OPEC

Organization of the Petroleum Exporting Countries

# Monthly Oil Market Report

## *July 2012*

*Feature Article:*
***Oil market prospects for 2013***




Helferstorferstrasse 17, A-1010 Vienna, Austria
Tel +43 1 21112   Fax +43 1 2164320   E-mail: prid@opec.org   Web site: www.opec.org

# Oil Market Highlights

- The **OPEC Reference Basket** in June continued its decline for the third consecutive month to settle below $100/b for the first time in 18 months at $93.98/b. The decline was very significant at 13%, the highest month-to-month drop since the 22% fall set back in December 2008. Both ICE Brent and Nymex WTI also fell to multi-months lows, shedding over 13% each. The Nymex WTI front-month declined by $12.31 in June to accumulate a hefty decline of $23.80 over the second quarter. The ICE Brent front-month losses were larger, down $14.36 in June and $28.62 over the second quarter. In addition to economic concerns, especially regarding the Euro-zone, the main factors driving down prices were the decline in speculative long positions and abundant crude oil supplies.
- **World economic growth** expectations for 2012 remain unchanged at 3.3% and stand only slightly lower at 3.2% for 2013. The US forecast for 2012 has been revised down to stand at 2.1% and is forecast at 2.0% for 2013. Japan's expansion improved and 2012 growth has been revised up to 2.5% from 2.0%. In 2013, the growth rate will move back in line with historical averages at 1.2%. Measures being undertaken in the Euro-zone are expected to turn the contraction of 0.4% this year back into a 0.1% expansion in 2013. With continued stimulus efforts, China's growth for 2012 remains at 8.1% and is forecast at 8.0% in 2013. India's expansion also is forecast to improve in 2013 to 6.6% from a growth level of 6.4% in 2012.
- Various offsetting economic developments have left the 2012 **world oil demand** forecast at 0.9 mb/d, unchanged from the previous report. The sluggish OECD economy is suppressing the region's oil demand, except for in Japan where the shut-down of most of the country's nuclear power plants has led to increased crude and fuel oil burning. World oil demand growth in 2013 is forecast at 0.8 mb/d, representing a slowdown in growth from the current year. The unsteady pace of the global economic recovery is causing a considerable uncertainty for world oil demand. The non-OECD is expected to continue to contribute all of the world's oil demand growth for next year. The industrial and transport sectors are expected to contribute the most to total oil demand.
- **Non-OPEC supply** is forecast to increase by 0.7 mb/d in 2012, supported by the anticipated growth from North America, Latin America, and FSU. In 2013, non-OPEC oil supply is expected to grow by 0.9 mb/d. The US, Canada, Brazil, Kazakhstan, and Colombia are expected to be the main contributors to supply growth, while Norway, Mexico, and the UK are seen experiencing the largest declines. OPEC NGLs and non-conventional oils are seen averaging 5.9 mb/d in 2013, indicating an increase of 0.2 mb/d over this year. In June, according to secondary sources, OPEC production is estimated at 31.36 mb/d, a decline of 106 tb/d over the previous month.
- **Product market** sentiment in the Atlantic Basin turned bullish in June, with gasoline strengthening on expectations for tighter supplies amid additional requirements for the driving season. This, along with the drop in crude prices, caused margins to increase in the Atlantic Basin. In Asia, margins continued to be depressed by losses at the top of the barrel, which was due to disappointing naphtha demand from the petrochemical sector and rising supplies in the region.
- The **tanker market** in June saw a generally lower trend. Dirty vessel freight rates for VLCC and Suezmax declined on the back of weak activity and lower tonnage demand, while Aframax spot freight rates increased slightly. Clean spot freight rates decreased compared to the previous month. OPEC sailings and arrivals declined in June, while OPEC global fixtures rose by 7.7%.
- **US commercial oil stocks** rose further in June, increasing by 10.8 mb, the highest level since August 2011. Inventories were 17.0 mb above a year ago and 31.5 mb above the five-year average. The build was attributed mainly to products, which increased by 12.5 mb, while crude fell 1.7 mb. In Japan, the most recent monthly data for May shows commercial oil stocks rose a further 6.4 mb, the highest level in a year. The deficit from a year ago fell 0.7% from 4.6% in the previous month, while the deficit with the five-year average switched to a surplus of 0.4%.The stock-build was divided between crude and products, which rose 4.0 mb and 2.1 mb, respectively.
- **Demand for OPEC crude** in 2012 remained almost unchanged from the previous assessment at 29.9 mb/d, indicating a decline of 0.1 mb/d compared to the previous year. Based on the initial forecast for world oil demand and non-OPEC supply (including OPEC NGLs and non-conventional oil) for 2013, the demand for OPEC crude next year is projected to decline by 0.3 mb/d to average 29.6 mb/d.

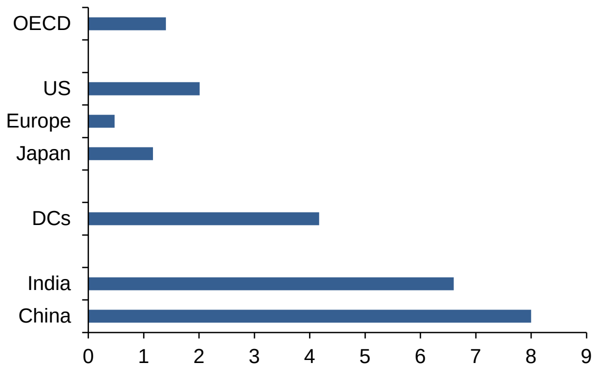
# Oil market prospects for 2013

The oil market in 2012 has been strongly impacted by the great uncertainty in the global economy, particularly from the OECD countries, resulting in frequent revisions in world economic growth and consequently global oil demand. These factors are likely to continue into next year, making forecasting oil market developments very challenging.

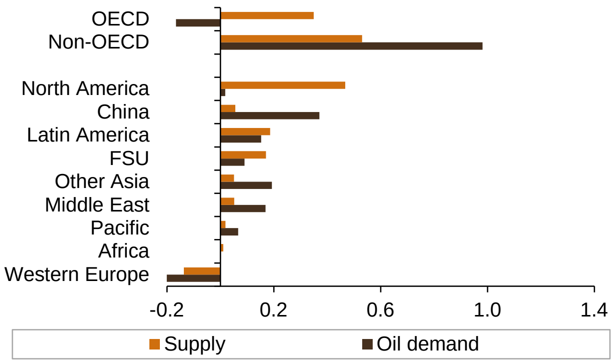
The world economy is continuing its subdued recovery and prospects remain fragile. In the OECD, the real economy still lacks momentum, while growth levels in the emerging economies remain largely dependent on exports. In the coming year, the world economy is likely to face continuing challenges from Europe's sovereign debt burden and its weak banking system. The deceleration in the emerging economies and the recent easing in the US recovery, due to persistently high unemployment, are also expected to dampen growth to some degree. This has led to a world economic growth forecast of 3.2% in 2013, slightly lower than the estimate of 3.3% for the current year.

OECD is forecast to continue to see slow growth in 2013 at 1.4%, the same level as in 2012 (***Graph 1***). This represents only 0.7 percentage points (pp) of the global economic growth forecast. In contrast, the non-OECD economies will provide the majority of growth at 2.5 pp, with China forecast at 8.0% and India at 6.6%. However, the dependency of emerging economies on exports to the OECD countries, combined with potentially inflated core asset markets – such in housing – and a still relatively low domestic consumption base represent downward risks to the forecast for GDP growth. Further stimulus by BRIC economies may be limited in size and impact, despite existing flexibility in their financial resources. The economic situation in the MENA region is also expected to decelerate. While economic growth this year is expected at 3.5%, in the coming year, growth in the MENA region is forecast to ease to 3.0%.

**Graph 1: GDP growth rate in 2013, %**




**Graph 2: Source of oil demand and non-OPEC supply growth for 2013, mb/d**




World oil demand is forecast to continue growing by 0.8 mb/d in 2013 to average 89.5 mb/d, representing a decline of 0.1 mb/d from the growth estimate for the current year (***Graph 2***). The slowdown is expected not only in the OECD – which is projected to see a further contraction of 0.2 mb/d – but also in the non-OECD, where growth is forecast at around 1.0 mb/d. As in 2012, industrial and petrochemical consumption are expected to be the main drivers of oil demand next year. In terms of products, diesel and naphtha are foreseen showing the most growth in 2013. The bulk of gasoline demand is expected to come from growing transportation consumption in non-OECD countries, with some contribution from the OECD regions of North America and the Pacific. US gasoline demand is expected to see a slight improvement next year; however, the forecast could be negatively affected by the pace of the country's economic recovery.

Non-OPEC supply is forecast to increase by 0.9 mb/d in 2013 to average 54.0 mb/d. This compares to estimated growth of 0.7 mb/d this year. On a regional basis, North American supply is expected to experience the highest growth – supported by an expected healthy addition of tight oil from shale development in the US and Canada – followed by Latin America and FSU. OECD Europe is projected to see the only decline in 2013. The non-OPEC supply forecast for 2013 incorporates considerable risks on factors such as natural decline rates across various regions and progress in new supply developments, as well as due to environmental issues, production costs and oil price levels. Moreover, continued geopolitical concerns and security challenges remain major risk factors for some producing countries in 2013. OPEC NGLs and non-conventional oils are expected to increase by 0.2 mb/d to average 5.9 mb/d for the year.

Based on the above forecasts, the projected growth in oil demand in 2013 will largely be met by incremental non-OPEC supply, indicating a comfortable market situation next year. As a result, the demand for OPEC crude in 2013 is forecast to average 29.6 mb/d, representing a decline of around 0.3 mb/d from the previous year. The current high level of stocks in the OECD, combined with rising inventories in the non-OECD, should also provide an additional cushion to the market. At the same time, the considerable uncertainties impacting the forecast highlight the need for continued close monitoring of oil market developments in the coming months.

# Crude Oil Price Movements

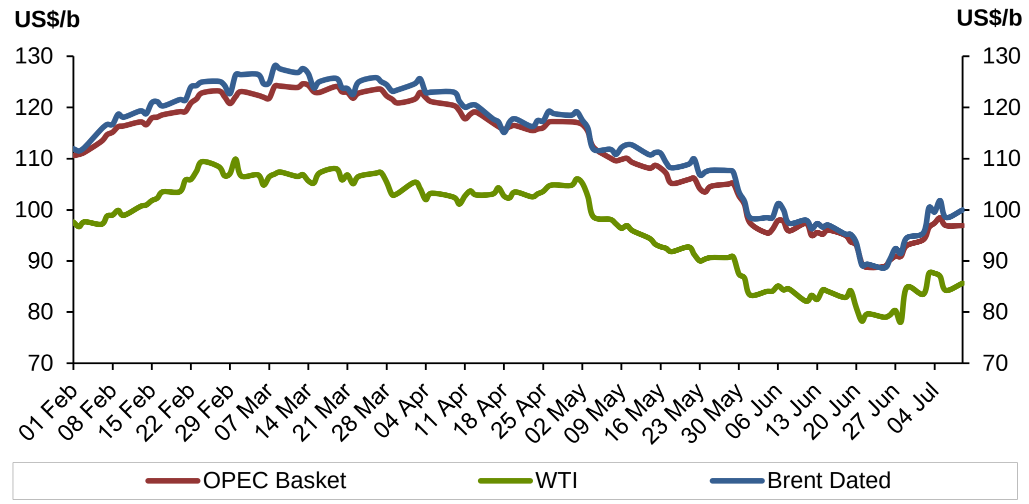
*OPEC Reference Basket fell below $100 for first time since January 2011*

## OPEC Reference Basket

In June, as the 2Q12 came to a close, the OPEC Reference Basket continued its quarter-long declining streak for the third consecutive month to settle below $100/b for the first time in a year and a half. The drop in the value of the Basket in June was a significant 13%, the highest month-to-month decline since the 22% drop back in December 2008. Beside a gloomy economic picture, particularly in the Euro-zone, the main factors driving down the Basket value were speculators who increasingly sold off long positions and abundant crude oil supplies. A month-long series of headlines about weak economic data from China and the US indicating that economic worries are not limited to the Euro-zone also shaped bearish market sentiment, prompting investors to massively liquidate positions to limit exposure. Similar to the previous month, accumulated long positions continued to exit the market significantly over the entire month of June in both main futures markets through large-scale sell-offs that have signaled growing weakness in the crude oil markets.

In June, the OPEC Reference Basket fell to an average of $93.98/b, the first time it reached a level below the key $100/b since January 2011. The Basket lost a hefty $14.09/b or 13% compared to the previous month, which is the highest decrease since the $11.16/b decline three and a half years ago. Nevertheless, for the 1H12, the Basket averaged $112.07/b, which was $5.40/b above the same period in 2011.

**Graph 1.1: Crude oil price movement, 2012**




The values of all Basket components diminished significantly in June, with Saharan Blend, Es Sider, Bonny Light and Girassol falling by $15.31 to an average of $96.09/b, down by a hefty 13.75% for the month. Meanwhile, Middle Eastern crudes Murban and Qatar Marine, along with Latin American Basket components like Ecuador's Oriente and Venezuelan Merey, dropped by around 12% to $95.81/b and $88.37/b, respectively. The remaining Basket components — namely, Arab Light, Basrah Light, Kuwait Export and Iran Heavy — also lost 13% of their value in June to end at $93.24/b, $14.02 lower compared to the previous month.

Asian or Dubai/Oman related Basket components suffered the least deterioration over the month. They were supported by a relatively stronger sour market in the region. The strength in Dubai was seen as its market structure has remained in backwardation despite plenty of factors to the downside. Strong fuel oil cracks coupled with continuing Chinese buying ahead of a significant capacity expansion, as well as stock building due to low outright prices, has supported the sour market. European Basket components, African crudes and imported Middle Eastern sour crudes were all pressured by the vast deterioration in the outright Brent prices, as well as by the flip in Brent market structure into contango for the first time in almost a year. Sweet crudes were weakened by lower European demand amid lower refinery runs and low naphtha cracks, while sour benchmark Urals was supported by a steep decline in loading schedules, particularly in the Mediterranean. In the USGC, a higher supply of medium sour crudes over the month diluted the value of related imported crudes. Medium sour crudes have become quickly available from the restart of all offshore Mars platforms and the unexpected shutdown of the newly commissioned and largest US refinery, which largely ran medium and heavy sour crudes. Meanwhile, the relative improvement in USGC light sweet crudes (LLS) has positively affected the overall prices of the Latin American Basket components. Following the start-up of the Seaway link, higher inflows of light sweet barrels from the landlocked Cushing hub were likely behind the earlier LLS's weakness relative to Brent; however, the link may have recently begun to pump heavier barrels, which has in turn relieved some of the pressure on regional light grades.

On 10 July, the OPEC Reference Basket improved to $96.43/b, $2.45 above the June average.

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

| | May 12 | Jun 12 | Change Jun/May | Year-to-date 2011 | Year-to-date 2012 |
|---|---|---|---|---|---|
| **OPEC Reference Basket** | **108.07** | **93.98** | **-14.09** | **106.72** | **112.05** |
| Arab Light | 108.48 | 94.51 | -13.97 | 107.20 | 112.67 |
| Basrah Light | 105.94 | 92.02 | -13.92 | 105.48 | 110.41 |
| Bonny Light | 112.87 | 97.19 | -15.68 | 114.03 | 115.97 |
| Es Sider | 111.27 | 96.04 | -15.23 | 111.60 | 114.26 |
| Girassol | 111.20 | 96.44 | -14.76 | 111.51 | 114.78 |
| Iran Heavy | 107.06 | 93.09 | -13.97 | 105.29 | 111.41 |
| Kuwait Export | 107.55 | 93.32 | -14.23 | 104.67 | 111.56 |
| Marine | 107.79 | 94.86 | -12.93 | 105.89 | 111.73 |
| Merey | 99.97 | 87.52 | -12.45 | 94.51 | 104.16 |
| Murban | 110.58 | 96.76 | -13.82 | 109.25 | 114.27 |
| Oriente | 102.25 | 89.22 | -13.03 | 99.48 | 106.66 |
| Saharan Blend | 110.27 | 94.69 | -15.58 | 112.98 | 113.93 |
| **Other Crudes** | | | | | |
| Brent | 110.27 | 95.19 | -15.08 | 111.33 | 113.43 |
| Dubai | 107.71 | 94.44 | -13.27 | 105.64 | 111.31 |
| Isthmus | 107.20 | 93.16 | -14.04 | 104.55 | 110.20 |
| Mars | 104.89 | 91.94 | -12.95 | 106.85 | 109.73 |
| Minas | 120.21 | 104.83 | -15.38 | 113.84 | 122.62 |
| Urals | 109.21 | 93.81 | -15.40 | 108.29 | 111.91 |
| WTI | 94.45 | 82.33 | -12.12 | 98.25 | 98.15 |
| **Differentials** | | | | | |
| WTI/Brent | -15.82 | -12.86 | 2.96 | -13.07 | -15.29 |
| Brent/Dubai | 2.56 | 0.75 | -1.81 | 5.69 | 2.13 |

*Note: Arab Light and other Saudi Arabian crudes as well as Basrah Light preliminarily based on American Crude Market (ACM) and subject to revision.*

*Source: Platt's, Direct Communication and Secretariat's assessments.*

## The oil futures market

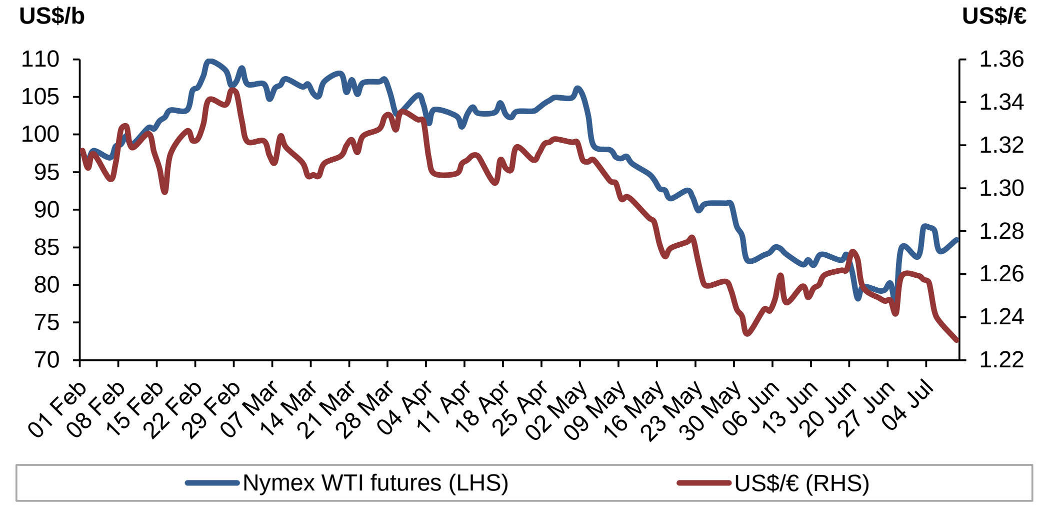
*The worsening economy, a speculative sell-off and stock builds further pulled down crude futures*

In June, both crude oil futures contracts, ICE Brent and Nymex WTI, slipped further to multi-month lows as both shed over 13% of their value, the highest month-to-month reduction since the 25% reached during the global financial crises in late 2008. Compared to the end of the 1Q12, the 2Q ended with the values of both front-month contracts down by close to 25%. In June, Nymex WTI front-month contracts declined by $12.31 on top of a $11.49 fall since the beginning of the 2Q, the start of a decline streak, to accumulate a hefty $23.80 in losses over one quarter, erasing the previous two consecutive quarters' gains. Meanwhile, ICE Brent front-month losses over June and the 2Q were much bigger, with a $14.36 and $28.62 decline, respectively.

Several factors not much different from the previous month led to this deep reduction in futures prices. The worsening economy, predominantly in the Euro-zone, and speculators increasingly going less long in their positions, as well as the signs of a global crude oil stock build, were the main factors driving prices down. Concerns about Europe's debt and economic crisis revived again in June when it became clear that Spain and Cyprus would have to be bailed out. Downgrades of 28 Spanish banks by

Moody's quickly followed. This, along with poor US jobs data and a slowing Chinese manufacturing output, shows that economic worries are not limited to Europe, which in turn sparked broad consecutive sessions of market sell-offs in both equity and commodity markets. HSBC's preliminary China Manufacturing PMI fell further in June, raising fears of a downturn in China's economic activity, while a cut in the interest rate for one-year loans by the Chinese central bank hinted at Beijing feeling the need to increase stimulating measures. Moreover, the cutting of managed money net long positions continued over the month on both futures markets. CFTC data showed that Nymex WTI net long positions fell to their lowest levels since September 2010, dipping 9% from the previous month. ICE Brent net long positions declined the most — by a stunning 49% — since late May, according to ICE data. Given recent developments in outright prices, the fact that money managers who were long in the market ran for cover may not come as much of a surprise; but a sell-off on such a large scale is sure to have infused more bearishness in the market. Moreover, US Energy Information Administration (EIA) figures showed that US stocks increased by around 170,000 b/d over 2Q and available Chinese customs data has hinted at implied stock builds of more than 250,000 b/d over the same period. These stock builds, which have come amid lower refinery runs, lower US imports of light sweet crude, economic run cuts in Europe and higher Libyan production, have contributed greatly toward the collapse of the two Atlantic Basin crude oil futures in June.

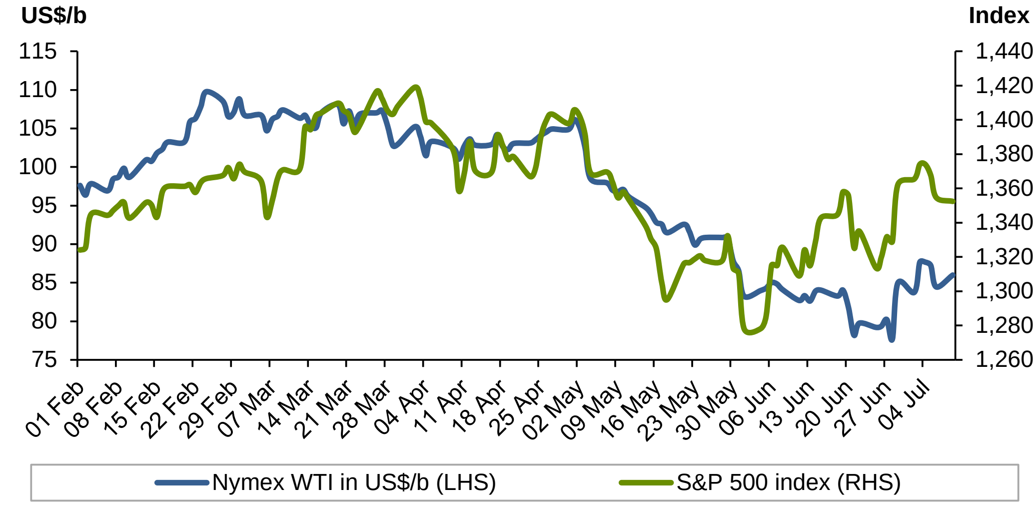
**Graph 1.2: Nymex WTI futures and US$ exchange rate, 2012**




The Nymex WTI front-month averaged $84.41/b in June, the first time since October 2011 that it was less than $90/b, down 13% from the average in May. The ICE Brent front-month also fell by 13% or $14.36/b to end the month at an average of $95.93/b, the first time it fell below the key $100 in the last year and a half. Compared to the previous year, the front-month WTI year-to-date (1H12) average stood almost at the same level as in the 1H11, at $98.21/b, while ICE Brent was higher by almost 2% at $113.63/b. Both contracts were below the psychologically significant $100/b price in June.

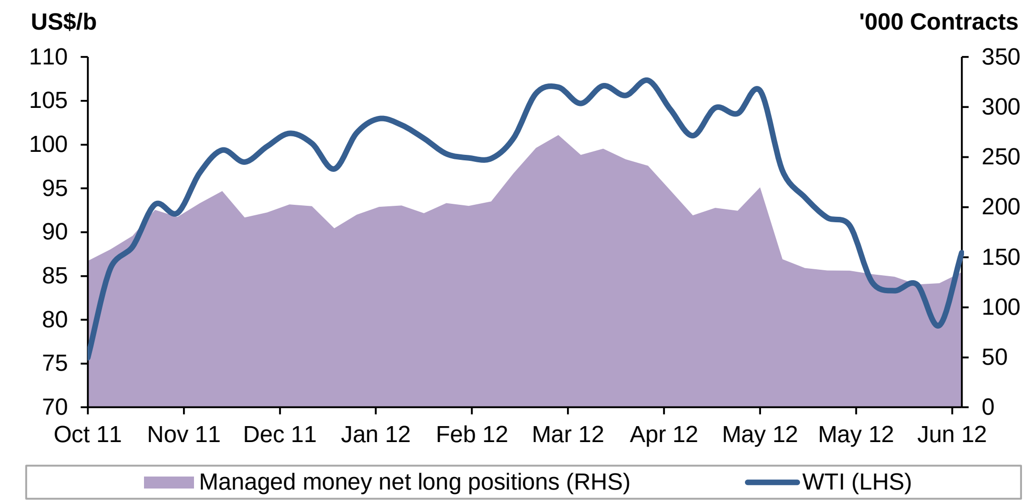
On 10 July, the crude oil futures prices for Nymex WTI and ICE Brent improved to $83.91/b and $97.97/b, $1.50 and $2.04 above the June average, respectively.

**Graph 1.3: Nymex WTI futures vs. S&P 500 index, 2012**




As pointed out earlier, data from the CFTC showed that on average, speculators further reduced their net long positions in US crude oil futures and options positions in the month of June, but to a lesser extent than in the previous month. Hedge funds and other large investors liquidated their net long positions on the Nymex by 12,567 contracts to 124,017 lots, a decrease of over 9%. During the 2Q12, net long positions were cut by almost 50%. The data showed that almost all the decrease was attributed to the massive liquidation in long positions contributing to the sharp drop in crude oil prices over the month as indicated earlier. Compared to the 1Q12, outright longs were down by a hefty 84,394 lots, dropping 32% by the end of the 2Q. In ICE Brent crude oil futures, speculators reduced their net long futures and option positions significantly — by a hefty 49% — during June to 41,415 contracts; half of the speculative net long positions have been liquidated as the downward pressure on the Brent market deepened this month. In the two exchanges, the combined reduction in net long positions was 52,110 lots or almost 25%, reaching 165,432 contracts. Long positions were down by 105,099 contracts to 302,175 lots.

**Graph 1.4: Nymex WTI price vs. speculative activity, 2011-2012**



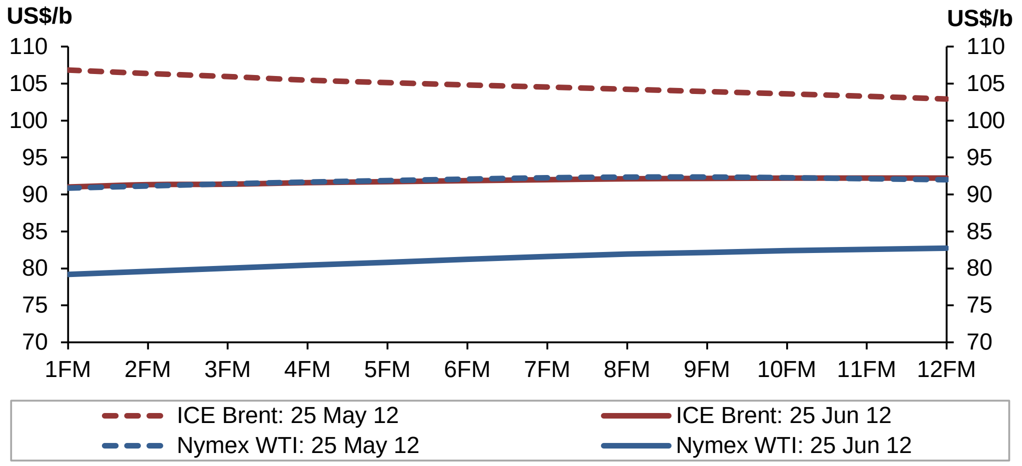

The average daily traded futures volume during June for all WTI Nymex futures contracts increased by about 5% or 26,629 lots to average 590,244 contracts. Open interest decreased moderately by 8,600 lots to 1.43 million contracts, on average. In ICE Brent, overall traded volume increased by a hefty 21% or 125,396 lots to 713,694 contracts, and open interest also decreased by 5% to reach 1.18 million lots.

## The futures market structure

*Nymex contango unchanged and ICE Brent flipped into contango*

The structure of the Nymex WTI market remained almost unchanged from the previous month's contango, with the first month versus the second month time spread averaging around 31¢/b in June compared to 33¢/b in May. Meanwhile, despite the reversal of the Seaway pipeline last month, Cushing stocks continued to expand over the month, which may have prompted pipeline operator Enbridge to announce that it expects to complete the 400,000 b/d expansion of the Seaway pipeline by late this year. The 150,000 b/d link, which pumps crude from the Cushing storage hub to the US Gulf Coast, was originally slated for expansion by 1Q13; but growing Cushing inventories may have rushed the pipeline operator's plans. Meanwhile, from the 2nd half of June onward, the ICE Brent market structure flipped into contango for the first time since August of last year. Stock builds in the Atlantic Basin, lower US sweet crude acquisitions, economic run cuts in Europe and rising Libyan crude output, coupled with a worsening economy and the subsequent fall in outright prices, all pushed the once-solidly backwardated ICE Brent market structure into contango. The average spread between the first and second month contracts during the 2nd half of June was at a contango of 15¢/b compared to a backwardation of 55¢/b in May.

**Graph 1.5: Nymex WTI and ICE Brent forward curve, 2012**




*FM = future month*

The transatlantic (Brent vs. WTI) spread further continued its narrowing trend in June by $2.05 in favour of WTI to $13.52/b. This was more in line with the significant weakness in the Brent market rather than a consequence of the Seaway pipeline reversal. As noted above, despite the reversal of the Seaway pipeline, Cushing stocks continued to expand over the month on the back of abundant US and Canadian shale and tar sands output, but at a slowing pace.

**Table 1.2: Nymex WTI and ICE Brent forward price, US$/b**

| | 1st FM | 2nd FM | 3rd FM | 6th FM | 12th FM |
|---|---|---|---|---|---|
| **Nymex WTI** | | | | | |
| 25 May 12 | 90.86 | 91.15 | 91.44 | 92.08 | 91.99 |
| 25 Jun 12 | 79.21 | 79.62 | 80.01 | 81.24 | 82.72 |
| **ICE Brent** | | | | | |
| 25 May 12 | 106.83 | 106.36 | 105.95 | 104.81 | 102.91 |
| 25 Jun 12 | 91.01 | 91.33 | 91.39 | 91.87 | 92.22 |

*FM = future month.*

## The sweet/sour crude spread

*The light-sweet/ heavy-sour spread narrowed in Asia, widened in the US and remained steady in the EU*

In the physical crude oil market, light-sweet/heavy-sour differential movements were mixed once more during June. While they dropped sharply in Asia, the differentials in the US widened and were stable in Europe.

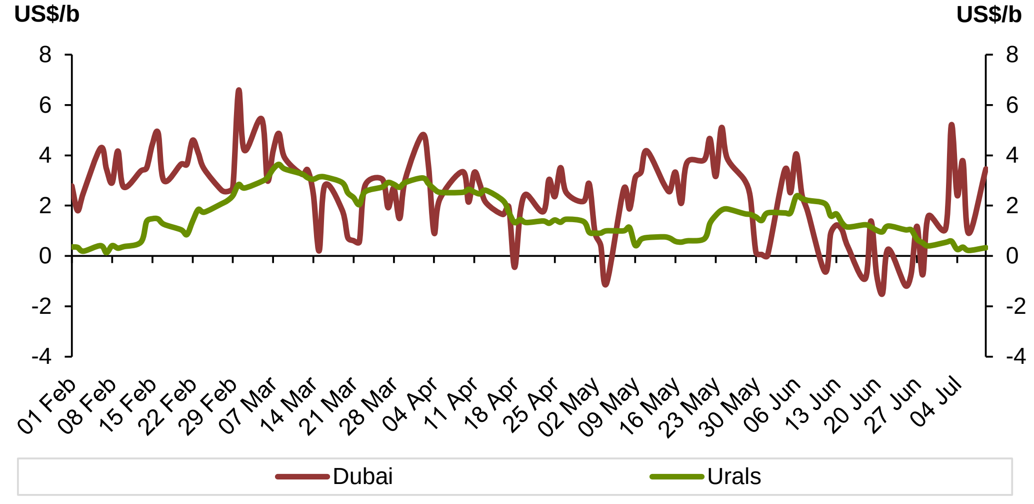
In Asia, the gasoline and naphtha cracks tumbled while fuel remained healthy, resulting in a sharp drop in the light-sweet/heavy sour differentials represented by the

Tapis/Dubai spread. The average of fuel oil cracks improved over $1.00/b in June compared to May levels. Meanwhile, Asian middle distillate cracks also improved, but proved insufficient to bail out the regional sweet complex. Moreover, the current weakness seen in the Brent market resulted in a premium in the Brent/Dubai EFS spread dipping to a multi-year low, causing the arbitrage window for crudes from the West to open wide. This exerted downward pressure on regional sweet grades, especially in light of Dubai's sustained strength. Asian refiners have currently been able to source Mediterranean light-sweets in favour of West African crude as spreads for these have reached record discounts to Brent recently. This, in conjunction with a change in US supply dynamics, has resulted in an abundance of West African cargoes which will likely be absorbed eventually by Asia. The Tapis/Dubai spread during June narrowed significantly to a multi-month low average of $5.83/b in favour of Tapis from the $9.88/b in May.

In Europe, the Brent/Urals spread widened marginally, reversing the previous month's gains despite low refinery utilisation rates in Europe, which were pegged at below 80% and which kept crude demand subdued over the month of June. But Med-Urals was supported by the anticipation of almost 10% lower supply in July out of the Mediterranean outlet. Meanwhile, regional light sweet barrels had a very bad month with low naphtha cracks pressuring the complex and even pushing the values of some of the grades to discounts to Urals Blend. The Brent/Urals spread stood at $1.38/b, 32¢ wider than the previous month's spread.

Mid-month onward, the US Gulf Coast (USGC) sweet and sour grade spread, represented by the LLS/Mars spread, widened as sweet grades began to regain some strength over the month. Meanwhile, sour grades came under pressure from higher supplies. Light sweet barrels managed to fight their way back from lows seen last month. LLS was last seen back at a premium to Dated Brent, following May's brief stint at discounts to the North Sea marker. Following the start-up of the Seaway link, higher inflows of light sweet barrels from the landlocked Cushing hub were likely behind LLS's weakness; however, recently the link may have begun pumping heavier barrels which has, in turn, relieved some of the pressure off regional light grades. On the other hand, heavier barrels have come under pressure from ample supply following the restart of offshore Mars platforms and significant delays for Motiva's Port Arthur refinery expansion restart. The LLS/Mars spread stood at $3.78/b on average in favour of LLS during the 2nd half of June, more than $1.50 wider than earlier in the month.

**Graph 1.6: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2012**



# Commodity Markets

*Commodity prices fell sharply in June*

## Trends in selected commodity markets

The World Bank's **Commodity Price Index declined significantly in June m-o-m.** Prices for energy dropped by 12% m-o-m compared to a 7.7% drop in the earlier month. The **non-energy component** lost 3.6% m-o-m compared to a 2.5% fall in May, the third consecutive decline. Food prices edged down 1.2% m-o-m compared to a 2.1% loss during the previous month, while gold prices rebounded by 0.6% m-o-m compared to a 3.6% m-o-m drop a month earlier. Base metal prices plummeted by 6.1% m-o-m compared to a 3.8% fall during in the previous month. Less affected were some agricultural commodities, due to dry weather.

The same bearish factors that have weighed down commodity markets continued to exert pressure on prices in June: macroeconomic uncertainty, especially apprehension over the Euro-zone's sovereign debt crisis, as well as slower-than-expected growth in China and India. A firmer dollar and growing risk aversion also added to pressures.

It must be noted that recent commodity price declines are the steepest since the months following the Lehman crisis of 2008, which suggests markets are pricing in a further deterioration in Chinese economic growth and little progress with regard to the European debt crisis.

**Table 2.1: Commodity price data, 2012**

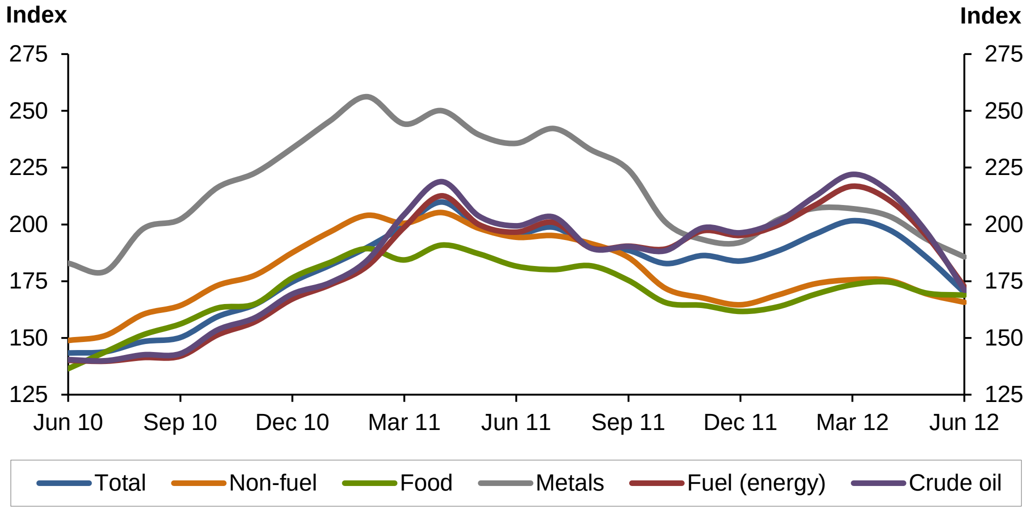
| Commodity | Unit | *Monthly averages* | | | *% Change* | | |
|---|---|---|---|---|---|---|---|
| | | Apr 12 | May 12 | Jun 12 | Apr/Mar | May/Apr | Jun/May |
| *World Bank commodity price indices for low and middle income countries (2005 = 100)* | | | | | | | |
| **Energy** | | 201.1 | 185.7 | 163.5 | -3.5 | -7.7 | -12.0 |
| Coal, Australia | $/mt | 101.6 | 94.5 | 84.7 | -3.3 | -7.0 | -10.4 |
| Crude oil, average | $/bbl | 113.7 | 104.1 | 90.7 | -3.5 | -8.4 | -12.8 |
| Natural gas, US | $/mmbtu | 1.9 | 2.4 | 2.5 | -10.1 | 25.2 | 0.7 |
| **Non Energy** | | 194.9 | 190.0 | 183.2 | -0.3 | -2.5 | -3.6 |
| **Agriculture** | | 195.7 | 192.4 | 187.0 | 0.1 | -1.7 | -2.8 |
| **Food** | | 210.6 | 206.2 | 203.7 | 0.4 | -2.1 | -1.2 |
| Soybean meal | $/mt | 463.0 | 496.0 | 503.0 | 10.0 | 7.1 | 1.4 |
| Soybean oil | $/mt | 1310.0 | 1218.0 | 1178.0 | 1.8 | -7.0 | -3.3 |
| Soybeans | $/mt | 575.0 | 573.0 | 566.0 | 5.9 | -0.3 | -1.2 |
| **Grains** | | 224.6 | 227.9 | 228.8 | -2.2 | 1.5 | 0.4 |
| Maize | $/mt | 274.0 | 269.3 | 267.3 | -2.4 | -1.7 | -0.7 |
| Sorghum | $/mt | 254.9 | 216.7 | n.a. | -7.0 | -15.0 | n.a. |
| Wheat, US, HRW | $/mt | 266.3 | 264.4 | 276.2 | -6.2 | -0.7 | 4.5 |
| Sugar World | ¢/kg | 50.2 | 45.9 | 45.1 | -5.6 | -8.5 | -1.6 |
| **Base Metal** | | 174.1 | 167.4 | 157.2 | -3.1 | -3.8 | -6.1 |
| Aluminum | $/mt | 2049.7 | 2007.6 | 1890.2 | -6.2 | -2.1 | -5.9 |
| Copper | $/mt | 8289.5 | 7955.6 | 7423.0 | -2.1 | -4.0 | -6.7 |
| Iron ore, spot, cfr China | ¢/dmtu | 147.6 | 136.6 | 134.7 | 2.1 | -7.5 | -1.4 |
| Lead | ¢/kg | 207.1 | 201.3 | 185.4 | 0.7 | -2.8 | -7.9 |
| Nickel | $/mt | 17939.8 | 17068.2 | 16549.1 | -3.9 | -4.9 | -3.0 |
| Steel products index | 2005=100 | 137.2 | 137.1 | 137.1 | -0.2 | -0.1 | 0.0 |
| Tin | ¢/kg | 2220.1 | 2040.5 | 1927.1 | -3.4 | -8.1 | -5.6 |
| Zinc | ¢/kg | 200.2 | 193.6 | 185.9 | -1.7 | -3.3 | -4.0 |
| **Precious Metals** | | | | | | | |
| Gold | $/toz | 1649.2 | 1589.0 | 1598.8 | -1.6 | -3.6 | 0.6 |
| Silver | ¢/toz | 3152.6 | 2872.0 | 2798.4 | -4.3 | -8.9 | -2.6 |

*Source: World Bank, Commodity price data.*

The **Henry Hub (HH) natural gas price** rose by 0.7% m-o-m in June compared to a 25.2% rise in May. Prices found partial support in the last week of June from slightly lower-than-expected consensus inventories. Short covering during the same week also contributed to the rally due to the wariness of some market participants of lower coal displacement during the summer. Major market observers agreed that if summer weather is expected to be a factor influencing demand, coal displacement will likely to be the key factor during the rest of the summer season, which is expected to offset the impact of the weather.

