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Outlook for International Oil Market in 2025
- Uncertainties by Trump 2.0, OPEC+, and China's Economy -

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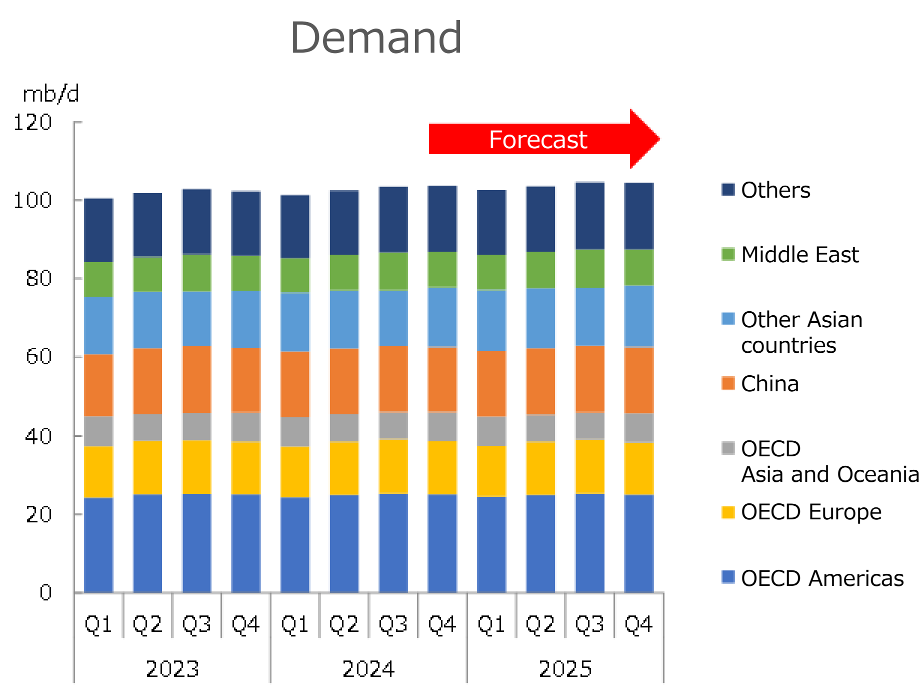
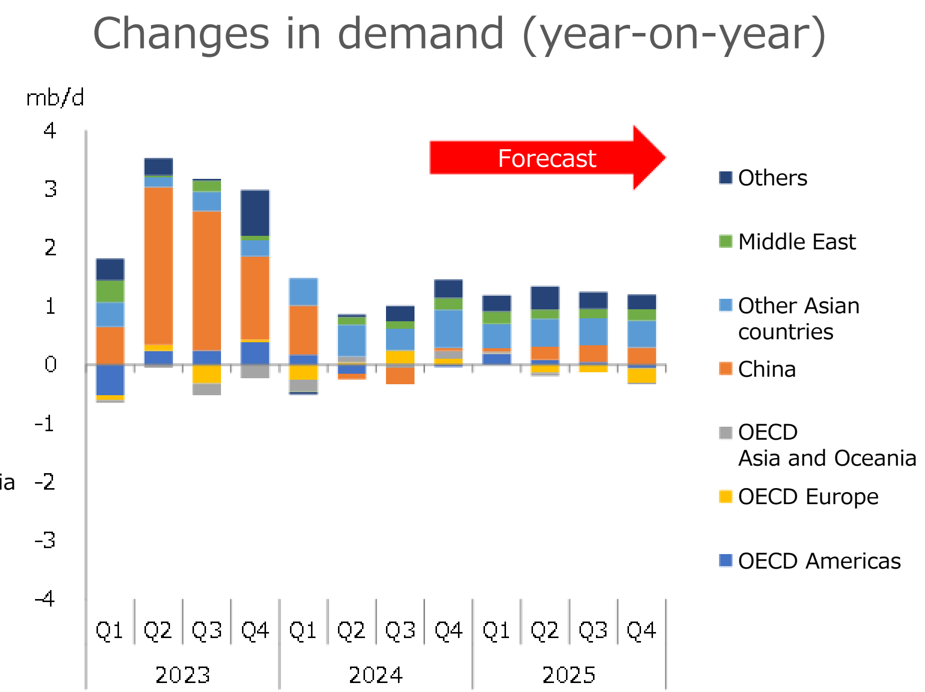
Key points of this report

