

# OPEC

## Monthly Oil Market Report

12 July 2016

***Feature article:***  
***The outlook for the oil market in 2017***

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## **Return of Gabon as an OPEC Member**

The 169th Meeting of the Conference approved Gabon's request to rejoin the Organization, with effect from 1st July 2016.

In line with this development, data for Gabon will now be included within the OPEC grouping. As a result, the figures for OPEC crude production, demand for OPEC crude and non-OPEC supply have been adjusted to reflect this change. For comparative purposes, related historical data has also been revised.

In order to give an idea of the relative scale of the changes involved, Gabon's crude oil supply in 2015 averaged around 0.2 mb/d. Accordingly, non-OPEC supply in 2015 has been adjusted lower by the same amount.

Gabon's oil consumption in 2015 averaged around 20,000 b/d.



# Oil market highlights

## Crude Oil Price Movements

The OPEC Reference Basket increased by \$2.63 to average \$45.84/b in June. ICE Brent ended up \$2.28 at \$49.93/b and NYMEX WTI gained \$2.06 to stand at \$48.85/b. Speculators cut net long positions further this month in all markets. The ICE Brent-WTI spread widened to \$1.07/b in June, up from 85¢/b in the previous month.

## World Economy

World economic growth for this year was revised down to 3.0% from 3.1%, considering potential economic impacts from the UK's vote to leave the EU. Global growth for 2017 is forecast at 3.1%. OECD growth has been reduced to 1.8% from 1.9% for 2016 and stands at 1.7% in 2017. The 2016 forecasts for the major emerging economies remain broadly unchanged. China and India are seen expanding this year at 6.5% and 7.5%, respectively, and growth is forecast to slow slightly to 6.1% and 7.2% in 2017. Brazil and Russia are forecast to rebound from a two-year recession and grow by 0.4% and 0.7% in 2017.

## World Oil Demand

World oil demand growth in 2016 is expected to be around 1.2 mb/d, broadly unchanged from the previous report to average 94.2 mb/d. The initial forecast for world oil demand growth in 2017 stands at 1.2 mb/d to average 95.3 mb/d. The bulk of growth is projected to originate in the non-OECD, which is expected to contribute 1.1 mb/d, although OECD demand will remain in positive territory at 0.1 mb/d.

## World Oil Supply

Non-OPEC oil supply in 2016 is forecast to show a stronger contraction of 0.9 mb/d, following a downward revision of 0.1 mb/d since the last report, to average 56.0 mb/d. This is mainly due to lower oil output from Canada in 2Q16 due to the wildfire, as well as from the US. Non-OPEC oil supply in 2017 is projected to decline by 0.1 mb/d to average 55.9 mb/d. Brazil and Canada are the main drivers of growth next year while Mexico, the US, and Norway are expected to see declines. OPEC NGLs are expected to grow by 0.15 mb/d in 2017. In June, OPEC-14 crude production increased by 264 tb/d to average 32.86 mb/d, according to secondary sources.

## Product Markets and Refining Operations

Higher export opportunities amid lower inflows of middle distillates and fuel oil have eased the oversupply environment in the Atlantic Basin. This has allowed refinery margins to strengthen slightly, despite gasoline being impacted by regional oversupply. Meanwhile, refinery margins in Asia fell as the weakness seen at the top of the barrel outweighed strong regional gasoil and fuel oil demand, which have been boosted by power generation requirements.

## Tanker Market

Dirty tanker spot freight rates declined on average in June. This was mainly on the back of the continued decline in VLCC rates on all reported routes. Suemax spot freight rates were supported by a strengthening market in West Africa on occasional tightness in vessel availability. Aframax freight rates were flat from the month before, suffering from limited activity and maintenance work at some ports.

## Stock Movements

OECD commercial oil stocks fell in May to stand at 3,063 mb. At this level, OECD commercial oil stocks are around 329 mb above the five-year average, with crude and products indicating a surplus of 199 mb and 130 mb, respectively. In terms of days of forward cover, OECD commercial stocks stood at 65.9 days, some 6.7 days higher than the five-year average.

## Balance of Supply and Demand

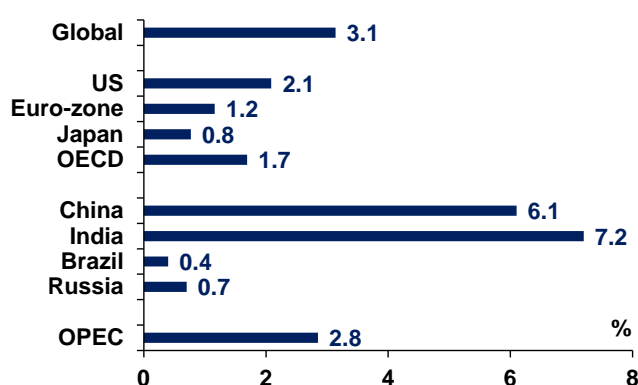
Demand for OPEC crude in 2016 is expected to average 31.9 mb/d, an increase of 1.9 mb/d over the previous year. In 2017, the demand for OPEC crude is projected at 33.0 mb/d, a gain of 1.1 mb/d over the current year.



# The outlook for the oil market in 2017

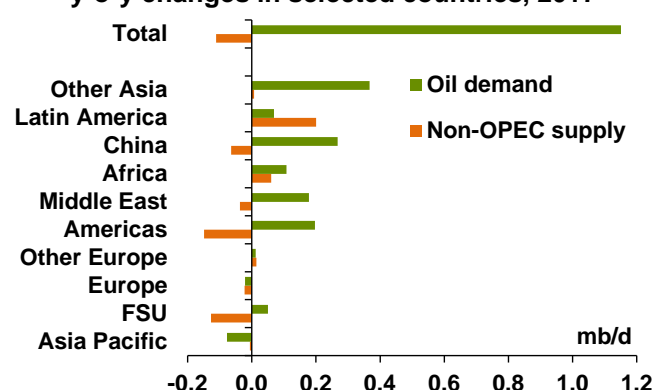
Global economic growth in 2017 is forecast at 3.1%, only slightly higher than this year's growth level, which has been revised down to 3.0%. Following preliminary consideration of the potential effects of the UK's referendum vote on leaving the EU, OECD growth is forecast to slow to 1.7% in the coming year from a downwardly-revised 1.8% in 2016. US growth is forecast to only slightly appreciate to 2.1% from 2.0% in 2016, while the Euro-zone is now forecast to slow to 1.2% from downwardly-adjusted 1.5% in the current year. Japan will improve slightly to 0.8%, after an upwardly-adjusted 0.7% in 2016, following the decision to delay the sales tax increase until at least 2019. India and China are forecast to grow by 7.2% and 6.1% respectively, compared to growth of 7.5% and 6.5% this year. Russia and Brazil are expected to bounce back after a two-year recession and grow by 0.7% and 0.4%, respectively (**Graph 1**). Monetary policies across the globe are expected to remain accommodative. Among the many uncertainties in the global economy, the near-term handling of the UK exit decision and the consequences this may have on both the UK and the EU, will be a key determinant for the short-term forecast.

**Graph 1: GDP growth rate, 2017**



Source: OPEC Secretariat.

**Graph 2: World oil demand & non-OPEC supply, y-o-y changes in selected countries, 2017**



Source: OPEC Secretariat.

Turning to the oil market, oil demand growth for 2017 is expected at 1.2 mb/d, around 0.3 mb/d above the last ten years' average. Various assumptions have been considered in the 2017 projection, the most notable are an improvement in global economic activities; higher road transportation fuel consumption due to the strong rebound in vehicle sales in the US, China and India; and demand for petrochemical feedstocks from new projects in US and China. On the other hand, efficiency in fuel consumption is assumed to increase steadily in various regions and potential subsidy reductions will also have a greater impact on oil consumption. As a result, OECD oil demand is anticipated to increase by a marginal 0.10 mb/d, with the OECD Americas being firmly in the positive, while OECD Europe and Asia Pacific are expected to decline. At the same time, non-OECD growth is expected to be around 1.10 mb/d with Other Asia being the major contributing region to overall growth (**Graph 2**).

Non-OPEC oil supply in 2017 is expected to contract by 0.11 mb/d. The forecast assumes that the annual decline rate in non-OPEC countries will outpace new production growth. As a result, the contraction seen this year in non-OPEC supply is expected to continue in 2017 but at a slower pace. In regional terms, declines in OECD and FSU supply in 2017 are projected at 0.18 mb/d and 0.13 mb/d, respectively, while Developing Countries are forecast to grow by 0.23 mb/d. On a country basis, the main contributors to growth are expected to be Brazil with 0.26 mb/d and Canada with 0.15 mb/d. The main declines are seen coming from Mexico, the US, Norway, Colombia, Russia, Azerbaijan, Kazakhstan and Vietnam. The forecast for non-OPEC supply and OPEC NGLs in 2017 is associated with a high level of risk, mainly due to price developments. OPEC NGLs and non-conventional liquids are expected to grow by 0.15 mb/d in 2017.

As a result of these initial forecasts, demand for crude from the 14 OPEC Member Countries is expected to average 33.0 mb/d in 2017, representing a gain of 1.1 mb/d over the current year and compared to an expected increase of 1.9 mb/d this year. Thus, market conditions will help remove overall excess oil stocks in 2017.





## Crude Oil Price Movements

The value of the OPEC Reference Basket (ORB) was up 6% in June for the fifth month in a row, despite pressure from falling commodity prices after Britain's vote to exit the European Union. The ORB managed to improve on the back of crude oil stock draws in the US, better oil demand and the ongoing supply disruptions over the month. It also soared by more than 40% in the 2Q16, its largest increase ever, as firming global demand and unplanned production cuts from Canada to Nigeria eased the glut that had originally prompted the worst price rout in years. The ORB increased \$2.63 to \$45.84/b for the month but declined 34.4% y-o-y.

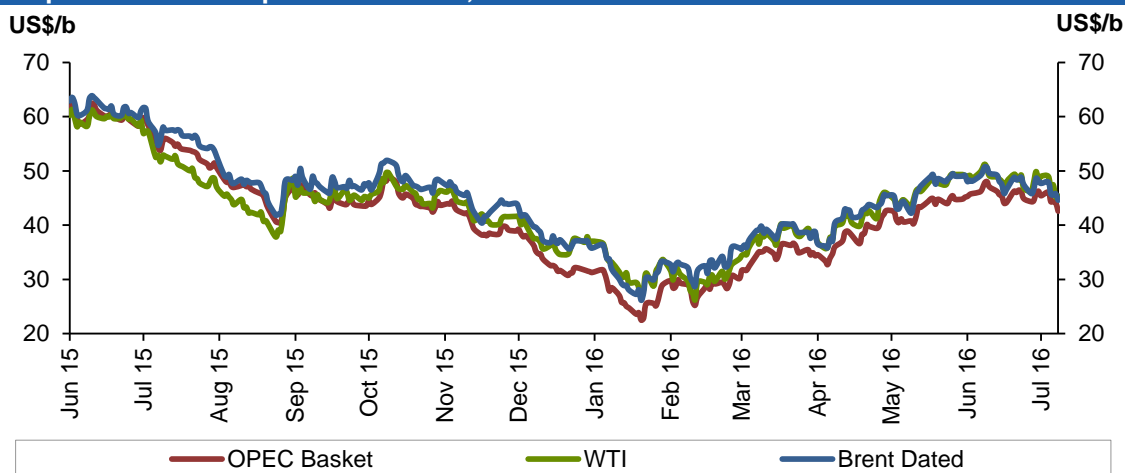
With ongoing supply disruptions around the world seeming to provide a floor to prices, international crude futures rose on both sides of the Atlantic in June, shrugging off the results of the UK's referendum on EU membership. ICE Brent ended up \$2.28 at \$49.93/b, while dropping around 30.5% on the year. NYMEX WTI rose \$2.06 to \$48.85/b, but also slipped about 25% year-to-date. Speculators cut their long positions further this month in all markets. The significantly narrowing Brent-WTI spread reversed in June. The prompt month Brent-WTI spread averaged 85¢/b in May and widened slightly to \$1.07/b in June.

### OPEC Reference Basket

The ORB value was up 6% in June for the fifth month in a row, despite pressure from falling commodity prices amid a rallying US dollar after Britain's vote to exit the European Union. The ORB managed to improve in June on commercial crude oil stock draws in the US, as well as better oil demand and ongoing supply disruptions over the month. It ended the month on average above \$45/b for the first time since October 2015. It also soared more than 40% in 2Q16 as part of a 75% rebound since hitting 12-year lows earlier this year, as firming global demand and unplanned production cuts from Canada to Nigeria eased the glut that had prompted the worst price rout in years. For 2Q16, the ORB surged \$12.35, or 41.1%, its largest ever q-o-q percentage gain, to reach \$42.30/b from \$29.96/b in 1Q16.

M-o-m, the OPEC Reference Basket increased \$2.63 to \$45.84/b, on average, up 6.1%. Compared to the previous year, the ORB value declined 34.4%, or \$18.97, to \$36.13/b.

**Graph 1.1: Crude oil price movement, 2015-2016**



Sources: Argus Media, OPEC Secretariat and Platts.

## Crude Oil Price Movements

**Table 1.1: OPEC Reference Basket and selected crudes, US\$/b**

	<u>May 16</u>	<u>Jun 16</u>	<u>Change</u> <u>Jun/May</u>	<u>Year-to-date</u>	
<b>Basket</b>	<b>43.21</b>	<b>45.84</b>	<b>2.63</b>	<b>2015</b>	<b>2016</b>
Arab Light	43.48	46.28	2.80	55.32	36.49
Basrah Light	42.05	44.63	2.58	53.29	34.94
Bonny Light	46.85	48.48	1.63	58.66	39.85
Es Sider	45.83	47.28	1.45	56.81	38.89
Girassol	46.58	48.30	1.72	58.86	39.65
Iran Heavy	41.67	44.68	3.01	54.17	34.79
Kuwait Export	41.60	44.50	2.90	53.57	34.55
Qatar Marine	44.13	46.37	2.24	56.49	37.07
Merey	34.28	38.22	3.94	48.09	28.37
Minas	48.64	51.56	2.92	56.35	39.11
Murban	47.12	49.28	2.16	59.50	40.94
Oriente	41.96	44.03	2.07	50.46	33.72
Rabi Light	45.43	47.15	1.72	58.37	38.82
Sahara Blend	47.73	48.98	1.25	58.12	40.67
<b>Other Crudes</b>					
Brent	46.83	48.28	1.45	57.92	39.89
Dubai	44.29	46.25	1.96	56.69	37.01
Isthmus	44.76	47.51	2.75	56.05	37.59
LLS	48.80	50.60	1.80	57.97	41.37
Mars	43.45	45.29	1.84	54.44	36.22
Urals	45.08	46.60	1.52	57.76	38.25
WTI	46.84	48.74	1.90	53.25	39.52
<b>Differentials</b>					
Brent/WTI	-0.01	-0.46	-0.45	4.67	0.37
Brent/LLS	-1.97	-2.32	-0.35	-0.05	-1.48
Brent/Dubai	2.54	2.03	-0.51	1.23	2.88

*Note: As of January 2016, Argus data is being used.*

*Sources: Argus Media, Direct Communication, OPEC Secretariat and Platts.*

The spot prices of the main global crude oil benchmarks – WTI, Dated Brent and Dubai – rose \$1.90, \$1.45 and \$1.96, respectively, greatly supporting the values of all ORB components. For Latin American ORB components, Venezuelan Merey was up \$3.94, or 11.5%, at \$38.22/b, while Oriente improved \$2.07, or 4.9%, to \$44.03/b. Despite weaker price differentials, the value of West and Northern African light sweet Basket components, Saharan Blend, Es Sider, Girassol and Bonny Light increased on average by \$1.51, or 3.2%, to \$48.26/b, moving closer to the \$50/b mark. Indonesian Minas was up \$2.92, or 6%, at \$51.56/b, the only component to recover above \$50/b. Amid additional support from increasing OSP and increasing spot activities, the spot components of Middle Eastern grades Murban and Qatar Marine rose \$2.20, or 4.8%, to \$47.83/b, while multi-destination grades Arab light, Basrah light, Iran Heavy and Kuwait Export increased \$2.82, or 6.7%, to \$45.02/b. Firm demand supported medium sour Middle East grades.

On 11 July, the OPEC Reference Basket was up at \$42.21/b, \$3.63 below the June average.

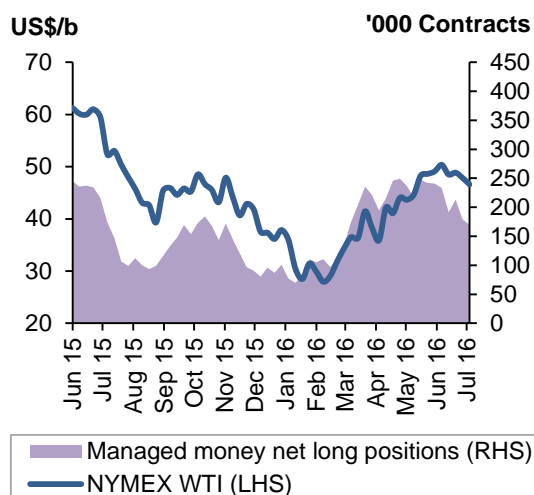
## The oil futures market

With ongoing supply disruptions around the world seeming to provide a floor to prices, international crude futures rose on both sides of the Atlantic in June, despite some days of deterioration, as global anxiety before and after the UK's referendum on EU membership drove investors toward the US dollar and other safe havens. The US dollar also fell after a surprisingly weak US jobs report caused the Federal Reserve to delay raising interest rates this year. The uptick in crude prices also came amid continued unrest in Nigeria, and the latest data on China's trade dynamics, which showed stabilizing exports in May. US crude stock draws and the start of the peak demand summer driving season also helped to soften the oil glut, pulling oil prices higher. Oil futures rebounded 35% to reach the mid-\$40s in the 2Q16 from low \$30s in the 1Q16. ICE Brent ended June up \$2.28, or 4.8%, at \$49.93/b on an average monthly basis, while NYMEX WTI rose \$2.06, or 4.4%, to reach \$48.85/b. Compared to the same period last year, ICE Brent lost \$18.12, or 30.5%, reaching \$41.21/b, while NYMEX WTI declined \$13.51, or 25%, to \$39.78/b year-to-date.

On 11 July, ICE Brent stood at \$46.25/b and NYMEX WTI at \$44.76/b.

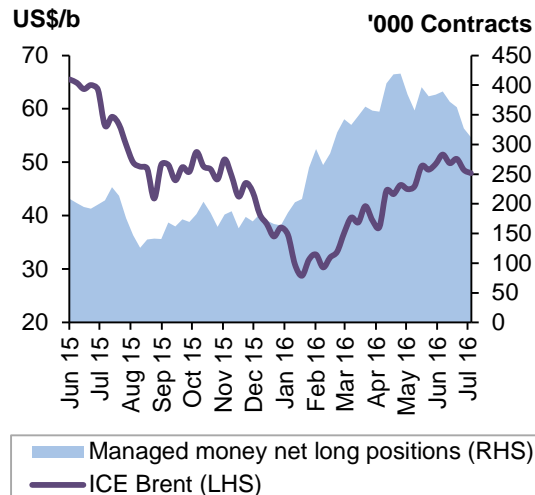
Relative to the end of the previous month, speculators cut their net long positions in ICE Brent futures and options by 21,160 contracts to 362,765 lots by the last week in June, exchange data from ICE showed. Similarly, money managers cut their net long US crude futures and options positions by 61,298 lots to 179,430 contracts, the US Commodity Futures Trading Commission (CFTC) reported. Meanwhile, total futures and options open interest volume on the two exchanges increased by 2.6%, or 139,049 contracts, since the end of May to 5.42 million contracts at the end of June.

**Graph 1.2: NYMEX WTI price vs. Speculative activity, 2015-2016**



Sources: CFTC and CME Group.

**Graph 1.3: ICE Brent price vs. Speculative activity, 2015-2016**



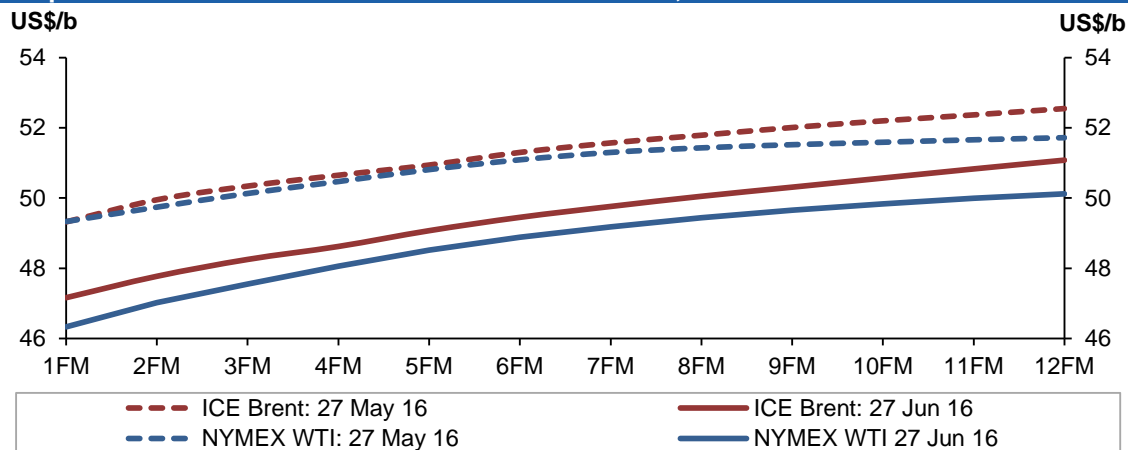
Source: IntercontinentalExchange.

During June, the average daily traded volume for NYMEX WTI contracts decreased 78,520 lots, down 7.7%, to 945,005 contracts, while that of ICE Brent was also lower by 11,313 contracts, down 1.5%, at 724,384. The daily aggregate traded volume for both crude oil futures markets declined 89,833 contracts to about 1.7 million futures contracts, equivalent to around 1.7 billion b/d. The total traded volume on both exchanges dropped in June, reaching 20.79 million and 15.94 million contracts in NYMEX WTI and ICE Brent, respectively.

## The futures market structure

After a significant weakening contango in almost all markets during the previous month, in which some flipped into backwardation, the inter-month spread in June remained almost flat. In the WTI market, the front-month 60¢/b discount to the second month increased to 62¢/b, while the discount of Brent also increased from 48¢/b to 53¢/b. The Dubai market structure – after flipping to a backwardation in May – was unchanged in June, with its M1 premium at 18¢/b to M2.

**Graph 1.4: NYMEX WTI and ICE Brent forward curves, 2016**



Note: FM = future month.

Sources: CME Group and Intercontinental Exchange.

The significantly narrower Brent-WTI spread seen last month amid a decline in US crude inventories and a continuing decline in US production – and the aftermath of wildfires in Alberta, Canada – reversed in June. The Brent-WTI spread in May averaged 85¢/b, widening slightly to \$1.07/b in June.

**Table 1.2: NYMEX WTI and ICE Brent forward curves, US\$/b**

Nymex WTI						
	<u>1FM</u>	<u>2FM</u>	<u>3FM</u>	<u>6FM</u>	<u>12FM</u>	<u>12FM-1FM</u>
27 May 16	49.33	49.74	50.13	51.09	51.72	2.39
27 Jun 16	46.33	47.02	47.55	48.88	50.12	3.79
<b>Change</b>	<b>-3.00</b>	<b>-2.72</b>	<b>-2.58</b>	<b>-2.21</b>	<b>-1.60</b>	<b>1.40</b>
ICE Brent						
	<u>1FM</u>	<u>2FM</u>	<u>3FM</u>	<u>6FM</u>	<u>12FM</u>	<u>12FM-1FM</u>
27 May 16	49.32	49.95	50.34	51.30	52.55	3.23
27 Jun 16	47.16	47.77	48.25	49.45	51.08	3.92
<b>Change</b>	<b>-2.16</b>	<b>-2.18</b>	<b>-2.09</b>	<b>-1.85</b>	<b>-1.47</b>	<b>0.69</b>

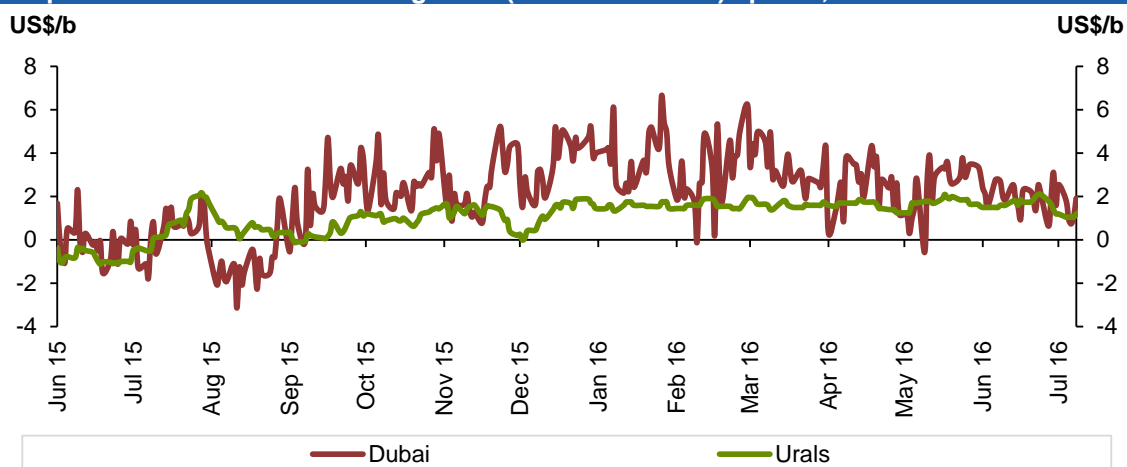
Note: FM = future month.

Sources: CME Group and Intercontinental Exchange.

## The light sweet/medium sour crude spread

Sweet/sour differentials narrowed slightly in all markets in June. In **Europe**, the discount of Urals medium sour crude to light sweet North Sea Brent decreased in June, after the Dated Brent-Med Urals spread narrowed to \$1.68/b from \$1.75/b in May. The North Sea light sweet crudes were pressured by overhang volumes.

**Graph 1.5: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2015-2016**



Sources: Argus Media, OPEC Secretariat and Platts.

In **Asia**, the premium of light sweet Tapis over medium sour Dubai shrank again this month by around 30¢ to \$3.30/b, the narrowest spread in over eight months. This occurred as Asian Pacific regional sweet grades continued to suffer from an ample supply of competitive arbitrage volumes amid somewhat weakening crack margins for light sweet crudes.

In the **USGC**, the premium of Light Louisiana Sweet (LLS) over medium sour Mars remained roughly unchanged for the second month in a row, registering \$5.30/b as both grades continued to be affected by disruptions in Canadian crude oil supplies to the US.

## Commodity Markets

In June, energy commodity prices were supported by advances in crude oil and a 34% jump of natural gas prices in the US. In the category of non-energy commodities, agriculture commodities showed a broad-based advance – mainly on weather-related developments – while base metals generally increased (with the exception of copper). Precious metals prices advanced on safe asset demand surrounding the Brexit referendum and lower-than-expected interest rates in the US since the May employment report.

### Trends in selected commodity markets

Specific commodity group developments drove average prices in June. Nonetheless, prices were negatively affected by the results of the UK's Brexit referendum, but that price impact tended to dissipate in the days that followed. Furthermore, in view of the uncertainties regarding the UK referendum, demand for safe haven assets increased, which further supported an advance in gold prices.

**Table 2.1: Commodity price data**

Commodity	Unit	Monthly averages			% Change	Year-to-date	
		Apr 16	May 16	Jun 16	Jun/May	2015	2016
World Bank commodity price indices (2010 = 100)							
Energy		51.1	56.6	59.5	5.1	71.4	49.4
Coal, Australia	\$/mt	50.8	51.5	53.4	3.8	60.1	51.4
Crude oil, average	\$/bbl	40.8	45.9	47.7	3.8	56.0	38.8
Natural gas, US	\$/mmbtu	1.9	1.9	2.6	33.5	2.8	2.1
Non-energy		79.6	80.9	82.6	2.1	85.8	78.6
Agriculture		88.4	91.4	94.0	2.9	91.6	87.9
Food		90.9	94.9	98.9	4.1	94.1	90.8
Soybean meal	\$/mt	355.0	434.0	467.0	7.6	411.3	373.3
Soybean oil	\$/mt	796.0	791.0	798.0	0.9	774.3	771.8
Soybeans	\$/mt	393.0	422.0	457.0	8.3	402.5	397.2
Grains		85.7	87.3	90.4	3.6	92.7	86.1
Maize	\$/mt	164.4	169.0	179.9	6.5	171.3	165.5
Wheat, US, HRW	\$/mt	187.5	171.8	173.9	1.2	227.5	184.1
Sugar, world	\$/kg	0.3	0.4	0.4	14.1	0.3	0.3
Base Metal		66.7	65.1	65.9	1.1	79.7	64.9
Aluminum	\$/mt	1,571.2	1,550.6	1,591.2	2.6	1,786.2	1,542.7
Copper	\$/mt	4,872.7	4,694.5	4,632.5	-1.3	5,944.9	4,704.0
Iron ore, cfr spot	\$/dmtu	61.0	55.0	52.0	-5.5	60.7	52.2
Lead	\$/mt	1,732.3	1,707.8	1,709.3	0.1	1,876.3	1,727.3
Nickel	\$/mt	8,878.9	8,660.4	8,905.9	2.8	13,724.3	8,661.4
Tin	\$/mt	17,032.7	16,707.0	16,961.5	1.5	16,979.9	16,169.5
Zinc	\$/mt	1,855.4	1,869.0	2,022.6	8.2	2,136.0	1,796.5
Precious Metals		96.3	98.1	99.3	1.2	95.0	93.4
Gold	\$/toz	1,242.3	1,261.0	1,276.4	1.2	1,205.9	1,220.4
Silver	\$/toz	16.4	16.9	17.29	2.0	16.6	15.9

Source: World Bank, Commodity price data.

Meanwhile, manufacturing prospects were mixed with good performance in the US as shown by an ISM manufacturing PMI of 53.2 in June, compared with 51.3 the previous month. Additionally, the Markit manufacturing PMI for the Euro-zone was at 52.8 compared with 51.5 in May. In contrast, manufacturing prospects pointed to a further

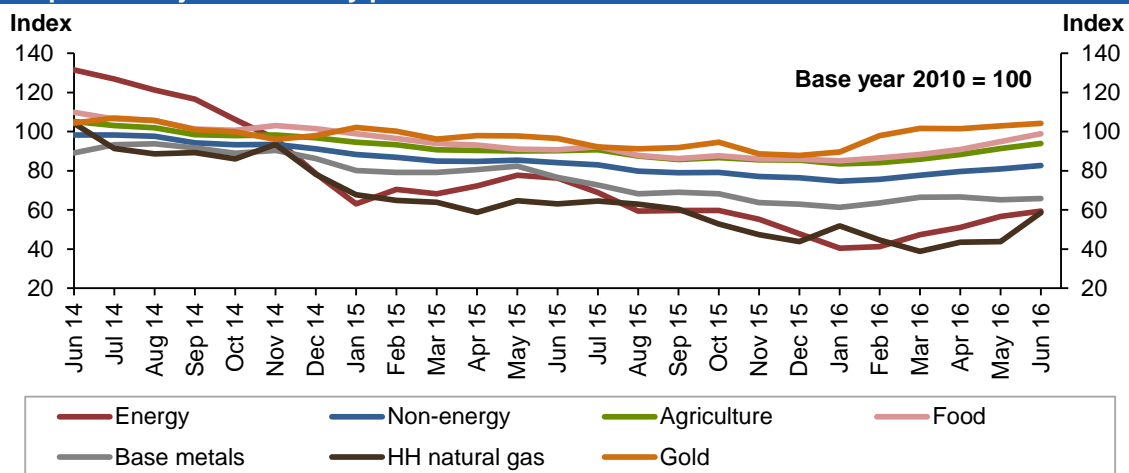
contraction in China, the world largest metal consumer, as shown by a PMI there of 48.6 compared with 49.2 the previous month.

**Agricultural** prices advanced on top of weather-related developments, as in the previous month. Torrential rains in Brazil's sugarcane producing region in the first half of the month translated into a reduction in sugar crush of close to 35% compared to the same period the previous year, according to the sugarcane producers association, UNICA. This resulted in sugar prices being pushed up by around 14% during the month. Soybeans and corn prices were supported by dry weather forecasts in the US at the beginning of the month, while the US Department of Agriculture downgraded its expectations for soybean output in Brazil. However, prices declined at the end of the month after rains arrived in producing regions of the US. Wheat prices declined to 10-year lows on continuing USDA expectations of plentiful supplies in the current year.

**Base metal** prices were generally supported by continuing improvements in the property sector of China. In May, prices of newly constructed residential buildings increased in 60 of the 70 largest cities, and in 52 of them they are already higher than a year ago, according to data from the National Bureau of Statistics. Slowing momentum in manufacturing weighed on copper prices at the beginning of the month, but a weaker dollar after the May employment report was released in the US helped support prices. Nickel prices were supported by the prospect of an environmental review of the mining sector by the new government of the Philippines. Zinc prices jumped on concerns of tightening supplies. Meanwhile, iron ore and steel prices declined on average, but recovered in the second half of the month. Moreover, world steel output decreased by 0.1% y-o-y in May, but increased strongly in China by 1.8% y-o-y, which accounts for half of global output, according to the World Steel Association.

**Energy** prices showed a broad based advance led by continuing strength in crude oil, while natural gas and coal generally rose during the month. In the US, natural gas prices jumped on increased demand, mainly due to warm weather and attractive prices, and stalling natural gas production. In Europe, natural gas prices advanced mainly due to higher hub-based prices which better reflect supply/demand conditions. Inventories in the EU-28 were 6.3% higher than a year ago at the end of June, according to Gas Infrastructure Europe. They were 18% higher than a year ago at the end of May.

**Graph 2.1: Major commodity price indices**



Source: World Bank, Commodity price data.



## Commodity Markets

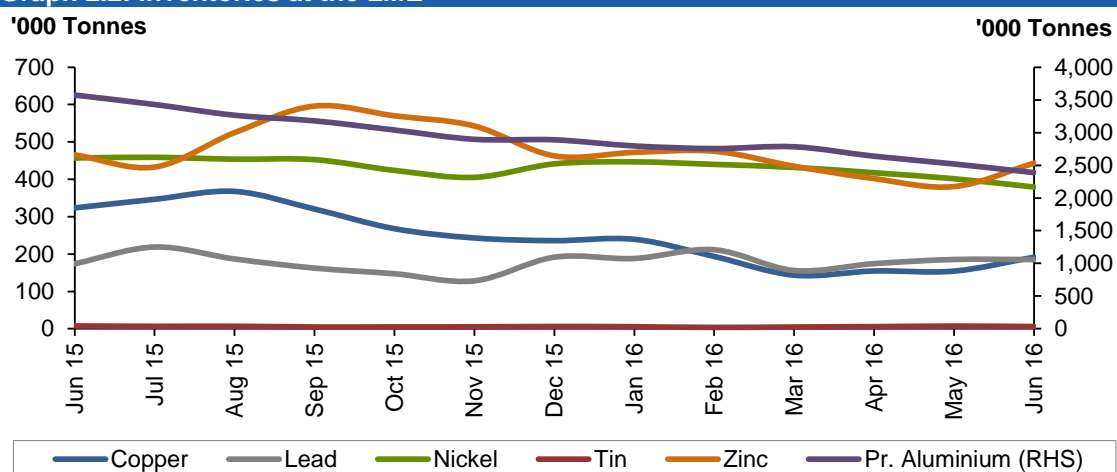
Average **energy prices** in June increased by 5.1% m-o-m, led by a 3.8% increase in crude oil prices. Natural gas prices increased in the US by 33.5% m-o-m, while average prices in Europe increased by 2.2%.

**Agricultural prices** advanced by 2.1% due to increases in average food and beverage prices, which increased by 4.1% and 2.8%, respectively, while the prices of raw materials declined by 0.7%. Soybeans, soy meal and sugar led the increase in food prices for the second consecutive month, advancing by 8.3%, 7.6% and 14.1%, respectively.

Average **base metal prices** advanced by 1.1%, with increases among all group components but copper. Aluminum, nickel and zinc prices advanced by 2.6%, 2.8% and 8.2%, respectively. Average iron ore prices declined by 5.5%.

In the group of **precious metals**, gold prices advanced by 1.2% m-o-m on safe haven demand. Silver prices rose by 2.0%.

**Graph 2.2: Inventories at the LME**



Sources: London Metal Exchange and Thomson Reuters.

In June, the **Henry Hub natural gas** index increased. The average price was up 64¢, or 33.5%, to \$2.57 per million British thermal units (mmbtu) after trading at an average of \$1.92/mmbtu the previous month.

The US Energy Information Administration (EIA) said utilities added 42 billion cubic feet (bcf) of **gas from storage** during the week ending 24 June. This was broadly in line with analyst expectations of an increase around 45 bcf. Total working gas in storage stood at 3,140 bcf or 22.8% higher than at the same time the previous year and 25.4% higher than the previous five-year average. The EIA noted that temperatures during the reported week were 4% above normal throughout the Lower 48 states.

## Investment flows into commodities

**Open interest volume (OIV)** increased in June for select US commodity markets such as agriculture, crude oil, precious metals and copper, and livestock while decreasing for natural gas. Meanwhile, the monthly average speculative net length positions increased for agriculture, precious metals, natural gas and livestock, while they declined for crude oil and copper.



**Agriculture's OIV** increased by 1.8% to 5,175,272 contracts in June. Meanwhile, money managers increased their net long position by 41% to 740,302 lots, largely because of increasing net length in corn and sugar.

**Henry Hub's natural gas OIV** decreased by 1.7% m-o-m to 1,066,053 contracts in June. Money managers decreased their net short positions by 54.5% to reach 39,668 lots on increasing demand.

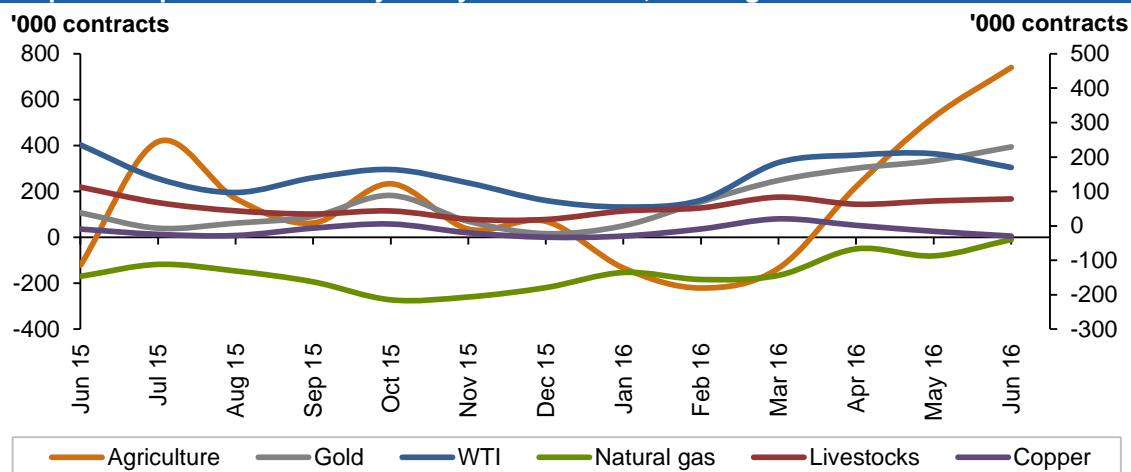
**Table 2.2: CFTC data on non-commercial positions, '000 contracts**

	Open interest		Net length			
	May 16	Jun 16	May 16	% OIV	Jun 16	% OIV
Crude oil	1,708	1,742	210	12	170	10
Natural gas	1,084	1,066	-87	-8	-40	-4
Agriculture	5,084	5,175	524	10	740	14
Precious metals	758	759	254	33	295	39
Copper	198	213	-16	-8	-30	-14
Livestock	548	551	72	13	78	14
<b>Total</b>	<b>9,380</b>	<b>9,507</b>	<b>956</b>	<b>53</b>	<b>1,214</b>	<b>60</b>

Source: US Commodity Futures Trading Commission.