The **agricultural** price index fell 2.8% m-o-m compared to a 1.7% m-o-m drop during the previous month. As with most other commodities, agricultural markets continued being driven by macroeconomic factors and risk aversion. Nevertheless, this time, wheat and corn prices were the best performers, driven by dry weather and heat in the US Midwest and by Chinese imports for May. Data from the US Department of Agriculture's World Agricultural Supply and Demand Estimates (WASDE) report favored corn. Concerning Chinese agricultural imports, May trade data reported that China's net corn imports posted a strong increase of 608% m-o-m, while wheat imports rebounded on a monthly basis, reversing the easing of the previous month due to concerns over the impact of dry weather on China's domestic wheat harvest. Bad weather led to Black Sea producers downgrading Russian and Ukrainian wheat crops and dry weather in the North China Plains also affect grain crops.

**Graph 2.1: Major commodity price indexes, 2010-2012**




***Commodity price index, 2005 = 100***

| | |
|---|---|
| *Total:* | *Includes both fuel and non-fuel.* |
| *Non-fuel:* | *Includes food and beverages and industrial inputs.* |
| *Food:* | *Includes cereal, vegetable oils, meat, seafood, sugar, bananas and oranges.* |
| *Metals:* | *Includes copper, aluminum, iron ore, tin, nickel, zinc, lead and uranium.* |
| *Fuel (energy):* | *Includes crude oil (petroleum), natural gas and coal.* |
| *Crude oil:* | *Is the simple average of three spot prices: Dated Brent, West Texas Intermediate and Dubai Fateh.* |

*Source: IMF.*

The role of weather is so crucial to the outlook for grains that it completely offset the rather bearish implications of the USDA's annual acreage report of 29 June, which reported a rise across 2012 of US corn, wheat and soybean acres, compared to figures published in its first survey-based estimate at the end of March.

The **World Bank's base metal price index** plummeted by 6% m-o-m compared to a 3.8% drop m-o-m in May on worsening macroeconomic outlook. The drop took place across the whole complex with aluminium and copper declining by 5.9% and 6.7% m-o-m, respectively. Base metals prices declined despite falling inventories at the LME due to demand concerns given the deterioration of the macroeconomic front with the metals complex also suffering from increased risk aversion. Positioning has moved aggressively to the short side on pessimism about global demand and de-stocking in China. Aluminium and nickel prices were down further, regardless of supply cuts, given the continued macro-level uncertainties, especially with regard to the European sovereign debt crisis and Chinese growth. Despite the shift in the Chinese government's policies towards pro-growth measures, confusion remains regarding the direction of metals market dynamics, particularly for copper. Political measures announced by Indonesia (such as higher export taxes on raw materials like bauxite) also played a role with Chinese imports of aluminium and nickel avoiding a sharper price decline.

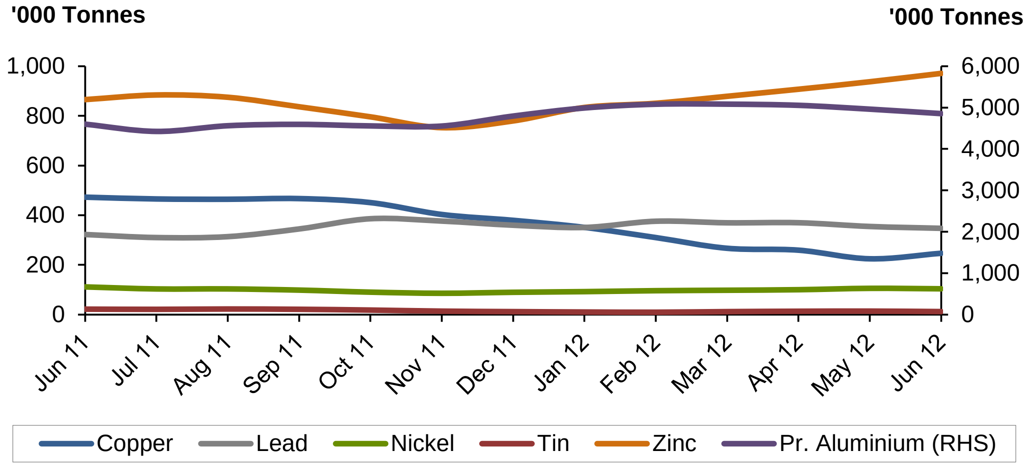
Worsening prospects for global growth, particularly concerning Europe and China, have led to a broad sell-off in base metals. Despite pro-growth government measures, confusion is still apparent in terms of the direction of metals market dynamics.

**Copper prices** at the CBOT decreased by 6.7% m-o-m in June compared to 4% m-o-m during the previous month. This metal received a negative impact from a slowdown in the widening of spread between Shanghai Futures Exchange (SHFE) and the London Metal Exchange (LME), the softening of spot market activity and a modest rise in bonded warehouse stocks, suggesting that buying activity in early June had fizzled out.

**Aluminium prices** fell by 5.9% m-o-m in June compared to a 2% drop during the previous month. This metal was especially affected during the second half of June by poor macroeconomic data, declining energy prices and the announcement of power tariff subsidies in Henan, China. However, according to some market observers, even with the latest Chinese power tariff subsidies, global aluminium output growth is expected to remain weak. This, combined with an expected rise in consumption, may lead to a tightening of the aluminium balance (this has already been seen with significant, partly seasonal, draws in inventory in recent months). The combination of this tightening, an anticipated rebound in oil prices and Indonesian bauxite export quotas may set a bullish outlook for aluminium in 2H12.

**Gold prices** rose slightly by 0.6% m-o-m, which compared positively to a 3.6% decline during the previous month. Gold had struggled to re-establish its safe-haven status, but the major mover has been the physical market in the near term. Exchange Traded Products (ETP) holdings remain resilient, as buying has shown signs of life in China, but appetite in India remains soft in light of a weak rupee. The dollar's appreciation against other major currencies continued weighing on gold markets during June.

**Graph 2.2: Inventories at the LME**




*Source: London metal exchange.*

## Investment flows into commodities

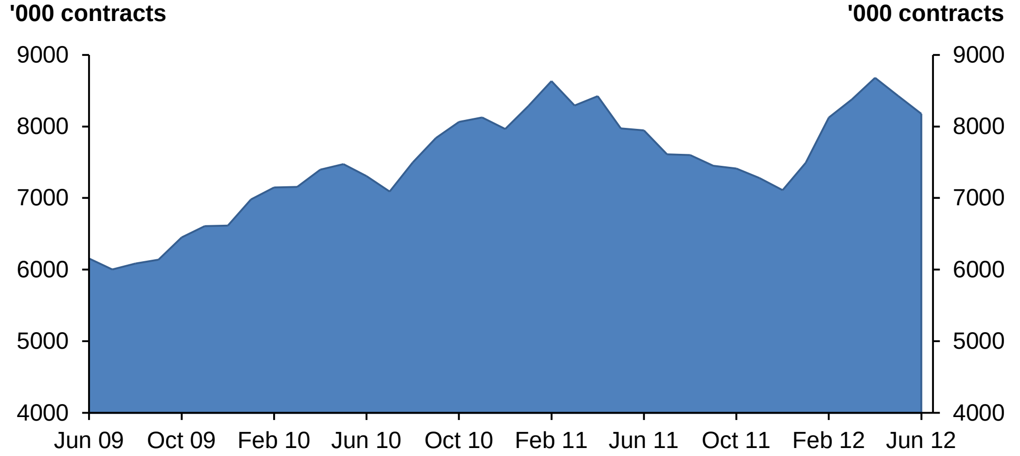
*Risk aversion across commodity markets in June*

Investments in commodity markets declined further in June affected by the ongoing unfavourable macroeconomic concerns, fears over the Chinese economic recovery and slow progress in finding a solution to Euro-zone sovereign debt problems.

**Total open interest volume (OIV)** in major commodity markets in the US declined by 3% m-o-m to 8,176,422 contracts in June, compared to a 2.9% loss in the earlier month. Most of the markets felt the negative impact of persisting macroeconomic concerns.

Total net long speculative positions fell by 10% m-o-m to **551,966 contracts in June,** compared to a 22.5% decline during the previous month. Longs fell by 5.7% while shorts dropped by 3.1% m-o-m. Except for a gain in gold (1.2%), all markets at the US CFTC recorded an outflow in net money positions.

**Graph 2.3: Total open interest volume**

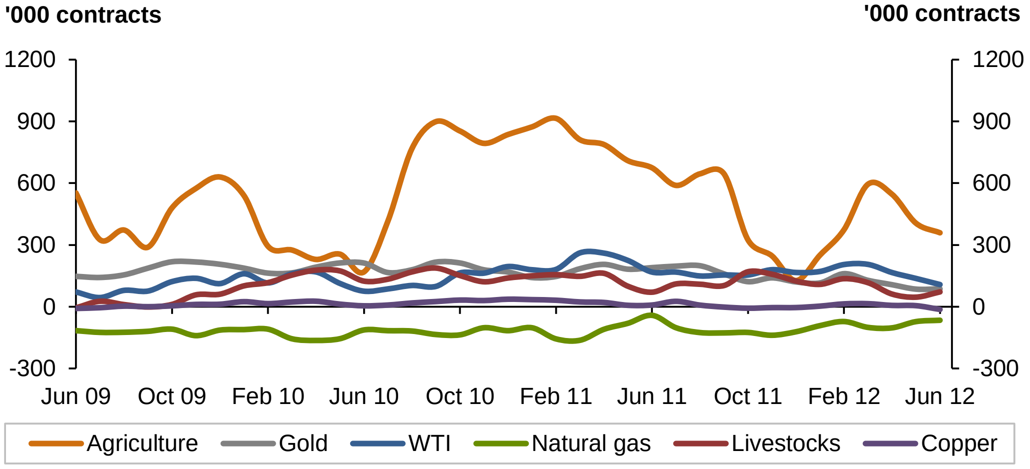



*Source: US commodity futures trading commission.*

**Agricultural** OIV dropped by 2% m-o-m to 4,361,710 contracts in June, compared to a drop of 3.8% last May. Money managers' net long positions in agricultural markets decreased by 11.5% m-o-m to 359,084 contracts in June, compared to a 25.7% drop in May. There was a combined decline in longs and shorts of 6% and 2% on a monthly basis, respectively. The decline in strategic investments for the whole sector was softer because some grains, notably corn, saw an improvement in prices.

The **HH natural gas** OIV fell slightly by 3.8% m-o-m to 1,178,401 contracts in June, compared to a decline 3.5% during the previous month. Money managers' net positions increased by 9% m-o-m to a minus 65,562 contracts compared to a 29.7% gain in May on a rise of 5% short positions and 3% in longs.

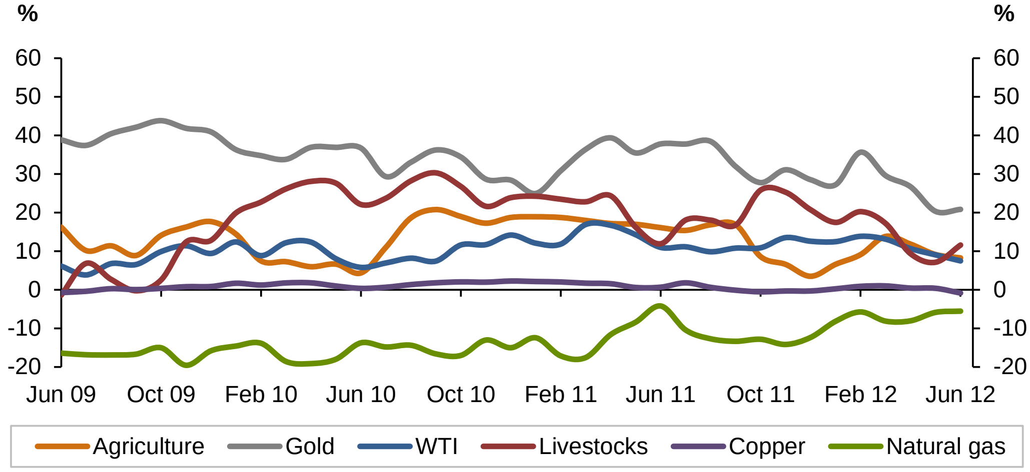
**Graph 2.4: Speculative activity in key commodities, net length**




*Source: US commodity futures trading commission.*

**Copper OIV** rebounded by 1.9% m-o-m to 149,906 contracts in June compared to a 5.6% loss in May. Speculative net long positions plummeted by 348% m-o-m to minus 13,045 contracts in June, compared to a drop of 19.1% in May. The huge retreat in strategic investments was due to a 47.7% m-o-m rise in short positions.

**Graph 2.5: Speculative activity in key commodities as % of open interest**



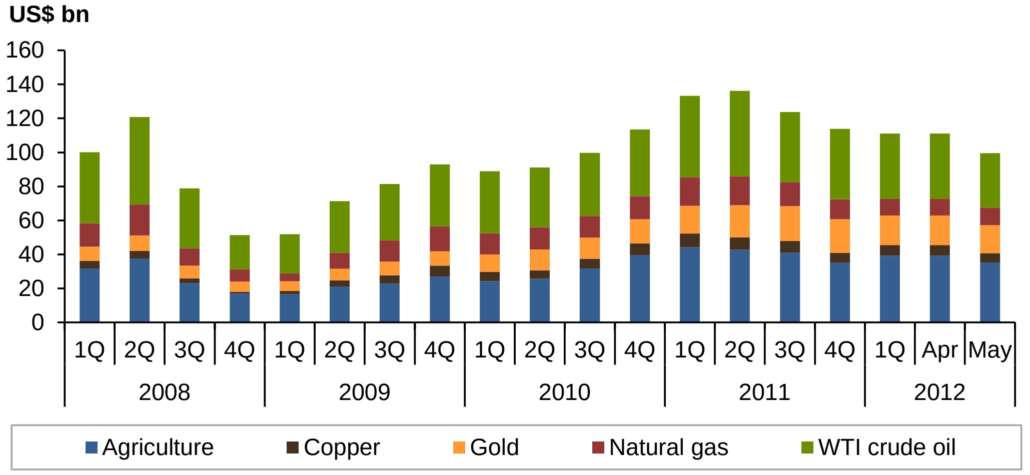

*Source: US commodity futures trading commission.*

**Gold** OIV declined by 1.1% m-o-m to 417,074 contracts in June, compared to a 5% gain in May. Tactical investments in gold were up 1% m-o-m to 86,778 contracts in June, compared to a 20% decline during the previous month. Short positions rose by 11.7% m-o-m while longs rose by 4%.

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

| | *Open interest* | | *Net length* | | | |
|---|---|---|---|---|---|---|
| | **May 12** | **Jun 12** | **May 12** | **% OIV** | **Jun 12** | **% OIV** |
| Crude Oil | 1523 | 1445 | 137 | 9 | 108 | 7 |
| Natural Gas | 1225 | 1178 | -72 | -6 | -66 | -6 |
| Agriculture | 4454 | 4362 | 406 | 9 | 359 | 8 |
| Precious Metals | 535 | 539 | 91 | 17 | 92 | 17 |
| Copper | 147 | 150 | 5 | 4 | -13 | -9 |
| Livestock | 656 | 625 | 47 | 7 | 72 | 12 |
| **Total** | **8,539** | **8,298** | **614** | **7** | **552** | **7** |

**Graph 2.6: Inflow of investment into commodities, 2008 to date**




*Source: US commodity futures trading commission.*

# World Economy

**Table 3.1: Economic growth rates 2012-2013, %**

| | World | OECD | US | Japan | Euro-zone | China | India |
|---|---|---|---|---|---|---|---|
| 2012 | 3.3 | 1.4 | 2.1 | 2.5 | -0.4 | 8.1 | 6.4 |
| 2013 | 3.2 | 1.4 | 2.0 | 1.2 | 0.1 | 8.0 | 6.6 |

## Industrialised countries

### US

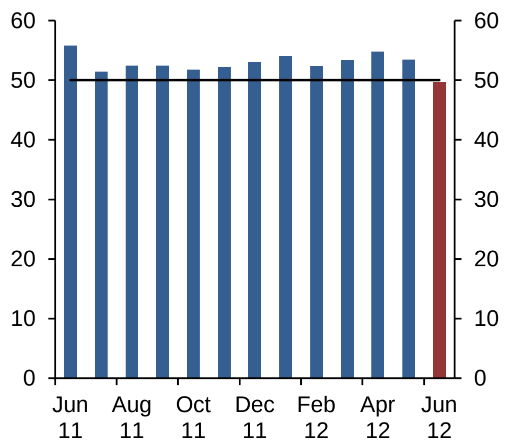
*The US economy is facing slowing growth, leading to a forecast of 2.1% for this year and 2.0% for 2013*

The US economy is still the more resilient of the major OECD economies despite the fact that it has witnessed some slow-down recently. The 1Q12 GDP growth number was confirmed at 1.9% compared to 3.0% in the 4Q11. There is an expectation of a slight improvement in quarterly growth for the remainder of the year, but not at a major margin. This is due to the still high unemployment rate, a slowdown of global trade and declining confidence levels. The upcoming presidential election in November and the fiscal issues that will have to be sorted out for the year after are also important factors to watch and to consider when providing the growth forecast for the next 18 months. The current expectation is that the fiscal issues will not largely be a drag on growth in the next year and that pending issues will be sorted out in a constructive manner by the US Congress. It should be noted, however, that it was a very late agreement that was reached last year for lifting the debt ceiling and that there is at least some likelihood that it will again be challenging to find an agreement on the necessary fiscal cuts.

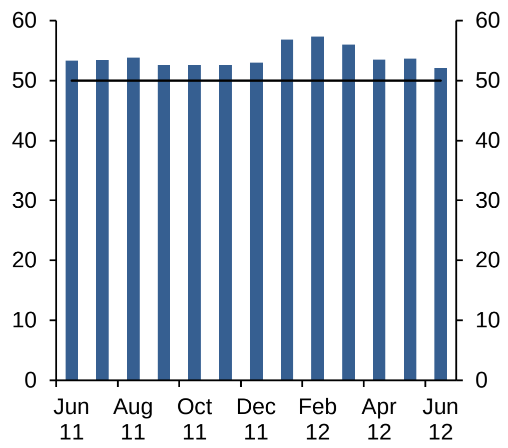
The labour market continues its slight improvement. Although the unemployment rate remains at 8.2% in June, 80,000 jobs were reported to have been added in the non-farm area in June, after 77,000 job additions in May, a number that was positively revised from 69,000. Long-term unemployment remains an issue but has improved in June. 41.9% of all unemployed have been without work for more than 27 weeks in June. This compares to 42.8% in May and to last year's peak levels of more the 45%. It is still a large number and a major improvement is not expected anytime soon, but a decline of the current monthly share of around 1 percentage point should provide some support to the economy. The participation rate has stabilized at 63.8%, the same level as in May. With only marginal improvements in the labour market, consumer confidence has declined. The consumer confidence index of the Conference Board was recorded at 62.0 in June, lower than the 64.4 in May and considerably below this year's peak level from February of 71.6. The other consumer sentiment index of importance, the index of the University of Michigan, declined as well — and even more sharply — to 73.2 from 79.3 in May, which was the highest level since October 2007. Monthly retail sales numbers were falling in May by 0.17%, after a decline of 0.22% in April. On a yearly comparison, it is still a rise of more than 5%, but clearly it is slowing down.

Industrial production continues expanding on a yearly base. It grew by 4.7% y-o-y in May, compared to 5.1 % y-o-y in April and compared to 3.6% in March. This translates to a meagre monthly decline of 0.1%. Manufacturing orders were also posting a positive yearly trend in May, when they grew by 3.0% y-o-y, after 3.4% in April. While the manufacturing orders point at a continued expansion, the latest ISM numbers were pointing down and highlighting the likelihood of a continued deceleration, particularly in the manufacturing area. The ISM number for the manufacturing sector in June stood at 49.7, below the growth indicating level of 50, after it recorded a solid number 53.5 in May. The ISM for the services sector also declined to 52.1 from 53.7 in May.

**Graph 3.1: ISM manufacturing index**




**Graph 3.2: ISM non-manufacturing index**




*Source: Institute for Supply Management.*

The very important housing sector exhibited a rise in some of its most important measures. After having fallen by 5.5% in April, pending home sales rose by 5.9% in May, according to the National Association of Realtors. Pending home sales are considered a leading indicator of progress in real estate because they track contract signings. Furthermore, the yearly change of the house pricing index of the Federal Housing Finance Agency (FHFA) has continued its rising trend with a monthly price rise of 3.0% in April, after 2.4% in March. Finally, existing home sales in March held up relatively well at 4.55 million in May, though still slightly below the May level of 4.62 million.

So taking the above into consideration, as well as the expected challenges to reduce the fiscal deficit in the coming months, there will be some pressure on the spending abilities of the public household as well as private households. On the other hand, an improvement in the labour market as witnessed over the previous months could provide support to the economy. Finally, the Federal Reserve Bank (FED) has highlighted on many occasions that it is able and willing to support the economy further. This leads to a forecast of 2.0% for next year at almost the same level as this year's growth expectation of 2.1%.

## Japan

*Higher than expected momentum during 1H12 has supported increasing 2012 growth forecast to 2.5% and an expected expansion of 1.2% next year*

Japan's economy has continued its recovery in the past weeks but remains dependent on stimulus efforts to revive the local economy and its exports, which are mainly manufacturing-based, an area that depends on the development of the global economy and which is showing signs of a slow-down. While growth is one issue in the Japanese economy, the fiscal balance is another one. In comparison to other major OECD economies, Japan has so far not addressed this issue as aggressively as other economies, due certainly in part to the triple disaster of last year. In the meantime, the government has started to tackle the issue by planning to double the consumption tax; further measures are expected to follow in the future. With an ageing population, the highest debt burden of all major OECD economies and despite the needed recovery efforts after last year's events by far, it is certainly a sensible area that needs to be sorted out as long as it possible to do so without the pressures from capital markets. There is a plan to increase the consumption tax to 8% by 2014 and to 10% by 2015, from currently 5%. But even with the rise in consumption tax, the gross debt-to-GDP measure is forecast to stand at a stunning 292% in 2016, according to an estimate that has been undertaken by Credit Suisse. To find new sources of revenue, therefore, should be expected to be a key issue for the future. Additional sovereign funding needs will probably hold back next year's expansion, after this year's focus moves away from providing support for the economic recovery. The current global slowdown and demographic developments will potentially make it challenging to find the right balance. However, it should be noted that to raise the tax in the current environment might turn out to be a risky move. In 1997, the last time the tax was increased, it led to a recession and a slump in retail sales and to a steep decline in central government tax revenues.

Another sensitive area — and consequence of last year's events — is the shut-down of the nuclear facilities in Japan, which have provided more than a third of electricity to the country. There is currently a popular mistrust of nuclear energy and it remains to be seen how this will develop. Only one reactor has been re-started recently, but this is considered to be an exception; no additional nuclear energy supply should be expected in the near future. Currently, the shortage of electricity is compensated via imports of fossil fuels for burning to generate electricity. This is not only more expensive, given that the nuclear infrastructure had been providing relatively cheap energy after the expensive installation costs had been absorbed, but it is also a burden to the economy, which has been facing a yearly trade deficit, a phenomenon not known for more than two decades. Trade surpluses had been an important source of funding for the economy and, hence, the trade deficit has become the source of its largest fiscal deficits. It is not expected that the country will return to its nuclear facilities anytime soon, which in the short-term will also have a negative impact on the economy.

The pattern of a monthly trade deficit promptly started in March of 2011, when the country was hit by the tragic events. The April 2011 gap was the highest at 697 billion yen, but the most recent May number was again at almost the same level at 657 billion yen. This comes despite a relative successful development in exports, which increased by 10.0% y-o-y in May on a non-seasonally adjusted base and by 8.0% in April. Industrial production is also holding up well, but the momentum seems to fade with a yearly rise of 3.4% in May compared to a 12.9% rise in April. Retail trade has slowed down slightly as well, from a 5.9% y-o-y rise in April to a 3.6% increase in May. The slowing momentum becomes even more evident when reviewing the recent manufacturing order numbers which declined by 7.1% in May, after a rise of 9.2% in April. This yearly comparison translates into a monthly change of an even greater magnitude of -14.8, compared to an increase of 5.7% in April. Interestingly, it is domestic demand that has fallen sharply by 23.0% m-o-m, compared to foreign demand, which was at around the same level in May as it was in April at 0.3%. This will need further close monitoring as the latest Tankan survey signaled improving manufacturing data. The large manufacturer business conditions diffusion index improved from -4 in the March Tankan to -1. This is the first improvement in large manufacturer business conditions in three quarters. The outlook for large manufacturers is also for continued improvement to an index of 1; and despite some disparity between industries, manufacturing conditions are reported to be solid overall. The more positive momentum of the Tankan index is contrary to the lead indicator of the purchase manufacturing index (PMI), provided by Markit. The June composite PMI fell below 50 for the first time since November of last year to stand at 49.1. Both the manufacturing and the services sector are forecast to decline with an index level of 49.9 and 49.3, respectively.

The momentum in the 1H12 has been solid, especially when compared to the previous year. This higher than expected momentum has supported a lifting of this year's growth forecast to 2.5% compared to last month's forecast of 2.0%. However the slow-down in the global economy, combined with the need to tackle the fiscal situation and the expected slowdown in domestic demand, is expected to drag the expansion again to lower levels in the next year to around historical averages to stand at 1.2%.

## Euro-zone

*The Euro-zone debt crisis remains a major issue weighing on the global economy with the expansion of the economy in 2013 seen at 0.1% and a decline of 0.4% forecast for this year*

The Euro-zone debt situation remains a major issue impacting the global economy. After the elections in Greece have made a continuation of cooperation with the Troika (the EU Commission, the ECB and the IMF) possible, it remains to be seen if the country will be able to achieve the agreed upon cost cuts and hence receive the bail-out funds needed. Ireland and Portugal have been reported to have made good progress and seem to be out of the danger zone for the time being, while Spain and Cyprus have moved into the spotlight and are now the centre of attention. Spain is certainly the most important part of the current European debt puzzle. In the most recent debt auctions, treasury bonds for Spain government bonds yielded more than 7%, a new record and an unsustainable level in the long-term for the economy to be able to move out of the debt spiral. In the meantime, Spain's government has agreed on a 100 billion euro support package for its ailing banking industry with Euro-zone leaders and in the most recent meeting of Euro-zone finance ministers, the details of this relatively large aid package was provided. By the end of July, the first 30 billion euros will be transferred and further stress tests will be pursued for the 14 largest financial institutions. The bank's distressed assets will be managed afterwards by a specially designed "bad bank". The entire plan aims at addressing the particular issues of the weakest segments of the Spanish banking industry and to avoid the spreading of a potential contagion to other sectors of the Spanish economy — or to other economies in the Euro-zone. Until the banks' reviews are finished, the 30 billion euros will be held by the government as a contingency for urgent needs.

The whole emergency plan for the Spanish banking industry reflects a change of attitude among Euro-zone authorities as it will provide a direct injection of funds into a nation's banking industry, while previously structures had been designed to avoid such direct funding. This direct funding will allow Spain — which has already established a sovereign fund at the national level for bailing out its banks some weeks ago — to transfer the accumulated debt burden for bailing out the banks from its sovereign balance sheet to the Euro-zone authorities. The support facilities that will be part of a refinancing of the European Stability Mechanism (ESM) that has been agreed upon just at the end of June at an EU summit will also potentially allow Ireland to transfer a large amount of its bail-out facilities — basically financed via sovereign debt — from the sovereign level to the accounting facilities of the Euro-zone. A prerequisite for this support will be a Euro-zone wide supervision of banks, generally labelled as a "banking union", which will move the authority of national supervision to a centrally installed supervisory institution of the Euro-zone. Details of this supervision have not been finalized yet, but the authority will most likely be within the sphere of the European Central Bank (ECB) and the European Banking Authority (EBA). Details about the final structure of the ESM will be discussed among Euro-zone finance ministers in September and be presented in October. In the meantime, the new facilities of the Euro-zone will still have to be approved by national legislatures in some Euro-zone member countries, which could pose some uncertainty as the past has shown on some occasions. The ECB has also acted to support the declining Euro-zone economy and has reduced its key interest rate from 1.0% to 0.75 % and its deposit rate to 0%, which could probably turn out to be the more important move as banks will no longer have a financial incentive to deposit money with the ECB and could be motivated to invest instead in the Euro-zone economy. Bank deposits with the ECB the day before the decision have been at almost 800 billion euros. The decision could serve as an incentive for banks to instead park their funds in relatively safer assets, like treasury bonds of highly rated sovereigns, which would then further push down the yields of these economies and could further widen the wealth gap of the well-funded and the less well-funded economies.

While the debt issues seem to be contained so far, the situation has become more critical again in the past months. The sums that are involved have become larger. The real economy continues to decline and the negative spin that has been observed in the first half will be carried over most probably into the second half. To some extent, it is expected to have an effect on growth in the next year. Industrial production has declined for five consecutive months, from the end of last year to April, while April has posted the sharpest drop of 2.4% y-o-y. Manufacturing orders do not point to an improvement but rather to a decline of 3.3% in April, leading to a continuation of this negative momentum. The same negative spin is provided by the latest purchase manufacturing index (PMI) numbers, published by Markit. The June composite PMI remains almost at the previous month's level of 46.4 compared to 46.0 in May. It is currently mainly the manufacturing sector that seems to operate at very low levels with the PMI for the manufacturing sector at 45.1, at around the same level as it was in the previous month. This low industrial activity leads to an always rising unemployment rate, which is now at11.1% in May, again a record high. Consequently, retail trade has been negative for more than a year now for every month, with the latest number for May declining by 0.3%.

While it is forecast that the 2H12 will be impacted significantly by this negative momentum, it is expected that it will improve by the end of the year. This will depend largely on the ability of the Euro-zone to manage the sovereign debt crisis and to promote enough growth, while at the same time being able to contain the debt burden from increasing and, ideally, to reduce it. This assumption leads to an expected expansion of the economy by 0.1% in 2013, while the negative consequences of the current economic situation will be largely felt this year, which is forecast to decline by 0.4%.

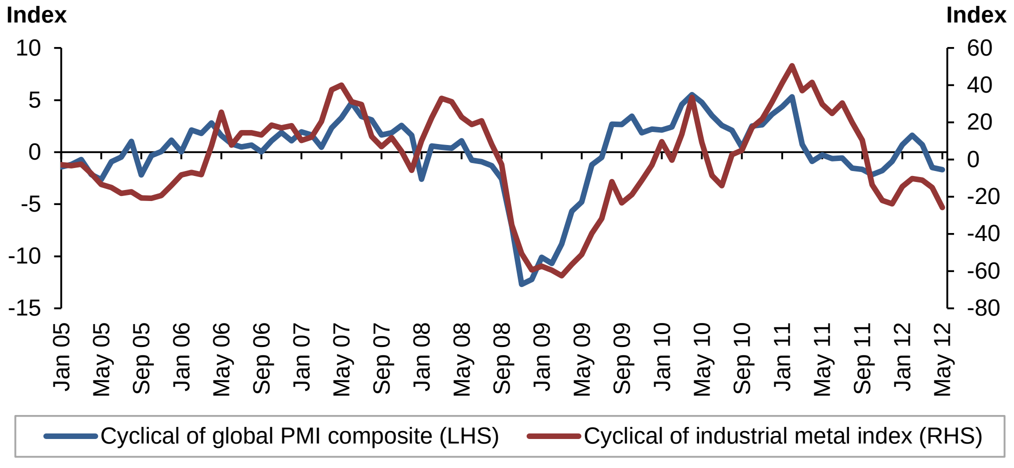
## Emerging markets

*Euro-zone crisis weighs on the global economic recovery and geopolitical tensions in the M.E. cast uncertainty on commodity and oil markets*

Uncertainty surrounding the strength and persistence of global economic growth, and the pace of expansion of economic activity in developed and emerging markets, has been the salient feature of the global economy since late 2011. In the 1H12, optimism over a smooth transition toward a robust, albeit uneven, expansion of economic activity in advanced and developing countries had all but faded following the deepening of the sovereign debt crisis in the Euro-zone, lackluster growth in North America and decelerating economic growth in emerging markets (notably in China, India and Brazil). Although recent developments imply that the Euro-zone is more likely to keep all of its member states on board with a shift in emphasis toward measures of growth in the short-run and a commitment by its member states to a more consolidated fiscal stance in the medium- and long-term, the remote possibility of Greece leaving the monetary union has kept the risk of adverse economic impacts on the Euro-zone and the international economy significantly high.

Under the current scenario, it is expected that austerity plans will ease to some extent, with Spain and Italy continuing to meet their reform goals and the European rescue funds becoming available for short-run emergencies. In the longer-term, integration of the Euro-zone's fiscal, debt and banking markets would move ahead, although at a slower pace than expected before. However, the fact that the departure of Greece from the Euro-zone, with a severe impact on the Euro-zone economy, still cannot be ruled out and remains a cause of concern. Such an action would provoke a massive capital outflow from the country and result in a default of its fiscal obligations, with a destabilizing effect on the Euro-zone and beyond. This points to the underlying vulnerability of the region's economy to political shocks when its unemployment is already at record level. Besides the Euro-zone crisis, geopolitical tensions in the Middle East, the contraction of manufacturing in the US for the first time since 2010 and decelerating economic growth in emerging markets have been fuelling uncertainties regarding global economic growth, which has affected demand for commodity and oil in the 2H12. The US economic recovery remains on track, but a string of recent data releases has confirmed a softening of the pace in recent months. GDP growth in 2012 has been revised down slightly to 2.1% (at an annual rate).

**Graph 3.3: Cyclical movements of global PMI and industrial metal index**



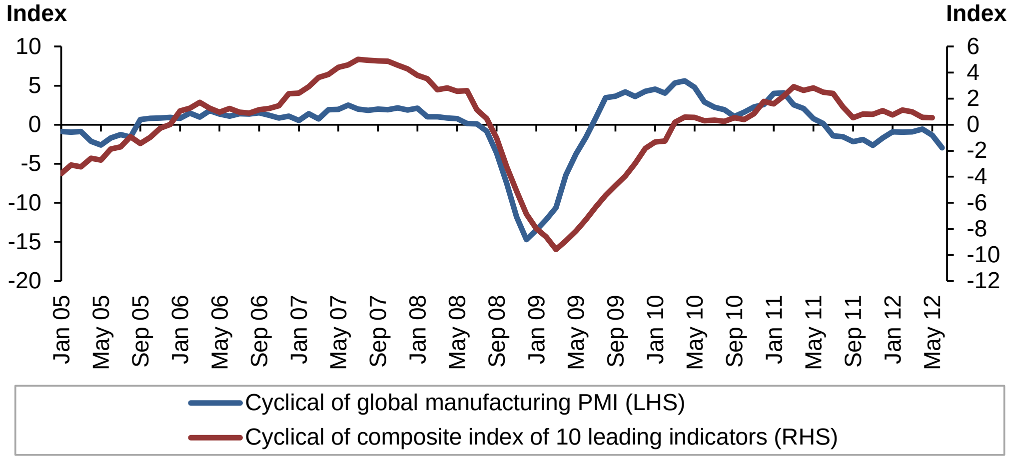

*Source: JP Morgan, Markit, Haver Analytics and IMF.*

It is expected that Asia and Australia (excluding Japan) will continue growing, albeit moderately, in 2012 and 2013. One factor affecting the region's growth is a shrinking of their export markets due to a slowdown in the US and the economic crisis in the Euro-zone. We estimate that growth will ease to 4.7% in Asia (including Asia Pacific) this year. The growth rate is expected to remain around this figure for the next year as well, reflecting a slower expansion in the two regional giants, China and India. However, Asia will retain its status as the world's fastest-growing region. Asia's economic fundamentals are sound. The levels of debt (both government and private) are generally low compared with those in the West, and Asian banking sectors are mostly in good shape, having come through the global financial crisis without large losses (Economist Intelligence Unit (EIU), June 2012). The region will continue to benefit from China's emergence as an engine of regional growth, particularly as China's middle class expands and the government adopts policies to encourage growth in private consumption.

In June, China's authorities announced a surprising cut in lending and deposit rates to take effect in July. China's economy has continued to slow, although economic figures for May were not as weak as expected. This supports our long-standing view that China will avoid a hard landing. We estimate that Chinese GDP will expand by 8.1% in 2012 followed by an 8% growth rate in 2013. We have reduced our 2012 GDP growth forecasts for a number of emerging market economies, including Brazil and India. We estimate that Brazil's economy to expand by only 2.5% this year and 3.3% in 2013. India's GDP, in turn, is estimated to grow by 6.4% this year and by 6.6% in 2013. Both countries have been hurt by the broader slowdown in global growth, but each has also suffered from policy missteps, including allowing inflation to rise in 2011, which triggered damaging interest rate hikes that are only now being reversed. Policy easing should support growth in both economies later this year (EIU, June 2012).

Following a policy-induced rebound in 2010, growth in the Latin American region slowed to 4.4% in 2011. We forecast a further slowdown to 3.1% in 2012 and a moderate acceleration to 3.3% in 2013. The economic performance of the region is affected by the outright contraction in the Euro-zone and sub-par growth in the US. Growth in South American countries will continue to be supported by China's demand for soft and hard commodities exports. Historically low OECD interest rates, coupled with an improving investor perception of the region's potential, will continue to benefit those Latin American economies that are well integrated into global financial markets. The region's external balance sheet is sound, reducing the risk of debt servicing difficulties. External debt is much lower relative to GDP and foreign-exchange reserves are at record levels. Strong domestic demand has resulted in a current account deficit in many of the Latin American countries. This has increased the region's vulnerability to shifts in market sentiment and has been reflected in renewed pressures on the region's currencies as investors have fled from risky assets amid the escalation of the Euro-zone crisis. Concerns about a slowdown in China's growth rate has also been a factor impacting commodity demand and prices (EIU, June 2012).

**Graph 3.4: Cyclical movements of JPMorgan global manufacturing PMI and composite index of 10 leading indicators**




*Source: JP Morgan, Markit, Haver Analytics and the Conference Board.*

In **Eastern European** economies, the spillover from the Euro-zone crisis has blunted growth prospects. The 2012 recession expected in the Euro-zone will act as a brake on economic activity across Eastern Europe through weaker trade, investment and financing in the banking channels. The sovereign debt crisis in the Euro-zone, Eastern Europe's key export market, has reduced growth prospects and raised doubts about the medium-term outlook. In the 1Q, export growth and industrial output weakened, while business and consumer sentiment in the region remained fragile. In addition to faltering external demand and a weak outlook for credit, domestic demand also remains weak, given high unemployment, excess capacity in some cases and the inability of governments with considerable budget deficits to respond with stimulus measures. External bank loans and foreign direct investment (FDI), both of which have helped to drive growth in the pre-crisis years, will be subdued in 2012. Euro-zone plans to strengthen their banks' capital adequacy ratios in order to respond to the threat of sovereign bonds defaults will limit the lines of financing available to countries in Eastern Europe. Euro-zone banks are expected to increase their capital ratios through a mixture of fund-raising, asset sales and reduced lending, which, according to the European Bank for Reconstruction and Development, would lead to "considerable deleveraging" in Central and Eastern Europe. The "Vienna 2.0" initiative of early 2012 is a positive development, however, although it does not go nearly as far as the 2009 Vienna Initiative that helped to prevent Western bank flight during the 2009 crisis (EIU, June 2012). We therefore expect a slowdown in economic activity in the region in 2012 with some countries such as Hungary expected to experience negative growth.

Economic growth in the Middle East and North Africa (MENA) region is expected to recover to some extent in 2012, despite the weak external environment, as a result of a rebound in some of the economies most affected by the civil unrest of 2011 and still-high global oil prices. We expect the region to grow by 3.5% in 2012 and then drop to 3.0% in 2013, as oil prices are likely to continue to slip lower towards their long-term path after peaking in the 1Q12. Geopolitical factors and continuing weakness of economic activity in Egypt are among the factors reducing economic growth in the MENA region. In the meantime, massive infrastructure and industrial development in Saudi Arabia, expansionary fiscal policy in oil-rich states of the region, and an expansion of Iraq's construction and petroleum sectors support higher rates of economic growth.

Despite the overall weakness of the global economy, fundamentals have been improving in many emerging markets (EMs) in recent weeks. Nevertheless, policy mixes adopted in EMs to support economic growth differ significantly according to their individual economic circumstances. While in many emerging Central and Eastern European countries tight monetary policy to curb elevated inflation is still on the agenda, in Asia and Latin America a more accommodative monetary policy is being adopted on concerns over sluggish economic growth. Inflation in Latin America has been moving lower, allowing policymakers to turn to economic growth policies. The Central Bank of Brazil cut 50 basis points (bp) off its policy interest rate on 30 May on top of interest rate cuts earlier this year. A series of initiatives totaling 1.5% of GDP are also envisaged to shield Brazil's domestic industry from external competition. India's Central Bank (RBI), on the other hand, has also cut its policy rate by a surprising 50 bp at its last meeting of 17 April, double the expected 25 bp. India's rupee is expected to remain under pressure due to a current account deficit as well as a government deficit. Meanwhile, China's central bank has cut its policy interest rate for the second time in less than a month, reducing the prime lending interest rate to 6%. In Russia, private consumption and investment demand still remain firm and the manufacturing PMI had a surprise downside move in June. Although the labour market is tight and unemployment remains low, the accelerating inflation and the recent floods there might exert a negative impact on consumption growth. ***Table 3.2*** **(**below) summarizes our estimates of the macroeconomic performance of the BRIC economies.

