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Gasoline Price Prediction 2023—2030: What Will Gas Price Be in Next 5 Years?

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In its future gasoline price prediction for 2023, Trading Economics projected the fuel to trade at \$2.59/gal by the end of this quarter, and \$2.92/gal in 12 months.

In early June 2022, U.S. unleaded gasoline blendstock (RBOB) futures traded on the Chicago Mercantile Exchange (CME) soared to a record high of \$4.33/gal. As of January 2023, however, the price has dropped about 47% from this peak, on worries about a slowing economy that is denting demand and piling inventories.

On 14 June 2022, retail gasoline prices in the US also surged to a record of \$5.016/gal, according to the American Automobile Association (AAA) — their all-time high since the AAA began collecting pricing data in 2000, the association said.

The risk of a global recession has risen as it has become clear that central banks in developed economies are adamant about continuing to raise interest rates to tame stubbornly high inflation rates. Recession fears and headwinds from rising interest rates continue to weigh on the outlook for gasoline demand.

High oil prices have started to dent consumption and the international Brent crude benchmark has eased to around \$79 a barrel (bbl) in January 2023 from \$139 in March 2022, on concerns that monetary policy tightening by central banks would spur recession, denting demand.

However, an expected rebound in China's energy demand, as the country has lifted all Covid-19 restrictions on travellers since 8 January 2023, may help to cushion slumping demand from developed markets.

In this article, we look into factors that are likely to continue to drive gasoline demand and explore the future gasoline price prediction for 2023 and beyond.

Gasoline (USD/Gal) Price Performance, 2017-2022



Source: TradingEconomics

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What's affecting the gas price: why is gasoline falling?

RBOB gasoline futures opened 2022 strong at the \$2.25/gal level in early January and continued to surge following Russia's invasion of Ukraine on 24 February.

On 8 March, the futures soared to a new all-time high of \$3.83/gal after the US, the UK and the European Union announced a ban on Russian energy imports as a sanction for the country's invasion of Ukraine.

The announcement caused the Brent crude oil benchmark, the largest component of the gasoline price, to hit \$139 a barrel. According to the US Energy Information Administration (EIA), crude oil cost 54% the price of a gallon of gasoline in October. Refining charges accounted for 22% of the fuel's value, with taxes, distribution and marketing accounting for the remaining 24%.

"The gasoline price benchmark surge is driven by elevated crude oil prices and widening gasoline crack spreads on the back of diminishing refining capacity," wrote Dominika Rzechorzek, an oil and gas analyst at Fitch Solutions.

"The most significant bullish factor currently impacting oil prices is the ongoing fallout from the Russia-Ukraine conflict. Prices have stayed elevated in the wake of Russia's invasion of Ukraine, reflecting supply disruptions stemming from the conflict itself, as well as Western sanctions in place on Russia."

Crack spreads are the price differences between wholesale petroleum products and crude oil. They are frequently used to calculate refining margins. Gasoline crack spreads have grown to average \$50.1/bbl in May-June 2022 from \$17.2/bbl in 2021, driven by diminishing refining capacity, according to Rzechorzek.

On the demand side, gasoline demand increased sharply as Covid-19 restrictions were lifted and reached just above 2019 levels at 10.4 million barrels per day (mb/d) by June, according to ANZ Research's senior commodity strategist Daniel Hynes and commodity strategist Soni Kumari in a note on 3 November.

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Tight supply offsets consumption of soft oil

Oil prices and fuel prices have retreated over the past few months. The Brent crude price has eased since last March to around \$79.71/bbl at the time of writing on 24 February 2023, dropping about 7.2% year to date (YTD).

According to the AAA, retail gasoline prices in the US have also dropped about 34.5% to \$3.285/gal in January this year from their all-time high of \$5.016/gal recorded last summer.

According to Fitch Solutions, global oil supply will improve but markets will remain tight through 2023, with only moderate relief from high prices punctuated by bouts of volatility. The firm's analysts wrote on 5 December 2022:

"Fears of a decline in supply due to a restrictive price cap on Russian crude are easing, and loss of supply stemming from Europe's ban on seaborne crude is expected to be manageable. Despite production cuts from OPEC+ and tempered US shale growth, on balance we expect markets will be kept from tipping back into undersupply, as consumption eases, allowing for stocks to rebuild and paving the way for lower prices."

