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### **Oil Prices Edge Higher As Supply Risks Mount: Crude Oil Price Analysis & Forecast For 2024 And Beyond**

As an important economic resource, Crude oil provides a large amount of energy for transportation and feedstock for manufacturing.

Over the past few years, the crude oil market has experienced tremendous volatility, making energy investors wonder whether crude oil is a wise investment for the time being. In addition, the energy conflict between Russia and Ukraine, as well as the intensification of the Israeli-Palestinian conflict, also raised concerns about whether the war will push up oil and commodity prices.

In this article, we explore the factors that are likely to continue to drive crude oil demand and research future crude oil price forecasts for 2024 and beyond.



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## [Latest News & Updates on Crude Oil](#)

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Oil prices rose in early Asian trading hours on Friday, rising for the third week in a row, as concerns about supply problems from escalating geopolitical tensions and weather-related disruptions offset signs of weak demand.

Brent crude futures for August settlement, which expire on Friday, jumped 15 cents, or 0.2% to \$86.54 a barrel by 0020 GMT. The Brent contract for September also rose 0.2% at \$85.44 a barrel.

U.S. West Texas Intermediate crude futures for August delivery rose 24 cents, or 0.3%, to \$81.98 a barrel.

Oil prices have shrugged off signs of weak demand in the United States, the biggest oil consuming nation, and edged higher as cross-border strains between Israel and Lebanon's Hezbollah escalated. A widening war in the Middle East could draw in countries like Iran, one of the top oil exporters in the region.

Oil supplies have also suffered pressure from weather-related disruptions which could worsen in the coming weeks. Heavy rains have caused Ecuador's production to dropped by 100,000 barrels a day over the past week, FGE Energy said on Friday.

Brent and WTI futures have gained 1.5% so far on a weekly basis.

## Why Crude Oil Price is So Volatile?

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Oil prices usually fluctuate dramatically as supply and demand for oil are inelastic or slow to respond to price changes. This is because oil is a kind of necessity and there are few alternative commodities. On the supply side, oil production takes years of capital spending before flowing. But when the oil starts flowing, operating costs are low.

Thus, when both demand and supply for a commodity are inelastic, large price fluctuations are needed to achieve small changes in consumption and production whenever supply and demand are out of balance. So, in the short term, oil is basically a very inelastic commodity for both supply and demand. This is the main reason why the price of crude oil is so volatile.

While energy prices tend to be highly volatile, the markets that determine prices are highly liquid, and market participants generally need to be well-informed, traders who lack extensive expertise should proceed with caution.

Markets are concerned that a war between Israel and Lebanon would quickly turn into a significantly escalated proxy war in multiple venues with Iran, potentially threatening future oil supply.

Those concerns intensified on Thursday after disappointing U.S. inventory data from the previous day had reduced demand optimism. On Wednesday, the U.S. Energy Information Administration (EIA) reported a 3.6-million build in oil inventory, against expectations of a 2.9-million-barrel build from analysts polled by Reuters. Gasoline stockpiles also saw a far greater build than analysts had been expecting.

On the demand front, rising U.S. crude stockpiles and weak gasoline consumption has kept a ceiling above oil prices. Government data this week showed an unexpected jump in crude inventories in the country as fuel demand weakened.

However, expectations of record travel over the July 4th weekend in the U.S. could lift gasoline demand and help draw stockpiles.

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## Factors affecting 2023 Crude Oil Price Movement

Oil prices surged above \$130 a barrel in March 2022, driven by supply concerns sparked by Russia's invasion of Ukraine and subsequent restrictions on oil imports imposed by Western countries. After trading at a high, its price gradually fell, and by the end of 2022, oil prices fell to a one-year low as fears of a recession hurt investor sentiment.

After entering 2023, oil prices still maintained a downward trend. Oil prices have fallen sharply since the peak in April 2023 after OPEC+ announcement of production cuts. Brent crude oil peaked at \$86.96 on April 12, but has since fallen more than 13% through May 22.