**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 | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 |
| **Brazil** | 2.5 | 3.3 | 5.0 | 5.4 | -61.2 | -69.5 | -2.6 | -2.7 |
| **China** | 8.1 | 8.0 | 3.3 | 3.6 | 203.5 | 199.9 | -2.3 | -2.0 |
| **India** | 6.4 | 6.6 | 7.6 | 6.9 | -68.1 | -71.3 | -5.7 | -5.1 |
| **Russia** | 3.7 | 3.4 | 6.1 | 5.7 | 86.9 | 50.5 | -0.9 | -1.1 |

*Source: Data Services Department, OPEC Secretariat for GDP growth rates; Concensus Forecast, June 2012, for prices and current accounts; Economic Intelligence Unit, June and July 2012, for government fiscal balance.*

*Figures for India are from the fiscal year 2012-2013 and 2013-2014.*

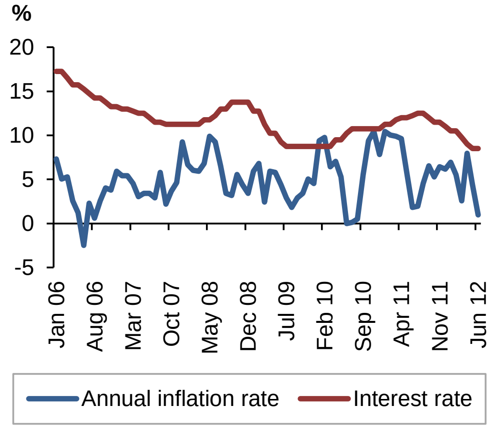
## Brazil

*Brazil's economic performance in 1Q12 has disappointed despite monetary easing and a fiscal stimulus package*

Brazil's economic growth has been disappointing in the 1Q12 with GDP growth registering around 0.8 y-o-y. The agricultural sector contracted by a significant 8.5% on an annual basis while industry grew only by 0.1% y-o-year. The services sector performed better, expanding by 1.6% on an annual basis. On the expenditure side, aggregate demand has been driven by private consumption supported by low employment, as well as easy credit extension and high wages. In addition, government spending posted an increase in this period, although investments contracted in the 1Q. In light of the economy's weak performance in the 1Q12, we have reduced our forecast of Brazil's GDP growth for 2012 to 2.5%. This might even be seen as optimistic considering the weak prospects for industrial activities in the 2Q and its structural difficulties concerning a lack of competitiveness and relatively high wages. In an attempt to revive economic growth, the government launched in April 2012 a comprehensive package to boost domestic industrial activity to complement the country's major plan published in August 2011. This package included measures to increase public and private investment, enhance competitiveness — particularly through special incentives to boost productivity and innovation — and reduce production costs. Protection of industry by tax cuts, encourages banks to pass on lower borrowing costs consumers. The stimulus package consists of three main pillars: actions to curb exchange-rate appreciation, such as a financial transaction taxes on international flows (IOFs), which were recently extended to cover all loans maturing within the next five years; changes to the corporate tax structure; and measures to stimulate domestic production.

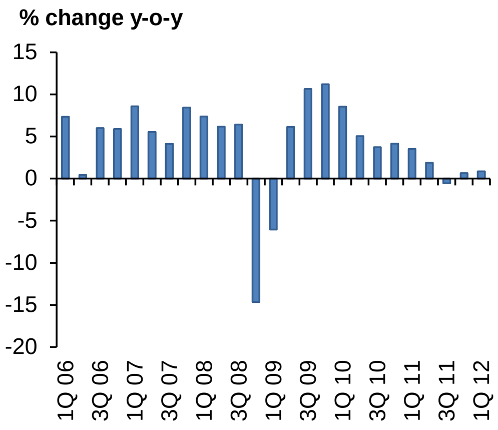
With regard to the first pillar, the government has stated that all measures recently taken have a permanent character and are unlikely to be reversed. Although no new announcements on the exchange rate front were made under the new plan, the minister of finance, Guido Mantega, during a press conference following the announcement of the new measures, said the Selic rate — the monetary policy instrument of the Banco Central do Brasil (BCB, the Central Bank) — would be used as an indirect measure to counteract strong capital inflows. The government has also increased the amount of subsidized loans to companies. On the monetary policy front, the authorities have eased monetary expansion by a series of interest rate cuts since mid-2011, thereby reducing the policy rate from 12.5% in August of last year to a record low 8.5%. Many observers expect another BCB rate cut of 50 bp at its next meeting scheduled for 11 July as inflationary pressures are abating due to lackluster economic growth. The BCB and the government-owned CEF (Federal Savings Bank) have announced changes to their lending rates on some consumer and corporate credit lines in an effort to encourage private sector banks to follow suit in order to preserve market share. The public sector share of total banking credit in estimated to be around 44%. Private banks seem to be yielding to the president's pressures by lowering rates on various credit lines and announcing their intention to lower fees on many of their services.

**Graph 3.5: Brazil's inflation and interest rate**




*Source: Banco Central do Brasil and Haver analytics.*

**Graph 3.6: Brazil's GDP growth (SAAR = seasonally adjusted annual rate)**




*Source: Instituto Brasileiro de Geografia e Estatística and Haver analytics.*

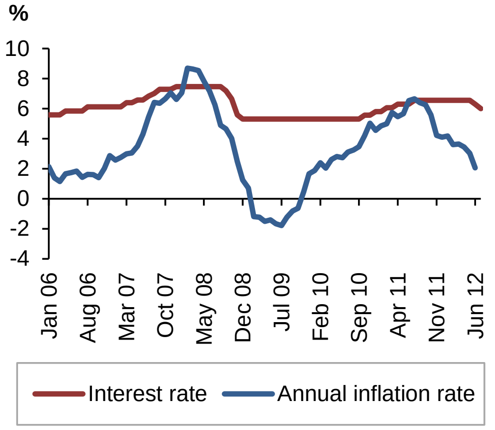
The public sector primary surplus for February has been above expectations at around US$ 5.7 bn. The primary surplus amounts to 3.3% of GDP over the last 12 months. This would reduce the nominal deficit for the overall public sector, which is obtained by subtracting interest expenditure from the primary surplus. Brazil's nominal deficit of the public sector is estimated at 2.7% of GDP for 2012. Also, a government bill has been approved by the Senate which institutes a rigid ceiling on the share of government contributions for social security for newly hired federal employees with the remainder to be employee-funded. Annual inflation has now fallen much lower than expected to around 5.24%, below the BCB's estimate.

## China

*A surprise cut in prime lending interest on 8 July signaled China's concern over its slowing economy*

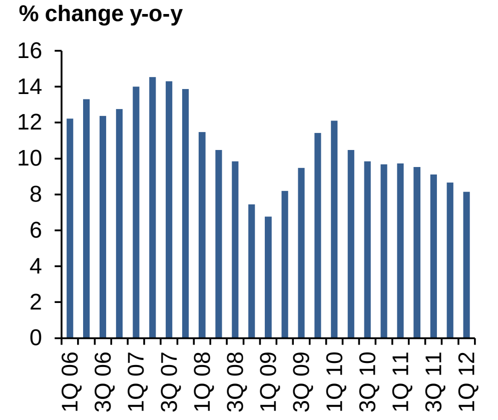
The Chinese economy posted its weakest rate of growth in three years after 1Q real GDP growth moderated to 8.1%. China PMI for June was in line with expectations at 50.2 compared to 50.4 in May, as released by the National Bureau of Statistic (NBS). It seems that last month's estimates of economic activity have underestimated the pace of the slowdown in industrial production. The government has stepped up efforts on monetary easing, reducing its policy interest rate by another 31 bp on 8 July on top of the 25 bp cut earlier on 7 June, thereby lowering the prime lending rate to 6%. The central bank also reduced deposit rates to 3% to mitigate the pressures on banks' net interest margins. The main reason behind the recent interest rate cut is believed to be the easing of inflationary pressures which have currently lowered the inflation rate to 3.3%. The recent cut in the benchmark interest rate by the central bank has been interpreted as the government's move to boost economic activity by lowering the cost of borrowing from the banking system in the face of a falling annual inflation rate. The reserve requirement ratio (RRR) was also reduced by 50 bp effective 18 May. This has been the third reserve ratio cut in six months, in line with the central bank's statement that targeted action would be taken to ensure stable credit growth. Pressure for an appreciation of the yuan against the US dollar is also expected to ease in 2012, given the downward trend in the country's recent trade surplus.

**Graph 3.7: China's inflation and interest rate**




*Source: China's National Bureau of Statistics and Haver analytics.*

**Graph 3.8: China's GDP growth (SAAR)**




*Source: China's National Bureau of Statistics and Haver analytics.*

Looking into the 2H12, the risks associated with China's economic growth have heightened significantly, mainly driven by the Euro-zone's economic crisis. Data released for the month of April reveals a broad based slowdown across the economy as industrial production, fixed investment and retail all register weaker growth. With increasing signs of a deceleration of economic growth, the government has intensified its effort to address structural imbalances. Constrained credit demand has brought renewed calls for the government to provide a fiscal stimulus to the economy. The Chinese government has already taken steps in this direction by increasing its spending by 26% on an annual basis in January-April, above the 12.5% increase in revenue. The government has also been trying to raise its investments in major infrastructure projects. Low unemployment and steady increase in real wages have reduced the imperative to make further interventions. Having brought down inflation in recent months, it might be seen imprudent for the government to overstimulate the economy and thereby risk a return of elevated inflation. Therefore, a dramatic softening of fiscal policy seems unlikely unless GDP growth appears to be falling below the government's comfort zone of around 7-7.5%. We forecast an economic growth of 8.1% for 2012 and 8% for 2013. On the demand side, the fact that finished goods inventories have been rising recently implies weak domestic and external demand. Further declines in new orders — including exports orders — suggest that the Chinese economy still faced downside risk in the near term.

**Table 3.3: China's manufacturing PMI (seasonally adjusted), %**

| <u>**2012**</u> | **PMI** | *Production index* | *New orders index* | *Main raw materials inventory index* | *Employed person index* | *Supplier delivery time index* |
|---|---|---|---|---|---|---|
| January | **50.5** | 53.6 | 50.4 | 49.7 | 47.1 | 49.7 |
| February | **51.0** | 53.8 | 51.0 | 48.8 | 49.5 | 50.3 |
| March | **53.1** | 55.2 | 55.1 | 49.5 | 51.0 | 48.9 |
| April | **53.3** | 57.2 | 54.5 | 48.5 | 51.0 | 49.6 |
| May | **50.4** | 52.9 | 49.8 | 45.1 | 50.5 | 19.0 |
| June | **50.2** | 52.0 | 49.2 | 48.2 | 49.7 | 49.1 |

*Source: China's National Bureau of Statistics.*

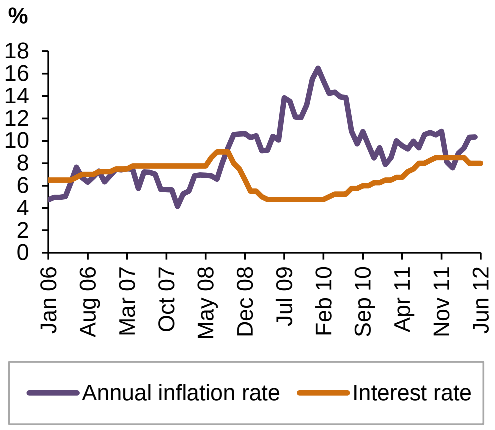
Aside from weak external demand, due mainly to sluggish OECD economic growth, domestic demand has also been growing at a less than expected pace. It appears that the government's attempts to address the imbalances of high ratios of investment and low ratios of consumption-to-GDP need more time to change these ratios to more desirable patterns. Other imbalances such as housing bubbles and externalities generated by high economic growth also have yet to be corrected. The unfavourable corporate environment has been another cause of concern, with corporate profits declining by 2.4% on annual basis in the first five months of the year.

## India

*Industrial production in India contracted amid elevated inflation*

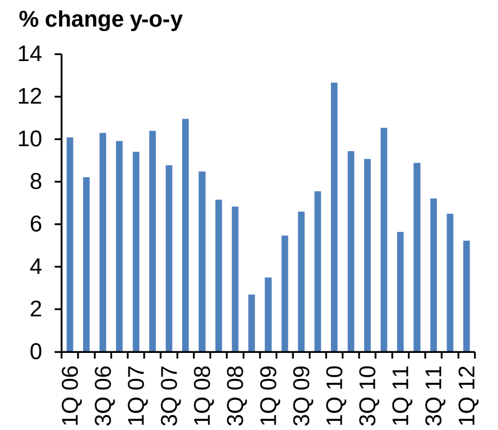
The Reserve Bank of India (RBI) cut borrowing costs by a more than expected 50 bp in April after nearly three years, thereby reducing the benchmark borrowing rate to 8.0%. This was in response to worries about GDP growth expectations , which have sharply declined to around 6.4% compared to a higher than 7% level just two month earlier. Because of elevated inflation, further cuts are unlikely as this would increase the money supply and inflate prices above prudential levels. Inflation remains a major risk to India's economic stability and on 18 May the government reported that the CPI had risen to 10.4% on an annual basis following an increase of 9.4% in March. The wholesale price index rose by 7.2% y-o-y in April, picking up about 6.7% a month earlier. Partly because of global factors, the rupee that had depreciated against the US dollar to a record level last month regained some of its losses and appreciated by 4% over the past couple of weeks. Meanwhile, improved domestic policies and the hope that India would return to policy reforms raised investors sentiments.

**Graph 3.9: India's inflation and interest rates**




*Source: Reserve Bank of India and Haver analytics.*

**Graph 3.10: India's GDP growth (SAAR)**




*Sources: Central statistical office of India and Haver analytics.*

However, the recent appreciation of the rupee is believed to reflect positive developments in the international economy following the Euro-zone summit and the new hopes surrounding efforts to resolve the economic crisis in the region. The question is whether this appreciation could be sustained as the economy experiences its lowest expansion in almost a decade after real GDP growth in 1Q12 was estimated only to be 5.3% y-o-y.

The weak economic performance was led by a 0.3% y-o-y contraction in manufacturing output while the agricultural sector expanded by a lackluster 1.7%. The government had estimated GDP growth would reach 6.9%; but because of the weak performance of the economy in the last several quarters, we estimate GDP to expand only around 6.4% this fiscal year. Many observers blame weak economic policies for the poor performance of the economy since last year. The coalition government that has been in office for the past three years has failed to introduce and implement any major reforms, which has undermined investors' confidence in the economy. Furthermore, massive subsidies, particularly on energy and petroleum products, and welfare spending programs have fuelled inflation while preventing any effective fiscal stimulus for GDP growth.

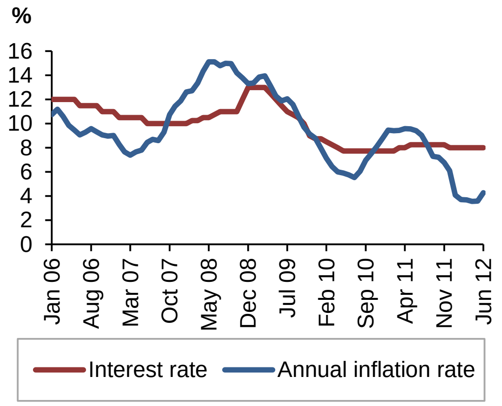
## Russia

*Growing demand for investment and a strong increase in real wages are leading Russian economic growth*

The Russian economy expanded by 4.9% in the 1Q y-o-y, above its long-term trend. Although the manufacturing PMI had a surprise downside move in June to 51.0 from 53.2 a month earlier, the fact that the industrial sector is expanding despite unfavourable external demand driven by the Euro-zone crisis illustrates the resilience of the oil exporting economy. All key components weakened in June. Output PMI fell to 51.6 from 53.8, new orders fell to 52.1 from 54.9, employment fell to 49.6 from 52.2 (JP Morgan, 6 July 2012). On a more positive note, inventories were cut in June, indicating firm demand and leaving forward-looking orders to inventories unchanged. According to JP Morgan (6 July 2012), business confidence in Russia remained firm last month while electricity consumption accelerated to 1.8% compared to a year ago. A slowdown in economic activity in response to the global slowdown, as well as lower commodity prices and tighter domestic monetary policy are all possible; but a sharp decline in economic growth is not expected. We forecast 3.7% GDP growth in Russia in 2012 and 3.4% in 2013.

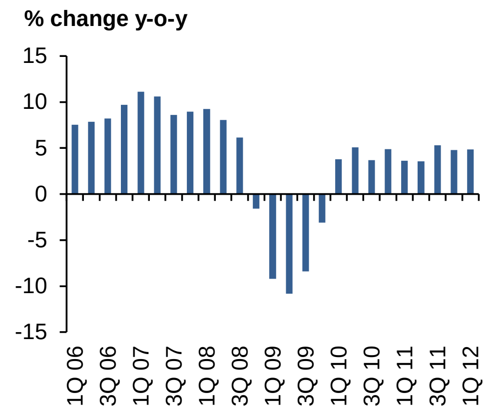
Domestic demand also helped the expansion of the economy as a whole as the government stepped up its spending prior to the March presidential election. The Russian central bank left interest rates unchanged at its policy meeting in May. As inflation has been accelerating in June, mainly on food price inflation, the move was seen as an effort to keep inflationary pressures under control while allowing the economy to grow near its potential level on the back of favourable oil and commodity prices. However, economic growth remains fragile as the industrial sector expanded by only 1.3% in April, below its trend and less than market expectations. The mild weather reduced demand for electricity by more than 14% in April compared with a month earlier. Retail sales also slowed in April, indicating that economic growth is facing difficulties and may start to flatten in the coming months.

**Graph 3.11: Russia's inflation and interest rate**




*Source: Central Bank of the Russian Federation, Federal State Statistics Service and Haver analytics.*

**Graph 3.12: Russia's GDP growth (SAAR)**




*Source: Federal State Statistics Service and Haver analytics.*

The effective exchange rate of the rouble against the US dollar fell by 0.5% in April without any intervention from the central bank of Russia in foreign exchange markets. According to the EIU (June 2012) the Russian banks have now accumulated net foreign assets of US$ 62 bn, in contrast to US$ 100 bn net foreign liabilities in 2008. Leaving the interest rate unchanged amid a deprecating rouble might be, to some extent, a result of accelerating inflation, which in June made an upward surprise move reaching 4.3% on an annual basis after falling to a record low in April. Inflation is expected to rise further in the coming months as the indexation of regulated prices will lift core inflation. An expected increase in utility tariffs is also expected to affect consumer prices positively.

## Developing Countries

*The current account deficit in Argentina rose to $552 m*

The latest official data show that Argentina registered a current account deficit of US$ 552 m in the 1Q12. The trade surplus actually widened significantly in the period, from US$ 2.2 bn to US$ 3.6 bn, but the services and income deficits both continued to widen. For the ASEAN-4 countries (Indonesia, Malaysia, Philippines and Thailand), growth is projected to be buoyant this year, stepping up to 5% in 2012 with solid activity in Indonesia and a recovery in Thailand. Financial conditions in high-income Europe and higher oil prices would pose the largest risks to this outlook. A more rapid than expected slowdown in China poses an external risk for the rest of the region.

*Growth prospects in the Sub-Sahara remain good*

Prospects for the Sub-Saharan region remain robust, assuming no serious deterioration of the situation in Europe. Projected growth for the region depends on developments in the Euro-zone, as well as the extent of a slowdown in China. Uncertainty, volatility and significant social unrest continue to characterize conditions in the developing Middle East and North Africa region. Egypt is coming under increasing pressure to finance its burgeoning fiscal and current account deficits. Economic spillovers from Syria to Jordan and Lebanon are beginning to look serious. Egypt's economy is projected to move up to 1.5% growth in 2012, rising by 1.5% in 2013. Growth is expected to pick up in Jordan and Lebanon, from 2.8% and 3.0%, respectively, in 2012 to near 2.0% in both cases in 2013.

## OPEC Member Countries

*Inflation in Saudi Arabia continues to ease*

Saudi Arabia's annual inflation eased to 4.9% in June, its lowest level since September of last year, despite a big rise in housing prices, according to recent official data. Data from the Central Department of Statistics showed previously that consumer prices slowed to 5.1% in May from 5.3% in the same month a year earlier, while monthly inflation remained unchanged from April at 0.2%.

GDP is projected to slow down both this year and next, partly reflecting conscious policy choices. The main reason for the expected economic slowdown reflects the undeclared moratorium on gas output. According to the General Secretariat for Development Planning (GSDP), inflation-adjusted GDP growth should ease from 14% in 2011 to 6.2% in 2012, reaching 4.5% in 2013. Qatari authorities are exploring regional and international options to at achieve diversification and development of the country's economy.

## Oil prices, US dollar and inflation

*The US dollar monthly average increased from May to June against all currencies except the yen*

As in the previous month, the value of the US dollar continued to increase. The monthly average from May to June saw it rise compared to all major currencies with the exception of the yen. The US dollar rose by 2.1% versus both the euro and the Swiss franc, while it gained 2.3% compared to the pound sterling. Only against the yen did it face a decline, falling by 0.5%.

The level of the euro versus the US dollar seems to be still relatively well established around $1.25/€. But it moved somewhat below this at the beginning of July, when it stood at around $1.23/€. The current process of finding a solution via further emergency funding in the Euro-zone to support the banking sector and the ailing peripheral economies might push the euro back as some confidence into the currency again could re-emerge. In general, the near-term development will to some extent depend on the successful outcome of the newly implemented structure of the European Stability Mechanism (ESM) and the current bail-out of the Spanish banking sector. Similarly interesting is the recent development of the yen to US dollar relationship, which again fell below the critical ¥80/$ level and was trading above this for some days in the second half of June. It remains to be seen if the Bank of Japan (BoJ) will continue to support the yen's weakening in the foreign exchange market, given that the yen has been trading at this relatively high level, which is hurtful to exports, since the beginning of May.

*The OPEC Reference Basket fell by 11.9% or $7.92/b to $58.87/b from $66.79/b*

In nominal terms, the OPEC Reference Basket continued falling sharply by $14.09/b or 13.0% from $108.07/b in May to $93.98/b in June. In real terms, after accounting for inflation and currency fluctuations, the Basket price fell by 11.9% or $7.92/b to $58.87/b from $66.79/b (base June 2001=100). Over the same period, the US dollar rose by 1.3% against the import-weighted modified Geneva I + US dollar basket while inflation fell by 0.1%*

* *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 growth is forecast at 0.9 mb/d to average 88.7 mb/d in 2012*

## World oil demand in 2012

Various economic developments worldwide are almost offsetting each other, leaving the total oil consumption picture nearly unchanged from last month. US demand is weakening further due to a sluggish economy, the European economic turbulence is suppressing that continent's demand, and Indian demand is negatively affected by the recent massive floods. In contrast, the shutdown of most of Japan's nuclear power plants has led to the excessive use of crude and fuel oil-burning. The first half of this year has witnessed various economic developments worldwide which have created much uncertainty about oil demand. And the second half of the year may experience similar uncertainty, since the world economy is in an uncertain state. US and European demand will contribute the largest share of the uncertainty. Hence, world demand prospects in the second half will remain vague. While these two regions are squeezing down oil demand, other, non-OECD regions' demand is pushing for more consumption.

**Graph 4.1: Forecast y-o-y growth in 2012 world oil demand, by product**

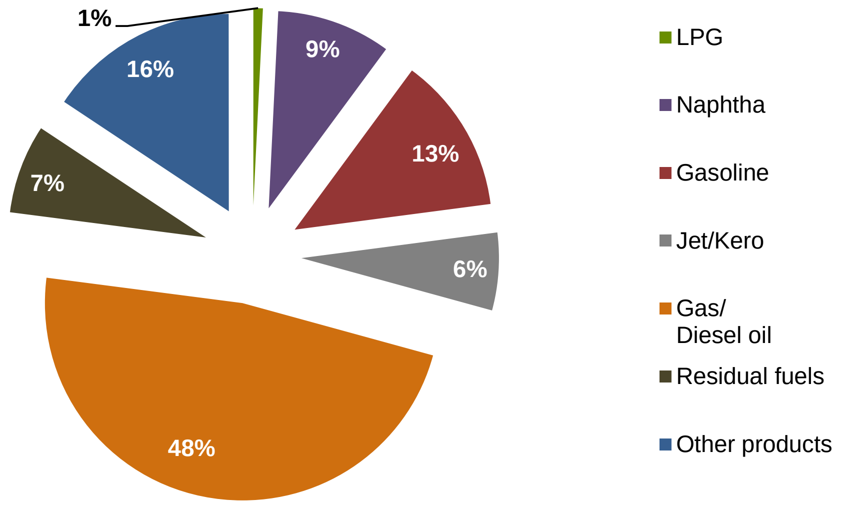


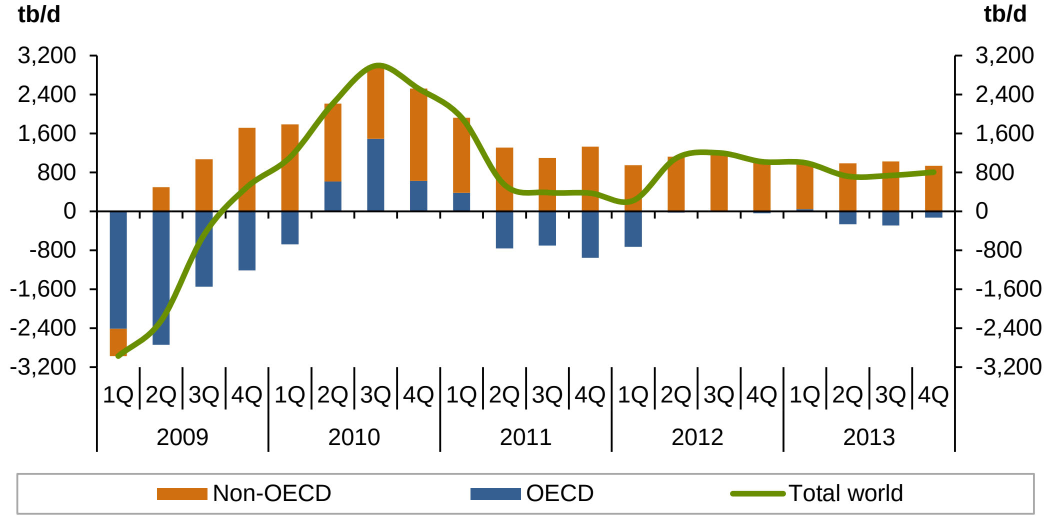

**Table 4.1: World oil demand forecast for 2012, mb/d**

| | 2011 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | 2012 | Change 2012/11 Growth | % |
|---|---|---|---|---|---|---|---|---|
| North America | 23.51 | 23.08 | 23.21 | 23.69 | 23.49 | 23.37 | -0.14 | -0.62 |
| Western Europe | 14.28 | 13.72 | 13.74 | 14.41 | 13.87 | 13.94 | -0.34 | -2.41 |
| OECD Pacific | 7.85 | 8.82 | 7.56 | 7.84 | 8.37 | 8.15 | 0.29 | 3.73 |
| **Total OECD** | **45.64** | **45.62** | **44.51** | **45.94** | **45.73** | **45.45** | **-0.20** | **-0.43** |
| Other Asia | 10.46 | 10.51 | 10.72 | 10.66 | 10.80 | 10.67 | 0.21 | 2.00 |
| Latin America | 6.37 | 6.28 | 6.50 | 6.71 | 6.66 | 6.54 | 0.17 | 2.67 |
| Middle East | 7.56 | 7.64 | 7.61 | 8.02 | 7.68 | 7.74 | 0.18 | 2.39 |
| Africa | 3.36 | 3.37 | 3.40 | 3.28 | 3.43 | 3.37 | 0.01 | 0.23 |
| **Total DCs** | **27.75** | **27.80** | **28.23** | **28.67** | **28.57** | **28.32** | **0.57** | **2.05** |
| FSU | 4.29 | 4.24 | 4.09 | 4.51 | 4.75 | 4.40 | 0.11 | 2.56 |
| Other Europe | 0.70 | 0.69 | 0.65 | 0.69 | 0.77 | 0.70 | 0.00 | 0.66 |
| China | 9.41 | 9.45 | 9.98 | 9.81 | 9.99 | 9.81 | 0.40 | 4.25 |
| **Total "Other regions"** | **14.40** | **14.38** | **14.72** | **15.01** | **15.52** | **14.91** | **0.51** | **3.58** |
| **Total world** | **87.79** | **87.80** | **87.46** | **89.62** | **89.81** | **88.68** | **0.89** | **1.01** |
| Previous estimate | 87.79 | 87.74 | 87.56 | 89.59 | 89.83 | 88.69 | 0.90 | 1.02 |
| Revision | 0.00 | 0.05 | -0.10 | 0.03 | -0.02 | -0.01 | -0.01 | -0.01 |

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

Furthermore, the Japanese shutdown of its nuclear plants is leading to more fuel- and crude oil-usage in the power sector. Nevertheless, should the country decide to bring its nuclear power plants back into full-scale service, the country's excessive oil usage would slow dramatically.

**Graph 4.2: Quarterly world oil demand growth**



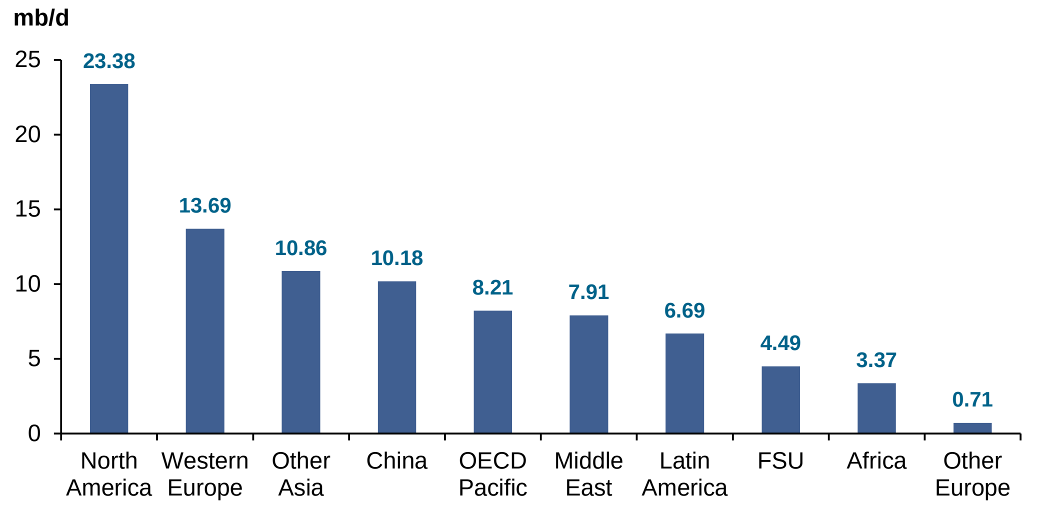

Given the current global situation, world oil demand growth is forecast at 0.9 mb/d year-on-year (y-o-y) to average 88.7 mb/d.

## OECD — North America

*In 2012, North American oil demand is projected to decrease by 0.14 mb/d*

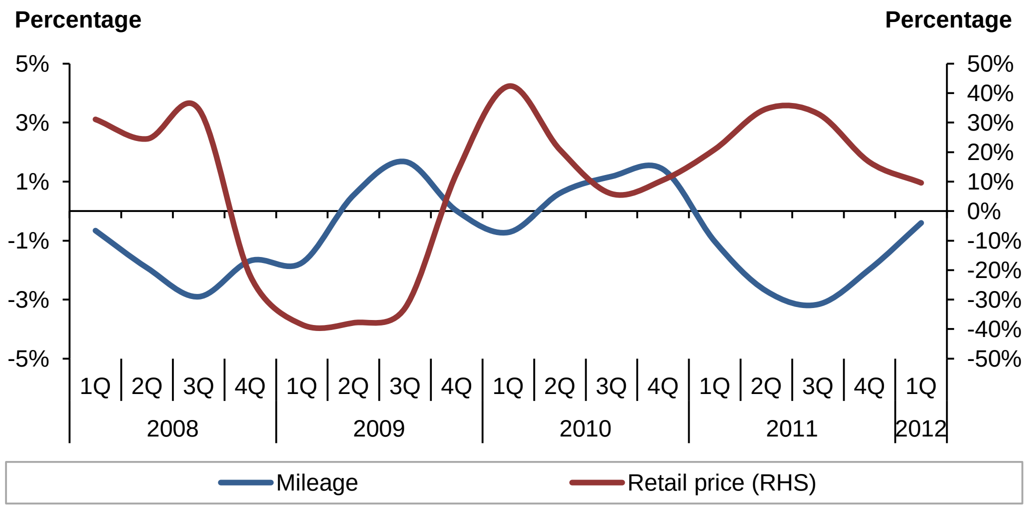
The latest easing of oil prices coincides with the beginning of the summer. Should the current price levels be maintained across the summer, then this, of course, would have a positive effect on gasoline consumption in the US. Nevertheless, a possible economic setback would, to a certain degree, push the country's oil usage down further. On average, any change in retail gasoline prices of 10% would add or subtract around 40 tb/d to or from total gasoline consumption.

**Graph 4.3: World oil demand by regions for 2012**




The monthly US oil consumption data for April shows a 1.7% y-o-y contraction. This is the 13th consecutive decline, since the last growth observed for US monthly oil consumption was for March 2011. All main product categories, with the exception of gasoline and propane propylene, fell and the bulk of contractions were seen in residual fuel oil and distillate consumption, as a result of decreasing industrial production and fuel-switching to natural gas. The first six months of 2012 were generally quite disappointing for US consumption, with contractions in all product categories and this was especially strong for residual fuel oil, distillates and gasoline. The main factors influencing US consumption during that period were ongoing economic concern, relatively high fuel prices and fuel-switching. Preliminary weekly data for May and June shows no real improvements to US consumption, decreasing by around 1% each month. For both months, some industrial fuels showed signs of rising consumption. Nevertheless, the prospects for US consumption for the rest of 2012 remain rather pessimistic, depending upon the development of the economy and the transportation fuel price levels.

**Graph 4.4: US mileage vs. prices**




Reported data for Mexico in May shows a strong increase in consumption of around 5%, compared with the same month last year. All product categories were positive, except fuel oil, with increases in industrial fuels dominating. As for Canadian oil-usage, the latest available oil demand data indicates a sharp increase of 4.9% y-o-y; oil-usage in transportation and industrial products dominates this increase.

In 2012, North American oil demand is projected to decrease by 0.14 mb/d to stand at 23.4 mb/d.

US auto-sales continued to accelerate sharply in June, despite worries about fuel prices as an indicator of an improving overall economic outlook and marketing incentives. June sales rose by approximately 17% from a year earlier. Furthermore, this higher demand for cars resulted from the replacement of aging vehicles as well. The most recent available data for Canada shows vehicle sales in the country grew by a powerful 18% in May y-o-y. This increase occurred for the eighth consecutive month and resulted from increasing numbers of consumers replacing their vehicles with revamped or fuel-efficient cars and trucks. According to the Mexican Automobile Industry Association, the country's auto production, sales and exports grew by 2.8%, 17% and 5.7% respectively y-o-y in May.

**Table 4.2: First and second quarter world oil demand comparison for 2012, mb/d**

| | | | Change 2012/11 | | | | Change 2012/11 | |
|---|---|---|---|---|---|---|---|---|
| | 1Q11 | 1Q12 | Volume | % | 2Q11 | 2Q12 | Volume | % |
| North America | 23.79 | 23.08 | -0.71 | -2.98 | 23.31 | 23.21 | -0.11 | -0.46 |
| Western Europe | 14.22 | 13.72 | -0.50 | -3.53 | 14.12 | 13.74 | -0.38 | -2.66 |
| OECD Pacific | 8.34 | 8.82 | 0.48 | 5.77 | 7.10 | 7.56 | 0.45 | 6.39 |
| **Total OECD** | **46.35** | **45.62** | **-0.73** | **-1.57** | **44.54** | **44.51** | **-0.03** | **-0.06** |
| Other Asia | 10.27 | 10.51 | 0.24 | 2.30 | 10.54 | 10.72 | 0.19 | 1.79 |
| Latin America | 6.11 | 6.28 | 0.17 | 2.85 | 6.34 | 6.50 | 0.17 | 2.63 |
| Middle East | 7.48 | 7.64 | 0.15 | 2.06 | 7.43 | 7.61 | 0.18 | 2.46 |
| Africa | 3.40 | 3.37 | -0.04 | -1.07 | 3.38 | 3.40 | 0.02 | 0.61 |
| **Total DCs** | **27.27** | **27.80** | **0.53** | **1.94** | **27.67** | **28.23** | **0.56** | **2.02** |
| FSU | 4.14 | 4.24 | 0.10 | 2.42 | 3.98 | 4.09 | 0.11 | 2.80 |
| Other Europe | 0.69 | 0.69 | 0.00 | -0.19 | 0.65 | 0.65 | 0.01 | 0.78 |
| China | 9.13 | 9.45 | 0.32 | 3.53 | 9.54 | 9.98 | 0.45 | 4.67 |
| **Total "Other regions"** | **13.96** | **14.38** | **0.42** | **3.02** | **14.16** | **14.72** | **0.56** | **3.97** |
| **Total world** | **87.57** | **87.80** | **0.22** | **0.25** | **86.37** | **87.46** | **1.09** | **1.27** |

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

**Table 4.3: Third and fourth quarter world oil demand comparison for 2012, mb/d**

| | 3Q11 | 3Q12 | Change 2012/11 Volume | Change 2012/11 % | 4Q11 | 4Q12 | Change 2012/11 Volume | Change 2012/11 % |
|---|---|---|---|---|---|---|---|---|
| North America | 23.56 | 23.69 | 0.12 | 0.52 | 23.39 | 23.49 | 0.10 | 0.43 |
| Western Europe | 14.69 | 14.41 | -0.28 | -1.90 | 14.09 | 13.87 | -0.22 | -1.57 |
| OECD Pacific | 7.68 | 7.84 | 0.16 | 2.11 | 8.29 | 8.37 | 0.08 | 0.97 |
| **Total OECD** | **45.93** | **45.94** | **0.01** | **0.01** | **45.77** | **45.73** | **-0.04** | **-0.09** |
| Other Asia | 10.44 | 10.66 | 0.22 | 2.14 | 10.61 | 10.80 | 0.19 | 1.80 |
| Latin America | 6.54 | 6.71 | 0.18 | 2.71 | 6.50 | 6.66 | 0.16 | 2.50 |
| Middle East | 7.81 | 8.02 | 0.21 | 2.66 | 7.50 | 7.68 | 0.18 | 2.35 |
| Africa | 3.25 | 3.28 | 0.03 | 0.85 | 3.42 | 3.43 | 0.02 | 0.55 |
| **Total DCs** | **28.03** | **28.67** | **0.64** | **2.27** | **28.02** | **28.57** | **0.55** | **1.96** |
| FSU | 4.40 | 4.51 | 0.11 | 2.57 | 4.64 | 4.75 | 0.11 | 2.48 |
| Other Europe | 0.69 | 0.69 | 0.01 | 1.15 | 0.76 | 0.77 | 0.01 | 0.87 |
| China | 9.37 | 9.81 | 0.44 | 4.70 | 9.60 | 9.99 | 0.39 | 4.08 |
| **Total "Other regions"** | **14.45** | **15.01** | **0.56** | **3.88** | **15.00** | **15.52** | **0.51** | **3.42** |
| **Total world** | **88.41** | **89.62** | **1.20** | **1.36** | **88.79** | **89.81** | **1.02** | **1.15** |

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

## OECD — Europe

*For 2012, OECD Europe's oil consumption is expected to shrink by 0.34 mb/d y-o-y, to average 13.9 mb/d*

European oil consumption contracted again in May, the ninth month in a row. May's consumption in Germany, France, Italy and the United Kingdom fell, as a result of decreasing demand for industrial fuels. This was caused by weak industrial activity and shrinking transportation fuels, due in turn to relatively high prices and rigorous taxation. Nevertheless, the short-to-medium-term development of European oil consumption will be determined most of all by the continuing debt problems in several of the continent's economies. Since regional oil demand has already dipped sharply, the effects of further negative economic setbacks are not likely to be that strong. European 'Big Four' oil demand decreased by 0.07 mb/d in May, compared with the same month a year earlier. The Big Four's consumption of industrial fuels and transportation fuels accounted for the bulk of these decreases.

**Table 4.4: Europe Big 4* oil demand, mb/d**

| | May 12 | May 11 | Change from May 11 | Change from May 11, % |
|---|---|---|---|---|
| LPG | 349 | 375 | -26 | -7.0 |
| Gasoline | 1,219 | 1,263 | -43 | -3.4 |
| Jet/Kerosene | 762 | 729 | 33 | 4.6 |
| Gas/Diesel oil | 2,960 | 3,018 | -58 | -1.9 |
| Fuel oil | 377 | 400 | -23 | -5.7 |
| Other products | 1,269 | 1,223 | 46 | 3.7 |
| **Total** | **6,936** | **7,008** | **-72** | **-1.0** |

** Germany, France, Italy and the UK.*

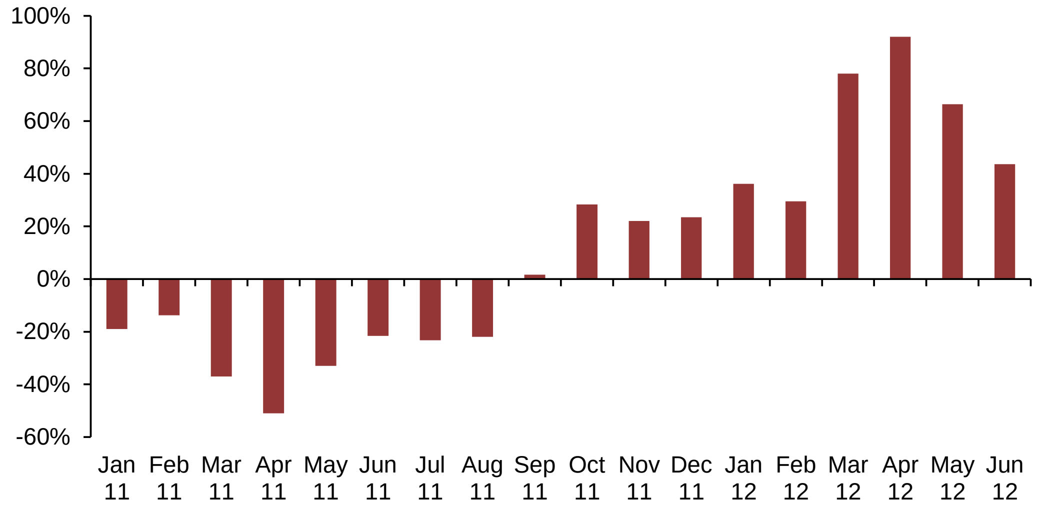
For 2012, OECD Europe's oil consumption is expected to shrink by 0.34 mb/d y-o-y, to average 13.9 mb/d.