- ✓ Global oil demand in 2025 will increase to 104.1 mb/d. Even if the OPEC+ group of oil-producing countries extends its current production cuts until the end of 2025, 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.
- ✓ 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.
- ✓ Without the turbulence of the situation in Iran and the Middle East and its impact, benchmark Brent crude prices are 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 demand

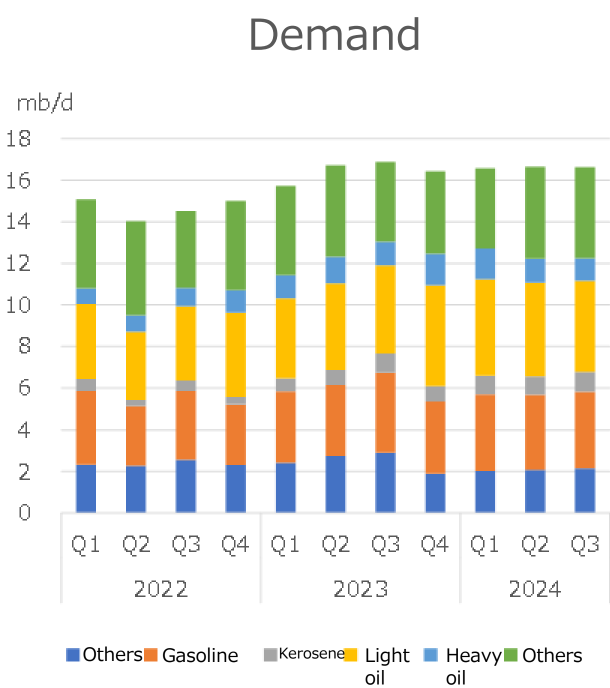


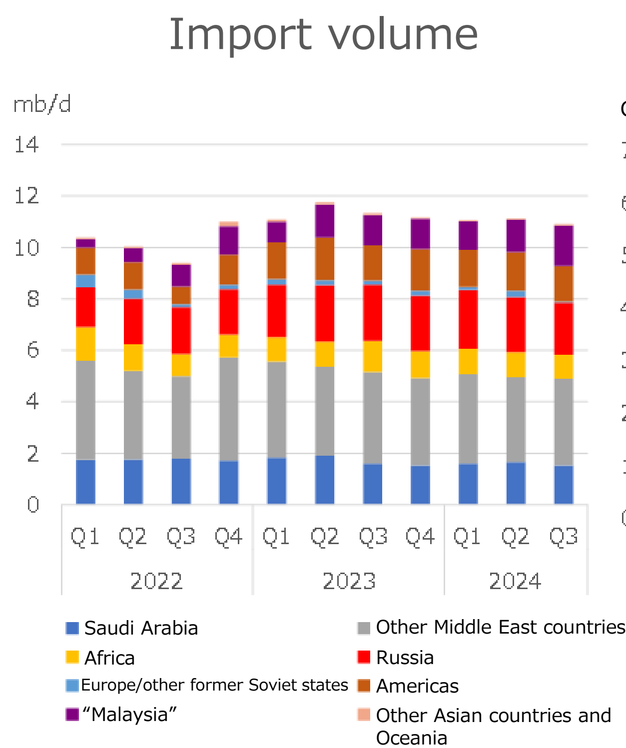


Sources: IEA, IEEJ

- Global oil demand in the third quarter of 2024 increased by 0.7 mb/d (0.7%) y/y to 103.5 mb/d. As demand in China has been weakening, other Asian countries (India and ASEAN) are replacing China as the driver of oil demand growth.
- Global oil demand in 2025 is predicted to increase by 1 mb/d (1.0%) from the previous year to 140 mb/d. China’s demand remains a major uncertainty.

