Article | 16 July 2025 COMMODITIES DAILY CHINA UNITED STATES RUSSIA

The Commodities Feed: OPEC leaves outlook unchanged

Oil prices edged lower yesterday, with a stronger US dollar providing headwinds for the market

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Energy- OPEC output rises

The oil market continued to edge lower yesterday, with a stronger US dollar providing some headwinds. In addition, no immediate action from the US against Russia following President Trump's "major statement" means that the focus returns to the expected oil surplus later in the year.

Numbers overnight from the American Petroleum Institute (API) were fairly neutral. US crude oil inventories reportedly increased by around 800k barrels over the last week. Meanwhile, gasoline and distillate stocks increased by 1.9m barrels and 800k barrels, respectively.

OPEC reported no change to the group's supply and demand outlook in yesterday's release of its monthly market report. Global oil demand growth is unchanged for this year and next at 1.29m b/d and 1.28m b/d, respectively. Meanwhile, non-OPEC+ supply is also unchanged for 2025 at 810k b/d and 2026 at 730k b/d, respectively.

In June, OPEC supply increased by 220k b/d month on month to 27.24m b/d, as the group gradually unwinds supply cuts. However, in numbers reported directly by member countries, Saudi Arabia changed the way it reported its supply -- using supply to market rather than its actual production numbers. Its actual production number was 392k b/d above its supply to the market. Without this change, the Saudis would've exceeded their production target by 385k b/d in June.

Meanwhile, Kazakhstan, which produced 347k b/d above its production target for June, reported it has no plans to exit the OPEC+ alliance, saying it offers stability to the oil market. Kazakhstan has consistently produced above its production targets for months amid the ramp-up of output from the expansion of the Tengiz field.

Metals – Iron ore drops on falling steel output

Iron ore dropped after data showed China's crude steel output falling the most in 10 months amid a prolonged slowdown in the country's property market. China's steel output had its biggest drop in 10 months in June, falling 9.2% from the year before to 83.2 million tonnes. This left first-half production at its weakest since 2020.

Iron ore is especially vulnerable to China's slowdown risks, as the country's property market constitutes the bulk of steel demand -- amounting to 40%.

In other metals, primary aluminium production rose 3.4% year on year to 3.8mt in June as smelters increased output amid rising profit margins. Cumulatively, output increased 3.3% YoY to 22.4mt over the first six months of the year.

Agriculture– Cocoa drops on weaker demand

London cocoa came under further pressure yesterday, settling almost 3% lower on the day. This follows recent data from the Malaysian Cocoa Board and Cocoa Manufacturers Group showing that cocoa grindings decreased 22% YoY (-16.6% QoQ) to 70.2kt in the second quarter of the year. Additional grinding data for Asia, Europe and North America will be released later this week. This could put further pressure on prices if the data follows a similar downward trend.

The latest data from France's Agriculture Ministry shows that domestic soft-wheat production could rise to 32.6mt for the 2025 season, up 27% YoY and 2.4% above the five-year average. The increase is driven by expectations for stronger yields.

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