

Base Oil Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The base oil market size is projected to register a CAGR of more than 2% during the forecast period.

Due to the Covid-19 pandemic, the declining automotive industry and the temporary shutdown of automotive manufacturing and various industrial units have resulted in lower consumption of engine oil, gear oil, greases, and metalworking fluid, putting downward pressure on base oil demand. However, In 2021 and 2022, the market grew back as car manufacturing increased. According to OICA, global automobile manufacturing climbed by 3% in 2021 compared to 2020.

Key Highlights

Over the short term, the primary factor driving the market's growth is rapid industrialization in developing nations considering the industrial application of base oil such as hydraulic fluid and industrial gear oil.

On the flip side, fluctuations in crude oil prices and declining demand for Group I Base oils will likely hamper the market's growth over the forecast period.

Nevertheless, Innovation in recycling base oils will likely provide opportunities for the market studied during the forecast period. The Asia-Pacific region is expected to dominate the market and will also witness the highest CAGR during the forecast period owing to significant demand from countries such as China, India, and Japan. They are among the largest automobile producer and consumer countries.

Base Oil Market Trends

Engine Oil Segment to Dominate the Market Demand

The engine oil segment dominates the demand for base oil due to the growing demand for engine oil from automotive, power,

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heavy equipment, metalworking, chemicals, and others.

Engine oils are widely used to lubricate internal combustion engines and comprise 75-90% base oils and 10-25% additives.

They are typically used for wear reduction, corrosion protection, and smooth operation of the engine internals. They create a thin film between the moving parts to enhance heat transfer and reduce tension during the contact of parts.

According to OICA data, the global production of automotive vehicles in 2021 recorded 80,145,988 units registering an increase of around 3% compared to total automotive vehicle production in 2020.

Global automobile sales increased in the world's most significant regions in 2021. With sales increased by 6.6% to more than 21 million cars, China remained the world's largest and best-performing primary single-country auto market.

Car sales in India expanded at a fast rate of 27%, although the entire vehicle market remained relatively small. In 2021, new passenger car registrations in Japan and Europe were lower, while the demand for light vehicles in Russia, the United States, and Brazil grew marginally.

As a result, the above factors are anticipated to substantially influence the engine oil market in the future years.

Asia-Pacific Region to Dominate the Market

The Asia-Pacific region controlled most of the worldwide market share, with rising investments in the automobile sector in Malaysia, India, and Thailand. For instance, MG, a British brand owned by China's SAIC Motors and created in partnership with Thailand's Charoen Pokphand Group, is targeting Thailand with its first-ever pickup truck, the "Extender." It is expected to boost engine oil consumption in the area over the projection period.

According to the German Association of the Automotive Industry, China's annual automobile sales reached 21,090,200 units in 2021, making it the world's largest market.

In 2021, India's new automobile sales grew by 26.7 % to 3,082,400 vehicles, up from 2,435,100 in 2020, making it one of the extensive worldwide markets that grew faster.

As per the Japan Automobile Manufacturers Association (JAMA), in the half-yearly period in 2022, Japanese automotive manufacturers manufactured 4,917,289 vehicles, an increase of 35% compared to the same period in the year 2021.

In 2021, new automobile sales in Indonesia, Thailand, Malaysia, Vietnam, the Philippines, and Singapore reached 2.79 million cars, up 14% from 2020, with Indonesia leading the way with a 67 % increase.

As a result, the factors above are projected to substantially influence the base oil market in the upcoming years in the region.

Base Oil Market Competitor Analysis

The base oil market is fragmented, where numerous players hold insignificant shares to affect the market dynamics individually. Some of the major players in the market (not in any particular order) include Exxon Mobil Corporation, Shell plc, China Petrochemical Corporation, Evonik Industries AG, and Chevron Corporation, among others.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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