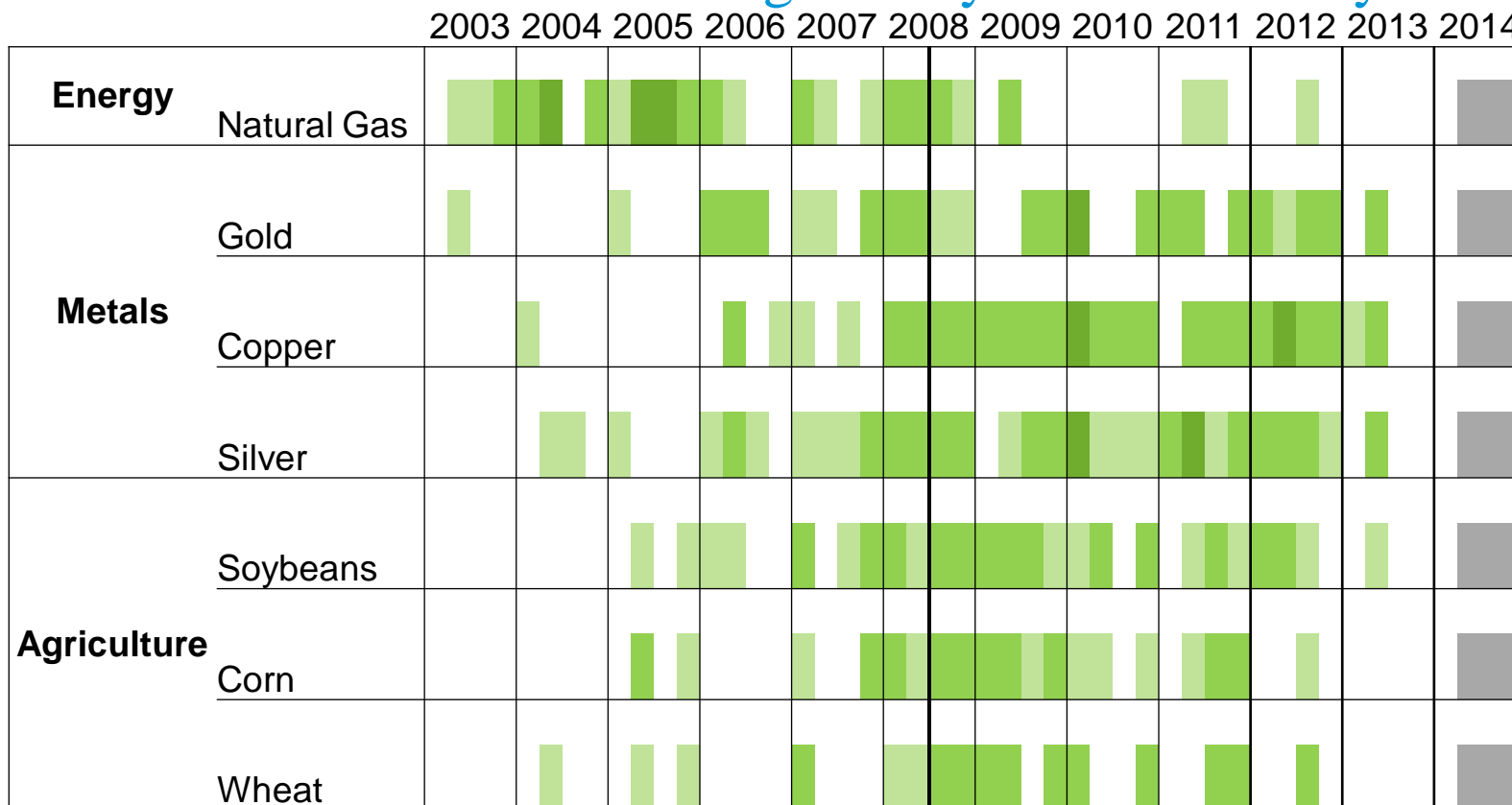
Source: Dow Jones Indexes, CME Group

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

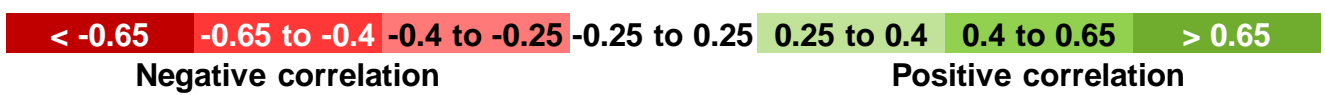


Source: CFTC Special Call Report

