Oil Prices Forecast for 2023 and Beyond: Will Brent Crude Oil Go Up?

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If you're looking for the future oil prices forecast and want to know what the oil price will be in 2023 and beyond, you're in the right place. In this article, we will dive into the oil prices forecast for both short term and long term.

Oil prices rose in the first two weeks of 2023, up 11% to 31 January, yet continuing hovering around the levels seen before Russia's invasion of Ukraine in February 2022.

Conflicting supply-and-demand factors have added to the uncertainty of oil price forecasts. Fears of a recession have intensified in both the US and Europe, which could hurt oil demand.

The actions of the world's central banks, which have repeatedly hiked interest rates to fight surging inflation, along with an economic slowdown in China, have also influenced the prospects of falling demand for the commodity.

In addition, extended sanctions against Russian oil exports – most recently a G7 $60 price cap on Russian crude oil – have led to uncertainty about supply from the world's second-largest producer.

With so many factors pulling the prices of Brent crude oil and West Texas Intermediate (WTI) in different directions, will oil prices regain momentum in 2023? Here we look at the factors affecting oil price movements, as well as the latest oil price forecasts from analysts.

What are WTI and Brent crude oil?

West Texas Intermediate (WTI) and Brent are both high-quality, light, sweet crude oils with low density and sulphur content. Refiners prefer light oil because it is easier to distil, refine and transport.

Brent and WTI are the world’s two major oil markets. Brent crude oil is extracted from the North Sea and WTI is extracted in the US, primarily from Texas.

Despite having a lower sulphur content than Brent crude, WTI oil is typically cheaper than Brent. This is because Brent’s key supply resource – North Sea oil fields – will be depleted long-term. North America, on the other hand, is raising WTI production from shale and oil sands.

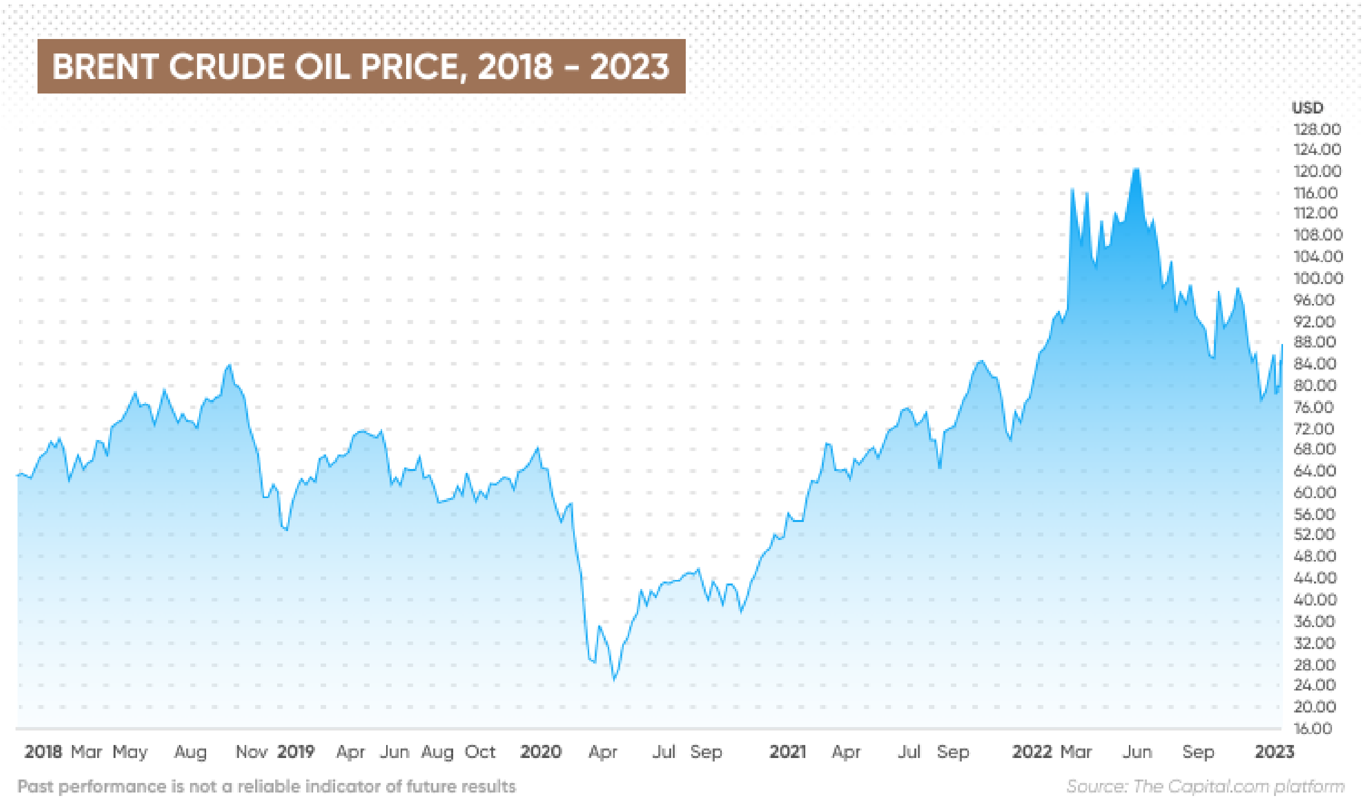
Crude oil futures are traded on commodity exchanges: Brent trades on the Intercontinental Exchange (ICE), while WTI trades on the New York Mercantile Exchange (NYMEX).

