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Outlook for International Oil Market in 2025

- Uncertainties Caused by Trump 2.0, OPEC+, and China's Economy -

<Summary>

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Key points of this report

1. Global oil demand in 2025 will increase to 104.1 million b/d (mb/d). Despite the continued production cuts by the OPEC+, global oil production will rise to 104.8 mb/d due to increased production in the United States and other non-OPEC+ oil-producing countries. As a result, there will be an oversupply of 0.7 mb/d for the year.
2. The incoming U.S. Trump administration’s policies, including potentially tougher sanctions on Iran, could be a key price booster in the oil market in 2025.
3. Without the turbulence of the situation in Iran and the Middle East, Brent crude price is expected to fluctuate around $65/bbl in 2025. Major uncertainties exist about the OPEC+ regime and the Chinese economy in addition to the impact of the incoming Trump administration's policies.

Oil supply and demand

4. Global oil demand in the third quarter of 2024 increased by 0.7 mb/d (0.7%) year-on-year (y/y) to 103.5 million b/d. As demand in China has been weakening, India and ASEAN are replacing China as the driver of oil demand growth.
5. Demand in China in the third quarter of 2024 decreased by 0.3 mb/d (1.6%) y/y to 16.6 mb/d. Demand was weakened by an economic slowdown and an increase in EVs and LNG trucks. China’s oil imports from Malaysia, which are reportedly dominated by Iranian oil, are increasing rapidly. If sanctions on Iran are toughened, however, imports from Malaysia may decrease.
6. Global oil supply in the third quarter of 2024 increased by 1.2 mb/d (1.2%) y/y to 103.3 mb/d. While the OPEC+ has maintained its production cut level, supply has been increasing faster than demand due to increased production in non-OPEC+ countries.
7. On December 5, the OPEC+ decided to extend the overall production cuts (2 mb/d)

and the voluntary production cuts (1.65 mb/d) by eight countries, including Saudi Arabia, until the end of 2026 and the additional voluntary production cuts (2.2 mb/d) by the eight countries until the end of March 2025. Even if the production cuts are maintained, the supply-demand balance will ease in 2025. As oil prices slip below the levels required for fiscal breakeven in major oil-producing countries, such as Saudi Arabia, whether the OPEC+ group will be able to maintain the production cuts is uncertain, given an increase in U.S. production and weakening discipline for production cuts within the group.

8. U.S. crude oil production in the third quarter of 2024 increased by 0.2 mb/d (1.8%) y/y to 13.25 mb/d. It has maintained moderate growth, concentrating in high-productivity wells. Demand in the third quarter of 2024 was stable, at 20.5 mb/d, up 0.13 mb/d (0.7%) y/y.
9. Apart from the macroscopic supply-demand balance in the crude market, attention should be paid to the impact of unbalanced demand for petroleum products on their supply-demand balance and oil refiners. Demand has declined for gasoline, which used to be highly profitable while remaining firm for naphtha and other products. Such changes have made it difficult for oil refiners to respond. Given the problem of aviation fuel shortage, Japan is required to improve the stability of petroleum product supply.

Oil Policy under the Trump administration

10. We will focus attention on policies like domestic upstream developments through deregulation of environmental standards, the potential additional sanctions on Iran, the possible suspension of U.S. support for Ukraine, and import tariff hikes. If effective sanctions are imposed on Iranian oil exports via third countries, it could lead to a tighter supply-demand balance and price rises. We must also pay attention to the impact of the Trump administration's Middle East policy on the stability of the region.

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