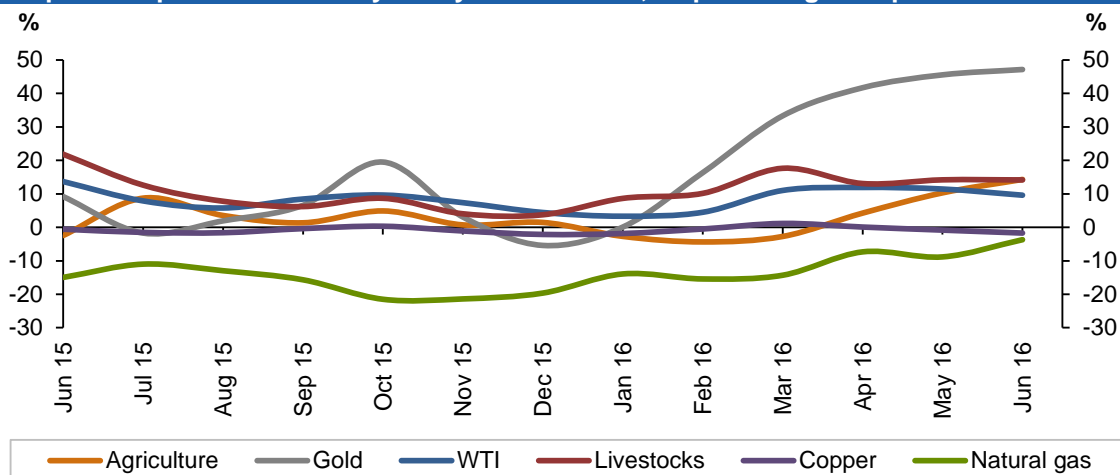
**Copper's OIV** increased by 7.2% m-o-m to 212,614 contracts in June. Money managers increased their net short positions by 87.7% to 29,657 lots on as manufacturing prospects in China continue to slow.

**Graph 2.3: Speculative activity in key commodities, net length**



Source: US Commodity Futures Trading Commission.

**Precious metals' OIV** advanced slightly by 0.1% m-o-m to 758,874 contracts in June. Money managers increased their net long positions by 16.4% to 295,471 lots.

**Graph 2.4: Speculative activity in key commodities, as percentage of open interest**

Source: US Commodity Futures Trading Commission.

### The impact of Brexit on commodity market regulations

In addition to other impacts, the UK's exit from the EU will potentially have implications for commodity market regulations, given the important role that London plays as a global financial centre.

It is likely that the current regulatory regime will remain in place until the exit from the UK has been agreed to and implemented. Broadly speaking, this may be up to two years after Article 50(2) of the Treaty on the European Union – which governs a country's exit from the EU – is invoked. A statement from the UK's regulator, the Financial Conduct Authority (FCA) released after the vote noted that "much financial regulation currently applicable in the UK derives from EU legislation" which "will remain applicable until any changes are made." As a result, the FCA advised that "firms must continue to abide by their obligations under UK law, including those derived from EU law and continue with implementation plans for legislation that is still to come into effect".

The most immediate impact will come from the fact that the UK will no longer be in a position to exert influence on EU financial services regulations – including those that apply to commodity markets. The UK has long contributed its expertise and experience to help ensure financial sector regulations are proportionate and reflect market functioning.

Going forward, the status of the infrastructure of the UK's financial markets will need to be negotiated. A key question will be whether its existing status can be 'grandfathered' in or if it will need to seek official recognition within the EU – as well as in the US and elsewhere.

There has been some speculation that British-based commodity exchanges might have some flexibility in the way they set and implement the rules for contracts traded solely in the UK. This may include the existing but contentious rule for speculative position limits. However, immediately after the Brexit vote, the London Metals Exchange (LME) issued a statement saying that "[f]rom a regulatory and legislative perspective, all our existing regulatory requirements remain in place and the LME will maintain all current implementation plans". This includes the EU Markets in Financial Instruments Directive (MiFID), a regulation that sets out position limits. In regard to the MiFID, the LME has said it intends to be "fully compliant by the January 2018 deadline".

## World Economy

After the UK's referendum to leave the EU, economic uncertainty has increased. Potential negative effects have led to a downward revision of global economic growth in 2016 to 3.0% from 3.1% in the past month. Also, 2017 global economic growth is forecast at only a slightly higher margin of 3.1%, impacted by the dampening effect of the UK vote.

Within OECD economies, the UK referendum was certainly a key event to trigger a downward revision of OECD GDP growth in 2016 to 1.8% from 1.9%, and to a lower growth forecast of 1.7% in 2017. Growth for the Euro-zone and the UK in 2016 was revised down to 1.5% in both economies, while lower growth is anticipated for 2017 at 1.2% and 0.4%, respectively. The US is forecast to have slightly higher growth in 2017 at 2.1%, after growth of 2.0% in 2016. After having postponed a 2017 sales tax increase, Japan may see slightly higher growth in the coming year at 0.8%, compared to 0.7% in 2016.

India and China continue to expand in 2017 at a considerable rate of 7.2% and 6.1%, respectively. This is slightly lower than in 2016 with growth of 7.5% and 6.5%. While both Brazil and Russia are forecast to remain in recession for a second consecutive year in 2016, they are both forecast to recover in 2017 to growth of 0.4% and 0.7%, respectively, fuelled by improving domestic demand and rising commodity prices.

Among the numerous challenges for global economic growth in the second half of 2016 and in the coming year, the outcome of the UK's decision to leave the EU will be of great importance. Also, the monetary policies of major central banks will continue to be influential, but are expected to remain accommodative across the globe.

**Table 3.1: Economic growth rate and revision, 2016-2017, %**

	World	OECD	US	Japan	Euro-zone	China	India	Brazil	Russia
<b>2016*</b>	<b>3.0</b>	<b>1.8</b>	<b>2.0</b>	<b>0.7</b>	<b>1.5</b>	<b>6.5</b>	<b>7.5</b>	<b>-3.4</b>	<b>-1.0</b>
Change from previous month	-0.1	-0.1	0.0	0.2	-0.1	0.0	0.0	0.0	0.1
<b>2017*</b>	<b>3.1</b>	<b>1.7</b>	<b>2.1</b>	<b>0.8</b>	<b>1.2</b>	<b>6.1</b>	<b>7.2</b>	<b>0.4</b>	<b>0.7</b>

Note: \* 2016 and 2017 = forecast.

Source: OPEC Secretariat.

## OECD

### OECD Americas

#### US

In the final estimate of **1Q16 GDP**, growth was confirmed to be on the low side at 1.1% q-o-q, at a seasonally adjusted annualized rate (SAAR), slightly revised up from the second estimate of 0.8% q-o-q SAAR. Moreover, private household spending was revised down to a relatively low level of growth at 1.5% q-o-q SAAR. Finally, the continued decline in investments in the energy sector and a decline in inventories have negatively impacted the growth pattern for the 1Q16. These low growth levels in the

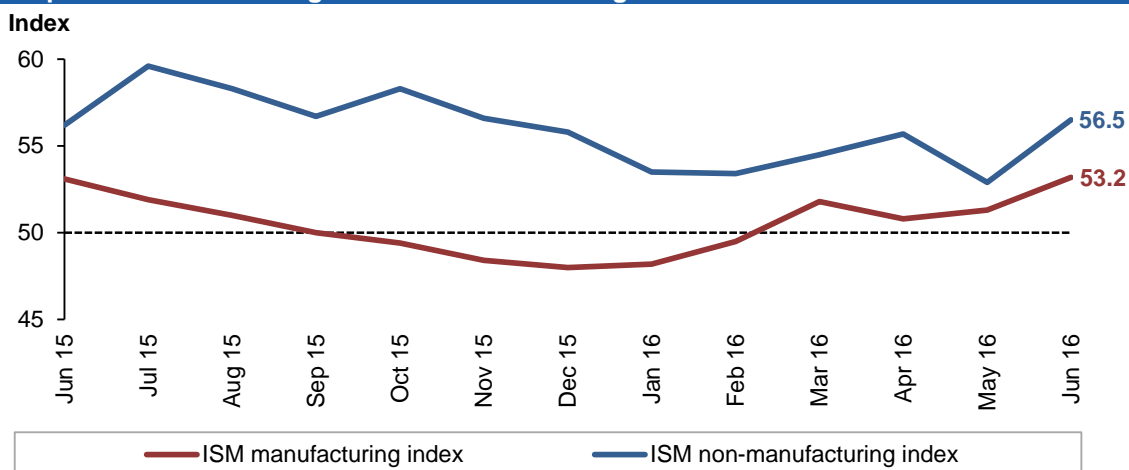
various parts of the economy are forecast to constitute the trough of this year's quarterly growth pattern, as a rebound is forecast in 2Q16, backed by already available data for the months of April and May. Based on the most recent lead indicators, stronger growth is also expected in the second half of the year. Some impact from the result of the UK referendum could also filter through to the US economy, but so far the impact it is expected to be limited.

Importantly, the Federal Open Market Committee (FOMC), the rate setting body of the US **Federal Reserve** (Fed), will carefully evaluate the possibility of an upcoming interest rate change at a meeting at the end of July. Although it should not be ruled out that the Fed is envisaging another interest rate hike in 2016, a rate hike at the upcoming meeting seems rather unlikely, given the current uncertainties. The latest labour market improvements have been below expectations and the relatively large uncertainty surrounding the outcome of the UK's decision to leave the EU are posing great economic challenges.

Total **industrial production** is still weak and remains significantly impacted by the challenges in the energy sector. In addition to weakness in the energy sector, manufacturing also did not manage to grow in May, remaining flat at 0%. Total industrial production declined by 1.4% y-o-y in the same month. Mining, including oil sector-related output, fell considerably again, dropping 11.6% y-o-y. Ongoing weakness is also reflected in manufacturing orders, which fell by 1.2% y-o-y in May, though this is the smallest decline since November 2014, which points at continued improvements for the remainder of the year. The negative trend in order growth in the energy sector continued to be largely negative, with new orders for machinery in the mining, oil and gas sectors declining by 88.9% y-o-y in May.

**Retail sales** continued rising by 2.6% y-o-y in May, albeit at a slightly lower level than in April, when growth stood at 3.0% y-o-y. Improvements in the **labour market**, however, are pointing at some potential upside. While the unemployment rate stood at 4.9% in June, non-farm payroll additions grew by a healthy 287,000 after a downwardly revised 11,000 only in May. Also, the previously worsening participation rate rose again to 62.7% from 62.6% in May. The Conference Board's Consumer Confidence Index improved and stood at 98.0 in June after 92.4 in May.

**Graph 3.1: Manufacturing and non-manufacturing ISM indices**



Sources: Institute for Supply Management and Haver Analytics.

A positive signal came again from May's **Purchasing Manager's Index (PMI)** for the manufacturing sector, as provided by the Institute of Supply Management (ISM). The June level increased to 53.2 compared to 51.3 in May. The very important services sector expanded by an even higher rate in June, when it reached 56.5 after 52.9 in May.

The 2016 **growth forecast** remains unchanged at 2.0% and anticipates a rebound to higher growth levels in the remainder of the year, after low growth in the 1Q16. Growth in the coming year is forecast at only a slightly higher rate of 2.1%. This assumes just a minor impact from the now challenging situation between the UK and the EU, and a smooth transition to a newly elected US administration in 2017. Also, the considerable negative effects from a weakened energy sector are expected to abate in the coming year.

## Canada

While the situation of Canada's **economy remains challenging**, growth in 1Q16 has recovered. GDP growth in 1Q16 stood at 2.4% q-o-q SAAR. This is considerably higher than full year growth in 2015 of 1.1%. It may also be the outcome of an again improving economic situation in the oil industry after the recent wildfires as well as an improved domestic situation. However, the current soft dynamic in the US economy – Canada's most important trading partner – is expected to constitute a continued drag to its economy. Industrial production improved by 1.3% y-o-y in April, while retail trade also rose considerably by 4.6% y-o-y in the same month. On the negative side, Canadian exports declined again in May, falling by 3.4% y-o-y after a decline of 3.1% y-o-y in April. The PMI for manufacturing remained at a healthy 51.8 in June, albeit at a slightly lower level compared to 52.1 in May. The GDP forecast for 2016 remains at 1.5% and growth in the coming year is forecast at a slightly higher rate of 1.7%.

## OECD Asia Pacific

### Japan

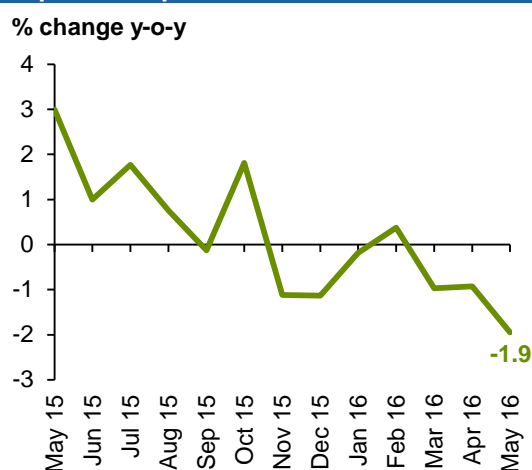
Japan continues on a path of **relatively low growth** accompanied by low inflation (or deflation) and high sovereign debt. Its situation has not changed significantly to the better. The central bank's monetary support continues and the latest postponement of a planned 2017 sales tax increase should push back some challenges for growth in the coming year. However, as a result of this supportive fiscal policy, sovereign debt levels will remain high and will need to be tackled later. Structural measures as currently envisaged by the government continue paying off, though slowly. Despite monetary measures, with monetary stimulus already at an unprecedented level, the yen has risen significantly again on average in June, dampening the export ability of the economy. Inflation also remained in the negative. At the same time, the Bank of Japan (BoJ) is still trying to achieve an inflation rate of 2%. So the situation for domestic demand remains challenging and the low reading of the most important lead indicators only point to continued muted growth. Despite the ongoing challenges, 1Q16 GDP growth remained at a healthy level of 1.9% q-o-q SAAR.

After having turned slightly positive in February and remaining stagnant in March, **consumer prices** fell by 0.3% y-o-y in April and by even 0.4% in May. When excluding the two volatile groups of energy and food, the country's core inflation figure stood at 0.7% in May, the same level as in April. While once again rising commodity prices may support inflation to some extent, the rising yen is currently counterbalancing this trend, making it harder for the economy to achieve its goals. This recent development of falling inflation has unfortunately again led to only slightly rising real income. After a decline in labour-related earnings in 2015, the 1Q has shown an increase of 1.4% y-o-y

in earnings, though they have only risen by 0.2% y-o-y in May. While this is still positive in real terms, given falling consumer prices, it remains to be seen how this trend will continue. So far, the ultra-low unemployment rate in an extremely tight labour market has turned out to support rising wages. In May the unemployment rate stood at 3.2%.

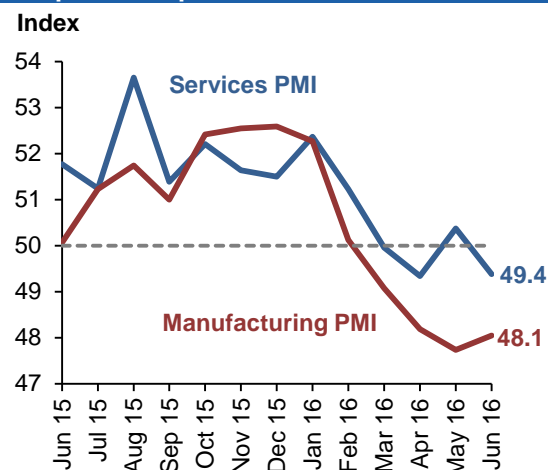
**Japanese exports** continued their declining trend. They have now declined for the eighth consecutive month in May, falling by 11.3% y-o-y after a decline of 10.1% y-o-y in April. The 1Q16 average decline stood at 7.8% y-o-y. Also, **industrial production** fell again considerably in May, declining by 1.8% y-o-y compared to minus 1.7% in April. Industrial production in the 1Q16 already declined by 3.2% y-o-y. This weakening output situation has been seen to continue with a significant decline in manufacturing orders in May, falling by 7.0% y-o-y. **Domestic demand** has also remained very weak in the past months. It remained negative and again declined by 2.0% in May after an already sharp decline of 0.9% y-o-y in April.

**Graph 3.2: Japanese retail trade**



Sources: Ministry of Economy, Trade and Industry and Haver Analytics.

**Graph 3.3: Japanese PMI indices**



Sources: Markit, Japan Materials Management Association and Haver Analytics.

The ongoing weakness in the Japanese economy is also reflected in the **latest PMI numbers** provided by Markit. While the PMI for manufacturing improved slightly, it remains clearly below the growth indicating level of 50. It reached 48.1 in June, only slightly better than the May level of 47.7. Also, the services sector PMI pointed at some modest decline, reaching only 49.4 in June compared to 50.4 in May.

After a stronger-than-expected 1Q16 GDP level, lower growth is forecast for the remainder of the year. However, the considerable growth of 1.9% q-o-q SAAR has lifted growth for 2016 to a level of 0.7% from 0.5% in the previous month. Given the postponement of the planned 2017 sales tax increase and considering slight improvements in economic growth in 2017, next year's GDP growth is forecast at 0.8%. However, numerous risks remain and the economic situation will need close monitoring in the coming months.

### South Korea

South Korea continues to enjoy a **healthy growth level**. However, it is expected to remain impacted by lower global trade, in general, particularly by the slowing dynamic of the Euro-zone after the UK's referendum and the slow-down in China. Despite these near-term challenges, exports continued to recover and grew by 1.9% y-o-y in June, after 1.0% y-o-y in May. This comes after a decline of 5.6% y-o-y in the 1Q16. Also, industrial output recovered to growth of 4.1% y-o-y in May, after an already healthy



expansion of 1.8% y-o-y in April. The latest PMI number for the manufacturing sector in June also indicated a continuation of improvements in the manufacturing sector. The index stood at 50.5, compared to 50.1 in May. This is the third consecutive month of a level above 50. Considering the slow-down of some of South Korea's important trading partners, the 2016 GDP growth forecast has been lowered slightly to 2.6%. Growth in 2017 is forecast at a slightly lower level of 2.5%.

## OECD Europe

### Euro-zone

The Euro-zone has enjoyed relatively **strong growth in 1Q16**, a trend that is to some extent also expected to support growth in the remainder of the year. However, the UK referendum's vote to leave the Euro-zone is forecast to have a slight negative impact on growth in the current year – and potentially at a larger scale in the coming year. A considerable impact has already become visible in the currency markets and a slide in the stock market, mainly in the banking sector. The weakness in the banking sector is of particular concern. The latest government attempts to recapitalise banks in Italy is another aspect that underscores the weakness of the sector in the Euro-zone and this situation may become even more accentuated, if the situation between the UK and the EU is not sorted out soon.

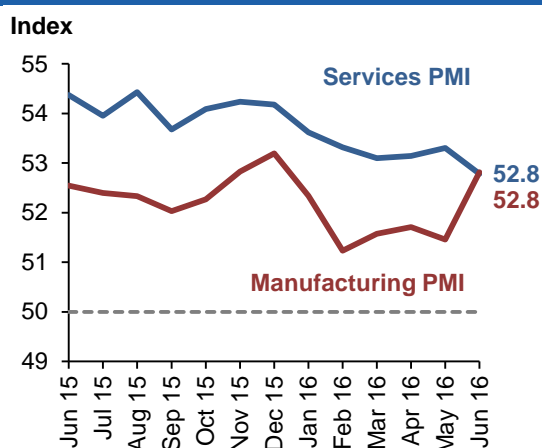
After the Euro-zone's surprisingly better-than-expected **1Q16 GDP growth** of 0.6% q-o-q at a seasonally adjusted rate, 2Q16 growth remained at a somewhat lower, but healthy, level as indicated by available output numbers. The still positive performance is partially due to a recovery in the peripheral economies, continued strong growth in Germany, the outcome of continued monetary supply by the ECB and improving underlying domestic demand. However, numerous challenges for growth in the second half remain. Among them are not only banking sector-related issues but also the outcome of the hopefully soon-to-be started negotiations of the UK and the EU, as well as the upcoming referendum in Italy about a change in its constitution.

The latest **industrial production** number for April again shows some strengthening with an increase of 2.0% y-o-y after growth of only 0.1% y-o-y in March. Manufacturing growth was particularly strong in April, expanding by 2.0% y-o-y. **Retail sales** also performed slightly better in May at a growth rate of 0.6% y-o-y compared to 0.2% y-o-y in April, probably partially supported by a falling unemployment rate, which reached 10.1% in May. Although this is the lowest rate since mid-2011, it is still an elevated level.

Despite the latest round of ECB stimulus, **inflation** remained low. It rose by 0.1% y-o-y in June, after a decline of 0.1% y-o-y in May. Positively, core inflation – the CPI excluding energy, tobacco and food – stood at 0.9% y-o-y, compared to 0.8% in May. While slightly improving, the diminishing effectiveness of ECB stimulus seems to be mirrored in the latest credit supply figures. May's growth stood at only 0.5% y-o-y, after 0.4% y-o-y in April. This may also be the outcome of ongoing challenges in the banking system, with volatile developments in the credit supply seen in the past months pointing at some continuing fragility.

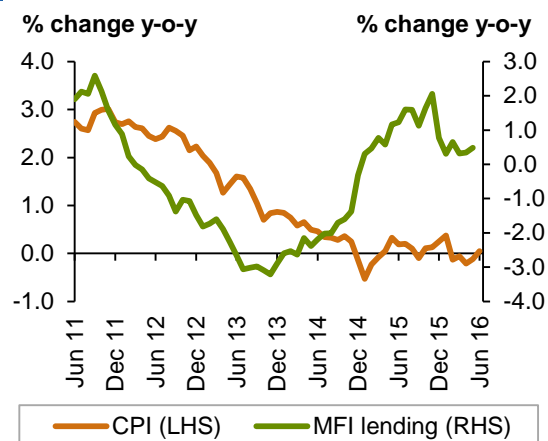
The latest **PMI indicators** are holding up well. The manufacturing PMI for June rose to 52.8 compared to 51.5 in May and 51.6 in March. The important services PMI fell only slightly to 52.8 in June from 53.3 in May.

Graph 3.4: Euro-zone PMI indices



Sources: Markit and Haver Analytics.

Graph 3.5: Euro-zone consumer price index and lending activity



Sources: Statistical Office of the European Communities, European Central Bank and Haver Analytics.

While the **recovery in the Euro-zone is ongoing**, multiple challenges remain. Predominantly, the results of the UK's referendum on leaving the EU has already had an impact in the Euro-zone, weakening the euro and exposing the ongoing weakness of the banking sector. However, after strong growth in the first half of the year, the negative impact will be limited for the year as a whole. GDP growth for 2016 has been lowered by only 0.1 percentage point (pp) to 1.5%. However, by considering ongoing uncertainties for the EU economy, economic growth in the coming year is now forecast at 1.2%, lower than in the current year.

## UK

The most important question is currently what effect the **UK exit from the EU** may have on the UK's economy. So far, stock markets have reacted strongly and, since the referendum, the pound has lost about 15% compared to the US dollar. It is obvious that the effects have already started to take hold in the financial markets, though legally nothing has changed, as the UK has not started the actual process of leaving. The earlier this starts, the better it could be for the economy, since rising uncertainty serves to put increased pressure on the pound sterling and investments into the economy will potentially slow down quickly as well. So, all former projections made ahead of the referendum of UK growth need to be adjusted considerably, while at the same time bearing in mind the significant level of uncertainty that remains. The effects will be felt immediately and 2H16 growth is forecast to be considerably impacted, pulling down the yearly growth to a level of 1.5% compared to the previous month's expectation of 2016 growth of 2.1%. Even more so, 2017 growth is forecast to be impacted with a decline in investments, rising unemployment and also rising inflation, although some counterbalancing deflationary factors may arise from a decline in house prices, which, however, again may lead to lower household wealth and income. While the situation will need to be carefully monitored, the potential negative effects are forecast to produce growth of only 0.4% in the coming year, considerably lower than growth in 2016.



## Emerging and Developing Economies

In **Brazil**, growth data for 1Q16 and the monthly indicators of the past two months have only confirmed the negative expectation for the economic growth of the country in 2016, which sees a contraction of 3.4% y-o-y in GDP. For 2017, however, the same figure for 1Q16 GDP growth might suggest the deceleration has almost reached its lowest point and that cyclical recovery could follow. That said, GDP is forecast to post growth of around 0.4% y-o-y in 2017.

In **Russia**, encouraging signals in the past five months have supported the perception of slower deceleration in **GDP** this year compared to 2015. It actually prompted a marginal upward revision for 2016 to 1.0% contraction, from 1.1%. For 2017, reduced inflationary pressures together with marginal improvements in commodity prices would lend badly needed support to domestic demand and export revenues. GDP is forecast to expand by 0.7% y-o-y in 2017.

The **Indian** economy in the second half of 2016 seems like it will be supported by the country's high savings rate, fast labour force growth and rapidly expanding middle class. Some of the government's reform initiatives are expected to also boost investment. India's current account deficit continues to run at a very modest level. The Reserve Bank of India (RBI) decided to maintain its accommodative policy stance during the first week of June 2016. But May's inflation figures are likely to be followed by equally high readings in June, which are likely to result in an increasingly hawkish tone from the RBI. In terms of India's tax policy, the government, led by the ruling Bharatiya Janata Party (BJP), published a draft version of its goods and services tax legislation on 14 June in order to seek public opinion regarding the key tax reform proposal. The GDP growth expectation for 2016 remains unchanged at 7.5% and the expectation for 2017 stands at 7.2%.

The **Chinese** government's expenditure growth quadrupled in May. Increased spending on education, community affairs, healthcare and social security were the largest contributors to this. China's stimulus shifted into low-gear in the 2Q16, creating room for additional support later in 2016. It seems China's new economy is balancing out the traditional heavy industry slowdown over the past few quarters. China's industrial profit growth continued to soften in May and its pace was much slower compared to April. The People's Bank of China (PBoC) stated that downwards pressure on the economy remained relatively large but said it was "hopeful" growth could remain within a reasonable range. Reasonable growth implies at or above the 6.5% real growth minimum set for 2016-20. China's GDP growth expectation in 2016 was kept unchanged this month at 6.5%. The GDP growth expectation for 2017 is 6.1%.

**Table 3.2: Summary of macroeconomic performance of BRIC countries**

	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US\$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
<b>Brazil</b>	-3.4	0.4	8.4	5.5	-25.7	-39.3	-8.1	-5.6	75.0	79.6
<b>Russia</b>	-1.0	0.7	7.2	5.3	61.8	72.0	-4.1	-2.6	13.3	15.1
<b>India</b>	7.5	7.2	5.1	5.4	-22.5	-32.5	-3.7	-3.6	49.9	48.5
<b>China</b>	6.5	6.1	2.3	2.1	363.1	336.6	-3.6	-3.9	23.3	27.8

*Note: 2016 and 2017 = forecast.*

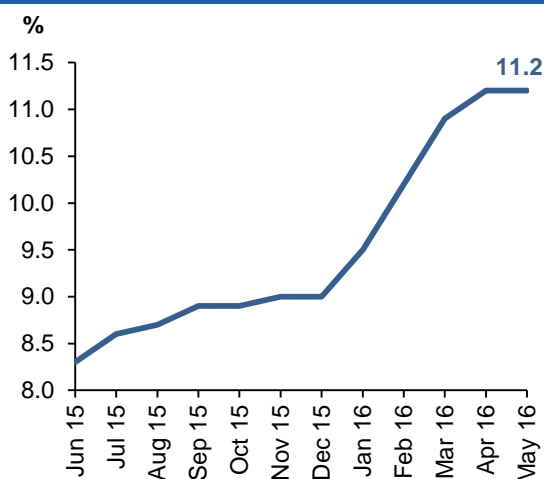
*Sources: Consensus Economics, Economic Intelligence Unit, Financial Times, OPEC Secretariat and Oxford.*

## Brazil

The long and deep recession that started in 2014 has wiped out nearly four years of gains in economic output, bringing the country's GDP level of 1Q16 lower than that of 3Q10. The new government started out by trying to bring **public spending** under control, aiming at adopting tough fiscal policies to limit the uncertainty surrounding the growing **public debt**. But since then, the government has put on the table an ambitious plan of freezing budgetary spending in real terms for up to 20 years. This would require congressional approval.

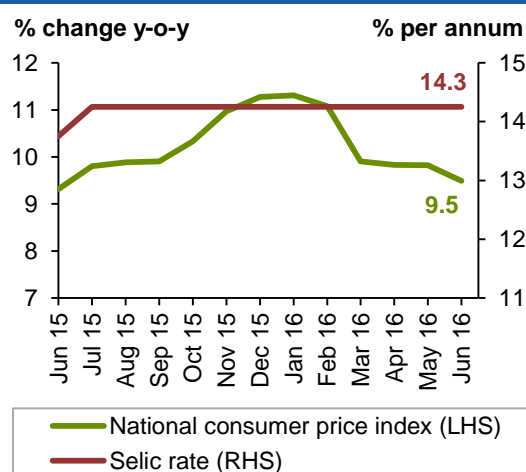
The **real** appreciated in June for the fifth consecutive month. It rose 3.2% m-o-m against the dollar. The central bank kept its benchmark **interest rate** unchanged for the 11th consecutive month at 14.25% in June, while **inflation** decreased to 9.5% in June from 9.8% in May. The National Monetary Committee decided to keep the **inflation target** for 2017 and 2018 at 4.5%, while narrowing the tolerance range from +/- 2 pp to 1.5 pp. However, success in bringing inflation down to the target level will largely depend on implementing planned budget cuts. The relative downturn in inflation seen in the past few months, if continued, could support a decision to lower interest rates before the end of this year. Furthermore, the central bank survey for the week ending 1 July showed that economists have reduced their inflation forecast for 2016 to 7.3% from 9.3% previously.

**Graph 3.6: Brazilian unemployment rate**



Sources: Instituto Brasileiro de Geografia e Estatística and Trading Economics.

**Graph 3.7: Brazilian inflation vs. Interest rate**

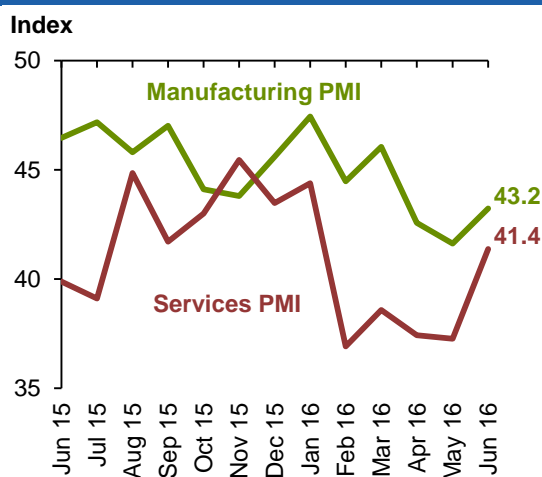


Sources: Banco Central do Brasil, Instituto Brasileiro de Geografia e Estatística and Haver Analytics.

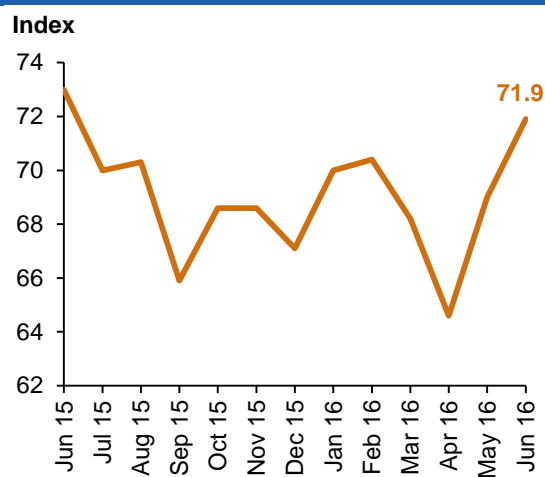
The three-month moving average **unemployment rate** stood at 11.2% in May, unchanged from the previous month, though remaining at the highest rate on record since March 2012.

The sharp decrease in **manufacturing sector** employment, new orders and production have led June's manufacturing PMI to remain in contraction territory, suggesting a continued steep downturn. The index posted 43.2 in June from 41.6 in May. The survey of June highlighted the sharpest drop in job creation in the survey's history.

The **consumer confidence** index improved slightly for the second month in a row in June. The index registered 71.9 in June, up from 69.0 a month earlier.

**Graph 3.8: Brazilian manufacturing and services PMIs**

Sources: HSBC, Markit and Haver Analytics.

**Graph 3.9: Brazilian consumer confidence index**

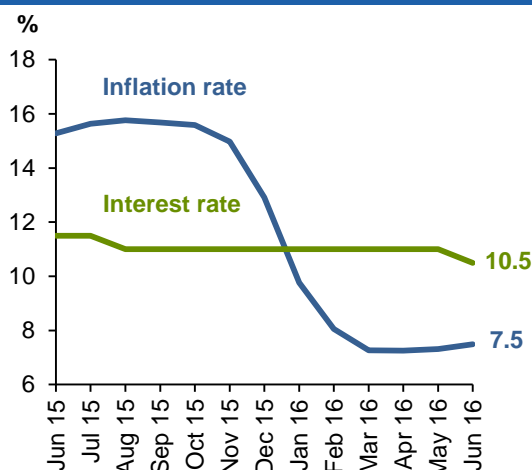
Sources: Fundação Getúlio Vargas and Haver Analytics.

**Growth data** for the 1Q16 and the monthly indicators of the past two months have confirmed the negative expectation for Brazil's economic growth in 2016, seeing a contraction of 3.4% y-o-y in GDP. For next year, however, the same figure for the 1Q16 GDP growth might suggest that the deceleration has almost reached its trough and that a cyclical recovery could follow. Expected lower inflation – if accompanied with fiscal consolidation, some easing of interest rates and slightly better commodity prices, alongside positive spillover from Argentina – would help the economy reverse its direction. Nevertheless, a steep recovery is not in sight yet due to the structural imbalances in the economy (which may only be sorted out over time), a high unemployment rate, political uncertainty and economic uncertainties in major trading partners (China and the Euro-zone). That said, GDP is forecast to post growth of around 0.4% y-o-y in 2017.

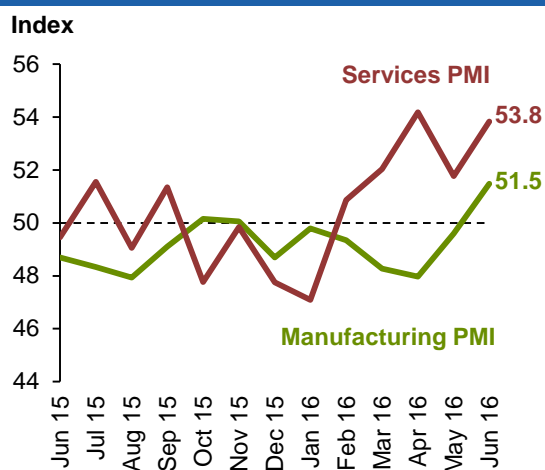
## Russia

The Federal State Statistics Service published the **GDP** for the 1Q16, showing a deceleration of 1.2% y-o-y. This is much slower than the decline of 3.8% in the 4Q15. The decrease in **household consumption**, while continuing, was notably less than the 12.5% shrink during the 4Q15. On the other hand, **Gross Fixed Capital Formation (GFCF)** posted an even faster contraction by 9.9% y-o-y in the 1Q16, compared to 6.0% in the previous quarter. **Net exports** also marginally declined 1.0% in the 1Q16 compared to a marked increase of 82.6% in the 2Q15.

The **ruble** showed its fourth consecutive appreciation so far this year in June, increasing 0.7% m-o-m. The upturn in the ruble helped **inflation** stabilize below 8.0% in the three months to May, registering 7.5% in June, less than half the inflation increase seen a year earlier (15.3% in June 2015). The notable ease in inflation encouraged the central bank to slightly reduce its benchmark **interest rate** from 11.0% to 10.50% in June, signaling further rate cuts in the future on the basis of inflation risk estimates.

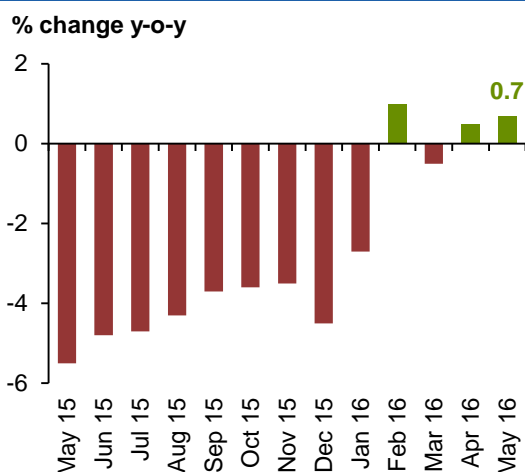
**Graph 3.10: Russian inflation vs. Interest rate**

Sources: Federal State Statistics Service, Central Bank of Russia and Haver Analytics.

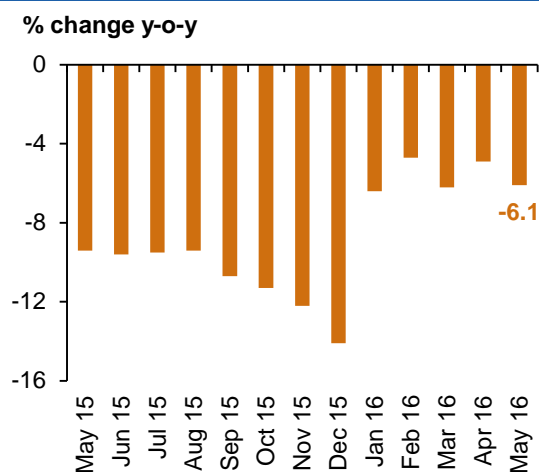
**Graph 3.11: Russian PMIs**

Sources: HSBC, Markit and Haver Analytics.

Both the manufacturing and services sectors sent encouraging signals in June. Following six months of contraction, the **manufacturing sector** is back to growth last month, according to its respective PMI. The index registered 51.5 last month, up from 49.6 in May. The survey showed that demand for goods picked up as new order growth quickened to a 19-month high. Production also increased at its fastest pace since November 2014. On a related note, **industrial production** posted its second expansion in a row in May, rising by 0.7% y-o-y. However, **retail sales** continued shrinking, though by much lesser rates than at the end of 2015. In the **services sector**, the upturn seen since February gathered pace in June with the index improving from 51.8 to 53.8, suggesting solid demand.

**Graph 3.12: Russian industrial production**

Sources: Federal State Statistics Service and Haver Analytics.

**Graph 3.13: Russian retail sales**

Sources: Federal State Statistics Service and Haver Analytics.

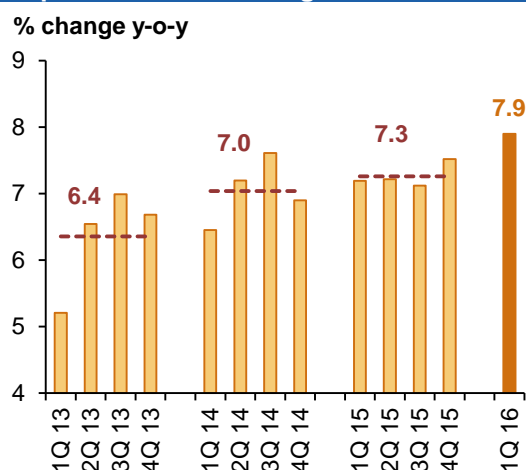
Encouraging signals in the past five months have supported the perception of a slower deceleration in **GDP** this year compared to 2015. It has actually prompted a marginal upward revision for 2016 to 1.0% contraction from 1.1%. For 2017, reduced inflationary pressures, together with marginal improvements in commodity prices, would lend badly needed support to domestic demand and export revenues. GDP is forecast to expand by 0.7% y-o-y in 2017.

## India

In the second half of 2016, it seems **GDP** growth will be supported by a high savings rate, fast labour force growth and a rapidly expanding middle class. Some of the government's reform initiatives will also boost investment. The bankruptcy reform legislation passed in May will free up distressed assets and encourage a more efficient allocation of capital, while the "Make in India" campaign will encourage both domestic and foreign direct investment. Economic growth will continue to be led by the services sector. The expansion will be driven by already-strong areas of activity such as business process outsourcing, as well as growth in currently underserved areas such as healthcare, retailing, hospitality and education. However, the export-oriented service sector will face increasingly vigorous competition from other countries in the region.

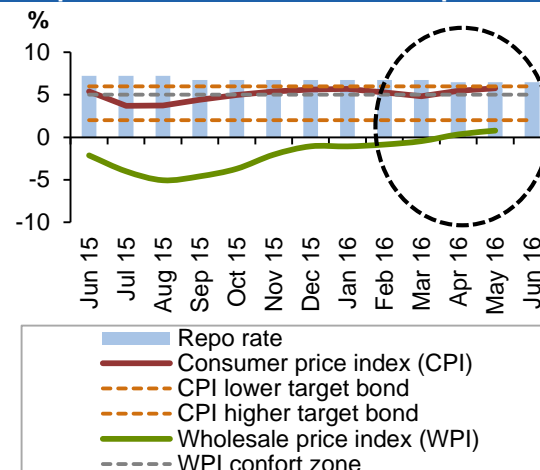
India's May **CPI** rose to 5.7% y-o-y on the back of a rapid increase in food and beverage prices, which rose more than 7%. Food price inflation (excluding beverages) jumped to 7.2% y-o-y in May from 6.3% y-o-y the previous month. The WPI rose 0.7% y-o-y, up from 0.34% y-o-y in April, signalling a firm return to inflation after a 17-month deflationary spell. The RBI decided to maintain its accommodative policy stance during the first week of June 2016, but May's inflation figures are likely to be followed by equally high readings in June. This could result in an increasingly hawkish tone from the RBI. Should inflation persist in June, the RBI may determine to significantly delay any policy rate action - such as a cut -, especially with the repo rate remaining at the current 6.5%.

