OPEC

Monthly Oil Market Report

10 July 2014

Feature article:

The oil market outlook in 2015

Organization of the Petroleum Exporting Countries

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Oil market highlights

Crude Oil Price Movements

The OPEC Reference Basket increased by $2.45 in June to reach $107.89/b. Nymex WTI gained $3.35 to $105.15/b and ICE Brent added $2.73 to $111.97/b. Speculator net long positions on ICE Brent hit a record high on turmoil in Iraq. The Brent/WTI spread closed the month below $7/b, after having widened to near $10/b mid-month.

World Economy

World economic growth for 2014 has been revised to 3.1% from 3.4%, triggered by unexpected low 1Q14 growth in the US. The 2015 growth forecast stands at 3.4%, supported by the accelerating pace of OECD growth from 1.7% this year to 2.0% in 2015. China's GDP is forecast to grow by 7.2% in 2015 from 7.4% in the current year. India is seen growing at 5.8% next year, up from 5.5% in 2014.

World Oil Demand

Global oil demand growth in 2014 is forecast at 1.13 mb/d, broadly unchanged from the previous report. World oil demand in 2015 is anticipated to increase at a faster pace of 1.21 mb/d. OECD demand is expected to see positive growth for the first time since 2010, increasing around 40 tb/d, while non-OECD consumption is expected to provide the bulk of oil demand growth with 1.18 mb/d.

World Oil Supply

Non-OPEC oil supply is expected to increase by 1.47 mb/d in 2014, following a slight upward revision from the previous report. In 2015, non-OPEC supply is projected to grow at a slower pace of 1.31 mb/d. OPEC NGLs and non-conventional liquids are forecast to grow by 200 tb/d in 2015 to average 6.0 mb/d, after growth of 150 tb/d this year. In June 2014, OPEC crude oil production, according to secondary sources, declined by 79 tb/d to average 29.70 mb/d.

Product Markets and Refining Operations

Strong summer gasoline demand in the US has supported product markets in the Atlantic Basin. This has outweighed the considerable decline seen in the middle and bottom of the barrel, preventing refinery margins from falling in the US and Europe. In Asia, product markets have continued to lose ground, as weak demand amid the return of refineries from maintenance has caused refinery margins to fall sharply.

Tanker Market

Tanker market spot freight rates saw mixed movement in June. VLCC and Suezmax rates increased on the back of higher activity in several regions, while the tonnage list appeared shorter. In contrast, Aframax spot freight rates declined slightly, as a result of limited activities, while tonnage availability remained in surplus.

Stock Movements

OECD commercial stocks rose by 32 mb in May, but remained 53 mb below the five-year average. Crude stocks were 12 mb above the five-year average, while product inventories were 65 mb below. In terms of forward cover, OECD commercial stocks stood at a comfortable level of 57.7 days. Preliminary data for June shows that US total commercial oil stocks rose by 17.0 mb to stand 9 mb above the five-year average. Crude stocks were 19 mb above the five-year average, while products were 9 mb below.

Balance of Supply and Demand

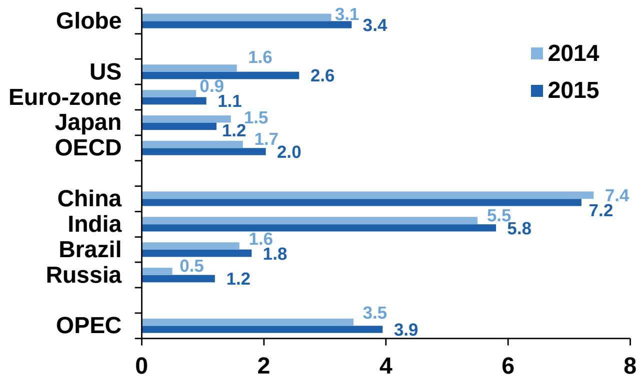
Demand for OPEC crude in 2014 remains unchanged from the previous report at 29.7 mb/d. Based on initial forecasts, demand for OPEC crude in 2015 is projected to average 29.4 mb/d, representing a decline by 0.3 mb/d.

The oil market outlook in 2015

Despite some weakness in the first half of the year, the world economy continues to recover. Global GDP growth in 2014 is now forecast at 3.1%, slightly higher than the estimated 2.9% for 2013. The US experienced a surprisingly large contraction in economic activity in the first quarter due to severe winter weather, leading to a downward revision in US GDP growth to 1.6% from 2.4% previously. However, with the US economy expected to rebound and continued large monetary stimulus in the Euro-zone and Japan, the OECD is seen growing by 1.7% in 2014 and 2.0% in 2015.

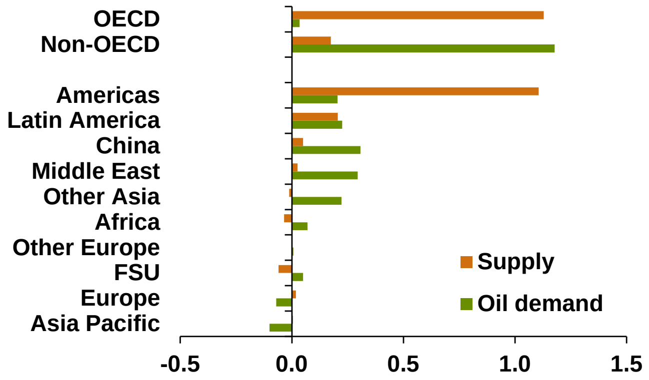
China's GDP is forecast to grow by 7.2% in 2015 from 7.4% in the current year. India and other major emerging economies are forecast to recover. This, in combination with the expected improvement in OECD economies, leads to a global GDP growth forecast of 3.4% in 2015 (***Graph 1***). However, a number of uncertainties remain, ranging from the consequences of monetary policies in the developed economies to the threat of deflation in the Euro-zone, as well as the risk of geopolitical tensions and potential spillovers.

Graph 1: GDP growth rate in 2015, %



Source: OPEC Secretariat.

Graph 2: Source of oil demand and non-OPEC supply growth for 2015, mb/d



Source: OPEC Secretariat.

World oil demand in 2015 is forecast to grow by 1.2 mb/d to average 92.3 mb/d, higher than the growth of 1.1 mb/d estimated for 2014 (***Graph 2***). For the first time since 2010, OECD oil demand is expected to grow, increasing by 40 tb/d, with Americas being the only OECD region exhibiting growth. Europe is expected to decline further, but at a slower pace, while Asia-Pacific oil demand will continue to contract. Non-OECD oil demand growth is expected to be around 1.2 mb/d, coming mainly from China, the Middle East, and Other Asia. In terms of products, consumption growth will be primarily driven by increased use of diesel oil and gasoline in the transportation industry, as well as to a lesser extent LPG and naphtha for petrochemical feedstocks. However, factors that could impact oil demand growth include the pace of economic activities in major consuming nations; the strength of substitution toward natural gas and other fuels; efforts to reduce subsidies; and ongoing policies to enhance fuel efficiency, especially in the transportation sector.

Non-OPEC supply is expected to grow by 1.3 mb/d in 2015 to average 57.0 mb/d, lower than this year's estimated increase of 1.5 mb/d. OECD Americas is expected to see the highest growth, with contributions from the US and Canada, followed by Latin America due to the increase in Brazilian production. However, a high level of uncertainty is associated with the 2015 non-OPEC supply forecast coming from geopolitical developments; regulatory and environmental concerns; and technical challenges such as sharper-than-expected decline rates, particularly in tight oil plays, and unplanned shutdowns. These factors could impact supply projections in either direction. OPEC NGLs and non-conventional oils are expected to increase at a faster pace in 2015, rising 0.20 mb/d to average 6.0 mb/d, following growth of 0.15 mb/d this year.

The above forecasts suggest a demand for OPEC crude of 29.4 mb/d in 2015, a decline of 0.3 mb/d from the current year. Therefore, even if next year's world economic growth turns out to be better than expected and crude oil demand outperforms expectations, OPEC will have sufficient supply to provide to the market.

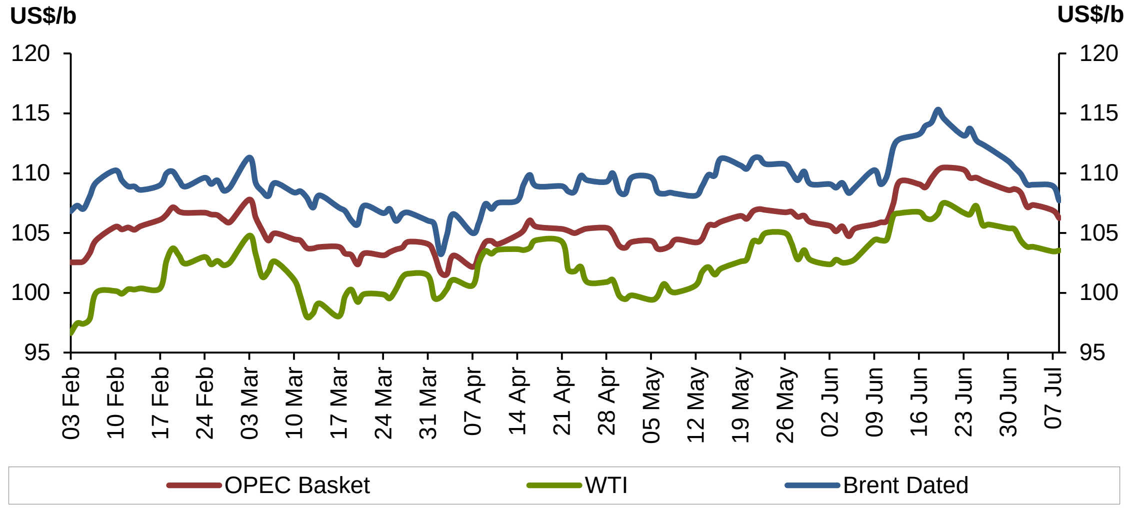
Crude Oil Price Movements

The OPEC Reference Basket increased further in June by $2.45 to $107.89/b, its highest value this year. Its year-to-date value stood at $105.30/b. Crude oil futures were sharply higher as concerns mounted that geo-political tension could disrupt oil supplies. This is despite the fact that crude oil markets were adequately supplied. The Nymex WTI front-month gained $3.35 over the month to average $105.15/b. Compared to the same period in 2013, the WTI value was significantly higher, by $7.33, at $100.84/b. On the InterContinental Exchange (ICE), the Brent front-month gained $2.73 to $111.97/b. Year-to-date, ICE Brent, at $108.82/b, was higher compared to the same period last year. Speculators' net bets on rising Brent prices hit a record high on geo-political tension in the Middle East. Money managers increased their net long futures and options positions in ICE Brent by 18,451 lots to 242,201 contracts, the highest ever recorded by the exchange. The Brent/WTI spread closed the month at less than $7/b after having widened to nearly $10/b mid-month, when Brent was at a nine-month peak due to concerns over reduced exports from Iraq. The Nymex WTI was supported by positive microeconomic data from the US. The Brent/WTI spread ended the month narrower at $6.82/b.

OPEC Reference Basket

The OPEC Reference Basket (ORB) extended its previous month's gains by nearly $2.50 in June to reach its highest value this year, uplifted by a surge in crude oil outright prices. For most of June, global crude oil markets were rattled by supply concerns due to the ongoing crises in Libya and Ukraine, while the geopolitical tension in Iraq has fuelled fears of disruption in exports from the Middle East region. This is despite the fact that crude oil markets were adequately supplied during the month. In fact, some markets were over supplied amid poor refining economics, which caused physical crude oil markets in many regions to weaken significantly. Physical crude markets were under pressure with the differentials of physical crudes to their respective benchmarks at their lowest in over a year in most markets. Moreover, these supply-related headlines and geopolitical tension in Iraq and Ukraine kept the speculators on the long side of the market, supporting a rise in prices.

Graph 1.1: Crude oil price movement, 2014



Crude Oil Price Movements

On a monthly basis, the ORB improved to an average of $107.89/b in June, up $2.45, or 2.33% over the previous month. On a year-to-date basis, the Basket was higher, the first time since December 2012, compared to the same period last year. The Basket year-to-date value stood at $105.30/b compared to the $105.09/b average of last year, 21¢ or 0.20% higher.

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

	May 14	Jun 14	Change Jun/May	Year-to-date 2013	Year-to-date 2014
OPEC Reference Basket	**105.44**	**107.89**	**2.45**	**105.09**	**105.30**
Arab Light	105.80	108.61	2.81	105.97	106.01
Basrah Light	103.16	105.80	2.64	102.81	103.20
Bonny Light	112.22	114.36	2.14	110.19	111.22
Es Sider	109.42	111.31	1.89	107.48	108.60
Girassol	110.21	111.23	1.02	108.17	109.40
Iran Heavy	105.40	107.45	2.05	104.26	105.17
Kuwait Export	104.21	106.56	2.35	104.13	104.15
Marine	105.44	107.85	2.41	104.27	105.12
Merey	96.06	98.71	2.65	96.68	94.96
Murban	108.35	110.74	2.39	107.02	108.46
Oriente	95.47	98.75	3.28	98.86	95.77
Saharan Blend	110.36	112.66	2.30	107.89	110.09
Other Crudes					
Brent	109.67	111.66	1.99	107.43	108.95
Dubai	105.55	108.03	2.48	104.42	105.27
Isthmus	102.59	106.47	3.88	107.38	100.98
LLS	104.27	108.22	3.95	109.10	104.97
Mars	99.81	103.49	3.68	104.10	100.76
Minas	107.22	112.13	4.91	108.07	110.51
Urals	107.84	109.44	1.60	106.65	107.44
WTI	102.03	105.24	3.21	94.19	100.88
Differentials					
Brent/WTI	7.64	6.42	-1.22	13.24	8.07
Brent/LLS	5.40	3.44	-1.96	-1.67	3.98
Brent/Dubai	4.12	3.63	-0.49	3.01	3.68

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.

All Basket component values increased in June mainly due to the uplift in outright prices of their respective benchmarks and pricing formula elements. Benchmark prices, particularly Brent, surged in response to fresh geopolitical tension in Iraq in addition to the ongoing conflicts in Libya and Ukraine that raised supply disruption concerns, increasing the geopolitical risk premium.

Nevertheless, this support for the component values was countered by pressure from lacklustre physical crude demand on the part of major buyers and weak refining margins. A narrowing in refining margins has hit European demand for both sweet and sour crudes, while large customers such as China have been buying less West African crudes due to high product stocks, cheaper crude in other markets and higher freight rates. West African oil has become relatively expensive for Asian importers due to a high premium of Brent crude oil, against which it is benchmarked, to Dubai crude. Asia's crude demand has also been muted as weak demand for oil products coupled with excess regional supply are expected to keep refinery operating rates lower through the third quarter and into the end of the year. Crude availability is also higher due to fewer imports into North America, with Canada now following in the US' footsteps and using light tight oil imported from the US Gulf Coast (USGC) to crowd out imports of more expensive Dated Brent-related crudes. This leaves Asia to absorb excess Atlantic Basin barrels. But Asian interest in Brent cargoes was lacklustre due to a relatively wide Brent/Dubai spread that reflected the geopolitical risk premium in Brent.

Brent-related Basket components, **Saharan Blend**, **Es Sider**, **Girassol** and **Bonny Light** rose $1.84, on average. Both Latin American Basket components, **Merey** and **Oriente**, performed in line with the enhancement of the WTI mark, in general, and pricing formula components, improving over the month on average by almost 3%. The formula elements strengthened progressively, benefitting from infrastructure changes that relieve constraints on outbound capacity from the Permian region. Increasing buying interest for Latin American crudes form outside the region, mainly Europe, amid high European prices supported these grades as well. Oriente and Merey increased in June by $3.28 and $2.65, respectively. Middle Eastern spot prices also rose in line with the increase in Oman and Dubai outright prices, despite weak Asian refining margins and lower refinery runs that weighed on Middle East crude. Middle Eastern spot components and multi-destination grades improved by around $2.40 and $2.45, respectively. On 9 July, the ORB stood at $105.49/b.

