

OIL ANALYST

Higher Prices and Net Upside Risks For Even Longer

- **Price upgrade.** We upgrade our 2026Q4 Brent/WTI forecasts to \$90/83 (vs. \$80/75 prior) on lower Persian Gulf production. We now assume a normalization in Gulf exports by end-June (vs. mid-May prior) and a slower Gulf production recovery. The economic risks are larger than our crude base case alone suggests because of the net upside risks to oil prices, unusually high refined product prices, products shortages risks, and the unprecedented scale of the shock.
- **Extreme inventory draws.** We estimate that 14.5mb/d of Persian Gulf crude production losses are driving global oil inventories to draw at a record 11-12mb/d pace in April. We assume a recovery in Gulf crude production as percent of lost production of around 70/90% by July/December, accumulating in 1,830mb of crude production losses. We assume 0.5mb/d of persistent reduction to Gulf production capacity, temporarily offset by above-pre-war 2026H2 production in Saudi Arabia and the UAE. We assume the market swings from a 1.8mb/d 2025 surplus to a 9.6mb/d 2026Q2 deficit.
- **Softer demand.** We assume that global oil demand falls on a year-over-year basis by 1.7mb/d in 2026Q2 and 0.1mb/d in 2026 given the jump in refined product prices. Because extreme inventory draws are not sustainable, even sharper demand losses could be required if the supply shock persists longer.
- **Moderate supply response outside Mideast.** Our forecast of 2026 global supply ex Gulf is 1.0mb/d higher than before the Hormuz shock with contributions from Russia (+0.4mb/d) and the US (+0.3mb/d).
- **Net upside risks to price forecasts.**
 - *Adverse scenario:* Brent 2026Q4 would average just over \$100 assuming Gulf exports only normalize by end-July.
 - *Severely adverse scenario:* Brent 2026Q4 would average at nearly \$120 assuming Gulf exports normalize by end-July and 2.5mb/d of persistent reduction to Gulf capacity. This 2.5mb/d of scarring is equivalent to Hormuz flows not recovering above 70% (till pipeline capacity is expanded).
 - *Benign scenario:* Brent 2026Q4 would average just under \$80 assuming Gulf exports normalize by mid-June, no capacity reduction, and stronger US and core OPEC supply responses.

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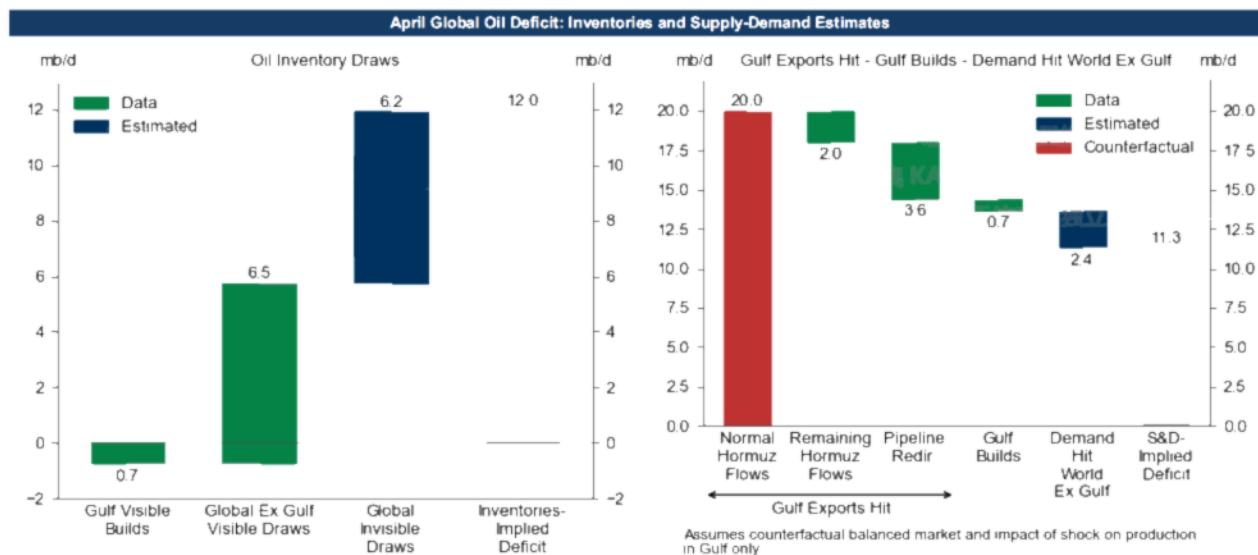
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- **US policy risks.** While not our base case, we don't rule out US oil export restrictions. Such restrictions may reduce US and global crude and products production, and widen the international vs. US price gap.

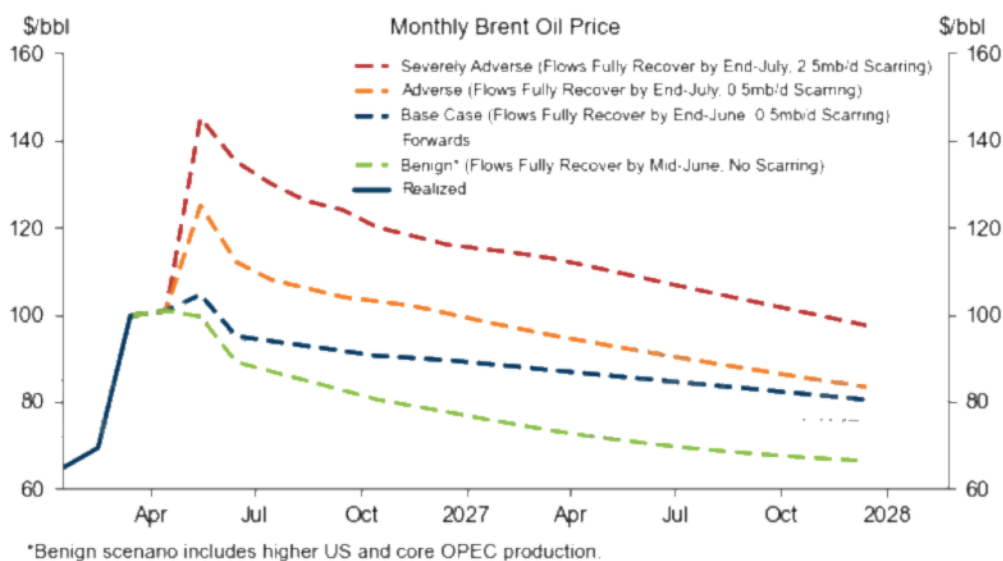
We Estimate a 11-12mb/d April Deficit in the Global Oil Market Using Inventories- and Supply-Demand Based Approaches



We use that the global oil deficit is equal to 1) all global oil inventory draws (left panel) and 2) global oil demand minus global oil production (right panel). The right panel estimates global demand minus global production as the hit to Gulf production minus the hit to global demand (assuming a counterfactual balanced market and no short-term production response outside the Gulf). We estimate the hit to Gulf production as the the sum of the hits to Gulf exports demand (tracked with Hormuz- and pipeline flows), Gulf local demand, and Gulf inventories. We consider all global inventories (commercial and strategic; on land and on water; crude, NGLs, and products).

