

Base Oil - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2029)

<https://marketpublishers.com/r/B5995C47D1F8EN.html>

Date: July 2024

Pages: 120

Price: US\$ 4,750.00 (Single User License)

ID: B5995C47D1F8EN

Abstracts

The Base Oil Market size is estimated at 34.63 Million tons in 2024, and is expected to reach 37.31 Million tons by 2029, growing at a CAGR of 1.51% during the forecast period (2024-2029).

The demand for base oil decreased significantly in 2020 due to the outbreak of COVID-19. The virus caused production to decline in the automotive industry and various other industrial units (aviation, industrial, etc.). The reduction in the consumption of engine oil, gear oil, greases, and metalworking fluid affected the base oil market. However, in 2021 and 2022, the base oil market recovered as car manufacturing and production activities across other industries ramped up.

Key Highlights

Rapid industrialization in Asia-Pacific, considering the industrial application of base oil such as hydraulic fluid and industrial gear oil, and growing automotive production and sales are expected to drive the market's growth during the forecast period.

On the flip side, the declining demand for group I base oils due to the preference for lighter viscosity base oils is likely to hamper the market's growth over the forecast period.

Nevertheless, innovations in the field of renewable base oils and recycling of base oils are anticipated to provide opportunities for the market studied.

Asia-Pacific is expected to dominate the market owing to significant demand from countries such as China, India, and Japan.

Base Oil Market Trends

The Engine Oil Segment to Dominate the Market

The engine oil segment dominates the base oil market due to the growing demand for engine oil from various industries such as automotive, power, heavy equipment, metalworking, and chemicals.

Engine oils are widely used to lubricate internal combustion engines. They generally contain about 7% to 10% additive chemicals, with the rest as base oil.

Properties like oxidation stability, deposit control, and wear and corrosion protection are the key factors taken into consideration when forming engine oils using different base oils and additives. High-mileage engine oils are in demand lately, owing to the properties that help prevent oil leaks and reduce oil consumption.

Additionally, various investments and developments in business practices are enhancing the demand for engine oil, which may boost the market for base oil. For instance, in April 2023, Brakes India announced it would enter the lubricants segment through the Revia brand. With its new brand, the company is diversifying into the engine oil space, catering to both passenger car and commercial vehicle segments.

Furthermore, in March 2023, Exxon Mobil Corporation announced the investment of nearly INR 900 crore (USD 110 million) to build a lubricant manufacturing plant at the Maharashtra Industrial Development Corporation's Isambe Industrial Area in Raigad. The new plant is expected to produce 159,000 kiloliters of finished lubricants per year, with commercial startup expected by 2025.

In addition, in February 2023, Shell PLC announced the launch of its passenger car motor oil portfolio, Shell Helix SP HX8 0W-20. According to the company, the product is a fully synthetic, BS VI-compliant engine oil designed for turbocharged petrol direct injection (TGDI) engines to protect against damaging low-speed pre-ignition (LSPI). The company also claims to aid a vehicle's fuel economy while reducing emissions and changes in engine design.

The demand for engine oil from the automotive sector is expected to enhance the base oil market. According to OICA, global motor vehicle sales amounted to 92.72 million in 2023 compared to 82.87 million in 2022.

Hence, the aforementioned factors are expected to influence the growth of base oil in the engine oil segment over the forecast period.

Asia-Pacific to Dominate the Market

Asia-Pacific is expected to dominate the global market. With the growing consumption of lubricants from various sectors in countries like China, India, Japan, and South Korea, the usage of base oil is increasing in the region.

According to the data published by the International Trade Administration, China's demand for automotive lubricants is expected to reach 5.19 billion liters in 2026, registering a CAGR of 5.41% during the 2021-26 period. It is expected to drive the demand for base oils in the country.

Similarly, according to the data published by the National Bureau of Statistics, China's industrial output grew by 4.5% year-on-year in March 2024. The slowdown of operations in the manufacturing, utilities, and mining sectors from September 2023 to December 2023 restricted the overall Y-o-Y growth of industrial output.

In India, strong growth in vehicle population (12% Y-o-Y growth in vehicle sales in 2023) and increasing industrial activity (5.7% on an annual basis in February 2024) are expected to drive the demand for base oils during the forecast period.

Additionally, in Japan, various large-scale lubricant manufacturers are relying on long-term supply contracts to meet the domestic base oil demand. For instance, in October 2023, Idemitsu Kosan Co. Ltd signed an MoU to secure a long-term stable procurement of group III base oil.

As a result, the above-mentioned factors are projected to substantially influence the base oil market in Asia-Pacific during the forecast period.

Base Oil Industry Overview

The base oil market is fragmented in nature. The major players (not in any particular

order) include Exxon Mobil Corporation, Saudi Arabian Oil Co. (Aramco), PetroChina, Chevron Corporation, and China Petrochemical Corporation (SINOPEC).

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