China



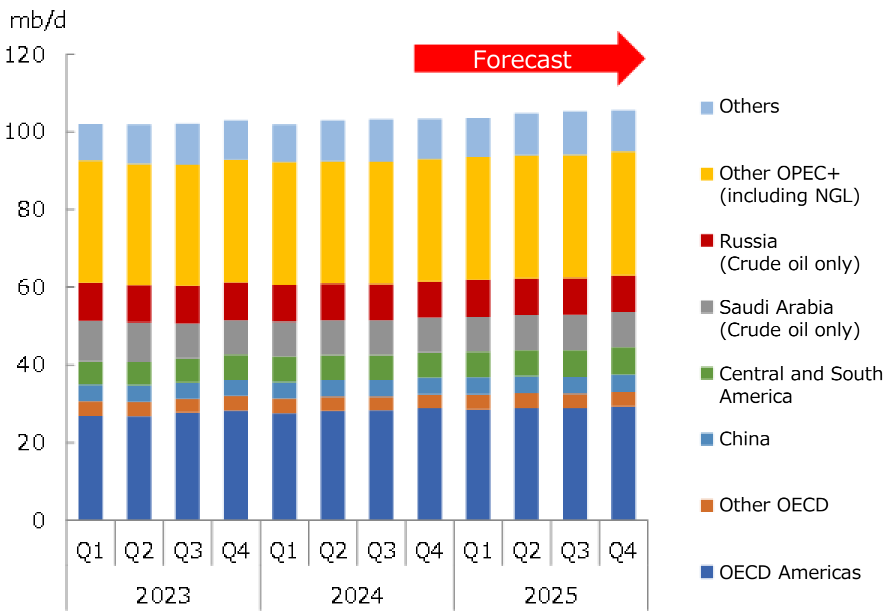


Sources: IEA, APEC, JLC

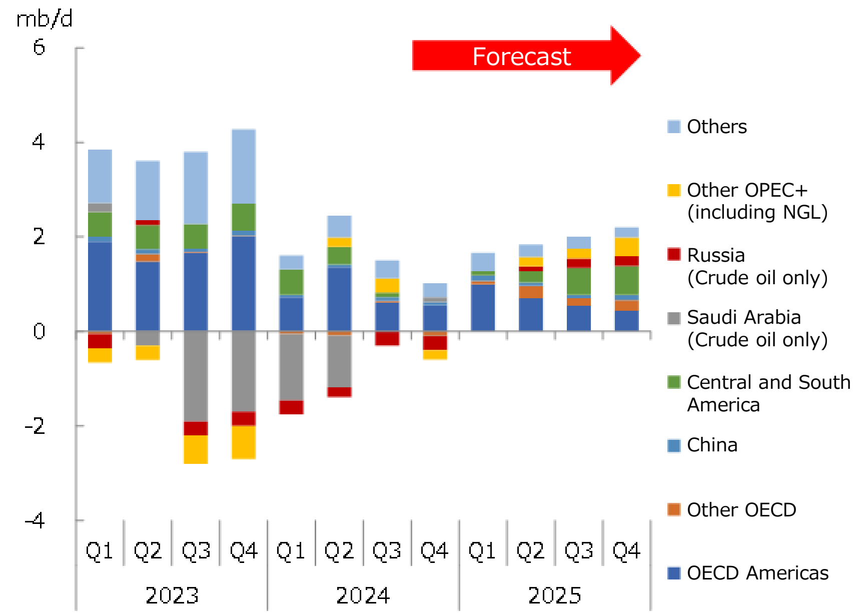
- Demand in the third quarter of 2024 decreased by 0.3 mb/d (1.6%) y/y to 16.6 mb/d.
- Demand was weakened by an economic slowdown and an increase in EVs and LNG trucks.
- Imports from Malaysia, which increased rapidly in the third quarter of 2024, may become uncertain if the United States toughens sanctions on Iran.

Oil supply

Production volume



Changes in production volume (year-on-year)



Source: IEA

- Global oil production 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, production has been increasing in non-OPEC+ countries, including those in the Americas.
- Oil production in 2025 is expected to increase by 1.8 mb/d (1.8%) y/y to 104.8 mb/d. While the OPEC+ is assumed to continue production cuts, non-OPEC+ countries' production expansion is expected to contribute to global production growth.

