

ENERGY

Will Oil Prices Decline as Middle East Supply Recovers?

Oct 16, 2026 Share 

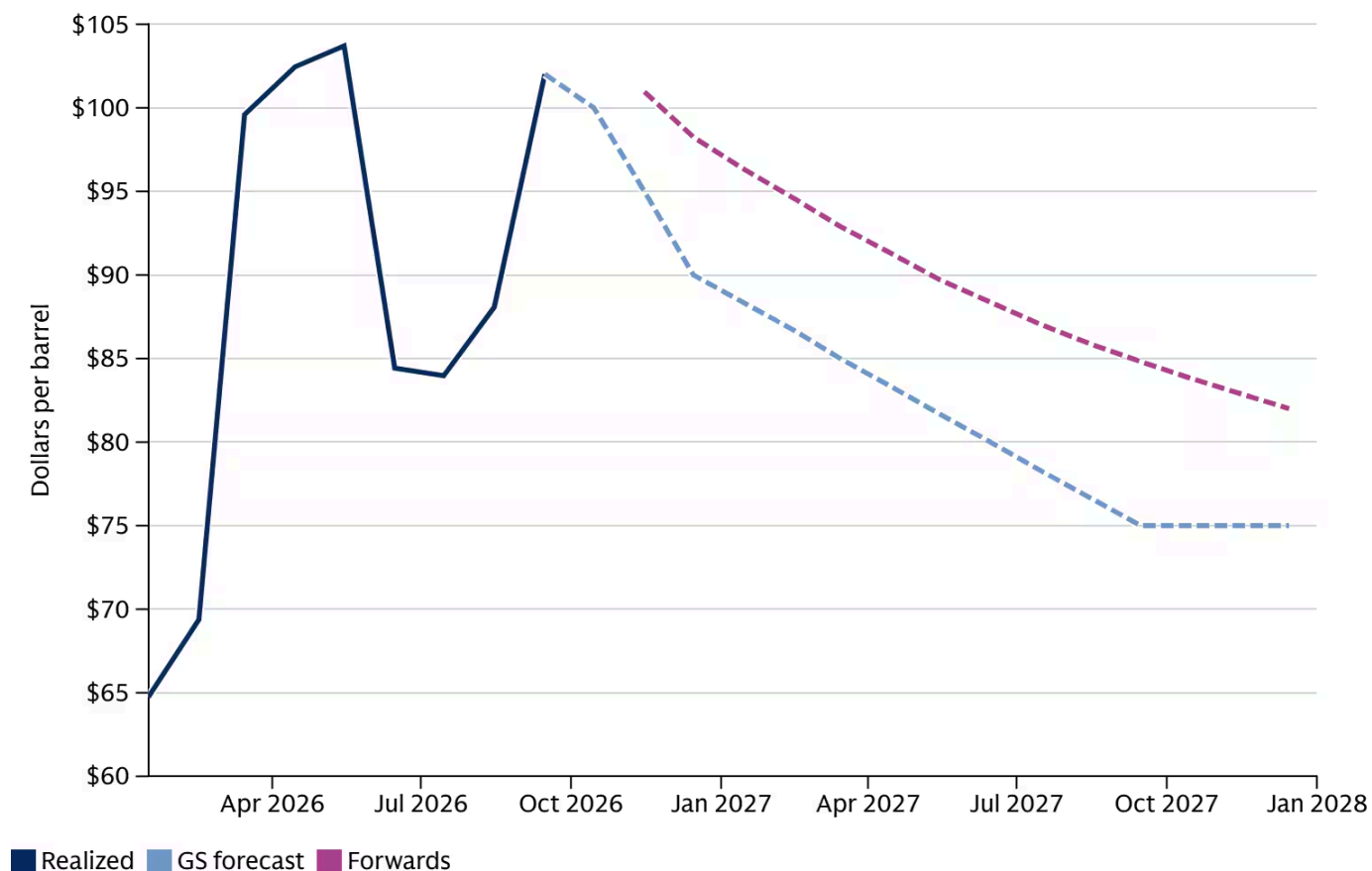
Oil prices are expected to moderate over the next year as supply from the Middle East gradually recovers, according to Goldman Sachs Research. However, high prices may last longer than anticipated given the risk of renewed escalation in the conflict involving the United States, Israel, and Iran.

A barrel of benchmark Brent crude oil is expected to trade at \$90 in December 2026, a slight increase from a recent forecast of \$85, according to Daan Struyven, co-head of global commodities research and head of oil research. Struyven predicts the Brent price will average \$80 a barrel in 2027.