IEA, in its December oil market report, forecast oil demand growth could slow to 1.6mb/d in 2023, from 2.3mb/d in 2022 as economic headwinds mount. World oil consumption was expected to reach 101.6mb/d in 2023.

On the supply side, crude oil supply growth is expected to slow to just 770kb/d in 2023, compared to 4.7mb/d gains in 2022, as the EU ban on Russian crude imports and the G7 price cap come into effect.

According to ANZ Research, OPEC+’s production cut and the EU’s sanctions on Russian oil could remove 2.5mb/d of oil supply from the market over the coming months, which would keep the market tight.

“The oil market is in a fundamentally stronger position than it has been in previous economic downturns. Stocks are relatively low and ongoing supply issues should offset the slowing growth in demand,” according to Hynes and Kumari.

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China’s crude demand returns to the market

Global economic headwinds were expected to slow demand growth for oil and gas in 2023, dragged down by economic downturns in developed markets due to high interest rates and inflation. According to Fitch Solutions, total fuel consumption in developed markets will rise at a 0.5% annual rate in 2023.

In contrast, emerging markets will provide the bulk of growth in fuel consumption for 2023, in line with a stronger economic performance, the firm added.

The expected rebound in China’s energy demand after it ended its three years in Covid-19 self-isolation was expected to cushion the fall in global energy demand. Fitch Solutions projected China’s gross domestic product (GDP) growth at 5% for 2023, faster than global economic growth of 2%.

“The return of China’s crude demand to markets from both higher internal domestic consumption and increased exports of refined fuels will help buoy global fuel consumption growth for 2023. We forecast China’s fuel consumption to grow by 5.0% in 2023 in line with the strong return to growth expected,” the firm stated.

China has scrapped Covid-19 nucleic acid tests for international arrivals starting from 8 January. The country is gradually increasing the number of flights and optimise the distribution of routes.

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Gasoline price prediction | Analysts say

In a recent note , analysts at Fitch Solutions wrote that while gasoline prices have come off their highs, they would remain elevated above historic averages. Consumption growth in emerging markets was expected to offset declines in developed markets, while low inventories globally and a continued lack of new refining capacity growth will contribute to a tight fundamental outlook, albeit much improved from earlier this year.

The firm stated that there are several risks to its gasoline price forecast, but they are skewed to the downside due to the emerging effects of the broader macroeconomic slowdown.

“Although, not our core view, a more severe economic downturn would further reduce gasoline consumption and pressure prices lower. In addition, sustained high inflation in 2023 would force central banks to continue raising interests further, deepening the economic impacts of lower growth in economic activity and fuel consumption,” analysts at Fitch Solutions.

China’s emergence from its zero-Covid policy will also impact gasoline consumption, but the country’s demand could be much lower than expected, the company added.

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Gasoline price prediction 2023

The EIA’s gasoline price forecast for 2023 saw the fuel retail price averaging \$3.51/gal in 2023, down from \$3.99/gal in 2022 as inventories build up, limiting upward pressure on prices, according to the agency’s short-term energy outlook released recently.

Fitch Solutions revised downward its RBOB gasoline price prediction for 2023 to \$2.70/gal from \$2.90 in its previous forecast.

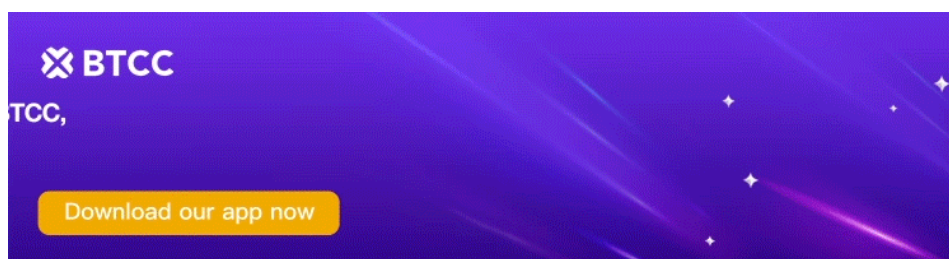
“With several of the largest markets for gasoline consumption expected to experience a sharp economic slowdown or out-right contraction in 2023, a softening outlook for gasoline demand supports our view for a decline in annual average prices,” noted the firm’s gasoline price forecast in November 2022.