Source: Goldman Sachs Global Investment Research

Net Upside Risks to Our Brent Forecast of \$90 in 2026Q4, Which Is Above Market Pricing



Prices correspond to nearby futures contract traded that month.

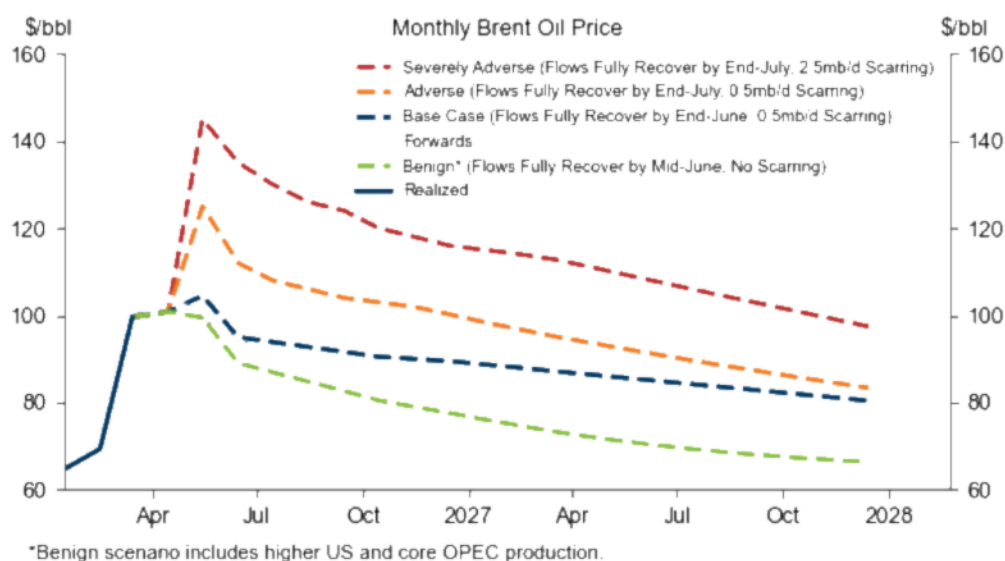
Source: ICE, Goldman Sachs Global Investment Research

Higher Prices and Net Upside Risks For Even Longer

While Brent/WTI oil prices have risen this week on still very low Hormuz flows, prices remain below the late March peak, likely because market expectations of Hormuz reopening have reduced the risk premium and led to destocking.

Because Hormuz flows remain minimal, we upgrade our Brent/WTI forecasts for 2026Q4 to \$90/83 (vs. \$80/75 prior) and for 2027 to \$85/80 (vs. \$80/75 prior) on a later recovery in Hormuz flows and lower Persian Gulf production (Exhibit 1). We now assume a normalization in Gulf exports from mid-May by end-June (vs. our prior assumption of normalization by mid-May) and a slower production recovery, with risks skewed to a more persistent supply shock and higher prices.

Exhibit 1: Net Upside Risks to Our Brent Forecast of \$90 in 2026Q4 and \$85 in 2027



Prices correspond to nearby futures contract traded that month.

Source: ICE, Goldman Sachs Global Investment Research

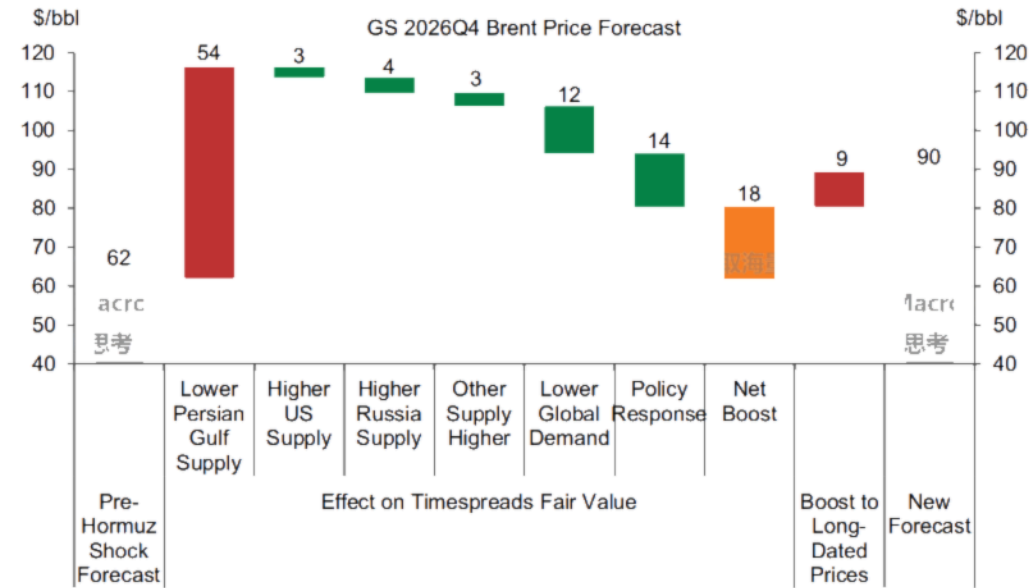
Exhibit 2 shows why our crude price 2026Q4 forecast is nearly \$30 higher than before the Hormuz shock.

First, we estimate a \$18 net boost to the commercial inventories-based estimate of spot prices vs. long-dated prices (i.e. timespreads) given a 1236mb net hit to global commercial oil inventories by 2026Q4 from the Hormuz shock after the price responses from policy (i.e. release of sanctioned oil on water, release and subsequent replenishing of SPR), lower demand, and higher supply (mostly in the US and Russia).

Second, we estimate a \$9 boost to long-dated prices as we assume 0.5mb/d of scarring to Gulf production capacity and as the market is likely to risk-adjust spare capacity (normally concentrated in the Gulf) for a higher risk of supply disruptions ("security premium").¹

¹ We estimated spare capacity at 3.7mb/d before the war and a nearly \$4 boost to long-dated prices for a 1mb/d decline in effective spare capacity. The \$9 upgrade to long-dated prices following the Hormuz shock is the sum of a \$2 contribution from 0.5mb/d of scarring to Gulf production potential and a \$7 contribution from the market risk-adjusting spare capacity by 1/2.

Exhibit 2: A Nearly \$30 Boost From the Hormuz Shock to Brent Prices in 2026Q4 on Lower Commercial Stocks (Driven by Lower Gulf Production) and Higher Long-Dated Prices



Policy response captures release of Russia and Iran oil on water and release and subsequent rebuilding of global SPR.

Source: Goldman Sachs Global Investment Research

The economic risks are larger than our crude base case alone suggests because of the net upside risks to oil prices ([Exhibit 1](#)), unusually high refined product prices, products shortages risks, and the unprecedented speed of inventory draws.