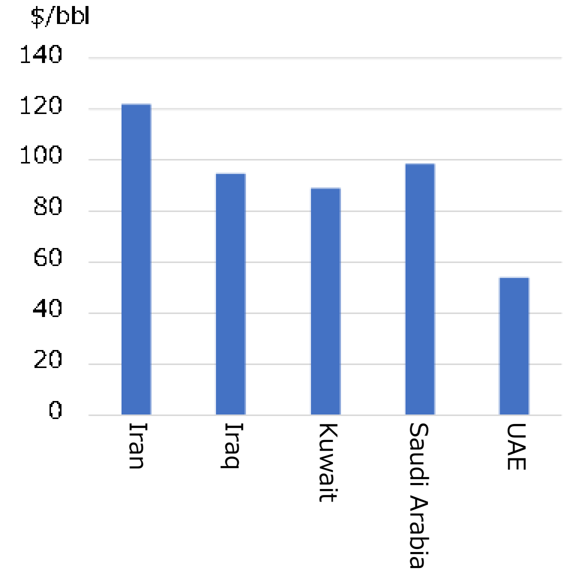
OPEC+ production cut regime

OPEC+ production targets (including voluntary cuts)

Unit:1,000 b/d

		Production target		Actual production
	Country	Oct. 2024 - Mar. 2025	Apr. 2025 – Dec. 2026	Oct. 2024
Voluntary production cut participants	Saudi Arabia	8,978	9,034 - 9,978	9,000
	UAE	2,912	2,938 - 3,375	3,230
	Kuwait	2,413	2,421 - 2,548	2,490
	Iraq	4,000	4,012 - 4,220	2,490
	Kazakhstan	1,468	1,473 - 1,550	1,280
	Algeria	908	911 - 959	910
	Oman	759	761 - 801	760
	Russia	8,978	9,004 - 9,449	9,200
Other production cut participants (11 countries)		5,075	5,196	4,603
	Total	35,491	35,750 - 37,631	33,963
Countries exempted from production cuts	Iran, Libya, Venezuela	Exempted from production cuts		5,250

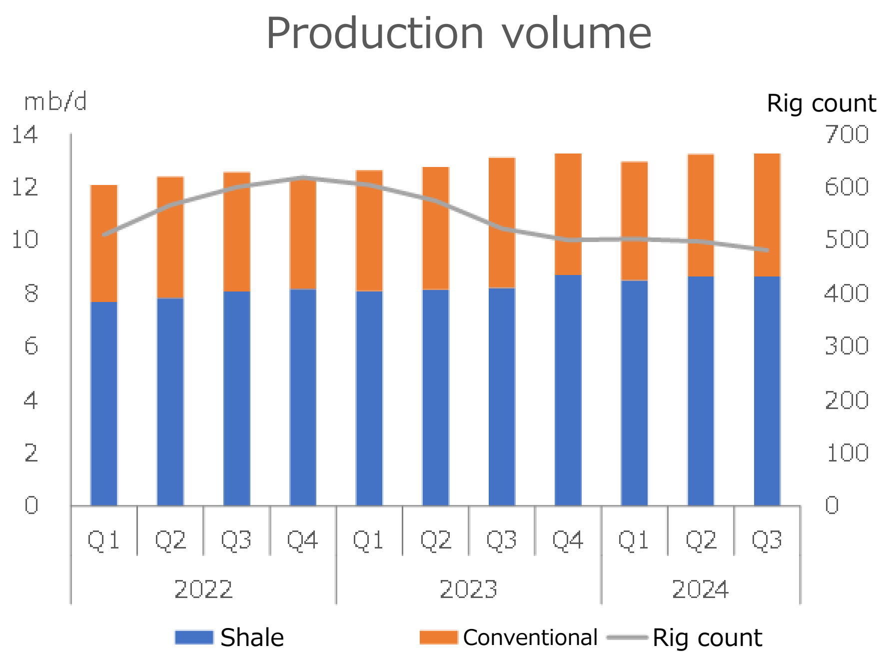
Fiscal breakeven oil prices for major Middle East oil-producing countries