Before discussing the future outlook of crude oil prices, we need to know what factors affected oil prices in 2023? regards to this question, the answer is summarizes as below:

- **Sanctions on Russian oil**
- **OPEC+ production cut**
- **Concerns about Economy Downward**
- **Israeli-palestinian Conflict**

## International Oil Price Forecast

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Analysts have mixed forecasts for oil price due to waning effect of OPEC+ production cuts and concerns about a global recession.

### Brent Crude Oil Price Forecast

Morgan Stanley has raised its Brent crude oil price forecast for the third quarter of this year by \$4 per barrel to \$94, citing geopolitical risks. "That the degree of geopolitical risk in key oil producing regions has increased recently seems clear and uncontroversial," the bank said in a note cited by Reuters.

And ING's oil price forecasts show the commodity would be traded at \$89 in 2024 and \$75 in 2025. Warren Patterson, head of commodity strategy, noted in a May 12 article: "the oil market has given up all the gains made after the latest OPEC+ production cut announcement. Instead, the macro story determines price action. While there may be more downside in the short term, the outlook for the second half of the year remains constructive against a backdrop of tightening fundamentals."

The U.S. Energy Information Administration (EIA) lowered its 2023 oil price forecast in its short-term Energy Outlook released on May 9, 2023. The agency expects oil prices to average \$79 in 2023, down from \$85.01 previously, and slow to \$74 in 2024.

As of May 18, ANZ Research expects Brent crude oil to average \$90 in 2023 before rising to \$105 in 2024.

Fitch Solutions was the only firm that provided an oil price forecast for 2025. As of March 2023 assumptions, the agency saw Brent crude trading at \$85 in 2023, falling to \$75 in 2024, \$65 in 2025 and \$53 in 2026.

### WTI Oil Price Forecast

The ANZ WTI oil price forecast suggested the US oil to rise to \$104 by the end of 2023, and stay at that level in 2024, averaging at \$89 in 2023 and \$104 in 2024.

Fitch saw WTI crude to trade at \$80 in 2023, before slowing to \$70 in 2024, \$60 in 2025 and \$50 in 2026.

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## Long-Term Crude Oil Price Forecast 2025 - 2030

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Wallet Investor forecasts WTI oil at \$102 by the end of 2025, while Brent crude oil is forecast at \$112 in 2025.

LongForecast's 2025 oil price forecast is \$94 for WTI and \$102 for Brent.

Long Forecast predicts WTI at \$102 and Brent at \$129 over the next five years, while Wallet Investor forecasts Brent at \$146 over the next five years.

Some predict that demand for fossil fuels could fall in the medium to long term, leading to lower oil prices a decade from now. As a result, oil prices are widely expected to be below \$100 per barrel in 2030.

EIA's Annual Energy Outlook Report shows that the agency is conservative in its 2030 oil price forecast. Brent crude oil is expected to average \$61 per barrel in 2025, \$73 per barrel in 2030, and \$80 per barrel in 2035.

Energy consultancy Wood Mackenzie said oil prices could fall to \$40 a barrel in 2030 if global fuel consumption falls in line with emission targets set to limit global warming.

## Is Crude Oil a Good Investment in 2024?

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In conclusion, the long-term oil price forecast between 2025 and 2030 presents a mixed picture. The mixed prediction highlights the inherent uncertainty and complex interplay of global factors that could significantly impact oil pricing. Overall, the future outlook of oil is expected to continue to be influenced by global economy, major political decision, environmental trends, etc.

Looking ahead, the upcoming OPEC+ meeting scheduled for June 1 is expected to see key oil producers extend output cuts to prevent a global oversupply and bolster prices. Whether oil is a good investment largely depends on investors' risk tolerance, investment horizon, and the broader global economic and political landscape. Like any other investment, investors are advised to stay well-informed about both global and industry dynamics before making any investment decision.

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