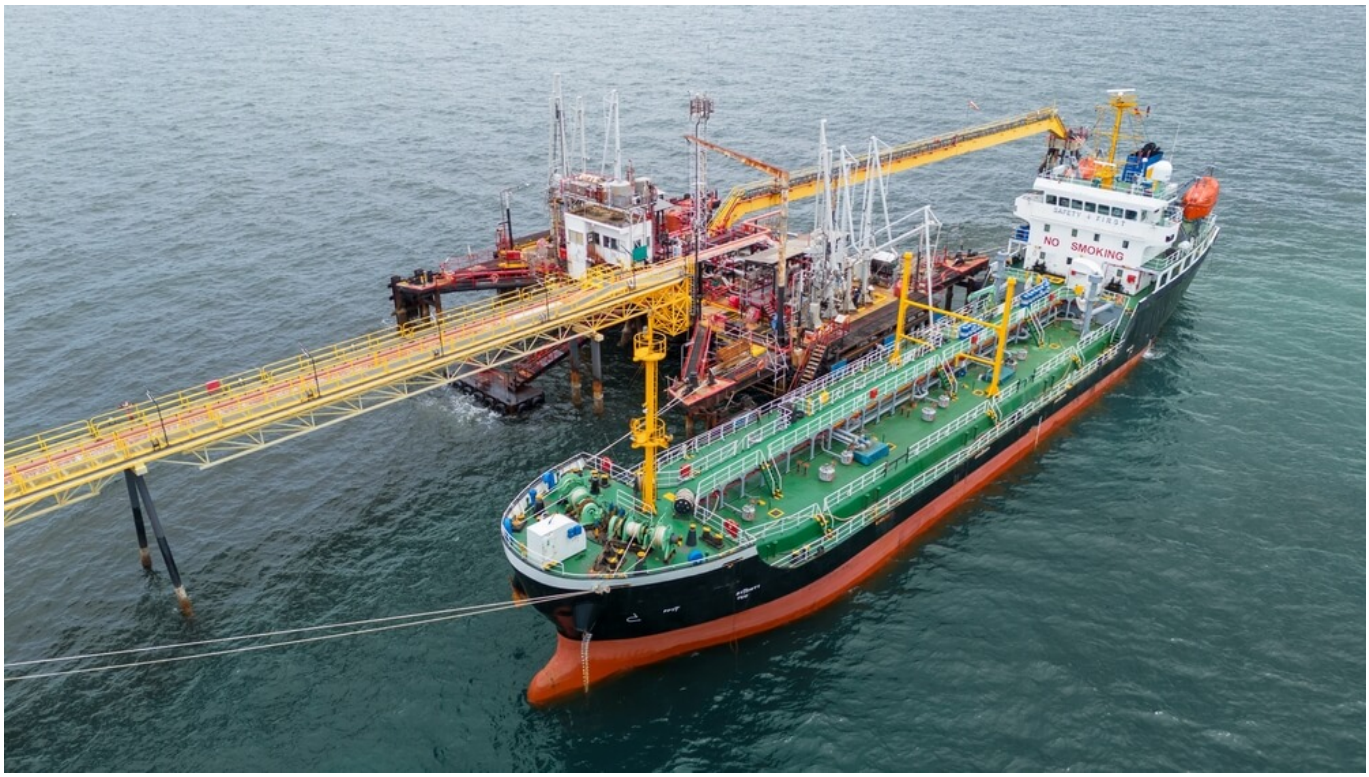
Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

By: Daniel Lacalle

Oil supply is recovering faster than demand – but strong supply does not mean low prices



The November oil market figures show an increasingly well-supplied crude market, despite ongoing geopolitical disruption.

Both the International Energy Agency and OPEC production data show substantial increases in October. However, readers should not assume that this means everything has been solved.

Crude availability is improving faster than consumption, while low onshore inventories, expensive shipping and tight diesel supplies remain as the key weakness of the market.

The IEA estimates that global oil supply reached 105.4 million barrels per day in October, rising by 2.3 million barrels per day after September's three-million-barrel recovery. Thus, production increased by 5.3 million barrels per day over two months.

The IEA clearly states that supply surpassed demand for the first time since the outbreak of the Iran war, with its balances indicating a fourth-quarter surplus and larger inventory accumulation during 2027.

An OPEC-led recovery

OPEC's October oil market report shows that production from countries within OPEC+ and their declaration of cooperation reached 41.230 million barrels per day in October, up 2.035 million from September.

OPEC members accounted for 1.965 million barrels of that increase, while participating non-OPEC producers contributed 70,000 barrels. This was overwhelmingly an OPEC-led recovery.

Saudi Arabia supplied the largest increment, 1.182 million barrels per day, taking production to 9.194 million barrels per day. Iraq added 496,000 barrels per day and Kuwait 232,000 barrels per day.

Iranian production declined by 44,000 barrels per day and current output suggests no exports, only domestic consumption

Together, these three producers contributed approximately 94% of the overall monthly increase.

Saudi Arabia, the United Arab Emirates, Iraq and Kuwait have more than offset Iran's export collapse.

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Despite the different overall figures, both OPEC and the IEA identify a monthly increase of approximately two million barrels per day.

Not everything is resolved

For the IEA, global demand is expected to decline by 2.7 million barrels per day in 2026 to 102.3 million barrels per day, before recovering by two million barrels per day in 2027. Supply, meanwhile, is projected to rise by 6.6 million barrels per day next year to 108.1 million barrels per day.



The Iran war did not trigger a global supply disaster - Daniel Lacalle

This implies a surplus of 3.8 million barrels per day in 2027.

The United States, Canada, Brazil, Argentina and Guyana are collectively expected to add 1.6 million barrels per day this year and another 1.1 million barrels per day next year.

October's inventory data provide evidence of improving availability, as global stocks increased by 52 million barrels, equivalent to 1.7 million barrels per day. However, oil on water rose by 86 million barrels while onshore inventories continued to fall.

We must understand that more crude in transit is not equivalent to replenished storage near consumers.

The Iran war did not trigger a global supply disaster. The energy market has shown that supply chains are significantly more flexible than market participants expected, and suppliers have reacted quickly and efficiently to deliver oil and products to the global economy.

However, this does not mean that everything is resolved. Avoiding a global crisis does not guarantee low prices or eliminate all of oil's geopolitical risk premium.