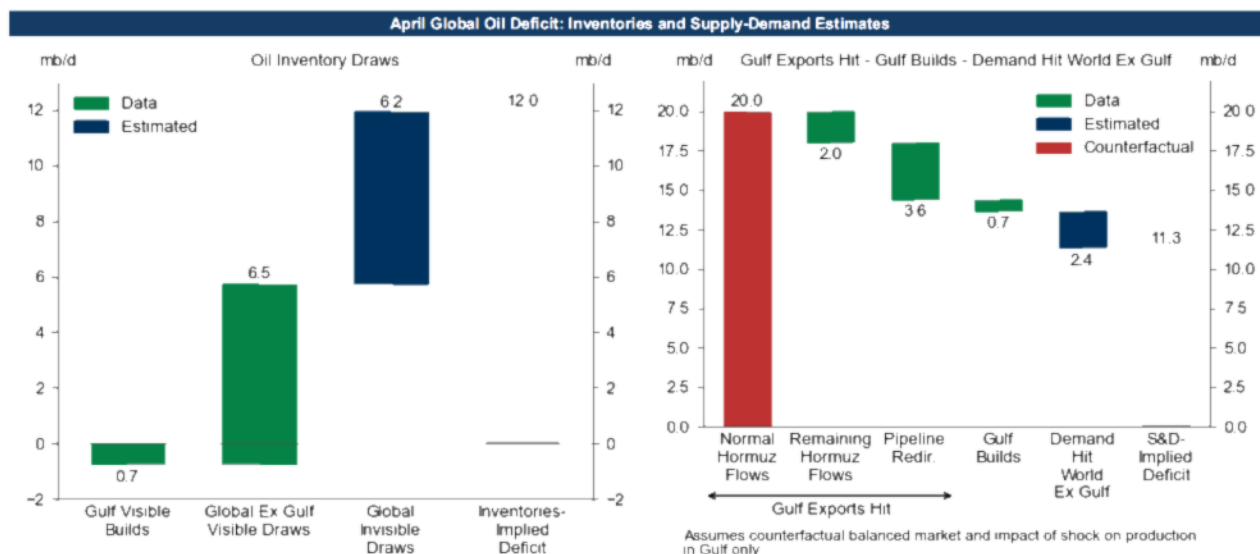
Gulf Supply Losses Cause Extreme Inventory Draws

We estimate that 14.5mb/d of Persian Gulf crude production losses are driving global oil inventories to draw 11-12mb/d in April.

We estimate a 11-12mb/d April deficit using three approaches:

- **Inventories-implied deficit** (Exhibit 3, left panel): We estimate 12.0mb/d of global inventory draws in April as the sum of 5.8mb/d of global visible draws and 6.2mb/d of estimated global “invisible” draws (mostly non-OECD refined products).²
- **Supply-demand implied deficit (using Hormuz flows, Exhibit 3, right panel)**: We estimate a 11.3mb/d deficit in April as the Hormuz hit to global production minus the hit to global demand. We estimate the hit to Gulf production as the sum of the hits to 1) Gulf export demand (tracked with Hormuz- and pipeline flows), 2) Gulf local demand, and 3) Gulf inventories.³
- **Supply-demand implied deficit (using balances)**: We estimate a 11.3mb/d global deficit in April as 90.2mb/d of global production minus 101.6mb/d of global demand using our country-level balances.

Exhibit 3: We Estimate a 11-12mb/d April Deficit in the Global Oil Market Using Inventories- and Supply-Demand Based Approaches

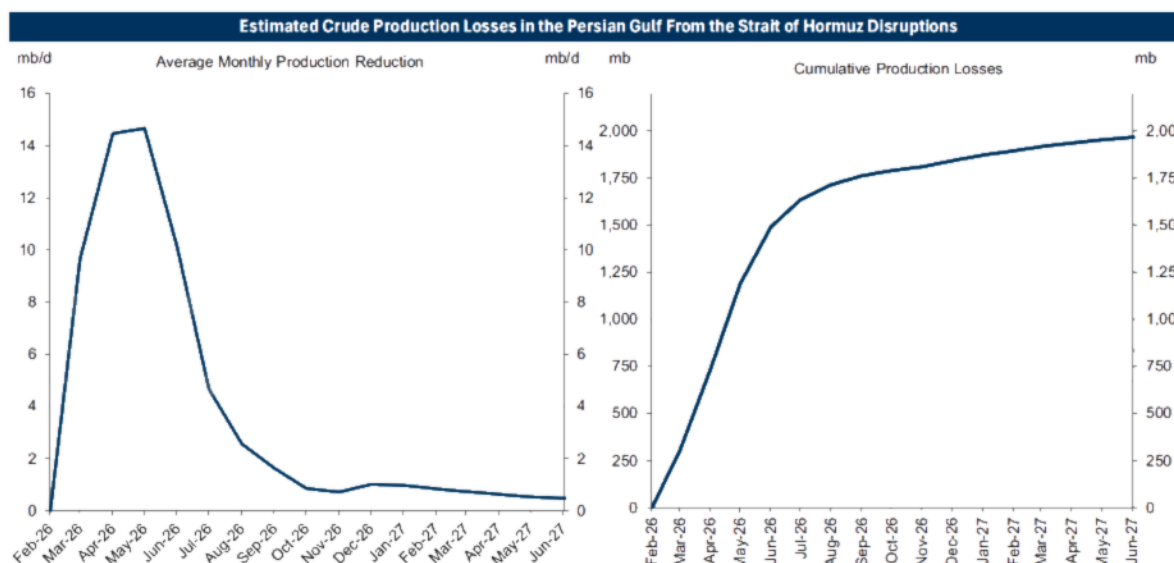


We use that the global oil deficit is equal to 1) all global oil inventory draws (left panel) and 2) global oil demand minus global oil production (right panel). The right panel estimates global demand minus global production as the hit to Gulf production minus the hit to global demand (assuming a counterfactual balanced market and no short-term production impact outside the Gulf). We estimate the hit to Gulf production as the sum of the hits to Gulf exports demand (tracked with Hormuz- and pipeline flows), Gulf local demand, and Gulf inventories. We consider all global inventories (commercial and strategic; on land and on water; crude, NGLs, and products).

Source: Goldman Sachs Global Investment Research

² Most refined products stocks outside the OECD are not trackable. We estimate “invisible” non-OECD product stocks as the product of 1) non-OECD crude stocks and 2) the products-to-crude price ratio modeled on country characteristics. We estimate landed “invisible” non-OECD crude stocks using Kpler crude inventory data on visible stocks and assume the same coverage ratio for Kpler crude storage in OECD and non-OECD, which is 82%.

³ We assume that the global market would have been balanced without the Hormuz shock and that the impact of the Hormuz shock on global production is concentrated in the Gulf (as production elsewhere takes time to respond).