**Graph 3.14: Indian GDP growth**



Sources: National Informatics Centre (NIC) and Haver Analytics.

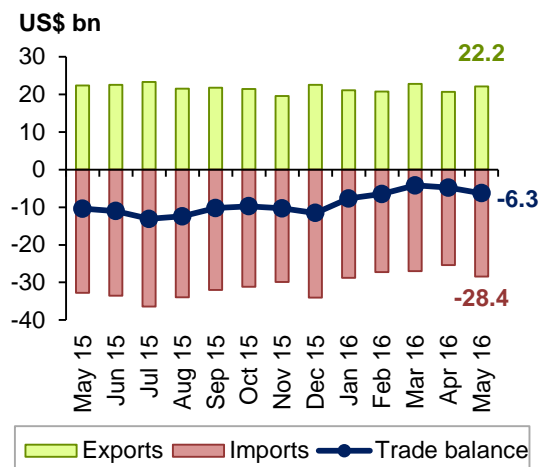
**Graph 3.15: Indian inflation vs. Repo rate**



Sources: Ministry of Commerce and Industry, Reserve Bank of India and Haver Analytics.

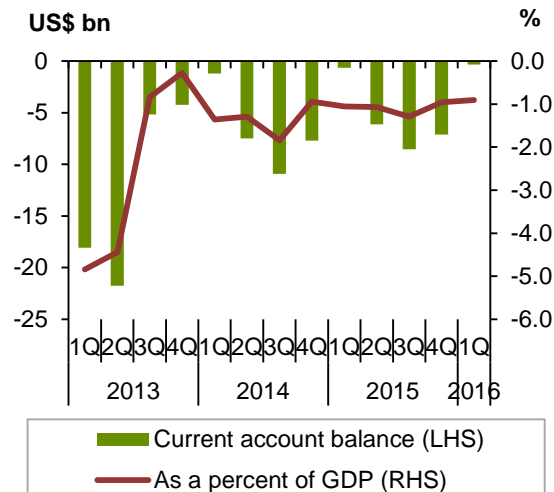
India's merchandise **exports** have declined continuously since December 2014, initially triggered by a sharp fall in petroleum product exports and subsequently spreading into other categories. In May they fell 0.8% y-o-y. However, even as petroleum exports remain in a deep contraction, a tentative recovery in non-oil exports in recent months has limited the overall contraction in merchandise exports to single digits. In May, petroleum exports slumped by 15.5% y-o-y to \$2.1 billion. In contrast, non-oil exports in May rose by 1% y-o-y to \$20.1 billion. India's merchandise imports contracted 13.2% y-o-y in May to \$28.4 billion. Beyond the substantial contraction in oil imports, imports of gold fell precipitously by 39.2% y-o-y to \$1.5 billion.

Graph 3.16: Indian net exports



Sources: Ministry of Commerce and Industry and Haver Analytics.

Graph 3.17: Indian current account balance

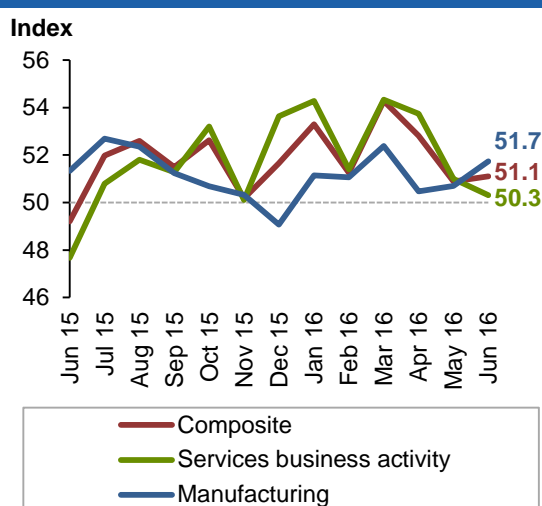


Sources: Reserve Bank of India and Haver Analytics.

The **current account** deficit continues to run at a very modest level, whereas in 2012 and early 2013 it was around \$90 billion, lower than in past times, with most of the improvement driven by lower oil prices.

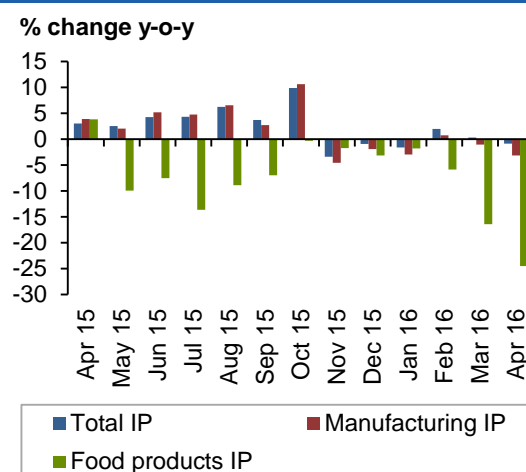
In terms of India's **tax policy**, the BJP-led central government published a draft version of its goods and services tax legislation in order to seek public opinion regarding the key reform. The legislation is regarded by businesses and economists alike as one of the most crucial single reforms to facilitate the way of doing business in India. It is seen as having the potential to lift the country's growth by as much as 2% annually. The reform is intended to replace India's current complicated system of indirect taxes levied by the central and state governments. These taxes vary across states, raising the overall cost of compliance for firms operating across India or those considering entering the market. At present, the tax burden on goods is estimated by the government to be in the range of 25-30%, while the services tax stands at 12%.

Graph 3.18: Indian PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.19: Indian industrial production breakdown



Sources: Central Statistical Organisation of India and Haver Analytics.

**Indian manufacturers** raised production at a faster rate during June. The favourable operating environment encouraged businesses to purchase additional inputs but was



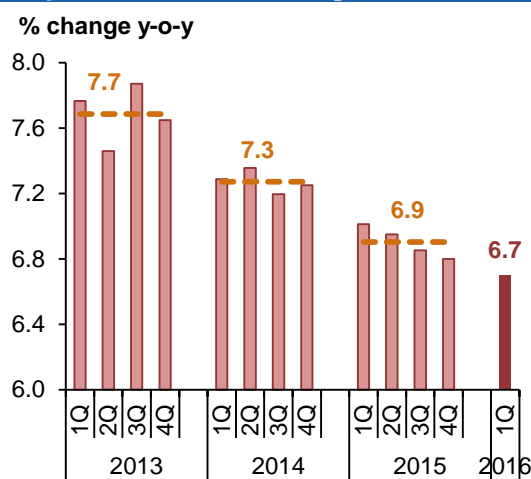
insufficient to generate jobs. Meanwhile, cost inflation eased, while output charges were broadly unchanged. At 51.7 in June, the seasonally adjusted Nikkei India manufacturing PMI, a composite single-figure indicator of manufacturing performance, pointed to a further improvement in the health of the sector, rising from the 50.7 level seen in May.

In June, the **GDP growth** expectation for 2016 remained unchanged at 7.5% and the expectation for 2017 stands at 7.2%. The reason for the lower growth expectation for the coming year is related to the downside risks from increasing oil and commodity prices, as well as a weakness of investment, domestic consumption and industries overcapacity in 2017.

## China

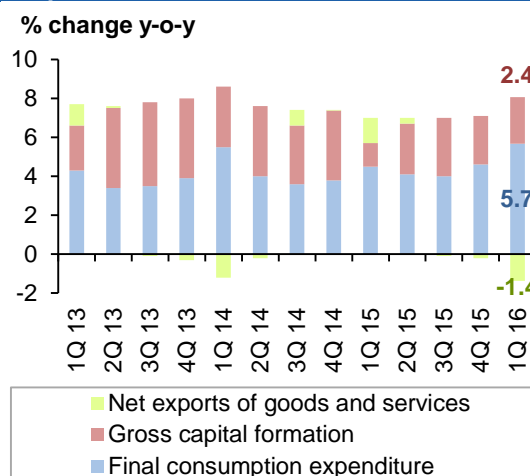
Chinese **government expenditure** growth quadrupled in May. Increased spending on education, community affairs, healthcare and social security were the largest contributors. The growth of local government spending accelerated to 23.3% while central government spending contracted by 4.6%. Government revenue growth in May slowed by half, with the primary reason being slower growth in value-added tax receipts. Nevertheless, business (turnover) tax receipts expanded at roughly 10 times the pace of overall government revenues.

**Graph 3.20: Chinese GDP growth**



Sources: China's National Bureau of Statistics and Haver Analytics.

**Graph 3.21: Chinese GDP breakdown**



Sources: China National Bureau of Statistics and Haver Analytics.

It initially appeared that the Chinese economy would be insulated from the volatility that is likely to result from the "Brexit" vote, given the relatively shallow bilateral trade and investment ties between China and the UK. However, a closer look suggests that China, too, is exposed to the global economic and financial volatility that will likely follow the UK's decision. Bilateral trade flows between the UK and China are not of vital importance for the Chinese economy, accounting for around only 2% of China's total external trade. However, Brexit will have an adverse impact on demand and confidence in the rest of the EU, which is China's largest export market, as well as the wider global economy. Since 2012 the UK has been a supportive voice within the EU for closer ties with China and has historically been one of the strongest advocates of free trade.

China's stimulus shifts into low-gear in the 2Q16, creating room for additional support later in 2016. The PBoC reports that aggregate financing only reached CNY659 billion (\$100 billion) in May, down nearly \$100 billion from a month prior and at roughly half the monthly average of the past year. China will continue to attempt to navigate

between supporting growth and stabilizing debt, although a modest increase in stimulus is forecast in the second half that will be aimed at reducing flows into the heavy industry sector.

China's **CPI** inflation slightly decreased and settled at 2.1% y-o-y in May from 2.41% in April. Excluding food and energy prices, core CPI rose 1.5% y-o-y in April. The producer price index (PPI) deflation moderated to 2.9% y-o-y in May from 3.4% y-o-y in April. Overall, PPI deflation has run uninterrupted for 51 months.

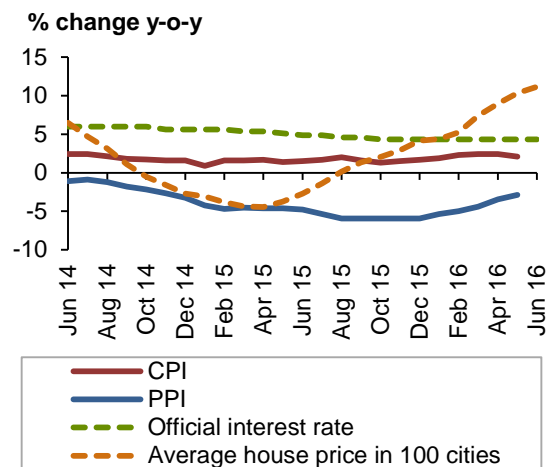
**Exports** contracted by 4.1% y-o-y in May, the fastest pace since February. China's key export categories both recorded consistent decelerations, with nominal exports of mechanical and electrical products contracting 7% (3.3% in April) and exports of high-tech products contracting 8.5% (5.3% in April). Integrated circuits went from a 25.1% expansion in April to a 6.9% contraction in May. The volumes exported ranged from stable to slightly deteriorating, indicating continuing deflation in China's key manufactured goods. Chinese merchandise imports contracted 0.4% y-o-y in May, the slowest pace of contraction since October 2014. Imports from the European Union, ASEAN and Japan all went from contraction to expansion, while imports from Korea contracted at nearly one-third the pace as in April. Imports of mechanical and electrical products contracted 1.5% (5.9% contraction in April), while the value of oil imports contracted 5.7% (28.5% contraction last month). Oil import volumes grew 38.7% and motor vehicles by 9.8%, indicating deflation in import prices as well. China's trade balance in May was \$50 billion, compared with \$45.6 billion a month prior or \$57.1 billion one year ago. China's year-to-date trade balance was \$217.4 billion, compared with \$212.6 billion during the same period in 2015. Steady deflation in merchandise trade, including manufactured goods, is suggestive of limited improvements in China's PPI for May, published on 9 July. China's trade surplus continues to outpace gains in 2015. That will help bolster the net exports component of GDP during the 2Q16, although it is mostly due to weaker imports rather than healthy foreign demand.

China's **industrial profit growth** continued to soften in May and its pace was much slower compared with April. According to the National Bureau of Statistics (NBS), year-to-date profit growth fell to 6.4% from 6.5% through April, and de-cumulative growth declined by 0.5 pp from the previous month to 3.7%. According to the official announcement, the deceleration resulted from declining growth in non-business income. While profit growth of principal businesses improved in May with improvements in the PPI, a significant drop of 36.5 pp in non-business income growth from April dragged on the headline profit growth.

The PBoC published on 21 June its 2015 annual report. The report included affirmations of "prudent" **monetary policy** in 2016. Among its policy goals, the PBoC stated that in 2016 and during a "period following", it would continue to support the appropriate expansion of aggregate demand and step up supply side reforms and structural adjustment, expediting the elimination of excess capacity, inventories and leverage. It stated that downward pressure on the economy remained relatively large but said it was "hopeful" that growth could remain within a reasonable range. Reasonable growth implies at or above the 6.5% real growth minimum set for 2016-2020.

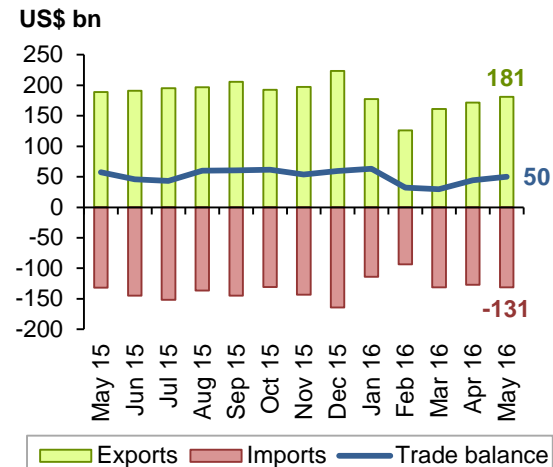


Graph 3.22: Chinese CPI vs. PPI



Sources: China Index Academy, China National Bureau of Statistics, Soufan and Haver Analytics.

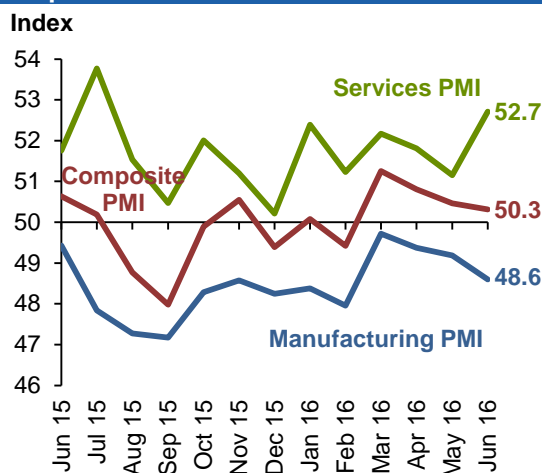
Graph 3.23: Chinese trade balance



Sources: China Customs and Haver Analytics.

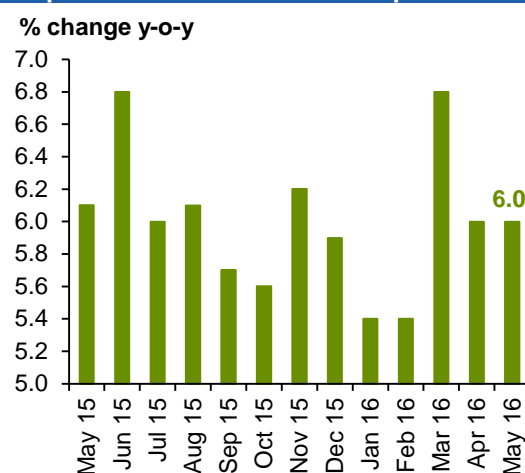
Adjusted for seasonal factors, the **PMI**, which is composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy, registered 48.6 in June, down from 49.2 in May. This signalled a further deterioration in the health of China's manufacturing sector. Furthermore, the rate of deterioration, though moderate, was the fastest seen in four months. A faster contraction of manufacturing output weighed on the headline index in June. It was the quickest reduction in production in four months. Poor market conditions and a drop in new work orders led manufacturers to cut output. Weaker client demand was highlighted by a second successive monthly fall in total new work placed at manufacturing firms during June, albeit marginal. The data suggests that part of the weakness stemmed from softer foreign client demand, with new export sales declining for the seventh month in a row and at a moderate pace.

Graph 3.24: Chinese PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.25: Chinese industrial production



Sources: China National Bureau of Statistics and Haver Analytics.

Chinese **GDP growth** expectation in 2016 was kept unchanged this month at 6.5%, while the GDP growth expectation for 2017 is 6.1%.

## OPEC Member Countries

In **Saudi Arabia**, GDP grew 1.5% y-o-y in 1Q16, compared to 3.3% in the same period of 2015. While manufacturing gained 5.9% y-o-y, electricity, gas and water, construction and wholesale and retail trade, restaurant and hotels all contracted in 1Q16. Consumer price inflation posted an increase of 4.1% y-o-y in May, compared to 4.2% on average in the first four months of the year. The country's non-oil private sector continued to expand in June on notable growth in output and new orders, according to the PMI survey.

In **Iran**, the customs administration reported the value of the country's non-oil trade at \$19.473 billion during March-June, compared to \$24.245 billion in the same period of 2015.

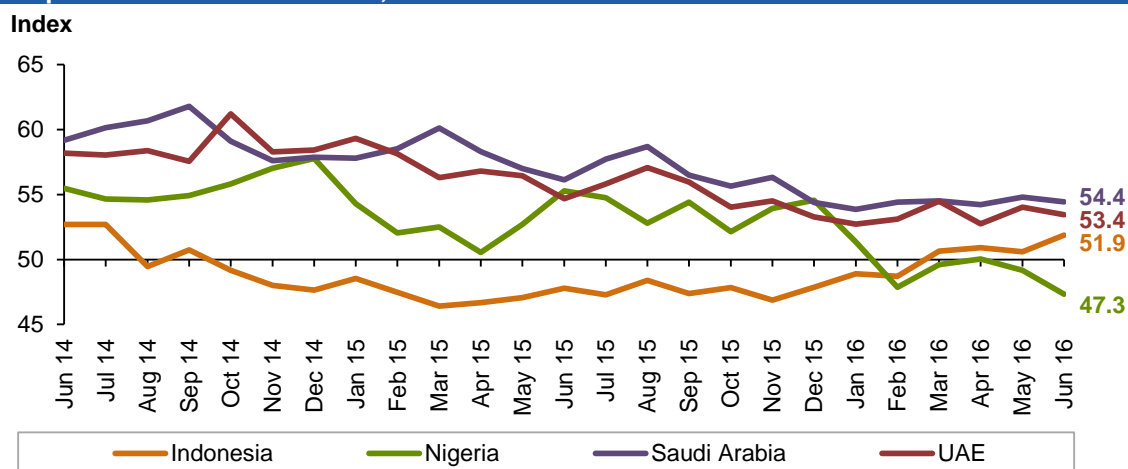
In **Nigeria**, GDP declined 0.4% in the 1Q16, compared to 3.9% growth in the 1Q15. While the deceleration in private final consumption expenditure eased from 5.6% in 1Q15 to 1.3% in 1Q16, final consumption expenditure of general government decelerated.

In **Iraq**, inflation posted a 2.5% y-o-y increase in May, up from 2.1% in April.

**Indonesia** posted GDP growth of 4.9% y-o-y in 1Q16, compared to 4.6% in 1Q15. Growth in private consumption expenditure stood at 5.0% y-o-y in the 1Q16, higher than the 4.7% in 1Q15. Gross capital formation also increased by 4.9% y-o-y in 1Q16, compared to 4.3% in the same period of last year. Net exports gained 1.8% in 1Q16 over 1Q15. The manufacturing sector registered a record rise in manufacturing employment, according to the manufacturing PMI survey on June. The index rose to 51.9 in June, up from 50.6 a month earlier, on marked increases in new orders and production.

In the **United Arab Emirates**, the non-oil private sector remained in the expansion territory in June with the PMI at 53.4. The survey showed less acceleration in output gains from the previous month's high figure.

**Graph 3.26: PMIs of Indonesia, Saudi Arabia and UAE**



Sources: HSBC, Markit, Nikkei, SAAB, Stanbic IBTC Bank and Haver Analytics.

## Other Asia

The economy of **Malaysia** posted growth of 4.2% y-o-y in the first three months of this year, the lowest since 3Q09, on a sharp drop in the growth rate of GFCF which expanded by only 0.1%, compared to 7.9% in 1Q15. Both of private and government final consumption expenditures grew by notably slower paces. The manufacturing sector sent another negative signal in June, according to its respective PMI which stood at 47.1, compared to 47.2 in May. The survey showed a large decline in new orders and employment stagnation.

In the **Philippines**, GDP registered growth of 6.9% y-o-y in 1Q16, notably higher than the 5.0% increase in 1Q15, on faster growth in private consumption expenditures, huge increases in government consumption expenditure (from 0.2% in 1Q15 to 9.9% in 1Q16) and growth in capital formation (from 12.5% in 1Q15 to 23.8% in 1Q16).

In **Vietnam**, GDP growth posted 5.5% y-o-y in 2Q16, from nearly the same figure in the previous quarter, but notably lower than the 6.3% growth in 2Q15. The country's manufacturing sector posted robust acceleration in June, growing by its fastest pace in 11 months, according to its PMI reading. The survey showed large gains in production and new business together with an increase in employment.

## Africa

The economy of **South Africa** grew 0.3% y-o-y in 1Q16, up from the minor contraction in the previous quarter, though notably lower than the 3.1% increase in 1Q15. This came mainly on the back of shrinkage of 1.3% in GFCF. The country's private sector's business conditions, as suggested by the PMI reading of June, showed that output and employment both fell.

The non-oil private sector in **Egypt** remained in contraction territory in June, with the PMI posting 47.5, little changed from a month earlier. Large drops in output, new work and job creation were reported, while the currency depreciation led to an increase in input prices by the highest rate in survey history.

## Latin America

In **Argentina**, the GDP expanded by only 0.5% y-o-y in the first three months of this year, lower than the previous three quarters, which registered growth of more than 2.0%. GFCF declined by 3.8% in 1Q16, down from the gain of 12.0% in the previous quarter. Both private and government consumption expenditures also grew by notably slower paces than in the previous quarter.

## Transition region

Growth in the economy of **Poland** in 1Q16 stood at 2.5% y-o-y, the slowest pace since 4Q13, on a 2.2% drop in GFCF, its lowest since 2Q13. Public consumption expanded by 3.7%, household consumption by 3.0%, exports by 6.8% and imports by 9.3%. The manufacturing sector posted a pick up in the growth of production and new business, according to its PMI survey of June, which posted 51.8.

The growth in the **Czech Republic** GDP slowed to 2.7% y-o-y in 1Q16 from 4.3% and 4.6% in the 4Q15 and 1Q15, respectively. This slowdown could be attributed to the decline in the growth rates of household consumption and gross capital formation which expanded by 2.6% and 0.5%, respectively. The country's manufacturing sector PMI remained in the expansion territory in June, though at a lower reading of 51.8.

compared to May's 53.3. The survey showed slower growth in production, employment and new business.

## Oil prices, US dollar and inflation

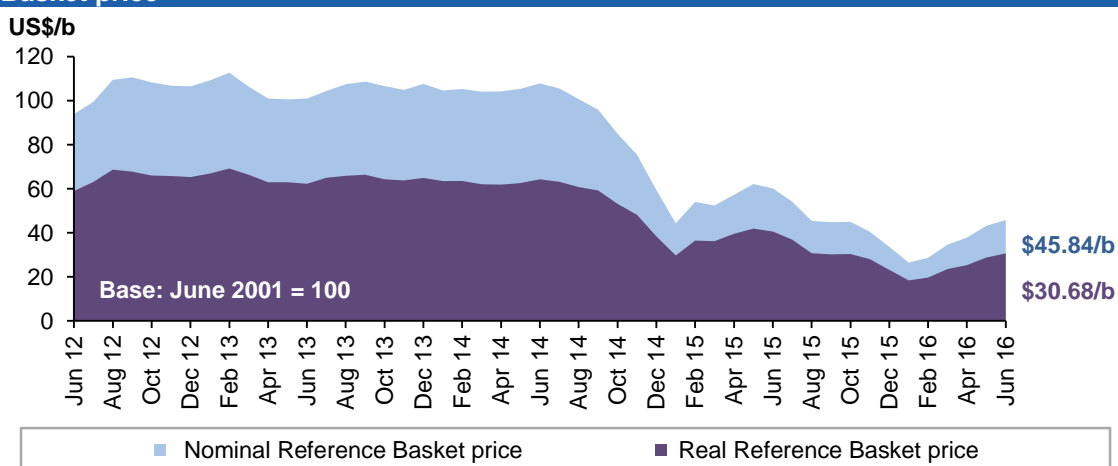
The **US dollar showed mixed trends in June** against major currencies. On average the US dollar gained 2.3% against the pound sterling but has risen by around 13% since the UK referendum of 23 June (until the first week of July). It gained 0.8% against the euro in June, rising for the second consecutive month. It declined for the seventh consecutive months against the yen, falling by 3.3%, from the previous month and is down 13.9% since November 2015. Against the Swiss franc it declined by 0.8%.

Compared to the Chinese yuan, the US dollar rose by 0.9% m-o-m on average in June. This was its second consecutive monthly increase. Against the Indian rupee the US dollar rose by 0.6% m-o-m. Compared to the Brazilian real it fell by 3.2% m-o-m on average in June, due to domestic improvements in Brazil and higher commodity prices. Also, against the Russian ruble the US dollar fell by 0.5% m-o-m, due to rising crude oil prices

After the UK's vote, it has become more likely that the **US Fed will push back** further a planned interest rate hike at least into later the year, while the Bank of England and the European Central Bank have both highlighted their willingness to increase monetary supply (to differing degrees). Minutes from Fed's June meeting also highlighted increasing uncertainties about the state of the labour market in the US after the disappointing employment report of the month of May.

In nominal terms, the price of the **OPEC Reference Basket (ORB)** rose by a monthly average of \$2.63, or 6.1%, from \$43.21/b in May to \$45.84/b in June. In real terms, after accounting for inflation and currency fluctuations, the ORB rose by 6.5%, or \$1.87, to \$30.68/b from \$28.80/b (base June 2001=100). Over the same period, the US dollar advanced by 0.3% against the import-weighted modified Geneva I + US dollar basket\*, while inflation declined by 0.1%.

**Graph 3.27: Impact of inflation and currency fluctuations on the spot OPEC Reference Basket price\***



Source: OPEC Secretariat.

\* The 'modified Geneva I+US\$ basket' includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to the merchandise imports of OPEC Member Countries from the countries in the basket.

# World Oil Demand

World oil demand for 2016 has been kept broadly unchanged from the previous MOMR. Total world oil demand growth for 2016 now stands at 1.2 mb/d, leading to total consumption of 94.18 mb/d. In 2017, world oil demand is projected to grow at similar rate to 2016, increasing by 1.2 mb/d to average around 95.33 mb/d. Non-OECD countries are set to continue leading oil demand growth with 1.1 mb/d in total demand, while OECD countries are anticipated to see a demand increase of 0.1 mb/d. The progress of economic development in major economies around the globe is the key risk factor affecting world oil demand projections for 2017.

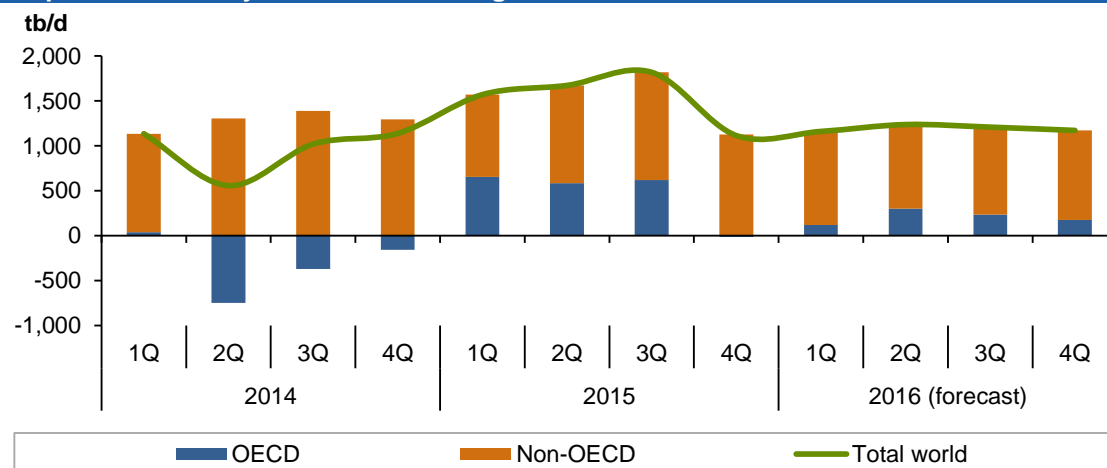
**Table 4.1: World oil demand in 2016, mb/d**

	<u>2015</u>	<u>1Q16</u>	<u>2Q16</u>	<u>3Q16</u>	<u>4Q16</u>	<u>2016</u>	<u>Change 2016/15</u>	
							<u>Growth</u>	<u>%</u>
Americas	24.37	24.39	24.49	25.09	24.64	24.65	0.28	1.14
of which US	19.71	19.82	19.86	20.29	19.91	19.97	0.26	1.31
Europe	13.71	13.53	13.59	14.15	13.68	13.74	0.03	0.18
Asia Pacific	8.10	8.65	7.63	7.55	8.19	8.00	-0.09	-1.16
<b>Total OECD</b>	<b>46.18</b>	<b>46.56</b>	<b>45.70</b>	<b>46.78</b>	<b>46.52</b>	<b>46.39</b>	<b>0.21</b>	<b>0.45</b>
Other Asia	12.01	12.22	12.43	12.40	12.68	12.43	0.43	3.56
of which India	4.05	4.41	4.15	4.11	4.44	4.28	0.23	5.67
Latin America	6.56	6.22	6.58	6.84	6.47	6.53	-0.03	-0.46
Middle East	8.11	8.07	8.10	8.72	8.13	8.25	0.14	1.73
Africa	3.99	4.12	4.09	4.03	4.17	4.10	0.11	2.78
<b>Total DCs</b>	<b>30.67</b>	<b>30.64</b>	<b>31.20</b>	<b>31.99</b>	<b>31.44</b>	<b>31.32</b>	<b>0.65</b>	<b>2.12</b>
FSU	4.62	4.49	4.37	4.73	5.04	4.66	0.04	0.81
Other Europe	0.67	0.68	0.64	0.68	0.77	0.70	0.02	3.57
China	10.83	10.71	11.33	10.97	11.41	11.11	0.28	2.54
<b>Total "Other regions"</b>	<b>16.13</b>	<b>15.89</b>	<b>16.35</b>	<b>16.38</b>	<b>17.22</b>	<b>16.46</b>	<b>0.34</b>	<b>2.09</b>
<b>Total world</b>	<b>92.98</b>	<b>93.09</b>	<b>93.25</b>	<b>95.15</b>	<b>95.18</b>	<b>94.18</b>	<b>1.19</b>	<b>1.29</b>
Previous estimate	92.98	93.08	93.26	95.16	95.17	94.18	1.20	1.29
Revision	0.00	0.01	-0.01	-0.01	0.01	0.00	0.00	0.00

*Note: Totals may not add up due to independent rounding.*

*Source: OPEC Secretariat.*

**Graph 4.1: Quarterly world oil demand growth**



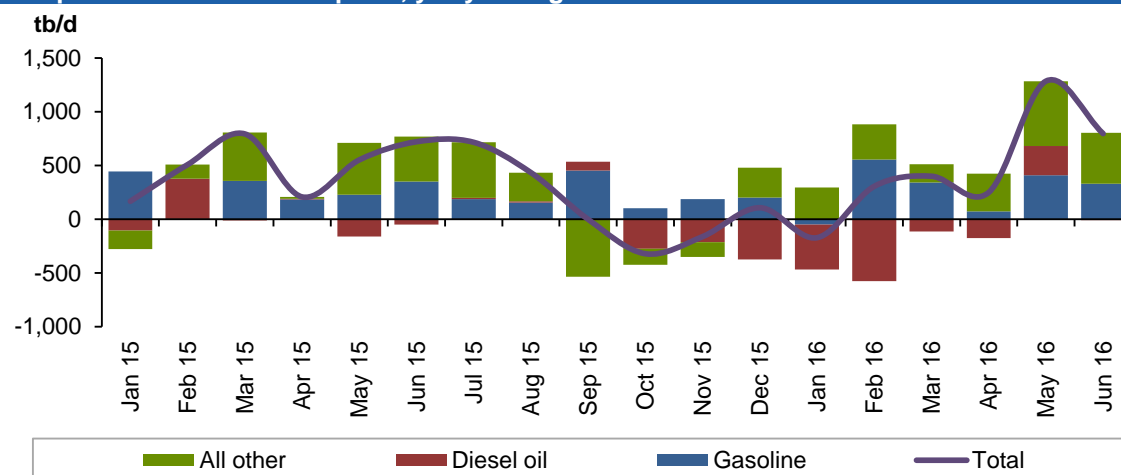
*Source: OPEC Secretariat.*

## World Oil Demand for 2016

### OECD Americas

Supported by the continuing lower oil price environment and in line with a growing economy, the latest available data for **US** monthly oil demand shows growth of 0.25 mb/d in April 2016, which is more than 1% higher y-o-y. Taken together, the first four months of the year imply that oil requirements are solidly higher, around 0.2 mb/d, compared with the same period a year earlier. The key characteristics in the first four months of 2016 are strongly rising demand for gasoline, jet/kerosene and fuel oil, and, at the same time, declining distillate fuel and propane/propylene requirements, mainly as a result of substitution with other primary commodities. Rising car sales and employment figures during the first four months of 2016 were additional factors contributing to rising oil requirements.

**Graph 4.2: US oil consumption, y-o-y changes**



Source: US Energy Information Administration.

Preliminary weekly data for May and June shows oil demand also increasing y-o-y and the same product pattern, which was observed for the first four months of 2016. The risks to US oil demand in the short-term for the remaining part of 2016 are most likely skewed to the upside, compared with the last several months.

**Table 4.2: US oil demand, tb/d**

	Average January - June		Change 2016/15	
	2016	2015	tb/d	%
Propane/propylene	1,179	1,184	-5	-0.4
Gasoline	9,363	9,088	275	3.0
Diesel oil	3,930	4,095	-165	-4.0
Jet/kerosene	1,569	1,505	64	4.3
Fuel oil	338	217	121	56.1
Other products	1,179	1,184	-5	-0.4
<b>US 50</b>	<b>19,835</b>	<b>19,376</b>	<b>459</b>	<b>2.4</b>
<b>US territories</b>	<b>399</b>	<b>376</b>	<b>23</b>	<b>6.1</b>
<b>Total</b>	<b>20,234</b>	<b>19,752</b>	<b>483</b>	<b>2.4</b>

Source: US Energy Information Administration.

In May 2016, **Mexican** oil demand decreased by more than 1% y-o-y. Although gasoline and fuel oil requirements grew strongly, they have been more than offset by shrinking demand for LPG and diesel oil. 2016 Mexican oil demand is expected to remain flat y-o-y.

Rising oil demand in the transportation sector and declining industrial fuel requirements have led to an overall 3% decrease in **Canadian** oil demand for the first four months of 2016. Projections for 2016 Canadian oil demand remain unchanged from those in the previous months, leaving oil requirements during 2016 lower than 2015. In this, transportation fuels are the main bulk of growth, though this is more than offset by declines in the demand for industrial fuel.

In 2016, **OECD Americas** oil demand is projected to grow by 0.28 mb/d compared with 2015.

## OECD Europe

European oil demand remained flat in April 2016 y-o-y with a diverse picture emerging among countries of the region. Increases – originating mainly in middle distillates used in road transportation and industrial sectors – have been largely offset by declines in the light distillates that are used as feedstock in the petrochemical sector, particularly naphtha. Early indications for May 2016 showed some gains in oil demand for Germany, France and Italy, while oil requirements in the UK decreased y-o-y. It is also worth noting that during May 2016, the positive momentum in vehicle sales continued for the 33rd month in a row. The general expectation for the region's oil demand during the remainder of 2016 faces substantial downside risks compared with last month's projections, as a result of uncertainties related to the region's economy, resulting from the UK referendum, among other challenges.

**Table 4.3: Europe Big 4\* oil demand, tb/d**

	<u>May 16</u>	<u>May 15</u>	<u>Change</u>	<u>Change, %</u>
LPG	416	393	23	5.8
Naphtha	620	672	-52	-7.8
Gasoline	1,092	1,083	9	0.8
Jet/kerosene	752	731	22	3.0
Diesel oil	3,055	2,861	194	6.8
Fuel oil	266	266	0	0.1
Other products	539	610	-72	-11.7
<b>Total</b>	<b>6,740</b>	<b>6,616</b>	<b>124</b>	<b>1.9</b>

*Note: \* Germany, France, Italy and the UK.*

*Sources: JODI, OPEC Secretariat, UK Department of Energy and Climate Change and Unione Petrolifera.*

**European** oil demand is projected to remain roughly flat in 2016, increasing by a mere 0.03 mb/d.

## OECD Asia Pacific

In **Japan**, preliminary May 2016 oil demand showed a decrease in volumes y-o-y, which once more largely originated in declining trends in direct fuel and crude burning for electricity generation as a result of milder weather, and the ongoing substitution of crude with natural gas and coal. Decreases have also been registered in the demand of all other product categories (with the exception of jet/kerosene), leading to an overall 0.2 mb/d decline in oil demand. This translated to a decrease of around 7% y-o-y.



Japanese vehicle sales also continue to be in the negative in June 2016 y-o-y, in line with declining fuel demand during the same month. As far as the outlook for Japan's 2016 oil demand is concerned, current indications remain roughly unchanged from last month's forecasts with the risks skewed to the downside.

**Table 4.4: Japanese domestic sales, tb/d**

	<u>May 16</u>	<u>May 15</u>	<u>Change</u>	<u>Change, %</u>
LPG	396	409	-13	-3.2
Naphtha	674	748	-75	-10.0
Gasoline	880	884	-4	-0.5
Jet/kerosene	224	184	40	27.5
Diesel oil	520	537	-17	-3.2
Fuel oil	357	430	-74	-17.1
Other products	43	56	-13	-23.4
Direct crude burning	35	97	-63	-64.4
<b>Total</b>	<b>3,127</b>	<b>3,345.7</b>	<b>-219</b>	<b>-6.5</b>

Source: Ministry of Economy Trade and Industry of Japan.

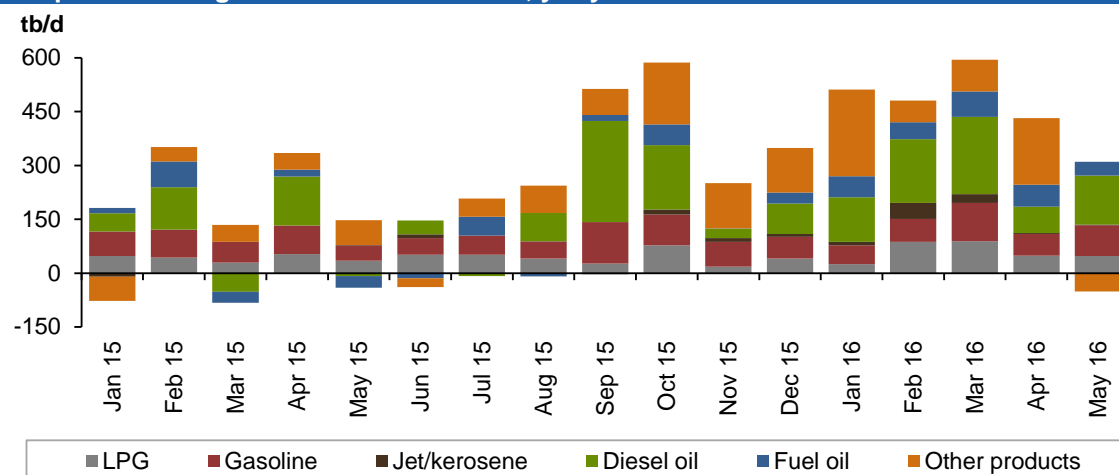
In **South Korea**, April 2016 data showed an increase of more than 60 tb/d, which equates to more than 2% y-o-y, with the bulk of this increase in transportation fuels, diesel, gasoline and LPG for the petrochemical industry. The outlook for South Korean oil demand during 2016 remained positive, unchanged compared to last month's projections.

