

October 02, 2017

Global Gasoline Demand to Grow; Fuel Oil Demand to be Flat

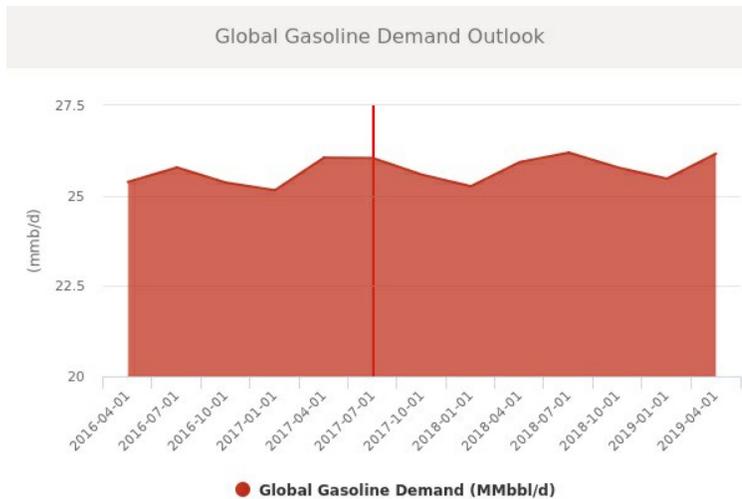
Stratas Advisors

This excerpt is from a report that is available to subscribers of Stratas Advisors' Short-Term Price Outlook service.

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Stratas Advisors sees global gasoline demand growing about 270 Mb/d in 2017 and holding steady in 2018. This global number hides important regional distinctions, with gasoline demand in Organization for Economic Cooperation and Development (OECD) countries actually falling both years while non-OECD demand continues to climb.

Gasoline demand is primarily supported by a growing middle class in the developing world, with more households purchasing cars. In OECD countries, more stringent emissions standards, changing travel patterns and the rise of alternative fuel vehicles (including electric) are slowly chipping away at gasoline demand.

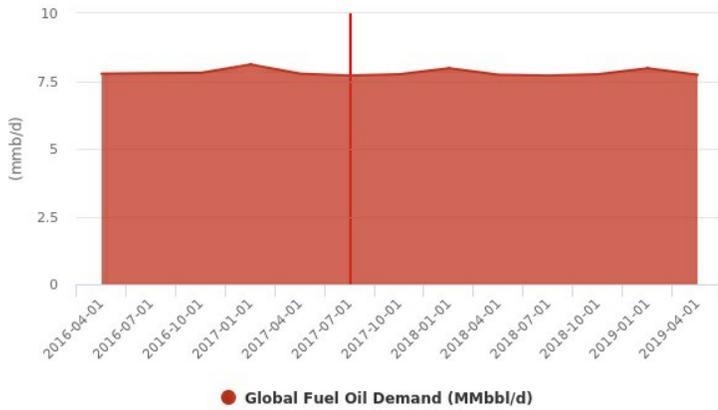


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Despite the multitude of reports announcing government plans to eliminate new gasoline vehicle purchases, Stratas Advisors does not see demand at serious risk in the medium term given the large as-yet-untapped markets in Africa, Asia and parts of Latin America and the infrastructure still necessary for widespread adoption of electric vehicles.

Stratas Advisors expects fuel oil demand to be flat in 2017 (about 10 Mb/d) and to drop slightly in 2018 as bunker buyers continue to shift toward low-sulfur gasoil to meet air-quality regulations. The writing has been on the wall regarding fuel oil's declining usage in marine fuel, and the trend is only set to continue. Additionally, fuel oil demand for power generation is being aggressively phased out when possible for both economic and environmental reasons.

Global Fuel Oil Demand Outlook



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Japan continues to reduce its fuel oil usage in favor of natural gas, coal and restarting nuclear plants. In Saudi Arabia, a focus on increasing natural gas electricity generation capacity is contributing to fuel oil's decline in 2017 and 2018. However, despite these declines, fuel oil will remain an important construction material and a primary ingredient in asphalt, providing some protection to the fuel.

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