## OECD — Pacific

*OECD Pacific oil consumption is expected to grow by 0.29 mb/d in 2012*

In Japan, the latest May 2012 monthly data is dominated once more by huge increases in the direct use of crude and residual fuel oil, as a result of nuclear plants being shut down. Due to the shutdown of most of these plants, and in combination with stricter stress tests being one of several conditions for their restarting, direct crude and residual fuel burning for electricity production is expected to increase throughout 2012. Power plants are using crude — and only those crudes with a low sulphur content —, fuel oil and liquefied natural gas (LNG) for electricity power-generation. Moreover, driven by increases in both mileage and the number of vehicles, as a result of government incentives, as well as starting from a very low baseline, transportation fuel consumption has risen, too. In South Korea, April oil product sales climbed strongly, increasing by 5.8% y-o-y; the biggest additions have been observed in gas/diesel oil and gasoline.

**Graph 4.5: Japanese new passenger car registrations, y-o-y % changes**




OECD Pacific oil consumption is expected to grow by 0.29 mb/d in 2012, while the bulk of the increase will result from direct crude/fuel oil burning for electricity generation and the substitution of nuclear plants.

Driven by government incentives and subsidies, Japanese auto sales continued to rise strongly in June, by a remarkable 43.6%. This trend was seen in the fourth quarter of last year and the first quarter of this year. Japanese auto demand is expected to rise strongly for the rest of the year, partly due to higher sales in tsunami-hit areas, as the government continues its efforts to stimulate demand for special cars, such as hybrids, pure electric cars and other vehicles that employ advanced technology like clean diesel engines. South Korean domestic car sales fell by 3.5% y-o-y in June, while exports grew strongly by 8.9% y-o-y for the same month.

## Developing countries

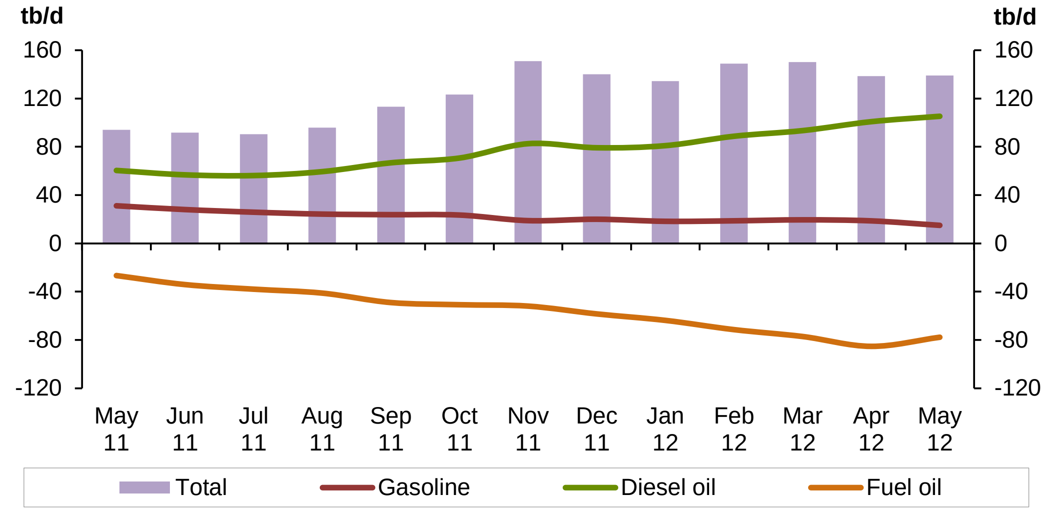
*Developing countries' oil demand growth is forecast at 0.6 mb/d y-o-y in 2012, to average 28.3 mb/d*

India's recent floods will affect the country's fuel consumption for June, not only in agriculture, but in the transport sector as well. Total oil demand is forecast to grow this year by 3.5% y-o-y, despite the big increase in the first quarter. Demand in May was strong, touching on a 5.4% increase y-o-y. The use of liquefied petroleum gas (LPG), diesel and naphtha led to this growth. Diesel-use was up by a massive 9%, adding another 0.12 mb/d to the country's total oil demand. This excessive diesel demand resulted from a power-shortage in coal-operated power plants, which, in turn, led to the use of diesel in power-generators. Strong demand for diesel is expected to last until the end of the year, as long as the government does not interfere and increase retail prices. Furthermore, the railways are stepping up their demand for diesel, as summer operations take place. Also, another factor that has boosted the use of diesel is the growth in new trucking registrations countrywide. Gasoline demand plunged by 4%, as a result of the price increases which were introduced by the oil companies in May. For 2012, India's oil demand is expected to grow by 0.12 mb/d y-o-y.

*For 2012, India's oil demand is expected to grow by 0.12 mb/d y-o-y*

According to the Society of Indian Automobile Manufacturers, domestic passenger car sales increased by a robust 7.6% during May y-o-y, despite higher fuel prices, increased excise duties on all car models and rises in vehicle prices.

Graph 4.6: Yearly changes in Indian oil demand, 12 month moving averages




*Given healthy economies in most of Other Asia, this region's oil demand growth is estimated at 0.2 mb/d y-o-y in 2012*

Indonesia is the second-largest oil-consumer in 'Other Asia', after India; it will consume 1.4 mb/d by the end of 2012. It is forecast that the country's oil demand will be 5.4% higher this year than last. This strong demand is related to economic activity which has pushed up the nation's GDP by 5.8% this year. The country's second-quarter oil demand is expected to grow by 30 tb/d y-o-y.

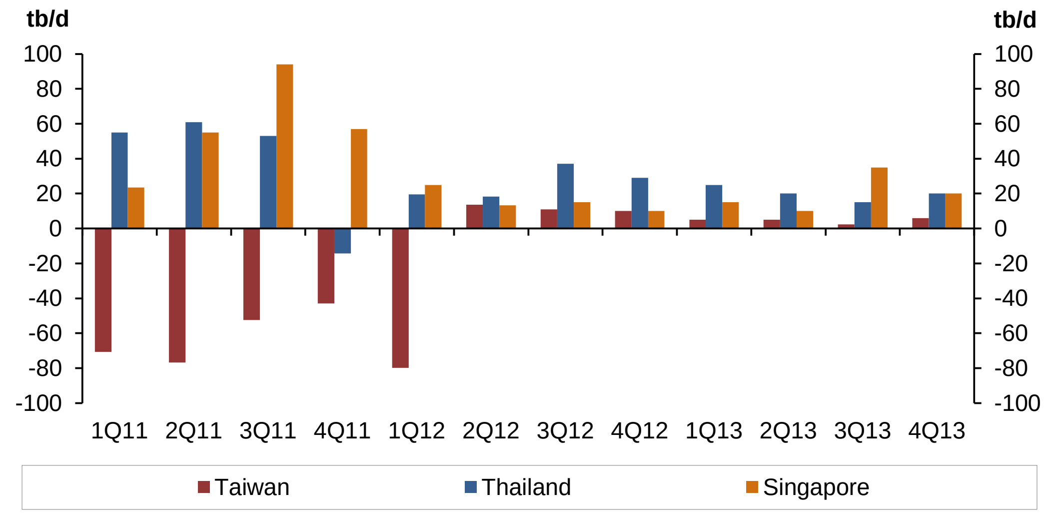
Given the healthy economies in most of Other Asia, this region's oil demand growth is estimated at 0.2 mb/d y-o-y.

Table 4.5: Consumption of petroleum products in Indonesia, tb/d

| | Apr 12 | Apr 11 | Change | Change, % |
|---|---|---|---|---|
| LPG | 164 | 184 | -20 | -11.0 |
| Gasoline | 24 | 437 | -413 | -94.5 |
| Jet/Kerosene | 280 | 96 | 184 | 192.6 |
| Gas/Diesel Oil | 464 | 515 | -51 | -9.8 |
| Fuel Oil | 40 | 65 | -25 | -38.3 |
| Other Products | 115 | 29 | 86 | 296.4 |
| **Total** | **1,086** | **1,325** | **-239** | **-18.0** |

*Source: JODI.*

Graph 4.7: Oil consumption in selected Asian countries, y-o-y growth

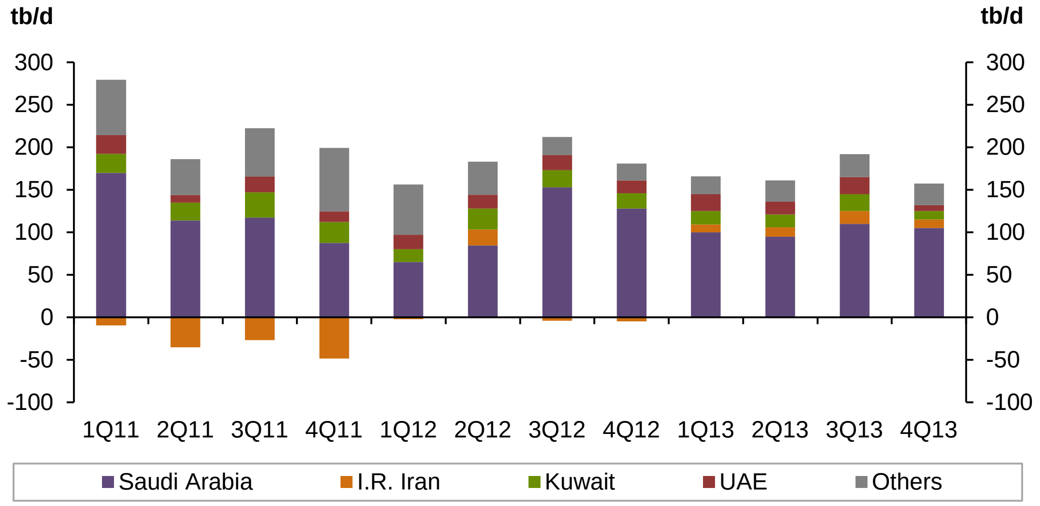



*Middle East oil demand is forecast to grow by 2.4%, to average 7.7 mb/d in 2012*

The decline in crude-burning reduced Saudi Arabian oil demand by 0.04 tb/d in May y-o-y. However, this is not expected to be repeated in the peak of the summer, where demand for electricity is at its highest. Saudi motorists consumed almost half a million barrels of gasoline daily in May. Transportation fuel is growing at a fast rate, as a result of strong economic activity.

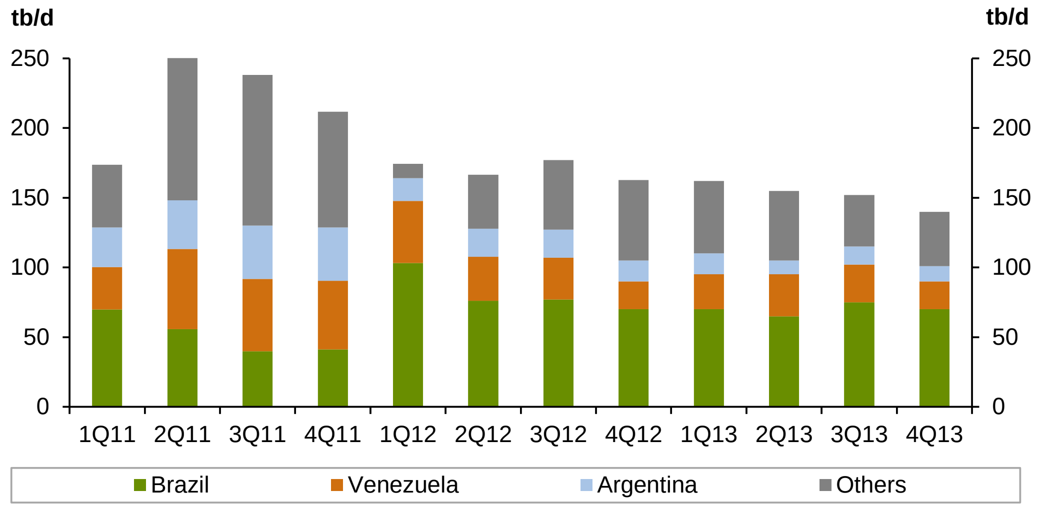
Middle East oil demand is forecast to grow by 2.4%, to average 7.7 mb/d in 2012.

**Graph 4.8: Yearly oil demand growth in the Middle East**




Despite the decline in gasoline-usage, Brazilian oil demand grew by 3.2% in April y-o-y. Energy-related alcohol demand rose by more than one-third. The country's average consumption of energy-related alcohol is estimated at 0.16 mb/d in the first quarter of this year. Industrial and transport sectors consumed 30 tb/d more diesel in April, in comparison with the same month a year ago. Latin American oil demand is expected to increase by 0.2 m/d to 6.5 mb/d in 2012.

**Graph 4.9: Yearly oil demand growth in the Latin America**



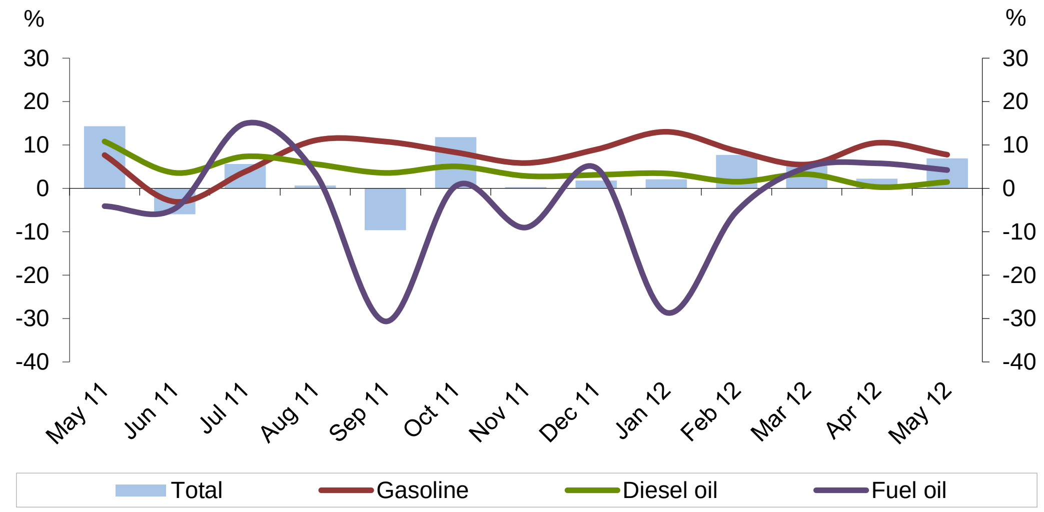

Developing countries' oil demand growth is forecast at 0.6 mb/d y-o-y in 2012, to average 28.3 mb/d.

## Other regions

*China's second-quarter oil demand growth is forecast at 0.45 mb/d y-o-y*

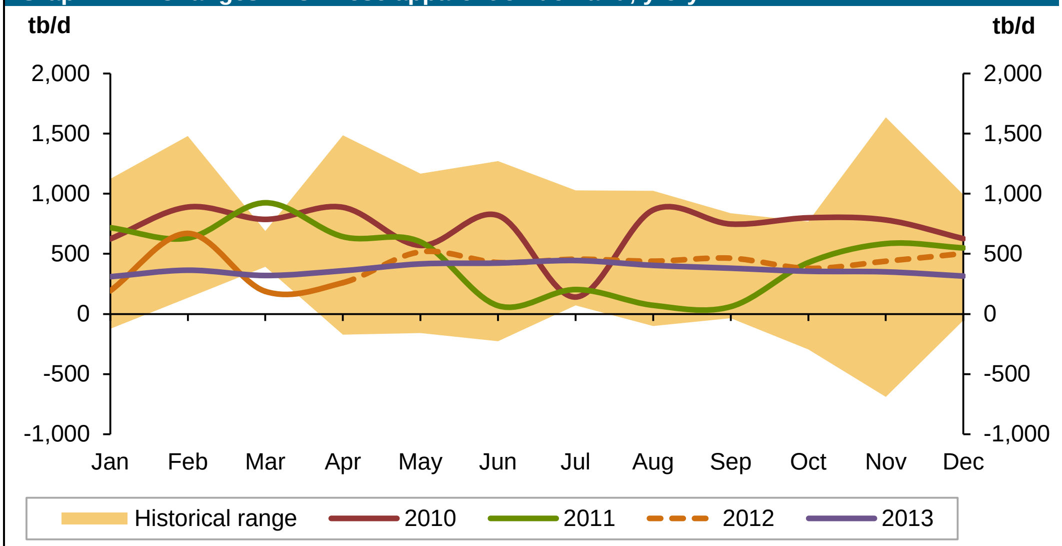
With its economic boom slowing slightly, China's oil demand is easing somewhat, leading to an increase in the export of diesel. But demand is not expected to come down drastically. It has been buoyant most of the time, as the country's thirst for energy never ends. Approaching summer time, the country might experience another electricity shortage, which would lead to higher demand for diesel by independent generators. Demand in May increased by a strong 5.2% y-o-y. This sharp increase was the result of higher consumption of gasoline and diesel. Transport fuel has been the mover in China's oil demand growth over the past few years. Diesel usage inched up by 7.8%, or 138 tb/d, in May y-o-y. Diesel has been the dominant petroleum product in China. It is used by the transport, industrial and agricultural sectors. Almost one-third of the oil used in China comes as diesel and this trend is expected to remain for the medium term. There was no stock movement in the country's oil industry in May. The highest build in China's oil stocks was seen in February, when almost 1.0 mb/d was deposited in both commercial and strategic petroleum reserve (SPR) sites. China's oil demand is expected to continue to grow, but not at the same rate as anticipated earlier in the year. China's second-quarter oil demand growth is forecast at 0.45 mb/d y-o-y.

**Graph 4.10: Changes in Chinese main oil products apparent consumption, y-o-y**




Data from the China Association of Automobile Manufacturers shows that the country's automobile sales grew by a strong 22.5% in May y-o-y, while overall sales for the first five months of 2012 rose by only 5.5%. This increase has been attributed to stronger demand for sedans, sport utility vehicles and multipurpose vehicles. Moreover, a number of factors still impose a strong downside risk to the development of the Chinese market during 2012 and 2013, such as the end of tax incentives for small cars and authorities' efforts to curb traffic-congestion in the major cities. As of the beginning of this month, Guangzhou (after Beijing, Shanghai and Guiyang) has become the fourth city in China to limit car-sales, in order to alleviate traffic conditions and pollution. In addition, more and more auto-makers have begun to introduce new unconventional vehicles: Changan Automobile has commissioned 100 E30 pure electric taxis in a pilot-operation in Beijing's Fangshan district; Chery, Zotye and Beiqi Foton are working at full throttle to tap into the electric taxi venture; and the electric minivans developed by Brilliance China are also shaping up. With lower operating costs in the public transport field than traditional fuel-powered vehicles, new energy products seem bound to play a role in the future, since the low-carbon concept has already become a trend in the current era.

**Graph 4.11: Changes in Chinese apparent oil demand, y-o-y**

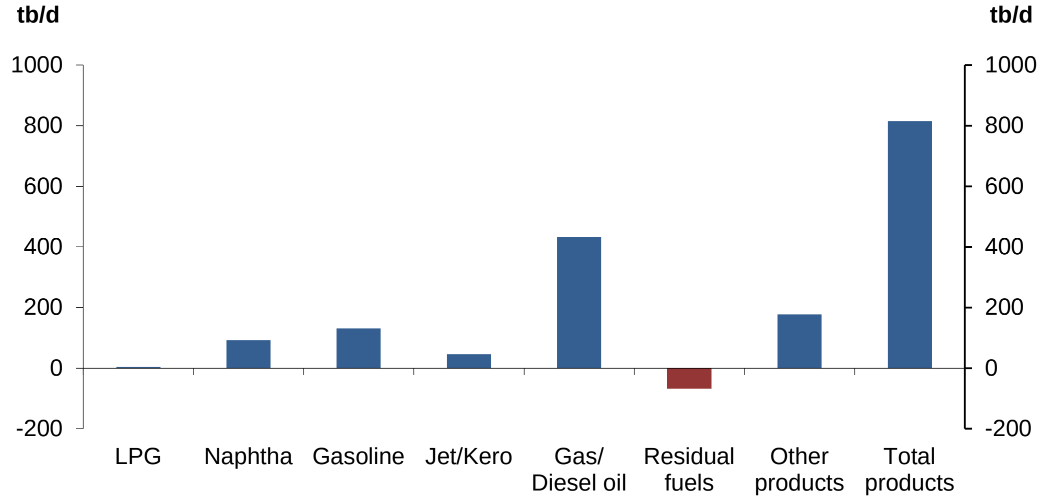


## World oil demand in 2013

*World oil demand to grow at a slightly lower 0.8 mb/d in 2013 to average 89.5 mb/d*

Global economic challenges are causing a great deal of uncertainty for the 2013 oil demand forecast. World GDP growth for next year is forecast slightly lower than for this year. The slowdown is expected not only in OECD economies, but also in the non-OECD. As for total world economic growth, this will be almost 0.1% below that of 2012; most of this reduction is related to the OECD region. Economic growth in China and the Middle East is forecast to be less than that of 2012. As seen so far this year, total world oil demand growth is expected to take place in the non-OECD area, mainly China, India, the Middle East and Latin America. Although any possible rise in oil prices is expected to have a negative effect on transportation fuel demand, the sectors that will contribute the most to total oil demand are industry and transport. Industrial and petrochemical activity is expected to push up oil demand next year in the non-OECD region. US gasoline demand will be mostly dependent upon oil prices. Gasoline consumption is expected to be slightly higher than this year; however, it will remain the wild card for 2013, since it could also be negatively influenced by the pace of the country's economic recovery. World oil demand is forecast to continue to grow during 2013, to reach 0.8 mb/d y-o-y and average 89.5 mb/d, which will be 70 tb/d lower than the estimate for the current year.

**Graph 4.12: Forecast y-o-y growth in 2013 world oil demand, by product**




*Non-OECD countries' oil demand growth of 0.98 mb/d will account again for almost all world oil demand growth in 2013*

As with this year, industrial fuel, mainly diesel and naphtha, will be the products that experience the biggest growth in world oil demand in 2013, since the industrial sector will be the key oil-consumption driver. This will be supported to a certain degree by both the non-OECD and the OECD. Furthermore, as seen this year, oil demand in 2013 will start from a high baseline; however, given slightly stable economic activity, this will push up gasoline and jet fuel consumption. Yet the bulk of gasoline demand will come from the growing transport sector in non-OECD countries, as well as some amounts from North America and the Pacific. Efficiency in the auto industry has been improving and is affecting energy consumption. Governments are placing emphasis on allocating large amounts of subsidies to efficient vehicles, such as hybrids and electric cars. Oil demand growth of 0.98 mb/d in non-OECD countries will again account for almost all world oil demand growth next year, whereas the OECD will show a 0.4% demand contraction.

### OECD

*OECD demand is forecast to decline by only 0.16 mb/d y-o-y in 2013, to average 45.3 mb/d*

The OECD region is expected to consume 0.16 mb/d less oil next year than this year. This decline is attributed to the economically troubled Europe and US. The decline in OECD Europe oil demand is the result of the debt problems on the continent leading to a slowing economy. The EU 'RED' directive, which mandates the share of renewables to reach 20% of total energy-use by 2020, will affect next year's total oil demand across Europe. North America's oil usage is expected to be almost flat. The US will be the wild card for the oil demand forecast this year as well. The product that will affect the total demand estimate is gasoline. Prices and slow economic activity are the factors that are putting the transportation sector's fuel-use in a stagnant state. Furthermore, the OECD

Pacific, mainly Japan, will continue to show a slight increase of 0.8%, as a result of the economic recovery from the 2011 earthquake devastation and the shutdown of the nuclear power plants. Finally, normal efficiency trends, higher energy taxes, energy conservation, efficiency, alternative fuels and other factors are also contributing to the decline in OECD demand. As a result, OECD demand is forecast to decline by only 0.16 mb/d y-o-y in 2013, to average 45.3 mb/d.

**Table 4.6: World oil demand forecast for 2013, mb/d**

| | | | | | | | Change 2013/12 | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 2013 | Growth | % |
| North America | 23.37 | 23.24 | 23.11 | 23.61 | 23.56 | 23.38 | 0.02 | 0.07 |
| Western Europe | 13.94 | 13.53 | 13.51 | 14.13 | 13.60 | 13.69 | -0.24 | -1.75 |
| OECD Pacific | 8.15 | 8.89 | 7.62 | 7.91 | 8.44 | 8.21 | 0.07 | 0.82 |
| **Total OECD** | **45.45** | **45.66** | **44.24** | **45.65** | **45.59** | **45.29** | **-0.16** | **-0.35** |
| Other Asia | 10.67 | 10.69 | 10.91 | 10.85 | 10.99 | 10.86 | 0.19 | 1.76 |
| Latin America | 6.54 | 6.45 | 6.66 | 6.87 | 6.80 | 6.69 | 0.15 | 2.33 |
| Middle East | 7.74 | 7.80 | 7.77 | 8.21 | 7.84 | 7.91 | 0.17 | 2.19 |
| Africa | 3.37 | 3.37 | 3.40 | 3.28 | 3.43 | 3.37 | 0.00 | 0.06 |
| **Total DCs** | **28.32** | **28.31** | **28.74** | **29.21** | **29.06** | **28.83** | **0.51** | **1.81** |
| FSU | 4.40 | 4.34 | 4.17 | 4.58 | 4.86 | 4.49 | 0.09 | 2.05 |
| Other Europe | 0.70 | 0.70 | 0.65 | 0.70 | 0.78 | 0.71 | 0.00 | 0.68 |
| China | 9.81 | 9.78 | 10.38 | 10.22 | 10.33 | 10.18 | 0.37 | 3.77 |
| **Total "Other regions"** | **14.91** | **14.82** | **15.20** | **15.50** | **15.97** | **15.38** | **0.47** | **3.12** |
| **Total world** | **88.68** | **88.80** | **88.18** | **90.35** | **90.62** | **89.50** | **0.82** | **0.92** |
| Previous estimate | 88.69 | | | | | | | |
| Revision | -0.01 | | | | | | | |

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

### *Auto industry*

For 2013, growth in US auto-sales is expected to slow to approximately 3%, reflecting lower expectations in the US and European economies, with the latter being the sentiment affecting consumer behaviour. Canadian vehicle sales are projected to increase only by a slight 1%, because of rather pessimistic market conditions. As for the European auto market, as a result of rather gloomy expectations about the development of the economy, 2013 is forecast to be another year of decline at about the same level as in 2012. In the OECD Pacific, demand for new cars in Japan is expected to grow again strongly — but at a slower pace than in 2012 — estimated at a growth rate of 8% y-o-y. The outlook for the South Korean auto market next year is largely dependent upon developments in the US and Euro-zone economies.

## Non-OECD

*China's apparent oil demand is forecast to grow by 0.4 mb/d y-o-y in 2013, 50 tb/d below the estimate for this year*

China issued a new policy last year, part of which was dedicated to supporting and encouraging technology that aims to increase energy-diversification, renewables and energy-storage. Furthermore, the country put into action its energy-reduction programme which calls for a total energy intensity-reduction per GDP of 40% by 2020. There is a certain degree of doubt about whether it will achieve that target; however, this move will affect the country's total oil-use next year. China is placing certain limitations on new conventional car registrations, in order to limit cities' traffic-congestion. Its oil demand in 2013 will be marginally lower than this year, as the country's GDP estimate is low to start with. An upward risk does exist, since the country's economy might perform better than anticipated. Most economic sectors are expected to perform strongly, calling for increased energy-usage. The sectors that will affect energy demand the most are the transportation, industrial and agricultural ones. As seen in 2012, China is expected to contribute the most to world oil demand growth in 2013. It should be noted, however, that other sectors in China which serve as major energy-drivers, such as industrial production, in-land cargo, agriculture, construction, transportation and fishing, will show moderate-to-strong growth in 2013. The government is keen to pass any new increase in international oil prices to end-users. This move, along with any introduced fuel taxes, will curb energy-usage. More biofuel-usage and the building of more electric-powered inter- and intra-city railroads will affect, to a certain degree, the consumption of transport fuel next year. As part of China's long-term planning, the country is increasing its use of nuclear and hydropowered plants, which will have a negative influence on the consumption of coal and oil. China's apparent oil demand is forecast to grow by 0.4 mb/d y-o-y in 2013, which is 50 tb/d lower than the estimate for the current year. As for the auto industry, the country's domestic auto-sales for 2013 are forecast to increase by around 11% y-o-y. This is one-third of the normal growth that has been seen in the past few years.

**Table 4.7: First and second quarter world oil demand comparison for 2013, mb/d**

| | | | Change 2013/12 | | | | Change 2013/12 | |
|---|---|---|---|---|---|---|---|---|
| | 1Q12 | 1Q13 | Volume | % | 2Q10 | 2Q13 | Volume | % |
| North America | 23.08 | 23.24 | 0.17 | 0.72 | 23.69 | 23.11 | -0.58 | -2.45 |
| Western Europe | 13.72 | 13.53 | -0.19 | -1.38 | 14.26 | 13.51 | -0.75 | -5.25 |
| OECD Pacific | 8.82 | 8.89 | 0.07 | 0.79 | 7.35 | 7.62 | 0.27 | 3.70 |
| **Total OECD** | **45.62** | **45.66** | **0.05** | **0.10** | **45.30** | **44.24** | **-1.06** | **-2.34** |
| Other Asia | 10.51 | 10.69 | 0.18 | 1.75 | 10.20 | 10.91 | 0.71 | 6.95 |
| Latin America | 6.28 | 6.45 | 0.16 | 2.58 | 6.08 | 6.66 | 0.58 | 9.50 |
| Middle East | 7.64 | 7.80 | 0.17 | 2.17 | 7.28 | 7.77 | 0.49 | 6.80 |
| Africa | 3.37 | 3.37 | 0.00 | 0.12 | 3.37 | 3.40 | 0.03 | 0.90 |
| **Total DCs** | **27.80** | **28.31** | **0.52** | **1.86** | **26.93** | **28.74** | **1.81** | **6.73** |
| FSU | 4.24 | 4.34 | 0.10 | 2.38 | 3.86 | 4.17 | 0.31 | 7.90 |
| Other Europe | 0.69 | 0.70 | 0.01 | 0.87 | 0.64 | 0.65 | 0.01 | 2.02 |
| China | 9.45 | 9.78 | 0.33 | 3.49 | 9.09 | 10.38 | 1.29 | 14.17 |
| **Total "Other regions"** | **14.38** | **14.82** | **0.44** | **3.04** | **13.60** | **15.20** | **1.61** | **11.81** |
| **Total world** | **87.80** | **88.80** | **1.00** | **1.14** | **85.82** | **88.18** | **2.36** | **2.75** |

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

India and the Middle East are estimated to show annual oil demand growth of 0.1 mb/d and 0.17 mb/d, respectively, in 2013. As was the case in 2012, the transport, construction and petrochemical sectors will be the main drivers behind the strong Middle East oil demand next year as well. India's GDP has declined during the course of the year, and next year's GDP is forecast at 6.4%. The country has adopted a pricing mechanism allowing a transfer of some of the higher prices to end-users. Although the agriculture, industrial and transport sectors are expected to be strong next year, the continued removal of price subsidies and other government policies are downside risks for oil demand growth in 2013. Fuel-switching to cheaper natural gas among the power plants will be a downward pressure on the country's total oil demand. Due to its economic prosperity, the Indian auto market is forecast to grow by 15% y-o-y during 2013.

**Table 4.8: Third and fourth quarter world oil demand comparison for 2013, mb/d**

| | | | Change 2013/12 | | | | Change 2013/12 | |
|---|---|---|---|---|---|---|---|---|
| | 3Q12 | 3Q13 | Volume | % | 4Q12 | 4Q13 | Volume | % |
| North America | 23.69 | 23.61 | -0.08 | -0.33 | 23.49 | 23.56 | 0.07 | 0.31 |
| Western Europe | 14.41 | 14.13 | -0.28 | -1.97 | 13.87 | 13.60 | -0.27 | -1.95 |
| OECD Pacific | 7.84 | 7.91 | 0.07 | 0.89 | 8.37 | 8.44 | 0.07 | 0.79 |
| **Total OECD** | **45.94** | **45.65** | **-0.29** | **-0.63** | **45.73** | **45.59** | **-0.13** | **-0.29** |
| Other Asia | 10.66 | 10.85 | 0.19 | 1.79 | 10.80 | 10.99 | 0.19 | 1.78 |
| Latin America | 6.71 | 6.87 | 0.15 | 2.26 | 6.66 | 6.80 | 0.14 | 2.10 |
| Middle East | 8.02 | 8.21 | 0.19 | 2.39 | 7.68 | 7.84 | 0.16 | 2.05 |
| Africa | 3.28 | 3.28 | 0.00 | 0.13 | 3.43 | 3.43 | 0.00 | -0.13 |
| **Total DCs** | **28.67** | **29.21** | **0.54** | **1.88** | **28.57** | **29.06** | **0.49** | **1.70** |
| FSU | 4.51 | 4.58 | 0.08 | 1.67 | 4.75 | 4.86 | 0.11 | 2.23 |
| Other Europe | 0.69 | 0.70 | 0.01 | 0.72 | 0.77 | 0.78 | 0.01 | 0.65 |
| China | 9.81 | 10.22 | 0.41 | 4.18 | 9.99 | 10.33 | 0.34 | 3.40 |
| **Total "Other regions"** | **15.01** | **15.50** | **0.49** | **3.27** | **15.52** | **15.97** | **0.45** | **2.91** |
| **Total world** | **89.62** | **90.35** | **0.74** | **0.82** | **89.81** | **90.62** | **0.80** | **0.90** |

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

**Oil demand forecast assumptions 2013**

The world oil demand forecast for 2013 is based on the following assumptions:

- World GDP will grow at a slightly slower rate than last year.
- Oil prices will have an impact on transport fuel demand.
- Normal weather is assumed.
- The US economy is expected to stabilize; however, the rest of the OECD economies are facing some turbulence.
- US oil demand is expected to be flat; but it will remain as a wild card in 2013 oil demand.
- OECD economic movements will provide a major amount of uncertainty.
- Further domestic price and tax hikes are expected in most of the non-OECD area.
- Further policies directed towards a reduction in energy use will take place next year worldwide.
- Most governments will place an emphasis on energy conservation and increase the use of alternative fuel.
- The Chinese economy is forecast to grow at 8.0% in 2013, down slightly from 2012.
- The Middle Eastern economy is expected to slow slightly next year, compared with this year.
- Various factors will slightly reduce oil demand growth in Other Asia and Latin America, such as price subsidy-removal, fuel-switching and energy-conservation programmes.
- There will be a stronger utilization of nuclear and coal-power plants.
- The continued shutdown of most of Japan's nuclear power plants is assumed.
- The world will see a strong movement towards the use of smaller, more economical vehicles, such as hybrid and electric cars.
- Most of the growth in oil usage will be in the transport, industrial and petrochemical sectors.

## Oil demand forecast scenarios

There is a wide range of uncertainty affecting next year's oil demand forecasts. This suggests the need for two more scenarios for an upper and a lower range for oil demand growth.

The 'upper' range is forecast at 1.0 mb/d, which will reflect settlement in oil prices, strong demand growth in the US, improvements in OECD Europe's economies and a serious recovery in Japan. It is suggested that a quick recovery in the US economy, along with a stronger dollar, will lead to cheaper oil for US consumers. A healthy US economy will speed up other non-OECD economies as well, such as the Middle East, Other Asia and Latin America. One important factor that might affect world oil demand is the price of natural gas. The Japanese nuclear power plant shutdowns could be prolonged until the end of next year, leading to further crude- and fuel oil-usage in conventional power plants.

The 'pessimistic' approach suggests lower oil demand growth of 0.65 mb/d, reflecting a delay and more turbulence in the economic recovery within OECD countries, which might spill over to other economies. Higher gasoline prices would have a reflex effect on US motorists. Strong retail petroleum product prices would suppress transport fuel consumption, mostly in the OECD. Weaker gasoline consumption alone could trim at least 100 tb/d from the expected oil demand growth next year. China's and India's efforts to remove price subsidies and place more taxes on fuel would put a dent in oil usage, mainly for transport fuel. If the winter is warm, then a further decline in winter products will be seen. Should natural gas prices in 2013 show a further decline, then fuel oil consumption would decrease worldwide as a result of further fuel-switching, especially during a strong winter.

# World Oil Supply

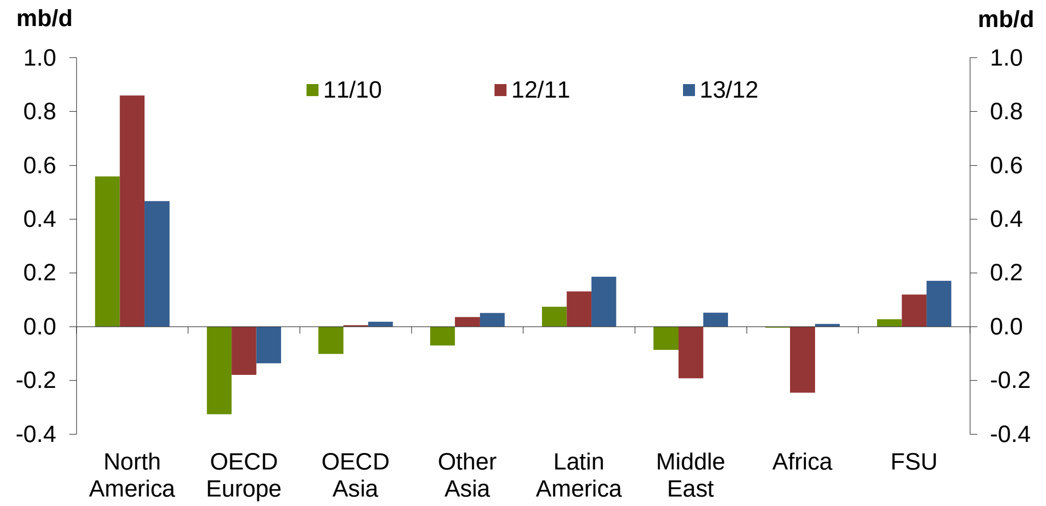
*Non-OPEC supply to grow by 0.67 mb/d in 2012, to average 53.06 mb/d*

## Non-OPEC

### Forecast for 2012

Non-OPEC oil supply is forecast to average 53.06 mb/d in 2012, an increase of 0.67 mb/d over 2011, indicating a minor upward revision of 10 tb/d from the previous *Monthly Oil Market Report* (*MOMR*). Despite this relatively steady state, various upward and downward revisions have been made to individual countries' supply profiles and these have mostly offset each other. These revisions were introduced partly to adjust for updated production data for the second quarter that turned out to be higher than expected. Additionally, a few events caused supply disruptions, such as strikes, and these affected the forecast. Moreover, various changes were introduced to the third- and fourth-quarter forecasts that collectively resulted in the subsequent flat position for the entire year. On a quarterly basis, all quarters were revised from the previous month. First half supply forecast encountered upward revisions while the second half experienced downward ones. The upward revisions affected the supply forecasts for the US, Canada, Mexico, Thailand and South Africa, while the oil supply projections for Norway, Other Western Europe, Indonesia, Vietnam, Brazil, Colombia and Azerbaijan were revised down. On a quarterly basis, non-OPEC supply in 2012 is seen to stand at 53.24 mb/d, 52.76 mb/d, 52.86 mb/d and 53.38 mb/d respectively.

Graph 5.1: Regional non-OPEC supply growth, y-o-y




### Revisions to the forecast for 2012

The non-OPEC supply forecast in 2012 continues to be associated with a high degree of risk, due to various factors, such as political, technical and weather-related issues, maintenance and decline rate developments. OECD oil supply is expected to average 20.78 mb/d in 2012, which is 0.69 mb/d higher than in 2011 and represents an upward revision of 60 tb/d from the previous month. US production has been revised up by 30 tb/d from the previous assessment to stand at 9.69 mb/d, constituting a rise of 0.67 mb/d in 2012, the highest growth among all non-OPEC countries. This upward revision has affected all quarters, with the biggest change occurring in the second quarter, due to updated production data that was partly carried over to the rest of the year. The continued healthy growth of tight oil supply from North Dakota and Texas supported the upward revision. The start-up of the Galapagos project provided further support. The upward revision has come about despite reports of a slowdown of drilling in the Eagle Ford formation and other shale locations, since service prices are high. Additionally, Tropical Storm Debbie halted production at some installations in the Gulf of Mexico, reducing the upward revision. Moreover, reports indicated that a few ethanol plants went offline due to weak margins, and this too has partly offset the overall upward revision.

The 2012 supply forecasts for Canada and Mexico have been revised up by 30 tb/d and 10 tb/d respectively. This is due to updated production data in the first half of the year, which has been partly carried over to the rest of the year. Canada's oil supply is expected to increase by 0.22 mb/d in 2012 to average 3.78 mb/d. The Terra Nova field was shut down for a planned long maintenance in mid-June. Mexico's oil supply is seen to average 2.91 mb/d in 2012, a drop of 30 tb/d from the previous year.