**OECD Asia Pacific** oil consumption is expected to fall in 2016 by 0.09 mb/d.

## Other Asia

During the month of May 2016, **Indian** oil demand recorded growth of over 0.25 tb/d, or around 7%, compared to the same period in 2015, with total consumption standing above 4 mb/d.

**Graph 4.3: Changes in Indian oil demand, y-o-y**



Sources: OPEC Secretariat and Petroleum Planning and Analysis Cell of India.

From the product side, fuel oil, gasoline and diesel oil supported growth, while the only product showing a decrease y-o-y was the "other products" categories. Fuel oil was more than 38 tb/d higher than May 2015, equivalent to around 20% y-o-y. Fuel oil consumption was encouraged by drought conditions in the country, which placed a cap



on hydropower production, in turn promoting extra consumption for fuel oil in the power generation sector. Demand also received support from other sectors such as the fertilizer and steel sectors.

Gasoline demand increased by a solid 86 tb/d or around 17% y-o-y. According to May 2016 data for industry sales from India's Petroleum Planning & Analysis Cell, the increase in gasoline consumption is attributed to the following reasons: the preference of end users of gasoline-driven vehicles compared with diesel-driven vehicles, due to price differential; the high sale of two-wheelers; weather conditions; published school holidays allowing for additional driving during holidays; and, finally, advance purchases by retail outlet networks in anticipation of higher forward prices.

Diesel oil requirements also increased in May and products were 0.14 mb/d higher compared with the same month in 2015. Support stemmed from two main sectors: construction, with activities to support the expansion of the country's infrastructure, and the agriculture sector, which experienced higher usage due to less rain. LPG demand saw an increase of 60 tb/d, or 10% y-o-y, which was broadly a result of government expansion projects of LPG outlets to reach more end users.

**Table 4.5: Indian oil demand by main products, tb/d**

	<u>May 16</u>	<u>May 15</u>	<u>Change</u>	<u>Change, %</u>
LPG	690	642	48	7.4
Gasoline	600	515	86	16.7
Jet/kerosene	337	336	2	0.5
Diesel oil	1,558	1,421	137	9.7
Fuel oil	229	191	38	20.0
Other products	712	763	-51	-6.7
<b>Total</b>	<b>4,125</b>	<b>3,866</b>	<b>259</b>	<b>6.7</b>

*Sources: OPEC Secretariat and Petroleum Planning and Analysis Cell of India.*

In **Indonesia**, data for April 2016 indicates rising demand for fuel oil, gasoline and jet/kerosene, which increased by around 7%, 3% and 2% y-o-y, respectively. This has led to total consumption reaching 1.48 mb/d, with an increase of around 19 tb/d or more than 1% y-o-y.

In **Thailand**, oil demand grew by a solid 62 tb/d, or around 6%, in April 2016 compared with the same period last year, with the bulk of increases originating in naphtha and the "other products" category. Fuel oil and LPG, on the other hand, were the only products in the negative territory.

The risks for 2016 oil demand in **Other Asia** are currently skewed towards the upside as a result of possible overall economic improvements in India, the biggest oil consumer in the region, and the general economic performance of some other countries of the region.

Other Asia's oil demand is expected to grow by 0.43 mb/d in 2016.

## Latin America

Oil demand in Latin America is projected to decline in the current year by an estimated 30 tb/d for the second year in a row. In April 2016, product demand fell in **Brazil** compared to a year earlier, losing more than 50 tb/d, which equates to more than 2% y-o-y. The decline apparently reflects the weak pace of the country's economic momentum as the manufacturing PMI of Brazil stayed in contraction territory. All

products performed below expectations, with the exception of gasoline and LPG which grew by around 5% and 4% y-o-y each. Gasoline prices continued to be lower than ethanol during the month of April, encouraging additional consumption of gasoline. Products gained around 31 tb/d y-o-y in April, which marked the fourth successive month of growth.

On the other hand, ethanol consumption dipped due to less attractive prices compared to gasoline, while products declined by more 23 tb/d, or around 8% y-o-y. Based on data from January to May, ethanol consumption declined by around 40 tb/d while gasoline demand grew by 13 tb/d y-o-y.

The overall performance of the Brazilian economy, along with the continuation of political challenges in the country, remain the primary factors behind the slow-down in the country's oil demand growth in 2016. Fuel oil and diesel oil also declined as a result of these factors, by around 36% and 3% y-o-y, respectively.

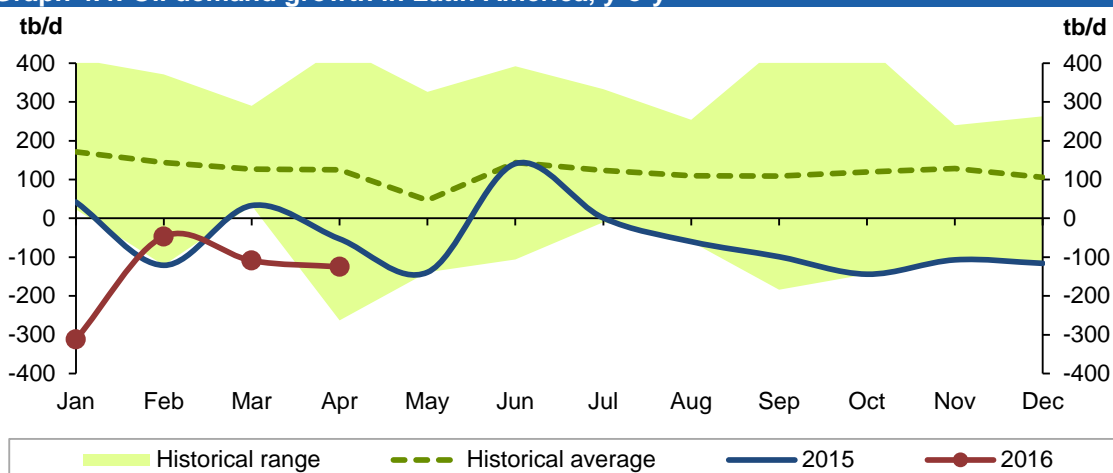
**Table 4.6: Brazilian inland deliveries, tb/d**

	<b>May 16</b>	<b>May 15</b>	<b>Change</b>	<b>Change, %</b>
LPG	232	223	9	4.0
Gasoline	697	666	31	4.7
Jet/kerosene	112	123	-12	-9.7
Diesel oil	913	941	-28	-3.0
Fuel oil	51	79	-29	-36.1
Alcohol	268	291	-23	-8.0
<b>Total</b>	<b>2,271</b>	<b>2,323</b>	<b>-52</b>	<b>-2.2</b>

Source: Agência Nacional do Petróleo, Gás Natural e Biocombustíveis of Brazil.

In **Argentina**, which accounts for more than 10% of Latin America's oil demand, consumption of oil products declined in April by around 5 tb/d, or 1% y-o-y, despite the positive performance of most products, with the exception of LPG and the "other products" categories, which fell by around 21% and 2% y-o-y, respectively. Total consumption was pegged at 0.72 mb/d.

**Graph 4.4: Oil demand growth in Latin America, y-o-y**



Sources: ANP, Joint Organisations Data Initiative and OPEC Secretariat.

In **Ecuador**, oil demand declined in May 2016, shedding around 9% y-o-y mainly because of a massive 44% y-o-y decline in fuel oil, which feeds into the power generation sector.

Similar trends were also observed in **Venezuela**, where oil demand also declined by around 4% y-o-y, with fuel oil being the largest contributor to this decline, shedding some 24 tb/d y-o-y.

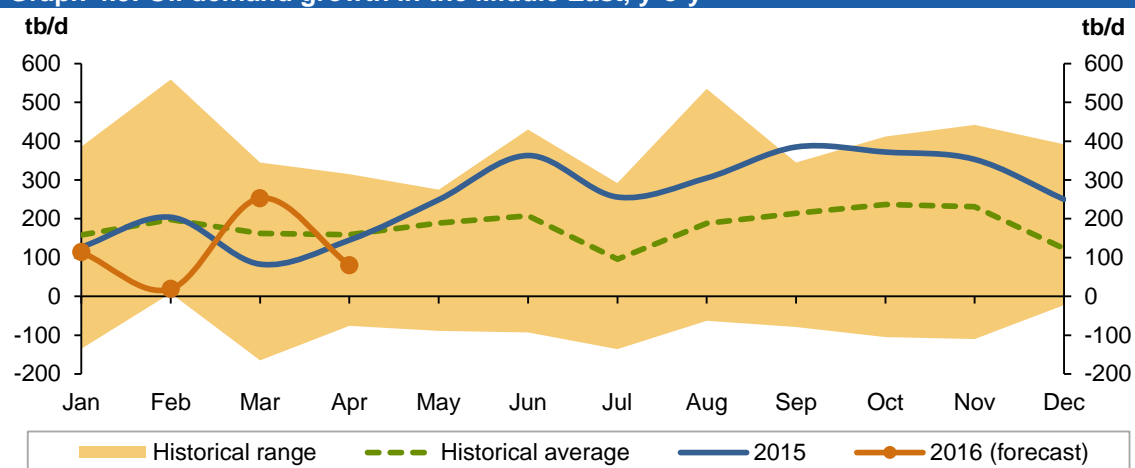
In 2016, **Latin America** oil demand is projected to contract by 30 tb/d, which is slightly better than the decline recorded in 2015.

## Middle East

In **Saudi Arabia**, oil demand figures declined for the second consecutive month in May 2016. Oil requirements decreased by around 0.18 mb/d, or more than 6%, compared with the same month in 2015. All products declined at different rates, with the exception of LPG and gasoline, both of which recorded solid gains. The largest decline originated in industrial and power generation fuels, with fuel oil declining by 66 tb/d, or around 13% y-o-y. Additionally, crude oil utilized for direct burning for power generation also declined, shedding around 17 tb/d y-o-y. The decrease in usage of these products was a result of lower weather temperatures compared to May 2015, which resulted in less air conditioning use. Moreover, diesel oil and jet/kerosene also declined by around 11% and 2% y-o-y, respectively. Fewer air travel activities before the start of the summer holiday, in combination with less consumption in the transportation and industrial sectors, caused the demand decline in middle distillates. Looking ahead, oil demand is anticipated to improve during June and 3Q16 as the transportation and industrial sectors continue to perform well due to peaking summer demand and to meet the requirements after Ramadan and the Eid-al-Fitr holiday.

In **Kuwait**, strong fuel oil and LPG demand have implied an overall oil increase in oil requirement in April 2016. Oil demand also grew in **Qatar** and the **UAE**, where an increase in transportation fuels – notably gasoline – dominated. **Iraqi** oil consumption increased for the second month running, led by jet/kerosene and fuel oil which respectively increased by more than 20% and 17% y-o-y. The overall demand increased by around 13 tb/d or more than 2% y-o-y.

**Graph 4.5: Oil demand growth in the Middle East, y-o-y**



Sources: Direct communication, JODI and OPEC Secretariat calculations

In 2016, **Middle East** oil demand is anticipated to expand by 0.14 mb/d compared to 0.26 mb/d in 2015.

## China

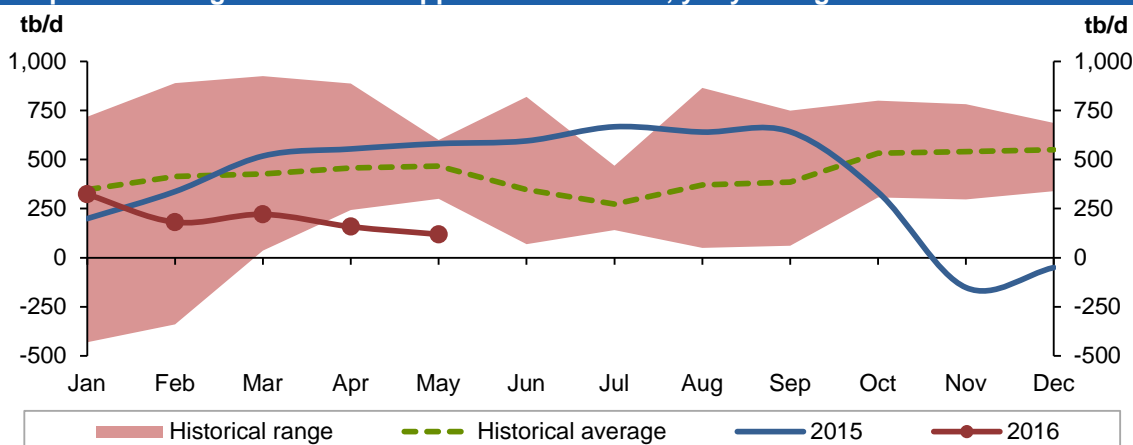
Based on OPEC Secretariat calculations, May 2016 oil demand growth in **China** was in the positive territory, rising by around 0.12 mb/d y-o-y, however, recording the lowest level of growth in 2016.

In terms of products, China oil demand remains driven by LPG demand in the petrochemical sector, as well as jet/kerosene and gasoline usage in the transportation sector. The demand for diesel oil continues to disappoint, mainly as a result of slower industrial output compared to the same period in 2015. LPG demand picked up in May, increasing by 0.14 mb/d or around 11% y-o-y. The product was supported by improvements in propane dehydrogenation (PDH) plants' margins, keeping LPG consumption and healthy levels.

Gasoline demand growth slowed from the levels experienced in previous months, with the product increasing by 14 tb/d, which equates to around 1% y-o-y. Total consumption of gasoline remain elevated at around 2.74 mb/d. Support was driven by vehicle sales data as reported by the China Association of Automobile Manufacturers (CAAM), which showed sales of vehicles continued to increase on a y-o-y basis. Vehicle sales reached 2.1 million units, which is up by 10% y-o-y. On a cumulative basis, vehicle sales reached 10.8 million units, which is 7% higher y-o-y. Jet/kerosene demand also increased during the month, rising by around 90 tb/d to more than 15% y-o-y. This increase is mainly the result of improvements in air travel activities during the month. On the other hand, slower than anticipated macroeconomic data has impacted consumption of diesel oil, which dropped by around 0.33 m/b y-o-y.

The 2016 outlook for China remains balanced, with possible downside risks linked to a slowing of the economy, as well as policies supporting a reduction in transportation fuel consumption. At the same time, developments in the petrochemical and transportation sectors represent upside potential for China's overall oil demand growth.

**Graph 4.6: Changes in Chinese apparent oil demand, y-o-y changes**



Sources: Argus Global Markets, China OGP (Xinhua News Agency), Facts Global Energy, JODI, National Bureau of Statistics of China and OPEC Secretariat.

For 2015, **Chinese** oil demand grew by 0.37 mb/d, while oil demand in 2016 is projected to increase by 0.28 mb/d.

## World Oil Demand for 2017

Oil demand growth for 2017 is forecast at 1.2 mb/d y-o-y. This is around 0.3 mb/d higher than the ten-year average.

Various assumptions have been considered in 2017 projections, the most notable being the following: global economic activities are anticipated to rise by around 3.1% y-o-y; road transportation fuels (such as gasoline and diesel oil in Europe) are assumed to be the main drivers for growth as a result of historical vehicle sales statistics witnessed in the US, China and India in recent years; petrochemical projects in the US and China are expected to lend support in 2017 to petrochemical fuels such as NGLs, LPG and naphtha. Also, efficiencies are expected to increase steadily in line with historical norms in various regions of the world, while potential subsidy reductions will also have a great impact on oil consumption.

As a result, OECD oil demand is anticipated to increase by around 0.10 mb/d, with OECD Americas being firmly in the positive, while OECD Europe and Asia Pacific are both expected to decline. In the non-OECD area, growth is expected to be around 1.1 mb/d with Other Asia as the major contributing region to overall growth.

**Table 4.7: World oil demand in 2017, mb/d**

	<u>2016</u>	<u>1Q17</u>	<u>2Q17</u>	<u>3Q17</u>	<u>4Q17</u>	<u>2017</u>	<i>Change 2017/16</i>	
							<u>Growth</u>	<u>%</u>
Americas	24.65	24.60	24.64	25.34	24.81	24.85	0.20	0.80
of which US	19.97	19.96	19.96	20.51	20.06	20.12	0.15	0.75
Europe	13.74	13.48	13.56	14.14	13.69	13.72	-0.02	-0.15
Asia Pacific	8.00	8.56	7.53	7.51	8.11	7.92	-0.08	-0.96
<b>Total OECD</b>	<b>46.39</b>	<b>46.64</b>	<b>45.73</b>	<b>46.98</b>	<b>46.61</b>	<b>46.49</b>	<b>0.10</b>	<b>0.21</b>
Other Asia	12.43	12.55	12.82	12.78	13.05	12.80	0.37	2.95
of which India	4.28	4.56	4.30	4.32	4.57	4.44	0.16	3.67
Latin America	6.53	6.31	6.62	6.89	6.56	6.60	0.07	1.06
Middle East	8.25	8.26	8.28	8.87	8.31	8.43	0.18	2.16
Africa	4.10	4.23	4.19	4.14	4.29	4.21	0.11	2.63
<b>Total DCs</b>	<b>31.32</b>	<b>31.35</b>	<b>31.92</b>	<b>32.68</b>	<b>32.21</b>	<b>32.04</b>	<b>0.72</b>	<b>2.31</b>
FSU	4.66	4.55	4.41	4.78	5.09	4.71	0.05	1.08
Other Europe	0.70	0.70	0.65	0.69	0.79	0.71	0.01	1.71
China	11.11	10.99	11.59	11.26	11.65	11.37	0.27	2.41
<b>Total "Other regions"</b>	<b>16.46</b>	<b>16.24</b>	<b>16.66</b>	<b>16.73</b>	<b>17.53</b>	<b>16.79</b>	<b>0.33</b>	<b>2.00</b>
<b>Total world</b>	<b>94.18</b>	<b>94.23</b>	<b>94.30</b>	<b>96.40</b>	<b>96.35</b>	<b>95.33</b>	<b>1.15</b>	<b>1.22</b>

*Note: Totals may not add up due to independent rounding.*

*Source: OPEC Secretariat.*

## OECD

In **OECD Americas**, 2017 oil demand is projected to be 0.20 mb/d higher than in 2016. Demand is anticipated to be driven by projected economic growth, while 2017 US oil demand is projected to grow slightly less than in 2016 – by approximately 0.15 mb/d.

As was the case for 2016, the forecast for 2017 is mainly dependent on growth in the US economy and oil price levels, although the effects of the latter are expected to be likely be less than during 2015 and 2016. An additional factor that could further enhance US oil demand during 2017 is planned expansions in the petrochemical industry. Nevertheless, some downside risks are posed by potential fuel substitution with other commodities and continuing fuel efficiencies in the road transportation sector.

Projected **Mexican** oil demand in 2017 reflects positive expectations for economic growth. Also, growth in **Canadian** oil requirements in 2017 is projected to be slightly higher than in 2016. In terms of products, light distillates will have higher growth potentials in 2017, supporting demand in the transportation and petrochemical sectors.

In **OECD Europe**, oil demand is anticipated to contract slightly y-o-y by 0.02 mb/d. The general expectation for the region's oil demand for the remainder of 2016, as a result of the uncertainties associated with the region's economies, are also projected to dominate in 2017. On the one hand, projected improvements in various European economies may call for an increase in oil requirements. However, the high historical baseline, as well as fewer oil price effects on road transportation fuels, and economic concerns all pose considerable risks to the downside. Other factors that may cap oil demand in the region include fuel substitution and efficiencies in the road transportation sector. In terms of products, diesel oil and gasoline are the products most anticipated to lead demand in 2017, mainly in the transportation sector.

In **OECD Asia Pacific**, oil demand is anticipated to also fall in 2017 by 0.08 mb/d y-o-y. Demand projections have taken into consideration the assumption that a number of additional nuclear plants will re-join operations in **Japan**. In addition, there is consideration of some improvements in the country's economy, which reduces the expected shrinkage in oil demand requirements. In **South Korea**, expectations for 2017 allow further hopes for growth of approximately 0.04 mb/d, mainly as the economy is projected to continue at a healthy growth level. Petrochemical fuels are expected to be the driver for products growth in 2017.

## Non-OECD

**Other Asia's** oil demand growth is anticipated to continue the healthy pace of growth already witnessed in 2015 and 2016. However, projections of demand growth in 2017 are anticipated to ease slightly from the levels experienced in 2016, but remain very solid with 0.37 mb/d in potential demand growth. In 2017, assumptions revolve around continuous economic growth, with **India** leading the region, coupled with steady retail prices. Within the region, India is seen to be the largest contributor to growth accounting for more than 40% of estimated growth. Other countries in the region – such as **Indonesia, Thailand, Singapore** and the **Philippines** – are projected to also contribute positively to oil demand growth in 2017. Light distillate products – which include LPG, naphtha and gasoline – will lead oil demand growth next year.

In **Latin America**, oil demand growth is foreseen improving slightly from the contraction levels experienced in 2016 reaching a growth potential of 70 tb/d. This growth will be driven by a slightly better economic outlook, in addition to a lower base line used for comparison. **Brazil** is projected to be the main contributor to growth, providing more than 50% of estimated growth for Latin America in 2017. In terms of products, diesel oil and gasoline will have higher growth potentials and are expected to fuel the industrial and transportation sectors.

In the **Middle East**, oil demand growth is foreseen gaining momentum over the levels experienced in the current year, with potential oil demand growth pegged at 0.16 mb/d. This will mainly be the result of assumed improvements in the economy. In terms of countries within the region, **Saudi Arabia** is projected to be the largest contributor to growth, accounting for almost 50% of estimated growth in the Middle East in 2017. On the other hand, geopolitical concerns as well as subsidy reduction policies are assumed to contribute negatively to demand growth in 2017. In terms of products,

transportation fuels – gasoline and diesel oil – are expected to leading oil demand growth.

In **China**, oil demand growth is foreseen reaching 0.27 mb/d in 2017, broadly at a level of growth similar to that expected for 2016, as economic development in China is assumed to also be at a level similar to that expected for 2016. On the other hand, a continuation of fuel quality programmes targeting fewer emissions, as well as ongoing fuel substitution with natural gas and coal, are assumed in the projections for 2017. In terms of products, gasoline and LPG are assumed to lead products growth in 2017 to fulfill the demands arising from ever growing vehicle sales and ongoing improvements in the petrochemical sector.



## World Oil Supply

Non-OPEC oil supply was revised down by 0.14 mb/d from the previous *MOMR*, averaging 56.03 mb/d in 2016, a contraction of 0.88 mb/d y-o-y. The main reasons for this negative revision were the lower output of Canada (in 2Q16, driven by wildfires), US crude oil, Other OECD Europe (mainly Italy), Colombia, Australia and China, all of which were partially offset by higher-than-expected growth in Mexico, the UK, Brazil, Congo, Russia and Azerbaijan. US crude oil production in April declined by 0.22 mb/d m-o-m.

Non-OPEC oil supply in 2017 is projected to decline by 0.11 mb/d, to average 55.92 mb/d. Brazil, Canada, Africa other, Congo and Malaysia are the main drivers of growth, while Mexico, the US, Norway, Colombia, China, Kazakhstan and Russia are the main reasons for declines. The 2017 forecast is subject to many uncertainties.

OPEC NGLs production in 2016 and 2017 is expected to grow by 0.16 mb/d and 0.15 mb/d to average 6.29 mb/d and 6.43 mb/d, respectively. In June, OPEC production increased by 264 tb/d to average 32.86 mb/d, according to secondary sources. As a result, preliminary data indicates that global oil supply increased by 0.40 mb/d in June, to average 94.33 mb/d.

**Table 5.1: Non-OPEC oil supply in 2016, mb/d**

	<u>2015</u>	<u>1Q16</u>	<u>2Q16</u>	<u>3Q16</u>	<u>4Q16</u>	<u>2016</u>	<i>Change 2016/15</i>	
							<u>Growth</u>	<u>%</u>
Americas	21.01	20.99	19.98	20.28	20.38	20.41	-0.61	-2.89
<i>of which US</i>	13.99	13.80	13.48	13.31	13.39	13.50	-0.49	-3.51
Europe	3.76	3.90	3.68	3.59	3.72	3.72	-0.04	-0.96
Asia Pacific	0.46	0.44	0.43	0.46	0.44	0.44	-0.02	-4.27
<b>Total OECD</b>	<b>25.23</b>	<b>25.33</b>	<b>24.09</b>	<b>24.32</b>	<b>24.54</b>	<b>24.57</b>	<b>-0.66</b>	<b>-2.63</b>
Other Asia	2.70	2.73	2.66	2.70	2.73	2.71	0.01	0.28
Latin America	5.19	4.98	5.05	5.21	5.24	5.12	-0.07	-1.31
Middle East	1.27	1.27	1.25	1.23	1.23	1.24	-0.03	-2.42
Africa	2.14	2.11	2.07	2.10	2.12	2.10	-0.04	-1.67
<b>Total DCs</b>	<b>11.30</b>	<b>11.09</b>	<b>11.03</b>	<b>11.25</b>	<b>11.32</b>	<b>11.17</b>	<b>-0.13</b>	<b>-1.12</b>
FSU	13.69	13.95	13.83	13.59	13.72	13.77	0.08	0.57
<i>of which Russia</i>	10.85	11.07	11.03	10.88	10.95	10.98	0.14	1.25
Other Europe	0.14	0.13	0.13	0.15	0.15	0.14	0.00	1.63
China	4.37	4.23	4.11	4.19	4.23	4.19	-0.18	-4.15
<b>Total "Other regions"</b>	<b>18.20</b>	<b>18.31</b>	<b>18.07</b>	<b>17.92</b>	<b>18.10</b>	<b>18.10</b>	<b>-0.10</b>	<b>-0.56</b>
<b>Total non-OPEC production</b>	<b>54.74</b>	<b>54.73</b>	<b>53.20</b>	<b>53.50</b>	<b>53.96</b>	<b>53.84</b>	<b>-0.89</b>	<b>-1.63</b>
Processing gains	2.17	2.19	2.19	2.19	2.19	2.19	0.01	0.60
<b>Total non-OPEC supply</b>	<b>56.91</b>	<b>56.91</b>	<b>55.38</b>	<b>55.68</b>	<b>56.14</b>	<b>56.03</b>	<b>-0.88</b>	<b>-1.54</b>

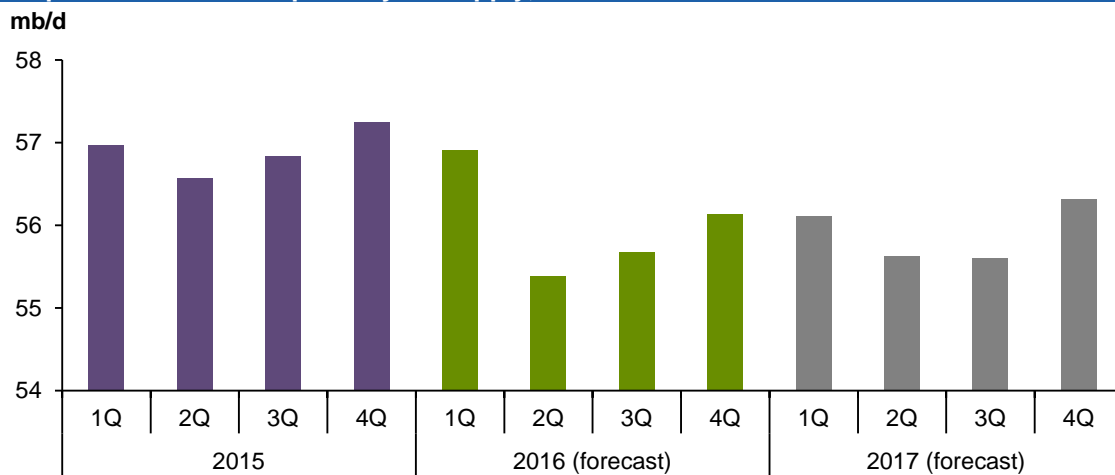
Source: OPEC Secretariat.

## Non-OPEC supply

Non-OPEC oil supply is forecast to decline by 0.88 mb/d in 2016 to average 56.03 mb/d, revised down by 0.14 mb/d from the previous *MOMR*. It is estimated that OECD oil supply will decline by 0.66 mb/d to average 24.57 mb/d, a downward revision of 0.11 mb/d compared with the last estimation. This decrease was due to output disruptions in 2Q16 in Canada due to wildfires in Alberta. Overall Canadian oil supply growth in 2016 was revised down by 60 tb/d, indicating no growth this year due to a

weak supply situation seen in 2Q16 driven by the wildfires and a higher-than-expected decline in US crude oil production in April. Nevertheless, according to the latest estimates in June compared to the previous month, there was no reduction in developing countries' (DCs) supply, while FSU supply was revised up by 20 tb/d to average 13.77 mb/d.

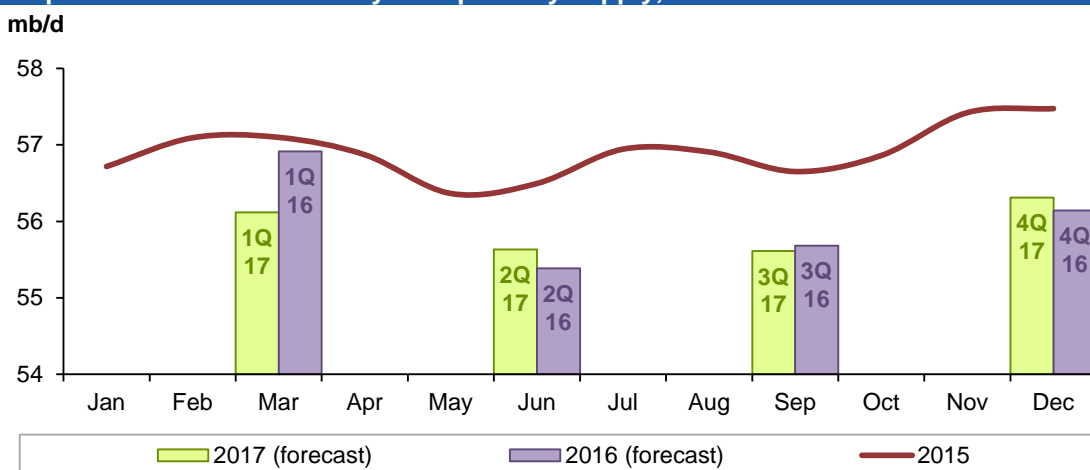
**Graph 5.1: Non-OPEC quarterly oil supply, 2015-2017**



Source: OPEC Secretariat.

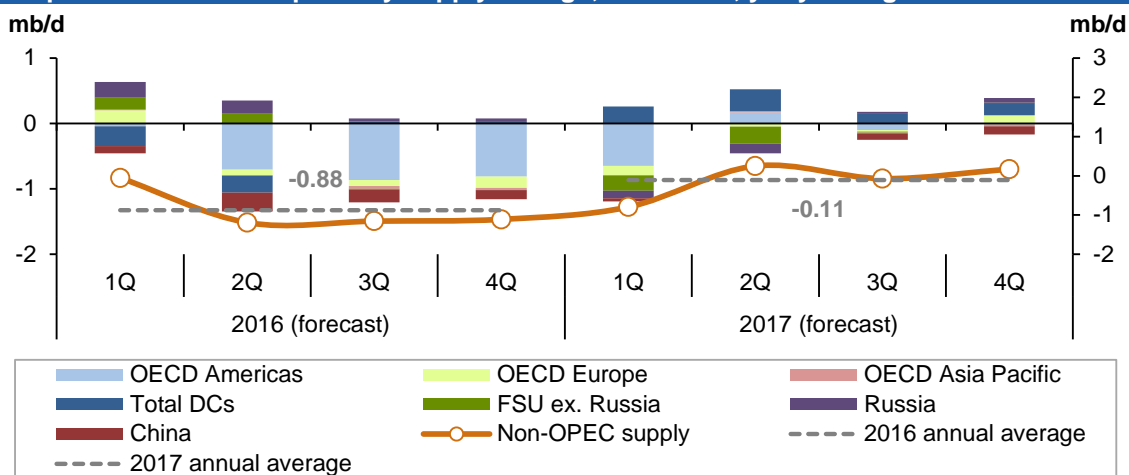
Outside of North America, some growth is expected from Brazil, Malaysia, Norway, the UK, Thailand and Congo, with the majority coming from Russia during 2016.

**Graph 5.2: Non-OPEC monthly and quarterly supply, 2015-2017**



Source: OPEC Secretariat.

Changes in non-OPEC production have been influenced by changes in US tight oil production since the so-called shale revolution in the United States. Therefore, a contraction is expected for total non-OPEC supply in 2016, where tight oil production has higher decline rates (due to legacy production) and is not attractive for investment given the low oil price environment. Non-OPEC supply is estimated to show a contraction in 2Q16 versus 1Q16, but will increase in 3Q16 due to seasonality – and then will decrease again in 4Q16. The main factors for lower growth expectations in 2016 are the current low oil prices (despite a small rise in 2Q16), the declining number of active rigs in North America and insufficient investment in upstream projects, particularly tight crude, which is the most price-sensitive oil production in the world.

**Graph 5.3: Non-OPEC quarterly supply change, 2016-2017, y-o-y change**


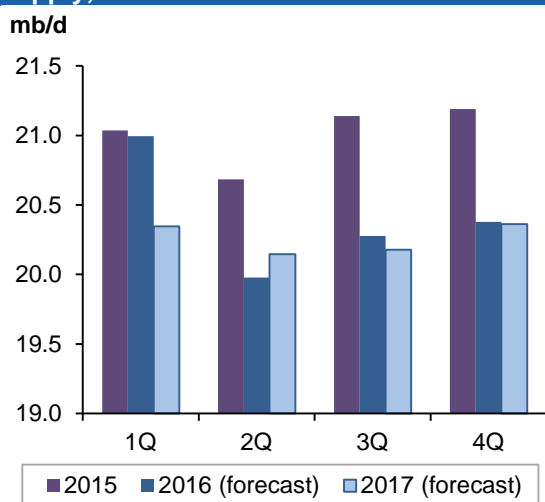
Source: OPEC Secretariat.

## OECD

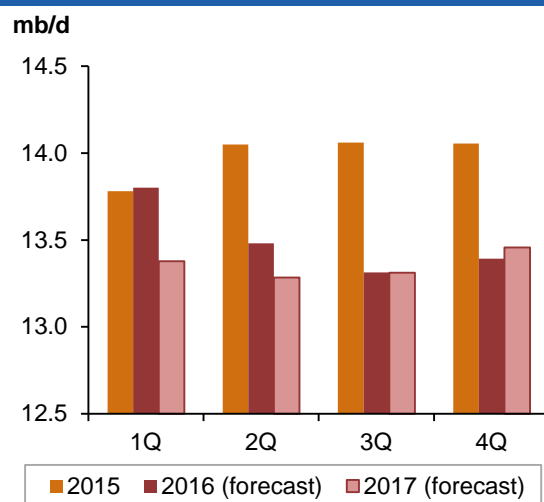
**Total OECD oil supply** in 2016 is expected to decline by 0.66 mb/d to average 24.57 mb/d, revised down by 0.11 mb/d from the last *MOMR*. The estimated output in all quarters was changed compared to 2015, with 1Q16 increasing by 0.17 mb/d and 2Q16 estimated to decline by 0.80 mb/d y-o-y. OECD Americas is forecast to see decreases of 1.00 mb/d and 1.01 in 3Q16 and 4Q16, respectively. On a regional and annual basis, a contraction by 0.61 mb/d, 0.04 mb/d and 0.02 mb/d are expected in 2016 for OECD Americas, OECD Europe and OECD Asia Pacific, respectively.

## OECD Americas

OECD Americas' oil supply is estimated to decline by 0.61 mb/d y-o-y to average 20.41 mb/d, a downward revision of 0.13 mb/d from the previous monthly report. Supply from the US and Mexico is expected to decline in 2016, while that of Canada will not change, y-o-y.

**Graph 5.4: OECD Americas quarterly oil supply, 2015-2017**


Source: OPEC Secretariat.

**Graph 5.5: US quarterly oil supply, 2015-2017**


Source: OPEC Secretariat.

## US

US total oil supply is anticipated to drop by 0.49 mb/d to average 13.50 mb/d in 2016, revised down by 70 tb/d from the previous *MOMR*. US crude oil production reached an average of 8.93 mb/d in April – lower than 9 mb/d for the first time since October 2014 – according to the US Energy Information Administration (EIA), indicating a robust decline of 222 tb/d from the previous month, despite crude oil prices having remained firm near \$50/b over the past few weeks.

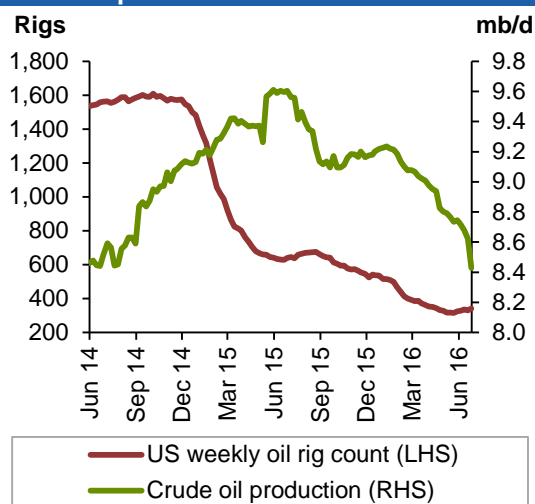
Production is expected to fall most rapidly from April through September 2016, declining by an average of 170,000 b/d each month, according to the EIA STEO. Production is then expected to remain relatively flat from October 2016 through July 2017, averaging 8.2 mb/d.

Crude oil output in April dropped by 0.76 mb/d, compared to a year ago in April 2015 (the month in which US crude peaked). Crude oil output declined by 47 tb/d, 66 tb/d and 49 tb/d in Texas, North Dakota and Gulf of Mexico (GOM), respectively. Nevertheless, the decline of US onshore crude oil production was partially offset by NGLs output. Total NGLs output in April was reported at 3.50 mb/d, representing a flat trend for April and March, but a higher level (by 200 tb/d) than the average of January and February. This was mainly due to unconventional sources of tight formations. Gulf of Mexico output declined to average 1.59 mb/d in April. A total of 10 new projects are scheduled to come online in the GOM in 2016, which is expected to push production up from an average of 1.54 mb/d in 2015 to average 1.68 mb/d in 2016, an increase of 9%.

## US oil rig count

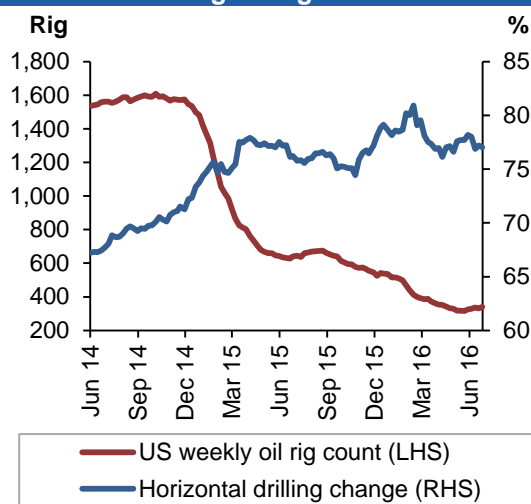
The total US rig count, which includes the loss of one gas rig to 89, climbed by 10 to 431 on a monthly average. The US oil rig count rose for the fourth time in five weeks, adding 11 oil rigs in the week to 1 July and bringing the total count up to 341, according to Baker Hughes' latest survey. On a monthly basis, the total US rig count in June increased by 13 rigs m-o-m to 420 rigs, but declined by 452 rigs y-o-y. Oil rigs were also up by 11 rigs in June compared to a month earlier, all in the Permian Basin. In yearly terms, there was a drop of 303 rigs to 332 rigs in the previous month, of which 187 rigs were in Texas. It seems that producers have increased the number of rigs just to compensate for the heavy declines in crude output seen in April and May 2016.

**Graph 5.6: US weekly oil rig count vs. Crude oil production**



Sources: Baker Hughes and EIA.

**Graph 5.7: US weekly oil right count vs. Horizontal drilling change**

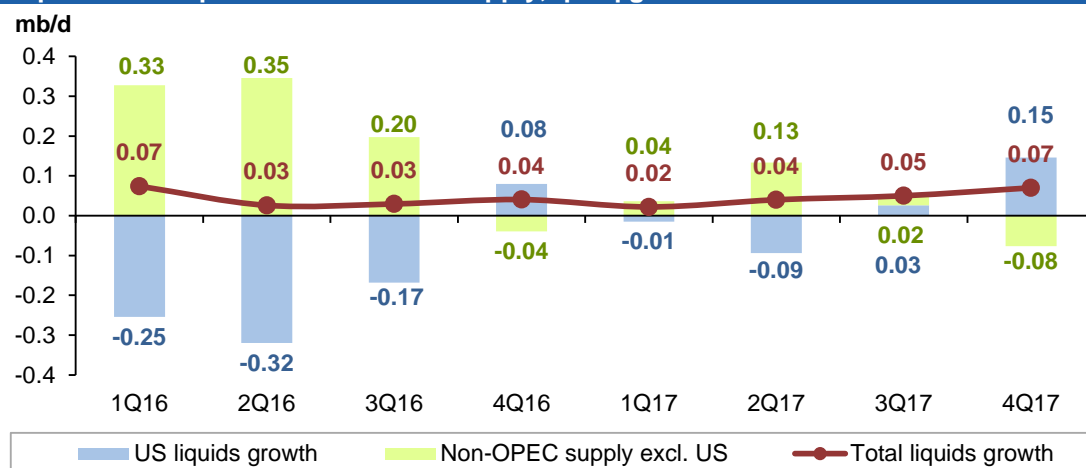


Source: Baker Hughes.