The oil futures market

Crude oil futures were sharply higher over the month amid fears of supply disruption due to the crises in Iraq and Ukraine in addition to the ongoing tension in Libya. Oil prices jumped to nine-month highs in June as concerns mounted that escalating geopolitical tension in Iraq could disrupt oil supplies. The European benchmark ICE Brent gained over $2.70 to reach its highest monthly average since February 2013, while the US Nymex WTI surged more than $3 to achieve its highest value in more than nine months.

Crude oil prices were also supported by positive economic data from the United States and China. New orders for US factory goods rose for a third straight month in April, pointing to strength in manufacturing and the broader economy. The US Commerce Department said new orders for manufactured goods increased by 0.7%. March’s orders were revised to show a 1.5% increase instead of the previously reported 0.9% rise. US employment returned to its pre-recession peak in May at 6.3% with a solid pace of hiring, offering confirmation that the economy has snapped back from a winter slump.

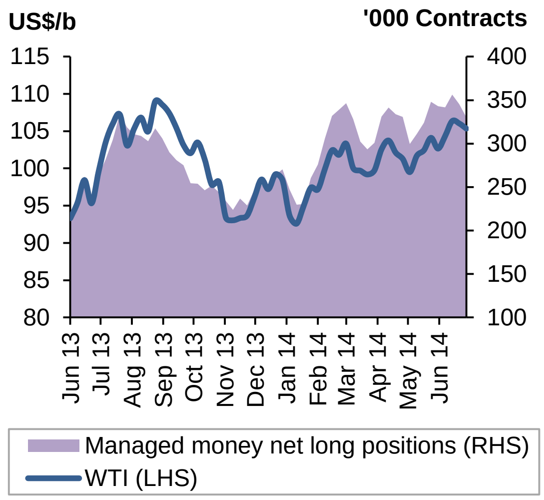
China’s exports beat forecasts in May on firmer global demand, rising 7% from a year earlier and quickening from April's increase of 0.9%. Meanwhile, China’s consumer inflation edged up to a four-month high of 2.5% in May while factory price deflation eased, reinforcing signs of stabilization in the economy.

Nymex WTI front-month gained $3.35 over the month, to average $105.15/b in June. Compared to the same period in 2013, the WTI value is significantly higher, by $7.33 or 7.8%, at $100.84/b. On the ICE exchange, Brent front-month increased $2.73 to reach an average of $111.97/b. Year-to-date, ICE Brent was, for the first time in many months, higher in value compared to the same period last year. Its value strengthened by 94¢ or 0.9% to reach $108.82/b.

On 9 July, ICE Brent stood at $108.28/b and Nymex WTI at $102.29/b.

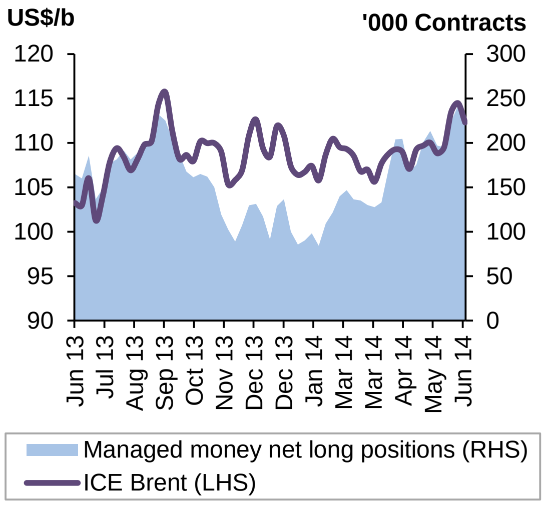
Speculators' net bets on rising Brent crude oil prices hit a record high in June, figures from the ICE show, as geo-political tensions in Iraq escalated, threatening oil supplies. Large money managers increased their net long futures and options positions in ICE Brent by 18,451 lots to 242,201 contracts in the week to 24 June, the highest ever recorded by the exchange. Long positions in Brent held by money managers now outnumber short positions by a ratio of six to one, ICE data shows. Although the turmoil in Iraq is a long way from its southern oilfields and export terminals which account for around 90% of oil exports, investors say spot oil prices were reflecting the possibility that oil production may be affected. Data from the US Commodity Futures Trading Commission (CFTC) showed that hedge funds and money managers increased their bullish bets in US crude oil futures by raising their net long US crude futures and options positions during June as prices increased. The speculator group raised its combined futures and options positions in US crude oil contracts to 356,336 lots by mid-month.

Graph 1.2: Nymex WTI price vs. speculative activity, 2013-2014



Source: CFTC.

Graph 1.3: ICE Brent price vs. speculative activity, 2013-2014



Source: IntercontinentalExchange, Inc.

The daily average traded volume during June for Nymex WTI contracts increased by 52,823 lots to average 542,481 contracts. The ICE Brent daily traded volume surged by a hefty 139,065 contracts to 669,064 lots. On the day the tensions in Iraq started, the daily traded volumes in both exchanges doubled on worries about the supply outlook. The daily aggregate traded volume in both crude oil futures markets increased by 191,888 contracts in June to around 1.21 million futures contracts, the equivalent of around 1.20 billion barrels per day. The total traded volume in Nymex WTI and ICE Brent contracts was 11.40 and 14.10 million contracts, respectively, over the month.

The futures market structure

The backwardation in the Brent market structure eased slightly in the first half of June amid multiple supply disruption threats in regions surrounding the Brent market. But this changed after mid-month due to the overall poor demand situation in the North Sea, while availability of light-sweet crude from West Africa, the Caspian and Algeria was also high. Nevertheless, the unrest in Libya and Ukraine continue to support the backwardation. The spread between the second and first month of the ICE Brent contract average dropped to around 60¢/b in June compared to 70¢/b in the previous month.

The Nymex WTI front-month continued to be at a premium of around 65¢/b over the future months' contracts for the second month in a row as the stock level in Cushing has stabilized to around 20 mb. Since Enterprise reversed Seaway in May 2012, the pipeline had been the only major line taking oil out of the then clogged-up Cushing hub to USGC-area refineries. Inventories at Cushing peaked at all-time highs of 52 mb at the start of 2013. With the help of the original 400 tb/d Seaway pipeline and TransCanada's 700 tb/d USGC pipeline, which began operations at the start of this year, Cushing stocks have halved to 21 mb since January. The start of the USGC pipeline has increased the capacity of pipelines leaving Cushing to above the capacity of pipelines coming into the hub. Meanwhile, Enterprise Product Partners planned to complete its 450 tb/d Seaway twin crude oil pipeline, taking oil out of the Cushing storage hub to the USGC by the end June.

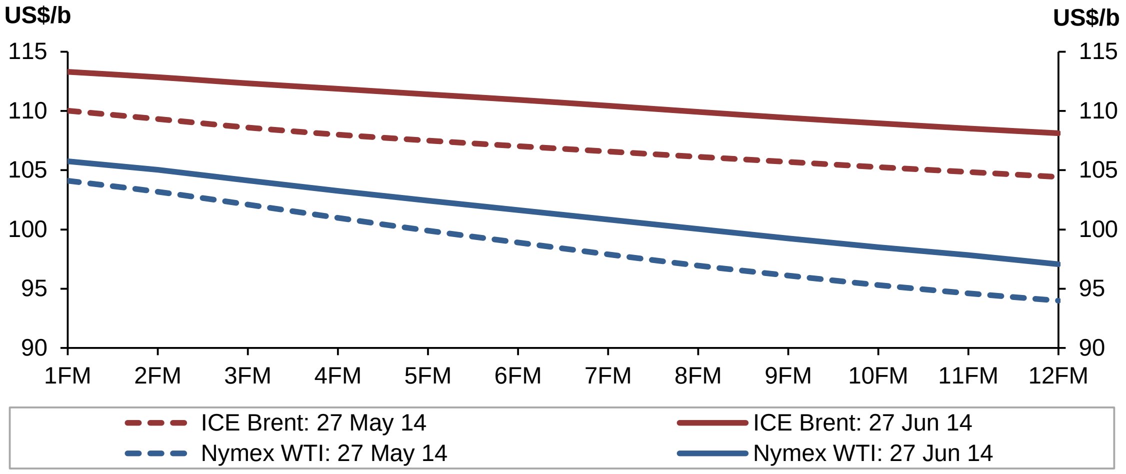
Table 1.2: Nymex WTI and ICE Brent forward curves, US$/b

	1st FM	2nd FM	3rd FM	6th FM	12th FM
Nymex WTI					
27 May 14	104.11	103.18	102.10	98.90	93.99
27 Jun 14	105.74	105.04	104.14	101.64	97.08
ICE Brent	**1st FM**	**2nd FM**	**3rd FM**	**6th FM**	**12th FM**
27 May 14	110.02	109.32	108.60	107.03	104.43
27 Jun 14	113.30	112.85	112.33	110.94	108.12

FM = future month.

The spread between the two benchmarks closed the month at an average of less than $7/b after having widened to nearly $10/b mid-month when Brent was at a nine-month peak due to reduced concerns over exports from Iraq. Output from Iraq's southern oilfields, which produce most of the nation's 3.3 mb/d, remained unaffected by fighting in the north and west. Meanwhile, Nymex WTI was supported by positive microeconomic data from the US. The prompt Brent/WTI spread ended the month narrower at an average around $6.82/b, after settling at $7.45/b in the previous month.

Graph 1.4: Nymex WTI and ICE Brent forward curves, 2013-2014



FM = future month.

The light sweet/medium sour crude spread

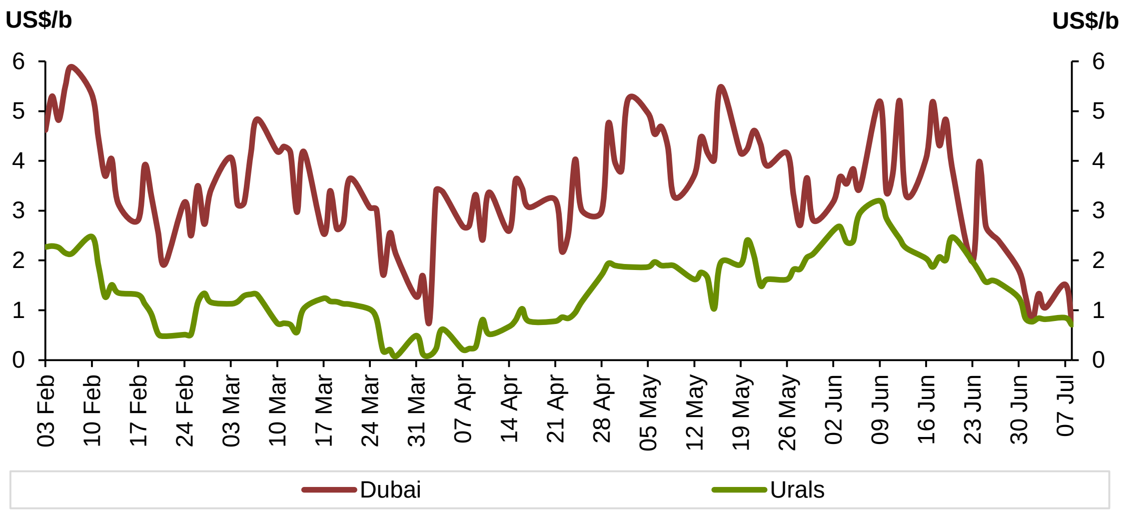
Global sweet/sour differentials widened in all regions over the month, affected by the performance of the refined product market.

The Tapis/Dubai spread in **Asia** widened slightly on average in June at a premium of around $7.05/b for Tapis over Dubai, 30¢ better than the previous month. After a strong early June performance, Dubai weakened over the second half of the month despite the Asia-Pacific's August refining maintenance estimated to be some 2.6 mb/d less than the peak turnarounds in May, the lowest level over the year. Factors that may have exerted downward pressure were poor refining margins at the Singapore hub, with this providing little incentive for crude buying. Meanwhile, some pressure for the light-sweet grade is coming from weak middle distillate values, while the naphtha crack is expected to come under pressure in the coming months from higher Western inflows, estimated at 1.35 mb/d in July. India's maintenance has also been wrapped up, implying an uptick in naphtha supplies from the subcontinent, as well.

In **Europe**, the discount of the Russian medium sour Urals in the Mediterranean to North Sea Dated Brent widened further, due solely to the weak Urals markets. Despite tight availability of Urals, an extraordinarily lacklustre demand on the back of poor refining margins and a strong presence of alternative sour grades, particularly Iraqi Basrah Light, weighed on Urals differentials. The declines went against the normal seasonal trend, which sees Urals appreciating ahead of the peak summer months. From the point of view of supply alone, the month should not have been bearish as scheduled Russian supplies of Urals loading out of Novorossiysk slipped to their lowest levels in more than seven years. Given the ongoing issues impacting Iranian crude and the complete standstill of Kirkuk flows since March, a tight Russian schedule would, under normal circumstances, have been expected to add some support to the market. On average, the Dated Brent/Urals spread in June widened by 40¢ to $2.20/b.

In the **US**, the Light Louisiana Sweet (LLS) premium over the medium sour Mars widened by almost 30¢ to $4.75/b with some support coming from product markets. Gasoline cracks on the USGC strengthened a little over the month while fuel oil cracks widened, pressuring Mars. Additional pressure for Mars may have come from talk of a possible strategic petroleum reserve (SPR) release of medium-sour crude as a means to calm soaring outright prices on the back of geopolitical tension in Iraq.

Graph 1.5: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2014



Commodity Markets

Several supply-related developments were the main drivers behind changes in average commodity prices in June. Energy prices increased on concerns of potential crude oil supply disruptions arising from geopolitical events in the Middle East. Agricultural prices have declined on expectations of ample global supply of grain as a result of record harvests in Europe and improving weather and crop conditions in the US. Base metals remained stable with better industrial production prospects in the US and China, although this was counterbalanced by overcapacity in the metals industry. Meanwhile, average gold prices ended slightly lower on uncertainties about the timing of monetary policy normalization.

Trends in selected commodity markets

Continuing manufacturing expansion in the US and China with June PMI readings of 55.3 and 50.8, respectively, has fuelled expectations for higher commodity demand, however, supply-related events dominated commodity price movements during the last month. Concerns over supply of crude oil lifted energy prices while receding tensions in Ukraine and improving weather conditions pressured agricultural prices. Chinese authorities' investigation of commodity-backed financing put pressure on base metal prices at the beginning of the month on the expectation of additional supply of raw material currently tied to these transactions.

Agricultural prices declined during the month on larger-than-expected wheat harvests in Europe, improving weather conditions for US corn growers, and receding geopolitical tensions in Ukraine. The USDA reported significant improvement in crop conditions for US corn and soybeans from last year, putting significant pressure on their prices on the expectation of larger harvests. Meanwhile, wheat prices were also under pressure due to expected ample supplies from the Black Sea region and receding concerns about the financing of the harvests in Russia and Ukraine, and their capacity to export their surpluses.