Exhibit 4: We Estimate Over 14mb/d of Gulf Crude Production Losses in April and May

Source: Goldman Sachs Global Investment Research

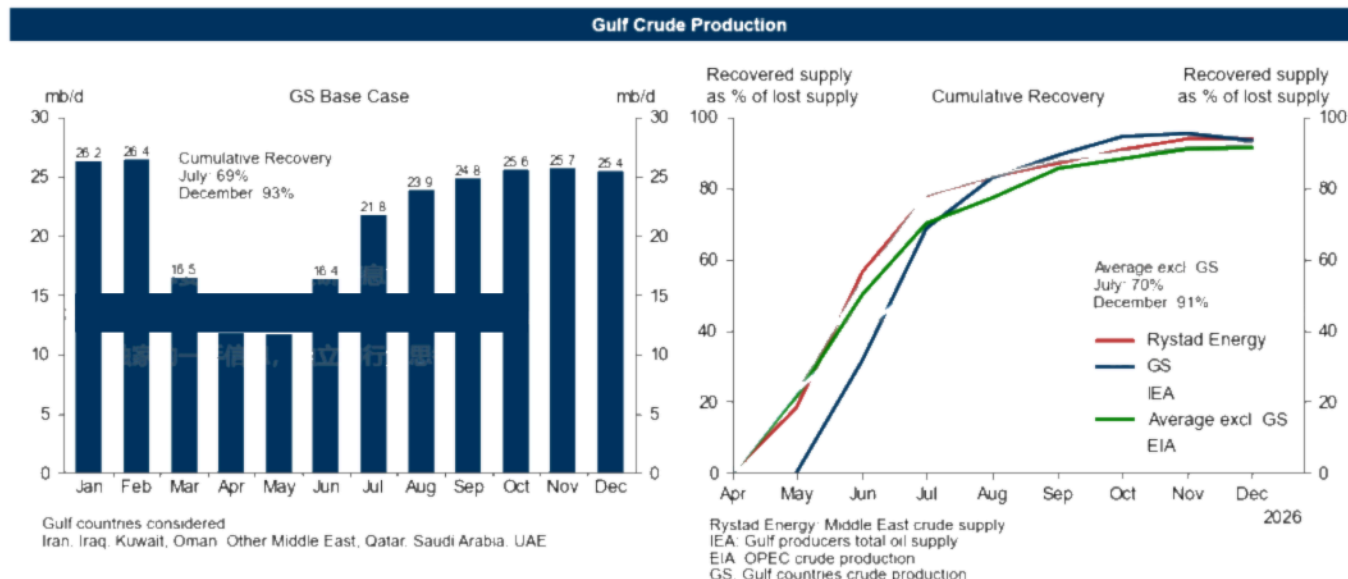
We estimate 14.5mb/d of April Gulf crude production losses ([Exhibit 4](#), left) as 11.9mb/d of current production ([Exhibit 5](#), left panel) minus our pre-war projection of 26.4mb/d.

We forecast Gulf production assuming:

1. A normalization in Gulf exports from mid-May to end-June using our [Hormuz production model](#), taking into account [constraints on production](#) from storage, transportation, and well flow rates;
2. 0.5mb/d of persistent reduction (i.e. 'scarring') to Gulf production capacity (mostly in Iraq);
3. Above-pre-war 2026H2 production levels in Saudi Arabia and the UAE to stabilize markets by replenishing global inventories ([Exhibit 6](#)).

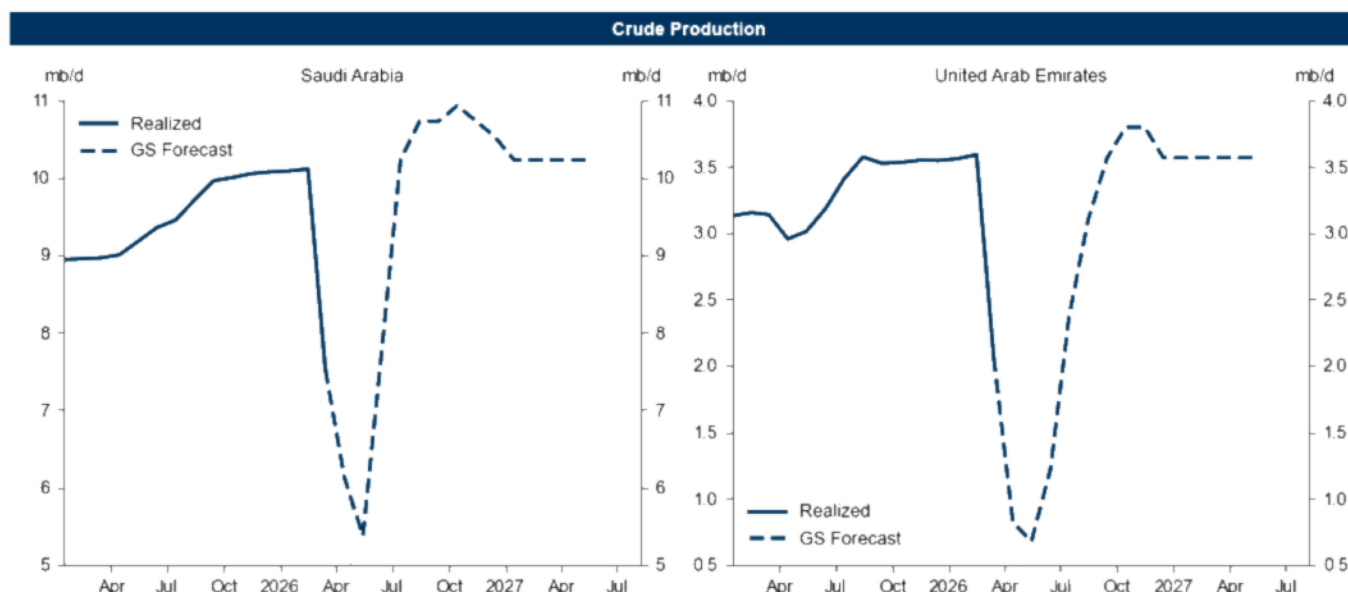
Our base case features a recovery in Gulf crude production as percent of lost production reaching around 70/90% by July/December (similar to other forecasters, [Exhibit 5](#)), accumulating in 1,830mb of crude production losses ([Exhibit 4](#), right) by December.

Exhibit 5: We Assume a Recovery in Gulf Crude Production as Percent of Lost Production of Around 70/90% by July/December, Respectively