Nevertheless, according to the EIA, US crude oil production will decline m-o-m and is expected to last until 3Q17. Cuts in upstream spending and lower drilling activity levels have started to impact output. Since the peak of 1,609 oil rigs on 10 October 2014, the count has fallen 79% and the overall rig count has dropped 77% from its peak of 1,920 on 5 December 2014.

Total US production (for all liquids) on a quarterly basis was revised down to 13.48 mb/d, 13.31 mb/d and 13.39 mb/d in 2Q16, 3Q16 and 4Q16, respectively. The q-o-q US supply growth is shown in **Graph 5.8**, along with other non-OPEC supply figures for 2016 and 2017.

**Graph 5.8: US liquids vs. non-OPEC supply, q-o-q growth**

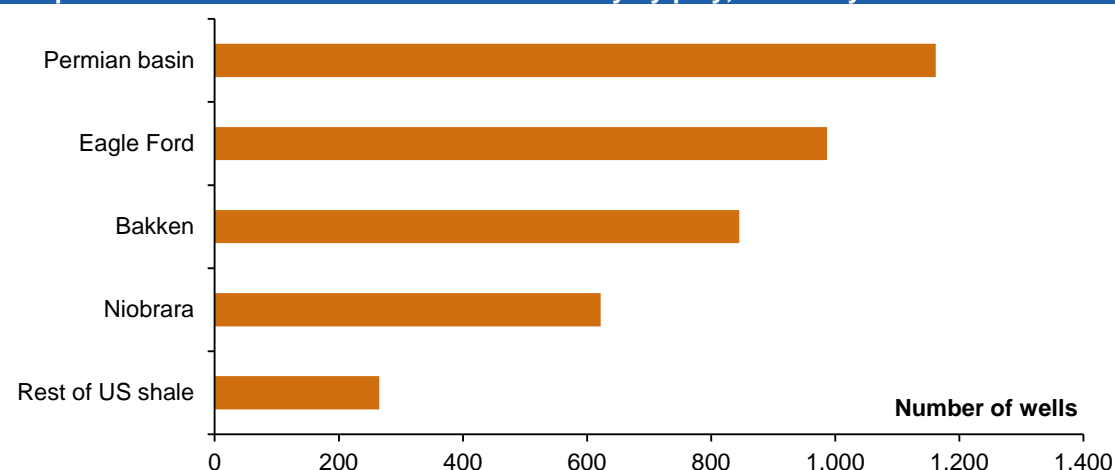


Source: OPEC Secretariat.

### Drilled but Uncompleted Wells (DUCs)

At the end of 2015, there were a total of 4,290 **DUCs** in the US, with almost 30% of these in the Bakken and Permian Basin. Most Bakken shale drillers are anticipated to start completing their DUCs when crude prices reach \$55-60/b. The WTI price has almost doubled in the last few months. In the second week of June, it hit an 11-month high, and on 14 June, it was hovering at above \$48/b, having dipped slightly in recent days. Nevertheless, the US EIA is more cautious in its forecasts, saying WTI prices will average slightly below \$46/b in 3Q16, before rising to \$47/b in 4Q16. At the same time, it is saying that the shortfall by 4Q16 will be more than 1 mb/d.

US producers in shale plays have accumulated an estimated 3,900 drilled but uncompleted (DUC) horizontal oil wells, mainly in major liquids plays, according to the latest analysis done by Rystad Energy. In their estimates, the Permian basin has 1,200 wells awaiting completion services, Eagle Ford 1,000, the Bakken formation 850, the Niobrara 620, and another 270 DUCs are spread across other plays.

**Graph 5.9: US shale horizontal oil DUC inventory by play, as of May 2016**

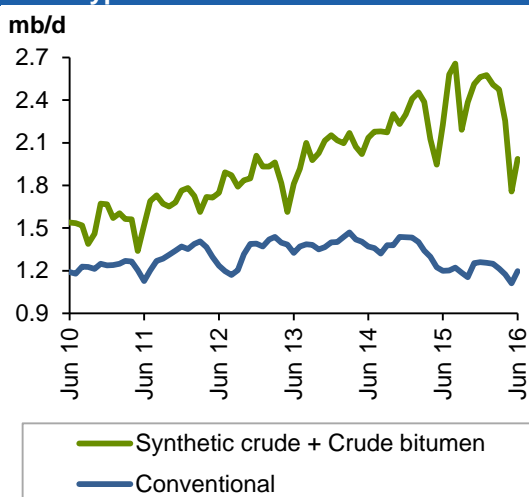
Source: Rystad Energy.

DUC numbers have grown during the current oil price slump. The DUC inventory includes wells with varying production expectations. Given differences among companies, the pace of DUC conversions will vary by operator, analysts have said.

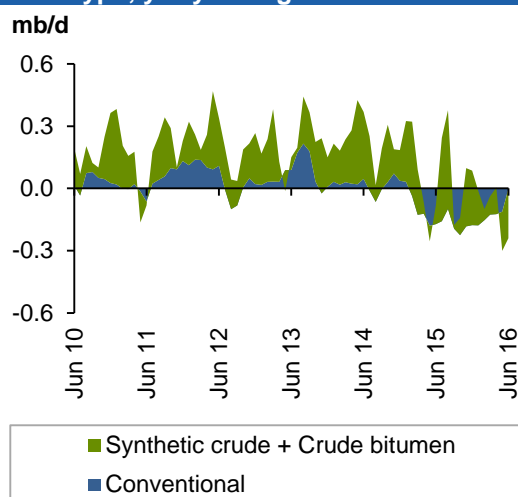
It has been reported that the large drillers in the Bakken play are starting to complete wells in the play, now that oil prices have rallied. One of those said that oil prices would have to reach \$60/b to drill new wells. Most Bakken shale drillers are anticipated to start completing their DUCs in the Bakken when crude prices reach \$55-60/b. The higher production in some companies attributed the increase to well performance exceeding expectations, as well as an anticipated expansion in drilling and completion activity in the second half of the year in both the Delaware and Williston basins. One company active in tight oil drilling had already announced that it would be adding a third rig in the Delaware Basin in October. It has also outlined plans to complete 15-20 DUCs in the Williston Basin starting in August. US shale producers starting to return to their drilling rigs, threatening to slow further gains. One of the managers in the US private bank has said that the \$50-to-\$60/b area is the Sweet Spots, adding that some producers come back at \$50/b, but a lot come in at \$60/b.

### Canada and Mexico

**Canada's** oil supply in 2016, now after the wildfires in Alberta, is expected to be stagnant compared to last year, remaining at an annual average production of 4.42 mb/d, a downward revision of 0.06 mb/d from the previous month. Canadian oil output was revised down by 0.01 mb/d in 1Q16, 0.24 mb/d in 2Q16 and revised up by 10 tb/d in 4Q16. May and June oil sands production are expected to be slashed by 0.86 mb/d and 0.16 mb/d, respectively. On a quarterly basis, 2Q16 has been 0.65 mb/d lower over 1Q16.

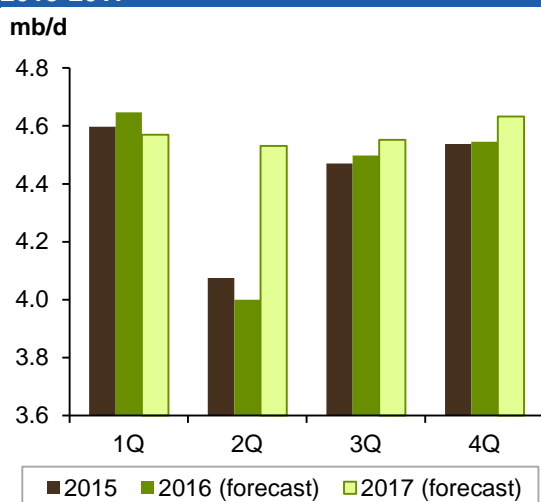
**Graph 5.10: Canada production by crude type**


Source: OPEC Secretariat.

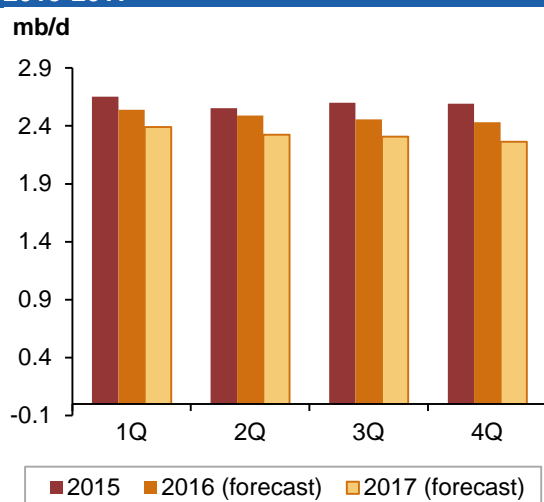
**Graph 5.11: Canada production by crude type, y-o-y change**


Source: OPEC Secretariat.

Canada's Suncor Energy expects to produce about 6.2% less crude this year after massive wildfires in Alberta forced outages at the company's oil sands facilities, but expects the affected projects to be back online by the end of the month. Suncor Energy has brought its oil sands operations in Northern Alberta back online after shutting in nearly 0.66 mb/d when a wildfire tore through the region earlier this month. Surprisingly, crude oil imports from Canada actually rose 18% to 3.1 mb in the first week of June. As a result, this report does not likely take into account the full impact of the wildfires, which took around 1 mb/d of production offline. It said that most companies had resumed operations or were in the process of starting up during the course of May and in early June, without any damages reported to production facilities or infrastructures.

**Graph 5.12: Canada quarterly oil supply, 2015-2017**


Source: OPEC Secretariat.

**Graph 5.13: Mexico quarterly oil supply, 2015-2017**


Source: OPEC Secretariat.

**Mexican** liquids production in 2016 is expected to see a heavy decline, dropping by 0.12 mb/d to average 2.48 mb/d. For the second straight month, crude oil production in Mexico was flat m-o-m at 2.17 mb/d in April, which is 0.05 mb/d lower y-o-y. Total liquids output in May increased by 20 tb/d, reaching an average of 2.50 mb/d.



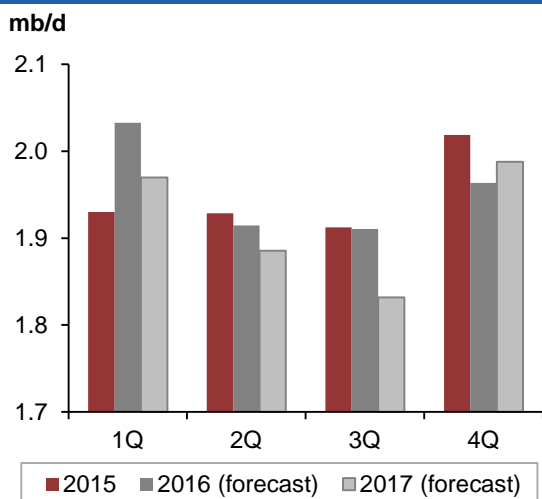
## OECD Europe

Total **OECD Europe oil supply**, which grew by 0.15 mb/d to average 3.76 mb/d in 2015, is expected to decline by 40 tb/d from the previous year to average 3.72 mb/d in 2016, revised up by 10 tb/d from the previous *MOMR*.

**Norway's** oil supply is expected to grow by 10 tb/d in 2016 from the previous year to average 1.96 mb/d in 2016, unchanged from the previous *MOMR*. Preliminary production figures for May 2016 showed an average daily production of about 1.94 mb/d of oil, NGLs and condensate. The average liquid production in May was 1.55 mb/d of oil, 0.36 mb/d of NGLs and 0.04 mb/d of condensate. Oil production is about 2% above the level seen in May of last year. Moreover, oil production is about 1.5% above the prognosis for the month provided by the Norwegian Petroleum Directorate. Final production figures from April 2016 show an average production of about 1.63 mb/d of oil, and 0.4 mb/d of NGL and condensate.

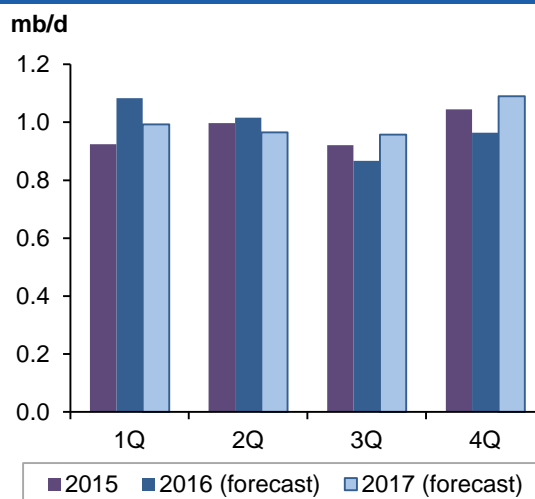
The **UK's** oil supply is predicted to increase in 2016 y-o-y to average 0.98 mb/d, revised up by 40 tb/d from the previous *MOMR*. UK liquids production in April 2016 decreased by 40 tb/d m-o-m to average 1.02 mb/d, including 0.94 mb/d of crude oil. The trend of production indicates lower output in May and June. Nevertheless, this month's production data for the 1Q16 and the 2Q16 has been revised up by 47 tb/d and 74 tb/d, respectively.

**Graph 5.14: Norway quarterly oil supply, 2015-2017**



Source: OPEC Secretariat.

**Graph 5.15: UK quarterly oil supply, 2015-2017**



Source: OPEC Secretariat.

## OECD Asia Pacific

**OECD Asia Pacific's** oil supply is expected to decline by 20 tb/d in 2016 to average 0.44 mb/d, unchanged from the previous month. **Australia's** oil supply is likely to decline by 20 tb/d to average 0.36 mb/d, due to weak output in the 1Q16 and the 2Q16, the same as the 1Q15 and 2Q15.

Oil production from Other Asia Pacific (mainly New Zealand) during recent years has been stagnant y-o-y. Therefore, 0.08 mb/d of average production is expected for 2016.

## Developing Countries

Total oil output from **developing countries (DCs)** will reach an average of 11.17 mb/d in 2016, a contraction of 0.13 mb/d compared with 0.21 mb/d and 0.26 mb/d growth in 2015 and 2014, respectively. The expected decline for 2016 was revised down by 20 tb/d from the previous *MOMR*. The main reason for this year's decline is the lower output coming from Brazil.

## Other Asia

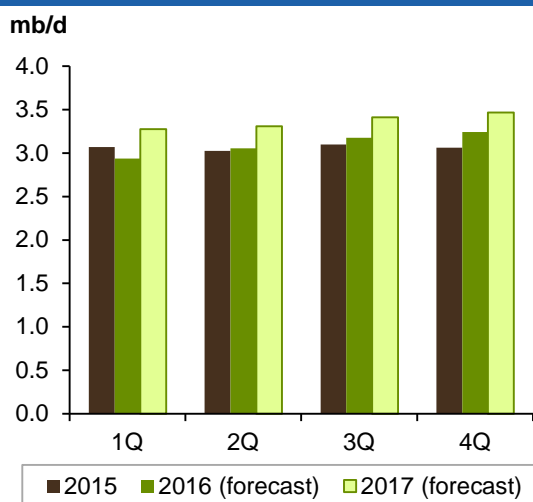
**Other Asia's** oil production is predicted to increase by 10 tb/d in 2016 to average 2.71 mb/d, unchanged from the previous *MOMR*. It is expected that oil output in Malaysia and Thailand will grow by 30 tb/d and 20 tb/d, respectively, while oil production in India and Vietnam will decrease by 30 tb/d and 20 tb/d, respectively. Other countries in this region will remain unchanged from a year earlier.

## Latin America

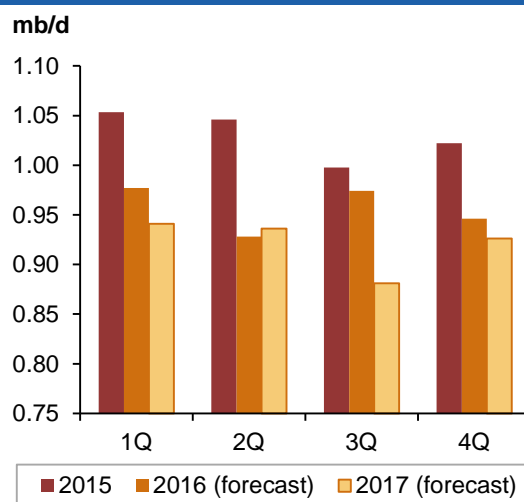
**Latin America's** oil supply is estimated to decline by 0.07 mb/d to average 5.12 mb/d in 2016, revised down by 30 tb/d from the previous *MOMR*. Latin America was the second-highest driver of growth in 2015 and 2014 among all non-OPEC regions, but this year seems to be on track for a contraction, due to low oil prices. Brazil is the only country in the region set for growth this year, while oil production in Colombia is expected to decline by 70 tb/d to average 0.96 mb/d. Similarly, oil output is forecast to decrease in Argentina, Trinidad and Tobago, and Latin America Others.

**Brazil's** liquids supply is expected to average 3.10 mb/d in 2016, an increase of 0.04 mb/d over the previous year, unchanged from the previous *MOMR*. Returns of two FPSOs to full production in May rebounded about 0.2 mb/d of crude oil, which was shut in for maintenance in April. Petrobras opted to concentrate much of its maintenance work in early 2016, after oil prices fell below \$30/b in January. In the 1Q16, the shutdowns cost the company about 5% of total output, according to Platts. Brazilian crude output rose in May to average 2.49 mb/d. This is 3.1% higher than last May and 200 tb/d higher than in April 2016. Brazilian liquids output, including biofuels and NGLs, is estimated to reach an average of 3.12 mb/d in May. Oil production from pre-salt fields surpassed 1 mb/d of crude oil for the first time on 8 May, as announced by the Chief Executive of Petrobras. This led to an average monthly record of 0.93 mb/d of crude and 34.5 million standard cubic metres of gas from 57 wells in May 2016. According to Petrobras' planning schedule for 2016, three new production units are expected to startup during this year. As a result, FPSO Cidade de Marica, which was installed at the Lula Alto Field in February, is now flowing oil for the fourth consecutive month. An additional boost to crude output is expected in July and August when two new offshore facilities start production from the Lula Central and Lapa fields.

**Colombia's** crude oil output, as reported by the Ministry of Mines and Energy, declined by 10 tb/d m-o-m in May to average 0.9 mb/d. It then declined by 12%, or 123 tb/d y-o-y, due to two reasons: first, attacks on infrastructure by rebel groups and, second, remarkable cuts in investments. The country's largest oil producer, state-run Ecopetrol, reduced spending for 2016 by 40% to \$4.8 billion, following a 26% cut in 2015. Oil production in Colombia is now forecast to decline by 70 tb/d to average 0.96 mb/d in 2016, a downward revision by 30 tb/d over the last estimation.

**Graph 5.16: Brazil quarterly oil supply, 2015-2017**

Source: OPEC Secretariat.

**Graph 5.17: Colombia quarterly oil supply, 2015-2017**

Source: OPEC Secretariat.

## Middle East

**Middle Eastern oil supply** is estimated to decrease by 0.30 mb/d in 2016 from the previous year, to average 1.24 mb/d. This is a 10 tb/d upward revision over the previous *MOMR*. It is expected that oil production will remain stagnant in all countries except Yemen, where it will decline by 30 tb/d to average 20 tb/d in 2016. The Middle Eastern supply forecast is associated with a very high level of risk, mainly due to political factors, which could dramatically change the outlook in either direction.

**Yemen's** oil production has slumped to approximately 0.02 mb/d from 3Q15 – from a capacity of 0.14 mb/d – and remains unchanged so far, according to an estimate by different sources and media reports.

## Africa

**Africa's** oil supply is projected to decline by 40 tb/d to average 2.10 mb/d in 2016. This is a downward revision of 10 tb/d from the previous *MOMR*. It is expected that oil production will grow in Congo only by 30 tb/d, to average 0.31 mb/d. Egypt, Equatorial Guinea, Sudans, and Africa Other will decline in 2016, while oil output in Chad and South Africa will not change compared to a year earlier.

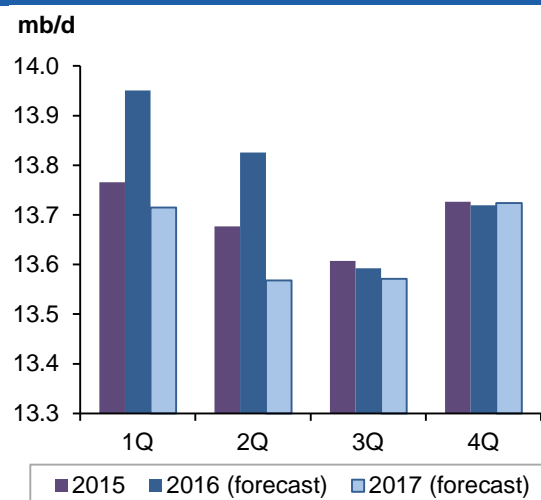
In **Congo**, oil production started from Moho Phase 1b, which is located in offshore Pointe-Noire in December 2015. The expected peak production capacity of this phase is estimated at 40 tb/d. By developing the northern part (Moho Nord), new capacity of 0.1 mb/d will come onstream gradually.

In other African countries, **Ghana's** oil output is expected to keep production steady at 0.1 mb/d this year, as new production coming from the "TEN" project not only offsets losses from the Jubilee field but also adds new capacity. Oil output at Jubilee was shut-in earlier this year due to technical problems, but output resumed in May. First production at the "TEN" offshore field is expected in this August.

## FSU, other regions

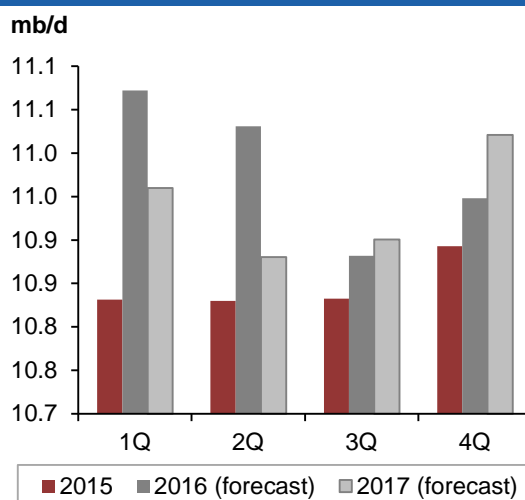
Oil production in FSU is expected to grow by 80 tb/d to average 13.77 mb/d, indicating an upward revision of 20 tb/d this month from the previous *MOMR*. Russia's output will increase by 0.14 mb/d, while output from other countries is expected to decline this year.

**Graph 5.18: FSU quarterly oil supply, 2015-2017**



Source: OPEC Secretariat.

**Graph 5.19: Russia quarterly oil supply, 2015-2017**



Source: OPEC Secretariat.

## Russia

**Russia's** oil supply is expected to increase by 0.14 mb/d to average 10.98 mb/d in 2016. This is an upward revision of 10 tb/d from the previous *MOMR*. Russian output in 2Q16 was 40 tb/d lower than in 1Q16 on average, reaching 11.03 mb/d, including 0.79 mb/d of NGLs. Nevertheless, total liquids output in 2Q16 was 200 tb/d higher than in 2Q15, of which two-thirds of this added volume was crude oil.

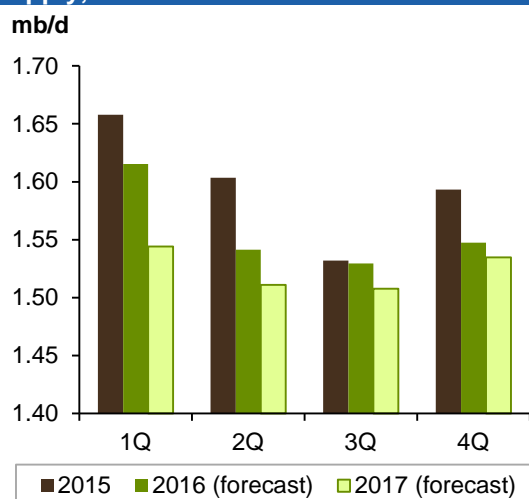
## Caspian

**Kazakhstan's** oil supply is expected to decrease by 40 tb/d over the previous year to average 1.56 mb/d in 2016, unchanged from the previous *MOMR*. Kazakhstan's output in June declined m-o-m by 20 tb/d to 1.55 mb/d, lower by 15 tb/d y-o-y.

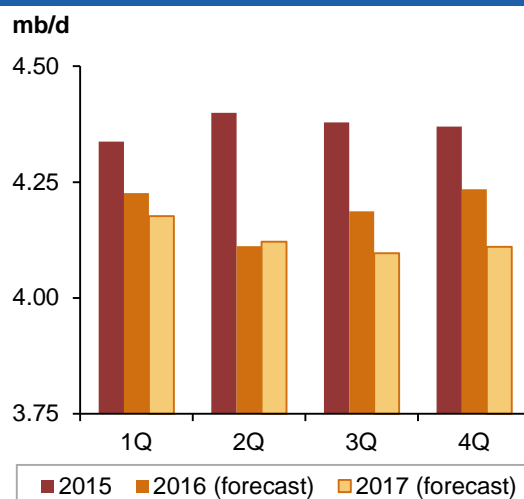
**Azerbaijan's** oil supply is anticipated to average 0.85 mb/d, indicating a decline by 10 tb/d in output in 2016, revised up by 10 tb/d from the previous *MOMR*. June crude oil output declined by 10 tb/d m-o-m to 0.78 mb/d, higher y-o-y by 20 tb/d. June total liquids output dropped by 10 tb/d to average 0.86 mb/d.

Oil supply in **FSU Others** – mainly Turkmenistan – is forecast to decline in 2016 by 10 tb/d from the previous year, to average 0.38 mb/d.

**Other Europe's** oil supply is estimated to remain flat from 2012, to average 0.14 mb/d in 2016.

**Graph 5.20: Kazakhstan quarterly oil supply, 2015-2017**

Source: OPEC Secretariat.

**Graph 5.21: China quarterly oil supply, 2015-2017**

Source: OPEC Secretariat.

## China

**China's** supply is expected to decline by 0.18 mb/d over the previous year to average 4.19 mb/d in 2016, revised down by 40 tb/d from the previous *MOMR*. Crude oil output in May 2016 indicates a drop by more than 50 tb/d to average 3.98 mb/d, the lowest level since August 2012, after six consecutive months of decline reported by national sources. Chinese total liquids supply in May decreased to 4.08 mb/d.

## Forecast for 2017 Non-OPEC supply

**Non-OPEC oil supply in 2017** is expected to contract by 0.11 mb/d over the current year to average 55.92 mb/d. A "bottom-up" field-by-field study and analysis of new projects indicates that the annual decline rate in non-OPEC countries in 2017 will outpace new production of 2.3 mb/d. Nevertheless, the contracting trend estimated for 2016 is expected to continue at a slower pace in 2017, supported by OECD Americas' lower decline, and higher gains in Latin America and Africa. Yet this will be partly offset by declines in the FSU.

Declines in OECD and the FSU in 2017 are expected at 0.18 mb/d and 0.13 mb/d, respectively, while DCs are forecast to grow by 0.23 mb/d. On a regional basis, declines in OECD Americas with an annual average 0.15 mb/d, OECD Europe with 0.02 mb/d, OECD Asia Pacific with 0.01 mb/d, China with 0.06 mb/d, the Middle East with 0.04 mb/d and the FSU with an average 0.13 mb/d are the main reasons for an oil supply contraction in 2017. In contrast, Other Asia with 0.01 mb/d, Latin America with 0.20 mb/d, Africa with 0.06 mb/d and Other Europe with 0.01 mb/d are foreseen as the main contributors to growth in 2017. The forecast for non-OPEC supply in 2017 is associated with a high level of risk.

On country basis, Brazil with 0.26 mb/d, Canada with 0.15 mb/d, Other Africa with 0.06 mb/d, Congo with 0.05 mb/d and Malaysia with 0.03 mb/d are the main contributors for growth next year. Mexico, the US, Norway, Colombia, Russia, Azerbaijan, Kazakhstan and Vietnam are, in contrast, all expected to provide the main declines.

**Table 5.2: Non-OPEC oil supply in 2017, mb/d**

	<u>2016</u>	<u>1Q17</u>	<u>2Q17</u>	<u>3Q17</u>	<u>4Q17</u>	<u>2017</u>	<u>Change 2017/16</u>	
							<u>Growth</u>	<u>%</u>
Americas	20.41	20.35	20.15	20.18	20.36	20.26	-0.15	-0.73
of which US	13.50	13.38	13.28	13.31	13.46	13.36	-0.14	-1.02
Europe	3.72	3.76	3.64	3.57	3.85	3.70	-0.02	-0.60
Asia Pacific	0.44	0.44	0.45	0.44	0.41	0.44	-0.01	-1.29
<b>Total OECD</b>	<b>24.57</b>	<b>24.54</b>	<b>24.23</b>	<b>24.18</b>	<b>24.62</b>	<b>24.39</b>	<b>-0.18</b>	<b>-0.72</b>
Other Asia	2.71	2.72	2.72	2.71	2.71	2.71	0.01	0.27
Latin America	5.12	5.26	5.28	5.32	5.41	5.32	0.20	3.91
Middle East	1.24	1.22	1.21	1.20	1.19	1.21	-0.04	-2.96
Africa	2.10	2.14	2.15	2.17	2.19	2.16	0.06	2.87
<b>Total DCs</b>	<b>11.17</b>	<b>11.34</b>	<b>11.36</b>	<b>11.41</b>	<b>11.51</b>	<b>11.41</b>	<b>0.23</b>	<b>2.07</b>
FSU	13.77	13.72	13.57	13.57	13.72	13.64	-0.13	-0.92
of which Russia	10.98	10.96	10.88	10.90	11.02	10.94	-0.04	-0.39
Other Europe	0.14	0.15	0.15	0.15	0.16	0.15	0.01	10.24
China	4.19	4.18	4.12	4.10	4.11	4.13	-0.06	-1.53
<b>Total "Other regions"</b>	<b>18.10</b>	<b>18.04</b>	<b>17.84</b>	<b>17.82</b>	<b>17.99</b>	<b>17.92</b>	<b>-0.18</b>	<b>-0.98</b>
<b>Total non-OPEC production</b>	<b>53.84</b>	<b>53.92</b>	<b>53.44</b>	<b>53.41</b>	<b>54.12</b>	<b>53.72</b>	<b>-0.12</b>	<b>-0.23</b>
Processing gains	2.19	2.20	2.20	2.20	2.20	2.20	0.01	0.50
<b>Total non-OPEC supply</b>	<b>56.03</b>	<b>56.12</b>	<b>55.63</b>	<b>55.61</b>	<b>56.31</b>	<b>55.92</b>	<b>-0.11</b>	<b>-0.20</b>

Source: OPEC Secretariat.

**Table 5.3: Non-OPEC supply forecast comparison in 2016 and 2017**

Region	<u>2016</u>	Growth	<u>2017</u>	Growth
	<u>Supply</u>		<u>Supply</u>	
<b>OECD</b>	24.57	-0.66	24.39	-0.18
<b>Developing countries</b>	11.17	-0.13	11.41	0.23
<b>FSU</b>	13.77	0.08	13.64	-0.13
<b>China</b>	4.19	-0.18	4.13	-0.06
<b>Non-OPEC supply (including processing gains)</b>	<b>56.03</b>	<b>-0.88</b>	<b>55.92</b>	<b>-0.11</b>

Source: OPEC Secretariat.

In the **US**, tight crude production is forecast to only marginally pick up by the beginning of 4Q17 and to decline by 230 tb/d on average for the whole year. Nevertheless, growth for NGLs, biofuels and GOM's crude oil is expected, based on the current trend for NGLs and expected new volumes of around 0.17 mb/d coming from old project ramp-ups as well as new projects in the GOM.

**Canada** is expected to be the second largest source of non-OPEC supply growth after Brazil next year, expanding by 0.15 mb/d to 4.57 mb/d. Growth will come mainly from Surmont 2, Christian Lake, Sunrise and Kearl oil sands projects' ramp-ups, as well as new start-ups from Edam East, West and Vawn heavy oil thermal projects in 2017.

In **Russia**, despite remarkable growth in oil production seen in 2016 and 2015, and higher spending and more activity in drilling, the approximated annual decline rate of 2.5% will outpace the 0.23 mb/d of new production volume coming online in 2017. Therefore, a contraction by 40 tb/d is expected for Russia in the next year.

In the **Caspian**, the Kashagan offshore field in Kazakhstan is expected to finally start its oil production by the optimistic date of mid-2017. Even with the Kashagan start-up in 2017, however, a decline of 30 tb/d is expected for next year. In Azerbaijan, also due to a lack of new project start-ups, oil production will decline by 40 tb/d in 2017. The main oil output in Azerbaijan currently comes from the Azeri-Chirag-Guneshli field.

In **North Sea**, particularly in the **UK** and **Norway**, the analysis shows a better outlook for oil production growth, compared with 2016. Also, the recorded investment level in this region indicates a 65% increase in capex between 2010 and 2013, according to Wood Mackenzie. The region witnessed robust growth in 2015, compared with previous years. Despite expected declines of 40 tb/d for OECD Europe in 2016, the expected start-ups of several new projects in the region next year lead to expectations of a lower decline in 2017 of 20 tb/d. The implementation of the Ivar Aasen project by December of this year promises to enable the field to produce an average of 40 tb/d of oil in 2017. Early next year, Statoil is planning to launch its Gina Krog field, which is expected to yield 60 tb/d of oil at its peak. The start-up of a number of large projects in the UK could also increase output in 2017. With new projects coming onstream next year – such as Quad 204 – incremental production of more than 0.1 mb/d in 2017 is expected. The Clair Ridge project, a second-phase development to the Clair field, MonArb Redevelopment, Ninian, and EnQuest's Kraken field and Premier Oil's Catcher, both with capacity of around 0.05 mb/d, are all also expected to start-up.

In **Brazil**, Petrobras is planning to add another seven FPSOs in the Santos basin, including three in the Lula field, two in the Buzios field, one in the Lapa field and one at the giant Libra area. Oil production is expected to increase by 0.26 mb/d, to average 3.37 mb/d, when these seven new projects materialize next year.

In **China**, with the three largest state-owned oil companies having announced capital expenditure cuts and output reductions, a y-o-y contraction of 60 tb/d for 2017 is forecast, with Chinese oil supply averaging 4.13 mb/d. Also, fewer new offshore developments in China are expected to come online in 2017. Less than 0.15 mb/d of new production is expected to come onstream, mostly in onshore fields. CNOOC plans to start-up new projects at Weizhou 11-4 North Phase II and Enping 23-1 in 2017.

In **Africa**, new projects in Ghana and in the Congo are set to drive growth in 2017. Growth of 0.11 mb/d in 2017 is expected coming mostly from these two countries – from the Moho oil field, the TEN complex, Nene Marine and Jubilee.

On a quarterly basis, **non-OPEC supply** in 2017 is projected to stand at 56.12 mb/d, 55.63 mb/d, 55.61 mb/d and 56.31 mb/d, respectively.



### 2017 biofuels forecast

The forecast growth of **biofuels**, which is expected to increase by around 0.07 mb/d in 2017, is subject to a high degree of risk. The factors contributing to uncertainty in both directions include weather conditions, cost and the impact of low oil prices on biofuel developments. Hence, the forecast will be subject to revision.

Biofuels supply is composed predominantly of ethanol in the US and Brazil, and biodiesel in Europe. It is expected that in 2017, 20 tb/d out of a total 70 tb/d growth of non-OPEC biofuels will be biodiesel, to average 0.54 mb/d, while the remainder will be ethanol, averaging 1.74 mb/d. Given that biofuels are primarily mandate-driven, the impact of the low oil price environment on supply is likely to be quite remarkable compared to the growth expected in 2016. The following table provides a summary of the biofuels production forecast in 2017 compared with 2016 expectations.

**Table 5.4: Non-OPEC biofuel production forecast in 2016 and 2017**

Country/Region	Supply 2016	Growth 2016/15	Supply 2017	Growth 2017/16
US	1.07	0.02	1.08	0.01
Canada	0.04	0.01	0.04	0.00
<b>OECD Americas</b>	<b>1.11</b>	<b>0.03</b>	<b>1.12</b>	<b>0.01</b>
UK	0.01	0.00	0.01	0.00
Other OECD Europe	0.25	0.01	0.26	0.01
<b>OECD Europe</b>	<b>0.27</b>	<b>0.01</b>	<b>0.28</b>	<b>0.01</b>
Australia	0.01	0.00	0.01	0.00
<b>OECD Asia Pacific</b>	<b>0.01</b>	<b>0.00</b>	<b>0.01</b>	<b>0.00</b>
India	0.02	0.01	0.02	0.01
Malaysia	0.01	0.00	0.01	0.00
Thailand	0.04	0.00	0.04	0.00
Other Asia/Far East	0.01	0.00	0.01	0.00
<b>Asia Far East</b>	<b>0.08</b>	<b>0.01</b>	<b>0.09</b>	<b>0.01</b>
Argentina	0.06	0.01	0.07	0.00
Brazil	0.58	0.04	0.60	0.03
Colombia	0.02	0.00	0.02	0.00
Other Latin America	0.01	0.00	0.01	0.00
<b>Latin America</b>	<b>0.67</b>	<b>0.05</b>	<b>0.70</b>	<b>0.03</b>
Other Africa	0.00	0.01	0.00	0.00
<b>Africa</b>	<b>1.43</b>	<b>0.01</b>	<b>1.50</b>	<b>0.00</b>
<b>Other Europe</b>	0.01	0.01	0.01	0.00
<b>China</b>	0.06	0.01	0.07	0.01
<b>Total biofuels</b>	<b>2.21</b>	<b>0.13</b>	<b>2.28</b>	<b>0.07</b>

Source: OPEC Secretariat.

## OPEC NGLs and non-conventional oils

OPEC NGLs and non-conventional liquids were estimated to average 6.29 mb/d in **2016**, representing growth of 0.16 mb/d over the previous year.

For **2017**, OPEC NGLs and non-conventional oils are projected to average 6.43 mb/d, an increase of 0.15 mb/d over a year earlier. Growth in 2017 is expected to mainly come from Iran, Saudi Arabia, Qatar and Angola.

**Table 5.5: OPEC NGLs + non-conventional oils, 2014-2017**

	<i>Change</i>							<i>Change</i>	<i>Change</i>		
	<u>2014</u>	<u>2015</u>	<u>15/14</u>	<u>1Q16</u>	<u>2Q16</u>	<u>3Q16</u>	<u>4Q16</u>	<u>2016</u>	<u>16/15</u>	<u>2017</u>	<u>17/16</u>
<b>Total OPEC</b>	<b>6.00</b>	<b>6.13</b>	0.13	6.24	6.27	6.30	6.34	<b>6.29</b>	0.16	<b>6.43</b>	0.15

Source: OPEC Secretariat.

## OPEC crude oil production

According to secondary sources, total OPEC-14 crude oil production averaged 32.86 mb/d in June, an increase of 264 tb/d over the previous month. Crude oil output increased mostly from Nigeria, Iran, Saudi Arabia, Libya and UAE, while production showed declines in Venezuela and Iraq.

**Table 5.6: OPEC crude oil production based on secondary sources, tb/d**

	<u>2014</u>	<u>2015</u>	<u>4Q15</u>	<u>1Q16</u>	<u>2Q16</u>	<u>Apr 16</u>	<u>May 16</u>	<u>Jun 16</u>	<u>Jun/May</u>
Algeria	1,123	1,106	1,110	1,093	1,085	1,087	1,082	1,085	3.3
Angola	1,654	1,754	1,780	1,766	1,776	1,787	1,769	1,773	3.4
Ecuador	544	546	545	547	548	547	547	550	3.4
Gabon	222	219	218	217	214	215	215	214	-1.0
Indonesia	696	695	707	720	737	731	740	740	0.0
Iran, I.R.	2,778	2,840	2,874	3,096	3,556	3,457	3,567	3,644	77.8
Iraq	3,267	3,933	4,232	4,242	4,277	4,342	4,274	4,217	-56.8
Kuwait	2,781	2,730	2,720	2,765	2,736	2,647	2,760	2,800	40.1
Libya	470	405	401	370	316	347	271	332	61.3
Nigeria	1,953	1,867	1,885	1,793	1,539	1,672	1,426	1,523	98.0
Qatar	714	667	669	667	662	658	665	662	-3.4
Saudi Arabia	9,688	10,123	10,122	10,147	10,237	10,160	10,242	10,308	66.5
UAE	2,759	2,856	2,881	2,807	2,841	2,753	2,855	2,914	59.9
Venezuela	2,361	2,357	2,354	2,280	2,166	2,219	2,183	2,095	-88.4
<b>Total OPEC</b>	<b>31,010</b>	<b>32,098</b>	<b>32,498</b>	<b>32,511</b>	<b>32,689</b>	<b>32,620</b>	<b>32,594</b>	<b>32,858</b>	<b>264.1</b>

Note: Totals may not add up due to independent rounding.