Crude oil prices were the main driver behind **energy price** increases during the month due to supply disruption concerns over increased geopolitical tensions in the Middle East. US natural gas prices remained stable on reported increases in inventories during the month. Meanwhile, in Europe, Russian natural gas has continued flowing to Europe in spite of Gazprom cutting supplies to Ukraine in demand of debt repayment. This development, together with larger LNG imports, competition from renewables and cheaper coal prices, have helped natural gas inventories to be 70% full at the end of June, creating the possibility of achieving full storage at the end of the summer.

Base metals showed different patterns in June, following demand and supply balances for specific metals. Although industrial production in China, the main base metals consumer, appears to be picking up, significant overcapacity together with the efforts of Chinese regulators to limit commodity-backed financing are still putting pressure on iron and copper prices. The impact of the Indonesian ore export ban on nickel prices appears to have declined in June after prices showed their first retreat in 2014. Meanwhile, aluminium prices increased significantly on industry capacity cuts.

Improving economic conditions in China, Japan and the US, the monetary stimulus announced by the ECB to achieve target inflation in the Euro-zone and geopolitical events may provide support for current levels of commodity prices in the upcoming months. It is also important to closely watch the impact of the US Federal Reserve's decisions regarding its asset purchase programme as rising interest rates and the US dollar can put pressure on selected commodity prices and impact the Chinese authorities' efforts to limit commodity-backed financing on raw material imports.

Table 2.1: Commodity price data, 2014

Commodity	Unit	*Monthly averages*			*% Change*		
		Apr 14	May 14	Jun 14	Apr/Mar	May/Apr	Jun/May
World Bank commodity price indices for low and middle income countries (2010 = 100)							
Energy		128.5	129.0	131.4	0.8	0.4	1.9
Coal, Australia	$/mt	72.8	73.7	71.5	-0.7	1.2	-3.0
Crude oil, average	$/bbl	104.9	105.7	108.4	0.8	0.8	2.5
Natural gas, US	$/mmbtu	4.7	4.6	4.6	4.8	-1.9	-0.2
Non Energy		99.9	99.7	98.1	0.0	-0.2	-1.6
Agriculture		107.2	107.1	105.0	-0.8	-0.1	-2.0
Food		112.1	112.6	109.6	-1.5	0.5	-2.7
Soybean meal	$/mt	566.0	578.8	553.0	-3.1	2.3	-4.4
Soybean oil	$/mt	999.0	965.3	936.0	-0.3	-3.4	-3.0
Soybeans	$/mt	516.0	521.3	515.0	3.2	1.0	-1.2
Grains		113.1	112.9	106.7	-1.2	-0.2	-5.5
Maize	$/mt	222.4	217.3	202.4	0.0	-2.3	-6.9
Wheat, US, HRW	$/mt	324.9	334.7	306.5	0.4	3.0	-8.4
Sugar, world	$/kg	0.4	0.4	0.4	-1.6	3.7	-0.5
Base Metal		87.1	88.5	89.2	3.1	1.7	0.7
Aluminum	$/mt	1,810.7	1,751.1	1,839.0	6.2	-3.3	5.0
Copper	$/mt	6,673.6	6,891.1	6,821.1	0.4	3.3	-1.0
Iron ore, cfr spot	$/dmtu	114.6	100.6	92.7	2.5	-12.2	-7.8
Lead	$/mt	2,087.1	2,097.3	2,106.9	1.7	0.5	0.5
Nickel	$/mt	17,373.6	19,401.1	18,628.8	10.8	11.7	-4.0
Tin	$/mt	23,405.2	23,271.3	22,762.0	1.7	-0.6	-2.2
Zinc	$/mt	2,027.2	2,059.0	2,128.1	1.0	1.6	3.4
Precious Metals							
Gold	$/toz	1,298.5	1,288.7	1,279.1	-2.8	-0.7	-0.7
Silver	$/toz	19.7	19.3	19.9	-4.7	-2.0	2.8

Source: World Bank, Commodity price data.

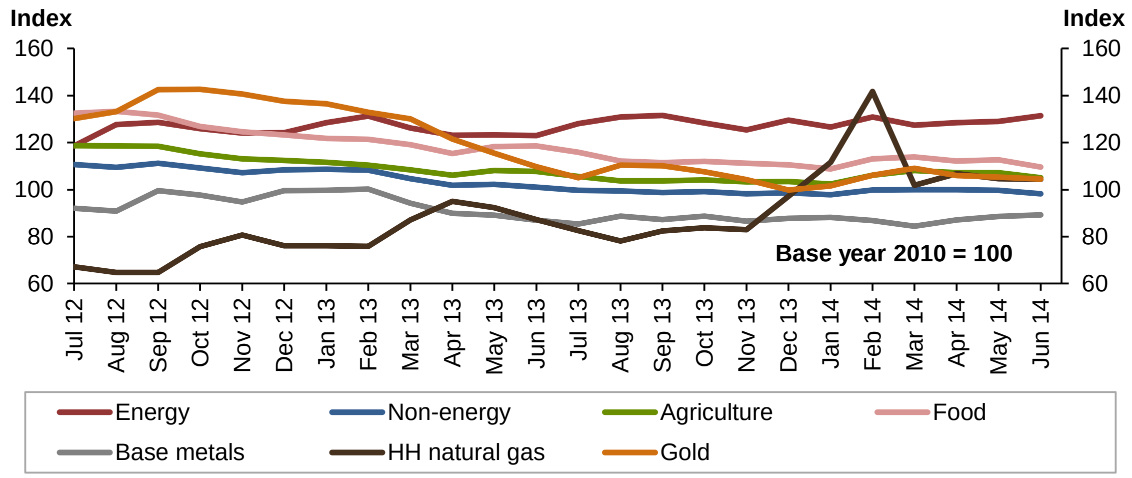
Average **energy prices** increased by 1.9% m-o-m in June, mainly driven by a 2.5% increase m-o-m in crude oil due to supply concerns. However, coal and natural gas prices moved in the opposite direction, declining by 3.0% and minus 0.2% m-o-m, respectively.

Agricultural prices declined by 2%, their largest decline in 2014, following a significant drop in grain prices of 5.5% due to larger-than-expected inventories. Food prices declined by 2.7% on sharp drops across the soybean complex with soybeans, soybean oil and soybean meal declining by 1.2%, 3.0% and 4.4% m-o-m, respectively.

Base metals increased by 0.7% m-o-m with support from aluminium, which increased by 5.0% m-o-m on the industry cutting excess capacity and improved manufacturing prospects in China, however, copper declined by 1.0% m-o-m after falling at the beginning of the month on concerns over the probe related to commodity-backed financing. Nickel prices declined for the first time in 2014, by 4.0% m-o-m, after the impact of the Indonesian export ban is considered already priced in.

Within **precious metals,** average gold prices declined by 0.7% m-o-m with large declines at the beginning of the month on the prospects of higher interest rates, however this trend reversed at the end of the month after the US Federal Reserve's commitment to lower long-term interest rates. Meanwhile, silver prices increased by 2.0%.

Graph 2.1: Major commodity price indices, 2012-2014

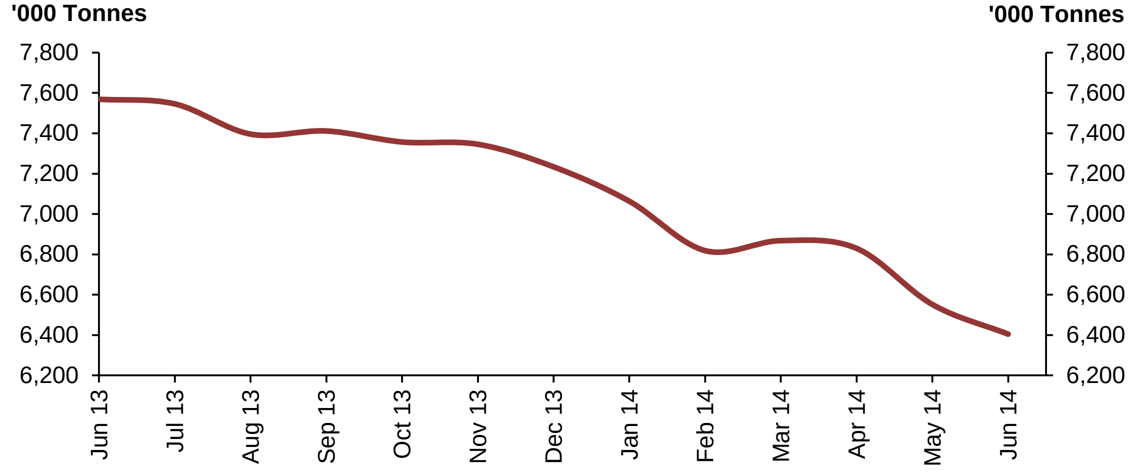


Source: World Bank, Commodity price data.

In June, the **Henry Hub (HH) natural gas price index** declined slightly on better-than-expected inventories. The index declined by 1¢, or 0.2%, at $4.58 per million British thermal units (mmbtu), after trading at an average of $4.59/mmbtu the previous month.

The US Energy Information Administration (EIA) said utilities put 110 billion cubic feet (Bcf) in storage during the week ended 25 June, 6 Bcf above the market expectation for a 104 Bcf increase. Gas in storage stands at 1,829 Bcf, which is 31.0% below the latest five-year average. The EIA expects end of October working inventory levels of 3,424 Bcf, requiring average weekly injections of 84 Bcf. However, it was also reported that temperatures during the week ended 25 June were warmer than normal, which could potentially increase cooling demand in the future if the trend continues.

Graph 2.2: Inventories at the LME

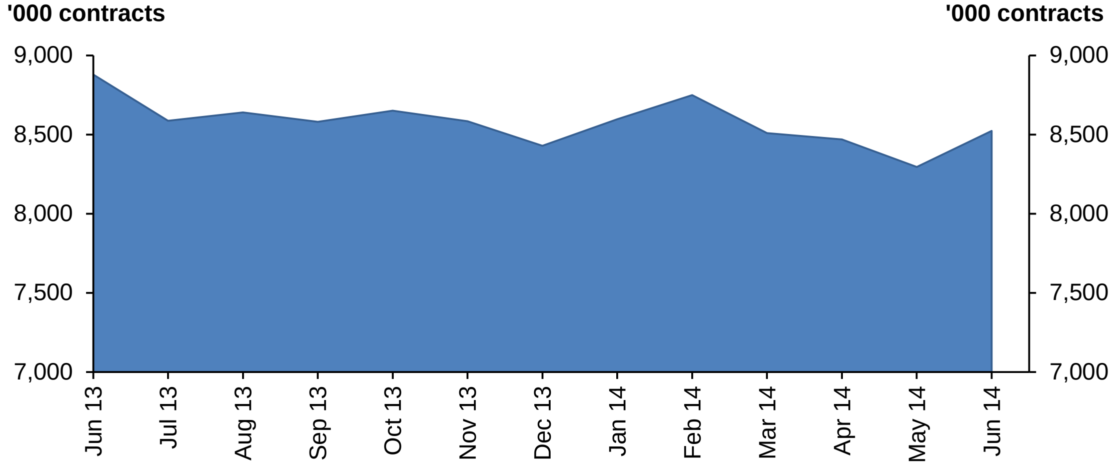


Sources: London Metal Exchange and Haver Analytics.

Investment flows into commodities

The **total open interest volume (OIV)** in major commodity markets in the US increased by 2.8% m-o-m to 8.7 million contracts in June as the OIV of most commodities improved, with the exception of precious metals and copper. The OIVs of crude oil, natural gas, agriculture and livestock were up by 4.2%, 0.8%, 3.7% and 0.6%, respectively. On the other hand, the OIVs of gold and copper decreased by 4.1% and 0.1%, respectively.

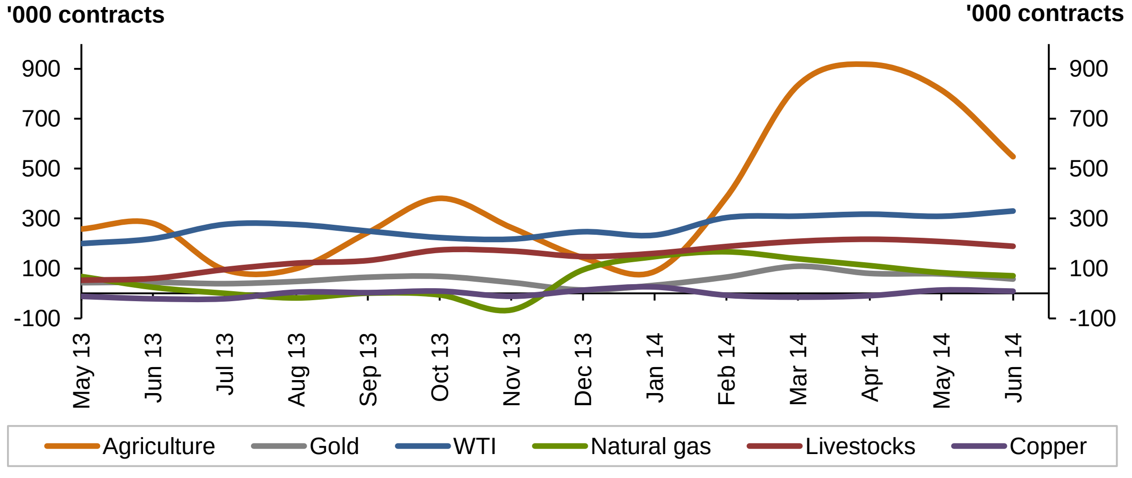
Graph 2.3: Total open interest volume



Source: US Commodity Futures Trading Commission.

Total net length speculative positions in commodities decreased by almost 20% m-o-m to 1,208,716 contracts in June, mainly due to a sharp decrease in the managed money net length of agriculture. Money managers' activities decreased in the majority of commodities with the exception of crude oil.

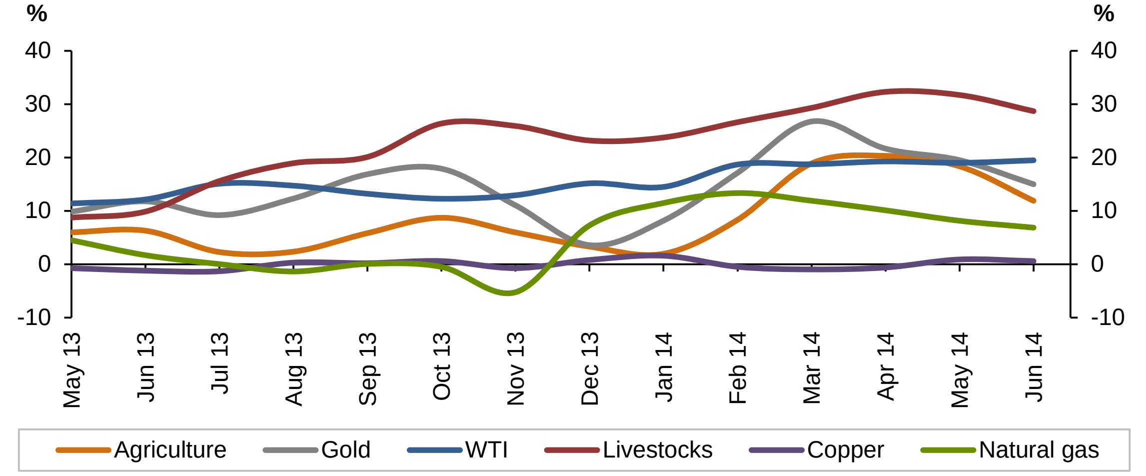
Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

Agricultural OIV was up 3.7% m-o-m to 4,608,686 contracts in June. Meanwhile, money manager net long positions in agriculture declined sharply by 32.8% to 548,077 lots, with money managers reversing large net length positions built in the first quarter on weather and geopolitical concerns. This unwinding of speculating positions was accelerated by sharp declines in agricultural prices since the beginning of the second quarter.