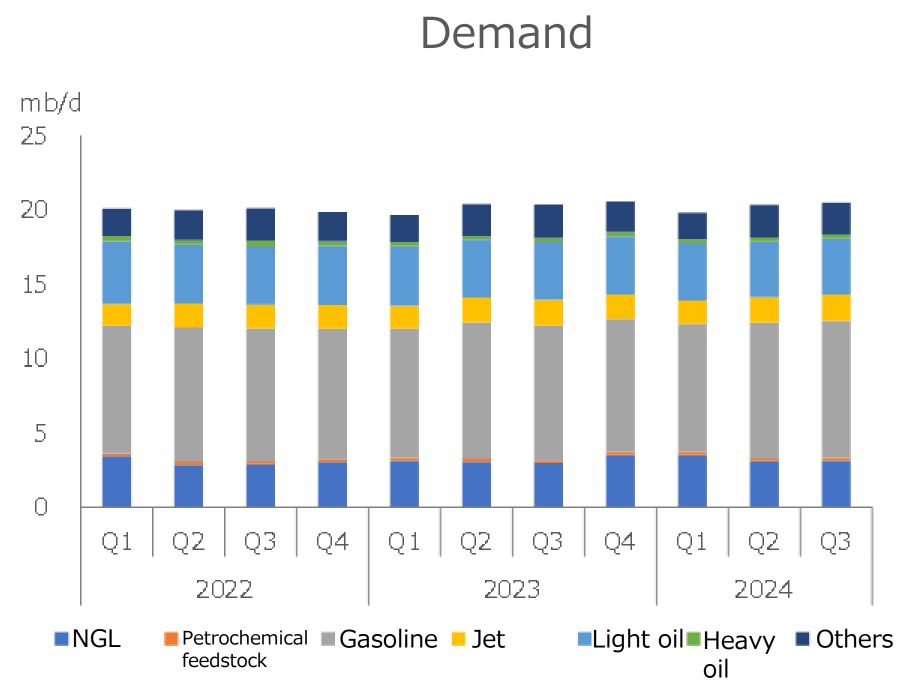


Sources: OPEC, IEA, IMF

- OPEC+ production cuts (2 mb/d) and 8 like-minded countries' voluntary production cuts (1.65 mb/d): Extended until the end of 2026
- The 8 countries' voluntary additional production cuts (2.2 mb/d): Extended until the end of March 2025 before gradual relaxation of cuts
- As oil prices slip below levels required for fiscal breakeven in major oil-producing countries, whether the OPEC+ will be able to maintain its regime is uncertain amid the view that the group could switch to production expansion to increase market shares.

U.S.





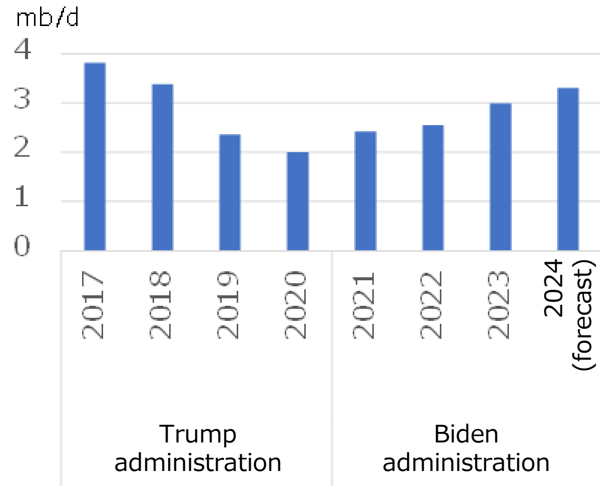
Source: EIA

- Crude oil production in the third quarter of 2024 increased by 0.2 mb/d (1.8%) y/y to 13.25 mb/d. Despite a rig count fall, the production maintains a moderate increase, concentrating on highly productive oil wells.
- Demand in the third quarter of 2024 was stable, at 20.5 mb/d, up 0.13 mb/d (0.7%) y/y.