Source: OPEC Secretariat.

**Table 5.7: OPEC crude oil production based on *direct communication*, tb/d**

	<b>2014</b>	<b>2015</b>	<b>4Q15</b>	<b>1Q16</b>	<b>2Q16</b>	<b>Apr 16</b>	<b>May 16</b>	<b>Jun 16</b>	<b>Jun/May</b>
Algeria	1,193	1,157	1,179	1,128	1,126	1,141	1,133	1,104	-29.0
Angola	1,654	1,767	1,742	1,773	1,730	1,733	1,707	1,752	45.0
Ecuador	557	543	536	548	554	555	556	550	-5.5
Gabon	..	..	..	..	..	..	..	..	..
Indonesia	697	690	693	739	..	726	737	..	..
Iran, I.R.	3,117	3,152	3,313	3,385	3,570	3,500	3,600	3,610	10.0
Iraq	3,110	3,504	3,846	4,598	4,526	4,521	4,499	4,559	60.0
Kuwait	2,867	2,859	2,876	3,000	2,934	2,900	2,950	2,950	0.0
Libya	480	..	..	..	..	..	..	..	..
Nigeria	1,807	1,748	1,778	1,667	..	1,570	1,506	..	..
Qatar	709	656	651	675	..	625	671	..	..
Saudi Arabia	9,713	10,193	10,202	10,225	10,360	10,262	10,270	10,550	280.0
UAE	2,794	2,989	2,999	2,944	3,035	2,827	3,107	3,168	61.1
Venezuela	2,683	2,654	2,587	2,515	2,408	2,490	2,370	2,364	-6.3
<b>Total OPEC</b>	..	..	..	..	..	..	..	..	..

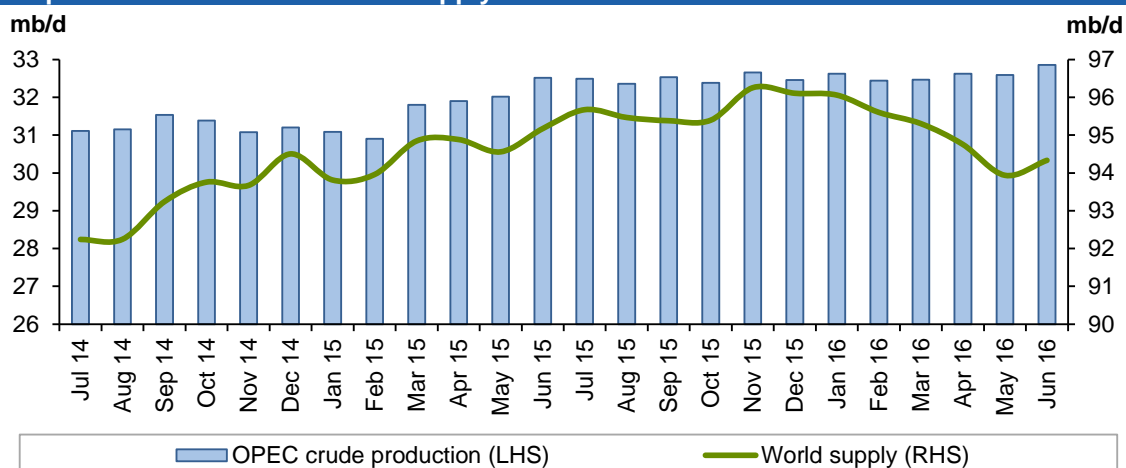
Note: Totals may not add up due to independent rounding.

.. Not available.

Source: OPEC Secretariat.

## World oil supply

Preliminary data indicates that global oil supply increased by 0.40 mb/d to average 94.33 mb/d in June 2016, compared with the previous month. The increase of both non-OPEC supply by 0.13 mb/d and OPEC crude oil production by 0.26 mb/d in June led to the increase global oil output. The share of OPEC crude oil in total global production increased slightly by 0.1 pp to 34.8% in June compared with the previous month at 34.7%. Estimates are based on preliminary data from direct communications for non-OPEC supply, OPEC NGLs and non-conventional oil, while estimates for OPEC crude production are based on secondary sources.

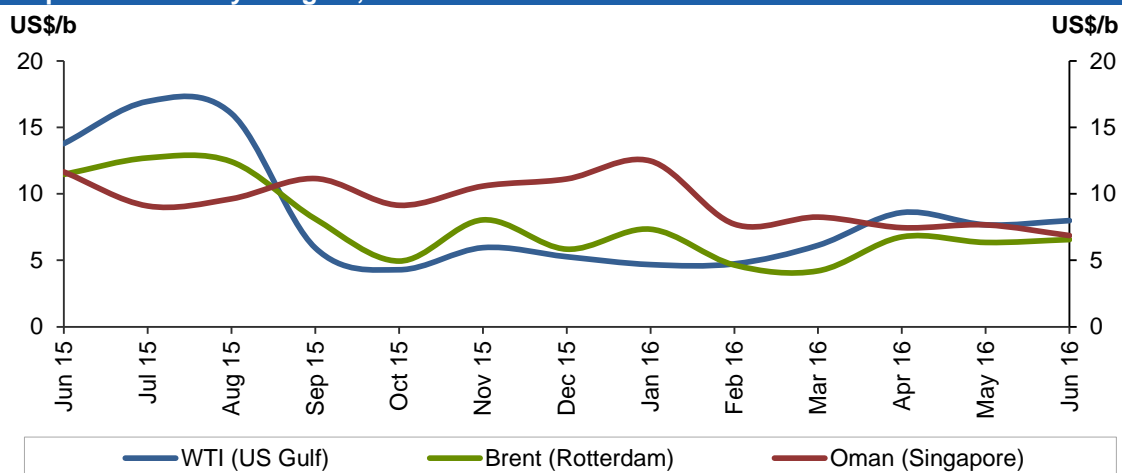
**Graph 5.22: OPEC and world oil supply**


Source: OPEC Secretariat.

## Product Markets and Refinery Operations

Higher export opportunities amid lower inflows of middle distillates and fuel oil have eased the oversupply environment and allowed refinery margins to strengthen slightly in the Atlantic Basin, despite gasoline being impacted by ample regional supplies. Meanwhile, refinery margins in Asia fell as the weakness seen at the top of the barrel outweighed the strong regional gasoil and fuel oil demand, which has been boosted by power generation requirements.

**Graph 6.1: Refinery margins, 2015-2016**



Sources: Argus Media and OPEC Secretariat.

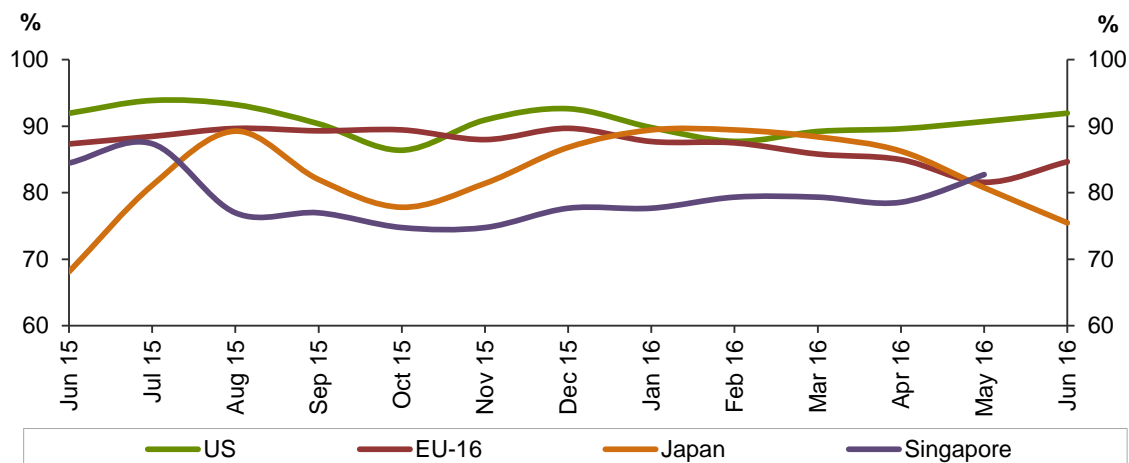
**US** gasoline demand continued on the rise in June. However, despite higher demand, gasoline crack spreads have continued under supply pressure due to higher inflows of high octane blend stocks across the region. Meanwhile, strong export opportunities allowed gasoil and fuel oil crack spreads to strengthen, thus supporting refinery margins. US Gulf Coast (USGC) refinery margins for WTI crude gained 30¢ compared with the previous month's levels to average around \$8/b.

Product markets in **Europe** showed mixed performance during June. The gasoline crack spread continued weakening under oversupply pressure. Meanwhile, the middle and bottom of the barrel exhibited a recovery on the back of a more balanced market amid export opportunities. The refinery margin for Brent crude in Northwest Europe (NWE) showed a gain of 25¢ versus the previous month, to average \$6.60/b.

The ongoing oversupply in the region, due to increasing gasoline volumes seen from several countries, have caused **Asian** refinery margins to weaken slightly in June. Refinery margins in Singapore dropped by 80¢ to average \$6.80/b. Losses were capped by the strengthening witnessed at the middle and bottom of the barrel, supported by higher power generation requirements.

### Refinery operations

Refinery utilization in the **US** averaged around 92% in June, corresponding to 16.5 mb/d, which was 220 tb/d higher than a month earlier. Several refineries were running at maximum levels in the USGC following the maintenance season. However, some refineries in the mid-continent experienced outages due to operational problems, thus capping the average of US refinery runs. Another factor impacting product markets has been the flooding in Texas, which limited pipeline operations.

**Graph 6.2: Refinery utilisation rates, 2015-2016**


Sources: Argus Media and OPEC Secretariat.

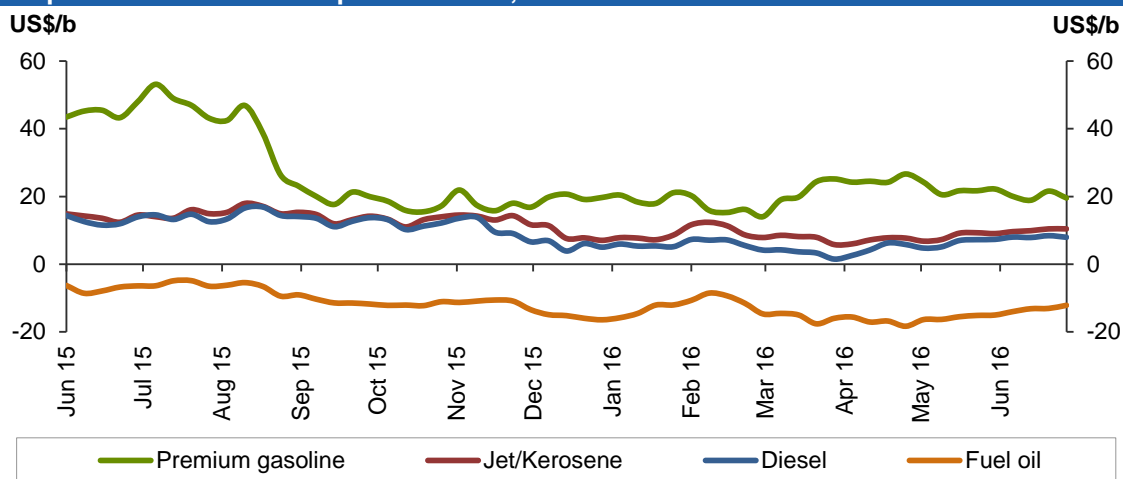
**European** refinery runs averaged around 85% of capacity in June, corresponding to a throughput of 10.0 mb/d, which was 350 tb/d higher than in the previous month. The refinery runs recovered from the negative impact from the French strike, which affected operations in several refineries, ports and gas stations in the country a month earlier. On the other hand, the product markets were impacted in some areas during the middle of June by the limitations on barge transportation due to the high water levels in the Rhine.

In **Asia**, refinery utilization has continued to rise in June with the approaching end of the maintenance season. However, Chinese teapot refineries were reported to have reduced runs, which has contributed to the need for increasing fuel imports for the country. Refinery runs in Singapore for May averaged around 83%, up 5 percentage points (pp) compared to the previous month. Meanwhile, Japanese throughputs averaged 76% of capacity, 5 pp lower than the previous month, as some maintenance continued in the country.

## US market

US **gasoline** demand stood at around 9.7 mb/d in June, approximately 50 tb/d higher than in the previous month and more than 300 tb/d higher than in the same month a year earlier. Stronger domestic gasoline demand has been supporting the gasoline market. However, the crack spreads continued under pressure due to higher supplies resulting from the re-start of several gasoline/producer units, which have kept inventories at a seasonal high. In addition, higher inflows of high octane blend stocks from Europe and India flooded the US East Coast (USEC) market, with plentiful alkylate and reformate streams depressing the premium gasoline price.

The gasoline crack spread lost more than \$1 compared to the previous month's level to average \$20.4/b in June.

**Graph 6.3: US Gulf crack spread vs. WTI, 2015-2016**

Sources: Argus Media and OPEC Secretariat.

**Middle distillate** demand stood at around 3.8 mb/d in June, some 240 tb/d lower than in the previous month and around 30 tb/d lower than in the same month a year earlier. The middle distillate market has exhibited weak fundamentals in recent months. However, the recovery trend, which started in April, continued in June. Despite tight arbitrage, recent exports to Europe have been on the rise. Another supporting factor has been increasing exports to Latin America, mainly to Chile and El Salvador. The USGC gasoil crack averaged around \$8/b, gaining around \$2 from the previous month. The gasoil market was impacted by several developments as the mid-continent tightened due to several refinery outages, while the pipeline from USGC suffered damage due to flooding in Texas.

At the **bottom of the barrel**, the fuel oil market continued its recovery trend, supported by stronger demand in the USGC amid slower inventories. The USGC high sulphur fuel oil crack gained more than \$2 to average around minus \$13.40/b in June.

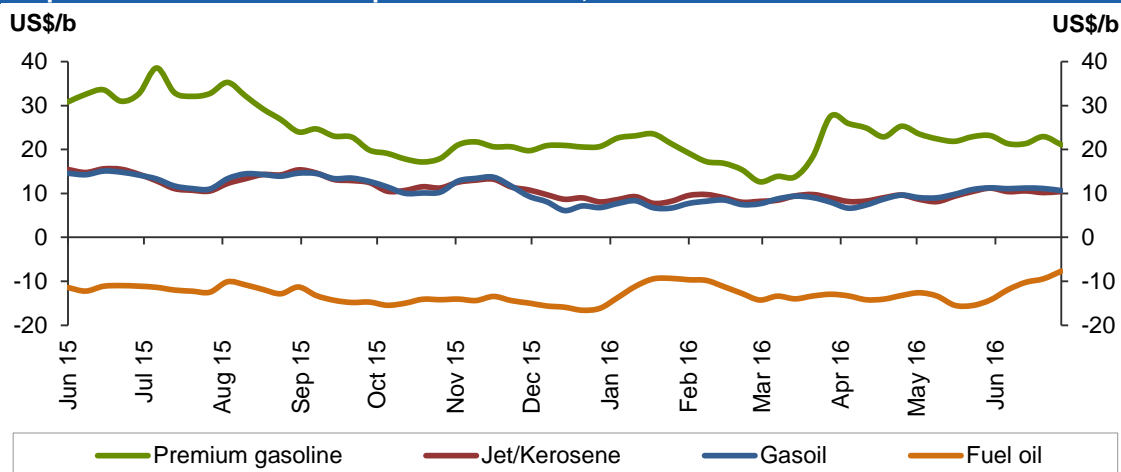
## European market

Product markets in Europe showed a mixed performance during June, with the middle and bottom of the barrel exhibiting a recovery on the back of a more balanced market. Meanwhile, the gasoline crack spread weakened due to a lack of export opportunities amid regional oversupply.

The **gasoline** market continued weakening in June due to a lack of export opportunities, along with transatlantic outflows becoming less attractive amid the increase seen in gasoline inventories in the USEC.

The gasoline crack spreads continued losing ground in June as strong seasonal demand has been outweighed by regional oversupply and Amsterdam-Rotterdam-Antwerp (ARA) inventories increased more than 20% during the month. Another bearish factor has been lower export opportunities to the Middle East and West Africa. The gasoline crack spread against Brent saw a drop of almost \$1 from the previous month, to average around \$22/b.

The light-distillate **naphtha** crack remained relatively stable supported by firm demand from the domestic olefin producers, who have been enjoying healthy margins. However, any potential uptick has been limited due to some crackers undergoing maintenance.

**Graph 6.4: Rotterdam crack spreads vs. Brent, 2015-2016**


Sources: Argus Media and OPEC Secretariat.

The European **gasoil** market continued its recovery trend during June on the back of a more balanced market amid a temporary tightening sentiment following French strikes and high water levels along the Rhine, which limited barge traffic in some areas.

Gasoil crack spreads also got support from strong export opportunities to Latin America – mainly to Argentina due to higher requirements for the winter heating – along with higher exports to North and West Africa. Additional support came from the supply side with lower inflows seen from Asia and less exports from Russia, where domestic market prices have reflected a premium compared to export net back values amid some hydrocracker units in maintenance, which thus have reduced the availability of ultra-light sulphur diesel (ULSD). The gasoil crack spread against Brent crude at Rotterdam averaged around \$11/b in June, gaining more than \$1 versus the previous month's level.

At the **bottom of the barrel**, the fuel oil market exhibited a strong recovery on the back of a tightening market with lower inflows from the Baltic amid slowing inventories in ARA. Support also came from the demand side with the recent re-opening of arbitrage opportunities to Singapore on the back of a fall in freight rates and some recovery seen in the demand for domestic bunkering.

The NWE Europe fuel oil crack gained almost \$4 compared to the previous month to average around minus \$11/b in June.

## Asian market

The Asian market softened slightly in June, due to weakness seen at the top of the barrel, resulting from pressure by the ongoing oversupply in the region. However, refinery margin losses were capped by the strengthening witnessed at the middle and bottom of the barrel, which have received support from boosted demand resulting from the onset of power generation requirements.

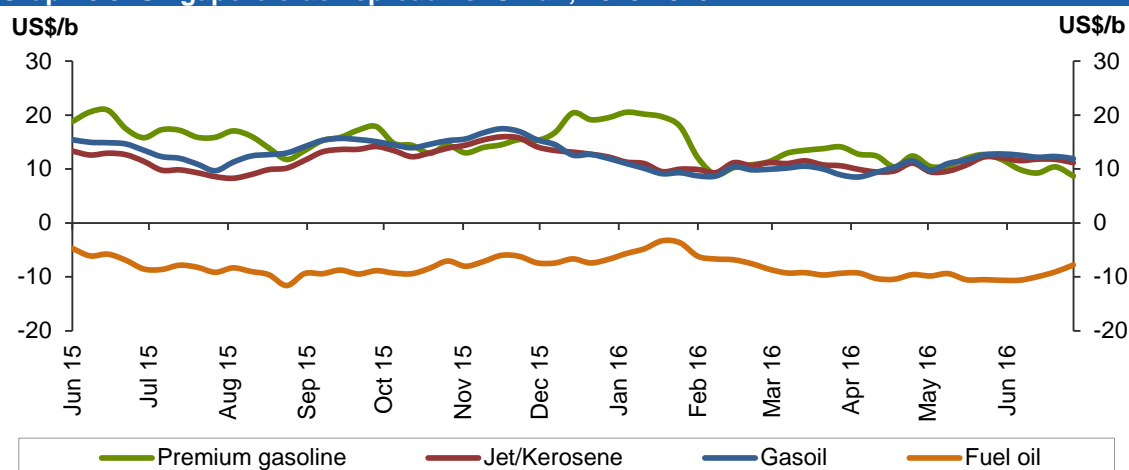
The Asian **gasoline** market continued weakening during June, pressured by the ongoing oversupply in the region, with increasing volumes seen from China, Japan and India. Higher exports were reported from northeastern Asian refineries, which outweighed the higher regional demand being reported from Pakistan and the export opportunities seen to the West. The gasoline crack spread against Oman crude in



Singapore averaged \$10/b in June, losing almost \$2 compared to the previous month's level.

The Singapore **naphtha** crack continued its downward trend, losing around \$1/b over the month due to a supply glut with increasing volumes from India and the Middle East. On the other hand, demand has been impacted by the switch to LPG as petrochemical feedstock. Further losses were avoided by strong requirements reported from Taiwan and South Korea.

**Graph 6.5: Singapore crack spread vs. Oman, 2015-2016**



Sources: Argus Media and OPEC Secretariat.

At the **middle of the barrel**, the gasoil crack spread continued strengthening, receiving support from the demand side, which has been boosted by power generation requirements. Higher demand has also been reported from several other countries in the region, mainly South Korea, Vietnam and Taiwan. Also, the market has been supported by higher arbitrage opportunities to Africa and South America, while arbitrage opportunities to Europe have become uneconomical.

The gasoil crack spread in Singapore against Oman averaged around \$12.4/b in June, gaining around \$1 compared to the previous month's level.

The Asian **fuel oil** market remained relatively stable during June as steady bunker demand – amid the onset of seasonal power generation demand – has supported the market with higher requirements reported in South Korea, China and Japan. The fuel oil crack spread in Singapore against Oman averaged about minus \$10/b in June, unchanged from the previous month.

**Table 6.1: Refined product prices, US\$/b**

	<u>May 16</u>	<u>Jun 16</u>	<u>Change Jun/May</u>	<u>Year-to-date 2015</u>	<u>2016</u>
<b>US Gulf (Cargoes FOB):</b>					
Naphtha*	48.45	48.48	0.03	66.78	42.16
Premium gasoline (unleaded 93)	68.73	69.12	0.39	84.26	60.03
Regular gasoline (unleaded 87)	62.63	64.64	2.01	73.83	53.55
Jet/Kerosene	54.89	58.68	3.79	71.83	47.96
Gasoil (0.2% S)	52.79	56.74	3.95	71.51	45.04
Fuel oil (3.0% S)	31.98	35.15	3.17	47.63	26.13
<b>Rotterdam (Barges FoB):</b>					
Naphtha	44.28	45.89	1.61	55.45	39.64
Premium gasoline (unleaded 98)	69.51	70.22	0.71	79.47	60.64
Jet/Kerosene	56.15	58.80	2.65	73.99	48.90
Gasoil/Diesel (10 ppm)	56.67	59.37	2.70	73.30	48.54
Fuel oil (1.0% S)	32.52	37.81	5.29	46.95	27.38
Fuel oil (3.5% S)	29.28	32.24	2.96	47.64	23.25
<b>Mediterranean (Cargoes FOB):</b>					
Naphtha	43.51	45.11	1.60	52.31	38.53
Premium gasoline**	61.12	62.71	1.58	74.26	53.26
Jet/Kerosene	54.44	57.36	2.92	70.88	47.16
Diesel	57.91	60.35	2.44	74.86	49.74
Fuel oil (1.0% S)	33.72	36.97	3.25	48.91	27.85
Fuel oil (3.5% S)	31.91	34.59	2.68	47.44	25.96
<b>Singapore (Cargoes FOB):</b>					
Naphtha	44.20	45.56	1.36	57.08	40.37
Premium gasoline (unleaded 95)	59.14	59.05	-0.09	74.16	53.34
Regular gasoline (unleaded 92)	56.00	56.49	0.49	71.21	50.31
Jet/Kerosene	55.18	58.27	3.09	71.88	48.21
Gasoil/Diesel (50 ppm)	55.95	58.96	3.01	73.02	48.00
Fuel oil (180 cst 2.0% S)	35.80	38.62	2.82	53.94	31.06
Fuel oil (380 cst 3.5% S)	34.03	36.68	2.65	51.78	28.83

Note: \* Barges.

\*\* Cost, insurance and freight (CIF).

Sources: Argus Media and OPEC Secretariat.

**Table 6.2: Refinery operations in selected OECD countries**

	<b>Refinery throughput, mb/d</b>				<b>Refinery utilization, %</b>			
	<u>Apr 16</u>	<u>May 16</u>	<u>Jun 16</u>	<u>Change Jun/May</u>	<u>Apr 16</u>	<u>May 16</u>	<u>Jun 16</u>	<u>Change Jun/May</u>
<b>US</b>	16.06	16.26	16.48	0.22	89.61	90.71	91.96	1.25
<b>France</b>	1.19	0.87	0.97	0.10	84.78	61.95	69.20	7.25
<b>Germany</b>	1.76	1.77	1.90	0.13	80.62	80.71	86.75	6.03
<b>Italy</b>	1.35	1.33	1.22	-0.11	66.03	65.00	59.48	-5.52
<b>UK</b>	1.05	1.06	1.05	-0.01	74.61	75.61	74.61	-1.00
<b>Euro-16</b>	10.07	9.66	10.03	0.37	84.97	81.57	84.66	3.09
<b>Japan</b>	3.38	3.16	2.96	-0.21	86.25	80.76	75.47	-5.29

Sources: Argus Media, EIA, Euroilstock, IEA, METI, OPEC Secretariat and Petroleum Association of Japan.

Note: Data has been revised from January 2016 according to the latest capacity update.

## Tanker Market

Dirty tanker spot freight rates were diverse in June, although they mostly reflected negative developments during the month before, as the tanker market heads towards the summer months. On average, dirty tanker freight rates were down by 2% in June from the previous month. This was mainly on the back of lower rates registered by VLCC class ships, which continued the drop seen in the past few months and showed no recovery in June amid falling rates on all reported routes.

VLCC rates dropped by 12% as the market in Middle East and West Africa was weak, affected mostly by a lengthy tonnage list. Suemax spot freight rates went up on average by 5% supported by a strengthening market in West Africa as vessel availability encountered occasional tightness. On the other hand, Aframax freight rates were flat from the month before, suffering from limited activities and maintenance work at some ports.

The clean tanker market showed a weak sentiment on both directions of Suez as thin tonnage demand prevented rates from moving upwards. Clean tanker rates dropped by 4% on average from the previous month.

### Spot fixtures

In June, OPEC spot fixtures increased by 0.18 mb/d, or 1.5%, compared with the previous month to stand at 11.68 mb/d. Global chartering activities worldwide showed an increase from the month before, mainly as fixtures from the Middle East-to-East increased by 9.9% while Middle East-to-West fixtures and out of Middle East fixtures were down from last month by 4.2% and 6.8%, respectively. Generally, global oil spot fixtures were up in June by 0.06 mb/d to average 16.68 mb/d compared with the previous month.

**Table 7.1: Tanker chartering, sailings and arrivals, mb/d**

	<u>Apr 16</u>	<u>May 16</u>	<u>Jun 16</u>	<i>Change</i> <u>Jun 16/May 16</u>
<b>Spot Chartering</b>				
All areas	17.01	16.62	16.68	0.06
OPEC	11.92	11.50	11.68	0.18
Middle East/East	5.44	5.33	5.85	0.52
Middle East/West	3.19	2.70	2.58	-0.11
Outside Middle East	3.29	3.48	3.25	-0.24
<b>Sailings</b>				
OPEC	24.27	23.98	24.00	0.01
Middle East	17.67	17.37	17.39	0.02
<b>Arrivals</b>				
North America	9.95	9.99	9.81	-0.18
Europe	12.51	12.46	12.59	0.13
Far East	8.46	8.43	8.86	0.43
West Asia	4.70	4.83	4.37	-0.45

Source: Oil Movements.

## Sailings and arrivals

OPEC sailings increased by 0.01 mb/d, or 0.1%, in June from a month ago and by 0.16 mb/d from a year before. Sailings from the Middle East also went up from last month by 0.02 mb/d. According to preliminary data, arrivals at main importing regions in North America and West Asian ports showed a drop from a month earlier and were down by 1.8% and 9.4%, respectively, from last month. In contrast, vessel arrivals in Europe and the Far East showed an increase from last month by 1% and 5%, respectively.

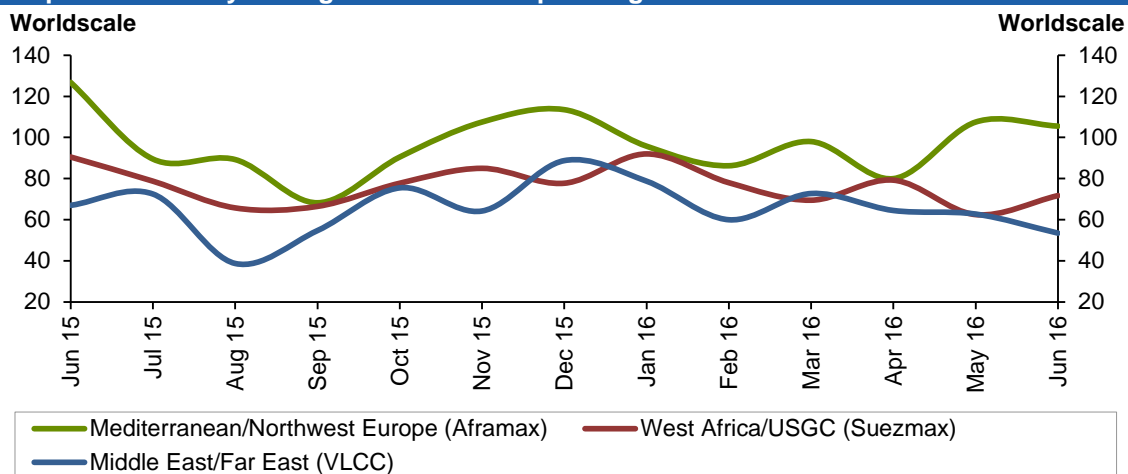
## Spot freight rates

### VLCC

The **VLCC** market witnessed a climb in rates at the beginning of June, despite limited market activity. VLCC freight rates to eastern destinations were initially supported by delays in Chinese ports where rates strengthened. However, gains were limited as vessel supply remains high. VLCC rates dropped in the second half of June, mainly in the Middle East and West African markets, as the tonnage list accumulated a huge buildup. VLCC rates in the Atlantic were mostly depressed as market activities remained mostly flat, despite some co-loading opportunities which came as Suezmax rates were increasing. Chartering activities increased towards the end of the month in the Atlantic as a high number of deals were concluded for loading in West Africa. However, the firm sentiment did not last for long.

In general, VLCC average spot freight rates declined on several routes despite the resistance of tanker owners to low rates. The average spot freight rates for VLCCs declined by 12% in June from the previous month to average WS47 points. This decline was mainly the result of a drop in VLCC rates on all reported routes. Freight rates for tankers operating on the Middle East-to-East route declined by 15% to average WS54 points. Also, rates reported for tankers trading on the Middle East-to-West route declined by 18% to average WS32 points, while freight rates registered for tankers trading on the West Africa-to-East route showed smaller drops, declining by 7% to average WS58 points. Furthermore, VLCC freight rates on all reported routes were lower when compared to the same month in 2015.

**Graph 7.1: Monthly averages of crude oil spot freight rates**



Sources: Argus and Platts.

## Suezmax

In the **Suezmax** market, spot freight rates developed positively, unlike what was seen with VLCC freight rates in June, showing a modest increase on average by 5% from a month before to stand at WS66 points. The increase in freight rates came on the back of higher rates registered for loadings in West Africa as the tonnage supply tightened due to uncertain vessel loadings and port congestion in France. The firming trend was short-lived as rates in West Africa dropped afterwards as the activity level thinned. This, combined with higher vessel supply when the situation eased, added downward pressure on rates.

Consequently, freight rates for tankers operating on the West Africa-to-US route went up by 15% to average WS72 points. These gains were offset by rates for operations on the Northwest Europe-to-US route which dropped by 4% to average WS61 points.

**Table 7.2: Spot tanker crude freight rates, Worldscale**

	Size 1,000 DWT	Apr 16	May 16	Jun 16	Change Jun 16/May 16
<b>Crude</b>					
Middle East/East	230-280	65	63	54	-9
Middle East/West	270-285	43	38	31	-7
West Africa/East	260	67	62	58	-4
West Africa/US Gulf Coast	130-135	79	63	72	9
Northwest Europe/US Gulf Coast	130-135	69	63	61	-3
Indonesia/East	80-85	111	91	97	6
Caribbean/US East Coast	80-85	109	104	93	-11
Mediterranean/Mediterranean	80-85	87	109	111	3
Mediterranean/Northwest Europe	80-85	80	108	106	-2

Sources: Argus Media and OPEC Secretariat.

## Aframamax

**Aframamax** freight rates were mixed in June, despite rates on some reported routes showing an increase in rates from a month before. The average Aframax spot freight rates remained flat from those seen in May. Generally, Aframax rates fluctuated in June, but they did not show a great swing as the changes mostly responded to the amount of tonnage available in the market at the time of the deal.

In the Mediterranean, freight rates registered on both reported routes showed different directions. Although these were limited to a few WS points, freight rates for tankers operating on the Mediterranean-to-Northwest Europe route dropped slightly, on average by WS1 point, to stand at WS102 points, while spot freight rates for tankers operating on the Mediterranean-to-Mediterranean routes rose by a slight WS2 points from May to average WS111 points. A lack of activity seen in the beginning of the month put downward pressure on rates before they picked up following the holidays, reflecting firmer sentiment. Aframax rates were partially supported by some cargo replacements while maintenance works at some ports supported the limited requirements on that class.

Rates in the North Sea and the Baltic also fluctuated as they increased for the third decade requirements which proved to be busy. The balanced situation in both markets, however, prevented rates from undergoing any dramatic changes.

Aframamax rates on the Indonesia-to-East route went up by 7% from the previous month to average WS97 points, while Aframax freight rates registered on the Caribbean-to-US

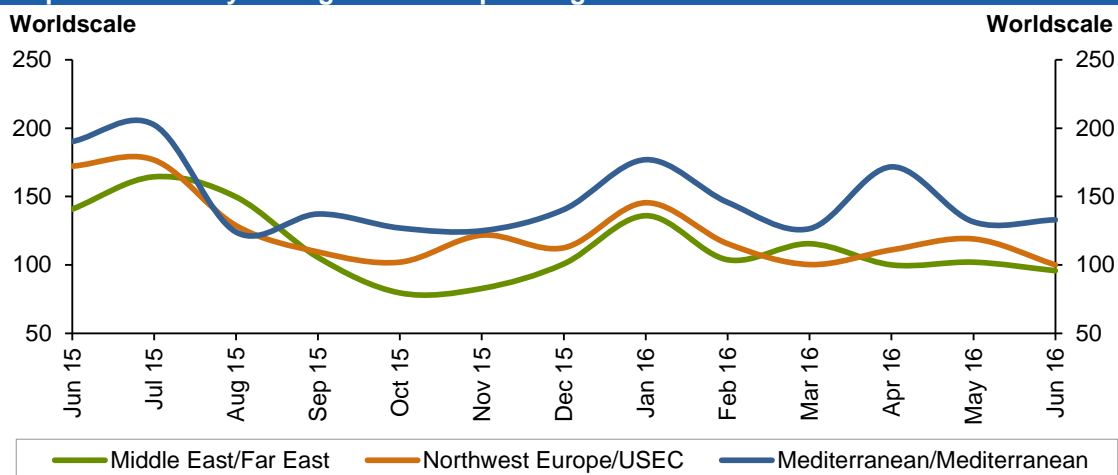
route dropped by 11% from the previous month to stand at WS93 points. This occurred given that the market was affected by increased tonnage availability, which led to lower rates, despite tonnage demand occasionally increasing. However, the overpopulated tonnage list prevented rates from moving up.

### Clean spot freight rates

The **clean tanker market** sentiment saw diverging trends on different routes in June, though mostly remaining weak. On average, clean spot tanker freight rates dropped by 4% from the month before to stand at WS120 points as average freight rates on both directions of Suez declined by 5% and 4%, respectively. High tonnage availability across different clean tanker segments of the market gave no signs of improving. The market was quiet for long-range vessels, reflecting slow activity and softening rates. A lack of tonnage demand for naphtha loading also pressured the market.

Medium-range tankers also saw falling rates, mainly to the West of Suez, where Northwest Europe-to-USEC/USGC spot freight rates dropped by 16% in June compared with a month earlier to average WS100 points. The rates for the Mediterranean-to-Mediterranean and the Mediterranean-to- Northwest Europe routes were almost stable as each went up by a slight WS1 point to stand at WS133 points and WS143 points, respectively.

**Graph 7.2: Monthly average of clean spot freight rates**



Sources: Argus Media and OPEC Secretariat.

In East of Suez, Middle East-to-East spot freight rates dropped 6% in June over a month earlier to average WS96 points and the rate for tankers trading on the Singapore-to-East route went down by 4% to average WS126 points.

**Table 7.3: Spot tanker product freight rates, Worldscale**

Products	Size 1,000 DWT	Change		
		Apr 16	May 16	Jun 16 Jun 16/May 16
Middle East/East	30-35	100	102	96 -6
Singapore/East	30-35	135	132	126 -6
Northwest Europe/US East Coast	33-37	111	119	100 -19
Mediterranean/Mediterranean	30-35	172	132	133 2
Mediterranean/Northwest Europe	30-35	182	142	143 2

Sources: Argus Media and OPEC Secretariat.

## Oil Trade

In June, preliminary data shows that US crude oil imports rose by 322 tb/d from the previous month to average 8 mb/d. On an annual basis US crude imports were 650 tb/d higher than a year earlier. US products imports increased by 221 tb/d, or 10%, to average 2.5 mb/d m-o-m, and y-o-y they increased by 204 tb/d, or 9%.

Japan's crude oil imports dropped in May by 142 tb/d or 4% to average 3.3 mb/d, reaching their lowest level since November 2015. On an annual basis, crude imports were higher in May by a slight 19 tb/d, or 1%. Similarly, Japan's product imports dropped in May by 28 tb/d, to average 496 tb/d.

China's crude oil imports dropped from the high level seen in the previous month. In May, China's crude imports dropped by 336 mb/d or 4% from the previous month, to average 7.6 mb/d. On an annual comparison, China's crude imports were up by a remarkable 2.1 mb/d or 39%. On the other hand, China's product imports were up in May by 62 tb/d from the previous month and higher by 438 tb/d from a year earlier, to average 1.4 mb/d.

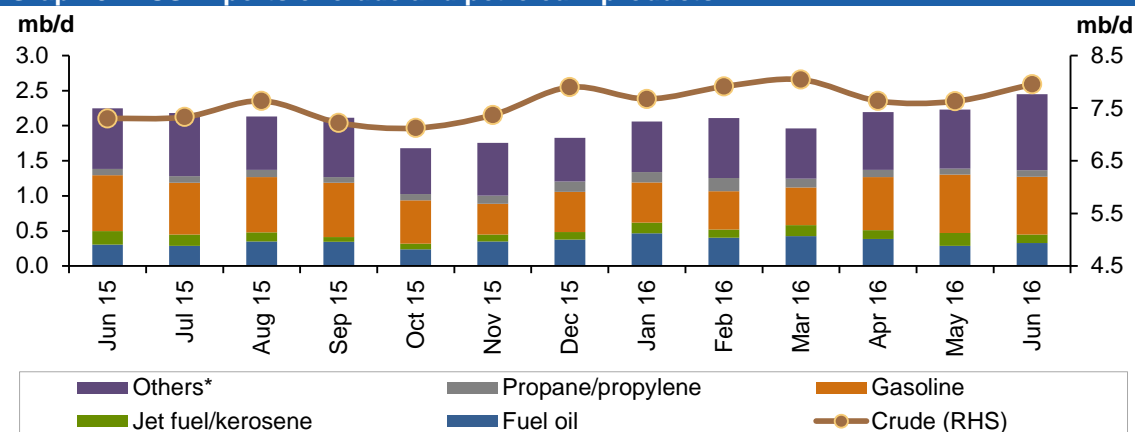
In May, India's crude imports averaged 4.2 mb/d, 200 tb/d or 5% lower than the level seen the previous month, marking the lowest crude imports recorded since November 2015. On an annual basis, the imports reflected a small increase by 61 tb/d, or 2%. Similarly, the country's product imports saw a drop of 71 tb/d, or 8%, from a month earlier, to average 780 tb/d. Y-o-y, the imports reflected a gain of 41 tb/d, or 6%.

## US

In June, preliminary data shows that **US crude oil imports** increased by 322 tb/d from the previous month to average 8 mb/d. On an annual basis, US crude imports were up 650 tb/d from a year earlier.

**US product imports** increased by 221 tb/d, or 10%, to average 2.5 mb/d on m-o-m, and increased by 204 tb/d, or 9%, y-o-y. Year-to-date, crude imports increased by 543 tb/d while product imports were almost flat.

