Flash Economics

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Can oil prices remain low?

The price of oil peaked in June 2022 (at $123 per barrel of crude), and since then has declined fairly steadily, (reaching $67 per barrel of Brent on 7 June 2025). This decline has been driven by expectations of a global economic slowdown (from 3.3% in 2024 to 3.12% in 2025 and 3.0% in 2026, according to the OECD) and by decisions made by OPEC+ countries to increase production (with an announced rise of 411,000 barrels per day starting in June 2025).

However, several factors could prevent oil prices from remaining low over the long term:

- The high level of the fiscal break-even oil price (the price required to finance national budgets, as calculated by the IMF) in Saudi Arabia ($91 per barrel), Iraq ($92), Kuwait ($82), and Russia ($77);
- The reduction in shale oil production in the United States, as this form of production is only profitable at $58 per barrel for major producers or $67 for smaller producers, according to estimates by the Federal Reserve Bank of Dallas.

It is therefore difficult to foresee a continued decline in oil prices, even though such a drop would benefit consumers in OECD countries.

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Decline in oil prices since June 2022

The price of oil reached its highest level in June 2022, at $123 per barrel of Brent, and has since fallen steadily, reaching $67 per barrel on 7 June 2025 (see Chart 1).

Chart 1
Oil price (Brent, $/bbl)



This sharp decline in oil prices is due to:

- Anticipated slowing of global economic growth (Chart 2), which, according to the OECD, is expected to decelerate from 3.3% in 2024 to 3.1% in 2025 and 3.0% in 2026. This slowdown will naturally have a negative impact on oil demand (Chart 3);
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Chart 2
World: Real GDP (Y/Y as %)

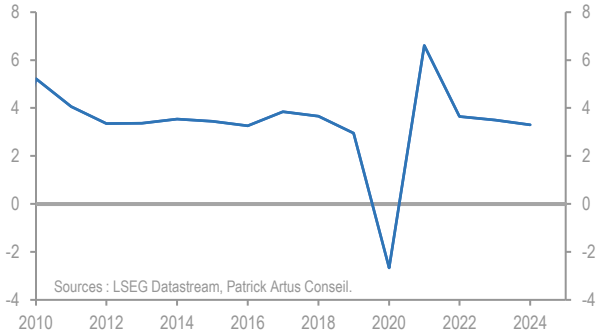
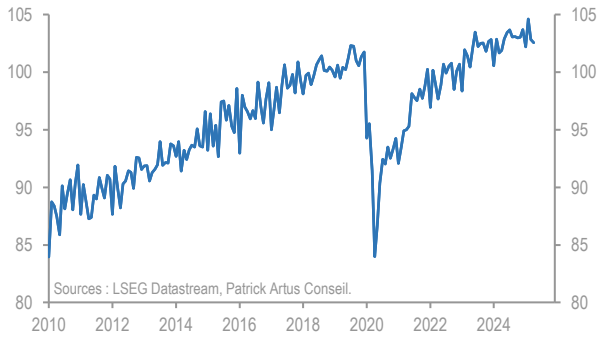
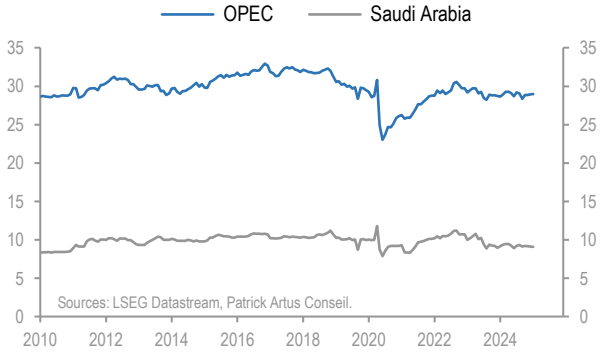


Chart 3
World: Oil consumption (million bbl/day)



- Increases in production decided by OPEC+ (including Russia; see Chart 4).

Chart 4
Oil production (million bbl/day)



But a lasting drop in oil prices is unlikely

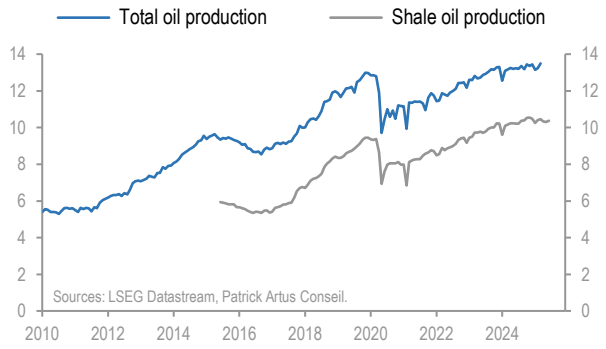
1. The fiscal break-even oil price (the oil price needed for countries to balance their budgets) is estimated by the IMF at:

- $91 per barrel for Saudi Arabia;
- $92 per barrel for Iraq;
- $82 per barrel for Kuwait;
- $77 per barrel for Russia.

At a price of $65 per barrel, all these countries would run significant budget deficits — a situation that is not sustainable in the long term.

2. If the price of WTI crude remains slightly above $60 per barrel (which currently corresponds to a Brent price of around $64), we should expect a decline in US shale oil production (Chart 5), a trend already observed since mid-2024

Chart 5
United States : Oil production (million bbl/day)



Indeed, shale oil production is only profitable if the oil price exceeds $58 per barrel for major producers and $67 per barrel for smaller producers.

Summary: A price only slightly above $60 per barrel cannot be a long-term equilibrium price

If the oil price were to remain around $60 per barrel over the long term:

- Middle Eastern countries and Russia would continue to run budget deficits;
- The profitability of shale oil production in the United States would be very low.

It is therefore hard to believe that oil prices can remain at this level without eventually rising again, as this would put financial pressure on Middle Eastern countries and Russia, and lead to falling oil production in the United States.

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