

Higher oil prices to come as reserves fall at record pace

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In the so-called “baseline models” of major global forecasters, central banks and agencies such as the International Monetary Fund, it has been assumed that the Iran war will be over in a matter of weeks or, at most, a couple of months.

That scenario has been largely shattered as the war has continued, now well into its third month, as the Trump administration steps up military actions and issues further threats to destroy Iran.

One of the reasons for the assumption of a relatively rapid return to “normal” has been the release of oil from global reserves, which has helped contain the rise in the oil price below the levels to which it would otherwise have climbed.

But reserves are now being run down at a record rate.

According to analysis by S&P Global, reported by the *Financial Times* (FT), stockpiles of crude fell by 6 million barrels a day in April, even as higher prices led to a fall in demand of 5 million barrels a day, the sharpest fall since the pandemic.

According to Jim Burkhard, head of crude research at S&P: “This is massive, it is far above the usual range. An inevitable market reckoning is coming.”

Demand is falling, but it is being “outstripped by the loss of supply” and “higher crude oil prices are still to come,” he said.

Burkhard noted that while total global oil reserves are 4 billion barrels, much of this is tied to running day-to-day operations and is therefore not available to be drawn upon.

The FT report cited analysis from Goldman Sachs which backed the S&P Global warnings.

The bank has said that global stockpiles are approaching their lowest levels in eight years. The FT report said that “there is only 45 days’ supply of refined products, such as gasoline, diesel and jet fuel

left worldwide,” noting particularly large declines across Asia and Africa.

“The speed of depletion and supply losses in some regions and products is concerning,” Goldman said.

While gas, or petrol, prices have been rising in the US, Burkhard noted that the country had yet to feel the full effects of the crisis, which was most sharply reflected in Asia. But a fall in US stockpiles would trigger alarm and “the worst of the crisis is ahead of us.”

A foretaste of what that could mean came with the collapse of the low-cost airline Spirit earlier this week. The company said that a “sudden and sustained rise in fuel prices” in recent weeks left it with no alternative but to cease operations, because sustaining the business required “hundreds of millions of dollars of additional liquidity” that it did not have and could not procure.

The immediate issue is how many more companies like Spirit there are in the US and globally. It has been calculated that global airlines have cut 2 million seats from their flight schedules for May in just two weeks, with thousands of flights cancelled as a result of the doubling of the price of jet fuel.

The impact on Asia, highlighted in the S&P analysis, has been the subject of growing concern. The Asian Development Bank (ADB) has cut its economic growth forecast for developing countries in the region to 4.7 percent this year and 4.8 percent for 2027, after previously predicting 5.1 percent for both years.

But these estimates may well turn out to be too optimistic. ADB president Masato Kanda has said that a “deepening crisis” is affecting the region. “We are confronting systemic, long-lasting disruption to global energy and trade networks, not just temporary volatility.”

In Japan, the region’s most developed economy, the

central bank has cut its forecast for growth in the fiscal year to next March from the already low level of 1 percent to just 0.5 percent.

Frederic Neumann, chief Asia economist at HSBC, told the FT that central banks throughout the region were facing “enormous” inflation shocks.

He said that subsidies and using up reserves might soften the problem but were “just nuance at this point.”

“The disruption is so severe that it will be felt across the region not just in energy but food and other inputs,” he said.

Growth forecasts are being reduced significantly because of the fuel price hikes. The finance minister of Bangladesh, where inflation is already running at 8 percent, told the FT that spending on fuel was “bleeding the exchequer.”

Thailand, the second-largest economy in Southeast Asia, has cut its growth forecast from the already historically low rate of 2 percent to 1.5 percent, with inflation expected to rise from just 0.3 percent to 3 percent.

India, which has been touted as the world’s fastest-growing economy, has cut its growth forecast to 6.9 percent for the fiscal year which started in April, from 7.6 percent last year.

While less developed economies are the hardest hit, at least so far, the effects of the war are being felt everywhere, not least in the US, where prices have soared despite its supposed fuel independence. And the collapse of Spirit Airlines is a warning of what is to come, not least in the auto industry.

The three major US car firms, Ford, General Motors and Stellantis, are reporting that the hit from higher commodity prices will be \$5 billion this year. This comes on top of the \$6 billion increase in costs flowing from the higher US tariffs imposed by the Trump administration.

The dream of a new “gold age” of manufacturing touted by Trump through his reactionary nationalist tariff war against the world has been turned into a nightmare by the war on Iran.

General Motors has warned that commodity inflation could reduce its operating profit by up to \$2 billion this year. Ford has said it expects supply chain costs of as much as \$2 billion, and Stellantis has said the impact could be more than \$1 billion.

One of the biggest hits to carmakers has been the

increase in the price of aluminium, which is increasingly being used to replace steel in car bodies.

According to a report in the Wall Street Journal, the US auto industry consumed 3.7 million metric tons of aluminium last year, a 30 percent increase from 2020. The article cited a report from S&P Global Energy that with the “global aluminium price at about \$3,500 a metric ton, the tariff and delivery charges raise the US price to \$6,100, compared with \$3,220 a year ago.”

The inexorable, relentless logic of the capitalist profit system dictates that the massive cost inflation set off by the war will result in ever-deepening attacks on the working class in every corner of the world, from Asia to the Americas, from Europe to the Indo-Pacific and Africa, through job cuts, unemployment and the intensification of speedup and exploitation, combined with intensified attacks on all democratic and social rights.

But at the same time, as Karl Marx remarked more than 150 years ago, no problem ever arises without at the same time providing the material conditions for its resolution. And that is the case here.

The war against Iran and the accompanying onslaught against the working class the world over have created the objective conditions for a unified global counteroffensive, which must be given conscious expression in the erupting struggles of the working class everywhere through the advancement of the political struggle for international socialism.



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