“We maintain our base case that continued adaptation of Middle East supply will eventually reduce crude oil prices, while potential renewed escalation still poses significant net upside risk,” Struyven and his team write in a report.

Our analysts expect Brent oil to average \$80 per barrel in 2027

Brent crude oil monthly average closing price



Source: ICE, Goldman Sachs Research
As of October 11.

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The supply of oil from the Middle East declined after the outbreak of the conflict, but exporters have adapted faster than expected. Our researchers estimate that Persian Gulf oil exports have rebounded and have been around their 2025 average since late September. That calculation includes an estimated four million barrels per day (mb/d) of “dark” exports—shipments on tankers that keep their transponders turned off to hide their movements.

The supply of oil from the Persian Gulf has recovered significantly

Estimated oil exports from Persian Gulf countries (including revisions or "dark exports")



Source: Kpler, Goldman Sachs Research

As of October 11. Goldman Sachs Research considers crude, condensate, refined products, and LPG exports from Saudi Arabia, UAE, Iran, Iraq, Qatar, and Kuwait.

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Why are oil prices still high?

Given the recovery in exports from the Middle East, why is the price of oil still so high? A barrel of dated Brent crude scheduled for delivery in the next month is trading at more than \$130, while benchmark Brent futures have recently been above \$100.

“Physical prices remain elevated because escalation threatens supply while near-record-low global inventories fuel strong restocking demand,” Struyven writes.

For example, Iran or the Houthis could target oil infrastructure in the region, including ports, pipelines, and oil fields. Struyven estimates that spot prices for Brent crude include a nearly \$25 risk premium on top of their fair value because supply could be curtailed and inventories could be drawn down further if there is an escalation.

At the same time, the sensitivity of global stocks and bonds to oil prices has created increasing demand for oil as a hedge for portfolios. This is another factor helping keep prices high.

When will global oil supply recover from the war in Iran?

Helping to keep prices in check, on the other hand, is the base case expectation that the balance between supply and demand in the global market for crude oil and other liquid fuels will shift to

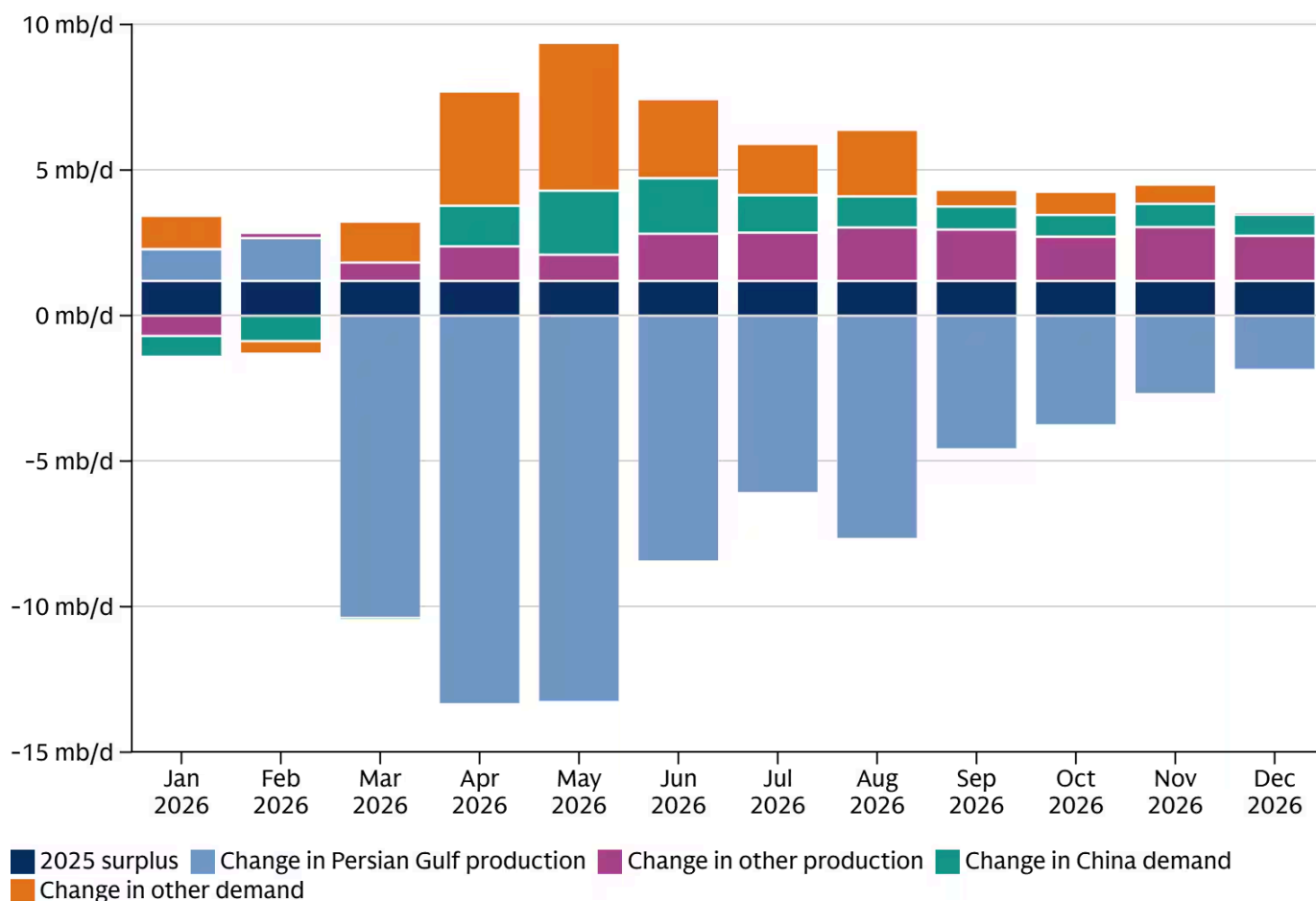
a surplus in the fourth quarter of 2026 and in 2027, the researchers find. Struyven describes this as “the key driver” of his team’s forecast for crude prices to moderate.

