

Oil drops on fears over weaker demand

Oil prices dropped on Thursday, as investors were worried that aggressive interest rate hikes from global policymakers would slow economies and dent fuel demand, while renewed restrictions to curb COVID-19 in China also added pressure.

Brent crude futures fell 53 cents, or 0.6%, to \$95.11 a barrel by 0454 GMT. U.S. West Texas Intermediate (WTI) crude futures slid 58 cents, or 0.7%, to \$89.97 a barrel.

"Growing fears over weakening fuel demand due to aggressive rate hikes by the U.S. and European central banks outweighed concerns over tight global supply," said Hiroyuki Kikukawa, general manager of research at Nissan (OTC:NSANY) Securities.

Recent signs of weakness in China's economy and the country's stronger pandemic restrictions also weighed on sentiment, he added.

"The tug-of-war market reflecting sluggish demand outlook and tight supply estimates is expected to continue going forward," Kikukawa said.

China's factory activity contracted for the first time in three months in August amid weakening demand, while power shortages and fresh COVID-19 flare-ups disrupted production, a private sector survey showed.

Southern Chinese tech hub Shenzhen tightened COVID-19 curbs as cases continued to mount, with large events and indoor entertainment suspended for three days in the city's most populous district, Baoan.

Recent oil market volatility has followed concerns about inadequate supply in the months after Russia sent military forces into Ukraine and as OPEC struggles to increase output.

However, production in both the Organization of the Petroleum Exporting Countries (OPEC) and the United States has risen to its highest level since the early days of the coronavirus pandemic.

OPEC's output hit 29.6 million barrels per day (bpd) in the most recent month, according to a Reuter's survey, while U.S. output rose to 11.82 million bpd in June. Both are at their highest levels since April 2020.

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