**Graph 8.1: US imports of crude and petroleum products**



Note: \*Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.

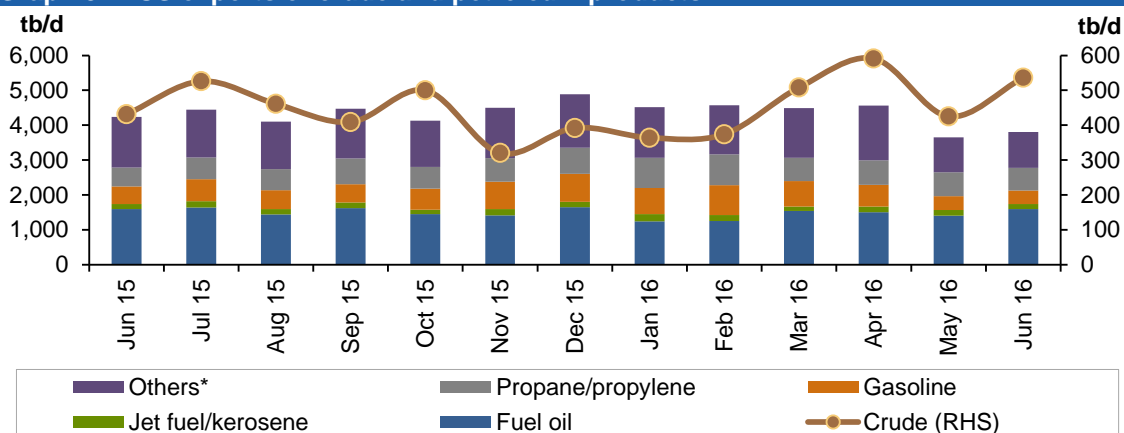
Sources: US Energy Information Administration and OPEC Secretariat.



**US product exports** in June went up by 150 tb/d, or 4%, to average 3.8 mb/d from the previous month. On annual comparison, product exports show a drop of 436 tb/d, or 10%.

As a result, **US total net imports rose 281 tb/d in June to average 6.1 mb/d**, up by 5% from the previous month and up 24% from a year earlier.

**Graph 8.2: US exports of crude and petroleum products**



Note: \*Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.

Sources: US Energy Information Administration and OPEC Secretariat.

In April, Canada remained the **top supplier** as seen earlier, accounting for 40% of total US crude imports, although the country's exports to the US were lower by 8% or 262 tb/d from a month earlier. Saudi Arabia came in as the second-largest supplier to the US, holding a share of 15% of total crude imports, while Venezuela was third-largest with a share of 10%. Imports from Saudi Arabia were 126 tb/d lower, while imports from Venezuela dropped from the previous month by 32 tb/d.

**Crude imports from OPEC Member Countries** dropped in April from the previous month by 180 tb/d, or 6%. Imports from OPEC Member Countries accounted for 41% of total US crude imports. At the same time, **US product imports from OPEC Member Countries** dropped as well from a month before - by 45 tb/d to stand at 260 tb/d and representing a share of 12% of total products imported by the US.

As to the **product supplier share**, Canada and Russia maintained their positions as first and second suppliers to the US with shares of 24% and 21%, respectively. Imports from Canada were lower than in the previous month, while imports from Russia increased by 47% or 144 tb/d. The UK came in third in product supplies to the US with deliveries up by 24 tb/d from the previous month.

As for **US crude imports by region**, in April crude imports from North America averaged 3 mb/d. North America continued to be the top region for US crude imports. Latin America came in as the second-highest source of imports to the US with deliveries averaging 2.1 mb/d in April, while the Middle East was third with an average of 1.8 mb/d. Imports from Africa increased from the previous month to stand at 551 tb/d, while imports from Asia remained stable.

As to **crude imports by PADD**, in PADD 1 the largest crude imports to the East Coast were sourced from Africa with an average of 349 tb/d. Imports from North America were lower by 21 tb/d, or 9%. Crude imports from Latin America to PADD 1 went up by 19 tb/d from a month before to average 196 tb/d. PADD 2 imports were almost covered

from North America as they averaged 2 mb/d in April, down by 282 tb/d from a month before. PADD 2 imported 88 tb/d from the Middle East. PADD 3 mainly imports crude oil from Latin America and the Middle East. Imports from both regions dropped from March by 132 tb/d and 121 tb/d, respectively. PADD 4 imports from North America dropped slightly by 6 tb/d to average 243 tb/d. In PADD 5 on the US West Coast, the largest imports came from the Middle East followed by imports from Latin America which averaged 494 tb/d and 294 tb/d, respectively, in April.

**Table 8.1: US crude and product net imports, tb/d**

	<b>Apr 16</b>	<b>May 16</b>	<b>Jun 16</b>	<b>Change Jun 16/May 16</b>
Crude oil	7,046	7,206	7,417	211
Total products	-2,371	-1,421	-1,351	69
<b>Total crude and products</b>	<b>4,675</b>	<b>5,786</b>	<b>6,066</b>	<b>281</b>

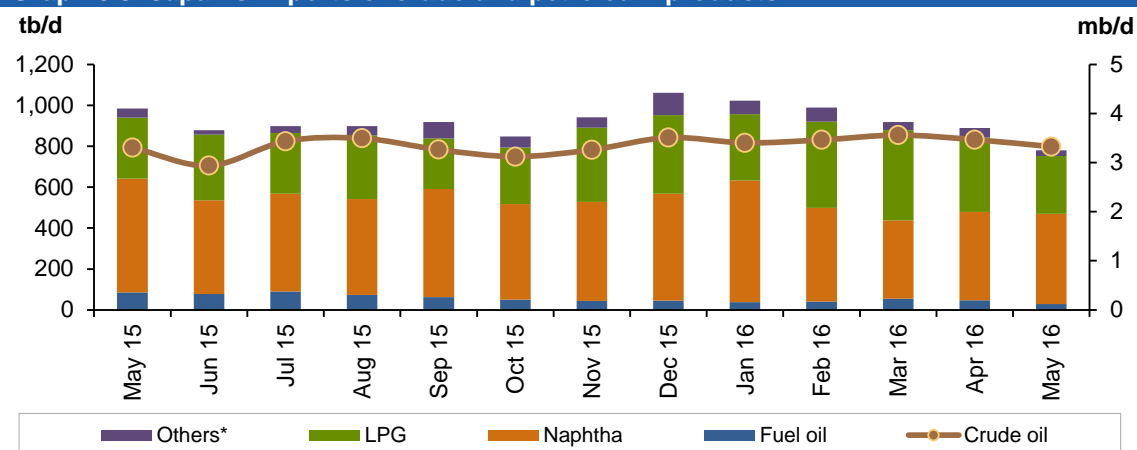
Sources: US Energy Information Administration and OPEC Secretariat.

## Japan

Japan's **crude oil imports** dropped in May by 142 tb/d, or 4%, to average 3.3 mb/d, reaching the lowest level since November 2015. On an annual basis, crude imports were higher in May by a slight 19 tb/d, or 1%. Crude refinery runs in May were lower than the previous month.

As to **suppliers' share of crude imports**, Saudi Arabia continued to remain the premier crude supplier to Japan, holding a share of 34% of total crude exports to the country, despite volumes falling by 296 tb/d from the previous month. The UAE came in as the second-largest supplier to Japan with a share of 26% of total crude imports. Qatar was in third place with a share of 10%. Japan's imports from the UAE were higher than in the previous month by 193 tb/d while the country saw less imports from Qatar by 38 tb/d.

**Graph 8.3: Japan's imports of crude and petroleum products**

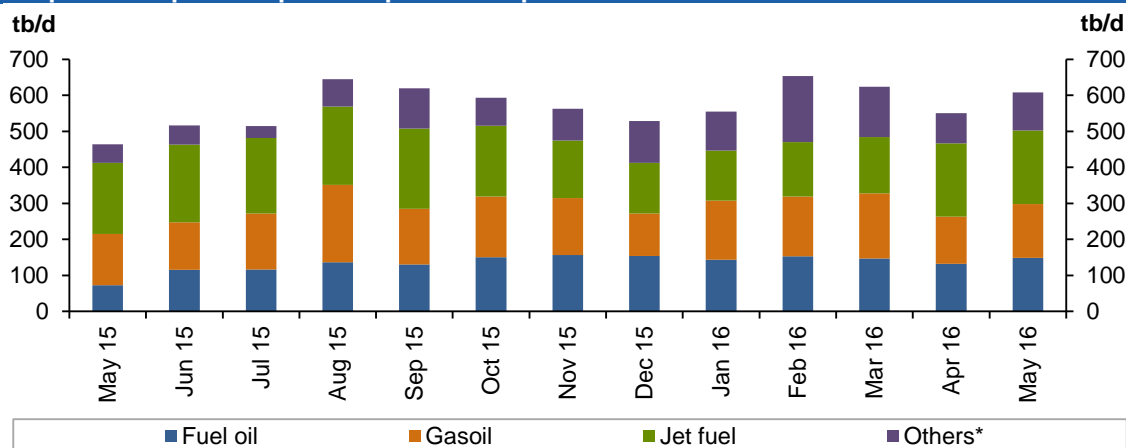


Note: \*Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.

Sources: Ministry of Economy, Trade and Industry of Japan and OPEC Secretariat.

Similarly, **Japan's product imports** dropped in May by 28 tb/d to average 496 tb/d. Japan showed lower product imports as imports of fuel oil, naphtha, gasoline and LPG were all down in May.

As for **product exports**, Japan's product exports in May were higher from the previous month by 58 tb/d, to average 608 tb/d.

**Graph 8.4: Japan's exports of petroleum products**

\*Others: Contains LPG, gasoline, naphtha, kerosene, lubricating oil, asphalt and paraffin wax.  
 Sources: Ministry of Economy, Trade and Industry of Japan and OPEC Secretariat.

Accordingly, Japan's net imports dropped in May by 228 tb/d to average 3.2 mb/d, reflecting both a monthly and annual drop of 7% and 9%, respectively.

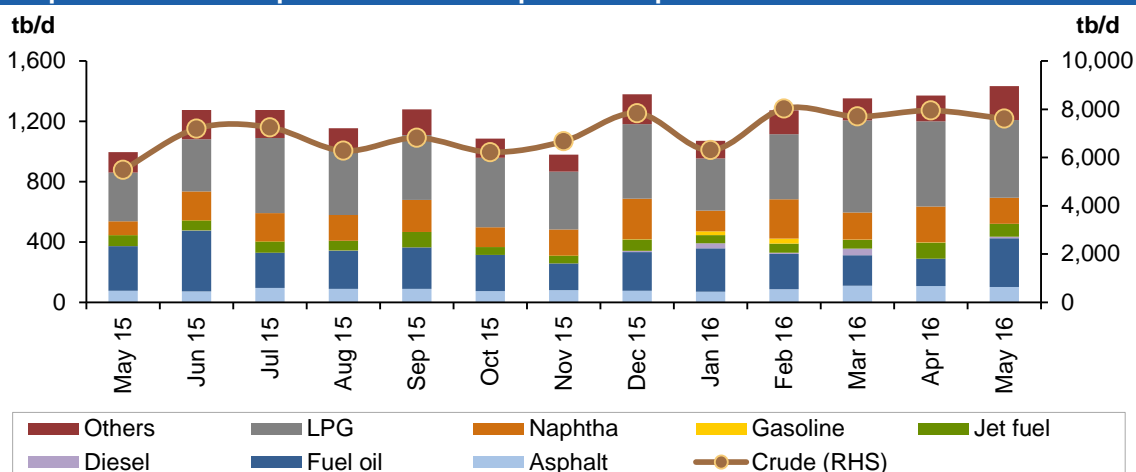
**Table 8.2: Japan's crude and product net imports, tb/d**

	Mar 16	Apr 16	May 16	Change May 16/Apr 16
Crude oil	3,559	3,467	3,324	-142
Total products	-146	-26	-112	-86
<b>Total crude and products</b>	<b>3,414</b>	<b>3,441</b>	<b>3,212</b>	<b>-228</b>

Sources: Ministry of Economy, Trade and Industry of Japan and OPEC Secretariat.

## China

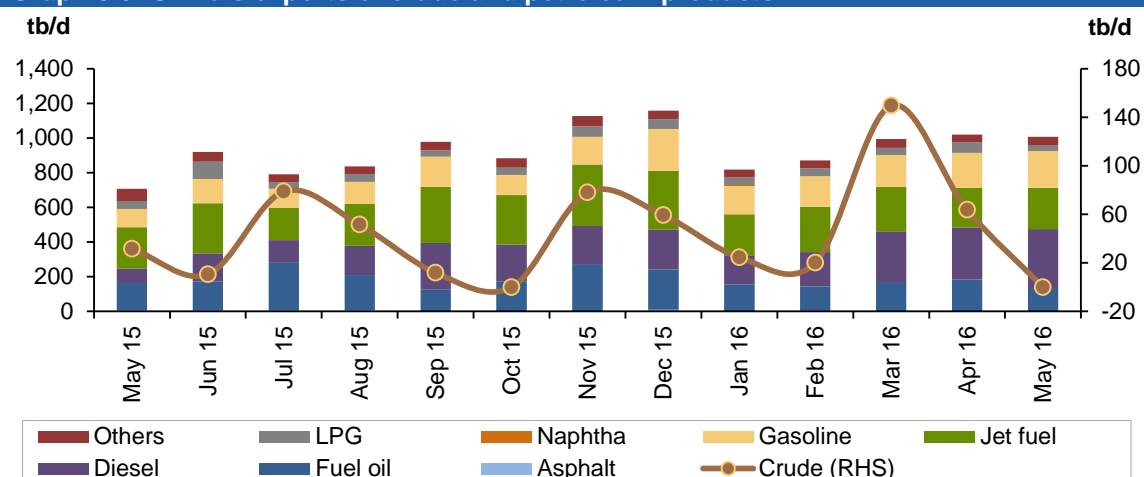
China's crude oil imports dropped from the high level seen in the previous month. In May, China's crude imports dropped by 336 tb/d or 4% from the previous month to average 7.6 mb/d. On an annual comparison, China's crude imports were up by a remarkable 2.1 mb/d or 39%. Refinery runs in China showed a drop in May from the previous month as the country goes into refinery maintenance. On a year-to-date analysis, the figures reflected an increase of 1 mb/d, or 16%.

**Graph 8.5: China's imports of crude and petroleum products**

Sources: Argus China Petroleum and China, Oil and Gas Petrochemicals and OPEC Secretariat.

In terms of **suppliers' share**, Russia, Saudi Arabia and Iraq were the top crude suppliers to China in May holding shares of 16%, 13% and 11%, respectively. In May, China's crude imports saw increased volumes from Russia, up by 65 tb/d from the month before, while imports from Saudi Arabia reported a decline of 40 tb/d from April.

**Graph 8.6: China's exports of crude and petroleum products**



Sources: Argus China Petroleum and China, Oil and Gas Petrochemicals and OPEC Secretariat.

On the other hand, **China's product imports** were up in May by 62 tb/d from the previous month and were higher by 438 tb/d from a year earlier, to average 1.4 mb/d.

China did not export any crude in May, while the country's **product exports** dropped slightly from the previous month by 13 tb/d to average 1 mb/d. As a result, **China's net oil imports dropped by 198 tb/d, or 2%, from the previous month**, while remaining 2.2 mb/d above last year's level.

**Table 8.3: China's crude and product net imports, tb/d**

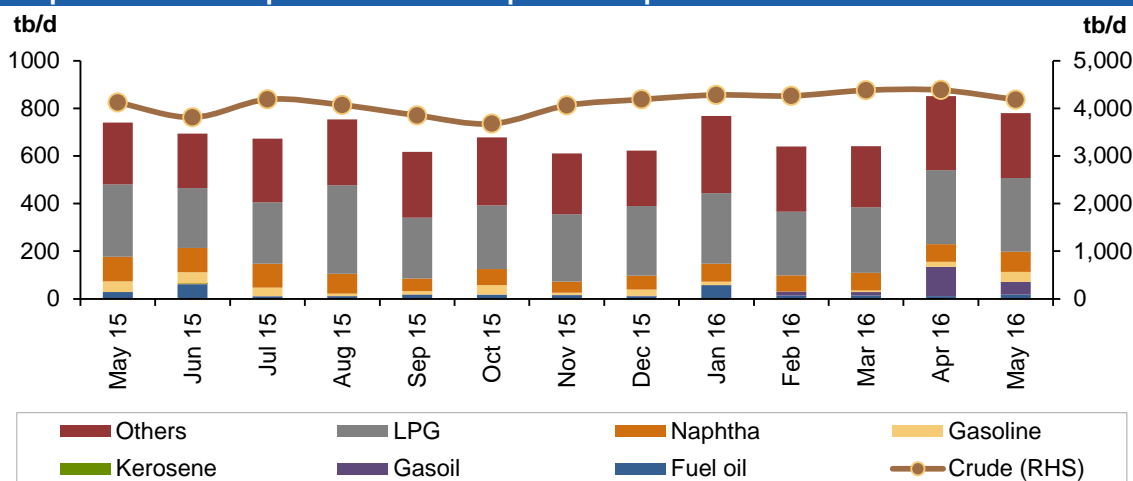
	<u>Mar 16</u>	<u>Apr 16</u>	<u>May 16</u>	<u>Change</u> <u>May 16/Apr 16</u>
Crude oil	7,550	7,885	7,613	-272
Total products	359	351	426	75
<b>Total crude and products</b>	<b>7,908</b>	<b>8,236</b>	<b>8,039</b>	<b>-198</b>

Sources: Argus China Petroleum and China, Oil and Gas Petrochemicals and OPEC Secretariat.

## India

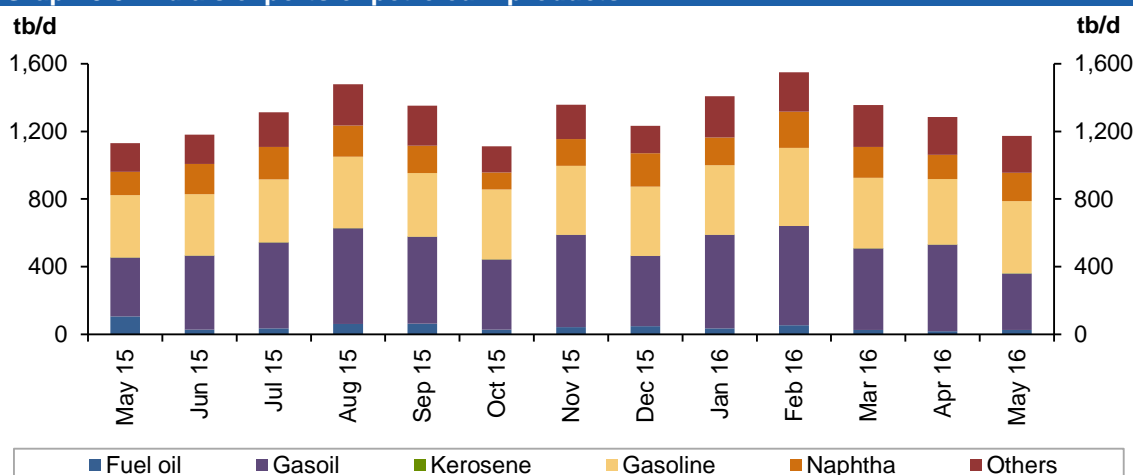
In May, **India's crude imports** averaged 4.2 mb/d, 200 tb/d, or 5%, lower than the level seen the previous month, marking the lowest crude imports for the country since November 2015. On an annual basis, the imports reflected a small increase of 61 tb/d, or 2%. Refinery runs showed a decline in May from a month before.

Similarly, **India's product imports** saw a drop of 71 tb/d, or 8%, from a month earlier to average 780 tb/d. Y-o-y, the imports reflected a gain of 41 tb/d, or 6%. The annual increase in product imports came mainly as a result of an increase in diesel imports, which increased by 52 tb/d.

**Graph 8.7: India's imports of crude and petroleum products**

Sources: Petroleum Planning & Analysis Cell of India and OPEC Secretariat.

In terms of exports, **India's product exports** dropped in May by 112 tb/d, or 9%, from the previous month to average 1.2 mb/d, while from a year before they increased by 43 tb/d, or 4%. Exports of diesel were lower in May as they dropped by 176 tb/d from the previous month and by 14 tb/d from the year before.

**Graph 8.8: India's exports of petroleum products**

Sources: Petroleum Planning & Analysis Cell of India and OPEC Secretariat.

**Consequently, India's net imports declined by 159 tb/d m-o-m to average 3.8 mb/d.**

**Table 8.4: India's crude and product net imports, tb/d**

	Mar 16	Apr 16	May 16	Change May 16/Apr 16
Crude oil	4,379	4,382	4,182	-200
Total products	-714	-434	-393	41
<b>Total crude and products</b>	<b>3,665</b>	<b>3,948</b>	<b>3,789</b>	<b>-159</b>

Note: India data table does not include information for crude import and product export by Reliance Industries.

Sources: Petroleum Planning & Analysis Cell of India and OPEC Secretariat.

## FSU

**In May, total crude oil exports from the Former Soviet Union declined by 126 tb/d or 2% to average 6.7 mb/d.** Crude exports through Russian pipelines declined by 228 tb/d, or 5%, to average 4.3 mb/d.

Total shipments from the **Black Sea** dropped by 128 tb/d or 19% to average 545 tb/d. This drop came as shipments from Novorossiysk declined from a month earlier. Total **Baltic Sea** exports dropped by 101 tb/d in May as shipments from the Primorsk port terminal and UST Luga port terminal dropped by 13 tb/d and 88 tb/d, respectively. **Druzhba pipeline** total shipments went up by 10 tb/d to average 1.1 mb/d.

**Kozmino** shipments declined by 8 tb/d or 1% to average 676 tb/d.

Exports through the **Lukoil system** went up from the previous month in the **Barents Sea** as the Varandey offshore platform reported a drop of 4 tb/d, while in the **Baltic Sea** Kalinigrad port terminal shipments increased by 9 tb/d.

**Russia Far East total exports** were down by 13 tb/d or 3% from the previous month as exports of the Aniva Bay port terminal declined by 5 tb/d, while De Kastro port terminal exports declined by 8 tb/d from a month before. **Central Asia's total exports** stood at 182 tb/d, slightly down by 4 tb/d.

**Black Sea total exports** declined by 21 tb/d as a result of lower exports from the Supsa port terminal and the Batumi port terminal. In the **Mediterranean Sea**, BTC supplies increased from the previous month by 183 tb/d or 31% to average 777 tb/d.

As for product exports, **FSU total product exports** increased by 162 tb/d or 6% from the previous month to average 3.1 mb/d. This gain in product exports came as a result of increased exports of fuel oil, gasoline and naphtha which went up by 51 tb/d, 61 tb/d and 123 tb/d, respectively, from a month before, while exports of VGO and gasoil declined from the previous month by 66 tb/d and 9 tb/d, respectively.

**Table 8.5: Recent FSU exports of crude and petroleum products by source, tb/d**

<u>Transneft system</u>		<u>2014</u>	<u>3Q15</u>	<u>4Q15</u>	<u>Apr 16</u>	<u>May 16</u>
Europe	<b>Black sea total</b>	<b>605</b>	<b>533</b>	<b>653</b>	<b>674</b>	<b>545</b>
	Novorossiysk port terminal - total	605	533	653	674	545
	of which: Russian oil	438	396	502	501	399
	Others	166	137	151	173	146
	<b>Baltic sea total</b>	<b>1,304</b>	<b>1,492</b>	<b>1,511</b>	<b>1,730</b>	<b>1,628</b>
	Primorsk port terminal - total	842	955	922	1,130	1,117
	of which: Russian oil	834	955	922	1,130	1,117
	Others	8	0	0	0	0
	Ust-Luga port terminal - total	462	536	590	599	511
	of which: Russian oil	284	323	359	432	325
	Others	177	213	231	168	186
	<b>Druzhba pipeline total</b>	<b>1,005</b>	<b>1,077</b>	<b>1,044</b>	<b>1,057</b>	<b>1,067</b>
	of which: Russian oil	973	1,045	1,012	1,026	1,035
	Others	32	32	32	31	33
Asia	<b>Pacific ocean total</b>	<b>507</b>	<b>647</b>	<b>617</b>	<b>684</b>	<b>676</b>
	Kozmino port terminal - total	507	647	617	684	676
	<b>China (via ESPO pipeline) total</b>	<b>342</b>	<b>341</b>	<b>349</b>	<b>348</b>	<b>348</b>
	China Amur	342	341	349	348	348
<b>Total Russian crude exports</b>		<b>3,763</b>	<b>4,090</b>	<b>4,174</b>	<b>4,493</b>	<b>4,265</b>
<u>Lukoil system</u>		<u>2014</u>	<u>3Q15</u>	<u>4Q15</u>	<u>Apr 16</u>	<u>May 16</u>
Europe & N. America	<b>Barents sea total</b>	<b>120</b>	<b>136</b>	<b>161</b>	<b>156</b>	<b>164</b>
	Varandey offshore platform	120	136	161	156	164
Europe	<b>Baltic sea total</b>	<b>12</b>	<b>14</b>	<b>19</b>	<b>12</b>	<b>15</b>
	Kalinigrad port terminal	12	14	19	12	15
<u>Other routes</u>		<u>2014</u>	<u>3Q15</u>	<u>4Q15</u>	<u>Apr 16</u>	<u>May 16</u>
Asia	<b>Russian Far East total</b>	<b>275</b>	<b>347</b>	<b>369</b>	<b>384</b>	<b>371</b>
	Aniva bay port terminal	112	114	118	123	118
	De Kastri port terminal	162	233	251	261	253
	<b>Central Asia total</b>	<b>228</b>	<b>211</b>	<b>199</b>	<b>186</b>	<b>182</b>
	Kenkiyak-Alashankou	228	211	199	186	182
Europe	<b>Black sea total</b>	<b>982</b>	<b>1,068</b>	<b>1,158</b>	<b>966</b>	<b>944</b>
	Novorossiysk port terminal (CPC)	855	961	1,029	828	858
	Supsa port terminal	80	96	94	89	65
	Batumi port terminal	39	11	35	49	21
	Kulevi port terminal	9	0	0	0	0
	<b>Mediterranean sea total</b>	<b>602</b>	<b>613</b>	<b>485</b>	<b>593</b>	<b>777</b>
	BTC	602	613	727	593	777
<u>Russian rail</u>		<u>2014</u>	<u>3Q15</u>	<u>4Q15</u>	<u>Apr 16</u>	<u>May 16</u>
<b>Russian rail</b>		<b>46</b>	<b>13</b>	<b>17</b>	<b>59</b>	<b>4</b>
of which: Russian oil		8	9	10	55	0
Others		38	3	7	4	4
<b>Total FSU crude exports</b>		<b>6,028</b>	<b>6,492</b>	<b>6,582</b>	<b>6,849</b>	<b>6,723</b>
<u>Products</u>		<u>2014</u>	<u>3Q15</u>	<u>4Q15</u>	<u>Apr 16</u>	<u>May 16</u>
Gasoline		124	145	226	178	229
Naphtha		485	519	514	465	526
Jet		5	23	25	36	38
Gasoil		933	863	1,125	996	987
Fuel oil		1,487	1,204	1,079	947	1,070
VGO		245	264	222	317	251
<b>Total FSU product exports</b>		<b>3,280</b>	<b>3,018</b>	<b>3,190</b>	<b>2,939</b>	<b>3,101</b>
<b>Total FSU oil exports</b>		<b>9,308</b>	<b>9,510</b>	<b>9,772</b>	<b>9,788</b>	<b>9,824</b>

Sources: Argus Nefte Transport and Argus Global Markets.



## Stock Movements

OECD commercial oil stocks fell slightly in May to stand at 3,063 mb. At this level, they were around 329 mb above the latest five-year average. Crude and product stocks indicated a surplus of around 199 mb and 130 mb above the seasonal norm, respectively. In terms of days of forward cover, OECD commercial stocks stood at 65.9 days, 6.7 days higher than the latest five-year average.

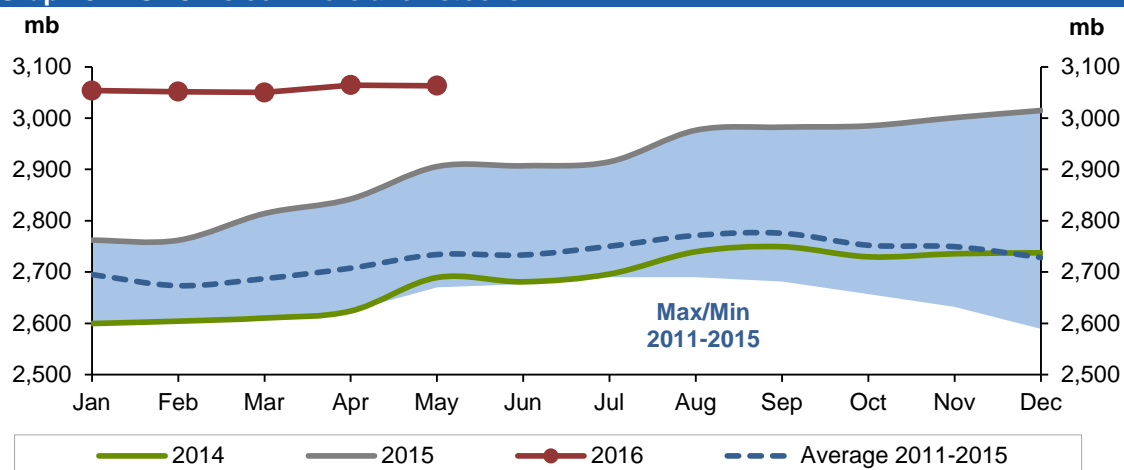
Preliminary data for June shows that total US commercial oil stocks rose by 10.1 mb to stand at 1,375.2 mb. At this level, they were around 98 mb above the same period a year ago and 232 mb higher than the latest five-year average. Within the components, crude stocks fell by 11.4 mb, while products rose by 21.5 mb.

The latest information for China in May showed a small drop of 1.1 mb in total commercial oil inventories to a level of 397 mb. Within the components, crude stocks rose by 2.0 mb, while products fell by 2.3 mb.

## OECD

Preliminary data for May showed that **total OECD commercial oil stocks** fell slightly by 1.1 mb to stand at 3,063 mb. At this level, OECD commercial oil stocks were around 158 mb higher than the same time one year ago and 329 mb above the latest five-year average. Within the components, crude rose by 3.0 mb, while products fell by 4.1 mb. It is evident that there has been a declining growth trend in OECD commercial stocks in the first five months of this year. Over the same period last year, the OECD added 168 mb, whereas this year the figure is only 48 mb.

**Graph 9.1: OECD's commercial oil stocks**



Sources: Argus Media, Euroilstock, IEA, METI, OPEC Secretariat and US Energy Information Administration.

**OECD commercial crude stocks** ended May at 1,559 mb, to stand 79 mb above the same time one year earlier and more than 199 mb higher than the latest five-year average. OECD North America and OECD Europe stocks experienced a drop, while OECD Asia Pacific stocks saw a build.

## Stock Movements

In contrast, **OECD product inventories** fell by 4.1 mb in May, the fourth consecutive monthly drop, to stand at 1,504 mb. At this level, product inventories stood 79 mb higher than the same time a year ago, and were 130 mb above the seasonal norm. OECD North America stocks experienced a drop, while those in OECD Europe and OECD Pacific saw a build.

In terms of **days of forward cover**, OECD commercial stocks fell in May to stand at 65.9 days. At this level, they were 3.4 days above the same period in 2015 and 6.7 days higher than the latest five-year average. Within the regions, OECD Americas' had 8.0 more days of forward cover in May, compared to the historical average, to stand at 65.2 days. OECD Asia Pacific stood 2.7 days above the seasonal average to finish May at 55.8 days. At the same time, OECD Europe indicated a surplus of 6.9 days above the seasonal norm, averaging 72.7 days in May.

Commercial stocks in **OECD Americas** fell by 12.9 mb in May, reversing the build of the last two months to stand at 1,625 mb. At this level, they represented a surplus of 97 mb above a year ago and were 231 mb higher than the seasonal norm. Within components, crude and products stocks fell by 1.9 mb and 11.0 mb, respectively.

At the end of May, **crude commercial oil stocks** in **OECD Americas** fell, ending the month at 875 mb, which was 72 mb above the same time one year ago, and 163 mb above the latest five-year average. The fall in crude inventories could be attributed to lower US crude imports, mainly due to the Canadian wildfires. Declining US domestic production also contributed to the crude oil stock draw.

**Product stocks in OECD Americas** declined by 11.0 mb, ending May at 750 mb. Despite this drop, they indicated a surplus of 25 mb above the same time one year ago, and were 68 mb higher than the seasonal norm. Higher inland consumption contributed to the decline in products inventories.

**OECD Europe's commercial stocks** rose by 2.0 mb in May ending the month at 1,007 mb. At this level, they were 59 mb higher than the same time a year ago and 83 mb above the latest five-year average. Crude fell slightly by 0.1 mb, while product stocks rose by 2.1 mb.

**OECD Europe's commercial crude stocks** fell slightly in May, ending the month at 423 mb. This indicates that they were 8.8 mb above the same period a year earlier and 23 mb higher than the latest five-year average. The drop in May's crude oil stocks could be attributed to the region's lower domestic production. The decline in refinery crude runs, due to major strikes in French refineries, limited further draws in crude oil stocks.

In contrast, **OECD Europe's commercial product stocks** rose by 2.1 mb to end May at 583 mb. At this level, they were 50 mb higher than the same time a year ago, and 58 mb higher than the seasonal norm. The fall was mainly driven by lower demand in the region.

**OECD Asia Pacific commercial oil stocks** rose by 9.8 mb in May to stand at 432 mb, the second consecutive monthly increase. At this level, they were 1.8 mb higher than a year ago and 15.3 mb above the five-year average. Within the components, crude and products stocks rose by 5.0 mb and 4.8 mb, respectively. In May, crude inventories ended the month at 261 mb, indicating a deficit of 1.8 mb compared to a year ago, but they are still 11.2 mb above the seasonal norm. The region's total product inventories ended May at 171 mb, which is 3.6 mb above the same time a year ago and 4.1 mb above the seasonal norm.

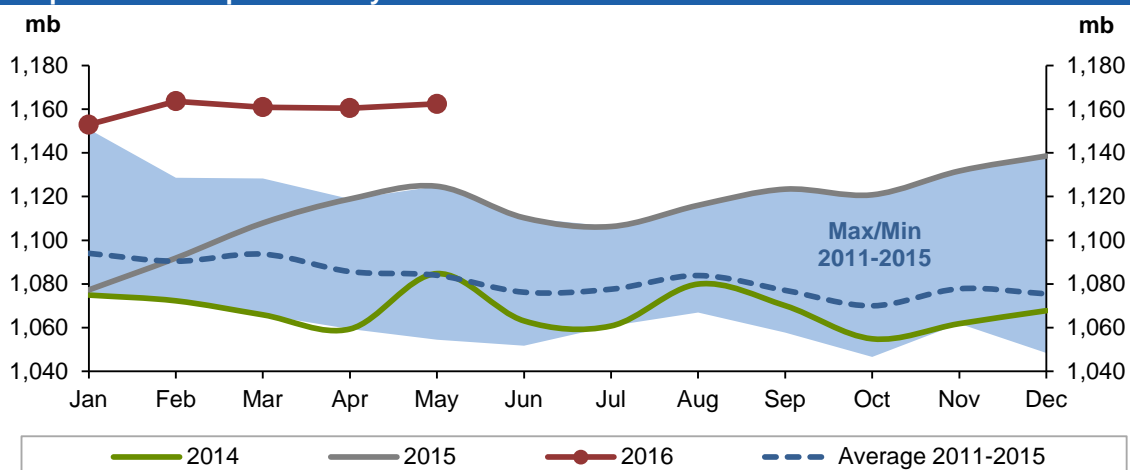
**Table 9.1: OECD's commercial stocks, mb**

	<u>Mar 16</u>	<u>Apr 16</u>	<u>May 16</u>	<u>Change</u> <u>May 16/Apr 16</u>	<u>May 15</u>
Crude oil	1,539	1,556	1,559	3.0	1,480
Products	1,511	1,508	1,504	-4.1	1,426
<b>Total</b>	<b>3,050</b>	<b>3,064</b>	<b>3,063</b>	<b>-1.1</b>	<b>2,906</b>
<b>Days of forward cover</b>	<b>66.7</b>	<b>66.6</b>	<b>65.9</b>	<b>-0.7</b>	<b>62.5</b>

Sources: Argus Media, Euroilstock, IEA, METI, OPEC Secretariat and US Energy Information Administration.

## EU plus Norway

Preliminary data for May showed the total **European stock** draw at 2.0 mb, leaving inventories to stand at 1,162 mb. At this level, they were 37.7 mb, or 3.3%, above the same time a year ago and 78.4 mb, or 7.2%, higher than the latest five-year average. Crude stocks declined slightly by 0.1 mb, while products rose by 2.0 mb.

**Graph 9.2: EU-15 plus Norway's total oil stocks**

Source: Euroilstock.

**European crude inventories** declined in May, reversing the stock build of the previous month to stand at 491.7 mb. This was 5.3 mb, or 1.1%, below the same period a year ago, but 19.7 mb, or 4.2%, higher than the seasonal norm. The drop in May's crude oil stocks came despite refinery crude runs declining by around 300,000 b/d, to an average of 9.7 mb/d, mainly due to major strikes in French refineries.

In contrast, **European product stocks** rose by 2.0 mb to end May at 670.7 mb. At this level, they were 43.0 mb, or 6.8%, above the same time a year ago, and 58.7 mb, or 9.6%, above the seasonal norm. Within products, the picture was mixed; gasoline and residual fuel oil went up, while distillate and naphtha witnessed a stock draw.

**Gasoline stocks** rose by 2.0 mb in May to stand at 123.6 mb. With this stock build, they were 9.6 mb, or 8.4%, above a year earlier, and 15.4 mb, or 14.2%, higher than the seasonal norm. The build in gasoline stocks could have been driven by lower consumption demand in the region, along with higher imports to the region.

**Residual fuel oil stocks** rose by 3.2 mb in May to stand at 82.1 mb. At this level, they stood 7.5 mb, or 10.1%, above the same month a year ago, but remained 2.4 mb, or 2.9%, lower than the latest five-year average. The fall in residual fuel oil stocks was a result of a decline in fuel oil output.

## Stock Movements

In contrast, **distillate stocks** fell by 2.7 mb in May, the third consecutive monthly drop, to stand at 439.6 mb. At this level, they were 23.9 mb, or 5.7%, higher than the same time one year ago and 48.2 mb, or 12.3%, above the latest five-year average. The fall in distillate stocks occurred due to lower distillate output caused by the strike in French refineries combined with higher regional demand. Naphtha stocks also fell by 0.4 mb to stand at 25.1 mb, which is 2.0 mb, or 8.8%, higher than the same time a year ago, but 2.4 mb, or 8.7%, lower than the seasonal average.

**Table 9.2: EU-15 plus Norway's total oil stocks, mb**

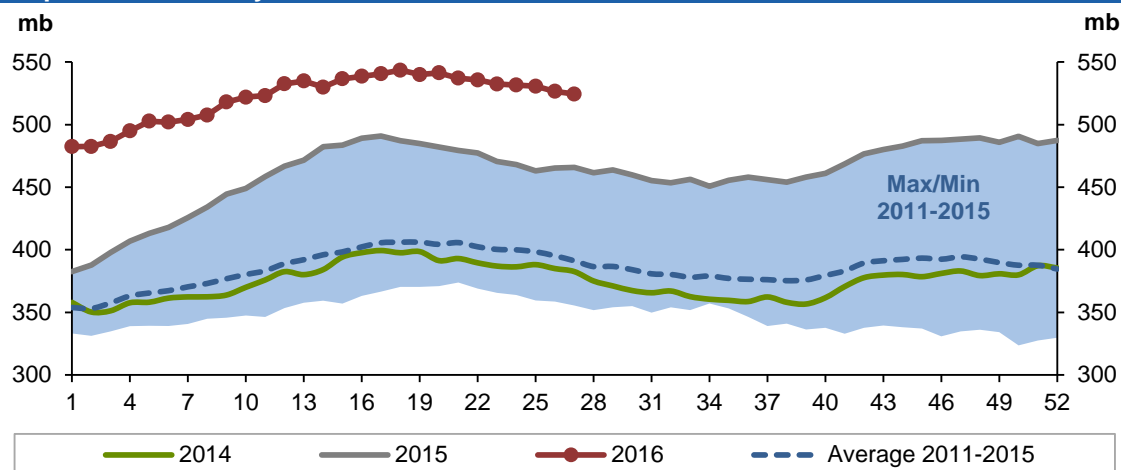
	<u>Mar 16</u>	<u>Apr 16</u>	<u>May 16</u>	<u>Change</u> <u>May 16/Apr 16</u>	<u>May 15</u>
<b>Crude oil</b>	<b>486.5</b>	<b>491.9</b>	<b>491.7</b>	<b>-0.1</b>	<b>497.0</b>
Gasoline	122.6	121.6	123.6	2.0	114.0
Naphtha	24.2	25.5	25.1	-0.4	23.1
Middle distillates	447.8	442.6	439.9	-2.7	416.0
Fuel oils	79.8	78.9	82.1	3.2	74.6
<b>Total products</b>	<b>674.4</b>	<b>668.6</b>	<b>670.7</b>	<b>2.1</b>	<b>627.7</b>
<b>Total</b>	<b>1,160.9</b>	<b>1,160.4</b>	<b>1,162.4</b>	<b>2.0</b>	<b>1,124.7</b>

Sources: Argus and Euroilstock.