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



Source: US Commodity Futures Trading Commission.

Henry Hub natural gas' OIV increased by 0.8% m-o-m to 1,028,079 contracts in June. Money managers decreased their net long positions sharply by 15% to 70,521 lots, as storage injections continue to outperform market expectations, raising the possibility of restoring inventories to an adequate level before the month of November.

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

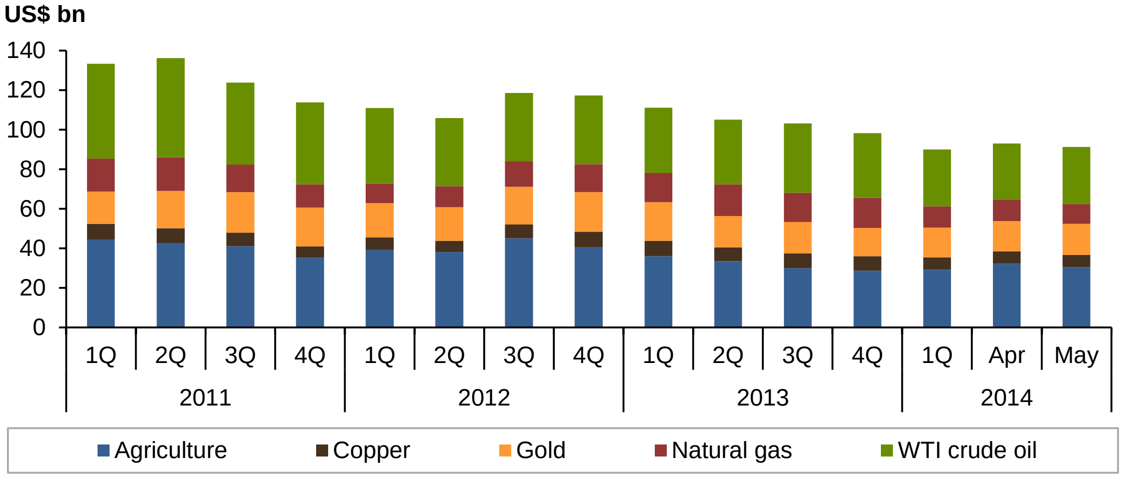
	Open interest		*Net length*			
	May 14	Jun 14	May 14	% OIV	Jun 14	% OIV
Crude oil	1,627	1,696	309	19	330	19
Natural gas	1,019	1,028	83	8	71	7
Agriculture	4,444	4,609	815	18	548	12
Precious metals	551	545	79	14	62	11
Copper	149	148	13	9	9	6
Livestock	655	659	208	32	189	29
Total	**8,446**	**8,684**	**1,508**	**18**	**1,209**	**14**

Source: US Commodity Futures Trading Commission.

Copper's OIV slipped marginally by 0.1% m-o-m to 148,293 contracts in June. Meanwhile, investors reduced their net long positions by 34.8% to 8,741 lots despite improving industrial production in China, which accounted for almost half of the base metal consumption, and the continuation of the Indonesian ore export ban.

Gold's OIV decreased by 4.1% m-o-m to 383,265 contracts in January. Money managers decreased their positions sharply by 26% to 57,431 lots since the stock market continued its rising trend and the recent economic reading in industrial production suggested improving economic prospects in the US and China.

Graph 2.6: Inflow of investment into commodities, 2011-2014



Source: US Commodity Futures Trading Commission.

World Economy

The unexpected large decline in US 1Q14 GDP in combination with the fragility in the Euro-zone and some emerging economies has caused a downward revision to the 2014 global growth forecast from 3.4% to 3.1%. China's momentum seems to have improved recently, but the generally slower-than-expected 1H14 has led to a slight revision from 7.5% to 7.4% for this year. OECD GDP growth for 2014 has also been revised down to 1.7% from 2.0%. For 2015, the OECD is expected to see its GDP increase to 2.0%. China is forecast to continue its slight deceleration and grow by 7.2% in 2015, while India and other major emerging economies are estimated to see higher growth levels than in 2014. Global GDP growth is forecast to increase to 3.4% in 2015. Uncertainties remain, including the strength of the US rebound, the continuing fragility in the Euro-zone, Japan's balancing act in terms of fiscal tightening and, at the same time, stimulating the economy, and the on-going challenges in emerging economies. Moreover, geopolitical issues and their potential spill-over into the real economy will need to be closely monitored.

Table 3.1: Economic growth rate and revision, 2014-2015, %

	World	OECD	US	Japan	Euro-zone	China	India	Brazil	Russia
2014F*	**3.1**	**1.7**	**1.6**	**1.5**	**0.9**	**7.4**	**5.5**	**1.6**	**0.5**
Change from previous month	-0.2	-0.3	-0.8	0.2	-0.1	-0.1	-0.1	-0.4	-0.4
2015F*	**3.4**	**2.0**	**2.6**	**1.2**	**1.1**	**7.2**	**5.8**	**1.8**	**1.2**

** F = forecast.*

OECD

OECD Americas

US

The **downward revision to US 1Q14 GDP** data came as a big surprise and was much stronger than had been anticipated. The decline of 2.9% q-o-q seasonally adjusted annualised rate (SAAR) was much higher than the previously reported decline of 1.0%, which was already somewhat surprising. The initial estimate of the Bureau of Economic Analysis (BEA) was marginal growth of 0.1%. When reviewing the details behind the numbers, it is obvious that the extremely bad weather appears to have played a major role in declining investments. Some lower-than-expected spending effects from the Affordable Care Act related expenditures might also be seen as a contributing factor. Declining exports, particularly to China, also added some negative weight. However, the numbers do show how fragile some areas of the economy remain, despite broad improvements in areas such as the labour market and the housing sector. For the remainder of the year a rebound is forecast and the economy is expected to expand at a level of around 3%, but some downside risk remains.

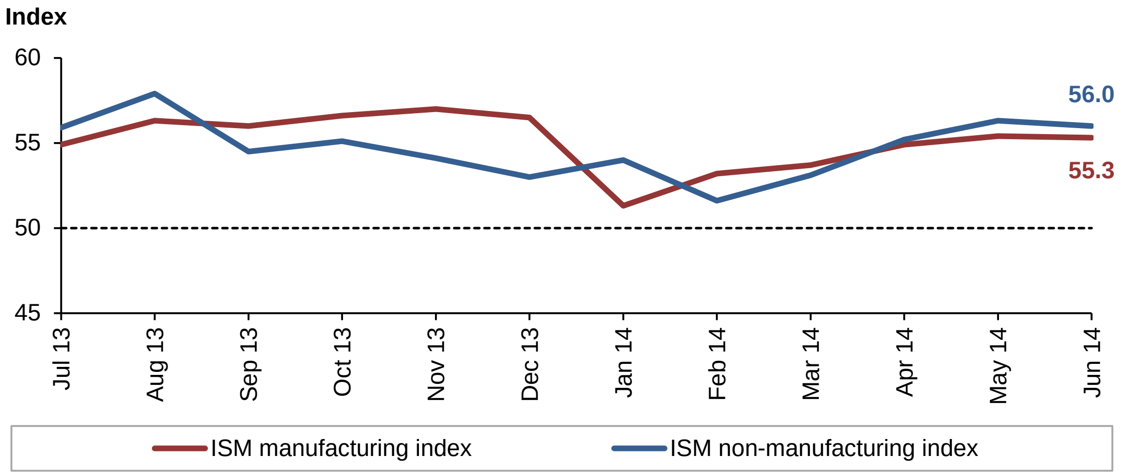
Labour market improvements have helped push consumer confidence higher and lifted the very important **private household consumption**, which accounts for around two thirds of the economy. In fact, even in the 1Q14, private household consumption was supportive with a growth rate of 1.0%. Nevertheless, this is much lower than the 3.1% q-o-q SAAR that was reported in the previous set of data, which appears to have been distorted by the overly positive estimates in healthcare spending in light of the Affordable Care Act.

The **labour market** has continued improving. After the unemployment rate stood at 6.3% in April and remained there in May, it declined to 6.1% in June. Also, non-farm payroll additions grew by a healthy 288.000 in June, after a positively revised 224.000 in May and 304,000 in April. The share of long-term unemployed has improved again and now stands at 32.8% for June, after being at 34.6% in May, substantially below this year's peak-level of 37.0%. Negatively, the participation rate remained at only 62.8% for the third consecutive month.

House prices, which also constitute a very important wealth factor for US households, have continued to rise. Data from the Federal Housing Finance Agency (FHFA) shows that after 3Q13 price rises of 8.5% y-o-y, which constituted the peak level, prices have grown at more moderate and reasonable levels. In April it was 5.9% y-o-y – the latest available number – after 6.4% y-o-y in March. Given the expectation of a further rise in interest rates and with mortgages being the most influential financing tool for the sector, this is an area that needs close monitoring.

Given the relatively positive developments in the labour market and in terms of household income, **consumer confidence** stood at solid levels. The Conference Board Consumer Confidence Index rose to 85.2 in June, after 82.2 in May. This is the highest level since January 2008. The University of Michigan Consumer Sentiment Index also increased slightly to 82.5 from 81.9 in May. The **Purchasing Manager's Index** (PMI) for the manufacturing sector, provided by the Institute of Supply Management (ISM), also posted a robust trend again. Its level was almost unchanged at 55.3 in June. In addition, the ISM for the services sector also saw little change, at a level of 56.0 for June.

Graph 3.1: Manufacturing and non-manufacturing ISM indices



Sources: Institute for Supply Management and Thomson Reuters.

Given the weak 1Q14 GDP growth, the 2014 US **GDP growth forecast** has been revised to 1.6% from 2.4% previously and it remains to be seen whether the above 3% quarterly growth is achievable in the coming quarters to reach this moderate expansionary level. In 2015, a recovery is forecast and GDP growth is expected to stand at 2.6%.

Canada

In **Canada**, while some improvements have been seen, the low growth from 1Q14 in the US – its most important economic partner – has also been felt. Canada's growth rate in the 1Q14 stood at only 1.2% q-o-q SAAR. The positive trend in industrial production, however, continued into April, with 3.5% y-o-y growth in February, 3.6% y-o-y in March and 3.8% y-o-y in April. The PMI for manufacturing rose to 53.5 in June from 52.2 in May. Nonetheless, given the weak performance in the 1Q14, the GDP growth forecast for 2014 has been revised to 2.1% from 2.3%. In 2015, growth is forecast to be at the same level as 2014.

OECD Asia-Pacific

Japan

Japan's economy is currently in a multi-faceted situation. The economy improved tremendously in the first quarter of the current year, but it is forecast to decline significantly in the second quarter. Both developments were triggered by April's sales tax increase. The sales tax increase is the outcome of the necessity to reduce the economy's sovereign debt pile, hence it is part of a fiscal tightening exercise, while at the same time monetary easing and structural improvements are aiming to stimulate the economy. In addition, inflation stood at 3.7% y-o-y on a monthly comparison in May, far beyond the 2% y-o-y target that the government is currently aiming for. However, this price increase is not being counterbalanced by an increase in income, at least for now, but the extremely low unemployment rate of only 3.5% may lead to near-term wage rises at least. Elsewhere, the important area of exports declined in May, despite the relatively weaker yen. It should also be noted that the intention of a corporate tax has been revealed to support the private sector and the continuation of the pursuance of structural improvements has been reiterated to counterbalance the effects of the necessary fiscal tightening.

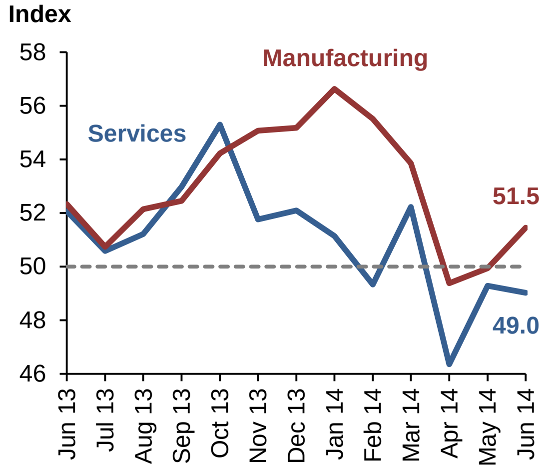
Thus after **strong GDP growth in 1Q14** of 6.7% q-o-q SAAR, the current quarterly growth will be an important guideline of the total year's growth. Given weakening domestic demand and the softening of export developments, the strength of the momentum in the second half of the year remains somewhat uncertain. This mixed bag of indicators has also been reflected in the most recent outcome of the Tankan survey, the Bank of Japan's (BoJ) quarterly business survey. While still at a fairly positive level, the survey of the business conditions for all enterprises has fallen from 12 to 7. This compares to an average index level for 2013 of 0. The survey for large enterprises has fallen from 21 to 16. This compares to an average index level for 2013 of 10.

Another angle for future development will be the **development of inflation**. After the sales tax increase in April from 5% to 8%, consumer price inflation rose to a level of 3.4% y-o-y in April and 3.7% in May. Excluding the tax increase, it would stand at around 1.4% in May and about 1.5% in April. Given the general price increases, the BoJ has signalled that it does not see the necessity to increase its current monetary stimulus programme. However, household income is lagging behind the steep price rises. Total household income in April declined 7.1% y-o-y, when adjusted for the effects of inflation, based on information from the Ministry of Internal Affairs.

Japanese exports felt the slowdown in its emerging market trading partners, particularly China, in the first quarter. This trend continued in May, when exports fell by 2.7% y-o-y, the largest drop since February last year. Exports had contracted in the first quarter by 3.7% from the previous quarter. Moreover, industrial production has been sluggish recently. It fell by 2.8% m-o-m in April and rose by only 0.5% m-o-m in May.

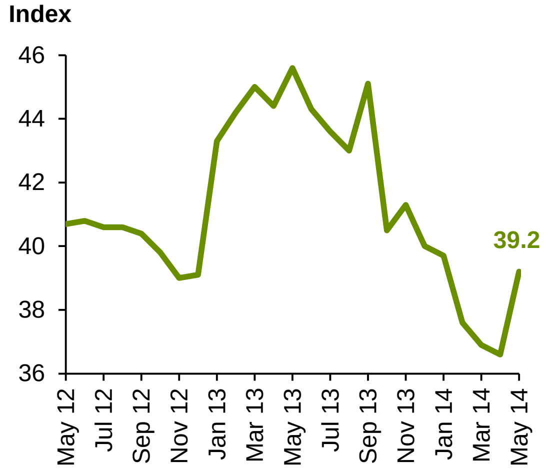
Domestic demand increased significantly ahead of the sales tax increase in April. On a yearly base, the 1Q14 retail trade rose by 6.6%, with the highest monthly number in March, when it hit 11.0% y-o-y. This is by far the largest increase in the last decade. However, in April it declined by 4.3% y-o-y and in May it fell again by 0.4% y-o-y.

Graph 3.2: Japanese PMI indices



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

Graph 3.3: Japanese consumer confidence index, NSA



Sources: Cabinet Office of Japan and Haver Analytics.

Sentiment is, however, picking up again. The **latest PMI numbers**, as provided by Markit, show that June's manufacturing PMI rose again above the growth-indicating level of 50, to stand at 51.5. In May it was at a level of 49.9. The domestically very important services sector still indicates a contraction. It remained almost unchanged at 49.0 in June. Consumer confidence did rise to an index level of 39.3 in May, compared to 37.0 in April, but this is still well below the 2013 average.