Source: EIA, IEA, Rystad Energy, Goldman Sachs Global Investment Research

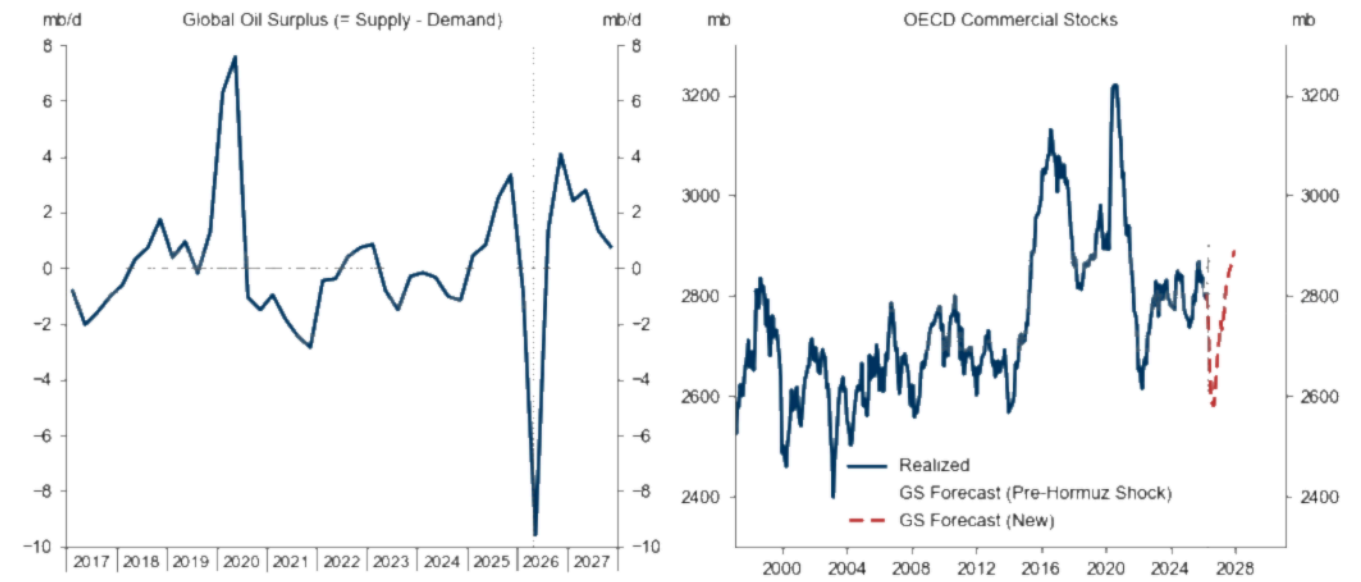
Exhibit 6: We Assume Saudi Arabia and the UAE to Raise Production Above-Pre-War Levels in 2026H2 to Help Stabilize Markets



Source: OPEC Secondary Sources, IEA, Goldman Sachs Global Investment Research

In our base case, the market swings from a 1.8mb/d surplus in 2025 to a record 9.6mb/d deficit in Q2 with 2.2mb/d of Q2 draws in OECD commercial stocks before returning to a sizable surplus in Q4 ([Exhibit 7](#)).

Exhibit 7: In Our Base Case, the Market Faces a Record 9.6mb/d deficit and 2.2mb/d of Draws in OECD Commercial Stocks in Q2

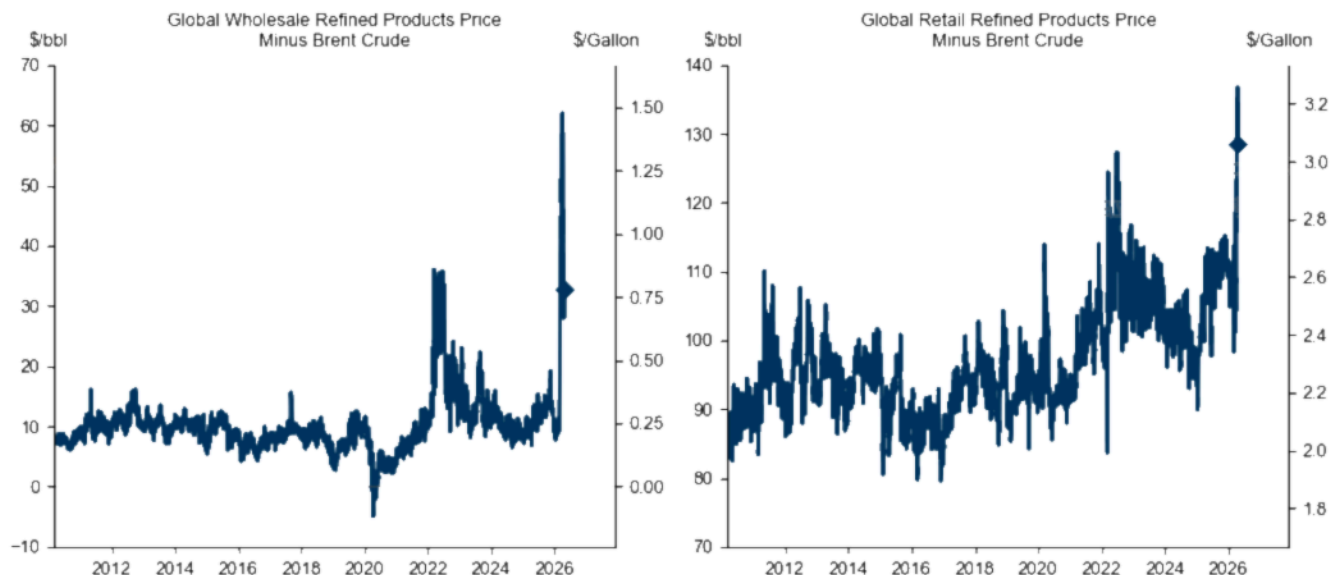


Source: IEA, Goldman Sachs Global Investment Research

Softer Oil Demand on Higher Product Prices

We assume that global oil demand falls on a year-over-year (YoY) basis by 1.7mb/d in 2026Q2 and 0.1mb/d in 2026 given the jump in refined product prices (Exhibit 8) and some products shortages and rationing.

Exhibit 8: The Gap Between Refined Product Prices and Crude Prices Is Record Large



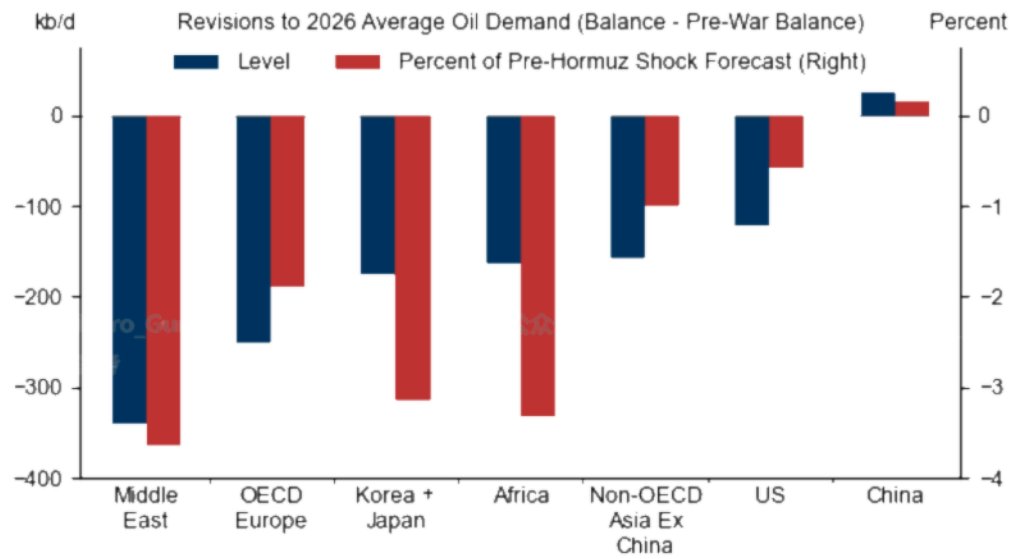
The global retail refined product price is a simple average of global retail gasoline and diesel price indices, which are each demand-weighted averages of 40 country-level retail product prices. The global wholesale refined product price is a demand-weighted average of wholesale price indices in the US, Europe, and Asia, which are themselves demand-weighted averages of gasoline, diesel, jet fuel, naphtha, and fuel oil prices.