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

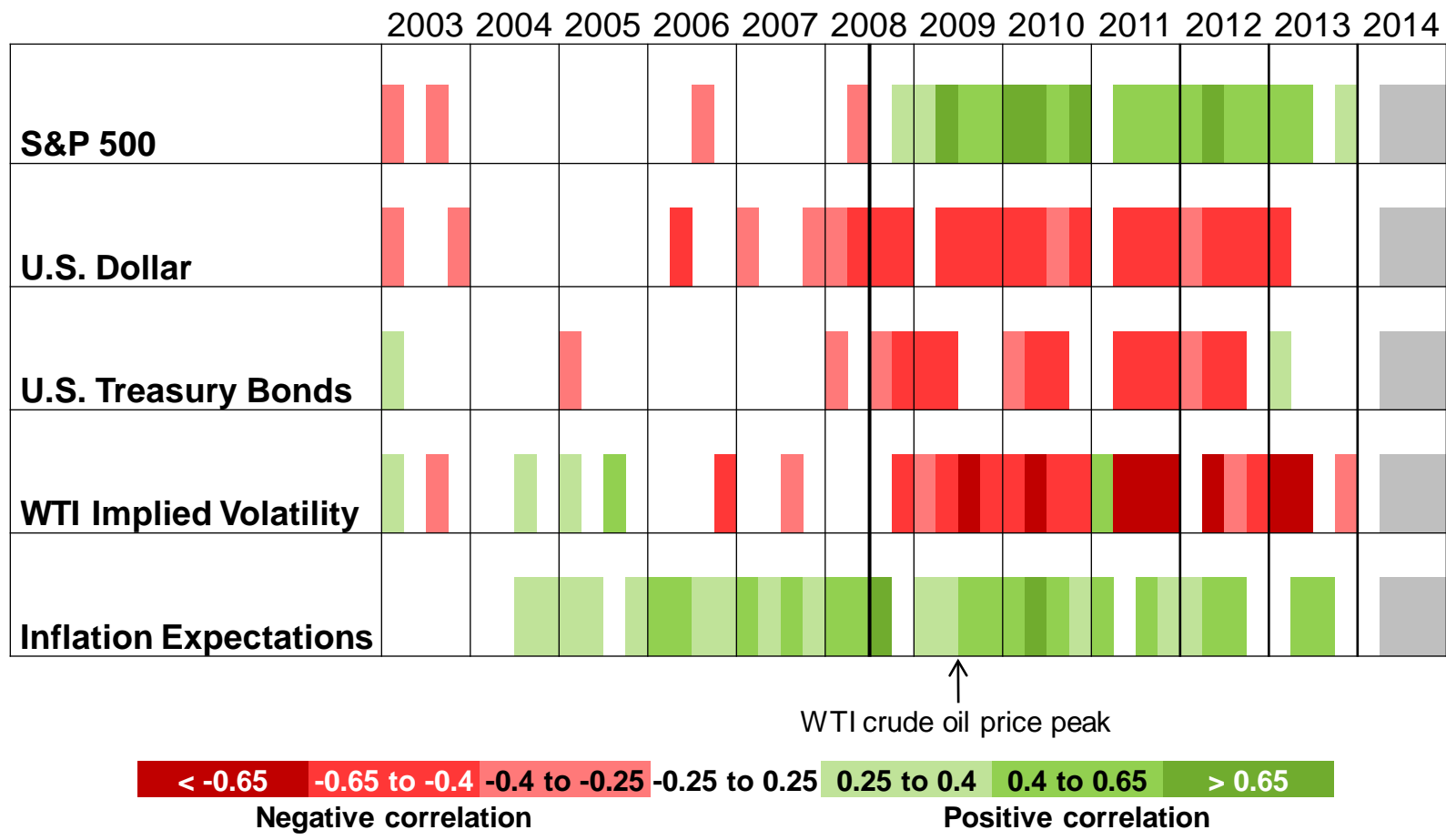


↑
WTI crude oil price peak



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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