Trump administration and oil

Domain	Policies
Exploration/ development	Deregulation of public land drilling
Oil consumption	Environmental deregulation
	Withdrawing EV support?
Foreign policy	Tariff hikes on Chinese products
	Stronger sanctions on Iran?
	Suspending support for Ukraine ?

Iran's oil production

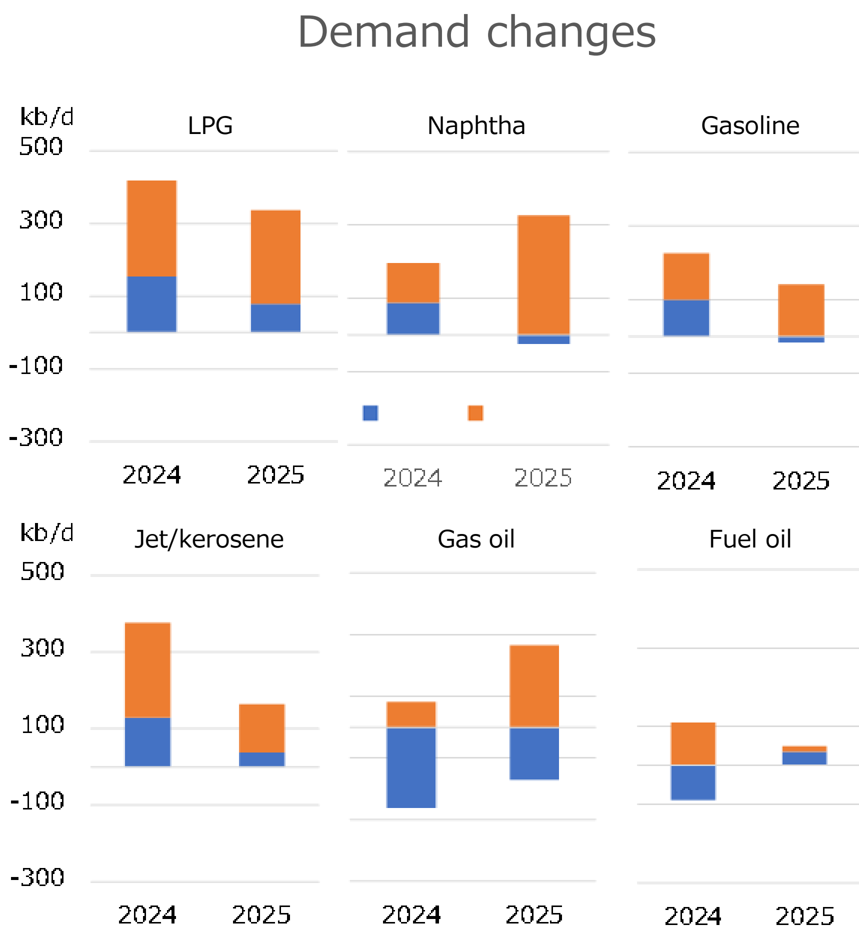


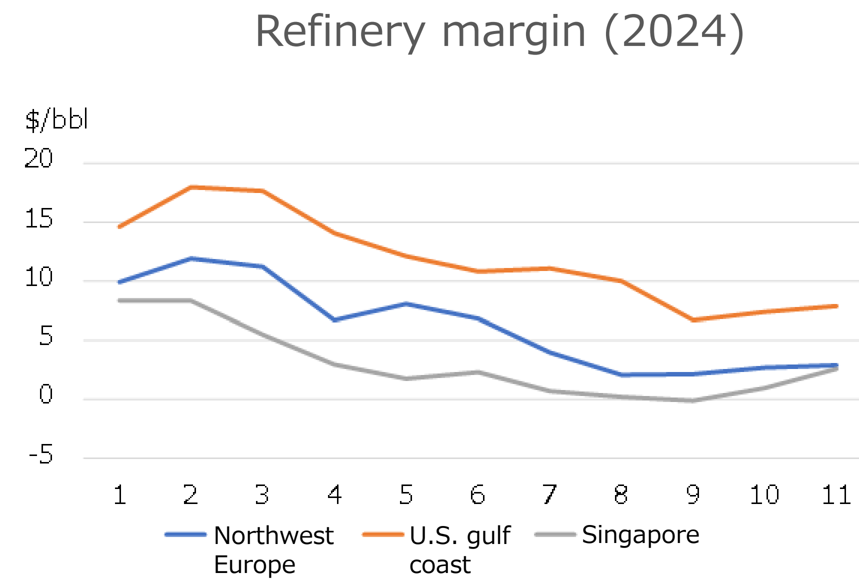
Ukraine War

Sources: IEA, Institute for the Study of War

- The impact of the Trump administration's policies is a major uncertainty for the oil market.
- Trump will pursue "energy dominance." Despite Trump's promotion of domestic oil development and consumption, any oil production increase in 2025 may be limited due to weakening prices and less economic efficiency.