Given the very strong growth in the 1Q14, as well as improving sentiment and the still relatively robust Tankan survey numbers, Japan's **GDP growth estimate** for 2014 has been revised up to 1.5% from 1.3%. It should be noted, however, that developments in domestic demand particularly will need close monitoring in the coming weeks to gain further insights into the near-term development of the economy. With next year expected to be challenging again and considering the expected sales tax increase in October from 8% to 10%, the GDP forecast for 2015 is 1.2%, slightly lower than in the current year.

Australia

Australia's 1Q14 GDP growth number stood at a robust level of 4.5% SAAR, the highest level since 3Q11. Exports have been a major driver in this impressive performance. However, this export support has clearly decelerated in April and May, when it stood at 0.6% y-o-y. The consumer sentiment index in May and June also fell to low levels of 92.9 and 93.2 respectively, compared to 101.0 in the 1Q14. However retail trade has held up well recently, at growth rates of 6.5% y-o-y in April and 4.9% in May. Supported by the strong performance at the beginning of the year, the 2014 growth forecast has been revised up to 2.9% from 2.5%. In 2015, the forecast is for Australia to grow at a slightly lower pace of 2.4%.

OECD Europe

Euro-zone

The **Euro-zone' continues its recovery**, but at an uneven pace and the situation remains fragile. This has been confirmed not only by the recent 1Q14 GDP growth number, which was revised down from 0.3% q-o-q growth to only 0.2%, but also by more recent output and sentiment indicators from the 2Q14. Inflation remained low at 0.5% y-o-y in June, unchanged from May. The unemployment rate remains at a high level of 11.6%. The banking system remains burdened by weak loan books, ongoing restructuring needs and probably recapitalisation, when stress tests have been finalized by the ECB, which is expected around mid-October.

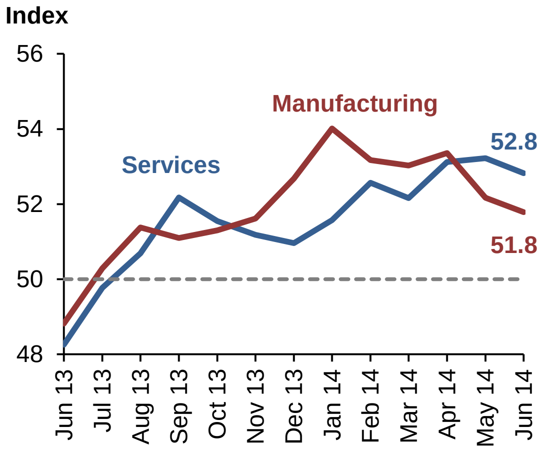
Given the fragility of the Euro-zone economy and the challenges facing the banking system, the **ECB has recently increased its support facilities**. In June, it announced a variety of additional monetary supply measures, including negative interest rates on its deposits for banks, a Targeted Long Term Refinancing Operation (TLTRO) of up to €400 billion, which provides additional monetary supply until 2018 and additional instruments. The ECB president has also pointed to the possibility of further quantitative easing, if the current measures are not sufficient.

Despite some improvement, recent output levels and other **output-related data has been mixed** across the various economies. While Germany is doing better than most of the other economies, its situation has also weakened recently, with monthly changes in industrial output being negative over the three months since March. It fell to minus 1.8% m-o-m in May. Moreover, manufacturing orders were negative at minus1.7% m-o-m in May. These numbers are still positive on a yearly comparison, but do point to a deceleration in the Euro-zone's largest economy. France continues to be weak. While Germany's 1Q14 GDP stood at 0.8% q-o-q growth, considerably above the Euro-zone's number, France recorded no growth at all. Italy also moved back into negative territory with a contraction of 0.1% q-o-q, while Spain's GDP rose by 0.4% q-o-q. In the smaller peripherals, Portugal's GDP fell by 0.6% q-o-q, but Greece's rose by 0.5%.

This uneven and slow recovery has also been mirrored in the latest Euro-zone unemployment numbers. The **unemployment rate remained** at 11.6% in May, the same level as in April. It is one factor that is currently keeping price-rises at extremely low levels on average for the Euro-zone. As an outcome of its latest meeting, the ECB has highlighted that it aims to increase inflation levels. This should also materialize through a softening euro, which would not only make imports more expensive, but could also improve the competitiveness of exports from the Euro-zone economies. One of the core aims of the ECB is to increase the **lending of financial intermediaries** to private households, which is still falling. In fact, the decline increased in May and now stands at minus 2.4% y-o-y, compared to April's minus 2.1% y-o-y.

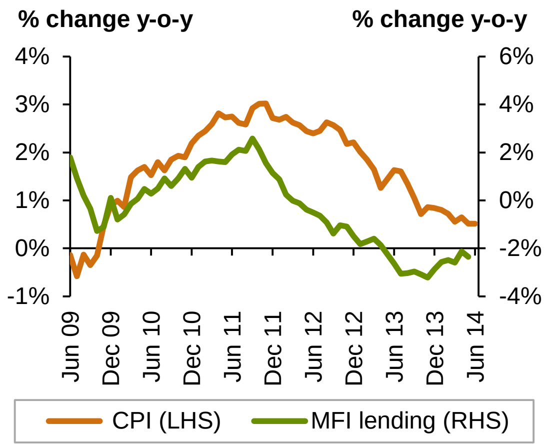
Lead indicators still confirm some unevenness in the Euro-zone's growth pattern. The latest PMI for manufacturing, as provided by Markit, stood at 51.8 in June, lower than the 52.2 in May. It reached 52.0 in Germany, but remained below the growth indicating level of 50 in France, where it stood at 48.2, again lower than the May number of 49.6. In Italy, it reached 52.6 in June, after May's 53.2

Graph 3.4: Euro-zone PMI indices



Sources: Markit and Haver Analytics.

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



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

While the recovery in the Euro-zone has gained some traction lately, the low 1Q14 number and the recent weakening of output indicators in some economies are highlighting that the recovery remains fragile. The 2014 **GDP growth forecast** has therefore been revised down to 0.9%, from the previous 1.0%. In 2015, GDP growth is forecast at 1.1%, only slightly higher than the current year.

UK

The UK's economic performance has been remarkable in previous months, but its latest manufacturing data has highlighted that the economy might not be immune to the global challenges in the first half of the current year. Manufacturing output dropped by 1.3% m-o-m in May. While output data up to May was much more positive, the recent development will need close monitoring in the coming months. The PMI for manufacturing rose again in June, to stand at 57.5, the highest level in three months. Considering the positive trend at the beginning of the year, the UK's 2014 GDP growth forecast has been revised up to 2.8%, from 2.4% in the previous month. The forecast for 2015 stands at 2.3%. This is in anticipation of some moderation to the current momentum next year.

Emerging and Developing Economies

In **Brazil**, the indicators this month point once again to a deceleration in exports accompanied by a weakening sentiment among consumers, shrinking investment and lower manufacturing activity. Besides the positive effects expected from the World Cup on domestic business, it has appeared to have a negative impact on inflation, domestic demand and hence on manufacturing. That said, the forecast for 2014's GDP growth is pared back this month to 1.6% from last month's figure of 2.0%. With the structural issues and capacity bottleneck anticipated largely in place next year, 2015's GDP is anticipated to post 1.8%, a more or less similar pace of acceleration.

The downturn seen in the economy of **Russia** since the beginning of the year seems to be extending to the second half of 2014. The manufacturing sector has shown signs of contraction for the past eight months. The services sector also declined in the months March through May. Capital outflow is now anticipated at $80 billion in the first five months of this year. The forecast for Russia's GDP growth in 2014 is revised down this month to 0.5% from the previous figure of 0.9%. 2015 is seen as bringing higher economic growth of 1.2%.

In **India**, despite the current account deficit widening in recent months, positive post-election sentiment is expected to support the currency in upcoming months. Additionally, growth in the Indian manufacturing economy was maintained in June as greater domestic and foreign demand led companies to increase production levels further. The downward spiral in India's growth has been largely caused by the structural factors that dried up investment activity.

On the one hand, **China**'s official non-manufacturing PMI showed a drop in sentiment and activity, indicating that targeted stimulus measures are not boosting all parts of the economy and, on the other hand, Chinese manufacturers signalled the first improvement in overall operating conditions for six months in June. China's economy is likely to expand over 7% this year, with consumption unable to make up for a weaker impetus from investment and trade.

Table 3.2: Summary of macroeconomics performance of BRIC countries

	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2014*	2015*	2014	2015	2014	2015	2014	2015	2014	2015
Brazil	1.6	1.8	6.5	6.0	-82.2	-86.2	-3.7	-3.6	57.4	58.3
Russia	0.5	1.2	6.0	5.5	27.0	28.3	-0.4	-0.4	8.3	8.5
India	5.5	5.8	8.2	7.4	-55.7	-82.9	-5.2	-4.9	51.4	50.7
China	7.4	7.2	2.3	3.1	180.7	116.0	-2.2	-2.3	16.6	17.6

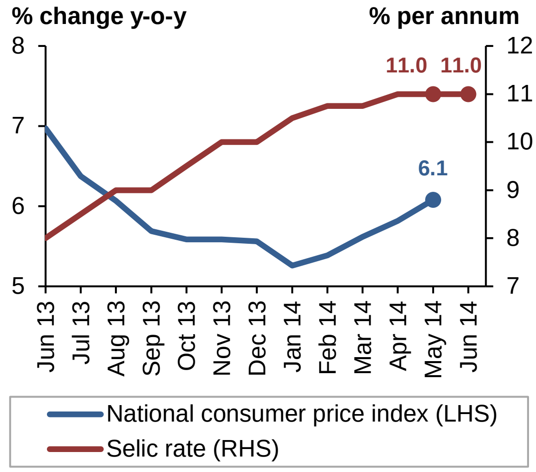
Sources: OPEC Secretariat, Concensus, Economic Intelligence Unit, Financial Times and Oxford.
** Forecast.*

Brazil

Private consumption, the largest part of the GDP's equation, exhibited a slower pace of growth at 2.2% y-o-y in 1Q14 compared to 2.5% in 1Q13. Real gross capital formation (**GFCF)** also showed worrisome contraction, decreasing by 2.1% y-o-y. The drivers of growth in 1Q were **government consumption**, which rose by 3.4% y-o-y from 2.4%, in addition to slower **imports** and higher **exports**. Exports reversed the contraction seen in 1Q13 of 5.7% y-o-y to register a growth of 2.8% y-o-y in 1Q14. Import increases slowed to 1.4% y-o-y in 1Q14 from 7.5% in the corresponding quarter of last year.

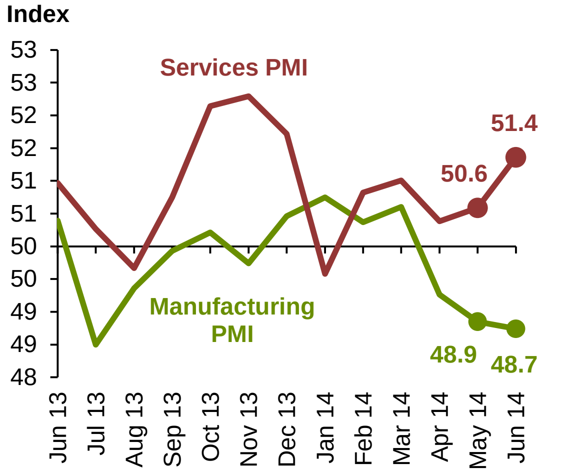
For the third consecutive month, the **manufacturing sector** of Brazil has decelerated last month as revealed by the manufacturing PMI. June's reading pointed to 48.7, down from 48.8 in the previous month. New business slowed for the third month in a row. Firms reported the fastest rate of production drop since September 2011. The fastest decline was reported among intermediate goods producers. All three market groups registered lower production. Part of the deterioration is attributed to slower domestic demand that is partly linked to the World Cup. Still, however, it cannot be entirely separated from downturn signals in the economy. The **services sector** in Brazil improved in June due to increased business activity with the sharpest expansion in hotels and restaurants. The services PMI increased to 51.4 in June, up from 50.6 in May.

Graph 3.6: Brazilian inflation vs. interest rate



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

Graph 3.7: Brazilian manufacturing and services PMIs



Sources: HSBC, Markit and Haver Analytics.

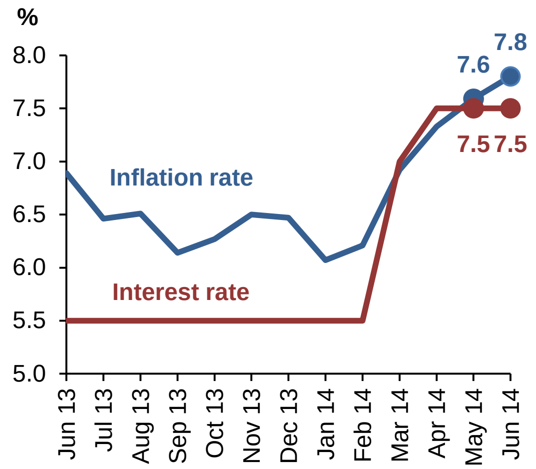
In May, the **budget deficit** widened to 32.4 billion reals, from 4.6 billion reals in April on increased social spending and tax breaks for companies. Aside from its negative impact of the country's credit rating, the expansionary fiscal policy is seen as fueling higher inflation. Consumer price **inflation** breached the 6% mark in May for the first time since August 2013. Inflation posted a 6.1% y-o-y increase. The Central Bank of Brazil kept its benchmark **interest rate** intact last month at 11.0%. **Exports**, on the other hand, declined in June for the fourth consecutive month, dropping by 3.2% y-o-y. The **consumer confidence index** in Brazil stayed largely unchanged last month at around its lowest reading since April 2009. The index posted 101.5 last month, compared to 101.3 a month earlier.

The indicators this month point once again to a deceleration in exports accompanied by a weakening sentiment among consumers, shrinking investment and lower manufacturing activity. Besides the positive effects expected from the World Cup on domestic business, it appeared to have a negative impact on inflation, domestic demand and hence on manufacturing. That said, the **forecast for 2014's GDP growth** is pared back this month to 1.6% from last month's figure of 2.0%. With the structural issues and anticipated capacity bottleneck largely in place next year, 2015's GDP is anticipated to post 1.8%, a more or less similar pace of acceleration.

Russia

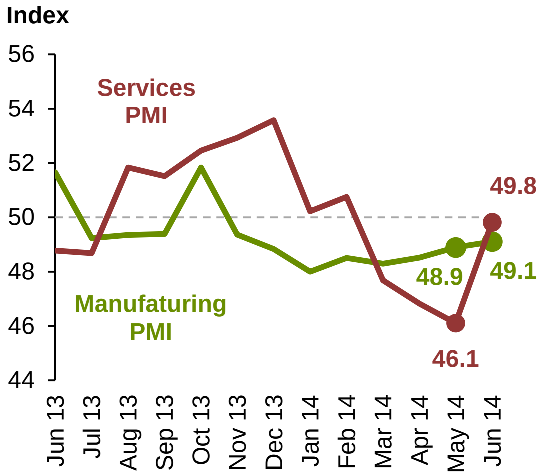
The country's **GDP** posted growth of -0.5% q-o-q in 1Q14, while the yearly comparison showed growth of 0.9%. **Retail sales** in May grew by 2.1% y-o-y, the weakest rate since February 2010. Consumer price **inflation** posted a further increase in June to 7.8% from 7.6% a month earlier as shown by the Federal Statistics Service in Moscow. This is seen as the continued effect of the ruble's devaluation prior to last month. Some de-escalation in the geopolitical situation, however, helped the **ruble** to appreciate 2.9% last month. The sellout of the latest government bond auction also lent support to the ruble. That said, inflation could slightly ease in July if the exchange rate remains stable.

