

Cash Flow and Carey



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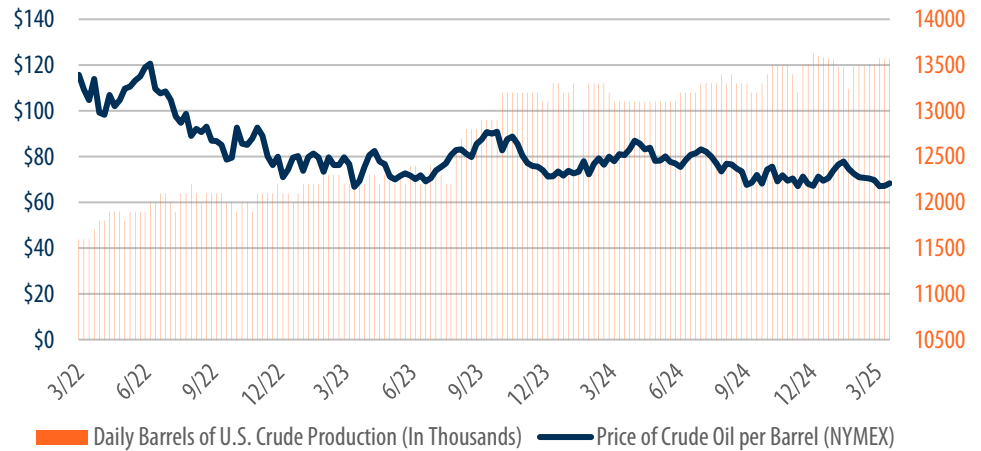
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Crude Oil Price Update

Crude Oil Gas Prices (WTI) vs. Active U.S. Crude Oil Rigs (3/4/22 – 3/21/25)



Source: Bloomberg, U.S. Department of Energy. Weekly observations.

View from the Observation Deck

While many have predicted that petroleum usage will decline over the long-term, global oil demand remains resilient, increasing by 1.9% and 0.8% in 2023 and 2024, respectively, according to the International Energy Agency (IEA). That said, the IEA reported that oil accounted for less than 30% of total energy demand for the first time ever in 2024, suggesting a potential long-term shift in global energy supply may be underway. Today's post contrasts the price per barrel for West Texas Intermediate (WTI) crude oil to U.S. crude oil production, measured in thousands of barrels per day (b/d), on a weekly basis. We begin the chart on 3/4/22, several days before oil's most recent peak which occurred on 3/8/22.

- The price of WTI crude oil stood at \$68.28 per barrel at the close of trading on 3/21/25 (end of chart), down 40.98% from its closing price of \$115.68 on 3/4/22 (start of chart), according to data from Bloomberg.
- The average daily price of crude oil was \$81.44 per barrel during the period captured in the chart. The highest and lowest daily closing prices were \$123.70 and \$65.75 per barrel on 3/8/22 and 9/10/24, respectively.
- For comparative purposes, the S&P 500 Energy and S&P 500 Indices posted average annual total returns of 10.93% and 10.92%, respectively over the same time frame. The top-performing energy subsector, of which there are five, was the S&P 500 Oil & Gas Storage & Transportation subsector, with an average annual total return of 25.28%.
- U.S. oil production surged from 11.6 million b/d on 3/4/22 to 13.6 million b/d as of 3/21/25, according to data from the U.S. Department of Energy.

Takeaway

On 3/21/25, the price per barrel of WTI crude oil stood at \$68.28, 44.80% below its most recent high of \$123.70 which occurred on 3/8/22, just after Russia's invasion of Ukraine. As we see it, several factors account for oil's precipitous price decline. First, there is the fundamental issue of supply. Supply constraints, including sanctions against oil from Iran and Venezuela as well as production cuts by members of OPEC+ and its allies, were largely offset by U.S. production, which surged to a record 13.2 million b/d, on average, in 2024. Notably, OPEC+ announced it will increase its supply in April of this year, potentially adding 2.2 million b/d to global production by September 2026. As a result, the IEA forecasts global oil supply will total 104.7 million b/d in 2025, up from 103.5 million b/d in December 2024. Second, oil consumption and economic progress exhibit a strong positive correlation. In January 2025, the IMF forecast that global growth will total 3.3% in 2025 and 2026, well short of the historical average of 3.7%. Declining oil prices may reflect these deteriorating economic expectations. Stay tuned!