Norway's oil supply forecast for 2012 has been revised down by 5 tb/d from the previous *MOMR*, on updated production data in the first half of the year and the impact of the strike that has shut down 240 tb/d. Some reports suggest that the strike will be a lengthy one and could affect more volumes. Norway's output is forecast to average 1.95 mb/d in 2012, a decline of 80 tb/d from the previous year. The UK's oil supply is expected to drop by 90 tb/d in 2012, compared to the previous year, unchanged from the previous month. This situation has come about, despite technical issues at the recently started Athena project.

Other Asia's oil supply is forecast to average 3.67 mb/d in 2012, an increase of 40 tb/d over 2011, constituting a downward revision of 10 tb/d from the previous *MOMR*. The downward revision is due mainly to updated production data from Indonesia. Indonesia's supply is seen to average 0.98 mb/d in 2012, a decline of 40 tb/d from last year. On the other hand, Vietnam's supply outlook has been revised up, on improved Dai Hung ramp-up production. It is now seen as averaging 0.38 mb/d in 2012, an increase of 30 tb/d over last year.

Latin America's supply is projected to increase by 0.13 mb/d in 2012 to average 4.87 mb/d, representing a downward revision of 40 tb/d from the previous month. This has affected mainly the second quarter, due to an adjustment from updated production data. Brazil's oil supply is expected to increase by 0.10 mb/d in 2012 to average 2.74 mb/d, a downward revision of 30 tb/d from the previous *MOMR*. This is due to the production data for part of the second quarter being lower than expected, on the back of maintenance at several fields in the Campos basin. Furthermore, heavy rain conditions affected ethanol output in the early part of June, providing further support to the downward revision. This revision has happened despite improved output in May. Colombia's oil production is forecast to increase by 0.06 mb/d in 2012 to average 0.99 mb/d, indicating a downward revision of 10 tb/d from the previous month. This downward revision is to adjust for updated production figures in a second quarter that were influenced by the continued disruption of operations due to security issues.

The FSU's oil supply is expected to average 13.37 mb/d in 2012, constituting growth of 0.12 mb/d over the previous year and a minor downward revision of 10 tb/d from the previous *MOMR*. These revisions occurred in the second quarter to adjust for updated production data. Russia's oil supply is seen to average 10.34 mb/d in 2012, which is 70 tb/d more than in the previous year and unchanged from the last *MOMR*. According to preliminary data, Russia's supply averaged 10.31 mb/d in June, which is relatively steady from the previous month. Azerbaijan's supply forecast has been revised down on the back of updated output data.

China's supply is expected to average 4.22 mb/d in 2012, an increase of 80 tb/d over 2011 and steady from the previous month. China's output in May averaged 4.19 mb/d, also steady from the previous month and the same month last year. However, cumulative production till May 2012 indicates a decline from the figure for the same period in 2011. This has been mainly due to the shutdown of the Penglai field, while healthy production from the Changqing field, which reached a record level in May after 40 years of operation, has partly offset the decline.

**Table 5.1: Non-OPEC oil supply in 2012, mb/d**

| | 2011 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | 2012 | Change 12/11 |
|---|---|---|---|---|---|---|---|
| North America | 15.52 | 16.43 | 16.35 | 16.32 | 16.43 | 16.38 | 0.86 |
| Western Europe | 4.07 | 4.07 | 3.88 | 3.71 | 3.90 | 3.89 | -0.18 |
| OECD Pacific | 0.50 | 0.48 | 0.53 | 0.53 | 0.49 | 0.51 | 0.01 |
| **Total OECD** | **20.10** | **20.99** | **20.76** | **20.55** | **20.82** | **20.78** | **0.69** |
| Other Asia | 3.63 | 3.67 | 3.62 | 3.67 | 3.70 | 3.67 | 0.04 |
| Latin America | 4.74 | 4.88 | 4.77 | 4.91 | 4.94 | 4.87 | 0.13 |
| Middle East | 1.69 | 1.47 | 1.51 | 1.50 | 1.52 | 1.50 | -0.19 |
| Africa | 2.58 | 2.40 | 2.30 | 2.32 | 2.33 | 2.34 | -0.25 |
| **Total DCs** | **12.65** | **12.42** | **12.20** | **12.40** | **12.48** | **12.38** | **-0.27** |
| FSU | 13.25 | 13.37 | 13.30 | 13.37 | 13.45 | 13.37 | 0.12 |
| Other Europe | 0.14 | 0.14 | 0.14 | 0.14 | 0.15 | 0.14 | 0.00 |
| China | 4.14 | 4.16 | 4.19 | 4.22 | 4.30 | 4.22 | 0.08 |
| **Total "Other regions"** | **17.53** | **17.67** | **17.63** | **17.74** | **17.90** | **17.73** | **0.20** |
| **Total Non-OPEC production** | **50.27** | **51.07** | **50.59** | **50.69** | **51.21** | **50.89** | **0.62** |
| Processing gains | 2.12 | 2.17 | 2.17 | 2.17 | 2.17 | 2.17 | 0.05 |
| **Total Non-OPEC supply** | **52.39** | **53.24** | **52.76** | **52.86** | **53.38** | **53.06** | **0.67** |
| Previous estimate | 52.40 | 53.23 | 52.71 | 52.93 | 53.42 | 53.07 | 0.67 |
| Revision | -0.01 | 0.01 | 0.04 | -0.07 | -0.04 | -0.01 | 0.00 |

## Forecast for 2013

*Non-OPEC supply is projected to increase by 0.92 mb/d in 2013, to average 53.98 mb/d*

Non-OPEC oil supply in 2013 is expected to increase by 0.92 mb/d over the current year to average 53.98 mb/d. Its overall growth trend is expected to continue in 2012, supported by North America, Latin America and the FSU and partly offset by declines in OECD Europe. The forecast is associated with a very high level of risk. While the expectation of capital expenditure (capex) in 2012 and 2013 indicates a rising trend, other risk factors, such as price, political, environmental and technical developments, will continue to impact supply growth expectation. The forecast growth of biofuels, which is expected to increase by around 0.13 mb/d in 2013, is also connected to a high degree of risk. Other factors contributing to risks in both directions include weather conditions and decline rate developments. Hence, the forecast is subject to revision. On a quarterly basis, non-OPEC supply in 2013 is expected to average 53.62 mb/d, 53.59 mb/d, 53.95 mb/d and 54.75 mb/d respectively.

**Table 5.2: Non-OPEC oil supply in 2013, mb/d**

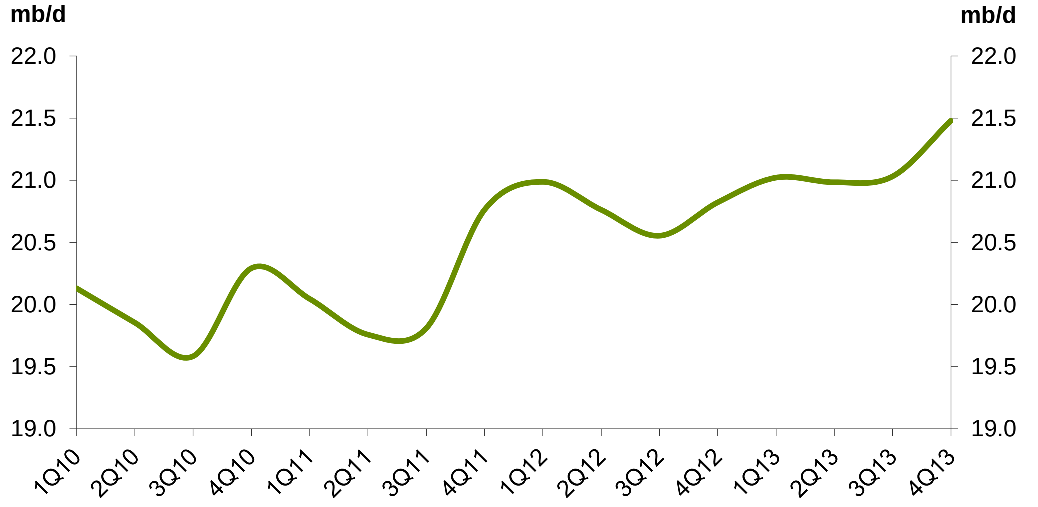
| | 2012 | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 2013 | Change 13/12 |
|---|---|---|---|---|---|---|---|
| North America | 16.38 | 16.62 | 16.73 | 16.86 | 17.18 | 16.85 | 0.47 |
| Western Europe | 3.89 | 3.90 | 3.72 | 3.63 | 3.77 | 3.76 | -0.14 |
| OECD Pacific | 0.51 | 0.50 | 0.53 | 0.54 | 0.53 | 0.53 | 0.02 |
| **Total OECD** | **20.78** | **21.02** | **20.98** | **21.03** | **21.48** | **21.13** | **0.35** |
| Other Asia | 3.67 | 3.68 | 3.71 | 3.73 | 3.75 | 3.72 | 0.05 |
| Latin America | 4.87 | 4.96 | 4.99 | 5.11 | 5.18 | 5.06 | 0.19 |
| Middle East | 1.50 | 1.51 | 1.51 | 1.56 | 1.62 | 1.55 | 0.05 |
| Africa | 2.34 | 2.33 | 2.32 | 2.35 | 2.39 | 2.35 | 0.01 |
| **Total DCs** | **12.38** | **12.48** | **12.52** | **12.75** | **12.94** | **12.67** | **0.30** |
| FSU | 13.37 | 13.46 | 13.45 | 13.55 | 13.70 | 13.54 | 0.17 |
| Other Europe | 0.14 | 0.15 | 0.15 | 0.15 | 0.15 | 0.15 | 0.00 |
| China | 4.22 | 4.30 | 4.27 | 4.26 | 4.28 | 4.28 | 0.06 |
| **Total "Other regions"** | **17.73** | **17.91** | **17.87** | **17.96** | **18.13** | **17.96** | **0.23** |
| **Total Non-OPEC production** | **50.89** | **51.41** | **51.38** | **51.74** | **52.54** | **51.77** | **0.88** |
| Processing gains | 2.17 | 2.21 | 2.21 | 2.21 | 2.21 | 2.21 | 0.04 |
| **Total Non-OPEC supply** | **53.06** | **53.62** | **53.59** | **53.95** | **54.75** | **53.98** | **0.92** |
| Previous estimate | 53.07 | | | | | | |
| Revision | -0.01 | | | | | | |

*OECD supply to increase by 0.35 mb/d in 2013 and average 21.13 mb/d*

## OECD

Total OECD oil supply is forecast to average 21.13 mb/d in 2013, representing an increase of 0.35 mb/d over 2012. Expected supply growth from the US, Canada and Australia is seen to offset the declines anticipated in other OECD countries. On a quarterly basis, OECD oil supply in 2013 is expected to average 21.02 mb/d, 20.98 mb/d, 21.03 mb/d and 21.48 mb/d respectively.

**Graph 5.2: OECD's quarterly production**




### *North America*

North America's oil production is predicted to increase by 0.47 mb/d in 2013 to average 16.85 mb/d. The anticipated growth from the US and Canada is expected to offset the projected decline in Mexico. The risk associated with the North American supply forecast remains on the high side, given the effect of weather conditions, decline rates, and technical and economic issues. On a quarterly basis, North America's oil supply in 2013 is seen to stand at 16.62 mb/d, 16.73 mb/d, 16.86 mb/d and 17.18 mb/d respectively.

*US supply to increase by 0.37 mb/d in 2013, to average 10.07 mb/d*

### *US*

US oil supply is expected to average 10.07 mb/d in 2013, an increase of 0.37 mb/d over 2012. This increase will be the highest among all non-OPEC countries and at the highest annual level since 1986. The outlook in 2013 is supported by the anticipated healthy onshore shale developments, aided by rising investment. In 2011 and 2012, oil drilling activities continue to improve and exceed gas drilling in the US. Furthermore, oil output from shale developments in the US increased sharply in 2011 and 2012, supported by the rises in drilling activity. Supply growth is expected from the Bakken, Barnett, Eagle Ford and Marcellus developments. Additionally, new developments in the Gulf of Mexico are expected to support the outlook, such as Galapagos, Caesar Tonga, Cascade, Isabela and Mars B. The new offshore and onshore developments are seen as stimulating the renewal of strong US supply growth. Despite the anticipated strong growth from shale developments in 2013, a certain level of risk remains on the horizon, mainly in the current oil price environment and on weather and environmental issues. Moreover, the weather conditions in the Gulf of Mexico could have a major impact on US supply in 2013 during the hurricane season.

Biofuel production is projected to provide further support to US output in 2013 to meet the renewable fuel requirements. However, price levels and blending economics remain risk factors for biofuel growth in 2013. US NGL supply is seen to increase in 2013, supported by the Marcellus developments. However, the decline rates in the Gulf of Mexico and Alaska are seen to more than partly offset the new barrels expected in 2013. On a quarterly basis, US oil supply in 2013 is expected to average 9.91 mb/d, 10.02 mb/d, 10.05 mb/d and 10.28 mb/d respectively.

### Canada and Mexico

*Canada's supply to increase by 0.17 mb/d in 2013*

Oil supply from Canada is forecast to grow by 0.17 mb/d over 2012 to average 3.95 mb/d in 2013. This will be the second-highest growth level among all non-OPEC countries next year. It is supported by both oil sand and shale projects. The expected increase in capex also supports this growth. Additionally, the output surge at the Bakken region in Canada provides a solid ground for the growth in 2013. The startup and ramp-up of oil sand projects, such as Christina Lake D, Firebag 4, Kearl and Long Lake, are seen to contribute to the expected growth. Risks and uncertainties remain related to price levels and environmental, logistical and technical issues. On a quarterly basis, Canada's production is predicted to average 3.84 mb/d, 3.89 mb/d, 3.98 mb/d and 4.09 mb/d respectively.

*Mexico's supply to drop 80 tb/d in 2013*

Mexico's oil production is forecast to average 2.83 mb/d in 2013, a decline of 80 tb/d from 2012. This drop is expected to take place, despite the effective production stabilization efforts by the national operator. The limited new volume in 2013 is not seen as offsetting the declines in the mature producing areas. Ku-Maloob-Zaap (KMZ) field production, the largest among all Mexico's fields, is expected to maintain its peak level in 2013, while supply from several other fields is seen to decline. Growth in the Chicontepec field is projected to be slow and limited in 2013, due to the field's complexity and various revisions to the development plan. Moreover, the Cantarell field's output is expected to remain stable, although with a tendency to decline in 2013. However, risks remain associated with the forecast, especially from decline rate developments and weather conditions. On a quarterly basis, Mexico's oil supply in 2013 is expected to average 2.87 mb/d, 2.82 mb/d, 2.83 mb/d and 2.81 mb/d respectively.

### Western Europe

Total OECD Western Europe oil output is seen to fall by 0.14 mb/d from 2012 to average 3.76 mb/d in 2013. Declines are predicted for all the major OECD Europe producers, with quarterly figures expected at 3.90 mb/d, 3.72 mb/d, 3.68 mb/d and 3.77 mb/d respectively.

*Norway's supply to average 1.88 mb/d in 2013, a drop of 80 tb/d*

Norway's oil supply is forecast to decline by 80 tb/d over 2012 to average 1.88 mb/d in 2013. This drop is driven mainly by the continuing declines in mature producing fields, while limited new volumes are expected. Projects such as Atla, Fossekall, Dompap, Goliat, Hyme, Katla, Skarv, Idun, Skuld, Stjerne and Yme are seen to add new volumes to the country's oil supply; however, declines at mature oil fields, as well as the impact of maintenance, are seen to more than offset the new barrels. Furthermore, the decline in oil flow in the recent period, due to technical glitches, is expected to negatively affect supply in 2013. The decline in 2013 is expected despite anticipated increases in investment. Additionally, new methods of oil recovery could support output at mature fields. Accordingly, the 2013 supply forecast could be revised in the coming period, since the risk level is high, especially from issues such as government policies, decline rates and technical developments. On a quarterly basis, Norway's oil supply in 2013 is seen to average 1.97 mb/d, 1.86 mb/d, 1.80 mb/d and 1.88 mb/d respectively.

*UK supply to decline by 50 tb/d in 2013*

The UK's oil supply is anticipated to average 0.99 mb/d in 2013, a drop of 50 tb/d from 2012. The expected annual production level in 2013 will be the lowest since 1977. A few projects are expected to add new barrels in 2013, such as Islay, Bugle, Cheviot, Huntington and Kinnoull, in addition to the assumed return of Elgin/Franklin supply. However, the anticipated declines in mature producing areas are expected to more than offset the new volumes. Moreover, the effects of maintenance and technical difficulties are seen to further support the anticipated declines. The expected new volumes from new developments are likely to be limited, since the projects are characterized as small and satellite. On a quarterly basis, UK oil supply is expected to stand at 1.04 mb/d, 0.97 mb/d, 0.95 mb/d and 1.00 mb/d respectively.

Denmark's oil supply is estimated to decline by 20 tb/d from 2012 to average 0.18 mb/d in 2013. The expected output drop is seen on the back of declines in mature producing areas, coupled with limited new developments.

Other Western Europe's oil supply is seen to remain steady in 2013, compared with this year, to average 0.70 mb/d. Biofuel growth is expected to offset the declines seen in mature areas.

### *Asia Pacific*

OECD Pacific's oil supply is projected to average 0.53 mb/d in 2013, indicating growth of 20 tb/d from this year. On a quarterly basis, total oil supply from Asia Pacific in 2013 is estimated to average 0.50 mb/d, 0.53 mb/d, 0.54 mb/d and 0.53 mb/d respectively.

*Australian supply to grow by 30 tb/d in 2013*

Australia's oil output is forecast to increase by 30 tb/d in 2013 to average 0.45 mb/d. This will be driven by the expected new volumes from such developments as the Kipper, Tuna, Turrum, Chinchilla, Coniston and Montara projects. The expected growth is supported by the assumption that relatively minor weather-related shutdowns will occur during the cyclone season in 2013. On a quarterly basis, Australia's oil supply in 2013 is seen to stand at 0.42 mb/d, 0.46 mb/d, 0.47 mb/d and 0.45 mb/d respectively.

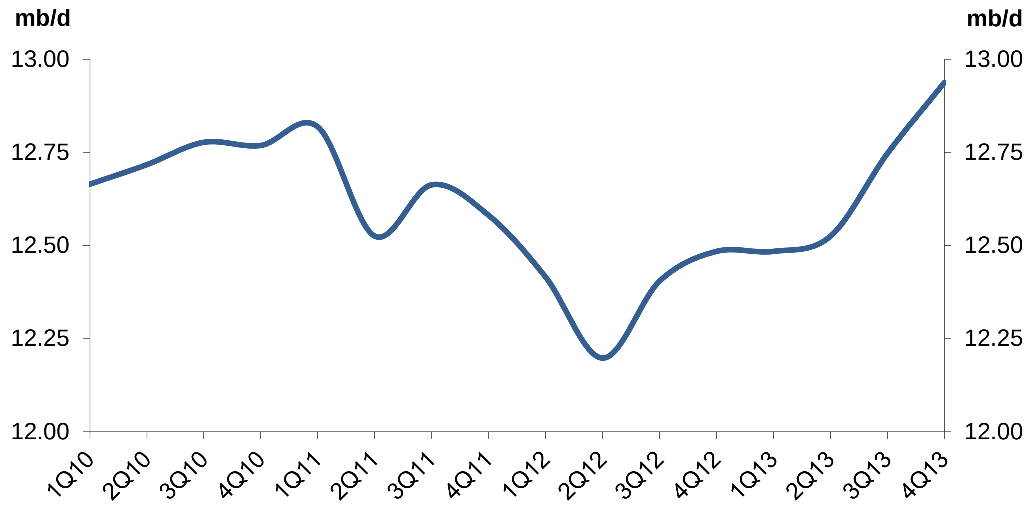
New Zealand's oil supply is estimated to decline by 10 tb/d over 2012 to average 80 tb/d in 2013. The expected declines at mature fields are seen to drive the expected drop in supply in 2013, coupled with limited new developments.

## Developing countries

*DC supply is forecast to increase by 0.30 mb/d in 2013, to average 12.67 mb/d*

Total developing countries' (DCs') oil supply is projected to average 12.67 mb/d in 2013, representing growth of 0.30 mb/d over this year. This increase will come mainly from Latin America, supported by growth in Brazil and Colombia, followed by the Middle East and Other Asia, while Africa's supply is seen to remain steady during the year. However, a high level of risk and uncertainty surrounds the DCs' forecast, including political, technical, price, decline-rate and weather issues. Accordingly, it is subject to revision in both directions. On a quarterly basis, total oil supply in the DCs in 2013 is forecast to average 12.48 mb/d, 12.52 mb/d, 12.75 mb/d and 12.94 mb/d respectively.

**Graph 5.3: Developing Countries' quarterly production**




*Other Asia's supply to increase by 50 tb/d in 2013, supported by Malaysia and India*

Other Asia's oil supply is expected to increase by 50 tb/d over 2012 to average 3.72 mb/d in 2013. Malaysia's supply is seen to lead this growth and average 0.69 mb/d, an increase of 40 tb/d over 2012, supported by output rises from the Cendor, Gumusut, Kikeh and Sepat developments. Production from the expansion of the Kikeh project and Gumusut is likely to strongly support output in 2013. India's supply is expected to increase by 30 tb/d in 2013 over this year and average 0.93 mb/d. It will be supported by the ramp-up of the Mangala developments. Vietnam's supply is seen to average 0.39 mb/d in 2013, an increase of 10 tb/d over the previous year. This will see new barrels from such developments as Moc Tinh, Hai Su Trang, Hai Su Den, and Te Giac Trang.

Indonesia's supply is expected to decline by 30 tb/d in 2013 to average 0.94 mb/d. This is because limited new volumes will fail to offset projected natural declines in mature producing areas. Despite this, output from the Cepu project is likely to experience some growth in 2013, as the operator recently reported that the field will reach peak output of 160 tb/d by the end of 2014. Thailand's production is forecast to decline by 10 tb/d in 2013 to average 0.33 mb/d. The anticipated decline rate in mature producing areas is seen as driving this, coupled with limited new developments. On a quarterly basis, Other Asia's oil supply in 2013 is seen to stand at 3.68 mb/d, 3.71 mb/d, 3.73 mb/d and 3.75 mb/d respectively.

*Latin America's supply to increase by 0.19 mb/d in 2013*

Latin American oil supply is projected to increase by 0.19 mb/d over 2012 to average 5.06 mb/d in 2013. This is supported by Brazil and Colombia, while other countries' supply within the region is seen to decline in 2013. Colombia's production is expected to experience healthy growth of 70 tb/d over 2011 to average 1.07 mb/d in 2013. This is supported by the continuing ramp-up of the Rubiales heavy oil project, the La Cira-Infantas project and the Quifa project, in addition to minor biofuel volumes. However, risks remain associated with the forecast, mainly from security and transport issues. Argentina's supply is seen to decline by 30 tb/d in 2013 to average 0.69 mb/d. New volume is expected from the expansion of biofuel production, since the government has increased the biodiesel blend. However, the anticipated decline in mature areas is seen to more than offset the new barrels. Furthermore, the ongoing protests and the nationalization move are expected to have a negative impact on output in 2013. On a quarterly basis, Latin America's supply in 2013 is seen to average 4.96 mb/d, 4.99 mb/d, 5.11 mb/d and 5.18 mb/d respectively.

*Brazil's production to increase by 0.14 mb/d in 2013*

Brazil's production is expected to average 2.88 mb/d in 2013, indicating growth of 0.14 mb/d over the previous year. The assumption of a return of output from the Frade field supports the outlook. It is also supported by a long list of project start-ups and ramp-ups, such as Aruana, Baleia Azul, Cachalote, Jubarte P-57, Peregrino, Roncador P-55, Tiro Sidon, Waimea and Lula. Moreover, biofuel supplies are likely to increase in 2013 and support output. However, a high level of risk is associated with the forecast, especially on weather, technical, delay and environmental issues. On a quarterly basis, Brazil's supply in 2013 is expected to average 2.79 mb/d, 2.81 mb/d, 2.92 mb/d and 2.98 mb/d respectively.

*Middle East supply to average 1.55 mb/d in 2013, an increase of 50 tb/d*

The Middle East's oil production is seen to increase by 50 tb/d in 2013 to average 1.55 mb/d. This is supported by anticipated growth in Oman, Bahrain and Yemen, while Syria's oil production is seen to remain steady next year. Oman's production is expected to rise by 20 tb/d in 2013 to average 0.93 mb/d. This is supported by enhanced oil recovery (EOR) at the Mukhaizna and Harweel developments. The new volume is seen to more than offset the foreseen declines in mature producing areas. Bahrain's supply is expected to rise by 10 tb/d in 2013 to average 0.23 mb/d, and this increase will be supported by the Awali project. Yemen's production is estimated to increase by 30 tb/d in 2013 to average 0.19 mb/d. This is on the assumption that the damaged pipeline will return to operations and that output will be partly restored, starting in the second quarter. Syria's oil supply is projected to average 0.21 mb/d in 2013, steady from this year. This assumes that a partial return of the shut-down production will begin in the second half of next year. However, the risk to Yemen's and Syria's forecasts remains high, given the ongoing political situation, as well as limited data. The forecast could encounter significant downward revision if the political situation remains unchanged in 2013. On a quarterly basis, the Middle East's supply in 2013 is expected to stand at 1.51 mb/d, 1.51 mb/d, 1.56 mb/d and 1.62 mb/d respectively.

*Africa's supply is seen to remain steady in 2013 and average 2.35 mb/d*

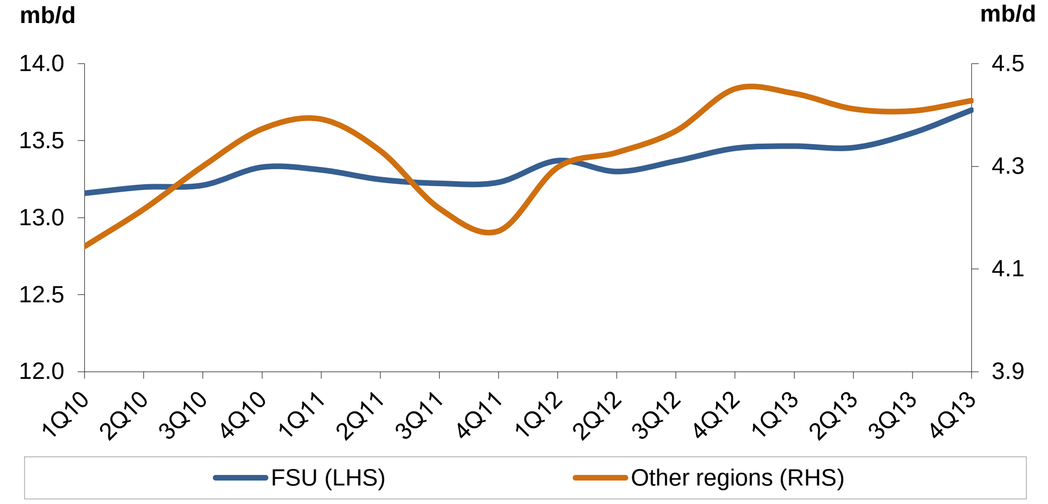
African oil production in 2013 is forecast to average 2.35 mb/d, an increase of 10 tb/d over 2012. Oil supply from Chad, Congo, Egypt, Gabon and South Africa is expected to remain steady in 2013, with just minor declines of 10 tb/d each. This comes on the back of limited new developments and declines in mature producing areas. Oil supply from Ghana, Uganda and Cameron is forecast to increase in 2013, supported by such new developments as the Jubilee and Dissoni projects. In Ghana, the Jubilee oil project is expected to reach its peak production of 120 tb/d in 2013. The Sudans' supply is seen to increase by 20 tb/d in 2013, on the assumption that shut-down production will partly restart in the second half of the year. Political risk factors could bring a significant change to the supply forecast, especially from the Sudans. On a quarterly basis, total oil supply in Africa in 2013 is estimated to average 2.33 mb/d, 2.32 mb/d, 2.35 mb/d and 2.39 mb/d respectively.

## FSU, Other regions

*FSU supply to grow by 170 tb/d in 2013*

The FSU's total oil supply is forecast to average 13.54 mb/d in 2013, representing an increase of 0.17 mb/d over the previous year. The expected growth will come from Russia, Kazakhstan and 'Other FSU'. It will be supported by an increase in capex in 2012. On a quarterly basis, total oil supply in the FSU in 2013 is expected to average 13.46 mb/d, 13.45 mb/d, 13.55 mb/d and 13.70 mb/d respectively. Supply from China is seen to increase by 60 tb/d in 2013 to average 4.28 mb/d. Other Europe's supply should remain steady in 2013 and average 0.15 mb/d.

**Graph 5.4: FSU and other region's quarterly production**




### *Russia*

*Prirazlom to start up in 2013 — Russia*

Russian oil output is projected to increase by 50 tb/d in 2013 to average 10.39 mb/d. This is supported by anticipated new barrels coming from project start-ups and ramp-ups, which are predicted to exceed the natural declines from mature areas. The developments in question are the Vankor, Prirazlom, Pyakyakhimskoye, Uvat, Talakan, and Verkhnechonskoye projects. The government has provided Prirazlom, which was supposed to start in 2012, with a tax break to improve the economics of the field, which is the first Arctic-class, ice-resistant platform in the world. It is expected to start up in 2013 and then continue to ramp up to peak production in the following years. The risk to the Russia supply forecast is one of the highest among the non-OPEC producers. The price environment will be an important factor for the country's oil supply in 2013, since producers are expected to continue investment in brown fields to maintain the output level. Furthermore, policy decisions, especially related to the export duty level, will be a key factor in the realization of the forecast in 2013, since the duty level has a direct impact on the production margins that operators will achieve and reinvest. On a quarterly basis, Russian supply in 2013 is seen to average 10.36 mb/d, 10.37 mb/d, 10.40 mb/d and 10.41 mb/d respectively.

### *Caspian*

*Kazakhstan's supply to average 1.72 mb/d in 2013, an increase of 0.10 mb/d, supported by start-up of Kashagan project*

Kazakhstan's production is expected to average 1.72 mb/d in 2013, indicating an increase of 0.10 mb/d over the previous year. This is supported mainly by the start-up of the Kashagan project. The first phase of this project, with a peak output of 0.35 mb/d, is expected to add new volumes in the second quarter of 2013 and it will feature ramp-ups in the following years. It has encountered, however, various delays and cost-overruns. Output from other fields is expected to remain relatively steady, with only minor declines. The risk to the outlook for Kazakhstan's oil supply is high, on the possibility of delays and political and technical issues. On a quarterly basis, Kazakhstan's supply in 2013 is expected to stand at 1.66 mb/d, 1.67 mb/d, 1.73 mb/d and 1.82 mb/d respectively.

*Azeri oil supply to remain steady and average 0.96 mb/d in 2013*

Azerbaijan's oil supply is estimated to average 0.96 mb/d in 2013, flat from this year. This is driven by the limited new developments. The operator of the Azeri-Chirag-Guneshli (ACG) projects has reported that the output plateau will be maintained at 750 tb/d in the coming years without major additions, and this is lower than the previous target, in order to sustain the level for a longer period. Azerbaijan's forecast for 2013 is associated with a high risk, on the back of technical issues. On a quarterly basis, Azerbaijan's supply in 2013 is estimated to average 0.98 mb/d, 0.95 mb/d, 0.95 mb/d and 0.97 mb/d respectively.

Oil supply for 'FSU Others' is projected to average 0.47 mb/d in 2013, an increase of 20 tb/d over this year. This is supported by Turkmenistan's and Uzbekistan's output from the Dzheitune, Ustyurt and Mingbulak projects. Natural declines in mature producing areas are expected to offset part of the growth in 2013.

### China

*China's supply to increase by 60 tb/d in 2013, to average 4.28 mb/d*

China's oil production is projected to grow by 60 tb/d in 2013 to average 4.28 mb/d. This is supported by the start-ups and ramp-ups of different projects, such as Beibu Gulf WZ 6-12 and WZ-12-8, Nanpu and Tarim Expansion. An assumption that the Penglai field will return to full volume supports the expected growth in 2013. Risks to the forecast remain associated with technical and delay issues, as well as decline rate development. On a quarterly basis, oil supply in China in 2013 is expected to stand at 4.30 mb/d, 4.27 mb/d, 4.26 mb/d and 4.28 mb/d respectively.

## OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are estimated to grow by 0.35 mb/d in 2012 to average 5.67 mb/d. In 2013, they are projected to increase by 0.24 mb/d to average 5.91 mb/d. The expected growth in 2013 is seen to come mainly from Algeria, Iran, Nigeria, Qatar, Saudi Arabia and the UAE.

**Table 5.3: OPEC NGLs + non-conventional oils, 2010-2013**

| | | | Change | | | | | | Change | | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2010** | **2011** | 11/10 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | **2012** | 12/11 | **2013** | 13/12 |
| **Total OPEC** | **4.98** | **5.32** | 0.34 | 5.49 | 5.60 | 5.73 | 5.86 | **5.67** | 0.35 | **5.91** | 0.24 |

## OPEC crude oil production

*OPEC crude oil production decreased by 170 tb/d in June*

Total OPEC crude oil production averaged 31.36 mb/d in June, representing a decline of 106 tb/d, compared with the previous month, according to secondary sources. OPEC crude oil production, excluding Iraq, averaged 28.38 mb/d, a drop of 170 tb/d over the same period. Iran, and Angola led the crude oil output decrease, while crude oil output from Iraq, Kuwait, and Libya experienced the largest increase in June.

**Table 5.4: OPEC crude oil production based on *secondary sources*, tb/d**

| | 2010 | 2011 | 4Q11 | 1Q12 | 2Q12 | Apr 12 | May 12 | Jun 12 | *Jun/May* |
|---|---|---|---|---|---|---|---|---|---|
| Algeria | 1,250 | 1,240 | 1,228 | 1,233 | 1,207 | 1,217 | 1,202 | 1,204 | *2.5* |
| Angola | 1,783 | 1,664 | 1,763 | 1,760 | 1,740 | 1,769 | 1,745 | 1,704 | *-41.1* |
| Ecuador | 475 | 490 | 493 | 492 | 491 | 492 | 494 | 488 | *-5.7* |
| Iran, I.R. | 3,706 | 3,621 | 3,563 | 3,383 | 3,103 | 3,193 | 3,152 | 2,963 | *-188.5* |
| Iraq | 2,401 | 2,665 | 2,666 | 2,705 | 2,964 | 2,988 | 2,922 | 2,984 | *62.8* |
| Kuwait | 2,297 | 2,538 | 2,695 | 2,768 | 2,793 | 2,786 | 2,803 | 2,790 | *-12.5* |
| Libya | 1,559 | 462 | 562 | 1,213 | 1,436 | 1,403 | 1,438 | 1,467 | *30.0* |
| Nigeria | 2,061 | 2,111 | 2,027 | 2,075 | 2,159 | 2,155 | 2,147 | 2,177 | *29.9* |
| Qatar | 791 | 794 | 796 | 786 | 747 | 751 | 747 | 744 | *-2.5* |
| Saudi Arabia | 8,257 | 9,268 | 9,641 | 9,794 | 9,891 | 9,910 | 9,875 | 9,888 | *12.5* |
| UAE | 2,304 | 2,517 | 2,557 | 2,564 | 2,587 | 2,587 | 2,584 | 2,589 | *5.0* |
| Venezuela | 2,338 | 2,380 | 2,371 | 2,379 | 2,366 | 2,370 | 2,363 | 2,364 | *1.8* |
| **Total OPEC** | **29,222** | **29,750** | **30,362** | **31,153** | **31,484** | **31,619** | **31,469** | **31,363** | ***-105.9*** |
| **OPEC excl. Iraq** | **26,821** | **27,085** | **27,696** | **28,448** | **28,520** | **28,632** | **28,548** | **28,379** | ***-168.6*** |

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

**Table 5.5: OPEC crude oil production based on *direct communication*, tb/d**

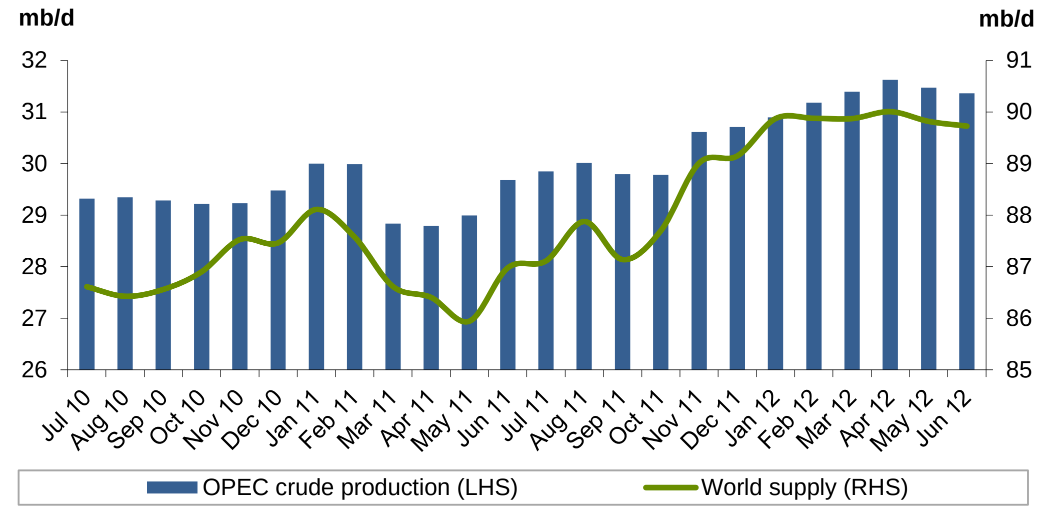
| | 2010 | 2011 | 4Q11 | 1Q12 | 2Q12 | Apr 12 | May 12 | Jun 12 | *Jun/May* |
|---|---|---|---|---|---|---|---|---|---|
| Algeria | 1,184 | 1,173 | 1,180 | 1,215 | 1,213 | 1,220 | 1,206 | 1,212 | *6.0* |
| Angola | 1,691 | 1,618 | 1,685 | 1,734 | 1,716 | 1,769 | 1,762 | 1,614 | *-147.9* |
| Ecuador | 475 | 500 | 503 | 502 | .. | 500 | 498 | .. | .. |
| Iran, I.R. | 3,544 | 3,576 | 3,609 | 3,742 | .. | 3,758 | 3,760 | .. | .. |
| Iraq | 2,358 | 2,653 | 2,638 | 2,628 | 2,936 | 2,942 | 2,915 | 2,951 | *36.0* |
| Kuwait | 2,312 | 2,660 | 2,909 | 2,995 | 2,990 | 3,007 | 2,984 | 2,980 | *-3.7* |
| Libya | 1,487 | 462 | 697 | 1,296 | 1,503 | 1,504 | 1,552 | 1,453 | *-99.2* |
| Nigeria | 1,968 | 1,896 | 1,836 | 1,880 | .. | 1,882 | .. | .. | .. |
| Qatar | 733 | 734 | 733 | 745 | 737 | 733 | 732 | 746 | *14.4* |
| Saudi Arabia | 8,166 | 9,311 | 9,736 | 9,883 | 10,002 | 10,102 | 9,807 | 10,103 | *296.6* |
| UAE | 2,324 | 2,565 | 2,549 | 2,602 | 2,615 | 2,716 | 2,383 | 2,753 | *370.2* |
| Venezuela | 2,779 | 2,795 | 2,809 | 2,792 | .. | 2,831 | 2,813 | .. | .. |
| **Total OPEC** | **29,020** | **29,942** | **30,883** | **32,015** | **..** | **32,964** | **..** | **..** | **..** |
| **OPEC excl. Iraq** | **26,662** | **27,290** | **28,245** | **29,387** | **..** | **30,022** | **..** | **..** | **..** |

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

## World Oil Supply

Preliminary figures indicate that global oil supply averaged 89.72 mb/d in June, around 100 tb/d lower than in the previous month. The estimated decrease was driven by OPEC crude oil output decline. OPEC crude is estimated to have a 35.0% share in global supply, steady from the previous month. The estimate is based on preliminary data from non-OPEC supply, estimates for OPEC NGLs and OPEC production are derived from secondary sources.

**Graph 5.5: OPEC and world oil supply**

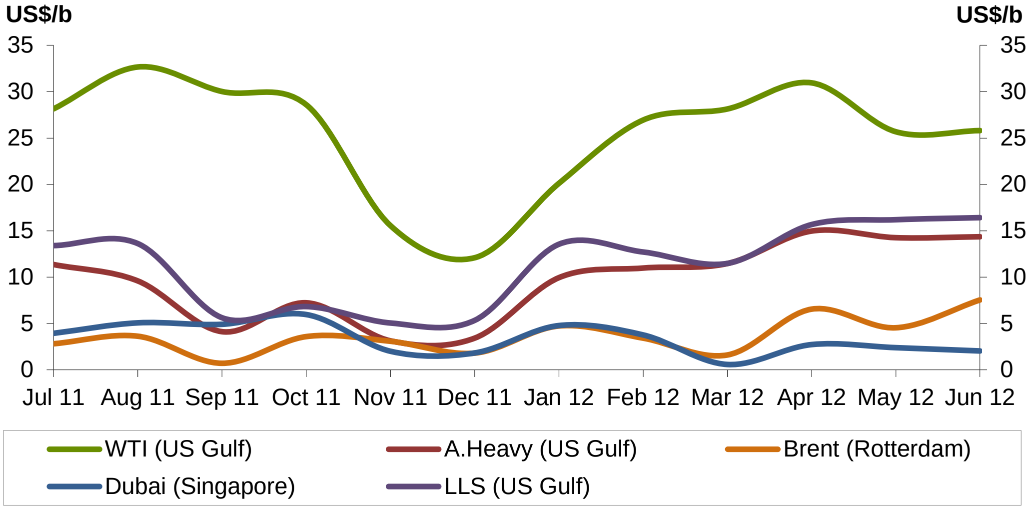


# Product Markets and Refinery Operations

*Refinery margins on the rise in Atlantic basin due to tightening supply and drop in crude prices*

Product market sentiment became bullish in June in the Atlantic Basin, with gasoline strengthening on the back of tightening supply sentiment, amid additional requirements for the driving season, which, along with the drop in crude prices, caused the margins to increase in that area. However, in Asia, the margins continued depressed, due to disappointing naphtha demand from the petrochemical sector and rising supplies in the region.

