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Outlook for International Oil Market in 2026
- Over supply and geopolitical risks -
< Summary >

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International oil market in 2026

1. Global oil demand is expected to continue growing at a moderate pace in 2026. However, global oil supply is also projected to keep expanding, driven mainly by production increases from non-OPEC+ producers. As a result, the overall market balance is expected to remain in surplus.
2. Under this supply–demand environment, downward pressure on crude oil prices is likely. Brent crude price in 2026 is expected to center around $55/bbl. However, oil prices could fluctuate significantly depending on factors such as global economic conditions, OPEC+ production policies, and geopolitical risks.

Oil demand

3. Global oil demand increased by 1.1 mb/d (1.0% y/y) to 105.1 mb/d in the third quarter of 2025. Demand growth in Asia has been modest, and the overall pace of global demand growth has slowed. Demand in 2026 is forecast to rise by 0.96 mb/d (0.9% y/y) to 104.9 mb/d.
4. China's oil demand increased by 0.28 mb/d (1.7% y/y) to 17.09 mb/d in the third quarter of 2025. Due to US sanctions, imports of crude oil from "Malaysia" - which is believed to consist largely of Iranian crude - have declined, and imports from Russia are also expected to decrease. While US-China tensions have temporarily eased following the leaders' summit in November, a renewed escalation could further slow economic growth and weigh on oil demand.

Oil supply

5. Global oil supply increased by 4.7 mb/d (4.6% y/y) to 108.1 mb/d in the third quarter of 2025. In addition to OPEC+ production increases, output in the Americas has been strong, resulting in a significant rise in production. Even after factoring in a decline in Russian exports, global production in 2026 is forecast to increase by 1.0 mb/d (1.0% y/y) to 107.2 mb/d.
6. OPEC+ shifted to a production increase in April 2025. While production was raised at a faster-than-planned pace through September, the group decided in October to halt production increases for the first quarter of 2026, a decision reaffirmed at the November 30 meeting. If OPEC+ is unable to

resume production increases from the second quarter of 2026, countries with strong incentives to raise output - such as the UAE and Iraq - may push back, potentially undermining compliance with production agreements.

7. US crude oil production increased by 0.41 mb/d (4.0% y/y) to 13.78 mb/d in the third quarter of 2025. Although production growth has been maintained, current WTI prices are below the average production cost of US oil. As a result, further production increases are likely to be difficult, and US crude output in 2026 is forecast to remain flat at 13.5 mb/d, unchanged from 2025.

Geopolitical risks

8. Geopolitical risks for the oil market intensified in 2025. In April, escalating the US-China trade tensions led to a sharp decline in oil prices, while in June, attacks on Iran by Israel and the US temporarily pushed prices higher. In October, the US, the UK, and the EU tightened sanctions on Russia, and in December, the possibility emerged that the US could launch a military attack against Venezuela. Sanctions or attacks on oil-producing countries are upside risks for prices, while a renewed escalation of the US-China tensions would be a downside risk.
9. In particular, uncertainty surrounding Russia's oil exports remains high. Due to tighter sanctions, Russia's oil exports declined by 0.42 mb/d m/m to 6.86 mb/d in November 2025. Russian exports in 2026 are assumed to decline by 0.5-1.0 mb/d from the November 2025 level. Conversely, exports could recover if a ceasefire agreement in Ukraine is reached.

Oil market balance and price outlook

10. Even after accounting for the assumed decline in Russian exports, production growth is expected to exceed demand growth, resulting in an average supply surplus of 2.3 mb/d over the full year 2026.
11. Against the backdrop of persistent surplus pressure, Brent crude prices in 2026 are expected to center around $55/bbl.
12. Key uncertainties include geopolitical risks involving Russia and other oil-producing countries, China's oil demand in light of potential renewed US-China tensions, and OPEC+ production policy from the second quarter of 2026 onward.
13. If Russian exports decline more sharply than assumed and supply disruptions occur in Iran or Venezuela, the central price level could rise by around $10/bbl. Conversely, a Ukraine ceasefire, renewed US-China tensions, or additional OPEC+ production increases could push prices down by around $10/bbl.

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