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THE GLOBE AND MAIL

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The end of the oil glut

By SCOTT BARLOW

IEA update hints at upward revision for global demand

Released Thursday, the International Energy Agency's most recent monthly update on global energy markets included a far more constructive supply and demand outlook for North American oil producers.

Reuters reports that while the agency maintained its 2016 global oil demand growth at 1.2 million barrels, "Any changes to our current 2016 global demand outlook are now more likely to be upwards than downwards, as gasoline demand grows strongly in nearly every key market."

The best available supply and demand forecast data is not from the IEA, but the Washington D.C.-based Energy Information Administration. The chart below plots the history of global demand and supply growth from 2012 to the present and also their forecasts to the end of 2017.

The beginning of the current oil glut is apparent on the chart beginning in July 2014 as global supply – largely thanks to U.S. shale oil production – began exceeding demand. Excess supply growth peaked in May of 2015 when worldwide production exceeded demand by 2.9 million barrels per day. The most recent results show this gap narrowing. March saw excess supply of only one million barrels per day.

The forecasts predict that global energy markets will be balanced – equal supply and demand - briefly in February 2017 and then sustainably after July 2017. The oil glut will be over.

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