How was oil traded in 2022?

In the first six months of 2022, the price of the international benchmark Brent crude oil price was hit by the Russia-Ukraine war and fears that a possible global recession would dent demand.

After trading at $77/bbl to $79/bbl in the last weeks of December 2021 and early 2022, Brent spiked to $100 in mid-February following Russia’s invasion of Ukraine. On 7 March, it rose to $139.13 in response to US President Joe Biden’s ban on Russian fossil-fuel exports.

The surge did not last long. Brent dropped below $100 by mid-March amid worries over demand after China, the world’s largest oil importer, imposed strict Covid-19 lockdowns.



The price of US-produced WTI has been catching up with Brent in 2022 on the prospect of rising demand for US crude as buyers were looking for alternatives to Russian oil.

In early January 2022, WTI oil price was trading at $76/bbl compared to $79/bbl for Brent. On 7 March, WTI crossed above $130/bbl, trailing Brent after the US announced a ban on Russian energy imports, including oil and petroleum.

Similar to Brent, the WTI oil price gradually retreated below $100 in mid-March over concerns that fresh Covid-19 lockdowns would dent demand from China. The downtrend was short-lived as tight global supply still hit the oil market. WTI rebounded above $100 and advanced to $123.68 on 14 June 2022 before giving up its gains.

Brent reached $125 a barrel on 14 June – for the first time since 9 March – with tight supply trumping worries about sluggish global economic growth.

By the end of 2022, oil prices moderated to below the levels seen before the Russian invasion of Ukraine as recession hurt market sentiment. Yet this may be reversed as China's economy is reopening which could boost global demand, according to Sophie Lund-Yates, lead equity analyst at Hargreaves Lansdown. She said on 17 January:

"There are increased recessionary fears which are winning the battle for market sentiment. The World Economic Forum, World Bank and major US companies have raised concerns about the global outlook. At the same time, China's latest GDP shows the economy grew by more than expected, rising 2.9% in the fourth quarter, against 1.8% expected, which will have boosted demand predictions, which may have stemmed some of the oil price decline."

Russian oil sanctions

The EU has banned imports of all seaborne Russian crude oil and petroleum products, which make up 90% of the block's current oil imports from the country. The ban is part of wider international sanctions on Russia over its invasion of Ukraine.

In an effort to limit the upward pressure on global oil prices, G7 countries verbally agreed to implement a price cap on Russian crude and petroleum products in early September, implementing the squeeze in early December.

At the current price cap level, Russia would earn oil export revenues of about $10bn-$15bn a month, Bob Yawger, director of energy futures at Mizuho in New York, told Reuters in December 2022 – far lower than over $21bn a month, which Moscow earned in June according to an estimate from the International Energy Agency (IEA).

Daniel Hynes, a senior commodity strategist at New Zealand bank ANZ, commented on 8 December that newly implemented European sanctions on Russian oil have had little impact on the oil market so far. He noted:

“A growing number of oil tankers have been halted near the Turkish Strait after an insurance wrangle prevented some from passing through the country’s waters. Russia also reiterated that it sees the price cap having limited impact on production.”