**Graph 6.1: Refining margins, 2011-2012**




The margin for West Texas Intermediate (WTI) crude on the US Gulf Coast showed a slight increase of 30¢ to stand at around $26/b in June, similar to the previous month, on the back of the positive developments seen mainly at the top of the barrel, with the gasoline crack strengthening.

Despite the deterioration in domestic demand, the US market continued to be supported by export opportunities to Latin America, with diesel exports hitting a record level during May.

Refinery margins for Light Louisiana Sweet (LLS) and Arabian Heavy crudes on the US Gulf Coast showed a slight increase of 30¢, to stand at $16.4/b and $14.4/b respectively.

The European product market became bullish, with gasoline gaining momentum over last month, as sentiment was supported by higher requirements for summer driving, mainly to the US, where the market tightened on a lack of supplies from the US Gulf Coast market. On the other hand, middle distillates and fuel oil strengthened, on the back of a tight market brought about by a drop in domestic refinery runs.

Another supportive factor was the marked contraction in crude prices, and the cracks exhibited a sharp improvement across the product slate. This allowed the European refining margin to jump up to $7.5/b, representing a gain of almost $3 on the previous month, the highest margin seen in several months.

Light distillates continued losing ground in Asia, mainly due to rising supplies, with lower demand exerting pressure on the gasoline and naphtha markets, causing their cracks to fall to the lowest level this year, despite the drop in the Dubai crude price.

On the distillates and fuel oil side, the Asian market remained balanced in a tighter environment, due to the lower inflows and stronger regional demand. However, this positive development could not offset the loss at the top of the barrel, and Singapore refinery margins showed a slight loss of 40¢ to average $2.0/b during June.

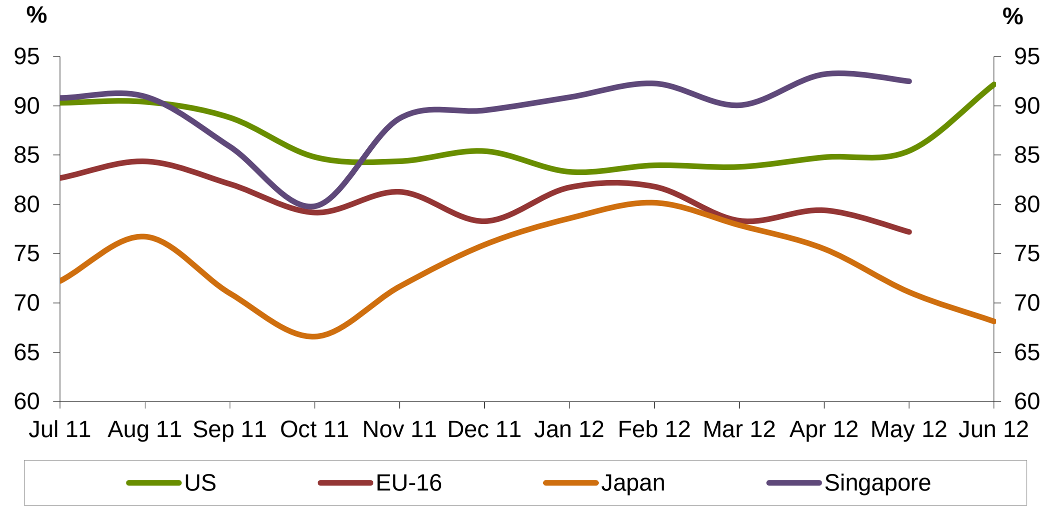
*Refining runs in US increased in June, hitting five-year high*

## Refinery operations

**Despite weak domestic demand, US refineries continued their upward trend in June, with export opportunities continuing to lend support. This, along with weakening crude prices, encouraged refiners to keep run-levels high.**

US refinery runs averaged 92.2% of capacity in June, 4.2 percentage points (pp) higher than in the previous month and hitting a five-year record high. This was despite the shutdown of some refineries in the region. Even at this refining level, distillates and gasoline inventories continued below the five-year average, due to high export levels from the US to markets worldwide, mainly in Latin America.

**Graph 6.2: Refinery utilization rates, 2011-2012**




European refiners continued to operate at moderate throughputs, in response to deteriorating margins, maintenance and closures. Refinery runs stood at around 77% in May.

During June, the marked contraction in crude prices had a hand in product market developments and the margins became healthier. However, over the last few weeks, the trend has started to correct itself and, considering that the demand-side fundamentals are still bearish, refiners are expected to keep moderate run-levels, despite the return from maintenance.

The Asian refinery maintenance season continued and there was an unplanned shutdown of units in the region. This, along with the demand growth, continued slowing down developments in the region and caused refineries to reduce runs from the high levels seen in the previous quarter, falling from above 90% to around 86%.

Japanese throughputs remained at around 68% of capacity in June.

*Driving season amid a tight market kept gasoline crack strong*

### *US market*

**US gasoline demand increased by around 80 tb/d from the previous month to stand at 8.9 mb/d in June. However, this level represented a drop of 150 tb/d from the same month a year earlier.**

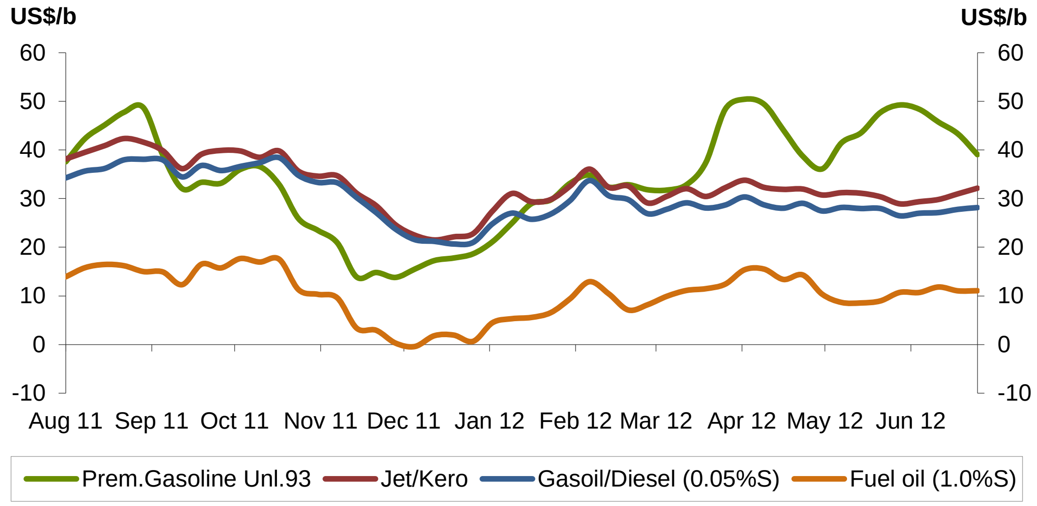
US gasoline demand picked up during the month to reach 8.9 mb/d for the first time this year. This positive performance coincided with the driving season and allowed gasoline to continue to hover near recent highs.

The market continued to be supported by solid demand from Latin America and the summer driving season. Additional backing came from the supply side, mainly on the back of expectations of tightening supplies after news about the closing of a CDU unit in the Port Arthur refinery for a minimum of two months.

However, this situation was partly offset at the end of the month by the more-than-ten cargoes coming from the attracted arbitrage from Europe, causing supply pressure and capping the gains in the gasoline cracks.

The gasoline crack averaged $45/b in June, a slight increase of $1.5 from the previous month's average.

**Graph 6.3: US Gulf crack spreads vs. WTI, 2011-2012**




**Middle distillate demand stood at around 3.7 mb/d in June, decreasing by 20 tb/d from the previous month and marking a loss of 230 tb/d from the same month a year ago.**

Middle distillates managed to maintain the margin levels of the previous month, as stronger import requirements from South America offset weakening domestic demand and rising supplies.

Higher diesel requirements from South America, mainly from Chile, Ecuador and Peru, continued to lend support, while distillate stocks in the US continued falling, to hit a low level of 118 mb at the end of the month.

Healthy exports to Latin America have increasingly been supporting the diesel market in the US, and US distillate exports to Latin America and the Caribbean hit a record level of more than 720 tb/d in April, according to some sources' estimates based on monthly data from the US Energy Information Administration.

The gasoil crack on the US Gulf Coast continued at around $27/b in June, a similar level to the previous month.

Fuel oil cracks recovered part of the ground lost in the previous month. This was mainly due to the decline in outright crude prices, given that domestic fuel oil demand remained moderate, while arbitrage opportunities to Asia were also currently unworkable. The fuel oil crack recovered more than $1 in June to average $11/b.

***European market***

*Product cracks rose on the back of a tight product market and lower crude prices*

**Product market sentiment recovered in Europe, with the tightening Atlantic Basin product market fuelling bullish sentiment to distillates and cracks improving across the barrel. The marked contraction in crude prices also played a role in product market developments.**

The European gasoline market gained momentum over last month, as sentiment was supported by higher requirements for summer driving, mainly on strong demand to export cargoes to the US, where the market tightened on a lack of supplies from the US Gulf Coast.

News about unscheduled unit shutdowns at some US Gulf Coast refineries caused the Atlantic Coast to continue increasing transatlantic cargoes from northwest European refineries.

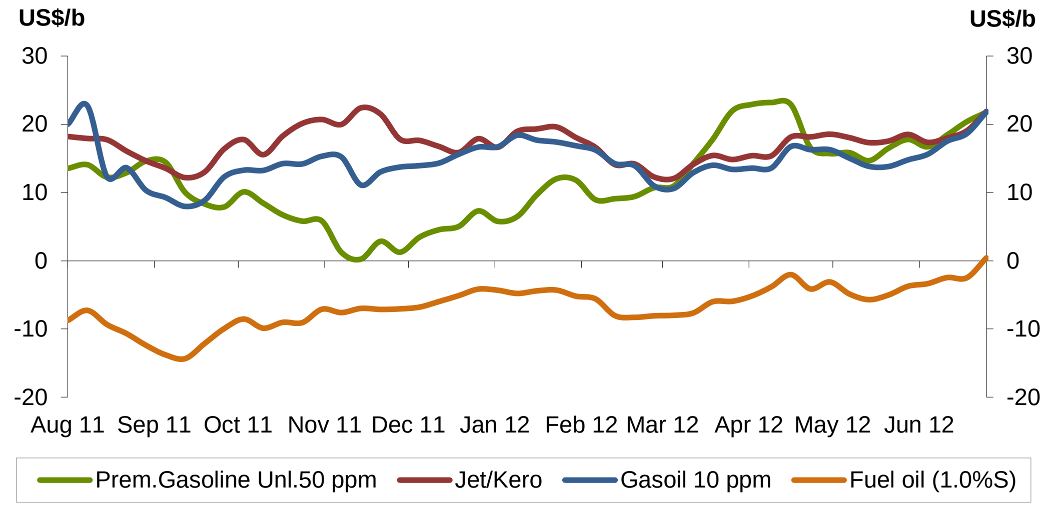
Additionally, despite the weak domestic demand and lower exports to Africa, the European market was also supported by the supply side, due to the closure of a UK refinery.

The gasoline crack spread against Brent crude showed a sharp recovery of almost $3 to average around $19/b in June.

The naphtha market continued weak in June and the crack fell further, despite the drop in crude prices, hitting the lowest level seen this year (minus $15/b on average in June), due to the lacklustre demand from the petrochemical industry.

During the last week of June, the emerging demand from gasoline blenders lent some temporary support, which allowed the naphtha crack to recover by $5, although bearishness still prevailed in the European market.

**Graph 6.4: Rotterdam crack spreads vs. Brent, 2011-2012**




Middle distillate cracks posted healthy gains over the month, in a balanced market with reduced crude prices.

Despite relatively weak demand in the region, some short-term support came during the month, in light of the cuts in diesel prices across most parts of Europe, amid the typical rising demand in the summer driving season.

The more positive fundamental picture was the stronger regional demand, mainly from Germany, where buying interest for 50 (ppm) diesel picked up. Additional support came from higher demand for gasoil/diesel coming from the UK, following the closure of the Coryton refinery.

Further backing came from the falling ARA stocks, as the lower runs in European refineries offset increasing exports from Russia, where the Nizhnekamsk refinery began exports of 10 ppm diesel via Primorsk.

The gasoil crack spread against Brent crude at Rotterdam showed a sharp gain of $3 from the previous month to average $17.7/b in June.

At the bottom of the barrel, fuel oil cracks showed a healthy performance last month, with the fuel oil market being supported by tight availability, as refiners kept supply limited at a time of maintenance and economic run-cuts.

Further supportive factors to the market were the lack of cutter stock, a tight supply of on-specification bunker-grade fuel oil in the Mediterranean and improving arbitrage opportunities to Singapore.

The Northwest European fuel oil crack spread against Brent showed a gain of more than $2 this month, to stand at minus $2.3/b.

***Asian market***

*Light distillates plummeted and cracks hit lowest level seen this year*

**Asian refineries increased supplies after finishing maintenance and poor light distillate demand caused cracking margins to lose momentum. This was despite the drop in crude oil prices and the continued strengthening seen in the middle and at the bottom of the barrel.**

The gasoline crack continued losing momentum in June, mainly due to continued rising supplies, particularly from India and Taiwan, with lower demand exerting pressure on the gasoline crack, causing it to fall to the lowest level this year, despite the drop in Dubai crude prices.

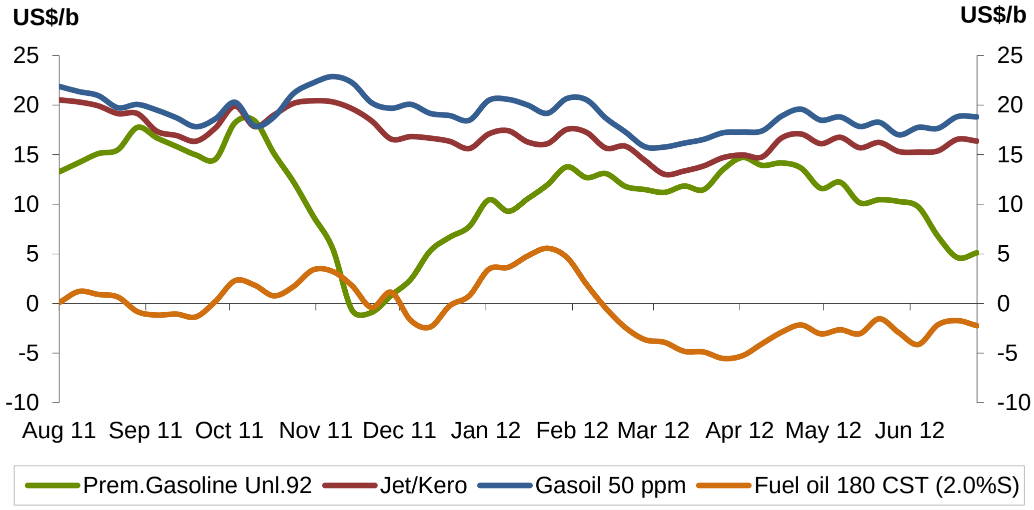
Regional demand failed to give support, as a result of the prospects of lower demand from Indonesia, as Asia´s biggest gasoline-importer reduced gasoline imports by almost 9% m-o-m to a six-month low. Additionally, Indian consumers have increasingly been shifting from gasoline to subsidized diesel. On the other hand, higher Singapore onshore light distillate stocks were also exerting pressure.

The gasoline crack spread against Dubai crude in Singapore retreated from an average of $11/b in May to around $7b in June.

Naphtha cracks continued falling to the lowest level seen this year (minus $13/b), as a result of increasing pressure, because of high availability in the region at a time of falling demand.

The main bearish factors were persistently low demand from the petrochemical sector, as poor petrochemical margins forced Asia-Pacific crackers to cut throughputs. On the other hand, increasing supplies from the West, India and Middle East contributed to the collapse of the Asian naphtha market.

**Graph 6.5: Singapore crack spreads vs. Dubai, 2011-2012**




Middle distillates continued maintaining healthy crack levels, with fundamentals remaining largely stable in a quite well-balanced gasoil market.

Middle distillate cracks remained strong over the month, finding support from increasing regional demand from Australia, Sri Lanka and Vietnam, as refiners secured volumes to cover for lost output from plants going into maintenance.

This stronger requirement offset the increase on the supply side from refineries returning from maintenance in Japan and South Korea, keeping the market relatively well balanced.

Additional support came from the falling trend for Singapore onshore middle distillate stocks during the month.

The gasoil crack spread in Singapore against Dubai averaged around $18/b in June, unchanged from the level seen the previous month.

Singapore fuel oil cracks continued to strengthen, mainly on the back of healthy regional demand for power-generation, as well as bunker fuel.

The robust South Korean utility demand continued to firm, because of maintenance at nuclear power stations, and Singapore bunker fuel sales hit the highest monthly volume in May. This stronger demand could offset the reduction in the processing requirements of independent Chinese refineries.

On the other hand, the arbitrage inflows into Asia-Pacific were less than the previous month, lending additional support to the market.

The fuel oil crack spread in Singapore against Dubai remained at around an average of minus $2.7/b in June, a similar level to the previous month.

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

| | | Apr 12 | May 12 | Jun 12 | *Change* Jun/May |
|---|---|---|---|---|---|
| **US Gulf (Cargoes):** | | | | | |
| Naphtha | | 120.79 | 111.69 | 99.86 | -11.83 |
| Premium gasoline | *(unleaded 93)* | 149.34 | 138.08 | 126.73 | -11.36 |
| Regular gasoline | *(unleaded 87)* | 136.70 | 121.73 | 111.45 | -10.28 |
| Jet/Kerosene | | 135.68 | 125.27 | 112.86 | -12.41 |
| Gasoil | *(0.05% S)* | 132.18 | 122.38 | 109.83 | -12.56 |
| Fuel oil | *(1.0% S)* | 117.95 | 103.57 | 90.83 | -12.74 |
| Fuel oil | *(3.0% S)* | 110.49 | 98.48 | 86.92 | -11.57 |
| **Rotterdam (Barges FoB):** | | | | | |
| Naphtha | | 114.89 | 97.01 | 80.61 | -16.40 |
| Premium gasoline | *(unleaded 10 ppm)* | 121.03 | 107.71 | 97.77 | -9.94 |
| Premium gasoline | *(unleaded 95)* | 141.82 | 126.22 | 114.57 | -11.65 |
| Jet/Kerosene | | 136.71 | 128.15 | 114.30 | -13.84 |
| Gasoil/Diesel | *(10 ppm)* | 135.01 | 124.84 | 113.43 | -11.40 |
| Fuel oil | *(1.0% S)* | 116.36 | 105.70 | 93.24 | -12.46 |
| Fuel oil | *(3.5% S)* | 108.98 | 100.23 | 88.76 | -11.47 |
| **Mediterranean** | | | | | |
| Naphtha | | 111.66 | 94.66 | 78.22 | -16.44 |
| Premium gasoline | *(50 ppm)* | 142.09 | 124.04 | 113.27 | -10.77 |
| Jet/Kerosene | | 131.47 | 122.80 | 108.98 | -13.82 |
| Gasoil/Diesel | *(50 ppm)* | 122.58 | 111.75 | 100.70 | -11.05 |
| Fuel oil | *(1.0% S)* | 116.54 | 105.45 | 92.17 | -13.27 |
| Fuel oil | *(3.5% S)* | 107.73 | 100.00 | 88.38 | -11.61 |
| **Singapore (Cargoes):** | | | | | |
| Naphtha | | 114.95 | 98.40 | 80.72 | -17.68 |
| Premium gasoline | *(unleaded 95)* | 135.19 | 121.57 | 104.46 | -17.11 |
| Regular gasoline | *(unleaded 92)* | 131.78 | 118.19 | 101.16 | -17.03 |
| Jet/Kerosene | | 133.43 | 123.38 | 110.29 | -13.09 |
| Gasoil/Diesel | *(50 ppm)* | 135.85 | 125.40 | 112.65 | -12.75 |
| Fuel oil | *(180 cst 2.0% S)* | 113.98 | 105.23 | 93.07 | -12.16 |
| Fuel oil | *(380 cst 3.5% S)* | 112.50 | 103.62 | 91.40 | -12.22 |

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

| | Refinery throughput, mb/d | | | Refinery utilization, % | | |
|---|---|---|---|---|---|---|
| | May 12 | Jun 12 | Jun/May | May 12 | Jun 12 | Jun/May |
| **US** | 14.99 | 15.62 | 0.64 | 87.98 | 92.17 | 4.19 |
| **France** | 1.01 | - | - | 58.94 | - | - |
| **Germany** | 1.81 | - | - | 75.00 | - | - |
| **Italy** | 1.41 | - | - | 60.46 | - | - |
| **UK** | 1.32 | - | - | 74.64 | - | - |
| **Euro-16** | 10.11 | - | - | 77.20 | - | - |
| **Japan** | 3.15 | 3.05 | -0.10 | 71.10 | 68.13 | -4.38 |

*Sources: OPEC statistics; Argus; Euroilstock Inventory Report; IEA; EIA/DoE; METI; PAJ.*

# Tanker Market

In June, the month started at a slow pace, a pattern which continued throughout the month. Initially, the low level of activity was attributed to various holidays. Following the first week of June, tonnage demand was expected to pick up as a higher level of activity was predicted. Yet, low activity and decreasing inquiries continued to characterize the market for the rest of the month. Consequently, freight rates continued to drop further to lower levels. The vessels position list was widely open during June on expectations based on some tightness that had been observed towards the end of the month for early July fixtures. However, even that was not enough to lift declining rates.

In view of that, the reaction of owners to the market situation was split. Some owners were resisting the lower rates and were trying to maintain higher levels; but this was unobtainable in an oversupplied tonnage market where charterers maintained the upper hand. Other owners preferred to secure employment for their ships to avoid remaining idle and sought to fix these at the persisting low levels. This took into consideration the huge decrease in bunker prices, which had strengthened owners' profit margins and maintained their daily returns.

Indeed, after reaching near record levels in early 2012, bunker fuel prices saw a remarkable fall in June in all major bunkering ports following the decline in crude prices. Reduced bunker prices can have a two-fold impact: On the one hand, lower prices will add to the owners' margins as bunker fuel is one of the main elements of the operational cost; on the other, the decrease in bunker costs can discourage the slow steaming operations — sailing at lower speed to reduce bunker consumption, a tactic that has been adopted widely during the high peaks of prices — which means that a greater number of tankers could be available in an oversupplied market.

Global oil fixtures were almost stable in June with a minor decrease of 1.9% to stand at 18.7 mb/d, while OPEC fixtures increased by 7.7% from May to reach 11.85 mb/d.

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

| | Apr 12 | May 12 | Jun 12 | *Change Jun/May* |
|---|---|---|---|---|
| **Spot Chartering** | | | | |
| All areas | 18.52 | 18.37 | 18.71 | 0.35 |
| OPEC | 10.41 | 11.00 | 11.85 | 0.85 |
| Middle East/East | 6.26 | 5.35 | 6.08 | 0.73 |
| Middle East/West | 1.42 | 2.19 | 1.91 | -0.28 |
| Outside Middle East | 2.74 | 3.47 | 3.86 | 0.40 |
| **Sailings** | | | | |
| OPEC | 24.15 | 24.12 | 23.91 | -0.21 |
| Middle East | 17.98 | 17.89 | 17.63 | -0.26 |
| **Arrivals** | | | | |
| North America | 8.90 | 9.90 | 8.76 | -1.14 |
| Europe | 12.16 | 12.03 | 11.82 | -0.21 |
| Far East | 8.73 | 8.93 | 8.66 | -0.27 |
| West Asia | 4.33 | 4.32 | 4.23 | -0.09 |

*Source: "Oil Movements" and Lloyd's Marine Intelligence Unit.*

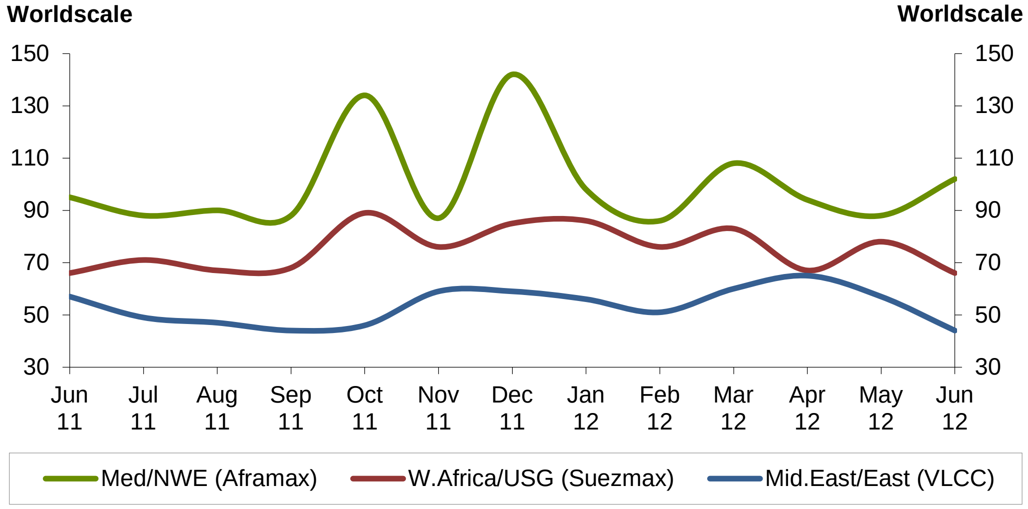
*OPEC sailings and arrivals declined slightly in June*

Preliminary data showed that OPEC sailings declined slightly by 0.9% to stand at 23.91 mb/d in June. On an annual comparison, OPEC sailings gained 4.7% over the same month a year ago. Middle East sailings followed a similar pattern and dropped by 1.4% in June compared to the previous month.

All arrivals followed the same pattern by registering a moderate drop in all main routes. Preliminary data indicated that North America arrivals had the highest drop among other routes, declining by 11.6% in June compared to a month earlier, while Far East and West Asia arrivals declined by 3% and 2.1%, respectively. European arrivals saw the lowest drop by 1.7% in June. In comparison to the same period last year, arrivals at

North America and West Asia in June declined by 5% and 9%, respectively, while all other routes increased.

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




*VLCC spot freight rate declined on all routes*

In the dirty tanker market, the **VLCC** spot freight rate witnessed a significant decline in June on all reported routes, averaging 23% in comparison to the previous month. Average VLCC spot freight rates for Middle East to East and Middle East to West in June fell by 23% and 20%, respectively, to stand at WS44 and WS33 points. The largest drop of all routes was on the West Africa to East route which experienced weak activity and ended with a rate decline of 25% from May to stand at WS45 points in June. This came on the back of reduced tonnage demand from West Africa. Generally, the number of total VLCC fixtures during the month was significantly lower than usual, as the tonnage demand level for July was below expectations.

**Suezmax** spot freight rates were under the same bearish pressures. The monthly average declined by WS8 points or 12% in June over the previous month. Loadings from the Black Sea and the Mediterranean supported the rates and partially offset the decline in June.

The **Aframax** spot freight rate average managed to close the month with a minor positive gain in June from a month earlier. On average, the Aframax spot freight rate gained 6% in June over the previous month.

The positive momentum was experienced on all reported routes except for the Caribbean to the US route in which freight rates had reached their bottom low levels since the beginning of June, ending the month with a loss of WS9 points to stand at WS108. This reflected an 8% decline over the previous month but a 9% gain compared to the same month last year.

On the remaining routes, the Indonesia to East route was almost flat with a small increase of 2% to WS86 in June, while Mediterranean to Mediterranean and Mediterranean to Northwest Europe achieved a similar gain of 16% in June over the previous month to stand at around WS101 points. The improved rates encountered in the Mediterranean were attributed to positive activities and the tightening of the position list.

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

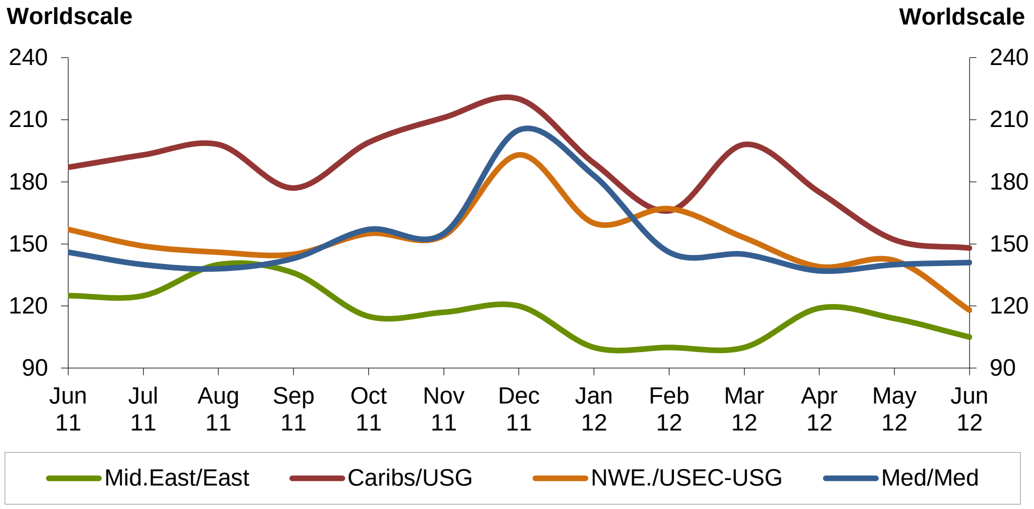
| | Size 1,000 DWT | Apr 12 | May 12 | Jun 12 | Change Jun/May |
|---|---|---|---|---|---|
| ***Crude*** | | | | | |
| Middle East/East | 230-280 | 65 | 57 | 44 | -13 |
| Middle East/West | 270-285 | 43 | 41 | 33 | -8 |
| West Africa/East | 260 | 64 | 60 | 45 | -15 |
| West Africa/US Gulf Coast | 130-135 | 67 | 78 | 66 | -12 |
| NW Europe/USEC-USGC | 130-135 | 67 | 66 | 61 | -5 |
| Indonesia/US West Coast | 80-85 | 88 | 84 | 86 | 2 |
| Caribbean/US East Coast | 80-85 | 98 | 117 | 108 | -9 |
| Mediterranean/Mediterranean | 80-85 | 93 | 87 | 101 | 14 |
| Mediterranean/North-West Europe | 80-85 | 94 | 88 | 102 | 14 |

*Source: Galbraith's Tanker Market Report and Platt's.*

*Clean tanker market was bearish with spot rates declining*

Facing the same factors driving the dirty tanker market towards the softer rates, the clean tanker market was influenced by decreasing tonnage demand, weak activity and a mostly oversupplied tonnage market.

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




Generally, average clean spot freight rates went down by 5% in June from the previous month. Among all reported routes, the largest decline was seen on the Northwest Europe to US route which declined by 17% in June from the previous month to stand at WS118 despite the increase in gasoil shipments on that route. The Caribbean to US route ended the month almost flat at WS148, which is 3% lower than the previous month, as higher middle distillates tonnage demand from South America partially offset the decline. On the Middle East to East route, clean spot freight rates dropped WS9 points in June from May to stand at WS105. Similarly, clean rates on the Singapore to East route dropped WS6 in June from the previous month to stand at WS120 points. The drop came on the back of limited naphtha demand in Asia and increasing vessel availability.

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

| | Size 1,000 DWT | Apr 12 | May 12 | Jun 12 | Change Jun/May |
|---|---|---|---|---|---|
| ***Products*** | | | | | |
| Middle East/East | 30-35 | 119 | 114 | 105 | -9 |
| Singapore/East | 30-35 | 127 | 126 | 120 | -6 |
| Caribbean/US Gulf Coast | 38-40 | 175 | 152 | 148 | -4 |
| NW Europe/USEC-USGC | 33-37 | 139 | 142 | 118 | -24 |
| Mediterranean/Mediterranean | 30-35 | 137 | 140 | 141 | 1 |
| Mediterranean/North-West Europe | 30-35 | 147 | 150 | 150 | 0 |

*Source: Galbraith's Tanker Market Report and Platt's.*

# Oil Trade

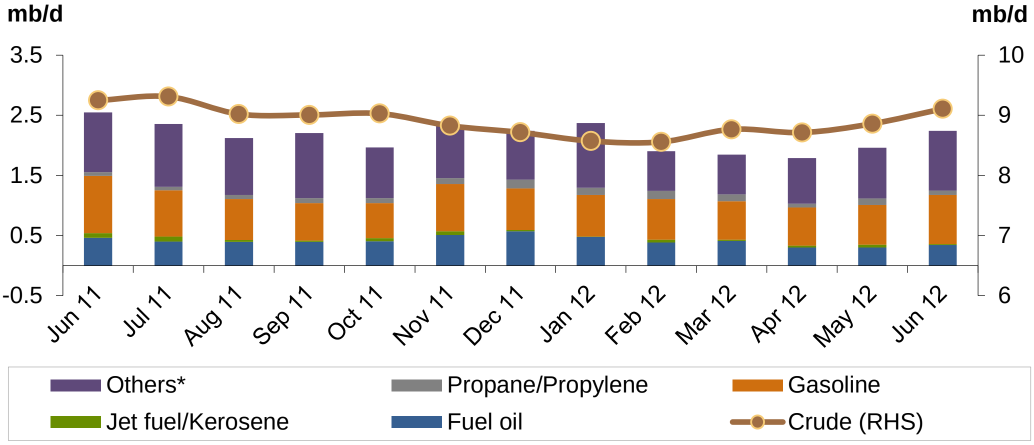
*US crude imports in June increased by 248 tb/d to 9.1 mb/d*

## US

Preliminary data showed that US crude imports in June 2012 increased by 248 tb/d to 9.10 mb/d, representing 2.8% increase from the previous month and a 1.5% decrease on a y-o-y basis. Year-to-date, crude imports declined slightly by 1.3%.

US products imports for the same month increased by 281 tb/d to 2.2 mb/d, which is 14.3% higher m-o-m yet 12.0% lower than the previous year. Products imports in a year-to-date comparison saw a larger decline than crude, estimated at 23%.

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

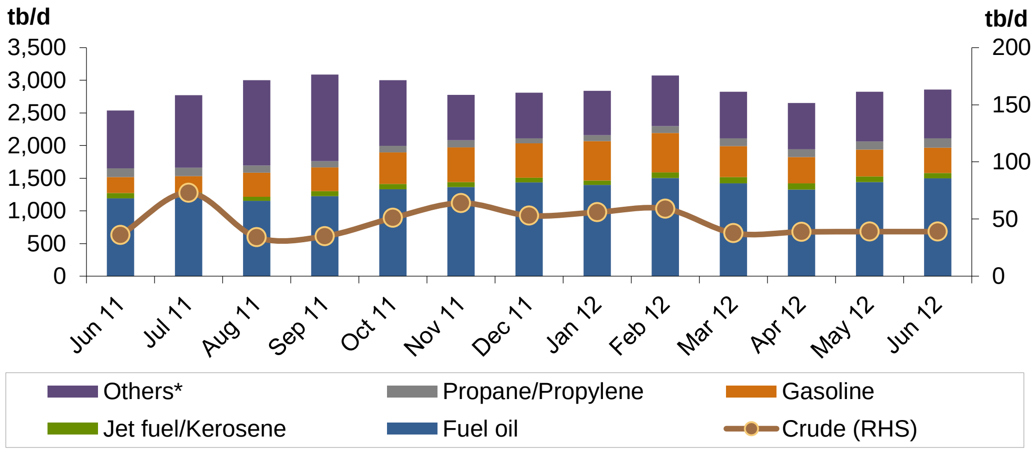



**Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.*

Product exports saw a minor increase of 2.4% totaling 2.9 mb/d. On a y-o-y basis, it showed an increase of 12.6%. Accordingly, net US oil imports increased in June by 460 tb/d to 8.4 mb/d, around 5.8% higher m-o-m, but 8.4% lower y-o-y.

As to the US crude oil imports from OPEC Member Countries, the amount in April was stable both on a m-o-m and y-o-y basis, despite a wide variation of sources. This reflected a share of 47.5% of total US crude imports. Imports from Saudi Arabia, Kuwait, Libya and Ecuador saw a major increase from last year's levels, while imports from Iraq, Nigeria and Algeria witnessed a substantial decline m-o-m.

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




**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.*

As the latest monthly data show, US imports from Saudi crude in April had a significant increase of 45.7% compared to the previous year. This increased volume is considered the highest since July 2008. Also, it accounts for 18.5% of US crude imports, which is the highest share in US crude imports since 2003. It also represents an increase of 15.7% on a m-o-m basis. Currently, Saudi Arabia is ranked as the second largest crude supplier to the US after Canada, which accounted for 28% of total US crude imports. US imports from Canada declined by 1.7% from the previous month; yet gained 16.5% in an annual comparison.

Mexico and Venezuela maintained third and fourth place, respectively, as suppliers, representing 11.1% and 9.7% of US imports, respectively. Additionally, while US crude imports from Mexico saw a minor increase of 0.4%, imports from Venezuela and Kuwait declined by 10.8% and 49.1%, respectively, m-o-m.

In terms of products in April, US imports from OPEC Member Countries increased by 78 tb/d or 33.2% from the previous month to average 313 tb/d. On an annual basis, imports decreased by 28.7%.

With regard to the share of supply, Canada and Russia maintained their position as first and second ranked product suppliers to the US with a 25% and 14% share, respectively. The United Kingdom came in third place with 10%, after having increased its share in April m-o-m by 54.5%, followed by Algeria and Korea at 7.6% and 4.5%, respectively.

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

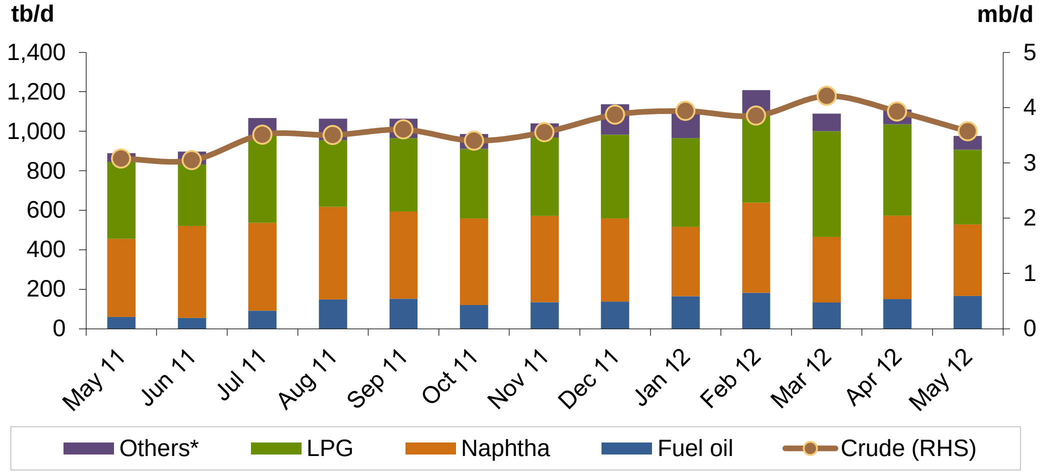
| | Apr 12 | May 12 | Jun 12 | *Change* Jun/May |
|---|---|---|---|---|
| Crude oil | 8,559 | 8,821 | 9,069 | 248 |
| Total products | -1,189 | -866 | -654 | 212 |
| **Total crude and products** | **7,777** | **7,956** | **8,416** | **460** |

## Japan

*Japan crude oil imports in May decreased by 359 tb/d to 3.6 mb/d*

Japan's crude oil imports in May 2012 fell by 9.1% to 3.6 mb/d m-o-m. Crude imports increased by 16% for the same month. In terms of sources, crude imports from Saudi Arabia, Kuwait and Vietnam all witnessed an increase in their export volumes to Japan in May. Products imports declined as well by 50 tb/d or 7.7% from levels seen in April 2012. However, a 19.6% increase has been registered in this sector compared to the previous year.

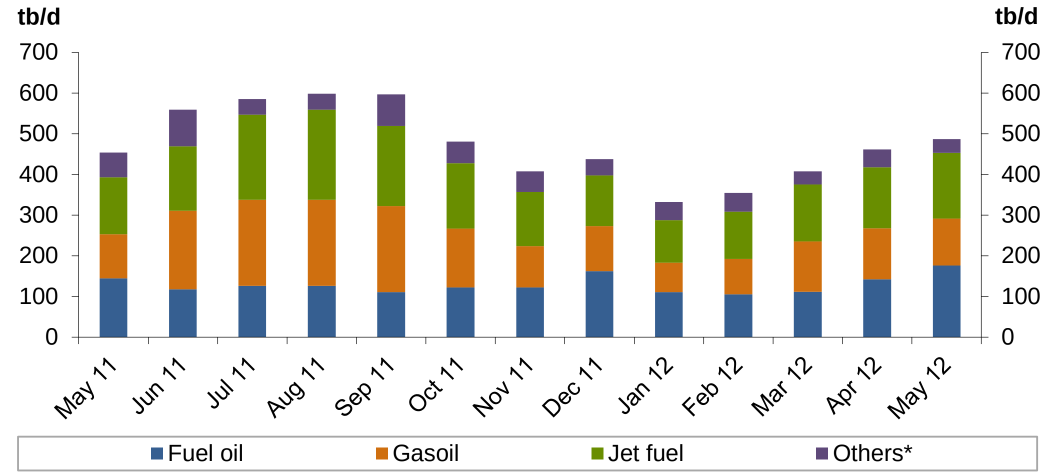
**Graph 8.3: Japan's imports of crude and petroleum products**




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

Product exports for the same period increased by 5% m-o-m, to average 477 tb/d, and increased by 6.2% on a y-o-y basis. Consequently, Japan's net oil imports have decreased by 432 tb/d or 10.5% from a month earlier to reach 3.7 mb/d in May. Nevertheless, annual figures have shown an increase of 564 tb/d, which is equal to an 18% gain over the same period of 2011.