Graph 3.8: Russian inflation vs. interest rate



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

Graph 3.9: Russian manufacturing and services PMIs



Sources: HSBC, Markit and Haver Analytics.

The **manufacturing PMI** of June showed a continued downturn among Russia's manufacturers for the eighth month running. The survey posted 49.1 in June, up from 48.9 in May. The PMI has contracted 11 times in the past 12 months. The survey highlighted a further fall in employment, a marginal deceleration in new orders and an increase in output, which is the first in 2014. June's survey showed that the increase in new orders during May 2014 is temporary. On the positive side, inflationary pressures lessened last month as the recent strengthening of the ruble reduced pressure on import prices. Russia's **services PMI** remained in contraction territory in June registering 49.8. This signals the fourth consecutive monthly deceleration in the services sector of the economy. Output showed a marginal fall while new orders stabilized.

The downturn seen since the beginning of the year seems to be extending to the second half of 2014. The manufacturing sector has shown signs of contraction for the past eight months. The services sector also declined from March through May. Capital outflow is now anticipated at $80 billion in the first five months of this year. The forecast for Russia's **GDP growth in 2014** is revised down this month to 0.5%, from the previous figure of 0.9%. 2015 is seen as bringing higher economic growth of 1.2%.

India

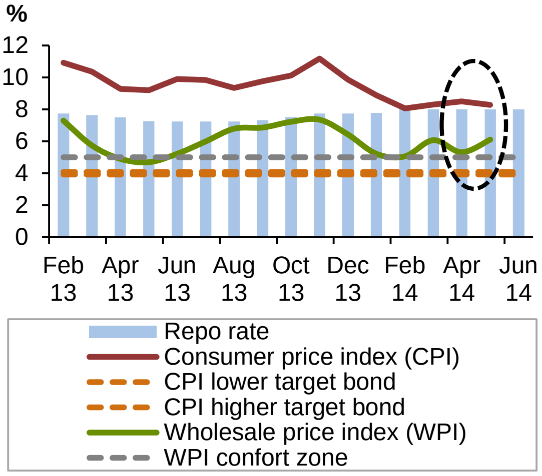
It seems the victory of the Bharatiya Janata Party (BJP) in the **May 2014 general elections** and the creation of a stable majority government has improved prospects for India's economic recovery. Restoring momentum in the manufacturing sector and infrastructure investment will be essential. Concurrently, a comprehensive incentive package for the manufacturing sector expected in the final budget for 2014 should also help revive the sector's growth and allow the government to ease the fiscal deficit target slightly (4.3% of GDP) compared to the interim budget (4.1% of GDP). The government hopes to achieve this target by relying more on asset sales, which, in India's case, count towards deficit reduction.

With **headline CPI inflation** still stubbornly high, the Reserve Bank of India (RBI) maintained its policy rate at 8% in June. Moreover, the likelihood of a disappointing monsoon raising food inflation remains high, suggesting that interest rates will not be cut in the near future. In terms of wholesale price index (WPI), inflation crossed the

6.0% mark again in May, accelerating from 5.3% y-o-y in April. The RBI kept its monetary policy unchanged at the latest policy meeting earlier this month, even as the economy continued to show weakness.

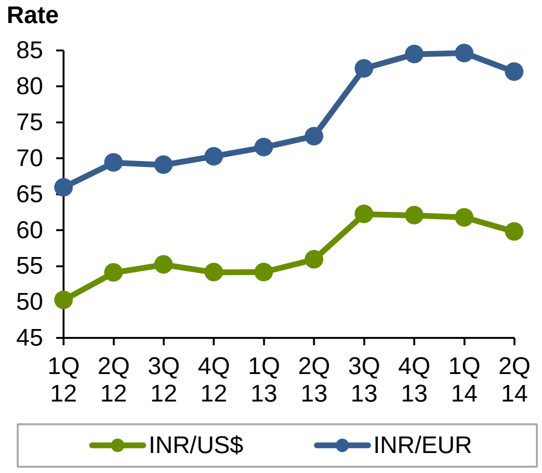
Despite the **current account deficit** widening in recent months, positive post-election sentiment is expected to support the currency in the upcoming months. Market expectations will be highly sensitive to the government's first policy actions and to its ability to quickly address policy paralysis and prove that it is serious about longer-term structural reforms. However, it seems balance-of-payment pressures remain key risks for the rupee in the near term.

Graph 3.10: Indian inflation vs. repo rate



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

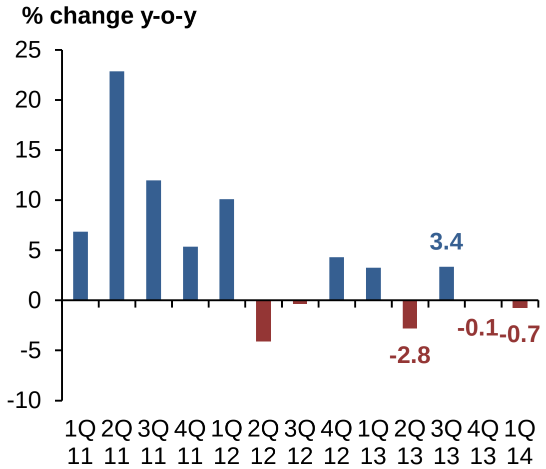
Graph 3.11: Indian exchange rate



Sources: Reserve Bank of India and Haver Analytics.

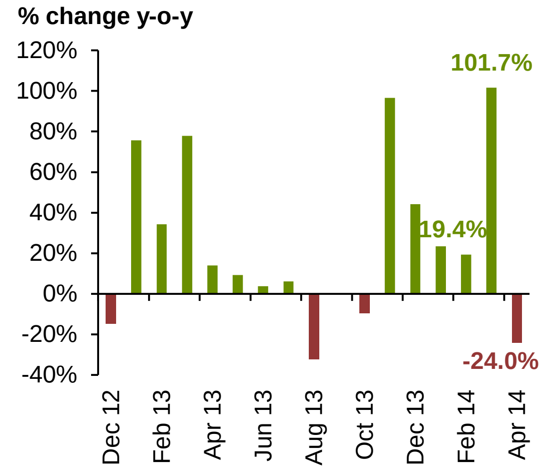
The downward spiral in India's growth has been largely caused by **structural factors** that dried up investment activity. Falling productivity, lack of financing and numerous regulatory issues have dampened investment, bringing manufacturing sector growth to naught. Gross fixed capital formation (GFCF) declined by 0.7% y-o-y during 1Q14.

Graph 3.12: Indian real gross fixed capital formation (GFCF)



Sources: Central Statistical Organization and Haver Analytics.

Graph 3.13: Indian foreign direct investment (FDI)



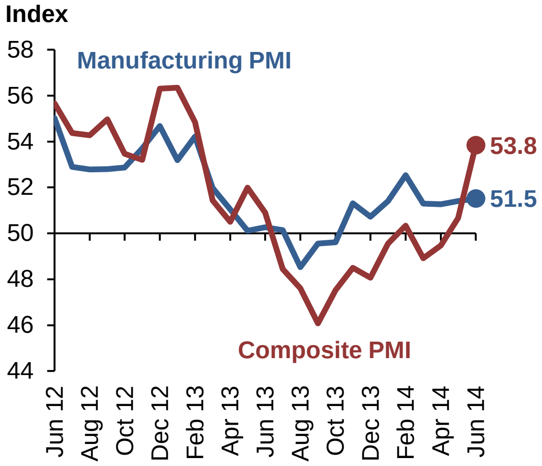
Sources: Reserve Bank of India and Haver Analytics.

Growth in the **India's manufacturing sector** was maintained in June. Greater domestic and foreign demand led companies to increase production levels further.

Buying activity expanded at a faster rate, while employment continued to rise. Input cost and output price inflation accelerated over the month, although in both cases, the rates of increase were below their respective long-run averages.

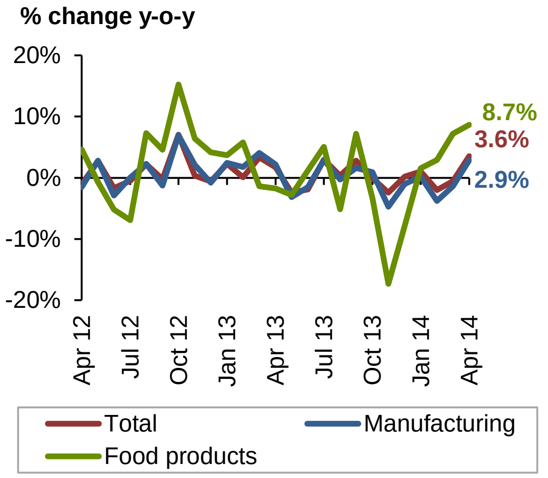
Adjusted for seasonal variations, the seasonally adjusted **India PMI** rose marginally from 51.4 in May to 51.5 in June. Operating conditions improved for the eighth month in succession, although modestly. Things are gradually improving in India's manufacturing sector. Output picked up in June, supported by growing order flows, especially from overseas. The muted pace will suit the RBI. Since input and output prices are rising as well, faster growth would only stoke inflation and require tightening.

Graph 3.14: Indian composite and manufacturing PMIs



Sources: HSBC, Markit and Haver Analytics.

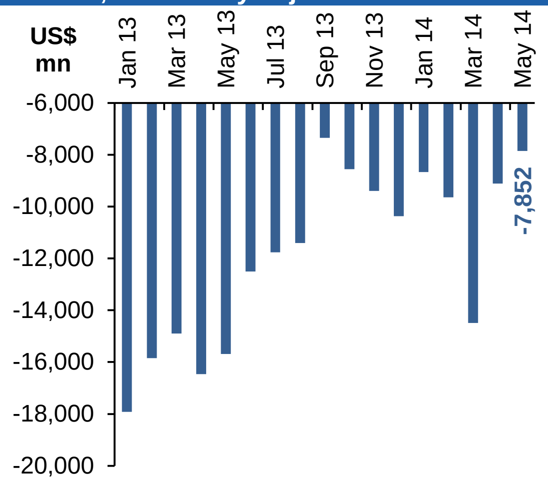
Graph 3.15: Indian foreign direct investment (FDI)



Sources: Central Statistical Organisation of India and Haver Analytics.

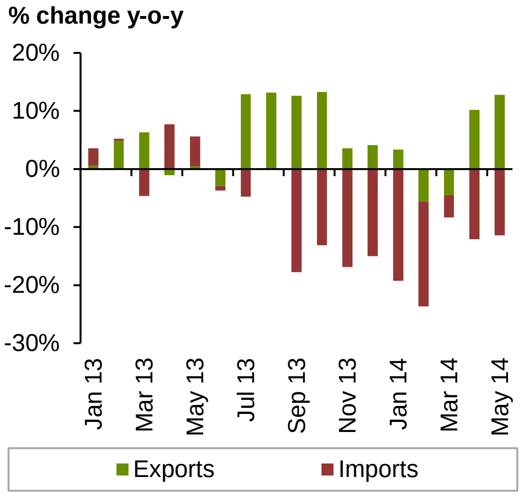
India's May **trade deficit** represented the best of all worlds. First, exports rose solidly for a second successive month, allaying fears that the export slowdown in 1Q14 would be sustained. Simultaneously, non-oil and non-gold imports continued to recover, suggesting that domestic demand might be healing, though some of this could also be attributed to the recent nominal and real appreciation of the rupee. After the disappointing 1Q14, wherein exports contracted sequentially for two of the three months, they bounced back sharply in 2Q14.

Graph 3.16: Indian merchandise trade balance, seasonally adjusted



Sources: Ministry of Commerce and Industry and Haver Analytics.

Graph 3.17: Indian merchandise imports and exports



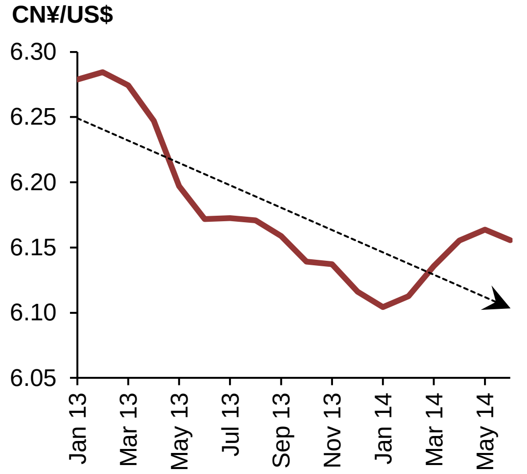
Sources: Reserve Bank of India and Haver Analytics.

As a result, real GDP was revised down to 5.5% in 2014, and the forecast for 2015 stands at 5.8%.

China

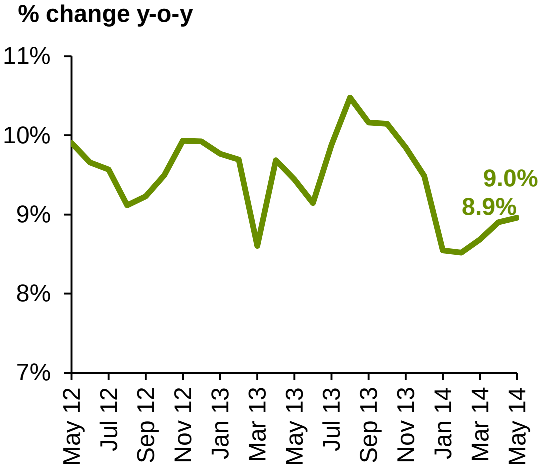
According to May data, it seems activity in China is improving. **Industrial production** growth increased slightly to 8.9% in May, and the pace of retail sales growth picked up to 12.5%.There are some upside risks to this forecast, however, if the current stimulus measures lead to firmer credit growth, or more infrastructure spending is brought forward.

Graph 3.18: Chinese yuan exchange rate in 2014



Sources: State Administration of Foreign Exchange and Haver Analytics.

Graph 3.19: Chinese industrial production



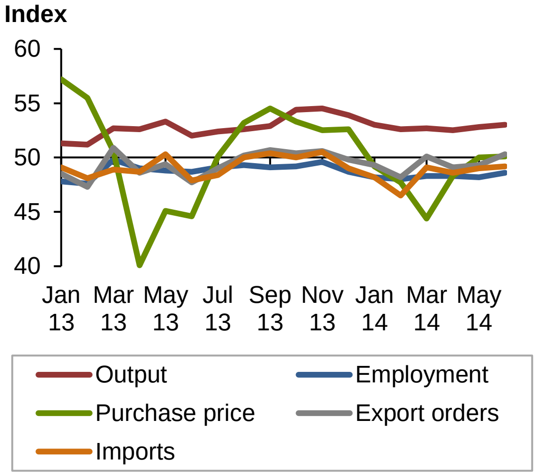
Sources: China National Bureau of Statistics and Haver Analytics.

In mid-March, the People's Bank of China (PBoC) announced a move to widen the exchange rate band to 2% around its midpoint, from 1%. Like many things in China, the move has more than one aim. It is also a further step towards the liberalization of China's capital account.

China's State Council recently agreed to a timetable for **fiscal and tax reform**, including a 2016 deadline for "main points" in the reform process and a 2020 deadline for a modern fiscal and tax system to be implemented. On 30 June, leaders agreed to the timeline as well as to three main categories of change the reform should include. The first is changes to the budgeting system, such as strengthening restrictions, normalizing areas of government activity, increasing the monitoring of budgeting practices and increasing transparency. The second relates to tax reform, including optimizing the structure and sources of tax revenue, stabilizing the tax burden, supporting science, improving fairness in taxation and adjusting the distribution of tax revenues. The third relates to the central-local government transfer system, with foreseen changes expected to cover rationalizing the central-local revenue sharing system, stabilizing income for both levels of government and adjusting the rights and responsibilities of both with regards to expenditures.

