The Commodities Feed: IEA expects oil surplus to persist

The International Energy Agency (IEA) continues to see a large surplus in the oil market for 2025 as demand remains slow while supply returns gradually

The IEA's monthly oil market report was largely bearish for the oil market

Energy – IEA trims demand estimates for the year

Oil prices stabilised this morning after falling significantly over the past few sessions as some buying activity returned to the market at lower prices. The slower demand estimates from the IEA were largely in line with expectations with the selling pressure subsiding. The prompt Brent timespread has also narrowed to US$0.38/bbl as of this morning, compared to a backwardation of $0.60/bbl a month ago.

The IEA's monthly oil market report yesterday was largely bearish for the oil market, with the agency revising down its demand estimates for a third consecutive month this year. It now expects global oil demand to grow by 862k b/d in 2024, compared to previous estimates of 903k b/d. This revision lower is largely due to a further slowdown expected in Chinese consumption, weighing on the global outlook. Meanwhile, demand growth estimates for 2025 were raised slightly to 998k b/d from earlier estimates of 954k b/d. Total demand is now expected to average at 102.8m b/d this year and 103.8m b/d in 2025. OPEC has also lowered its forecasts for global oil demand for this year and next.

On the supply side, the IEA estimates non-OPEC+ production to increase by 1.5m b/d this year and next. Globally, the agency expects production to increase by 660k b/d this year to 102.9m b/d with production growth accelerating to around 2m b/d for 2025 as some of the OPEC+ supply gradually returns to the market.

Metals – China's aluminium output to rise further

The latest projections from the Shanghai Metals Market (SMM) show that aluminium output in China will rise by 3% YoY to 11mt in the fourth quarter of the year, amid a surge in hydropower generation and rising clean energy usage. The group forecasts are based on the assumption that smelters in Yunnan will escape production cuts for the first time in four years due to abundant electricity supplies. SMM reported that Chinese smelters produced a record of 3.6mt of aluminium in August.

Eramet has reduced output guidance for its giant Indonesian nickel mine, Weda Bay, to 29m wet metric tonnes, down 29% from its previous projections. The company expects a shortfall due to the Indonesian government this week approving significantly fewer ore sales than the producer applied for over the next two years. Indonesia is already struggling with severe ore shortages due to issues with government permits since the start of the year, forcing smelters to pay high premiums to procure the raw material. The local smelters have been relying on imports from the Philippines recently, with shipments of 5.3mt already being shipped from the neighbouring country this year compared to imports of just 374.4kt last year.

The latest LME COTR report shows that investors decreased their net bullish position in copper by 8,674 lots after reporting gains for four consecutive weeks to 72,756 lots for the week ending 11 October. A similar move has been seen in aluminium, with speculators decreasing their net bullish bets by 10,504 lots for the first time in three weeks to 111,802 lots over the last reporting week. In contrast, money managers increased net bullish bets for zinc by 3,897 lots for a second straight week to 38,069 lots as of last Friday. This was the highest level since the week ending 31 May 2024.

Agriculture – Ukraine grain plantations progressing well

Ukraine's Agriculture Ministry reported that the Ukrainian winter grain plantations stood at 4.75m hectares as of 15 October, up from 4.5m hectares at the same period last year. The above includes a winter wheat plantation of 3.3m hectares for the aforementioned period, higher than the 3m hectares seen at the same stage last year.

Meanwhile, USDA's latest crop progress report shows that 64% of the US corn crop is in good to excellent condition, up from 53% at the same stage last year. Meanwhile, the harvest is progressing well with 47% of the crop harvested, higher than 42% seen a year ago and above the five-year average of 39%. As for the soybean crop, 67% of the area was harvested, up from 57% at the same stage last year and a five-year average of 51%. Finally, 64% of the winter wheat area has been planted, slightly down from 65% at the same stage last year and a five-year average of 66%.

Brazil's agriculture agency, CONAB, expects soybean production to fall marginally to 116.1mt for the 2024/25 season, lower than the previous estimate of 166.3mt and the average market expectations of 116.2mt. Soybean production was reported at 147.4mt in 2023/24. Similarly, the agency lowered corn production estimates to 119.7mt for the period mentioned above, slightly lower than its previous estimates of 119.8mt. However, the market was expecting a number closer to 121.5mt. In 2023/24 Brazil's corn output was at 115.7mt.

The latest data from France's Agriculture Ministry shows that soft-wheat production for the current season could fall to 25.4mt, compared to its previous projections of 25.8mt. This was also 27.6% below the last season's output. The decline in the production estimates is largely due to unfavourable weather conditions, resulting in worsening yields and harvest areas. Meanwhile, corn harvest is expected to remain almost flat at 14.5mt for the period mentioned above, given the bad weather conditions.

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