

## **Outlook for International Oil Market in 2022**

### **<Summary>**

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#### Key Points of the Report

1. Crude oil prices continued to rise in 2021 as crude oil demand growth amid an economic recovery from the COVID-19 crisis was coupled with production cuts by the OPEC-plus group of oil-producing countries and stagnant U.S. production to tighten the supply-demand balance. In the face of rising oil prices, such countries as the United States and Japan decided to release oil reserves. In late November, oil prices soared substantially as concern about the escalation of the COVID-19 pandemic grew due to increasing Omicron variant infections. In early December, the OPEC-plus group decided to retain its plan to increase oil production by 0.4 million b/d every month.
2. Oil demand in 2022 is projected to increase by 4.3 million bpd or 4.4% from 2021 to 100.6 million b/d on the premise that the COVID-19 pandemic would not escalate so much. Oil supply is projected to rise by 5.1 million b/d or 5.4% to 100.7 million b/d on the premise that the OPEC-plus group would retain the gradual production expansion plan.
3. The average Brent crude price in 2022 is projected at \$70/bbl. Great uncertainties include the escalation of the COVID-19 pandemic and the OPEC-plus group's resumption of production cuts. If oil demand stagnates due to the escalation, the average may fall by \$10/bbl from the projected level. If the supply-demand balance tightens due to the resumption of production cuts, the average may rise by \$10/bbl.
4. As decarbonisation accelerates further, the oil industry is required to restructure business infrastructure while maintaining stable supply arrangements including those for gas stations during disasters and in depopulated areas.

#### Global Oil Supply and Demand

5. Global oil demand in the third quarter of 2021 increased by 5.5 million b/d or 6.0% year on year to 97.6 million b/d. While the global COVID-19 pandemic has yet to calm down, oil demand is picking up on economic reopening. On the premise that the

pandemic would not escalate extremely, global oil demand in 2022 is projected to expand by 4.3 million b/d or 4.4% from the previous year to 100.6 million b/d.

6. Global oil production in the third quarter of 2021 increased by 5.4 million b/d or 5.9% year on year to 96.4 million b/d. The OPEC-plus group's production expansion and a U.S. production recovery have yet to catch up with demand growth. On the premise that the OPEC-plus group will continue to increase production though at a slower pace, global oil production in 2022 is projected to rise by 5.1 million b/d or 5.4% from the previous year to 100.7 million b/d.

#### Trends of OPEC and Major Countries

7. The OPEC-plus group produced 49.4 million b/d in the third quarter of 2021. The group at its meeting on December 2 decided to increase production in January, while being concerned about the escalation of the COVID-19 pandemic and other factors that would push down oil demand.
8. U.S. oil production in the third quarter of 2021 remained unchanged from a year earlier at 10.8 million b/d, while U.S. oil demand increased by 1.8 million b/d or 9.8% to 20.2 million b/d. U.S. production has begun to rise at last in line with price hikes. In 2022, U.S. production is assumed to increase by about 1 million b/d, topping the 2019 level.

#### Inventories and Financial Markets

9. OECD commercial oil inventories stood at a low level of 2,737.2 million barrels in September. In November, the United States orchestrated decisions to release oil reserves. The U.S. release was expected to start within 2021. The impact of the oil reserve release on prices is now expected to be limited.
10. In its World Economic Outlook released in October 2021, the IMF forecast global economic growth at 5.9% for 2021 and at 4.9% for 2022. It slightly revised the 2021 growth forecast downward from its July outlook. The escalation of the COVID-19 pandemic through Omicron variant infections would be a great downside risk for global economic growth.
11. Crude oil price hikes amid an economic recovery from the COVID-19 crisis have coincided with a U.S. stock market upsurge. U.S. interest rate hikes and the pandemic escalation expected in 2022 would affect stock prices, leading to a capital flight from risky assets.

#### Japanese Market

12. Japan's oil (fuel oil) demand in the third quarter of 2021 was 12.14 million kl per

month on average (2.49 million b/d), up 0.16 million kl or 1.3% from a year earlier and up 4.5% from 11.59 million kl (2.4 million b/d) in the previous quarter. The oil refinery capacity utilization rate stood at 72% in the third quarter of 2021.

13. Domestic petroleum products prices reflect crude oil procurement costs (yen-denominated crude oil import prices) two to three weeks ago.
14. As decarbonisation accelerates further, the oil industry is required to transform its business structure while maintaining stable supply arrangements including those for gas stations during disasters and in depopulated areas.

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