In fact, the oil market was nearly balanced in September. Goldman Sachs Research estimates that demand exceeded supply by just 0.3 mb/d that month, a dramatic easing from the 7.2 mb/d supply deficit in March.

The market’s return to balance is likely the result of higher non-Gulf oil production and a decline in global oil demand, offsetting the remaining deficit in production from the Persian Gulf. Also, the crude oil market was operating with a surplus in 2025. Global demand for oil declined by roughly 1.3 mb/d in September 2026 compared with the 2025 average as oil prices climbed, Struyven writes.

Our analysts estimate that the oil market was nearly balanced in September

Monthly global oil surplus



Source: Goldman Sachs Research
As of October 11.

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The recovery of Persian Gulf oil shipments, as producers adapt to the conflict there, also supports the base case that the oil market will soon be back in balance, Struyven writes. His team expects the supply of oil from the Persian Gulf to “trend higher as continued adaptation and added transportation resources—especially pipelines and a larger tanker fleet—support further gains,” he adds.

How has the war in Iran impacted global oil demand?

Finally, our commodities analysts say that the shock to oil flows through the Strait of Hormuz is likely to continue to weigh on the global demand for oil, bringing the market nearer to balance. Oil demand in the third quarter of 2026 was down by 3.3 mb/d year-over-year, “with much of the weakness concentrated in China, the Middle East, and OECD Asia,” Struyven writes.

Our analysts estimate that global oil demand in the third quarter was nearly 4 mb/d below its hypothetical path if there had been no oil shock from the war in Iran. They assume that 80% of this gap between actual global demand and the counterfactual will unwind by the fourth quarter of 2027, with the dropoff in demand narrowing to 0.7 mb/d as the availability and affordability of refined oil products gradually improve.

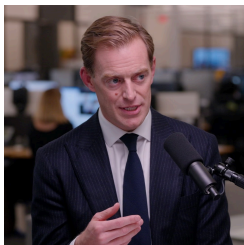
“This forecast that oil demand largely recovers is directionally consistent with the demand recovery from prior negative oil supply shocks in 2011 and 2022, and our view that the weakness in Chinese petrochemicals oil demand is largely unsustainable,” Struyven writes.

Still, the expected 0.7 mb/d hit to global oil demand that is forecast for the fourth quarter of 2027 reflects the team’s finding that the oil shock has accelerated behavioral changes, especially in the use of existing electric vehicles and trucks in China instead of oil-based equivalents and in electric vehicle sales.

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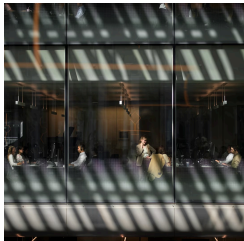
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