Meanwhile, IEA’s Oil Market Report 2023 showed that Russian oil exports fell by 200 kb/d month-on-month in December 2022, to 7.8 mb/d, “as crude shipments to the EU declined after the EU crude embargo and G7 price cap came into effect”. Meanwhile, Russian oil revenues slip by $3bn month-on-month to $12.6bn amid record discounts for Russian oil benchmark Urals.

Oil price forecast 2023 and beyond

Russia and China will be the key countries influencing the oil prices forecast in 2023, according to IEA, as the oil prices will be driven by the balance between the tightening Russian supply and China’s demand growth. The agency said:

“This year could see oil demand rise by 1.9 mb/d to reach 101.7 mb/d, the highest ever, tightening the balances as Russian supply slows under the full impact of sanctions. China will drive nearly half this global demand growth even as the shape and speed of its reopening remains uncertain.”

ANZ analysts noted on January that crude oil moved higher in the first weeks of 2023 “as OPEC set a more optimistic tone on demand”, adding:

“Potential supply losses from Russia and the reopening of China could see the market tighten quickly. Crude oil has also found some support from a weaker USD and growing expectations that central banks are nearing their end to aggressive rate hikes. Reports suggest the ECB is considering a slower pace of rake hikes than Christine Lagarde indicated in December.”

Brent oil prices forecast

In its oil price forecasts as of 31 January, ANZ research arm saw Brent crude oil price to trade at $105/bbl in March 2023, advancing to $115 in June, yet sliding down to $110 in September, and returning to $105 in December. In 2024, ANZ forecast the commodity to trade at $105 throughout March and June.

Meanwhile, Fitch Solutions, as of January 2023 commodity price assumptions, saw Brent oil averaging at $85/bbl in 2023, sliding to the average of $65 in 2024. Their oil price forecast for 2025 saw the commodity trading at $53 in the year, remaining at the same level in 2026.

The US Energy Information Administration (EIA) expected Brent crude oil to average $83.1 in 2023 and $77.57 in 2024, as of 31 January.

Economic data provider TradingEconomics, in its short-term Brent crude oil price forecast as of 31 January 2023, projected Brent to average $88.56/bbl by the end of the first quarter of 2023. The website’s oil predictions saw Brent trading at $98.85/bbl in January 2024.

WTI oil prices forecast

In terms of the WTI crude oil price forecast, ANZ Research saw the US benchmark trading in a similar pattern as Brent: rising to $104 in March 2023, and to $114 in June, before sliding to $109 in September and $104 in December. In 2024, the bank expected WTI to trade at $104 in both March and June.

Fitch saw the US benchmark oil price averaging at $81/bbl in 2023, dropping to $62 in 2024. The agency saw WTI trading at around $50 throughout 2025 and 2026.

Meanwhile, IEA expected WTI to average at $77.18 in 2023 and $71.57 in 2024, as of 31 January.

TradingEconomics expected WTI to trade at $83.04 by the end of the first quarter of 2023, rising to $93.31 by January 2024.

Analysts did not provide oil price forecasts for 2030 as market volatility makes it increasingly difficult to make long-term forecasts.

Oil Prices Forecast: Bottom line

Please note that analysts' forecasts may be wrong and should not be used as a substitute for your own research.

It's essential to always conduct your own due diligence before trading, looking at the latest news, a wide range of commentary, fundamental and technical analysis.

Keep in mind that past performance does not guarantee future returns, and never trade more money than you can afford to lose.

FAQs

Is oil expected to go up or down in 2023?

Russia and China will be the key countries shaping the oil price forecast in 2023, according to IEA, as the oil prices will be driven by the balance between the tightening Russian supply and China's demand growth. Most analysts said oil demand will grow significantly in the second half of 2023, driven by the easing of COVID-19 restrictions in China and by central banks adopting a less aggressive approach on interest rates.

What is the future of oil 2023?

US investment bank Goldman Sachs expects Brent crude oil to trade at $105/bbl by the fourth quarter of 2023, driven by a solid growth in global oil demand. It expected oil demand to grow by 2.7 million barrels per day this year and suggested that the market would be back in a deficit in the second half of 2023.

What is the price prediction for WTI?

For the long term, Fitch said it expects the WTI crude oil price to trade at around $50 throughout 2025 and 2026.

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