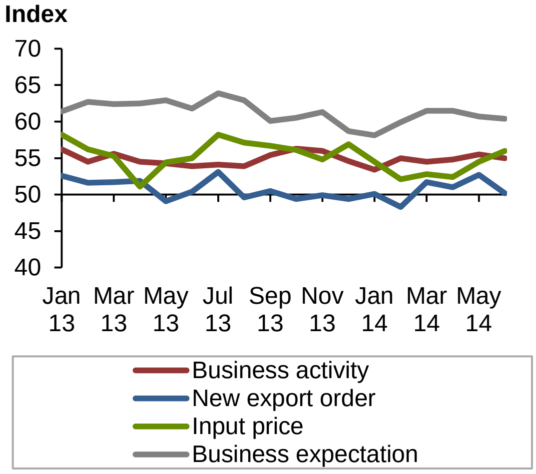
China's official **non-manufacturing PMI** showed a drop in sentiment and activity in June, indicating that targeted stimulus measures are not boosting all parts of the economy. China's National Bureau of Statistics (NBS) issued June non-manufacturing PMI readings, showing that headline PMI fell to 55 from 55.5 a month prior, while new orders fell to 50.2 from 52.7 in May; readings above 50 indicate expansion. According to the official survey, expectations of future activity weakened for the second consecutive month to 60.4. A service sector sub-index also weakened, falling to 53.5 from 54.4 last month; sectors facing stronger headwinds include lodging, transportation, catering and food, residential services, retailing and railway services.

Graph 3.20: Chinese manufacturing PMI



Sources: China Federation of Logistics & Purchasing and Haver Analytics.

Graph 3.21: Chinese non-manufacturing PMI



Sources: China Federation of Logistics & Purchasing and Haver Analytics.

Chinese manufacturers signalled the first improvement in overall operating conditions for six months in June. After adjusting for seasonal factors, the PMI a composite indicator designed to provide a single-figure snapshot of operating conditions in the manufacturing economy posted at 50.8 in June, up from 49.4 in May, and signalled the first improvement in business conditions since last December. That said, the rate of improvement was only slight and weaker than the historical average. This confirms the trend of stronger demand and faster destocking. The economy continues to show more signs of recovery, and this momentum will likely continue over the next few months, supported by stronger infrastructure investments. However, there are still downside risks from a slowdown in the property market, which will continue to put pressure on growth in the second half of the year. Both fiscal and monetary policies are expected to remain accommodative until the recovery is sustained.

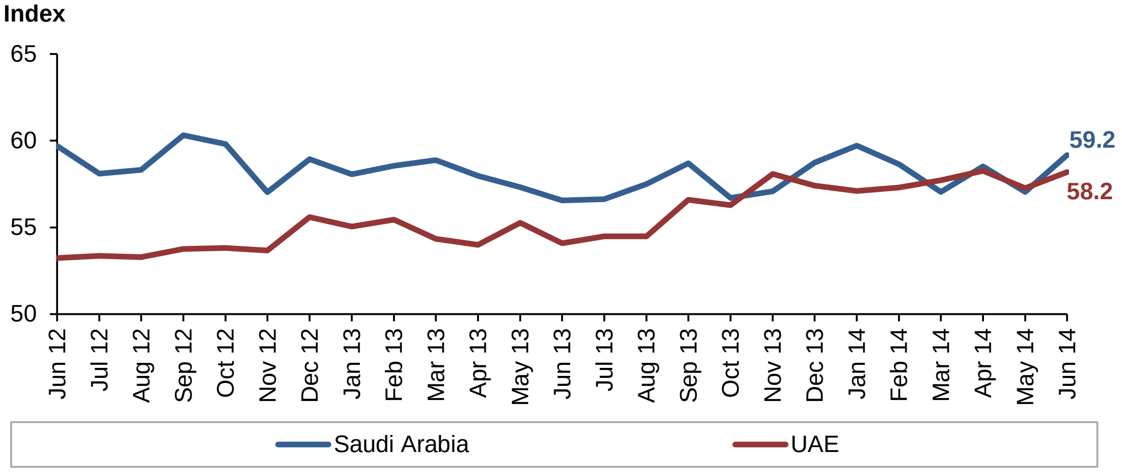
There are two separate drivers in **Chinese growth**. On the positive side, it seems that positive growth of the global economy in 2H14, export growth for the recent Chinese yuan depreciation, infrastructure investment (including railway investment, affordable housing, and spending on environmental protection and clean energy) and also domestic demand encouragement by the government will all support the Chinese economy in 2H14 and 2015.

The **key downside macroeconomic risk** going into 2H14 remains the real estate sector. National house prices declined 0.2% m-o-m in May, the first m-o-m decline since June 2012. In the first five months of this year, real estate investment growth eased to 14.7% y-o-y from 19.8% in (all of) 2013. A mishandled liquidity crunch in one of China's shadow banks could cause a crisis of confidence in the banking system. Although the government has the scope to help recapitalize the banking sector, it could not prevent a slump in bank lending. The impact of this would be immediate; with investment likely to fall and GDP growth significantly curtailed, capital flight from the emerging markets could return, prompted by domestic vulnerabilities. The GDP expected growth for 2014 was revised down from 7.5% to 7.4%, and the forecast for 2015 stands at 7.2%.

OPEC Member Countries

The non-oil producing sector in **Saudi Arabia** showed another strong performance last month increasing to 59.2 in June from 57.0 in May. This signals the strongest improvement in operating conditions since the beginning of 2014. The survey indicated record-high buying activity, signalling high optimism for growth. This was accompanied by robust growth in output and new orders. For the third month in a row, firms increased their workforce numbers.

Graph 3.22: Saudi Arabia and UAE: manufacturing PMIs



Sources: SAAB, HSBC, Markit and Haver Analytics.

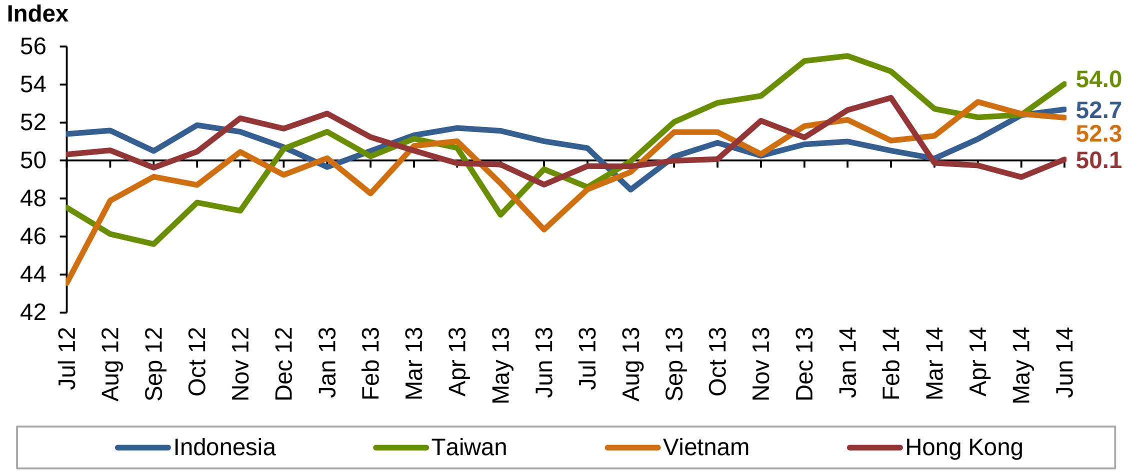
Iran is preparing a package of incentives to enhance domestic production of industrial products, while the Ministry of Industry, Mines and Trade resumed providing incentives to exemplary exporters to support non-oil exports. The country's trade of non-oil products registered more than $24.2 billion in the three months starting 21 March 2014. This represents an increase of 20.5% when compared with the same period of last year.

In the **United Arab Emirates**, output from the country's non-oil producing sector expanded in June at the quickest pace in PMI survey history. The index posted 58.2 last month, up from 57.3 a month earlier. The survey showed record high levels of growth for both output and new exports. New business also reported a notable improvement.

Other Asia

Standard & Poor's raised the **Philippines** credit rating to BBB, signalling improved governance in the economy. The government has kept its targets for GDP growth at 6.5% this year and 7%-8% in 2015. The government registered a budget surplus of 80.9 billion pesos in April, the highest in more than 20 years. It reported an 18% increase in revenue collection in April, while government spending decreased by around 6%. In **Indonesia**, operating conditions in its manufacturing sector continued to improve last month according to the manufacturing PMI that hit a record high of 52.7 in June, from 52.4 in May. Output increased for the second month in a row, while growth of new orders did not change from May's figure.

Graph 3.23: Manufacturing PMIs in Other Asia



Sources: HSBC, Markit and Haver Analytics.

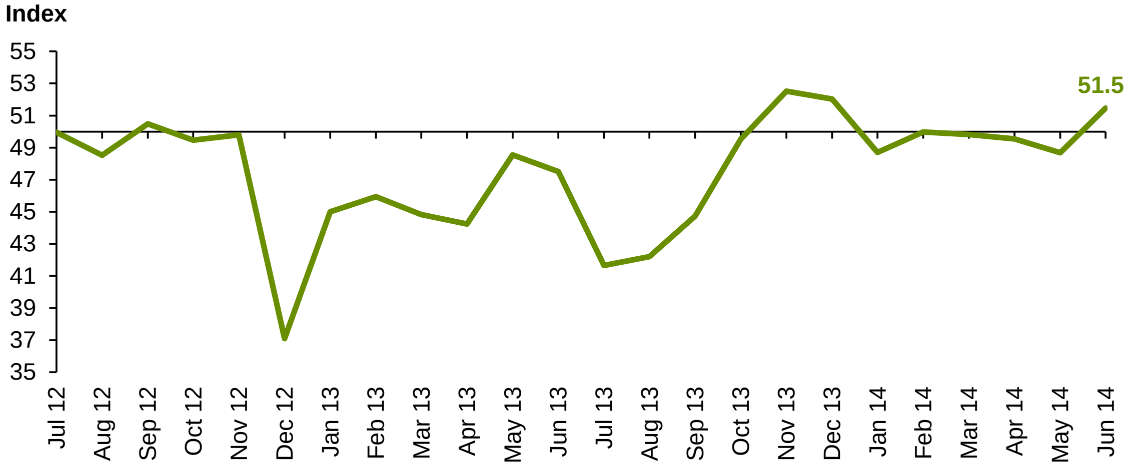
In **Vietnam**, the manufacturing economy continued its expansionary path in June with the manufacturing PMI posting 52.3 from 52.5 in May. Demand was the main driver behind the robust performance. The survey showed further increases in output and new orders. The Bank of **Thailand** held its key interest rate unchanged at 2.0% last month. The GDP contracted 0.6% in 1Q14. The government is trying to support the economy by boosting budget spending, cutting diesel prices and paying due amounts to more than 800,000 farmers. The manufacturing economy in **Taiwan** showed signs of strong expansion last month, with the manufacturing PMI hitting a four-month high. The index posted 54.0 in June, up from 52.4 in May. Both output and new work have notably accelerated. At the same time, job creation hit its highest rate in seven months, accompanied by increased inflation of input prices. Business conditions stabilized last month in **Hong Kong**. Following three months of deceleration, the country's PMI returned to the expansion territory, posting 50.1, up from 49.1 in May.

Africa

At the beginning of this year, a weaker rand and increasing inflation have pushed the Reserve Bank of **South Africa** towards increasing interest rates for the first time in more than five years. The rand fell 1.3% against the dollar last month. The benchmark repurchase rate was unchanged at 5.5% in May. Inflation breached the bank's 3%-6% target band in April, registering 6.1%. It extended the upwards move to 6.6% in May, the highest in more than five years. Obviously, the country's monetary policy is currently in a tightening mood. This policy choice does come with short-term growth sacrifice amid quarters of significant challenge to GDP growth in 2014. The economy has been badly hurt by the longest and costliest mining strike in its history. For about five months, more than 70,000 workers have been on strike, demanding higher wages at South Africa's three biggest platinum mines. The strike idled 60% of output in the largest platinum-producing country. As a result, the economy shrank in 1Q14 by 4.8%. The strikes caused the biggest decrease in mining production in 47 years.

Consequently, Standard & Poor's rating has cut South Africa's credit rating to BBB-, one step above junk. Two months ago, the Reserve Bank adjusted its growth forecast for 2014 from 2.8% to 2.1%, while 2013's GDP growth stands at 1.9%. Seeing an eventual end to the strike holds promises of a better economic performance in 2H14. However, more than 220,000 workers in the metal and engineering industries plan to strike from early July, demanding a 15% wage increase. South Africa's private sector reported another deceleration in operating conditions last month with the country's PMI at 49.5, from May's figure of 49.7. New orders for export fell at the sharpest rate in about two years, while drops in output and new orders were also reported.

Graph 3.24: Manufacturing PMI in Egypt



Sources: Investec, IPSA, Markit, Reuters Telerate and Haver Analytics.

Political stability in **Egypt** has seemingly brought along better sentiment with the non-oil producing private sector showing signs of improvement last month. The country's PMI posted a six-month high of 51.5 in June, up from 48.7 in May. The survey highlighted solid improvements in output, new orders and new exports last month. However, firms continued to shed staff in June, but at the slowest pace in more than two years.

Latin America

Government figures from **Argentina** showed the economy in recession after GDP contracted 0.8% q-o-q in 1Q14. This followed the 0.5% q-o-q contraction in 4Q13. On a yearly basis, the economy has witnessed its first contraction in approximately two years. GDP growth contracted by 0.2% y-o-y in 1Q14. Preliminary estimates showed drops in exports, imports and consumption. On the production side, agriculture output decreased 7.3% y-o-y.

The economy of **Chile** reported growth of 2.6% y-o-y in the 1Q14, slightly lower than the 2.7% y-o-y in 4Q13. This is the slowest expansion since 1Q10. Gross fixed capital formation shrank for the third consecutive month by 5%. The Central Bank of Chile kept the benchmark interest rate unchanged at 4.0% for the third month in a row in June. Inflation in May registered 4.7%. The Bank is targeting 3% inflation.

In **Colombia**, the central bank raised the benchmark interest rate by 25 bp to 4.0% in June, marking the third rate increase in a row. It aimed at containing inflationary pressures following a better than expected GDP growth of 6.4% in the 1Q14. Inflation increased towards 3%, registering 2.7% and 2.9% in April and May, respectively.

Latest developments and analysis of Argentina's foreign debt dilemma

In 2001, Argentina defaulted on its $95 billion debt. The government managed in 2005 and 2010 to reach negotiated restructurings in which investors accepted 30 cents for every 1 US dollar. The successfully restructured debt amounted to around 92%. A number of creditors refused the exchange and brought the issue before a US court. Those bonds were issued under New York law. After a decade-long battle, bondholders who refused the restructurings won a court case, the result of which requires Argentina to pay in full holders of defaulted bonds when it pays the holders of its restructured debt. In other words, the court blocked interest payments from being distributed to current creditors until the government settles with creditors from the previous debt crisis. On 16 June 2014, the US Supreme Court left the ruling intact. This requires Argentina to pay about $1.5 billion to holders of defaulted debt while, at the same time, it makes payments on restructured bonds. With its foreign reserves of $29 billion, the ruling amount seems affordable. Yet, the expense could reach $15 billion if all other holders of defaulted bonds who did not take part in those two debt exchanges were to claim payment. In this case, the reserve sounds too low to meet this burden, which exceeds 50% of the country's reserves. This would leave Argentina without a significant tool to support its fragile currency or handle other economic situations. As a result, Argentina missed a debt payment of $539 million due on 30 June 2014. The government now has a 30-day grace period to find a way of avoiding a default on its $28.7 billion of performing global dollar bonds.