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




**Others: Contains LPG, gasoline, naphtha, kerosene, lubricating oil, asphalt and paraffin wax.*

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

| | Mar 12 | Apr 12 | May 12 | *Change* May/Apr |
|---|---|---|---|---|
| Crude oil | 4,209 | 3,931 | 3,572 | -359 |
| Total products | 153 | 193 | 120 | -73 |
| **Total crude and products** | **4,362** | **4,124** | **3,692** | **-432** |

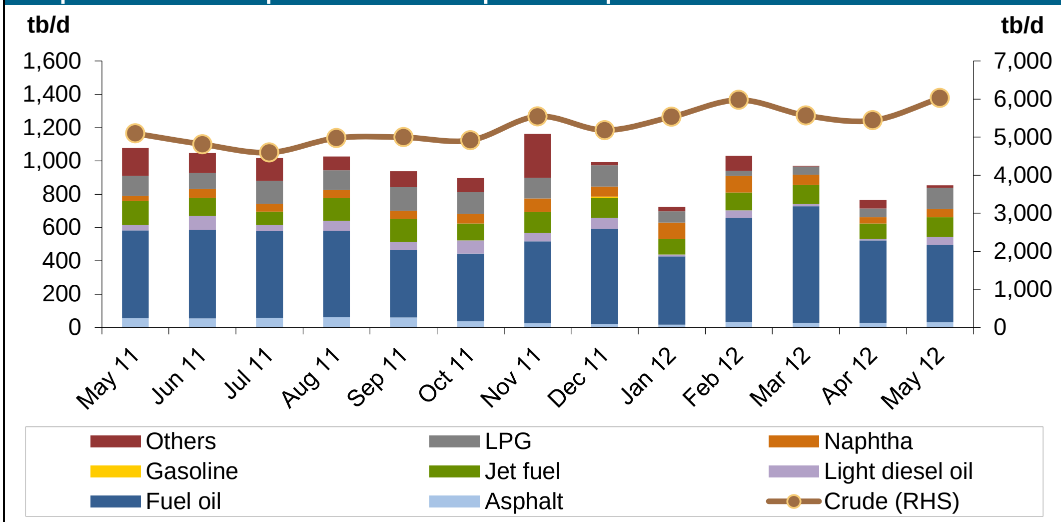
## China

*China crude oil imports in May increased by 585 tb/d to 6.0 mb/d.*

China crude imports reached a record level in May 2012 increasing by 585 tb/d or 10.8% from the previous month to a total of 6.0 mb/d. On a y-o-y basis, Chinese imports have grown by 18.2%, an increase of 929 tb/d. On a year-to-date basis, China crude oil imports increased by 10.4%.

Crude oil exports rebounded in May 2012 after the previous month's decline. Crude exports averaged 42 tb/d, while compared to figures seen in May of last year, total crude exports increased by 30 tb/d.

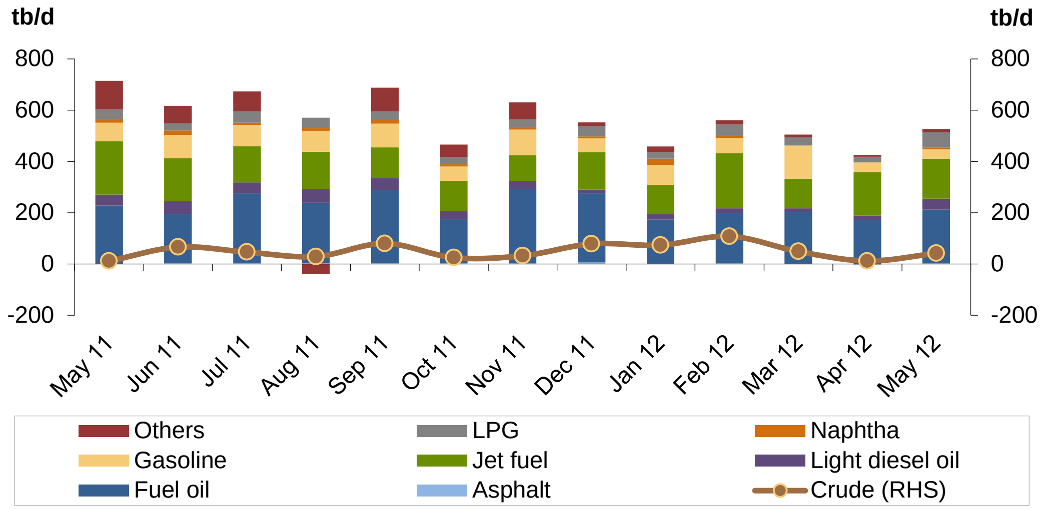
**Graph 8.5: China's imports of crude and petroleum products**




The increased volumes, primarily sourced from the Middle East, are driven mainly by increased export volumes to China from Iraq, Iran, UAE and Yemen. Saudi Arabia has increased its exports to China by 13.7% compared to last year and Iraq and UAE both also raised their exports to China by 64% and 32%, respectively.

Product imports increased by 11.4% in May 2012 to reach a level of 853 tb/d m-o-m. On a y-o-y basis, a decline of 224 tb/d or 20.8% was registered over last year's figures.

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




China product exports saw an increase of 25.1% over the previous month to average 527 tb/d for the same period, while on a y-o-y basis the product exports reflect a decrease of 26.2%.

China net oil imports increased by 537 tb/d to average 6.31 mb/d or 9.3% in May 2012 compared to a month before. In an annual comparison, they gained 862 tb/d or 15.8%.

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

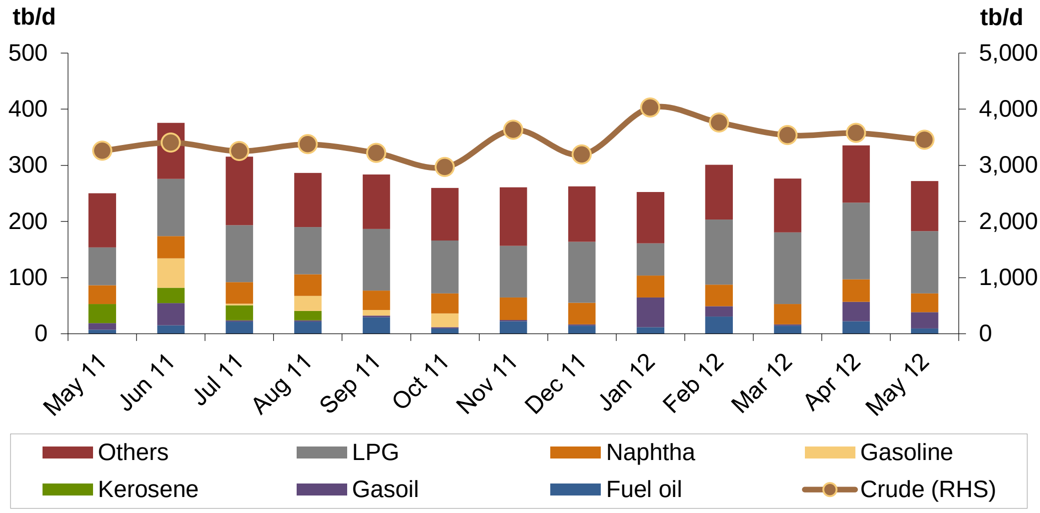
| | Mar 12 | Apr 12 | May 12 | *Change* May/Apr |
|---|---|---|---|---|
| Crude oil | 5,520 | 5,427 | 5,983 | 555 |
| Total products | 458 | 344 | 326 | -18 |
| **Total crude and products** | **5,979** | **5,771** | **6,309** | **537** |

## India

*India crude oil imports in May decreased by 122 tb/d to 3.5 mb/d*

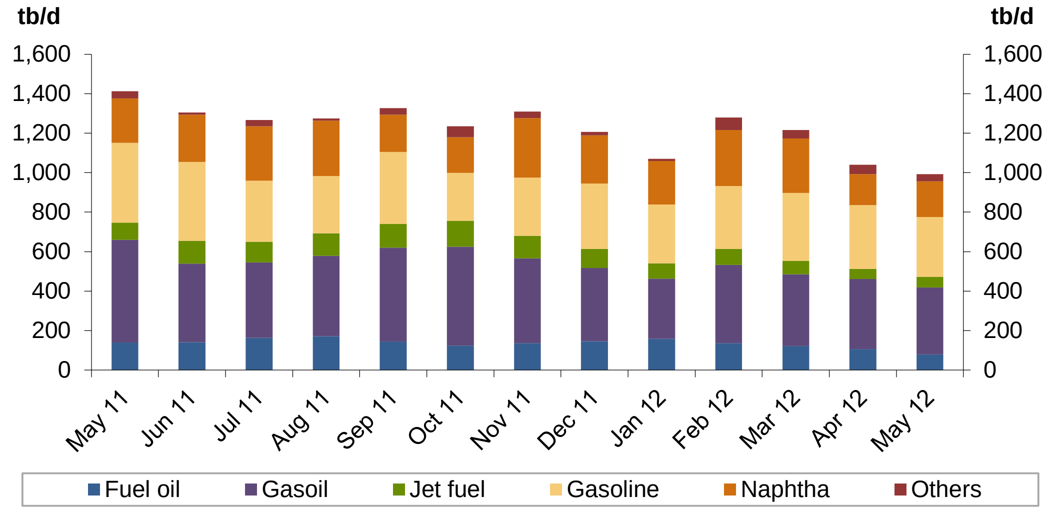
India crude oil imports declined in May by 122 tb/d or 3.4% over the previous month to 3.5 mb/d. However, they achieved a gain of 5.9% over the previous year. While product imports fell by 64 tb/d or 19% m-o-m, they increased by 22 tb/d or 8.7% on a y-o-y basis to average 272 tb/d. The monthly decline in product imports came on the back of reduced imports of diesel, LPG, naphtha and fuel oil.

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




India's products exports declined by 48 tb/d or 4.6% m-o-m while the decrease was 29.7% y-o-y. Generally, there was a decline of product exports for diesel, petrol and fuel oil, while they increased for naphtha and jet fuel.

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




The above resulted in a decline in India's net oil imports by 138 tb/d or 4.8% from the previous month. In comparison to a year ago, they increased by 30.2%.

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

| | Mar 12 | Apr 12 | May 12 | *Change* May/Apr |
|---|---|---|---|---|
| Crude oil | 3,534 | 3,572 | 3,450 | -122 |
| Total products | -939 | -705 | -721 | -15 |
| **Total crude and products** | **2,596** | **2,867** | **2,729** | **-138** |

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

## FSU

*FSU crude exports in May decreased by 463 tb/d to average 6.4 mb/d and products exports decreased by 619 tb/d to 9.1 mb/d.*

Total FSU crude exports dropped by 463 tb/d to average 6.4 mb/d after reaching a record level in April 2012. The decrease of export volumes in May was attributed to the increasing demand from local refineries and supported by high profitability. Russian pipeline crude exports dropped as well by 147 tb/d or 3.3% m-o-m to average 4.4 mb/d.

The supply of Russian blend to China fell by 3.2% to 299 tb/d. Likewise, exports from Kozimino saw a similar decline of 3.1%. Both CPC and BTC crude exports had declined by 20.2% and 12.2%, respectively.

Kazakh crude rail exports reached their lowest levels this year by losing 58 tb/d to average 110 tb/d resulting in a m-o-m decline of 34.5%.

Ural exports through the Baltic decreased by 5.6% to average 1.8 mb/d, while exports from the Black Sea decreased by 7.8% to average 836 tb/d.

Total FSU products exports declined in May by 6.4% or 619 tb/d to stand at 9.1 mb/d. The decline in products exports was seen across all products with the exception of vacuum gasoil, which saw an increase of 10.5% over the previous month.

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

| | 2010 | 2011 | 3Q11 | 4Q11 | 1Q12 | Apr 12 | May 12* |
|---|---|---|---|---|---|---|---|
| **Crude** | | | | | | | |
| **Russian pipeline** | | | | | | | |
| Black Sea | 994 | 935 | 951 | 930 | 876 | 907 | 836 |
| Baltic | 1,564 | 1,461 | 1,342 | 1,526 | 1,444 | 1,883 | 1,778 |
| Druzhba | 1,126 | 1,170 | 1,178 | 1,241 | 1,243 | 1,103 | 1,151 |
| Kozmino | 309 | 306 | 319 | 295 | 307 | 318 | 308 |
| **Total** | **4,005** | **4,178** | **4,087** | **4,310** | **4,161** | **4,520** | **4,373** |
| **Other routes** | | | | | | | |
| Russian rail | 330 | 173 | 137 | 213 | 176 | 178 | 120 |
| Russian-Far East | 276 | 279 | 260 | 272 | 269 | 256 | 274 |
| Kazakh rail | 123 | 157 | 126 | 198 | 167 | 168 | 110 |
| Vadandey | 152 | 82 | 67 | 81 | 46 | 35 | 34 |
| Kaliningrad | 24 | 23 | 22 | 26 | 24 | 16 | 19 |
| CPC | 743 | 679 | 668 | 640 | 622 | 753 | 601 |
| BTC | 775 | 695 | 691 | 643 | 727 | 735 | 645 |
| Kenkiyak-Alashankou | 204 | 222 | 240 | 180 | 207 | 184 | 177 |
| Caspian | 239 | 170 | 123 | 146 | 169 | 185 | 156 |
| **Total crude exports** | **6,750** | **6,500** | **6,295** | **6,511** | **6,401** | **6,862** | **6,399** |
| **Products** | | | | | | | |
| Gasoline | 141 | 149 | 101 | 124 | 155 | 133 | 99 |
| Naphtha | 253 | 243 | 246 | 204 | 277 | 312 | 310 |
| Jet | 18 | 10 | 16 | 2 | 3 | 3 | 1 |
| Gasoil | 809 | 716 | 711 | 688 | 848 | 831 | 711 |
| Fuel oil | 1,129 | 1,201 | 1,330 | 1,239 | 1,260 | 1,312 | 1,287 |
| VGO | 228 | 198 | 189 | 168 | 180 | 247 | 273 |
| **Total** | **2,578** | **2,518** | **2,594** | **2,426** | **2,723** | **2,836** | **2,680** |
| **Total oil exports** | **9,328** | **9,018** | **8,889** | **8,937** | **9,124** | **9,698** | **9,079** |

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

*Source: Nefte Transport, Global Markets, Argus Fundamentals, Argus FSU and OPEC.*

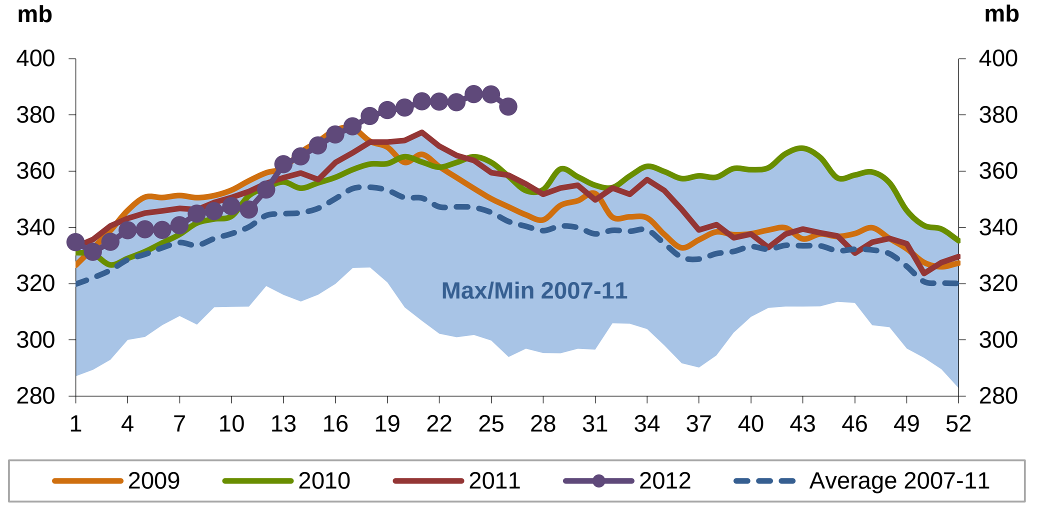
# Stock Movements

*US commercial stocks rose by a further 10.8 mb in June*

## US

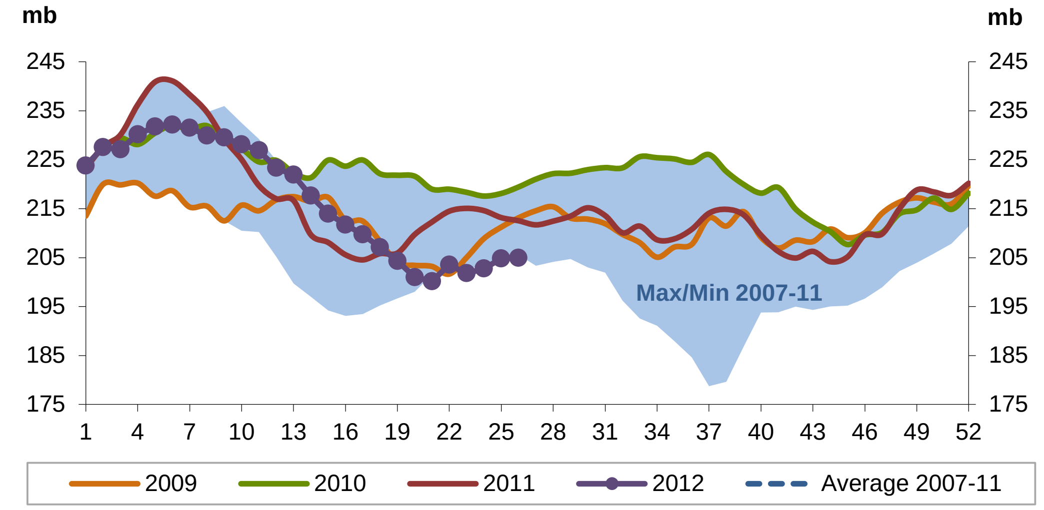
**US total commercial oil stocks** rose for a second consecutive month in June, increasing by 10.8 mb to end the month at 1,098.1 mb, the highest level since August 2011. Thus, they stood at 17.0 mb, or 1.6%, above the level of a year ago, while the surplus on the five-year average was 31.5 mb, or 3.0%. The build was attributed mainly to products, as they increased by 12.5 mb, while crude abated this build, declining by 1.7 mb.

**Graph 9.1: US weekly commercial crude oil inventories**




In June, **US commercial crude stocks** fell by 1.7 mb, after five consecutive months of increases, to end the month at 382.9 mb. However, despite this, they remained 24.4 mb or 6.8% above the same time last year, representing a surplus of 39.3 mb or 11.4% on the five-year average. This build came from strong crude oil refinery inputs, increasing by nearly 460,000 b/d to average 15.6 mb/d. This level is also higher, by 450,000 b/d, than the same time a year ago. In June, US refineries operated at 92.1%, which was 0.2 percentage points (pp) higher than in the previous month and 4.1 pp above the same month last year. An increase in crude oil imports in June from the previous month, averaging 9.1 mb/d, limited the draw on crude oil stocks. It should be highlighted here that, on a weekly basis, the bulk of the draw on US crude oil stocks came during the week ending 29 June, when inventories plunged by more than 4 mb. This drop reflected the impact of Tropical Storm Debbie, which briefly interrupted more than 600,000 b/d of production in the Gulf of Mexico. Crude stocks are likely to recover from this recent drop, following stronger exports from OPEC and healthy domestic production. The bearish point at the end of June was the continued increase in the level of Cushing stocks to reach 47.6 mb, just under their all-time record.

**Graph 9.2: US weekly gasoline stocks**




On the products side, the picture was mixed. Other unfinished products, propylene, gasoline and residual fuel saw builds, while distillates and jet fuel oil experienced drops. Gasoline stocks reversed the huge stock-draws of the past four months and increased by 1.5 mb to stand at 205.0 mb. Despite this build, they were 10.2 mb or 4.7% below last year's level and 7.1 mb or 3.3% below the five-year average. The build in gasoline reflected mainly a healthy level of exports, as both apparent demand and production went up. Indeed, gasoline demand for June, based on weekly data, rose by around 123,000 b/d to an average of 8.9 mb/d. This level of demand in the summer period will keep the season slightly bullish, despite the strong supply, as indicated by the healthy level of output reaching 9.3 mb/d in June. Distillate stocks continued to fall, following six consecutive months of decline, and they have now lost more than 32.0 mb since the beginning of the year. At 120.0 mb, they were 25.9 mb or 18.0% below the same period last year and 24.2 mb or 17% below the seasonal norm. This drop came mainly on the back of stronger exports, averaging 1.1 mb/d. Healthy demand also contributed to the decline in distillate stocks, as higher production limited the decrease. Distillate demand exceeded 3.8 mb/d for the last two weeks of June, while overall output rose to 4.7 mb/d, alleviating some pressure on the distillate market.

**Table 9.1: US onland commercial petroleum stocks, mb**

| | Apr 12 | May 12 | Jun 12 | Change Jun 12/May 12 | Jun 11 |
|---|---|---|---|---|---|
| **Crude oil** | 376.9 | 384.6 | 382.9 | -1.7 | 358.5 |
| Gasoline | 210.5 | 203.5 | 205.0 | 1.5 | 215.2 |
| Distillate fuel | 124.6 | 120.0 | 117.8 | -2.2 | 143.7 |
| Residual fuel oil | 34.4 | 31.0 | 35.0 | 4.0 | 37.4 |
| Jet fuel | 40.3 | 39.8 | 37.8 | -2.0 | 42.3 |
| **Total** | **1080.4** | **1087.3** | **1098.1** | **10.8** | **1081.1** |
| SPR | 696.0 | 696.0 | 696.0 | 0.0 | 726.5 |

*Source: US Department of Energy's Energy Information Administration.*

Residual oil stocks reversed the downward trend of the last two months and rose by 4.0 mb to end June at 35.0 mb/d. At this level, they were 2.4 mb or 6.4% lower than the same month a year ago and 3.8 mb or 9.8% below the latest five-year average. Jet fuel oil stocks fell by 2.0 mb from the previous month to stand at 37.8 mb. At this level, they were 4.5 mb or 10.6% lower than a year ago, and 4.8mb or 11.2% below the seasonal norm.

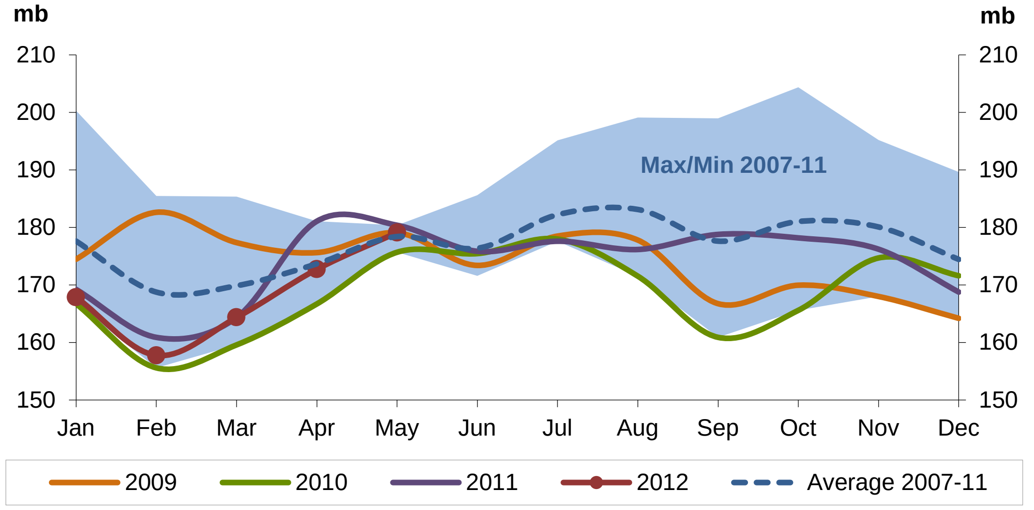
*In May, Japan's commercial oil stocks rose for a third consecutive month, by 6.4 mb*

## Japan

In May, **commercial oil stocks** in Japan rose for the third consecutive month, by 6.4 mb to stand at 179.1 mb, the highest level since May 2011. With this build, they reduced the deficit with a year ago to 0.7% from 4.6% a month earlier. This build also helped switch the deficit with the five-year average to a surplus of 0.4%.The total stock-build was divided between crude and products, as they rose by 4.0 mb and 2.1 mb respectively.

**Japanese commercial crude oil stocks** grew further in May, increasing by 4.0 mb to stand at 107.5 mb. At this level, they showed a surplus of 0.8 mb or 0.7% on the same time last year and remained 3.4 mb or 3.2% above the seasonal average. This build came mainly from lower crude throughput, which declined by 377,000 b/d or 10.7% to an average of 3.2 mb/d. However, this level was still 8.6% above that of the same time a year ago. Refineries in Japan were running at 70.4%, which was 8.4 pp lower than in the previous month, but much higher — 7.6 pp — than the same period last year. The build in crude oil stocks came despite lower crude imports in May; these declined by around 360,000 b/d or 9.1%, to stand at 3.6 mb/d. But this level rose by 10.2% year-on-year. It should be highlighted that direct crude burning in power plants continued to spike, averaging 308,000 b/d, more than the level in May 2011.

**Graph 9.3: Japan's commercial oil stocks**




**Japan's total product inventories** rose for the second consecutive month, by 2.4 mb, to end May at 71.6 mb, the highest level since November. Despite this build, they remained 2.1 mb or 2.8% below the same period the previous year and 2.7 mb or 3.6% lower than the seasonal average. This stock-build for total products came on the back of weaker domestic product sales, which declined by about 90,000 b/d or 2.8% to average 3.1 mb/d. But, at this level, Japanese demand was 9.7% higher than a year earlier and saw the sixth straight month of gains, supported by strong demand for power-generation.

With the exception of distillates, which saw a build, all products remained almost unchanged. Distillate stocks rose for the second month running, by 2.5 mb, to end May at 29.7 mb, the highest level since the beginning this year. At this level, they still showed a deficit of 3.1 mb or 9.4%, compared with a year ago, and were 0.6 mb or 1.9% below the five-year average. All components of distillates experienced a build, with the biggest attributed to kerosene, which increased by 16.6%, followed by jet fuel and gasoil, with rises of 5.9% and 3.8% respectively. The build in kerosene stocks came mainly on the back of lower domestic sales, which declined by almost a half. Higher exports, combined with increasing output, were behind the build in jet fuel and gasoil stocks. Gasoline stocks remained unchanged in May, ending the month at 14.1 mb and leaving them 0.7 mb or 5.1% above the level of the same time a year ago; but they were still 0.3 mb or 2.1% below the seasonal average. Higher production, along with healthy imports, offset the increase in gasoline demand, leading to a stable level of gasoline stocks.

Residual fuel oil stocks saw a minor drop in May, reversing the build of last month to stand at 16.8 mb. At this level, they were 0.3 mb or 1.8% below the same period a year ago and 1.5 mb or 8.2% below the five-year average. Within the components of fuel oil, fuel oil A saw a drop of 1.4%, while fuel oil B.C stocks declined by 0.6%. Domestic sales of B.C fuel oil, which is mostly used for power utilities, jumped by 68.8% in May from a year ago, since all the country's nuclear plants had been shut down by early May last year. However, domestic sales remained almost at the same level as a month earlier. Naphtha inventories remained unchanged in May from a month earlier and ended the month at 10.9 mb. At this level, they were 0.8 mb or 0.7% above the same period a year ago, but 0.6 mb or 2.8% below the seasonal average.

**Table 9.2: Japan's commercial oil stocks*, mb**

| | Mar 12 | Apr 12 | May 12 | Change May 12/Apr 12 | May 11 |
|---|---|---|---|---|---|
| **Crude oil** | 100.8 | 103.6 | 107.5 | 3.9 | 106.7 |
| Gasoline | 14.3 | 14.1 | 14.1 | 0.0 | 13.4 |
| Naphtha | 8.4 | 10.9 | 10.9 | 0.0 | 10.3 |
| Middle distillates | 25.3 | 27.2 | 29.7 | 2.5 | 32.8 |
| Residual fuel oil | 15.5 | 16.9 | 16.8 | -0.1 | 17.1 |
| **Total products** | 63.5 | 69.2 | 71.6 | 2.4 | 73.7 |
| **Total**** | **164.4** | **172.7** | **179.1** | **6.4** | **180.4** |

* *At end of month*
** *Includes crude oil and main products only*
*Source: Ministry of Economy, Trade and Industry, Japan.*

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

*Singapore product stocks fell for third consecutive month in May, by 0.5 mb*

At the end of May, **product stocks in Singapore** fell for the third consecutive month, by 0.5 mb, to end the month at 38.0 mb. With this drop, they were 5.3 mb or 12.1% below the same time a year ago.

Within products, the picture was mixed; middle and light distillates saw a drop, while fuel oil stocks increased. At 8.9 mb, light distillate stocks ended May 1.5 mb lower than in the previous month, representing a deficit of 1.3 mb or 13.0% on the same period a year ago. Higher exports to Vietnam were behind the drop. In fact, Vietnam is seeking cargos to plug the domestic supply shortfall, because the country has yet to restart its only refinery. Middle distillate stocks finished May at 8.8 mb, which was 0.1 mb lower than the previous month, standing at 3.8 mb or 30.1% below the same period the year before. Healthy demand for diesel, especially from Australia and Malaysia, was among the factors behind the draw-down of middle distillate stocks. An increase in imports from South Korea limited the decline in stocks. Fuel oil stocks reversed the stock-draw of last month and rose by 1.0 mb, ending May at 20.3 mb. At this level, they were almost at the same level as last year. Higher Western arrivals to Singapore were behind the build in fuel oil inventories. It was reported that May's inflow from the West reached about four million tonnes.

*Product stocks in ARA at end of May fell by a slight 0.2 mb*

Product stocks in **ARA** at the end of May fell slightly by 0.2 mb, ending the month at 31.0 mb, the lowest level since the end of last year. With this draw, they stood at 8.1 mb or 20.7% below last year's level in the same period.

Within products, gasoline, naphtha and fuel oil saw builds, while gasoil and jet fuel oil witnessed declines. Gasoline stocks rose by 0.5 mb to 5.8 mb, leaving them 0.8 mb or 16.3% above a year ago. The build in gasoline came as refineries continued to return from maintenance, amid weak demand. Naphtha inventories saw a build of 0.3 mb, ending May at 1.2 mb and leaving them nearly 40% above what they were at the same time a year ago. This build could be attributed to the poor economic outlook, and the availability of much cheaper feedstock alternatives continued to suppress demand from petrochemical end-users. Fuel oil stocks increased by 0.9 mb in May to stand at 4.7 mb. Despite this build, they remained almost 10% below the same time last year. Higher fuel oil imports outpacing exports lay behind the build in fuel oil inventories. Gasoil stocks fell for the second consecutive month, by 0.9 mb, ending May at 16.9 mb, the lowest level since the end of last year. The gasoil forward curve was in backwardation, making storage unprofitable, and there was no incentive to store gasoil products. Jet fuel stocks also fell, by 0.9 mb, to stand at 2.3 mb and they remained almost 40% below last year's level at the same time. The drop in jet fuel oil stocks came on the back of lower imports.

# Balance of Supply and Demand

*Required OPEC crude for 2012 estimated at 29.9 mb/d, down 0.1 mb/d on 2011*

## Forecast for 2012

Demand for OPEC crude for 2012 has remained unchanged from the previous report. However, the second quarter has seen a downward revision of 0.1 mb/d, while the third quarter has been revised up by 0.1 mb/d. The first and fourth quarters remain unchanged from the previous assessment. The demand for OPEC crude stood at 29.9 mb/d in 2012, representing a decrease of 0.1 mb/d from last year's level. The first quarter is estimated to have declined by 0.7 mb/d from the same quarter last year; and the third quarter is projected to increase by 0.1 mb/d. The second and fourth quarters are estimated to remain unchanged from the same period last year.

**Table 10.1: Summarized supply/demand balance for 2012, mb/d**

| | 2011 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | 2012 |
|---|---|---|---|---|---|---|
| **(a) World oil demand** | **87.79** | **87.80** | **87.46** | **89.62** | **89.81** | **88.68** |
| Non-OPEC supply | 52.39 | 53.24 | 52.76 | 52.86 | 53.38 | 53.06 |
| OPEC NGLs and non-conventionals | 5.32 | 5.49 | 5.60 | 5.73 | 5.86 | 5.67 |
| **(b) Total supply excluding OPEC crude** | **57.71** | **58.73** | **58.36** | **58.60** | **59.24** | **58.73** |
| **Difference (a-b)** | **30.08** | **29.07** | **29.10** | **31.02** | **30.57** | **29.95** |
| OPEC crude oil production | 29.75 | 31.15 | 31.48 | | | |
| Balance | -0.33 | 2.08 | 2.38 | | | |

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

*Demand for OPEC crude in 2013 is forecast at 29.6 mb/d, 0.3 mb/d below this year*

## Forecast for 2013

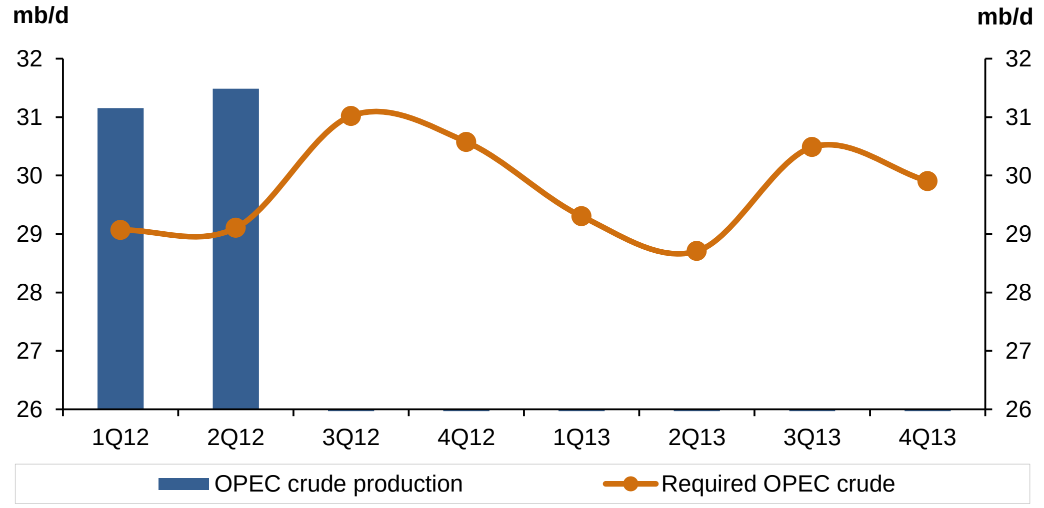
Based on the first forecast for demand and non-OPEC supply (including OPEC NGLs and non-conventional oil) for 2013, the demand for OPEC oil for next year is projected to decline for the second year running, by 0.3 mb/d to average 29.6 mb/d, The first quarter is expected to increase by 0.2 mb/d, while the following three quarters are projected to decline, with the bulk of the decrease in the fourth quarter, with a forecast drop of 0.7 mb/d.

**Table 10.2: Summarized supply/demand balance for 2013, mb/d**

| | 2012 | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 2013 |
|---|---|---|---|---|---|---|
| **(a) World oil demand** | **88.68** | **88.80** | **88.18** | **90.35** | **90.62** | **89.50** |
| Non-OPEC supply | 53.06 | 53.62 | 53.59 | 53.95 | 54.75 | 53.98 |
| OPEC NGLs and non-conventionals | 5.67 | 5.87 | 5.89 | 5.92 | 5.96 | 5.91 |
| **(b) Total supply excluding OPEC crude** | **58.73** | **59.49** | **59.48** | **59.87** | **60.72** | **59.89** |
| **Difference (a-b)** | **29.95** | **29.30** | **28.71** | **30.49** | **29.90** | **29.60** |

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

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



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

| | 2007 | 2008 | 2009 | 2010 | 2011 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | 2012 | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| World demand | | | | | | | | | | | | | | | |
| OECD | 49.3 | 47.6 | 45.6 | 46.2 | 45.6 | 45.6 | 44.5 | 45.9 | 45.7 | 45.4 | 45.7 | 44.2 | 45.6 | 45.6 | 45.3 |
| North America | 25.5 | 24.2 | 23.3 | 23.8 | 23.5 | 23.1 | 23.2 | 23.7 | 23.5 | 23.4 | 23.2 | 23.1 | 23.6 | 23.6 | 23.4 |
| Western Europe | 15.5 | 15.4 | 14.7 | 14.6 | 14.3 | 13.7 | 13.7 | 14.4 | 13.9 | 13.9 | 13.5 | 13.5 | 14.1 | 13.6 | 13.7 |
| Pacific | 8.4 | 8.0 | 7.7 | 7.8 | 7.9 | 8.8 | 7.6 | 7.8 | 8.4 | 8.1 | 8.9 | 7.6 | 7.9 | 8.4 | 8.2 |
| DCs | 24.8 | 25.6 | 26.2 | 27.0 | 27.8 | 27.8 | 28.2 | 28.7 | 28.6 | 28.3 | 28.3 | 28.7 | 29.2 | 29.1 | 28.8 |
| FSU | 4.0 | 4.1 | 4.0 | 4.2 | 4.3 | 4.2 | 4.1 | 4.5 | 4.8 | 4.4 | 4.3 | 4.2 | 4.6 | 4.9 | 4.5 |
| Other Europe | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 0.8 | 0.7 |
| China | 7.6 | 8.0 | 8.3 | 9.0 | 9.4 | 9.5 | 10.0 | 9.8 | 10.0 | 9.8 | 9.8 | 10.4 | 10.2 | 10.3 | 10.2 |
| (a) Total world demand | 86.5 | 86.1 | 84.8 | 87.0 | 87.8 | 87.8 | 87.5 | 89.6 | 89.8 | 88.7 | 88.8 | 88.2 | 90.4 | 90.6 | 89.5 |
| Non-OPEC supply | | | | | | | | | | | | | | | |
| OECD | 19.8 | 19.3 | 19.4 | 19.5 | 20.1 | 21.0 | 20.8 | 20.6 | 20.8 | 20.8 | 21.0 | 21.0 | 21.0 | 21.5 | 21.1 |
| North America | 14.3 | 13.9 | 14.4 | 15.0 | 15.5 | 16.4 | 16.4 | 16.3 | 16.4 | 16.4 | 16.6 | 16.7 | 16.9 | 17.2 | 16.8 |
| Western Europe | 4.9 | 4.7 | 4.4 | 4.1 | 4.1 | 4.1 | 3.9 | 3.7 | 3.9 | 3.9 | 3.9 | 3.7 | 3.6 | 3.8 | 3.8 |
| Pacific | 0.6 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| DCs | 12.2 | 12.4 | 12.7 | 12.6 | 12.6 | 12.4 | 12.2 | 12.4 | 12.5 | 12.4 | 12.5 | 12.5 | 12.7 | 12.9 | 12.7 |
| FSU | 12.6 | 13.0 | 13.2 | 13.3 | 13.3 | 13.4 | 13.3 | 13.4 | 13.5 | 13.4 | 13.5 | 13.5 | 13.5 | 13.7 | 13.5 |
| Other Europe | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| China | 3.8 | 3.8 | 4.1 | 4.1 | 4.1 | 4.2 | 4.2 | 4.2 | 4.3 | 4.2 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 |
| Processing gains | 2.0 | 2.0 | 2.1 | 2.1 | 2.1 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| Total non-OPEC supply | 50.3 | 51.1 | 52.3 | 52.4 | 52.4 | 53.2 | 52.8 | 52.9 | 53.4 | 53.1 | 53.6 | 53.6 | 53.9 | 54.8 | 54.0 |
| OPEC NGLs + non-conventional oils | 4.1 | 4.3 | 5.0 | 5.3 | 5.3 | 5.5 | 5.6 | 5.7 | 5.9 | 5.7 | 5.9 | 5.9 | 5.9 | 6.0 | 5.9 |
| (b) Total non-OPEC supply and OPEC NGLs | 54.4 | 55.4 | 57.3 | 57.7 | 57.7 | 58.7 | 58.4 | 58.6 | 59.2 | 58.7 | 59.5 | 59.5 | 59.9 | 60.7 | 59.9 |
| OPEC crude oil production (secondary sources) | 30.2 | 31.3 | 28.8 | 29.2 | 29.8 | 31.2 | 31.5 | | | | | | | | |
| Total supply | 84.6 | 86.7 | 86.0 | 86.9 | 87.5 | 89.9 | 89.9 | | | | | | | | |
| Balance (stock change and miscellaneous) | -1.9 | 0.6 | 1.3 | -0.1 | -0.3 | 2.1 | 2.4 | | | | | | | | |
| OECD closing stock levels (mb) | | | | | | | | | | | | | | | |
| Commercial | 2554 | 2679 | 2641 | 2670 | 2601 | 2649 | | | | | | | | | |
| SPR | 1524 | 1527 | 1564 | 1561 | 1532 | 1531 | | | | | | | | | |
| Total | 4079 | 4206 | 4205 | 4230 | 4133 | 4180 | | | | | | | | | |
| Oil-on-water | 948 | 969 | 919 | 871 | 825 | 787 | | | | | | | | | |
| Days of forward consumption in OECD | | | | | | | | | | | | | | | |
| Commercial onland stocks | 54 | 59 | 57 | 58 | 57 | 60 | | | | | | | | | |
| SPR | 32 | 33 | 34 | 34 | 34 | 34 | | | | | | | | | |
| Total | 86 | 92 | 91 | 93 | 91 | 94 | | | | | | | | | |
| Memo items | | | | | | | | | | | | | | | |
| FSU net exports | 8.6 | 8.8 | 9.2 | 9.1 | 9.0 | 9.1 | 9.2 | 8.9 | 8.7 | 9.0 | 9.1 | 9.3 | 9.0 | 8.8 | 9.1 |
| (a) - (b) | 32.1 | 30.6 | 27.5 | 29.3 | 30.1 | 29.1 | 29.1 | 31.0 | 30.6 | 29.9 | 29.3 | 28.7 | 30.5 | 29.9 | 29.6 |