Source: Platts, EIA, Government Sources, ICE, Goldman Sachs Global Investment Research

Based on high-frequency oil demand data, higher oil prices and related GDP downgrades, the revisions to our 2026 oil demand vs. our pre-war expectations are relatively larger in the Middle East, South Korea and Japan (petrochemical hubs exposed to scarce feedstocks), and more-price sensitive regions (e.g. Africa) (Exhibit 9).

Because extreme inventory draws are not sustainable, even sharper demand losses could be required if the supply shock persists longer.

Exhibit 9: Relatively Larger Oil Demand Downgrades in the Middle East and Africa



Source: Goldman Sachs Global Investment Research

Moderate Supply Response Outside the Middle East

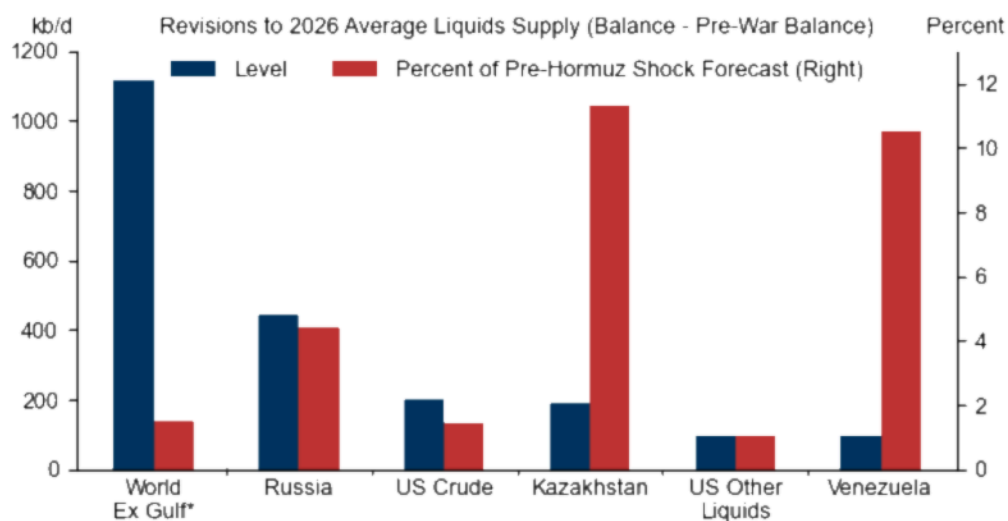
Our forecast of 2026 global supply ex Gulf is 1.0mb/d higher than before the Hormuz shock ([Exhibit 10](#)) with contributions from Russia (+0.4mb/d), the US (+0.3mb/d) and Kazakhstan (+0.2mb/d).

We expect stable Russia liquids supply at 10.5mb/d in 2026 (vs. a decline prior) on higher oil prices and higher producer profits, but still see downside risk from drone strikes. The 0.3mb/d upgrade to 2026 US oil supply vs. pre-war projections is modest because of market expectations of a short duration of the Hormuz shock, low DUCs (drilled but uncompleted wells), negative prices for Waha natural gas associated with oil production, and shale capital discipline.

Once the Strait reopens, the largest supply response will likely come from Saudi Arabia and the UAE raising production in 2026H2 above pre-war levels ([Exhibit 6](#)).

In our base case, on a YoY basis, global supply falls 12.1mb/d in 2026Q2 before returning to modest growth in Q4.

Exhibit 10: Our Forecast for 2026 Global Supply ex Gulf Is 1.0mb/d Higher Than Before the Hormuz Shock With Russia/the US Contributing 0.4/0.3mb/d, Respectively



Source: Goldman Sachs Global Investment Research

Net Upside Risks to Our Price Forecasts

Net Upside Risks to Crude Prices

We illustrate the two-sided risks to our price forecasts, which tilt to the upside, with 3 risk scenarios ([Exhibit 1](#)):

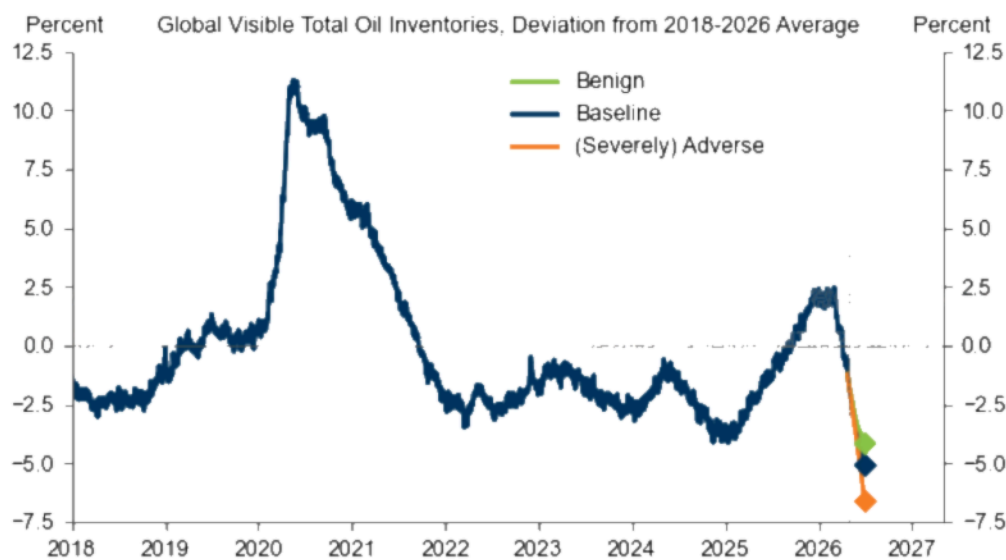
- **Adverse scenario:** Brent 2026Q4 would average just over \$100 assuming Gulf exports only normalize from mid-June through end-July (and 0.5mb/d of scarring to Gulf capacity, as in baseline).
- **Severely adverse scenario:** Brent 2026Q4 would average at nearly \$120 assuming Gulf exports normalize from mid-June through end-July and 2.5mb/d of scarring to Gulf capacity. This 2.5mb/d of scarring is equivalent to flows through the Strait not recovering above 70% (till pipeline capacity is expanded).
- **Benign scenario:** Brent 2026Q4 would average just under \$80 assuming Gulf exports normalize from early May to mid-June, no Gulf production scarring, and stronger supply responses from the US and core OPEC.

We see upside risk to estimated prices in the adverse and severely adverse scenarios because oil inventories are likely to reach very low levels, triggering non-linear price increases.

Global visible total oil inventories are likely to reach the lowest level on record since 2018 (when satellite data started tracking global crude stocks) even in the benign scenario ([Exhibit 11](#)). While our forecasts of spot prices vs. long-dated prices (i.e. timespreads) are based on their linear historical relationship with OECD commercial stocks, non-linear price increases are likely if inventories drop to critically low levels, which we have not seen in the last few decades with high-quality inventories and price data.



Exhibit 11: Global Visible Total Oil Inventories Are Likely to Reach Record Lows Even in Our Benign Scenario



The benign scenario assumes a normalization in Gulf exports from early May to mid-June. The base case assumes a normalization in Gulf exports from mid-May to end-June. The (severely) adverse scenarios assume a normalization in Gulf exports from mid-June to end-July.

