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Oil-Producing Nations Agree to Historic Production Cut

The world's major oil-producing nations reached an agreement to slash production in an attempt to stabilize the market, which has been hit hard by the coronavirus crisis. The group which includes Saudi Arabia and Russia, and is known collectively as OPEC+, struck a deal to cut output by 9.7 million barrels a day in the coming months. Oil prices have fallen to record lows in recent weeks, largely due to the global outbreak of the coronavirus which has decreased energy demand. While oil prices did initially jump on Monday after the agreement, they fell again later in the week and most analysts contend that the deal is unlikely to solve the demand crisis brought about by the coronavirus pandemic, despite the historic nature of the oil-production cuts. Worldwide fuel consumption is down roughly 30%, so ultimately it appears as though demand concerns will supersede any potential oil price gains.

Oil oversupply concerns continue to affect prices, even as OPEC+ agreed to cut production at a historic rate. Analysts have argued that the move is "too little, too late" particularly after weeks of a damaging price war between two of the world's largest producers, Saudi Arabia and Russia. Additionally, the shutdown of major economies around the world due to the coronavirus crisis has had a detrimental impact on demand, resulting in a huge global oversupply of oil. While the production cut should have a positive effect during the second half of this year, once the health crisis hopefully begins to subside, there will continue to be struggles in the short-term due to the massive drop-off in energy market demand.