- 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 Middle East.

Petroleum products market



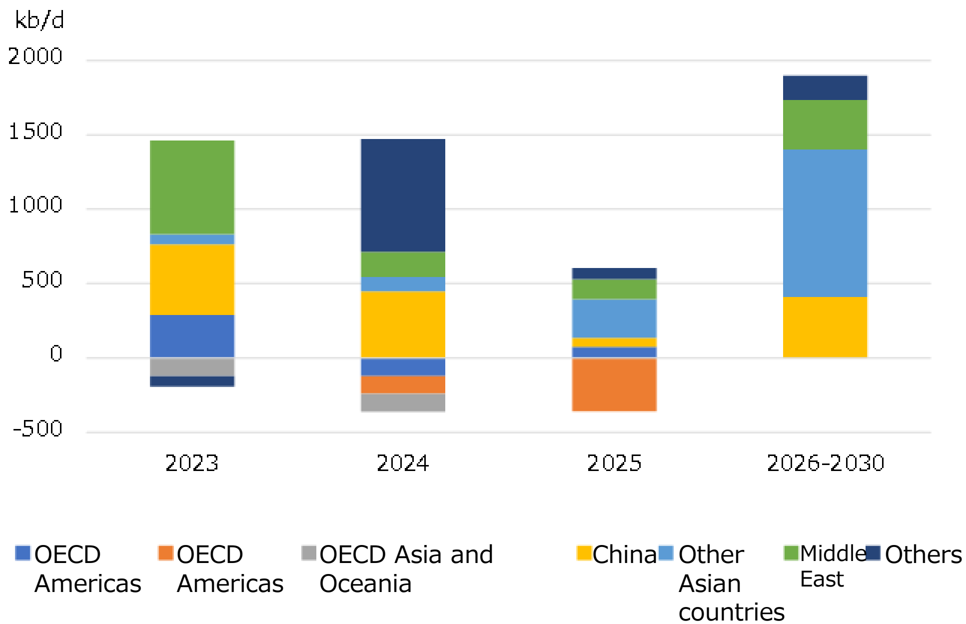


Source: IEA

- A decrease or deceleration in OECD demand especially for gasoil and fuel oil.
- Refinery margin in major markets are deteriorating due to a demand deceleration and the start of new refineries
- Demand has declined for gasoline, while remaining firm for naphtha and other products. Such changes have made it difficult for oil refiners to respond.

Stable petroleum products supply

Outlook for oil refining capacity changes



Action Plan to address aviation fuel supply shortages (excerpts)