Source: IEA, Kpler, DOE, Euroilstocks, ARA PJK, PAJ, Haver, Goldman Sachs Global Investment Research

US Policy Risks

While not our base case, we don't rule out US oil export restrictions if the Strait remains effectively closed for longer. Such restrictions may reduce US and global crude and products production, and widen the international vs. US price gap.

Many countries have restricted refined product exports, including China, Thailand, and South Korea.

The US was a 2.2mb/d net crude importer in 2025 ([Exhibit 12](#)), and crude export restrictions would likely depress the WTI price of light US shale oil vs. global benchmarks, raise US crude storage levels, and eventually reduce US shale production. Because many US refineries rely on imported heavier crude, US refinery input costs would decline less than the decline in WTI would suggest and may even rise.

The US is a net exporter of refined oil products ([Exhibit 12](#)), including gasoline (0.7mb/d) and especially diesel (1.1mb/d). Refined product export restrictions would likely weigh on profits of refiners, and have uncertain effects on US retail fuel prices, that may depend on the product (e.g. diesel vs. gasoline), the region (e.g. US Gulf Coast vs. East Coast), and the scope of restrictions. A restriction of all US oil exports would likely eventually raise US gasoline prices as production cuts by US refineries of all refined products (on lower margins), including gasoline (as US diesel storage hits congestion) outweigh the gain in domestic availability from keeping 0.8mb/d of gasoline in the US.

Exhibit 12: The US Is a Net Importer of Crude Oil and a Net Exporter of Diesel and Gasoline

US Net Exports of Crude and Refined Products, 2025 Average (mb/d)			
	Exports	Imports	Net Exports
Crude	4.0	6.2	-2.2
Diesel	1.3	0.2	1.1
Gasoline	0.8	0.1	0.7
Jet Fuel	0.2	0.1	0.1

Source: Department of Energy, Goldman Sachs Global Investment Research

Appendix

Exhibit 13: We Forecast Brent/WTI Prices to Average \$85/80 in 2027

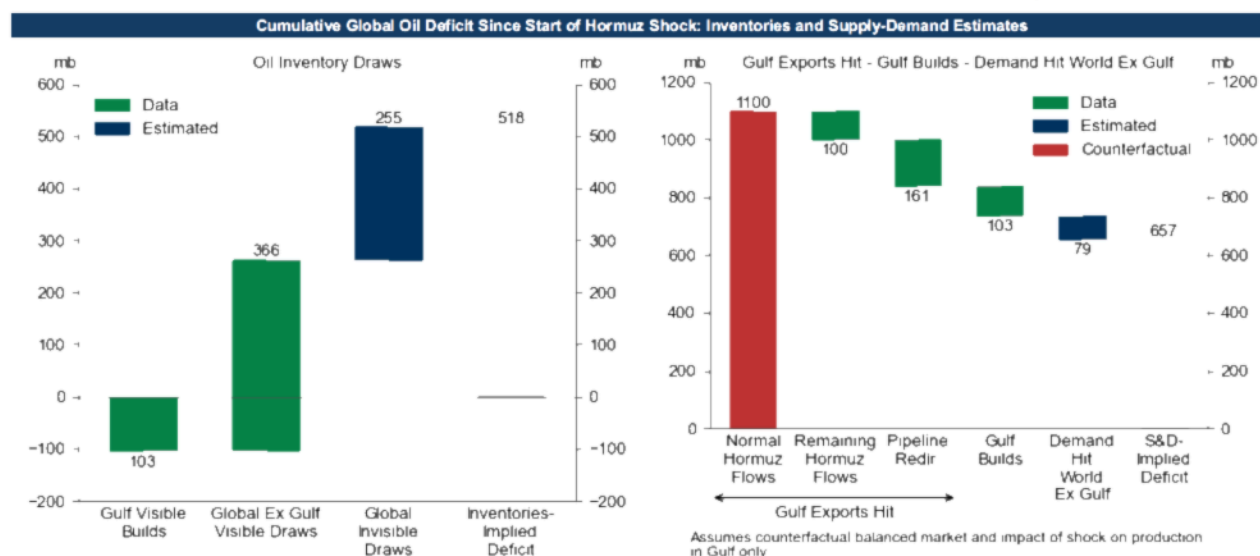
	Brent (\$/bbl)			WTI (\$/bbl)		
	New GS Forecast	Old GS Forecast	Forwards (Nearby Contract Traded That Month)	New GS Forecast	Old GS Forecast	Forwards (Nearby Contract Traded That Month)
2025	68	68		65	65	
2026	90	83	87	83	78	81
2027	85	80	78	80	75	72
2028	79	76	74	75	72	69
2029	77	75	72	73	71	66
2030	75	75	71	71	71	64
2031-2035	75	75	68	71	71	60
1Q26	78	78	78	72	72	72
2Q26	100	90	100	92	87	92
3Q26	93	82	89	86	77	82
4Q26	90	80	83	83	75	77
1Q27	88	80	80	81	75	75
2Q27	86	80	78	82	75	73
3Q27	83	80	77	79	75	72
4Q27	81	80	76	77	75	71
Jan-26	65	65		60	60	
Feb-26	69	69		65	65	
Mar-26	100	100		91	91	
Apr-26	101	95	105	90	93	94
May-26	105	90	99	98	87	93
Jun-26	95	85	94	88	80	88
Jul-26	94	84	91	87	79	85
Aug-26	93	82	88	86	77	82
Sep-26	92	81	86	85	76	80
Oct-26	91	80	85	84	75	78
Nov-26	90	80	83	83	75	77
Dec-26	90	80	82	83	75	76
Jan-27	89	80	81	82	75	75
Feb-27	88	80	80	81	75	75
Mar-27	87	80	79	80	75	74
Apr-27	86	80	79	82	75	73
May-27	86	80	78	82	75	73
Jun-27	85	80	78	81	75	72
Jul-27	84	80	77	80	75	72
Aug-27	83	80	77	79	75	72
Sep-27	83	80	76	79	75	71
Oct-27	82	80	76	78	75	71
Nov-27	81	80	76	77	75	71
Dec-27	80	80	75	76	75	70

Source: ICE, Goldman Sachs Global Investment Research

Exhibit 14: We Assume the Market Swings From a 1.8mb/d 2025 Surplus to a 9.6mb/d 2026Q2 Deficit