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

## Table 10.4: World oil demand/supply balance: changes from last month's table* , mb/d

| | 2007 | 2008 | 2009 | 2010 | 2011 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | 2012 | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| World demand | | | | | | | | | | | | | | | |
| OECD | - | - | - | - | - | - | -0.1 | - | - | - | - | - | - | - | - |
| North America | - | - | - | - | - | - | -0.3 | - | - | -0.1 | - | - | - | - | - |
| Western Europe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Pacific | - | - | - | - | - | - | 0.2 | - | - | 0.1 | - | - | - | - | - |
| DCs | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| FSU | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Europe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| China | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| (a) Total world demand | - | - | - | - | - | - | -0.1 | - | - | - | - | - | - | - | - |
| *World demand growth* | - | - | - | - | - | - | *-0.10* | - | - | - | - | - | - | - | - |
| Non-OPEC supply | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| OECD | -0.2 | -0.2 | -0.4 | -0.5 | - | - | 0.2 | - | - | 0.1 | - | - | - | - | - |
| North America | - | - | - | - | - | - | 0.2 | - | - | 0.1 | - | - | - | - | - |
| Western Europe | -0.2 | -0.2 | -0.3 | -0.3 | - | - | - | -0.1 | - | - | - | - | - | - | - |
| Pacific | - | - | - | -0.1 | - | - | - | - | - | - | - | - | - | - | - |
| DCs | 0.3 | 0.2 | 0.3 | -0.1 | - | - | -0.1 | - | - | - | - | - | - | - | - |
| FSU | 0.1 | 0.4 | 0.3 | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Europe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| China | 0.1 | - | 0.3 | - | - | - | - | - | - | - | - | - | - | - | - |
| Processing gains | - | - | 0.1 | - | - | - | - | - | - | - | - | - | - | - | - |
| Total non-OPEC supply | -0.1 | 0.8 | 1.2 | 0.1 | - | - | - | -0.1 | - | - | - | - | - | - | - |
| *Total non-OPEC supply growth* | *-0.66* | *0.94* | *0.40* | *-1.11* | *-0.09* | - | - | *-0.06* | - | - | - | - | - | - | - |
| OPEC NGLs + non-conventionals | 0.2 | 0.2 | 0.6 | 0.3 | - | - | - | - | - | - | - | - | - | - | - |
| (b) Total non-OPEC supply and OPEC NGLs | - | 1.0 | 1.8 | 0.4 | - | - | - | -0.1 | - | - | - | - | - | - | - |
| OPEC crude oil production (secondary sources) | - | - | - | - | - | - | | | | | | | | | |
| Total supply | - | 1.0 | 1.8 | 0.4 | - | - | | | | | | | | | |
| Balance (stock change and miscellaneous) | - | 1.0 | 1.8 | 0.4 | - | - | | | | | | | | | |
| OECD closing stock levels (*mb* ) | | | | | | | | | | | | | | | |
| Commercial | - | - | - | - | 1 | - | - | - | - | - | - | - | - | - | - |
| SPR | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | 1 | - | - | - | - | - | - | - | - | - | - |
| Oil-on-water | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Days of forward consumption in OECD | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Commercial onland stocks | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| SPR | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Memo items | | | | | | | | | | | | | | | |
| FSU net exports | 0.1 | 0.4 | 0.3 | - | - | - | - | - | - | - | - | - | - | - | - |
| (a) - (b) | - | -1.0 | -1.8 | -0.4 | - | - | -0.1 | 0.1 | - | - | - | - | - | - | - |

* *This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the June 2012 issue.*
*This table shows only where changes have occurred.*

## Table 10.5: OECD oil stocks and oil on water at the end of period

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 1Q08 | 2Q08 | 3Q08 | 4Q08 | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Closing stock levels, *mb* | | | | | | | | | | | | | | | | | | | | | | | |
| OECD onland commercial | 2,655 | 2,554 | 2,679 | 2,641 | 2,670 | 2,601 | 2,553 | 2,584 | 2,641 | 2,679 | 2,731 | 2,745 | 2,763 | 2,641 | 2,675 | 2,757 | 2,747 | 2,670 | 2,627 | 2,673 | 2,660 | 2,601 | 2,626 |
| North America | 1,264 | 1,211 | 1,282 | 1,286 | 1,330 | 1,313 | 1,197 | 1,221 | 1,259 | 1,282 | 1,332 | 1,367 | 1,373 | 1,286 | 1,314 | 1,370 | 1,398 | 1,330 | 1,295 | 1,339 | 1,342 | 1,313 | 1,329 |
| Western Europe | 963 | 937 | 991 | 972 | 948 | 898 | 961 | 954 | 952 | 991 | 991 | 976 | 971 | 972 | 975 | 982 | 947 | 948 | 951 | 928 | 906 | 898 | 921 |
| OECD Pacific | 429 | 407 | 407 | 383 | 391 | 390 | 394 | 409 | 431 | 407 | 408 | 401 | 419 | 383 | 386 | 405 | 402 | 391 | 381 | 405 | 412 | 390 | 377 |
| OECD SPR | 1,499 | 1,524 | 1,527 | 1,564 | 1,561 | 1,532 | 1,529 | 1,526 | 1,522 | 1,527 | 1,547 | 1,561 | 1,564 | 1,564 | 1,567 | 1,562 | 1,549 | 1,561 | 1,558 | 1,561 | 1,526 | 1,532 | 1,532 |
| North America | 691 | 699 | 704 | 729 | 729 | 697 | 702 | 708 | 704 | 704 | 715 | 726 | 727 | 729 | 729 | 729 | 728 | 729 | 727 | 727 | 696 | 697 | 697 |
| Western Europe | 412 | 421 | 416 | 426 | 423 | 422 | 423 | 414 | 414 | 416 | 424 | 427 | 429 | 426 | 429 | 422 | 419 | 423 | 420 | 423 | 420 | 422 | 421 |
| OECD Pacific | 396 | 404 | 406 | 409 | 410 | 414 | 404 | 404 | 403 | 406 | 408 | 408 | 408 | 409 | 409 | 411 | 402 | 410 | 411 | 411 | 409 | 414 | 414 |
| OECD total | 4,154 | 4,079 | 4,206 | 4,205 | 4,230 | 4,133 | 4,082 | 4,110 | 4,164 | 4,206 | 4,278 | 4,306 | 4,327 | 4,205 | 4,241 | 4,319 | 4,296 | 4,230 | 4,185 | 4,234 | 4,185 | 4,133 | 4,158 |
| Oil-on-water | 919 | 948 | 969 | 919 | 871 | 825 | 935 | 925 | 885 | 969 | 899 | 899 | 869 | 919 | 919 | 897 | 926 | 871 | 891 | 853 | 835 | 825 | 787 |
| Days of forward consumption in OECD | | | | | | | | | | | | | | | | | | | | | | | |
| OECD onland commercial | 54 | 54 | 59 | 57 | 58 | 57 | 54 | 55 | 56 | 57 | 61 | 61 | 60 | 57 | 59 | 59 | 59 | 58 | 59 | 58 | 58 | 57 | 59 |
| North America | 50 | 50 | 55 | 54 | 57 | 57 | 49 | 52 | 53 | 55 | 58 | 59 | 58 | 55 | 55 | 57 | 59 | 56 | 56 | 57 | 57 | 57 | 57 |
| Western Europe | 62 | 61 | 68 | 67 | 66 | 65 | 63 | 61 | 62 | 66 | 69 | 67 | 67 | 68 | 68 | 66 | 64 | 67 | 67 | 63 | 64 | 65 | 67 |
| OECD Pacific | 51 | 51 | 53 | 49 | 50 | 44 | 50 | 54 | 54 | 50 | 56 | 55 | 52 | 47 | 53 | 53 | 50 | 47 | 54 | 53 | 50 | 44 | 50 |
| OECD SPR | 30 | 32 | 33 | 34 | 34 | 34 | 32 | 33 | 32 | 33 | 35 | 35 | 34 | 34 | 35 | 33 | 33 | 34 | 35 | 34 | 33 | 34 | 34 |
| North America | 27 | 29 | 30 | 31 | 31 | 30 | 29 | 30 | 29 | 30 | 31 | 31 | 31 | 31 | 31 | 30 | 31 | 31 | 31 | 31 | 30 | 30 | 30 |
| Western Europe | 27 | 27 | 28 | 29 | 30 | 31 | 28 | 27 | 27 | 28 | 29 | 29 | 30 | 30 | 30 | 28 | 28 | 30 | 30 | 29 | 30 | 31 | 31 |
| OECD Pacific | 47 | 50 | 53 | 52 | 52 | 47 | 51 | 54 | 51 | 50 | 56 | 56 | 51 | 50 | 56 | 54 | 50 | 49 | 58 | 54 | 49 | 47 | 55 |
| OECD total | 84 | 86 | 92 | 91 | 93 | 91 | 86 | 88 | 88 | 90 | 96 | 95 | 94 | 91 | 94 | 93 | 92 | 91 | 94 | 92 | 91 | 91 | 93 |

## Table 10.6: Non-OPEC supply and OPEC natural gas liquids, mb/d

| | 2007 | 2008 | 2009 | 2010 | Change 10/09 | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 2011 | Change 11/10 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | 2012 | Change 12/11 | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 2013 | Change 13/12 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| US | 7.47 | 7.50 | 8.14 | 8.64 | 0.50 | 8.72 | 8.93 | 8.91 | 9.51 | 9.02 | 0.38 | 9.71 | 9.68 | 9.65 | 9.73 | 9.69 | 0.67 | 9.91 | 10.02 | 10.05 | 10.28 | 10.07 | 0.37 |
| Canada | 3.31 | 3.25 | 3.23 | 3.36 | 0.13 | 3.54 | 3.32 | 3.62 | 3.75 | 3.56 | 0.20 | 3.80 | 3.74 | 3.77 | 3.81 | 3.78 | 0.22 | 3.84 | 3.89 | 3.98 | 4.09 | 3.95 | 0.17 |
| Mexico | 3.49 | 3.17 | 2.98 | 2.96 | -0.02 | 2.97 | 2.96 | 2.91 | 2.92 | 2.94 | -0.02 | 2.92 | 2.93 | 2.90 | 2.88 | 2.91 | -0.03 | 2.87 | 2.82 | 2.83 | 2.81 | 2.83 | -0.08 |
| North America | 14.26 | 13.92 | 14.35 | 14.96 | 0.61 | 15.24 | 15.21 | 15.44 | 16.19 | 15.52 | 0.56 | 16.43 | 16.35 | 16.32 | 16.43 | 16.38 | 0.86 | 16.62 | 16.73 | 16.86 | 17.18 | 16.85 | 0.47 |
| Norway | 2.55 | 2.47 | 2.36 | 2.14 | -0.22 | 2.14 | 1.98 | 1.99 | 2.05 | 2.04 | -0.10 | 2.08 | 1.96 | 1.83 | 1.95 | 1.95 | -0.08 | 1.97 | 1.86 | 1.80 | 1.88 | 1.88 | -0.08 |
| UK | 1.69 | 1.57 | 1.48 | 1.37 | -0.12 | 1.28 | 1.17 | 0.95 | 1.11 | 1.13 | -0.24 | 1.09 | 1.03 | 0.98 | 1.06 | 1.04 | -0.09 | 1.04 | 0.97 | 0.95 | 1.00 | 0.99 | -0.05 |
| Denmark | 0.31 | 0.28 | 0.26 | 0.25 | -0.02 | 0.23 | 0.25 | 0.23 | 0.21 | 0.23 | -0.02 | 0.22 | 0.21 | 0.21 | 0.20 | 0.21 | -0.02 | 0.19 | 0.19 | 0.18 | 0.17 | 0.18 | -0.02 |
| Other Western Europe | 0.62 | 0.62 | 0.63 | 0.64 | 0.01 | 0.67 | 0.66 | 0.70 | 0.68 | 0.68 | 0.03 | 0.69 | 0.69 | 0.69 | 0.69 | 0.69 | 0.01 | 0.70 | 0.70 | 0.71 | 0.71 | 0.70 | 0.01 |
| Western Europe | 5.17 | 4.94 | 4.74 | 4.40 | -0.34 | 4.32 | 4.06 | 3.86 | 4.05 | 4.07 | -0.33 | 4.07 | 3.88 | 3.71 | 3.90 | 3.89 | -0.18 | 3.90 | 3.72 | 3.63 | 3.77 | 3.76 | -0.14 |
| Australia | 0.53 | 0.53 | 0.54 | 0.51 | -0.03 | 0.40 | 0.41 | 0.41 | 0.44 | 0.41 | -0.09 | 0.40 | 0.45 | 0.44 | 0.41 | 0.42 | 0.01 | 0.42 | 0.46 | 0.47 | 0.45 | 0.45 | 0.03 |
| Other Pacific | 0.08 | 0.10 | 0.10 | 0.10 | 0.00 | 0.09 | 0.08 | 0.09 | 0.09 | 0.09 | -0.01 | 0.09 | 0.08 | 0.09 | 0.09 | 0.09 | 0.00 | 0.08 | 0.08 | 0.08 | 0.07 | 0.08 | -0.01 |
| OECD Pacific | 0.60 | 0.63 | 0.64 | 0.60 | -0.03 | 0.49 | 0.49 | 0.50 | 0.53 | 0.50 | -0.10 | 0.48 | 0.53 | 0.53 | 0.49 | 0.51 | 0.01 | 0.50 | 0.53 | 0.54 | 0.53 | 0.53 | 0.02 |
| Total OECD | 20.03 | 19.49 | 19.72 | 19.97 | 0.24 | 20.05 | 19.76 | 19.81 | 20.76 | 20.10 | 0.13 | 20.99 | 20.76 | 20.55 | 20.82 | 20.78 | 0.69 | 21.02 | 20.98 | 21.03 | 21.48 | 21.13 | 0.35 |
| Brunei | 0.19 | 0.17 | 0.16 | 0.17 | 0.00 | 0.17 | 0.16 | 0.17 | 0.17 | 0.17 | 0.00 | 0.18 | 0.18 | 0.18 | 0.18 | 0.18 | 0.01 | 0.18 | 0.18 | 0.18 | 0.18 | 0.18 | 0.00 |
| India | 0.80 | 0.80 | 0.78 | 0.86 | 0.08 | 0.90 | 0.89 | 0.88 | 0.87 | 0.88 | 0.03 | 0.88 | 0.90 | 0.91 | 0.92 | 0.90 | 0.02 | 0.93 | 0.94 | 0.94 | 0.93 | 0.93 | 0.03 |
| Indonesia | 1.02 | 1.05 | 1.03 | 1.04 | 0.02 | 1.02 | 1.02 | 1.03 | 1.01 | 1.02 | -0.02 | 0.99 | 0.96 | 0.98 | 0.98 | 0.98 | -0.04 | 0.95 | 0.95 | 0.94 | 0.94 | 0.94 | -0.03 |
| Malaysia | 0.76 | 0.76 | 0.73 | 0.70 | -0.03 | 0.69 | 0.60 | 0.63 | 0.65 | 0.64 | -0.06 | 0.68 | 0.65 | 0.64 | 0.63 | 0.65 | 0.01 | 0.64 | 0.67 | 0.70 | 0.74 | 0.69 | 0.04 |
| Thailand | 0.33 | 0.36 | 0.37 | 0.35 | -0.02 | 0.34 | 0.34 | 0.33 | 0.33 | 0.33 | -0.01 | 0.35 | 0.35 | 0.33 | 0.33 | 0.34 | 0.00 | 0.33 | 0.33 | 0.33 | 0.33 | 0.33 | -0.01 |
| Vietnam | 0.35 | 0.33 | 0.37 | 0.35 | -0.02 | 0.35 | 0.33 | 0.34 | 0.38 | 0.35 | 0.00 | 0.38 | 0.36 | 0.38 | 0.40 | 0.38 | 0.03 | 0.39 | 0.39 | 0.39 | 0.40 | 0.39 | 0.02 |
| Asia others | 0.26 | 0.26 | 0.25 | 0.23 | -0.02 | 0.23 | 0.23 | 0.23 | 0.23 | 0.23 | 0.00 | 0.22 | 0.22 | 0.25 | 0.26 | 0.24 | 0.01 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.01 |
| Other Asia | 3.70 | 3.73 | 3.69 | 3.70 | 0.01 | 3.70 | 3.56 | 3.62 | 3.64 | 3.63 | -0.07 | 3.67 | 3.62 | 3.67 | 3.70 | 3.67 | 0.04 | 3.68 | 3.71 | 3.73 | 3.75 | 3.72 | 0.05 |
| Argentina | 0.77 | 0.78 | 0.76 | 0.75 | -0.01 | 0.76 | 0.68 | 0.74 | 0.75 | 0.73 | -0.02 | 0.74 | 0.72 | 0.70 | 0.69 | 0.71 | -0.02 | 0.70 | 0.69 | 0.68 | 0.67 | 0.69 | -0.03 |
| Brazil | 2.22 | 2.38 | 2.51 | 2.66 | 0.16 | 2.61 | 2.62 | 2.61 | 2.70 | 2.64 | -0.03 | 2.76 | 2.65 | 2.76 | 2.78 | 2.74 | 0.10 | 2.79 | 2.81 | 2.92 | 2.98 | 2.88 | 0.14 |
| Colombia | 0.54 | 0.60 | 0.68 | 0.80 | 0.12 | 0.88 | 0.94 | 0.94 | 0.96 | 0.93 | 0.13 | 0.95 | 0.97 | 1.02 | 1.03 | 0.99 | 0.06 | 1.05 | 1.06 | 1.07 | 1.08 | 1.07 | 0.07 |
| Trinidad & Tobago | 0.16 | 0.16 | 0.15 | 0.15 | -0.01 | 0.14 | 0.14 | 0.13 | 0.13 | 0.14 | -0.01 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | -0.01 | 0.12 | 0.12 | 0.11 | 0.11 | 0.12 | -0.01 |
| L. America others | 0.28 | 0.28 | 0.30 | 0.32 | 0.01 | 0.31 | 0.31 | 0.31 | 0.31 | 0.31 | 0.00 | 0.31 | 0.31 | 0.31 | 0.31 | 0.31 | 0.00 | 0.31 | 0.31 | 0.32 | 0.33 | 0.32 | 0.01 |
| Latin America | 3.97 | 4.20 | 4.40 | 4.67 | 0.26 | 4.71 | 4.69 | 4.73 | 4.85 | 4.74 | 0.07 | 4.88 | 4.77 | 4.91 | 4.94 | 4.87 | 0.13 | 4.96 | 4.99 | 5.11 | 5.18 | 5.06 | 0.19 |
| Bahrain | 0.21 | 0.21 | 0.21 | 0.20 | 0.00 | 0.21 | 0.21 | 0.21 | 0.22 | 0.21 | 0.01 | 0.22 | 0.22 | 0.22 | 0.22 | 0.22 | 0.01 | 0.23 | 0.23 | 0.23 | 0.23 | 0.23 | 0.01 |
| Oman | 0.71 | 0.76 | 0.81 | 0.86 | 0.05 | 0.89 | 0.87 | 0.89 | 0.89 | 0.89 | 0.02 | 0.89 | 0.91 | 0.92 | 0.92 | 0.91 | 0.02 | 0.92 | 0.93 | 0.93 | 0.93 | 0.93 | 0.02 |
| Syria | 0.42 | 0.41 | 0.41 | 0.42 | 0.01 | 0.42 | 0.42 | 0.37 | 0.26 | 0.37 | -0.05 | 0.22 | 0.21 | 0.21 | 0.20 | 0.21 | -0.16 | 0.19 | 0.18 | 0.21 | 0.24 | 0.21 | 0.00 |
| Yemen | 0.33 | 0.30 | 0.30 | 0.29 | -0.01 | 0.29 | 0.19 | 0.24 | 0.18 | 0.23 | -0.06 | 0.14 | 0.16 | 0.16 | 0.18 | 0.16 | -0.07 | 0.17 | 0.18 | 0.19 | 0.22 | 0.19 | 0.03 |
| Middle East | 1.66 | 1.68 | 1.73 | 1.78 | 0.05 | 1.81 | 1.69 | 1.72 | 1.55 | 1.69 | -0.09 | 1.47 | 1.51 | 1.50 | 1.52 | 1.50 | -0.19 | 1.51 | 1.51 | 1.56 | 1.62 | 1.55 | 0.05 |
| Chad | 0.15 | 0.15 | 0.14 | 0.15 | 0.01 | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.00 | 0.14 | 0.13 | 0.13 | 0.13 | 0.13 | -0.01 | 0.12 | 0.12 | 0.13 | 0.13 | 0.13 | -0.01 |
| Congo | 0.24 | 0.26 | 0.27 | 0.30 | 0.02 | 0.29 | 0.29 | 0.30 | 0.30 | 0.30 | 0.00 | 0.30 | 0.31 | 0.31 | 0.30 | 0.31 | 0.01 | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 | -0.01 |
| Egypt | 0.66 | 0.69 | 0.69 | 0.71 | 0.01 | 0.70 | 0.70 | 0.71 | 0.70 | 0.70 | -0.01 | 0.71 | 0.71 | 0.70 | 0.69 | 0.70 | 0.00 | 0.70 | 0.69 | 0.69 | 0.68 | 0.69 | -0.02 |
| Equatorial Guinea | 0.37 | 0.38 | 0.36 | 0.32 | -0.03 | 0.31 | 0.30 | 0.29 | 0.30 | 0.30 | -0.02 | 0.32 | 0.31 | 0.33 | 0.34 | 0.32 | 0.02 | 0.34 | 0.33 | 0.33 | 0.33 | 0.33 | 0.01 |
| Gabon | 0.25 | 0.24 | 0.24 | 0.25 | 0.01 | 0.26 | 0.24 | 0.24 | 0.25 | 0.25 | 0.00 | 0.25 | 0.25 | 0.25 | 0.24 | 0.25 | 0.00 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | -0.01 |
| South Africa | 0.18 | 0.18 | 0.17 | 0.18 | 0.01 | 0.18 | 0.18 | 0.18 | 0.19 | 0.18 | 0.00 | 0.19 | 0.19 | 0.18 | 0.18 | 0.18 | 0.00 | 0.18 | 0.17 | 0.17 | 0.17 | 0.17 | -0.01 |
| Sudans | 0.48 | 0.46 | 0.48 | 0.46 | -0.01 | 0.45 | 0.45 | 0.43 | 0.38 | 0.43 | -0.03 | 0.19 | 0.09 | 0.13 | 0.13 | 0.14 | -0.29 | 0.14 | 0.13 | 0.16 | 0.18 | 0.15 | 0.02 |
| Africa other | 0.28 | 0.27 | 0.25 | 0.23 | -0.02 | 0.27 | 0.29 | 0.30 | 0.29 | 0.29 | 0.06 | 0.30 | 0.30 | 0.30 | 0.31 | 0.30 | 0.02 | 0.32 | 0.33 | 0.34 | 0.35 | 0.34 | 0.03 |
| Africa | 2.60 | 2.62 | 2.60 | 2.59 | -0.01 | 2.60 | 2.59 | 2.60 | 2.54 | 2.58 | 0.00 | 2.40 | 2.30 | 2.32 | 2.33 | 2.34 | -0.25 | 2.33 | 2.32 | 2.35 | 2.39 | 2.35 | 0.01 |
| Total DCs | 11.94 | 12.23 | 12.43 | 12.73 | 0.31 | 12.82 | 12.53 | 12.66 | 12.58 | 12.65 | -0.09 | 12.42 | 12.20 | 12.40 | 12.48 | 12.38 | -0.27 | 12.48 | 12.52 | 12.75 | 12.94 | 12.67 | 0.30 |
| FSU | 12.54 | 12.60 | 12.95 | 13.22 | 0.27 | 13.31 | 13.25 | 13.22 | 13.23 | 13.25 | 0.03 | 13.37 | 13.30 | 13.37 | 13.45 | 13.37 | 0.12 | 13.46 | 13.45 | 13.55 | 13.70 | 13.54 | 0.17 |
| Russia | 9.87 | 9.78 | 9.92 | 10.14 | 0.22 | 10.21 | 10.23 | 10.28 | 10.34 | 10.27 | 0.12 | 10.34 | 10.32 | 10.34 | 10.36 | 10.34 | 0.07 | 10.36 | 10.37 | 10.40 | 10.41 | 10.39 | 0.05 |
| Kazakhstan | 1.35 | 1.41 | 1.54 | 1.60 | 0.06 | 1.66 | 1.60 | 1.54 | 1.61 | 1.60 | 0.01 | 1.62 | 1.58 | 1.61 | 1.65 | 1.62 | 0.01 | 1.66 | 1.67 | 1.73 | 1.82 | 1.72 | 0.10 |
| Azerbaijan | 0.87 | 0.94 | 1.06 | 1.07 | 0.01 | 1.02 | 0.99 | 0.96 | 0.84 | 0.95 | -0.12 | 0.96 | 0.95 | 0.97 | 0.99 | 0.97 | 0.01 | 0.98 | 0.95 | 0.95 | 0.97 | 0.96 | 0.00 |
| FSU others | 0.45 | 0.46 | 0.44 | 0.42 | -0.02 | 0.43 | 0.42 | 0.44 | 0.44 | 0.43 | 0.01 | 0.45 | 0.45 | 0.45 | 0.45 | 0.45 | 0.02 | 0.46 | 0.47 | 0.48 | 0.50 | 0.47 | 0.02 |
| Other Europe | 0.15 | 0.15 | 0.14 | 0.14 | 0.00 | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.00 | 0.14 | 0.14 | 0.14 | 0.15 | 0.14 | 0.00 | 0.15 | 0.15 | 0.15 | 0.15 | 0.15 | 0.00 |
| China | 3.77 | 3.84 | 3.84 | 4.12 | 0.28 | 4.25 | 4.19 | 4.08 | 4.04 | 4.14 | 0.02 | 4.16 | 4.19 | 4.22 | 4.30 | 4.22 | 0.08 | 4.30 | 4.27 | 4.26 | 4.28 | 4.28 | 0.06 |
| Non-OPEC production | 48.43 | 48.30 | 49.08 | 50.18 | 1.10 | 50.57 | 49.86 | 49.91 | 50.75 | 50.27 | 0.09 | 51.07 | 50.59 | 50.69 | 51.21 | 50.89 | 0.62 | 51.41 | 51.38 | 51.74 | 52.54 | 51.77 | 0.88 |
| Processing gains | 1.99 | 1.97 | 2.00 | 2.11 | 0.11 | 2.12 | 2.12 | 2.12 | 2.12 | 2.12 | 0.01 | 2.17 | 2.17 | 2.17 | 2.17 | 2.17 | 0.05 | 2.21 | 2.21 | 2.21 | 2.21 | 2.21 | 0.04 |
| Non-OPEC supply | 50.42 | 50.27 | 51.08 | 52.29 | 1.21 | 52.69 | 51.98 | 52.04 | 52.87 | 52.39 | 0.10 | 53.24 | 52.76 | 52.86 | 53.38 | 53.06 | 0.67 | 53.62 | 53.59 | 53.95 | 54.75 | 53.98 | 0.92 |
| OPEC NGL | 3.86 | 4.04 | 4.24 | 4.87 | 0.63 | 5.02 | 5.14 | 5.28 | 5.20 | 5.16 | 0.29 | 5.27 | 5.36 | 5.44 | 5.52 | 5.40 | 0.24 | 5.53 | 5.55 | 5.57 | 5.59 | 5.56 | 0.16 |
| OPEC Non-conventional | 0.08 | 0.11 | 0.11 | 0.11 | 0.00 | 0.13 | 0.16 | 0.18 | 0.18 | 0.16 | 0.05 | 0.21 | 0.24 | 0.29 | 0.34 | 0.27 | 0.11 | 0.34 | 0.34 | 0.35 | 0.37 | 0.35 | 0.08 |
| OPEC (NGL+NCF) | 3.95 | 4.14 | 4.35 | 4.98 | 0.63 | 5.14 | 5.30 | 5.46 | 5.38 | 5.32 | 0.34 | 5.49 | 5.60 | 5.73 | 5.86 | 5.67 | 0.35 | 5.87 | 5.89 | 5.92 | 5.96 | 5.91 | 0.24 |
| Non-OPEC & OPEC (NGL+NCF) | 54.36 | 54.41 | 55.43 | 57.27 | 1.84 | 57.83 | 57.28 | 57.49 | 58.25 | 57.71 | 0.44 | 58.73 | 58.36 | 58.60 | 59.24 | 58.73 | 1.02 | 59.49 | 59.48 | 59.87 | 60.72 | 59.89 | 1.16 |

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

## Table 10.7: World Rig Count

| | 1Q09 | 2Q09 | 3Q09 | 4Q09 | 2009 | Change 09/08 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 2010 | Change 10/09 | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 2011 | Change 11/10 | 1Q12 | 2Q12 | May | Jun | Change Jun/May |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| US | 1,326 | 936 | 956 | 1,108 | 1,081 | -796 | 1,345 | 1,508 | 1622 | 1687 | 1541 | 459 | 1717 | 1829 | 1945 | 2031 | 1881 | 340 | 1990 | 1971 | 1978 | 1972 | -6 |
| Canada | 328 | 91 | 177 | 277 | 218 | -161 | 470 | 166 | 364 | 389 | 347 | 129 | 587 | 188 | 443 | 474 | 423 | 76 | 599 | 172 | 132 | 226 | 94 |
| Mexico | 128 | 128 | 135 | 123 | 128 | 26 | 118 | 106 | 84 | 80 | 97 | -31 | 83 | 87 | 103 | 104 | 94 | -3 | 98 | 110 | 115 | 113 | -2 |
| North America | 1,782 | 1,154 | 1,267 | 1,508 | 1,428 | -931 | 1,933 | 1,780 | 2070 | 2156 | 1985 | 557 | 2386 | 2104 | 2492 | 2609 | 2398 | 413 | 2688 | 2253 | 2225 | 2311 | 86 |
| Norway | 25 | 18 | 18 | 20 | 20 | 0 | 21 | 18 | 13 | 20 | 18 | -2 | 21 | 17 | 16 | 16 | 17 | -1 | 17 | 18 | 21 | 17 | -4 |
| UK | 22 | 19 | 16 | 15 | 18 | -4 | 15 | 20 | 21 | 21 | 19 | 1 | 18 | 17 | 15 | 15 | 16 | -3 | 14 | 19 | 18 | 18 | 0 |
| Western Europe | 90 | 82 | 76 | 85 | 83 | -15 | 87 | 96 | 92 | 100 | 94 | 11 | 118 | 112 | 123 | 119 | 118 | 24 | 112 | 117 | 118 | 115 | -3 |
| OECD Pacific | 27 | 25 | 26 | 23 | 25 | -11 | 22 | 18 | 23 | 22 | 21 | -4 | 17 | 17 | 17 | 18 | 17 | -4 | 19 | 25 | 25 | 26 | 1 |
| Total OECD | 1,945 | 1,299 | 1,368 | 1,616 | 1,557 | -978 | 2,042 | 1,893 | 2185 | 2278 | 2100 | 543 | 2521 | 2232 | 2632 | 2745 | 2532 | 433 | 2819 | 2395 | 2368 | 2452 | 84 |
| Other Asia | 212 | 212 | 213 | 233 | 217 | 1 | 235 | 249 | 253 | 255 | 248 | 31 | 257 | 234 | 232 | 233 | 239 | -9 | 231 | 216 | 224 | 203 | -21 |
| Latin America | 164 | 147 | 149 | 169 | 157 | -34 | 183 | 203 | 220 | 213 | 205 | 48 | 191 | 192 | 196 | 201 | 195 | -10 | 191 | 190 | 196 | 187 | -9 |
| Middle East | 162 | 151 | 139 | 147 | 150 | -18 | 152 | 150 | 163 | 159 | 156 | 6 | 101 | 107 | 102 | 107 | 104 | -52 | 116 | 112 | 112 | 110 | -2 |
| Africa | 8 | 11 | 9 | 12 | 10 | -2 | 20 | 19 | 19 | 18 | 19 | 9 | 1 | 2 | 0 | 5 | 2 | -17 | 3 | 3 | 3 | 5 | 2 |
| Total DCs | 546 | 520 | 510 | 561 | 534 | -52 | 589 | 621 | 655 | 645 | 628 | 93 | 549 | 535 | 530 | 546 | 540 | -88 | 542 | 522 | 535 | 505 | -30 |
| Non-OPEC rig count | 2,491 | 1,819 | 1,878 | 2,177 | 2,091 | -1,030 | 2,632 | 2,514 | 2840 | 2924 | 2727 | 636 | 3070 | 2768 | 3161 | 3291 | 3072 | 345 | 3361 | 2916 | 2903 | 2957 | 54 |
| | | | | | | | | | | | | | | | | | | | | | | | |
| Algeria | 24 | 30 | 27 | 27 | 27 | 1 | 23 | 28 | 24 | 24 | 25 | -2 | 29 | 33 | 30 | 33 | 31 | 6 | 31 | 31 | 26 | 41 | 15 |
| Angola | 5 | 3 | 3 | 4 | 4 | -1 | 10 | 8 | 9 | 9 | 9 | 5 | 11 | 11 | 11 | 8 | 10 | 1 | 10 | 12 | 13 | 12 | -1 |
| Ecuador | 10 | 10 | 10 | 10 | 10 | 0 | 11 | 11 | 11 | 11 | 11 | 1 | 11 | 11 | 11 | 15 | 12 | 1 | 17 | 17 | 19 | 14 | -5 |
| Iran** | 51 | 52 | 52 | 52 | 52 | 2 | 52 | 52 | 52 | 52 | 52 | 0 | 54 | 54 | 54 | 54 | 54 | 2 | 54 | 54 | 54 | 54 | 0 |
| Iraq** | 36 | 36 | 36 | 36 | 36 | 7 | 36 | 36 | 36 | 36 | 36 | 0 | 36 | 36 | 36 | 36 | 36 | 0 | 36 | 50 | 36 | 79 | 43 |
| Kuwait** | 12 | 11 | 14 | 13 | 13 | 0 | 19 | 18 | 21 | 23 | 20 | 8 | 56 | 56 | 57 | 60 | 57 | 37 | 56 | 56 | 55 | 61 | 6 |
| Libya** | 15 | 13 | 14 | 15 | 14 | -1 | 17 | 17 | 14 | 15 | 16 | 1 | 10 | 3 | 8 | 9 | 8 | -8 | 12 | 11 | 12 | 10 | -2 |
| Nigeria | 7 | 6 | 6 | 7 | 6 | -1 | 11 | 13 | 18 | 17 | 15 | 8 | 35 | 35 | 36 | 36 | 36 | 21 | 37 | 35 | 34 | 38 | 4 |
| Qatar | 9 | 9 | 9 | 9 | 9 | -2 | 8 | 8 | 9 | 9 | 9 | 0 | 10 | 8 | 7 | 7 | 8 | -1 | 8 | 7 | 7 | 7 | 0 |
| Saudi Arabia | 72 | 67 | 67 | 66 | 68 | -9 | 68 | 67 | 67 | 65 | 67 | -1 | 98 | 98 | 98 | 105 | 100 | 33 | 106 | 114 | 115 | 115 | 0 |
| UAE | 13 | 12 | 13 | 12 | 12 | 0 | 13 | 13 | 13 | 13 | 13 | 1 | 17 | 21 | 24 | 22 | 21 | 8 | 22 | 24 | 26 | 25 | -1 |
| Venezuela | 69 | 64 | 54 | 54 | 60 | -20 | 66 | 64 | 70 | 80 | 70 | 10 | 125 | 125 | 125 | 113 | 122 | 52 | 126 | 122 | 127 | 121 | -6 |
| OPEC rig count | 322 | 314 | 302 | 305 | 311 | -24 | 334 | 335 | 344 | 355 | 342 | 31 | 493 | 490 | 495 | 498 | 494 | 152 | 515 | 534 | 524 | 577 | 53 |
| | | | | | | | | | | | | | | | | | | | | | | | |
| Worldwide rig count* | 2,813 | 2,133 | 2,180 | 2,483 | 2,402 | -1,054 | 2,965 | 2,849 | 3184 | 3278 | 3069 | 667 | 3563 | 3258 | 3656 | 3789 | 3566 | 497 | 3876 | 3451 | 3427 | 3534 | 107 |
| of which: | | | | | | | | | | | | | | | | | | | | | | | |
| Oil | 1,283 | 1069 | 1182 | 1356 | 1222 | -210 | 1,590 | 1,534 | 1783 | 1896 | 1701 | 479 | 2197 | 2023 | 2354 | 2453 | 2257 | 556 | 2709 | 2528 | 2497 | 2673 | 176 |
| Gas | 1,450 | 993 | 965 | 1092 | 1125 | -825 | 1,333 | 1,276 | 1356 | 1337 | 1325 | 200 | 1319 | 1187 | 1257 | 1286 | 1262 | -63 | 1116 | 879 | 884 | 821 | -63 |
| Others | 35 | 35 | 34 | 37 | 35 | 3 | 43 | 40 | 42 | 46 | 43 | 8 | 48 | 49 | 47 | 52 | 49 | 6 | 54 | 46 | 49 | 43 | -6 |

*Note:* Totals may not add up due to independent rounding.
*na:* Not available
*Source:* Baker Hughes Incorporated & Secretariat's estimates.

* Excludes China and FSU
** Estimated figure when Baker Hughes Incorporated did not reported the data

# Contributors to the *OPEC Monthly Oil Market Report*

**Editor-in-Chief**
Hasan M. Qabazard, Director, Research Division
email: hqabazard@opec.org

**Editor**
Hojatollah Ghanimi Fard, Head, Petroleum Studies Department
email: h.ghanimifard@opec.org

**Analysts**

| | |
|---|---|
| Crude Oil Price Movements | Eissa Alzerma<br>email: ealzerma@opec.org |
| Commodity Markets | Odalis López-Gonzalez<br>email: olopez@opec.org |
| World Economy | Mehdi Asali<br>email: masali@opec.org<br>Mohammed El-Shahati<br>email: melshahati@opec.org<br>Joerg Spitzy<br>email: jspitzy@opec.org |
| World Oil Demand | Esam Al-Khalifa<br>email: ekhalifa@opec.org |
| World Oil Supply | Haidar Khadadeh<br>email: hkhadadeh@opec.org |
| Product Markets and Refinery Operations | Elio Rodriguez<br>email: erodriguez@opec.org |
| Tanker Market *and* Oil Trade | Anisah Almadhayyan<br>email: aalmadhayyan@opec.org |
| Stock Movements | Aziz Yahyai<br>email: ayahyai@opec.org |
| Technical and editorial team | Aziz Yahyai<br>email: ayahyai@opec.org<br>Douglas Linton<br>email: dlinton@opec.org |

**Data services**
Fuad Al-Zayer, Head Data Services Department (fzayer@opec.org)
Puguh Irawan (pirawan@opec.org), Ramadan Janan (rjanan@opec.org)
Pantelis Christodoulides (World Oil Demand, Stock Movements),
Hannes Windholz (Oil Trade, Product & Refinery), Mouhamad Moudassir (Tanker Market),
Klaus Stoeger (World Oil Supply), Harvir Kalirai (Economics), Sheela Kriz (Crude Oil Prices)

**Editing, production, design and circulation**
Keith Aylward-Marchant, Alvino-Mario Fantini, Viveca Hameder, Hataichanok Leimlehner,
Evelyn Oduro-Kwateng, Andrea Birnbach

# Data Summary

July 2012

## OPEC Basket average price

*US$ per barrel*

↓ *down $14.09 in June*

| | |
|---|---|
| **June 2012** | **93.98** |
| May 2012 | 108.07 |
| Year-to-date | 112.05 |

## June OPEC crude production

*in million barrels per day, according to secondary sources*

↓ *down 0.11 in June*

| | |
|---|---|
| **June 2012** | **31.36** |
| May 2012 | 31.47 |

## World economy

***Global growth expectations for 2012 remain at 3.3%, while 2013 growth is forecast at 3.2%. The US is expected to grow by 2.1% in 2012 and 2.0% in 2013. Japan is expected to decelerate from 2.5% this year to 1.2% in 2013. Following a 0.4% contraction this year, the Euro-zone is expected to see 0.1% growth in 2013. Growth expectations this year for China stand at 8.1% and 8.0% in 2013, while India's expansion is forecast at 6.4% in 2012 and at 6.6% in 2013.***

## Supply and demand

*in million barrels per day*

| **2012** | | 11/12 |
|---|---|---|
| World demand | 88.7 | **0.9** |
| Non-OPEC supply | 53.1 | **0.7** |
| OPEC NGLs | 5.7 | **0.4** |
| **Difference** | **29.9** | **–0.1** |

| **2013** | | 12/13 |
|---|---|---|
| World demand | 89.5 | **0.8** |
| Non-OPEC supply | 54.0 | **0.9** |
| OPEC NGLs | 5.9 | **0.2** |
| **Difference** | **29.6** | **–0.3** |

*Totals July not add due to independent rounding*

## Stocks

***US commercial oil stocks rose further in June, increasing by 10.8 mb, standing 17.0 mb above a year ago and 31.5 mb above the five-year average. The build was attributed mainly to products, which increased by 12.5 mb, while crude fell 1.7 mb. In Japan, the most recent monthly data for May shows commercial oil stocks rose a further 6.4 mb, still 0.7% less than a year ago, but 0.4% above the five-year average. The stock-build was divided between crude and products, which rose 4.0 mb and 2.1 mb, respectively.***

*Issued 11 July 2012*

***Next report to be issued on 9 August 2012***

*Data covered up to the end of June 2012 unless otherwise stated.*