

Box 2 Oil prices

Since February, crude oil prices have risen sharply from the low that began last autumn. This increase can be attributed to the upturn, albeit slow, in the global economy and to political and military uncertainties, e.g. the Middle East conflict. Demand for oil products has increased and inventories declined at the same time as production by OPEC countries has gone down. These conditions led to a rise of almost 7 dollars per barrel of crude oil during the winter. No significant change is likely until peace prospects in the Middle East improve, because crude oil prices have been extremely sensitive to news reports, good and bad alike. Recorded prices show that forward crude oil prices will drop in the next few months and the forward price one year hence will be 11% lower than the spot price at the beginning of May. Judging from forward prices, oil prices should therefore show a downward trend in the fairly near future, perhaps to a similar level to the average in recent years. As a rule, prices of petrol and other oil products keep pace with swings in crude oil prices. Based on its forward price, petrol will average about 5% lower in the second half of this year than at present. In the long run, the importance of OPEC countries for global oil production will decline, and that of non-member countries will increase. This applies in particular to Russia and the Central Asian countries with oil resources. It is likely that the diminishing importance of OPEC will serve to calm the oil market.