



The oil market will likely remain tight but as we approach the end of the year, the oil market might loosen up, which could lead to lower prices. (UBS)

Oil market likely to remain tight

24 July 2025, 16:01 UTC, written by UBS Editorial Team

Crude oil prices have remained supported in recent weeks by several factors.

It's become more apparent that the OPEC+ production increases are more moderate than some had feared. Between March and June, the eight OPEC+ member states with additional voluntary production cuts (V8) increased their production quota by 959,000 barrels per day (bpd). But the effective production increase was just 543,000 bpd, based on OPEC's secondary sources.

For July, the group's supply lift overall is likely to once again lag the quota increase of 411,000 bpd following the drone attacks that shut oilfields in northern Iraq. With many countries in the group producing above the quota, as well as those that previously overproduced facing compensation cuts and some members likely maxed out in terms of capacity, we expect actual production to be lower than the quota in August as well. In early August, the V8 members will decide about the production for September.

Another supportive factor is China. We keep hearing feedback that Chinese oil demand has been better than many expected at the start of the year. Chinese stockpiling activity has also played a role in keeping crude prices supported, in our view. While global visible oil inventories were modestly up during 1Q25 by 21 million barrels, based on data of the International Energy Agency, inventories rose by 158 million barrels during 2Q. Chinese crude inventories alone rose by 82 million barrels in the second quarter. As those purchases were likely not price sensitive, we think they were meant to fill strategic reserves, possibly driven by concerns over the trade war and geopolitics.

Meanwhile, oil inventories in the OECD remain low. While they rose by 37 million barrels this year, that's less than half the average seasonal increase from 2012-2016. That tightness in key pricing centers should keep crude prices supported in the near term, in our view.

So for now, the oil market will likely remain tight. But as we approach the end of the year, the oil market might loosen up, which could lead to lower prices.

Original report - [Supported crude prices, 23 July 2025.](#)

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