## US

Preliminary data for June shows that **total US commercial oil stocks** rose by 10.1 mb to stand at 1,375.2 mb. At this level, they were around 98 mb, or 7.7%, above the same period a year ago and 232 mb, or 20%, higher than the latest five-year average. Within the components, crude stocks fell by 11.4 mb, while products rose by 21.5 mb.

**Graph 9.3: US weekly commercial crude oil stocks**



Sources: US Energy Information Administration and OPEC Secretariat.

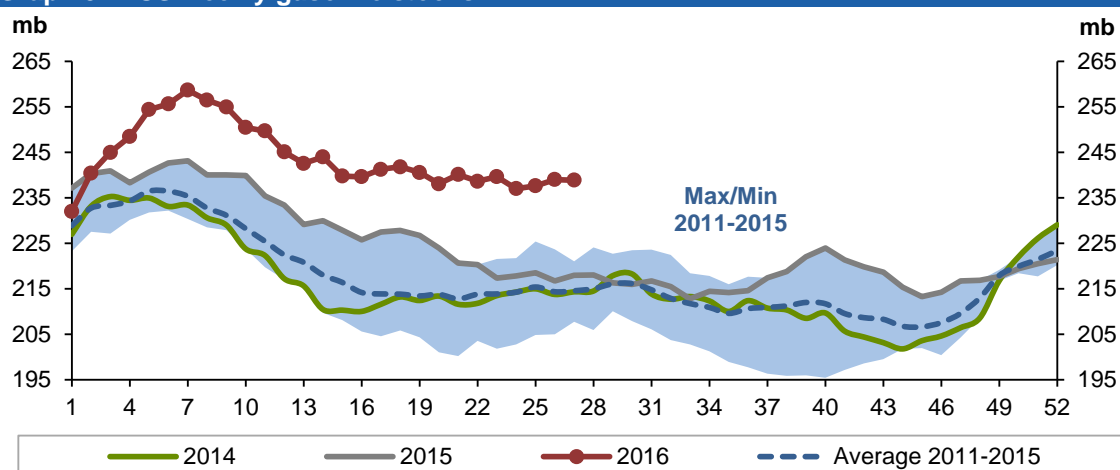
**US commercial crude stocks** fell in June, ending the month at 524.4 mb. At this level, they were 54.8 mb, or 11.7%, above the same time a year earlier and 129 mb, or 32.6%, above the latest five-year average. On a weekly basis, crude oil stocks have declined for seven consecutive weeks. The fall in crude oil stocks arose due to lower domestic production, combined with higher crude runs at this time of the year. Indeed, US crude oil refinery inputs averaged 16.5 mb/d in June, around 220,000 b/d higher than the previous month. This corresponds to a refinery utilization rate of around 92.0%, or about 1.3 percentage points (pp) higher than May. In June, crude

commercial inventories at Cushing, Oklahoma, stood at 64.1 mb, around 1.4 mb lower than the month earlier.

In contrast, **total product stocks** rose by 21.5 mb in June to stand at 850.9 mb. At this level, US product stocks were around 43.1 mb, or 5.3%, above the level seen the same time a year ago, with a surplus of 103 mb, or 20.2%, above the seasonal norm. Within products, the picture was mixed. Other unfinished product inventories witnessed the bulk of the build, while distillate, jet fuel and residual fuel oil experienced drops.

**Gasoline stocks** rose slightly by 0.3 mb to end the month at 238.9 mb. At this level, they remained 17.8 mb, or 8.1%, higher than the same period a year ago, and 21.5 mb, or 9.9%, above the latest five-year average. The build in gasoline stocks came mainly from higher gasoline output. However, healthy gasoline demand limited a further build in gasoline stocks.

**Graph 9.4: US weekly gasoline stocks**



Sources: US Energy Information Administration and OPEC Secretariat.

In contrast, **distillate stocks** fell by 0.7 mb in June to end the month at 148.9 mb. At this level, they indicated a surplus of 9.5 mb, or 6.8%, from the same period a year ago, and 19.5 mb, or 15.1%, above the latest five-year average. The fall in middle distillate stocks came amid healthy demand, while higher output limited further stock draws in June.

**Residual fuel oil** inventories fell by 1.0 mb to 40.0 mb in June, slightly lower than the same period a year ago, but remained at 2.0 mb, or 5.2%, above the seasonal norm. **Jet fuel** stocks fell by 2.1 mb, ending June at 40.2 mb. At this level, jet fuel stocks stood 3.5 mb, or 7.9%, below the same period one year ago and were in line with the latest five-year average.

**Table 9.3: US onland commercial petroleum stocks, mb**

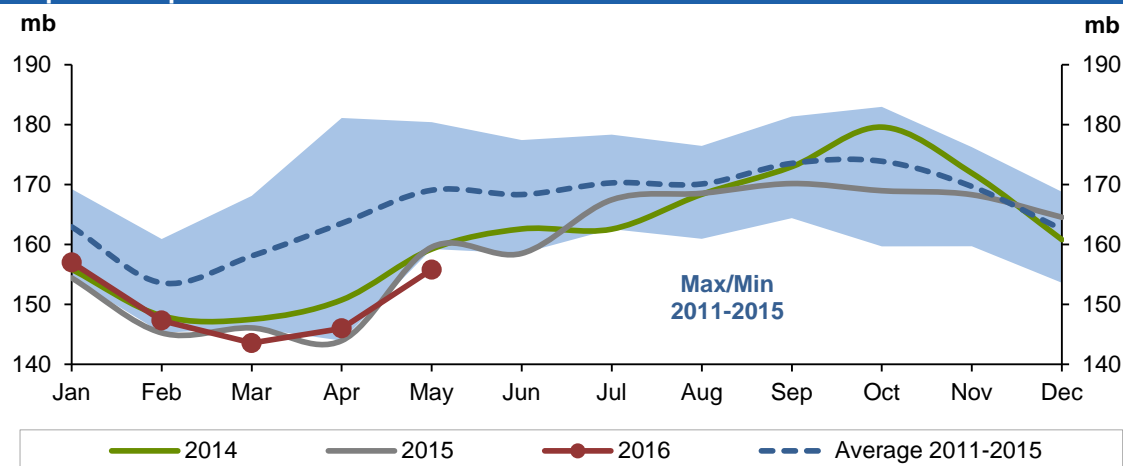
	<u>Apr 16</u>	<u>May 16</u>	<u>Jun 16</u>	<u>Change</u> <u>Jun 16/May 16</u>	<u>Jun 15</u>
<b>Crude oil</b>	<b>537.6</b>	<b>535.7</b>	<b>524.4</b>	<b>-11.4</b>	<b>469.5</b>
Gasoline	242.7	238.6	238.9	0.3	221.0
Distillate fuel	154.7	149.6	148.9	-0.7	139.4
Residual fuel oil	43.3	41.0	40.0	-1.0	41.8
Jet fuel	43.5	42.3	40.2	-2.1	43.7
<b>Total</b>	<b>1,368.2</b>	<b>1,365.1</b>	<b>1,375.2</b>	<b>10.1</b>	<b>1,277.4</b>
<b>SPR</b>	<b>695.1</b>	<b>695.1</b>	<b>695.1</b>	<b>0.0</b>	<b>693.9</b>

Source: US Energy Information Administration.

## Japan

In Japan, total **commercial oil stocks** rose by 9.8 mb in May, the second consecutive monthly increase, to stand at 155.8 mb. Despite this build, Japanese commercial oil inventories stood at 3.8 mb, or 2.4%, below the same time a year ago, and were 13.3 mb, or 7.9%, below the five-year average. Within the components, crude and products stocks went up by 5.0 mb and 4.8 mb, respectively.

**Graph 9.5: Japan's commercial oil stocks**



Source: Ministry of Economic, Trade and Industry of Japan.

In May, Japanese commercial **crude oil stocks** rose, ending the month at 93.2 mb, which is 0.6 mb below the same time a year ago, and 8.0 mb, or 7.9%, below the seasonal norm. The build in crude stocks came on the back of lower crude throughput, which declined by 8.3% to stand at 3.1 mb/d. The 4.1% fall in crude oil imports to average 3.3 mb/d limited a further build in crude oil stocks.

Japan's **total product inventories** rose by 4.8 mb in May, ending the month at 62.6 mb. At this level, product stocks stood 3.2 mb, or 4.8 %, below the same time a year ago, and showed a deficit of 5.3 mb, or 7.9%, to the five-year average. The build in product stocks came on the back of lower sales for oil products, which declined by 11.2% to stand at 1.7 mb/d. Within products, the picture was mixed; distillates and naphtha stocks experienced builds, while gasoline and residual fuel oil inventories witnessed a drop.

**Distillate stocks** rose by 2.9 mb in May to stand at 26.9 mb. At this level, they were 0.3 mb, or 0.9%, below the same period a year ago and 1.8 mb, or 6.2%, less than the seasonal average. Within distillate components, jet fuel, kerosene and gasoil inventories rose by 5.0%, 25.0% and 5.8%, respectively. The build in jet fuel oil was driven by higher output, while the build in kerosene and gasoil was driven by lower domestic sales.

**Naphtha inventories** rose by 2.4 mb to end May at 11.6 mb. At this level, they were 0.4 mb, or 3.4%, lower than the same time a year ago, but 1.4 mb, or 14.1%, higher than the seasonal norm. This build was driven mainly by lower domestic sales which declined by nearly 15%. Higher imports, which increased by 5.5%, also contributed to the naphtha stock build.

In contrast, **gasoline** stocks fell by 0.2 mb to end May at 11.1 mb. At this level, they were 0.2 mb, or 0.8%, below the same time a year ago, but 6.9 mb, or 2.1%, below the latest five-year average. The fall in gasoline stocks was mainly driven by higher gasoline demand, which rose by 3%. Lower gasoline imports also contributed to the stock build.

Total residual **fuel oil stocks** fell by 0.3 mb in May, to stand at 13.0 mb, which was 1.7 mb, or 11.6%, below a year ago and 2.9 mb, or 18.1%, lower than the latest five-year average. Within fuel oil components, fuel oil A rose by 1.6%, while fuel B.C fell by 4.3%. The build in fuel oil A stocks came from lower domestic sales, which declined by more than 10% from the previous month. The fall in fuel oil B.C stocks was due to lower output, which declined by 7.8%.

**Table 9.4: Japan's commercial oil stocks\*, mb**

	<b>Mar 16</b>	<b>Apr 16</b>	<b>May 16</b>	<b>Change May 16/Apr 16</b>	<b>May 15</b>
<b>Crude oil</b>	<b>88.5</b>	<b>88.2</b>	<b>93.2</b>	<b>5.0</b>	<b>93.7</b>
Gasoline	10.7	11.3	11.1	-0.2	11.9
Naphtha	10.9	9.3	11.6	2.4	12.0
Middle distillates	20.5	24.0	26.9	2.9	27.2
Residual fuel oil	13.0	13.3	13.0	-0.3	14.7
<b>Total products</b>	<b>55.1</b>	<b>57.8</b>	<b>62.6</b>	<b>4.8</b>	<b>65.8</b>
<b>Total**</b>	<b>143.6</b>	<b>146.0</b>	<b>155.8</b>	<b>9.8</b>	<b>159.6</b>

Note: \* At end of month.

\*\* Includes crude oil and main products only.

Source: Ministry of Economy, Trade and Industry of Japan.

## China

The latest information for China showed a small drop of 0.4 mb in **total commercial oil inventories** in May to stand at 396.7 mb. At this level, Chinese commercial oil inventories were 14.8 mb lower than the same time the previous year. Within the components, crude stocks rose by 2.0 mb, while products fell by 2.3 mb.

In May, **commercial crude stocks** rose to 231.1 mb, which is 23.2 mb below the same time previous year. The build in crude oil commercial stocks can be attributed to higher domestic crude production, which increased by 1.7%, combined with lower crude throughput.



## Stock Movements

Total **product stocks** in China fell by 2.3 mb in May, ending the month at 165.5 mb. At this level, product stocks were 2.3 mb lower than the same time a year ago. Within products, gasoline and kerosene stocks rose, while diesel stocks fell.

Gasoline stocks went up by 1.0 mb, ending May at 70.5 mb. This build was driven mainly by higher demand combined with lower gasoline output. Kerosene stocks rose by 1.1 mb to end the month at 19.1, which is 4.2 mb higher than the same time the previous year. In contrast, diesel stocks fell by 4.4 mb, the third consecutive monthly drop, to end May at 75.9 mb. Chinese diesel stocks were 11.2 mb lower than the same period a year ago. This fall was driven mainly by the increase in apparent inland consumption.

**Table 9.5: China's commercial oil stocks, mb**

	<u>Mar 16</u>	<u>Apr 16</u>	<u>May 16</u>	<u>Change</u> <u>May 16/Apr 16</u>	<u>May 15</u>
<b>Crude oil</b>	<b>237.9</b>	<b>229.1</b>	<b>231.1</b>	<b>2.0</b>	<b>254.3</b>
Gasoline	62.8	69.6	70.5	1.0	55.1
Diesel	89.8	80.3	75.9	-4.4	87.1
Jet kerosene	18.2	18.1	19.1	1.1	15.0
<b>Total products</b>	<b>170.8</b>	<b>167.9</b>	<b>165.5</b>	<b>-2.3</b>	<b>157.1</b>
<b>Total</b>	<b>408.7</b>	<b>397.0</b>	<b>396.7</b>	<b>-0.4</b>	<b>411.4</b>

Sources: China Oil and Gas Petrochemicals and OPEC Secretariat.

## Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of May, **product stocks in Singapore** rose by 5.5 mb. At 57.9 mb, they were 10.1 mb, or 21.0%, above the same period a year ago. Within products, the picture was mixed, with middle distillates and fuel oil witnessing a build, and light distillate inventories experiencing drops.

**Middle distillate** stocks rose by 2.9 mb to end May at 11.9 mb, which was 1.5 mb, or 14.2%, above the same time the previous year. **Residual fuel** oil stocks also rose by 3.2 mb, the second consecutive monthly increase, to end May at 31.1 mb, which was 6.5 mb, or 26.5%, higher than the same time a year ago. This build came on the back of lower consumption, especially from the region's power generation sector.

In contrast, **light distillate** stocks fell by 0.6 mb, ending May at 14.9 mb, which was 2.1 mb, or 16%, above the same time a year ago. The decline in light distillate stocks was mainly driven by higher gasoline demand in the Asia region.

**Product stocks in Amsterdam-Rotterdam-Antwerp (ARA)** rose slightly by 0.3 mb to end May at 47.4 mb. This reversed the fall of 2.9 mb in April. At this level, product stocks were 5.6 mb, or 13.3%, higher than the same time a year ago. Within products, the picture was mixed, with naphtha, fuel oil and jet oil seeing builds, and gasoline and gasoil showing stock draws.

**Gasoil** fell by 0.4 mb in May, ending the month at 24.0 mb, which was 2.6 mb, or 12.3%, above the same time the previous year. The decline in middle distillate stocks was mainly driven by higher arrivals to the region. **Gasoline** also fell by 0.8 mb to end May at 8.6 mb, which was 2.3 mb, or around 35%, above the same month the previous year. In contrast, **fuel oil stocks** rose by 1.1 mb to stand at 7.6 mb, which was 0.8 mb, or 11.6%, higher than a year ago. This build was mainly driven by higher exports from Asia along with lower bunker demand in the region.

## Balance of Supply and Demand

Demand for OPEC crude in 2016 is expected to be 31.9 mb/d, which is 1.9 mb/d higher than the 2015 level. In 2017, demand for OPEC crude is projected to be 33.0 mb/d, 1.1 mb/d higher than this year's level.

### Forecast for 2016

Demand for OPEC crude in 2016 is expected to be 31.9 mb/d, representing an increase of 1.9 mb/d from last year's level. Compared to the same quarters last year, the 1Q16 is estimated to increase by 0.9 mb/d, while both the 2Q16 and 3Q16 are expected to increase by 2.3 mb/d, and the 4Q16 is anticipated to see growth of 2.1 mb/d.

**Table 10.1: Summarized supply/demand balance for 2016, mb/d**

	<u>2015</u>	<u>1Q16</u>	<u>2Q16</u>	<u>3Q16</u>	<u>4Q16</u>	<u>2016</u>
<b>(a) World oil demand</b>	<b>92.98</b>	<b>93.09</b>	<b>93.25</b>	<b>95.15</b>	<b>95.18</b>	<b>94.18</b>
Non-OPEC supply	56.91	56.91	55.38	55.68	56.14	56.03
OPEC NGLs and non-conventionals	6.13	6.24	6.27	6.30	6.34	6.29
<b>(b) Total non-OPEC supply and OPEC NGLs</b>	<b>63.03</b>	<b>63.15</b>	<b>61.65</b>	<b>61.98</b>	<b>62.48</b>	<b>62.31</b>
<b>Difference (a-b)</b>	<b>29.95</b>	<b>29.93</b>	<b>31.60</b>	<b>33.18</b>	<b>32.70</b>	<b>31.86</b>
OPEC crude oil production	32.10	32.51	32.69			
Balance	2.15	2.58	1.09			

*Totals may not add up due to independent rounding.*

*Source: OPEC Secretariat.*

### Forecast for 2017

Based on the first forecast for demand and non-OPEC supply (including OPEC NGLs and non-conventional oil) for 2017, the demand for OPEC crude next year is projected to grow by 1.1 mb/d to average 33.0 mb/d. This is the second consecutive yearly increase. 1Q17 and 2Q17 are expected to increase y-o-y by 1.8 mb/d and 0.6 mb/d, respectively, while 3Q17 and 4Q17 are anticipated to see growth of 1.1 mb/d and 0.8 mb/d, respectively.

**Table 10.2: Summarized supply/demand balance for 2017, mb/d**

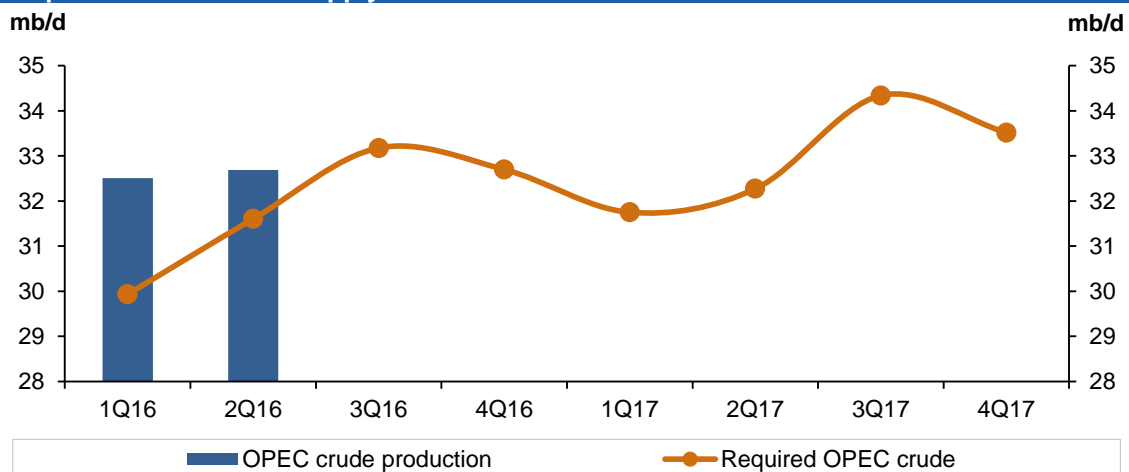
	<u>2016</u>	<u>1Q17</u>	<u>2Q17</u>	<u>3Q17</u>	<u>4Q17</u>	<u>2017</u>
<b>(a) World oil demand</b>	<b>94.18</b>	<b>94.23</b>	<b>94.30</b>	<b>96.40</b>	<b>96.35</b>	<b>95.33</b>
Non-OPEC supply	56.03	56.12	55.63	55.61	56.31	55.92
OPEC NGLs and non-conventionals	6.29	6.36	6.40	6.45	6.52	6.43
<b>(b) Total non-OPEC supply and OPEC NGLs</b>	<b>62.31</b>	<b>62.48</b>	<b>62.03</b>	<b>62.06</b>	<b>62.83</b>	<b>62.35</b>
<b>Difference (a-b)</b>	<b>31.86</b>	<b>31.75</b>	<b>32.27</b>	<b>34.34</b>	<b>33.52</b>	<b>32.98</b>

*Totals may not add up due to independent rounding.*

*Source: OPEC Secretariat.*

## Balance of Supply and Demand

**Graph 10.1: Balance of supply and demand**



Source: OPEC Secretariat.

**Table 10.3: World oil demand and supply balance, mb/d**

	2013	2014	2015	1Q16	2Q16	3Q16	4Q16	2016	1Q17	2Q17	3Q17	4Q17	2017
<b>World demand</b>													
<b>OECD</b>	46.0	45.7	46.2	46.6	45.7	46.8	46.5	46.4	46.6	45.7	47.0	46.6	46.5
Americas	24.1	24.1	24.4	24.4	24.5	25.1	24.6	24.7	24.6	24.6	25.3	24.8	24.8
Europe	13.6	13.5	13.7	13.5	13.6	14.1	13.7	13.7	13.5	13.6	14.1	13.7	13.7
Asia Pacific	8.3	8.1	8.1	8.6	7.6	7.6	8.2	8.0	8.6	7.5	7.5	8.1	7.9
<b>DCs</b>	29.2	30.0	30.7	30.6	31.2	32.0	31.4	31.3	31.3	31.9	32.7	32.2	32.0
<b>FSU</b>	4.5	4.6	4.6	4.5	4.4	4.7	5.0	4.7	4.6	4.4	4.8	5.1	4.7
<b>Other Europe</b>	0.6	0.7	0.7	0.7	0.6	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7
<b>China</b>	10.1	10.5	10.8	10.7	11.3	11.0	11.4	11.1	11.0	11.6	11.3	11.7	11.4
<b>(a) Total world demand</b>	<b>90.5</b>	<b>91.4</b>	<b>93.0</b>	<b>93.1</b>	<b>93.3</b>	<b>95.2</b>	<b>95.2</b>	<b>94.2</b>	<b>94.2</b>	<b>94.3</b>	<b>96.4</b>	<b>96.3</b>	<b>95.3</b>
<b>Non-OPEC supply</b>													
<b>OECD</b>	22.2	24.2	25.2	25.3	24.1	24.3	24.5	24.6	24.5	24.2	24.2	24.6	24.4
Americas	18.2	20.1	21.0	21.0	20.0	20.3	20.4	20.4	20.3	20.1	20.2	20.4	20.3
Europe	3.6	3.6	3.8	3.9	3.7	3.6	3.7	3.7	3.8	3.6	3.6	3.8	3.7
Asia Pacific	0.5	0.5	0.5	0.4	0.4	0.5	0.4	0.4	0.4	0.5	0.4	0.4	0.4
<b>DCs</b>	10.8	11.1	11.3	11.1	11.0	11.3	11.3	11.2	11.3	11.4	11.4	11.5	11.4
<b>FSU</b>	13.6	13.5	13.7	14.0	13.8	13.6	13.7	13.8	13.7	13.6	13.6	13.7	13.6
<b>Other Europe</b>	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
<b>China</b>	4.2	4.3	4.4	4.2	4.1	4.2	4.2	4.2	4.2	4.1	4.1	4.1	4.1
<b>Processing gains</b>	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
<b>Total non-OPEC supply</b>	<b>53.1</b>	<b>55.4</b>	<b>56.9</b>	<b>56.9</b>	<b>55.4</b>	<b>55.7</b>	<b>56.1</b>	<b>56.0</b>	<b>56.1</b>	<b>55.6</b>	<b>55.6</b>	<b>56.3</b>	<b>55.9</b>
<b>OPEC NGLs + non-conventional oils</b>	5.8	6.0	6.1	6.2	6.3	6.3	6.3	6.3	6.4	6.4	6.4	6.5	6.4
<b>(b) Total non-OPEC supply and OPEC NGLs</b>	<b>59.0</b>	<b>61.4</b>	<b>63.0</b>	<b>63.2</b>	<b>61.7</b>	<b>62.0</b>	<b>62.5</b>	<b>62.3</b>	<b>62.5</b>	<b>62.0</b>	<b>62.1</b>	<b>62.8</b>	<b>62.3</b>
<b>OPEC crude oil production (secondary sources)</b>	31.2	31.0	32.1	32.5	32.7								
<b>Total supply</b>	<b>90.2</b>	<b>92.4</b>	<b>95.1</b>	<b>95.7</b>	<b>94.3</b>								
<b>Balance (stock change and miscellaneous)</b>	-0.3	1.0	2.1	2.6	1.1								
<b>OECD closing stock levels (mb)</b>													
Commercial	2,589	2,738	3,015	3,050									
SPR	1,584	1,580	1,587	1,593									
Total	4,174	4,318	4,601	4,643									
Oil-on-water	909	924	1,017	1,055									
<b>Days of forward consumption in OECD</b>													
Commercial onland stocks	56.6	59.3	65.0	66.7									
SPR	34.7	34.2	34.2	34.9									
Total	91.3	93.5	99.2	101.6									
<b>Memo items</b>													
FSU net exports	9.0	8.9	9.1	9.5	9.5	8.9	8.7	9.1	9.2	9.2	8.8	8.6	8.9
<b>(a) - (b)</b>	<b>31.5</b>	<b>30.0</b>	<b>29.9</b>	<b>29.9</b>	<b>31.6</b>	<b>33.2</b>	<b>32.7</b>	<b>31.9</b>	<b>31.8</b>	<b>32.3</b>	<b>34.3</b>	<b>33.5</b>	<b>33.0</b>

Note: Totals may not add up due to independent rounding.

Source: OPEC Secretariat.

**Table 10.4: OECD oil stocks and oil on water at the end of period**

	2012	2013	2014	2015	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
<b>Closing stock levels, mb</b>												
<b>OECD onland commercial</b>	<b>2,683</b>	<b>2,589</b>	<b>2,738</b>	<b>3,015</b>	<b>2,681</b>	<b>2,749</b>	<b>2,738</b>	<b>2,814</b>	<b>2,907</b>	<b>2,982</b>	<b>3,015</b>	<b>3,050</b>
Americas	1,365	1,316	1,446	1,590	1,387	1,416	1,446	1,483	1,537	1,571	1,590	1,624
Europe	912	881	886	990	889	898	886	939	940	967	990	1,005
Asia Pacific	405	392	405	435	405	436	405	392	430	445	435	421
<b>OECD SPR</b>	<b>1,547</b>	<b>1,584</b>	<b>1,580</b>	<b>1,587</b>	<b>1,580</b>	<b>1,578</b>	<b>1,580</b>	<b>1,583</b>	<b>1,585</b>	<b>1,579</b>	<b>1,587</b>	<b>1,593</b>
Americas	696	697	693	697	692	693	693	693	696	697	697	697
Europe	436	470	470	473	469	469	470	470	471	467	473	477
Asia Pacific	415	417	417	416	419	417	417	420	418	415	416	419
<b>OECD total</b>	<b>4,230</b>	<b>4,174</b>	<b>4,318</b>	<b>4,601</b>	<b>4,261</b>	<b>4,328</b>	<b>4,318</b>	<b>4,397</b>	<b>4,492</b>	<b>4,562</b>	<b>4,601</b>	<b>4,643</b>
<b>Oil-on-water</b>	<b>879</b>	<b>909</b>	<b>924</b>	<b>1,017</b>	<b>914</b>	<b>952</b>	<b>924</b>	<b>864</b>	<b>916</b>	<b>924</b>	<b>1,017</b>	<b>1,055</b>
<b>Days of forward consumption in OECD</b>												
<b>OECD onland commercial</b>	<b>58</b>	<b>57</b>	<b>58</b>	<b>57</b>	<b>58</b>	<b>59</b>	<b>59</b>	<b>62</b>	<b>62</b>	<b>64</b>	<b>65</b>	<b>67</b>
Americas	55	55	57	54	57	58	60	61	62	64	65	66
Europe	68	66	67	65	64	67	66	69	67	71	73	74
Asia Pacific	48	46	49	48	53	52	46	51	55	54	50	56
<b>OECD SPR</b>	<b>34</b>	<b>33</b>	<b>34</b>	<b>35</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>35</b>	<b>34</b>	<b>34</b>	<b>34</b>	<b>35</b>
Americas	30	29	29	29	28	28	29	29	28	29	29	29
Europe	30	31	32	35	34	35	35	35	33	34	35	35
Asia Pacific	50	49	50	51	54	50	48	54	53	50	48	55
<b>OECD total</b>	<b>92</b>	<b>90</b>	<b>92</b>	<b>91</b>	<b>93</b>	<b>93</b>	<b>93</b>	<b>97</b>	<b>96</b>	<b>98</b>	<b>99</b>	<b>102</b>

Sources: Argus Media, Euroilstock, IEA, JODI, METI, OPEC Secretariat and US Energy Information Administration.

**Table 10.5: Non-OPEC supply and OPEC natural gas liquids, mb/d**

	2013	2014	2015	3Q16	4Q16	2016	Change					2017	Change
							16/15	1Q17	2Q17	3Q17	4Q17		17/16
US	11.2	13.0	14.0	13.3	13.4	13.5	-0.5	13.4	13.3	13.3	13.5	13.4	-0.1
Canada	4.0	4.3	4.4	4.5	4.5	4.4	0.0	4.6	4.5	4.6	4.6	4.6	0.1
Mexico	2.9	2.8	2.6	2.5	2.4	2.5	-0.1	2.4	2.3	2.3	2.3	2.3	-0.2
<b>OECD Americas*</b>	<b>18.2</b>	<b>20.1</b>	<b>21.0</b>	<b>20.3</b>	<b>20.4</b>	<b>20.4</b>	<b>-0.6</b>	<b>20.3</b>	<b>20.1</b>	<b>20.2</b>	<b>20.4</b>	<b>20.3</b>	<b>-0.1</b>
Norway	1.8	1.9	1.9	1.9	2.0	2.0	0.0	2.0	1.9	1.8	2.0	1.9	0.0
UK	0.9	0.9	1.0	0.9	1.0	1.0	0.0	1.0	1.0	1.0	1.1	1.0	0.0
Denmark	0.2	0.2	0.2	0.2	0.2	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Other OECD Europe	0.7	0.7	0.7	0.7	0.6	0.6	0.0	0.6	0.6	0.6	0.6	0.6	0.0
<b>OECD Europe</b>	<b>3.6</b>	<b>3.6</b>	<b>3.8</b>	<b>3.6</b>	<b>3.7</b>	<b>3.7</b>	<b>0.0</b>	<b>3.8</b>	<b>3.6</b>	<b>3.6</b>	<b>3.8</b>	<b>3.7</b>	<b>0.0</b>
Australia	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
<b>OECD Asia Pacific</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.0</b>	<b>0.4</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.0</b>
<b>Total OECD</b>	<b>22.2</b>	<b>24.2</b>	<b>25.2</b>	<b>24.3</b>	<b>24.5</b>	<b>24.6</b>	<b>-0.7</b>	<b>24.5</b>	<b>24.2</b>	<b>24.2</b>	<b>24.6</b>	<b>24.4</b>	<b>-0.2</b>
Brunei	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.9	0.8	0.8	0.8	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Malaysia	0.6	0.7	0.7	0.8	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.0
Thailand	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Vietnam	0.3	0.3	0.4	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
<b>Other Asia</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>0.0</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>0.0</b>
Argentina	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Brazil	2.6	2.9	3.1	3.2	3.2	3.1	0.0	3.3	3.3	3.4	3.5	3.4	0.3
Colombia	1.0	1.0	1.0	1.0	0.9	1.0	-0.1	0.9	0.9	0.9	0.9	0.9	0.0
Trinidad & Tobago	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Latin America others	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
<b>Latin America</b>	<b>4.8</b>	<b>5.0</b>	<b>5.2</b>	<b>5.2</b>	<b>5.2</b>	<b>5.1</b>	<b>-0.1</b>	<b>5.3</b>	<b>5.3</b>	<b>5.3</b>	<b>5.4</b>	<b>5.3</b>	<b>0.2</b>
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	0.9	0.9	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	0.9	1.0	0.0
Syria	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Middle East</b>	<b>1.4</b>	<b>1.3</b>	<b>1.3</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>0.0</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>0.0</b>
Chad	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Congo	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.4	0.4	0.4	0.1
Egypt	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Equatorial Guinea	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
South Africa	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Sudans	0.2	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.2	0.2	0.3	0.0
Africa other	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.4	0.4	0.3	0.1
<b>Africa</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>2.1</b>	<b>0.0</b>	<b>2.1</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>	<b>0.1</b>
<b>Total DCs</b>	<b>10.8</b>	<b>11.1</b>	<b>11.3</b>	<b>11.3</b>	<b>11.3</b>	<b>11.2</b>	<b>-0.1</b>	<b>11.3</b>	<b>11.4</b>	<b>11.4</b>	<b>11.5</b>	<b>11.4</b>	<b>0.2</b>
<b>FSU</b>	<b>13.6</b>	<b>13.5</b>	<b>13.7</b>	<b>13.6</b>	<b>13.7</b>	<b>13.8</b>	<b>0.1</b>	<b>13.7</b>	<b>13.6</b>	<b>13.6</b>	<b>13.7</b>	<b>13.6</b>	<b>-0.1</b>
Russia	10.6	10.7	10.8	10.9	10.9	11.0	0.1	11.0	10.9	10.9	11.0	10.9	0.0
Kazakhstan	1.6	1.6	1.6	1.5	1.5	1.6	0.0	1.5	1.5	1.5	1.5	1.5	0.0
Azerbaijan	0.9	0.9	0.9	0.8	0.9	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.0
FSU others	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
<b>Other Europe</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.0</b>
<b>China</b>	<b>4.2</b>	<b>4.3</b>	<b>4.4</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>-0.2</b>	<b>4.2</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>-0.1</b>
<b>Non-OPEC production</b>	<b>51.0</b>	<b>53.3</b>	<b>54.7</b>	<b>53.5</b>	<b>54.0</b>	<b>53.8</b>	<b>-0.9</b>	<b>53.9</b>	<b>53.4</b>	<b>53.4</b>	<b>54.1</b>	<b>53.7</b>	<b>-0.1</b>
Processing gains	2.1	2.2	2.2	2.2	2.2	2.2	0.0	2.2	2.2	2.2	2.2	2.2	0.0
<b>Non-OPEC supply</b>	<b>53.1</b>	<b>55.4</b>	<b>56.9</b>	<b>55.7</b>	<b>56.1</b>	<b>56.0</b>	<b>-0.9</b>	<b>56.1</b>	<b>55.6</b>	<b>55.6</b>	<b>56.3</b>	<b>55.9</b>	<b>-0.1</b>
OPEC NGL	5.6	5.7	5.8	6.0	6.0	6.0	0.1	6.0	6.1	6.1	6.2	6.1	0.1
OPEC non-conventional	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
<b>OPEC (NGL+NCF)</b>	<b>5.8</b>	<b>6.0</b>	<b>6.1</b>	<b>6.3</b>	<b>6.3</b>	<b>6.3</b>	<b>0.2</b>	<b>6.4</b>	<b>6.4</b>	<b>6.4</b>	<b>6.5</b>	<b>6.4</b>	<b>0.1</b>
<b>Non-OPEC &amp; OPEC (NGL+NCF)</b>	<b>59.0</b>	<b>61.4</b>	<b>63.0</b>	<b>62.0</b>	<b>62.5</b>	<b>62.3</b>	<b>-0.7</b>	<b>62.5</b>	<b>62.0</b>	<b>62.1</b>	<b>62.8</b>	<b>62.3</b>	<b>0.0</b>

Note: \* Chile has been included in OECD Americas.

Totals may not add up due to independent rounding.

Source: OPEC Secretariat.

**Table 10.6: World Rig Count**

	Change											Change
	2012	2013	2014	2015	15/14	3Q15	4Q15	1Q16	2Q16	May 16	Jun 16	Jun/May
US	1,919	1,761	1,862	977	-885	866	754	551	420	407	417	10
Canada	364	354	380	192	-188	191	169	172	48	41	61	20
Mexico	106	106	86	52	-34	42	39	36	22	22	20	-2
Americas	2,390	2,221	2,327	1,221	-1,107	1,098	962	759	489	470	498	28
Norway	17	20	17	17	1	18	15	18	17	17	16	-1
UK	18	17	16	14	-2	13	12	9	9	9	10	1
Europe	119	135	145	117	-28	109	110	104	92	95	91	-4
Asia Pacific	24	27	26	17	-9	16	15	10	6	7	4	-3
Total OECD	2,533	2,383	2,499	1,355	-1,144	1,222	1,087	873	587	572	593	21
Other Asia	172	180	194	175	-19	177	167	157	161	164	162	-2
Latin America	180	166	172	145	-27	149	128	83	62	62	58	-4
Middle East	136	102	108	102	-6	100	106	98	92	94	92	-2
Africa	7	16	28	11	-16	8	3	2	0	1	0	-1
Total DCs	494	465	502	433	-69	435	404	340	315	321	312	-9
Non-OPEC rig count	3,027	2,848	3,000	1,788	-1,213	1,657	1,492	1,213	902	893	905	12
Algeria	36	47	48	51	3	51	49	52	54	55	53	-2
Angola	9	11	15	11	-4	8	11	9	9	9	9	0
Ecuador	20	26	24	12	-12	12	4	3	3	2	5	3
Gabon	5	6	7	4	-3	4	2	1	1	1	1	0
Indonesia	45	38	34	27	-7	24	24	19	17	19	16	-3
Iran**	54	54	54	54	0	54	54	57	57	57	57	0
Iraq**	58	83	79	52	-27	47	51	49	42	43	41	-2
Kuwait**	31	32	38	47	8	44	42	41	42	43	44	1
Libya**	9	15	10	3	-8	1	1	1	1	1	1	0
Nigeria	36	37	34	30	-4	28	28	27	25	25	24	-1
Qatar	8	9	10	8	-3	7	6	7	7	7	7	0
Saudi Arabia	112	114	134	155	21	154	158	157	154	154	155	1
UAE	24	28	34	42	8	41	52	50	50	50	50	0
Venezuela	117	121	116	110	-6	114	112	111	103	102	95	-7
OPEC rig count	562	620	637	606	-31	589	592	584	566	568	558	-10
Worldwide rig count* of which:	3,589	3,467	3,637	2,393	-1,244	2,246	2,084	1,797	1,468	1,461	1,463	2
Oil	2,594	2,611	2,795	1,727	-1,068	1,606	1,471	1,268	1,042	1,038	1,031	-7
Gas	886	746	743	563	-180	536	509	422	315	309	319	10
Others	106	109	95	100	5	99	102	106	110	113	112	-1

Note: Totals may not add up due to independent rounding.

na: Not available.

Sources: Baker Hughes Incorporated & Secretariat's estimates.

\* Excludes China and FSU.

\*\* Estimated figure when Baker Hughes Incorporated did not reported the data.



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## OPEC Basket average price

US\$/b



up 2.63 in June

June 2016	45.84
May 2016	43.21
<b>Year-to-date</b>	<b>36.31</b>

## June OPEC crude production

mb/d, according to secondary sources



up 0.26 in June

June 2016	32.86
May 2016	32.59

## Economic growth rate

per cent

	World	OECD	US	Japan	Euro-zone	China	India
<b>2016</b>	3.0	1.8	2.0	0.7	1.5	6.5	7.5
<b>2017</b>	3.1	1.7	2.1	0.8	1.2	6.1	7.2

## Supply and demand

mb/d

<b>2016</b>		<b>16/15</b>	<b>2017</b>		<b>17/16</b>
World demand	94.2	1.2	World demand	95.3	1.2
Non-OPEC supply	56.0	-0.9	Non-OPEC supply	55.9	-0.1
OPEC NGLs	6.3	0.2	OPEC NGLs	6.4	0.1
<b>Difference</b>	<b>31.9</b>	<b>1.9</b>	<b>Difference</b>	<b>33.0</b>	<b>1.1</b>

## OECD commercial stocks

mb

	Mar 16	Apr 16	May 16	May 16/Apr 16	May 15
Crude oil	1,539	1,556	1,559	3.0	1,480
Products	1,511	1,508	1,504	-4.1	1,426
<b>Total</b>	<b>3,050</b>	<b>3,064</b>	<b>3,063</b>	<b>-1.1</b>	<b>2,906</b>
Days of forward cover	66.7	66.6	65.9	-0.7	62.5

Next report to be issued on 10 August 2016.