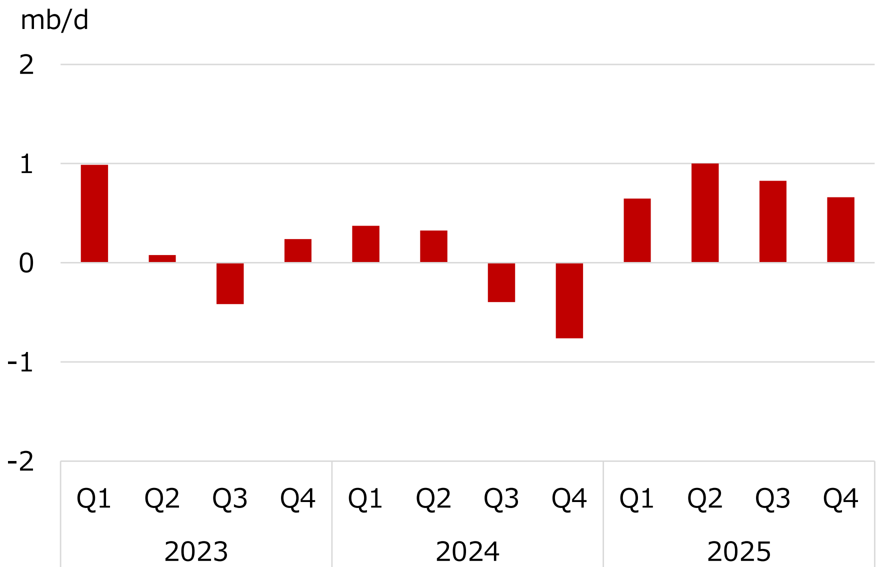
<table>
<tr><th colspan="6">Short-term measures</th></tr>
<tr><td colspan="2">Grasping demand quantity</td><td colspan="2">Securing supply capacity</td><td colspan="2">Strengthening the transportation system</td></tr>
<tr><th colspan="6">Medium to long-term measures</th></tr>
<tr><td colspan="3">Increasing tank capacity</td><td colspan="3">Increasing lorry and tanker transportation capacity and updating loading facilities</td></tr>
<tr><th colspan="6">Future measures</th></tr>
<tr><td colspan="3">Following up improvements (quarterly)</td><td colspan="3">Considering further improvements</td></tr>
</table>

Sources: IEA, Ministry of Economy, Industry and Trade (right table)

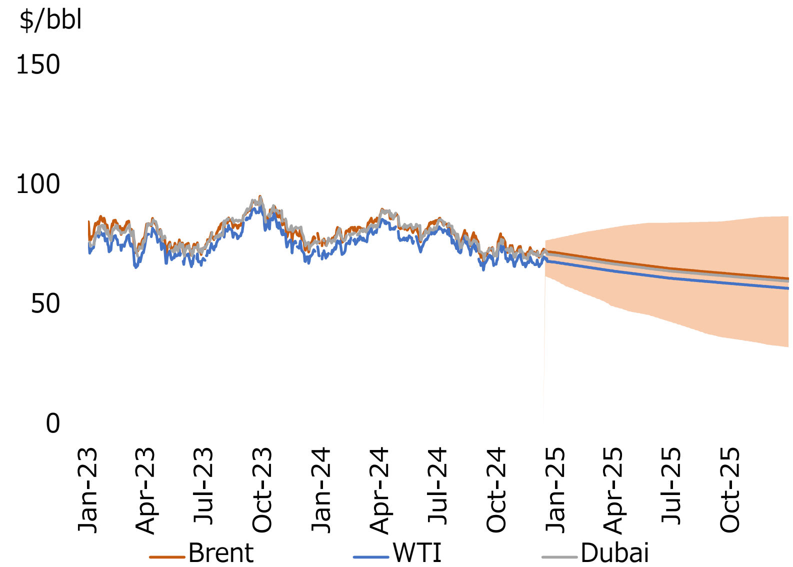
- While global oil refining capacity growth meets demand, the non-OECD share is increasing. Japanese and European oil refiners are required to respond to decreasing gasoline demand.
- Given aviation fuel shortages, the oil refining sector as well as the transportation sector in Japan is required to stabilize petroleum product supply.

Oil supply-demand balance and price outlook for 2025

Supply-demand balance



Prices



Sources: IEA, CME, ICE, IEEJ

- Even if the OPEC+ continues its present production cuts until the end of 2025, the year may see an oversupply.
- Brent price is expected to fluctuate around $65/bbl in 2025. While oil prices slip below the levels required for fiscal breakeven in major oil-producing countries, such as Saudi Arabia, it is not easy for the OPEC+ to expand production cuts.
- Major uncertainties include the Trump administration’s policies, the OPEC+ regime, and the Chinese economy.

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