As of 24 February, in its future gas prices predictions 2023, Trading Economics projected the fuel to

trade at \$2.59/gal by the end of the first quarter of 2023. The economic data provider forecast gasoline to trade at \$2.92/gal in 12 months.

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Gasoline price forecast for long term

The EIA and Fitch Solutions did not offer gasoline price forecast for long term.

Wallet Investor, an algorithm-based price forecasting service, can generate a longer-term gasoline futures price forecast based on historical data. According to the company's forecast system, RBOB gasoline futures is a very good long-term investment.

RBOB gasoline futures were expected to trade at \$2.793/gal by December 2023, according to Wallet Investor's gas price prediction for 2023 as of 24 February. The service's gasoline price prediction for 2025 saw the fuel to rise to \$3.790/gal by December 2025, and to \$4.789 by January 2028.

A gas price forecast 2030 is not available due to uncertainty in crude oil prices and the overall global

economic outlook over a longer period of time.

When considering analysts' gasoline price forecasts, it's important to bear in mind that forecasts are not immune to changing circumstances and will be updated with new situations. You should always do your own research, considering all relevant market conditions before making an investment.

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Impact of Renewable Energy on Gas Prices

The increased cost of gasoline has brought attention to the West's reliance on fossil fuels. This fresh understanding has increased people's enthusiasm for green energy projects.

The Biden administration has announced plans to promote American solar production with a \$82 million investment. Boosting domestic production of renewable energy sources is a priority for Vice President Biden.

The United States has also committed to expanding the manufacturing capacity for electric vehicles and the supporting infrastructure. Two of these include increasing the availability of electric vehicle charging stations across the country and getting major automakers to increase their EV sales to 50% by 2030.

Competition in the energy sector, which has long been dominated by crude oil and other fossil fuels, is sparked by this interest in renewable energy. As more countries adopt alternative energy options, increased competition could lead to a decrease in the price of crude oil.

These data lend credence to optimistic forecasts for gas prices over the next five years. Some analysts, however, believe that OPEC would fight this shift by supporting crude oil prices.

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Predictions for Gasoline Prices Continue to Alter

Predicting gas prices for the next five years is extremely challenging in light of the current global situation. Despite short-term predictions of lower gas prices as the market stabilizes, they are expected to remain high as China's grip on the global economy tightens and Russia's aggressiveness in Ukraine continues.

As investments in renewable energy begin to pay off, the price of crude oil is expected to rise. Although we can hold out hope that costs will remain manageable, it's possible that they will set new highs over the next five years and beyond.

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FAQs

Is gasoline a good investment?

Fitch Solutions and ANZ Research projected gasoline demand to soften in 2023 due to expected slowing economic growth in developed countries. This could hit the price and lead to potential losses. On the other hand, based on the historical data, algorithm forecasting service Wallet Investor predicted that RBOB gasoline futures should be a very good investment for long-term.

Will gasoline price go up or down?

Nobody knows for certain. The gas prices are expected to fall in the medium term, according to the US EIA, Fitch Solutions and Trading Economics, as the global economy slows and inventories rise.

Do note, however, that analysts' views and forecasts are not a substitute for your own research and due diligence.

What will the price of gasoline be in 2023?

The EIA forecast that the retail gasoline price would average \$3.51/gal in 2023, down from \$3.99/gal in 2022. Fitch Solutions predicted the gasoline price to stand at \$2.70/gal in 2023, while Wallet Investor expected the fuel price to reach \$2.793 by December 2023.

Will gasoline ever run out?

As gasoline is produced from crude oil and other petroleum liquids, its availability is directly linked to the supply of oil. In early 2021, Swiss-based energy company MET Group predicted global oil reserves to last another 51 years. Other sources suggest that the planet will run out of fossil fuels

much sooner. Much will depend on how quickly countries transition to clean energy.

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