GS 2025-2027 Oil Supply and Demand Outlook (mb/d)								Quarterly Levels							
	2025		2026		2027			2026				2027			
	Level	YoY	Level	YoY	Level	YoY		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
World Supply	106.0	3.2	102.9	-3.2	107.7	4.9		103.3	92.6	106.2	109.5	107.7	108.0	107.9	107.4
Non-OPEC ex. Russia Supply	61.6	1.9	62.4	0.9	62.8	0.3		61.2	61.1	63.2	64.3	62.8	62.9	62.8	62.6
Total US	22.3	0.8	23.2	0.9	23.4	0.2		22.4	23.0	23.5	24.0	22.9	23.4	23.6	23.7
Canada	6.4	0.3	6.5	0.2	6.6	0.1		6.5	6.2	6.6	6.8	6.7	6.4	6.6	6.6
Non-OPEC Latam	7.0	0.6	7.8	0.8	7.8	0.0		7.6	7.7	7.9	8.0	7.9	7.8	7.8	7.7
Russia	10.4	-0.2	10.5	0.1	10.3	-0.2		10.3	10.2	10.7	10.8	10.6	10.4	10.1	9.9
OPEC Supply	34.0	1.5	29.9	-4.1	34.7	4.8		31.7	21.4	32.3	34.4	34.3	34.7	34.9	34.9
Saudi crude	9.5	0.5	9.2	-0.2	10.2	1.0		9.2	6.4	10.6	10.7	10.2	10.2	10.2	10.2
OPEC liq. ex. Saudi crude	24.6	1.0	20.7	-3.9	24.5	3.8		22.5	14.9	21.7	23.6	24.1	24.5	24.6	24.7
World Demand	104.3	0.8	104.1	-0.1	105.9	1.8		104.1	102.2	104.8	105.4	105.3	105.2	106.5	106.7
OECD Demand	45.9	0.0	45.5	-0.4	45.7	0.2		45.7	44.2	46.1	46.0	45.8	45.0	46.3	45.8
US	20.7	0.2	20.8	0.0	20.8	0.0		20.9	20.4	20.9	20.8	20.7	20.7	21.0	20.8
OECD Europe	13.4	0.0	13.1	-0.3	13.2	0.0		12.8	12.8	13.6	13.2	12.9	13.1	13.6	13.0
Non-OECD Demand	58.4	0.8	58.6	0.2	60.2	1.6		58.4	58.0	58.7	59.3	59.6	60.1	60.3	60.8
China	16.9	0.1	16.9	0.0	16.9	0.0		17.0	17.0	16.8	16.8	16.8	16.9	16.8	16.9
India	5.9	0.1	6.1	0.2	6.5	0.4		6.1	6.0	6.0	6.3	6.6	6.6	6.2	6.6
Other non-OECD Asia	9.4	0.2	9.5	0.1	9.9	0.4		9.5	9.2	9.4	9.7	9.8	9.8	9.9	10.0
Imbalance (=Supply-Demand)	1.8	2.5	-1.2	-3.0	1.8	3.1		-0.8	-9.6	1.4	4.1	2.4	2.8	1.3	0.8
Change in OECD Comm. Stocks	0.2	-	-0.3	-	0.5	-		-0.3	-2.2	0.1	1.1	0.3	1.0	0.4	0.3

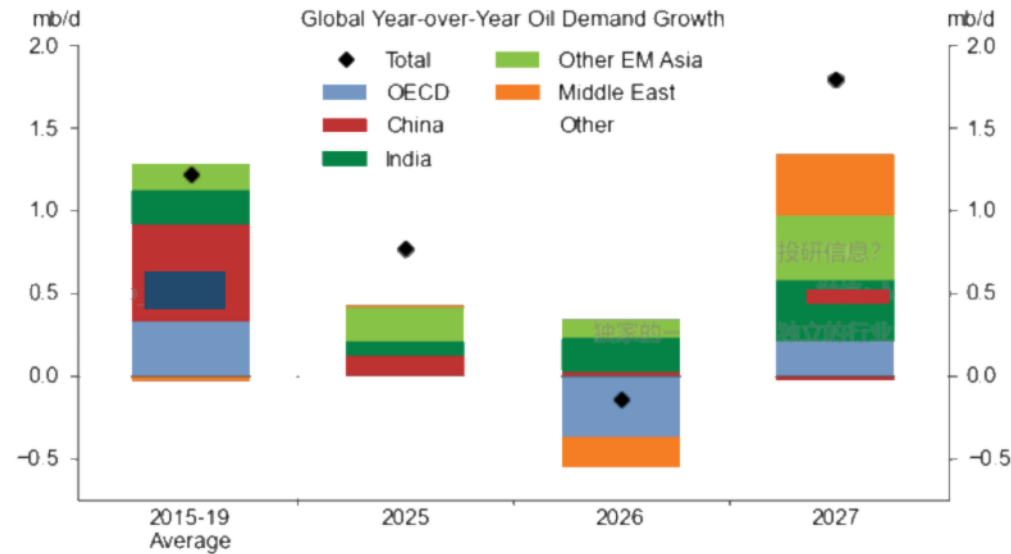
Source: Goldman Sachs Global Investment Research

Exhibit 15: We Estimate 500-700mb of Global Draws Since the Start of the Hormuz Shock as of April 24

We use that the global oil deficit is equal to 1) all global oil inventory draws (left panel) and 2) global oil demand minus global oil production (right panel). The right panel estimates global demand minus global production as the hit to Gulf production minus the hit to global demand (assuming a counterfactual balanced market and no short-term production response outside the Gulf). We estimate the hit to Gulf production as the sum of the hits to Gulf exports demand (tracked with Hormuz- and pipeline flows), Gulf local demand, and Gulf inventories. We consider all global inventories (commercial and strategic; on land and on water; crude, NGLs, and products).

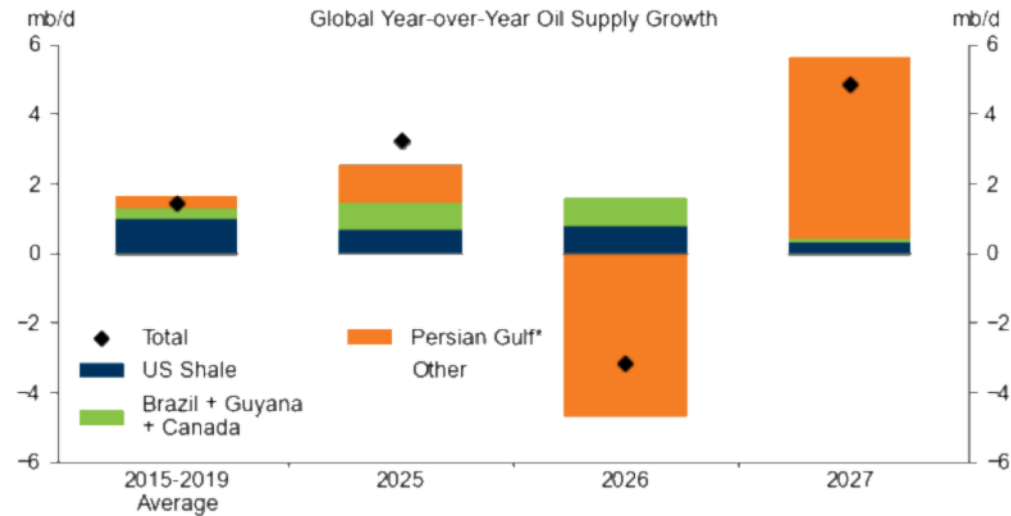
Source: Kpler, S&P Global Commodities at Sea, Goldman Sachs Global Investment Research

Exhibit 16: Oil Demand Edges Down in 2026 in Our Base Case, Led by the Middle East and the OECD



Source: IEA, Goldman Sachs Global Investment Research

Exhibit 17: The Persian Gulf Drives the 3.2mb/d Decline in 2026 Annual Average Global Supply in Our Base Case



*We assume Persian Gulf countries produce all OPEC NGLs

Source: IEA, Goldman Sachs Global Investment Research