

Why are oil prices plunging?

Oil prices are threatening to hit historic new lows in the days ahead amid a global supply glut and tepid economic growth around the world. **Chia Yan Min** looks at some of the factors keeping crude prices down.

Supply glut



- Major producers such as Saudi Arabia and Russia are fighting to hold on to market share and have been relentlessly pumping oil.



- Western sanctions on buying Iranian oil have ended, which will bring even more barrels on stream.



- The "shale revolution" has stimulated tremendous production of oil and natural gas in the United States, which has become the world's largest oil producer. Though it does not export crude oil, it now imports much less, creating a lot of spare supply.

Tepid demand



- Slowing growth in China – the world's largest consumer of most commodities – is weighing on global demand for oil.



- At the same time, developed economies such as Europe and Japan remain weak.



- Vehicles have also become more energy-efficient as a result of previously skyrocketing oil prices.