Over the past months, Argentina succeeded in settling major disputes with foreign creditors to regain access to global credit markets for the first time since 2001. It has reached a $9.7 billion agreement with the Paris Club group of lenders, compensated a Spanish oil company for seizing its Argentine unit in April 2012, and settled arbitration cases at the World Bank. Nevertheless, failing to sort out the current dilemma will jeopardize all past accomplishments. Following the US court ruling, official threats were heard saying that Argentina might choose not to pay its debt. However, recalling the detrimental economic and political ramifications of the 2001 crisis suggests that default is not a wise option. Moreover, default in South America's second largest economy will surely have spillovers that bypass its borders to other Latin American nations, considering their substantial trade interactions. The economy of Brazil, in particular, will be impacted. Argentina is the third largest market to Brazilian exports. A default will possibly add another disturbance factor to bond markets in emerging and developing economies amid an already risk-adverse sentiment among investors. Market sources anticipate at least a 50% chance that payments will not be made before the 30-day grace period ends on 30 July 2014. This would constitute a technical default. Standard & Poor's rating agency downgraded Argentina's credit rating to nine levels below investment grade following the latest developments. It also reported that the country's ratings will be lowered to selective default if it does not make a payment by the end of the grace period.

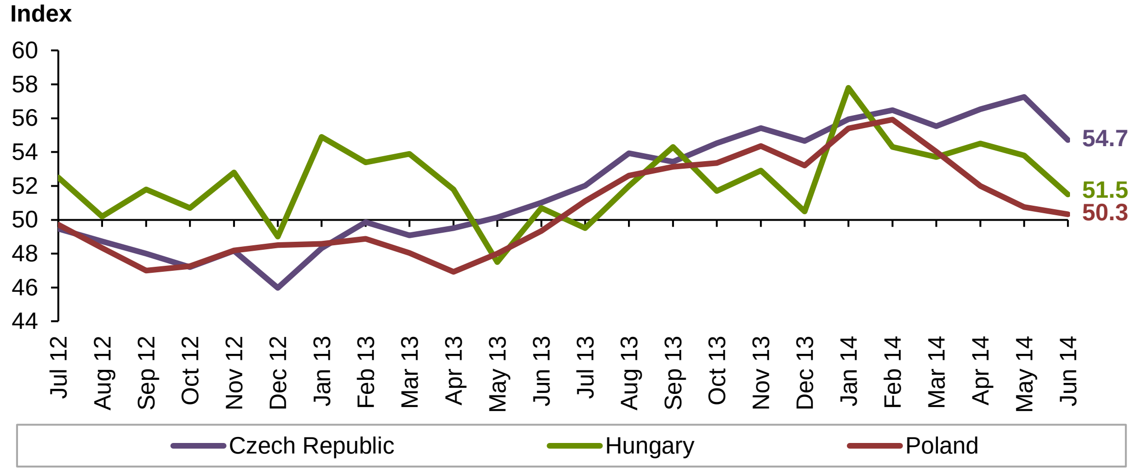
The government announced that it is thinking of swapping its bonds into new securities outside of US jurisdiction, possibly to local bonds. To follow this option, Argentina needs to find intermediaries that are willing to take on legal risk and not be subject to US jurisdiction. The market sees the prudent option in seeking an accord with creditors. The President of Argentina recently announced the willingness to negotiate as long as it is under conditions that respect the country's constitution. However, the time remaining is limited and pressing the bargaining power of the government, which will need to make difficult concessions in order to protect Argentina's economic prospects.

Transition region

In **Poland**, the unemployment rate fell to 12.5% in May, from 13.0% in April. This marks the fourth consecutive month of decreased unemployment. The manufacturing economy indicated a fractional improvement with the PMI at 50.3 in June, down from 50.8 a month earlier. The survey indicated modest growth in both output and job creation, while input prices fell for the fifth month in a row. The stagnation in new orders weighed on the index.

In **Czech Republic**, the manufacturing sector continued its expansionary path last month with the manufacturing PMI at 54.7, though falling from May's reading of 57.3. The index is above the waterline since May 2013. June's survey showed a healthy performance of output, new business, exports, purchasing and employment. As for prices, inflationary pressures remained weak last month, rising by less than the long-run average of the survey.

Graph 3.25: Manufacturing PMIs in transition region



Sources: HALPIM, HSBC, Markit and Haver Analytics.

Oil prices, US dollar and inflation

In June, as in the previous month, the **US dollar was relatively resilient** compared to its major currency counterparts, on average. Compared to the euro, the US dollar rose by 1.0% in June and stood at a monthly average of \$1.3592/€. It should, however, be noted that this is the third consecutive month of appreciation. Over the three months up to June it rose by only 1.7%. So while the magnitude is relatively small, the trend is currently supportive for the US-dollar, also given the economy's relative better performance and the tightening of the Fed's monetary stimulus.

Versus the Japanese yen, the US-dollar rose by 0.3% to reach ¥102.052/\$. Compared to the pound sterling, it fell again for the fourth consecutive month, albeit by only 0.4%, while compared to the Swiss franc, it increased by 0.9%.

With the ongoing recovery in the US, the tapering of the US Fed, the continued monetary stimulus from the ECB and the ongoing efforts to stimulate the economy by the BoJ, and given the current slow-down in the emerging markets, the US dollar should be expected to appreciate in the coming months. However, given the capital inflows into the peripheral economies of the Euro-zone and also the aim of China to diversify its currency reserves, the euro has remained unexpectedly strong so far.

In nominal terms, the price of the OPEC Reference Basket (ORB) increased by a monthly average of $2.45, or 2.3%, from $105.44/b in May to $107.89/b in June. In real terms, after accounting for inflation and currency fluctuations, the ORB rose by 2.9%, or $1.85, to $64.46/b from $62.61/b (base June 2001=100). Over the same period, the US dollar rose by 0.5% 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

In 2014, world oil demand was relatively unchanged from the previous MOMR; total world oil demand growth for 2014 now stands at 1.13 mb/d after a marginal downward revision of 10 tb/d, accounting for the latest actual data for 2Q14.

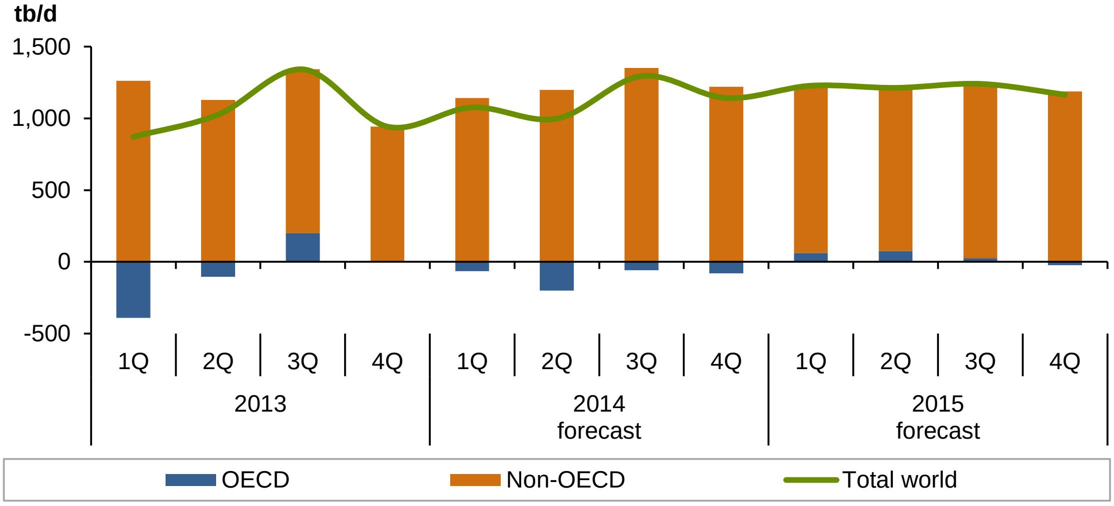
In 2015, world oil demand is projected to grow at a higher rate than in 2014, growing by 1.21 mb/d from the 2014 level to average around 92.35 mb/d. The 2015 growth level of 1.21 mb/d signifies a 0.08 mb/d increase from the growth foreseen for this year. Non-OECD countries are likely to lead oil demand growth with 1.18 mb/d in total demand while OECD nations are predicted to marginally rise for the first time since 2010, recording growth of 35 tb/d. The progress of economic development in major economies around the globe is the key risk factor affecting the world oil demand projection in 2015.

Table 4.1: World oil demand in 2014, mb/d

							Change 2014/13	
	2013	1Q14	2Q14	3Q14	4Q14	2014	Growth	%
Americas	23.96	23.90	23.95	24.38	24.34	24.15	0.19	0.78
of which US	*19.20*	*19.23*	*19.09*	*19.56*	*19.57*	*19.36*	*0.16*	*0.84*
Europe	13.59	13.03	13.52	13.74	13.37	13.42	-0.17	-1.25
Asia Pacific	8.36	8.88	7.72	7.91	8.47	8.24	-0.12	-1.39
Total OECD	**45.90**	**45.81**	**45.19**	**46.03**	**46.17**	**45.80**	**-0.10**	**-0.22**
Other Asia	11.06	11.10	11.28	11.37	11.39	11.29	0.23	2.05
of which India	*3.70*	*3.85*	*3.76*	*3.68*	*3.86*	*3.79*	*0.09*	*2.37*
Latin America	6.50	6.42	6.69	6.99	6.79	6.73	0.23	3.51
Middle East	7.81	8.06	7.98	8.48	7.95	8.12	0.31	3.92
Africa	3.55	3.68	3.68	3.53	3.68	3.64	0.09	2.51
Total DCs	**28.92**	**29.27**	**29.63**	**30.37**	**29.81**	**29.77**	**0.85**	**2.94**
FSU	4.48	4.39	4.23	4.63	4.87	4.53	0.06	1.25
Other Europe	0.64	0.63	0.57	0.62	0.72	0.63	0.00	-0.66
China	10.07	10.06	10.54	10.27	10.70	10.39	0.33	3.25
Total "Other regions"	**15.18**	**15.08**	**15.34**	**15.52**	**16.29**	**15.56**	**0.38**	**2.49**
Total world	**90.01**	**90.15**	**90.16**	**91.92**	**92.27**	**91.13**	**1.13**	**1.25**
Previous estimate	90.01	90.15	90.20	91.92	92.27	91.14	1.14	1.26
Revision	0.00	0.00	-0.03	0.00	0.00	-0.01	-0.01	-0.01

Totals may not add up due to independent rounding.

Graph 4.1: Quarterly world oil demand growth



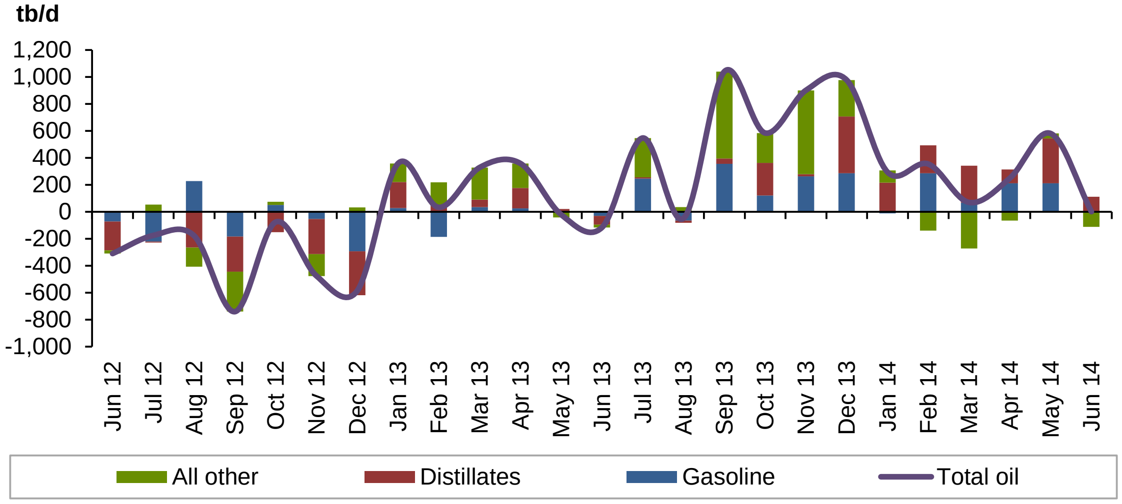
World oil demand in 2014

OECD Americas

The latest available April 2014 **US** monthly oil demand data has remained in line with the upward trend observed since the beginning 2014. US oil demand in April 2014 grew by 1.3% as compared to the same month in 2013, with these four months of the year showing oil requirements higher by around 0.2 mb/d as compared to the same period last year. The main characteristics in the first four months of 2014 are growing distillate fuel requirements as a result of improving industrial production and improvements in gasoline demand, while, during the same period, residual fuel oil and propane/propylene demand fell as a result of increasing substitution with natural gas.

Moreover, rising employment figures in the first four months of 2014 have also contributed to increasing oil requirements. Preliminary weekly data for May show oil demand increasing y-o-y, while for June the overall growth appears to be diminishing. The product pattern observed for the first four months of 2014 continues, i.e. increasing distillate fuel and gasoline demand together with falling residual fuel oil and propane/propylene requirements. The risks in the evolution of 2014 US oil demand remain strongly dependent on the development and recovery pace of the US economy, which is skewed to the downside compared to last month.

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



May 2014 **Mexican oil demand** decreased by 4.4% y-o-y. As of April 2014, fuel oil and distillates were the products accounting for the bulk of these decreases and are the result of increasing substitution of coal and natural gas. 2014 Mexican oil demand is expected to fall by 1.3% y-o-y.

Increasing oil demand in the transportation sector, which was partly offset by declining LPG requirements, led to an overall 0.4% decrease in **Canadian oil demand** for the first four months of 2014. Projections for 2014 Canadian oil demand remain unchanged from those in the previous month, leaving oil requirements during 2014 2.2% higher than the level of 2013.

In 2014, **OECD Americas** oil demand is projected to grow by 0.19 mb/d as compared to 2013.

OECD Europe

European oil demand contracted in May 2014 y-o-y for another month in line with the continuing economic concerns in some parts of the region. The magnitude of shrinkage was larger than in previous months, partly indicating baseline effects from the second quarter of last year. As in previous months, oil demand contracted much more strongly in countries that undergo stringent austerity measures and aim at the reduction of public debt.

Oil requirements in May 2014 fell in all **Southern European countries**, the largest in Spain, Italy, Portugal and Greece. Early indications for May 2014, however, showed some gains in Germany and the UK, while during the same month, France continued to be on the decline. Nevertheless, the positive momentum in auto sales continued for the ninth month in May 2014 in almost all European major markets. The general expectations for the region's oil consumption during 2014 have remained stable since the last month's projections. Improvements in the economy of some countries are counterbalanced by high taxation policies in oil use throughout the region.

Table 4.2: Europe Big 4* oil demand, tb/d

	May 14	May 13	Change form May 13	Change form May 13, %
LPG	398	418	-19	-4.6
Gasoline	1,088	1,084	4	0.4
Jet/Kerosene	771	750	21	2.8
Gas/Diesel oil	3,119	3,159	-40	-1.3
Fuel oil	317	331	-14	-4.2
Other products	1,015	1,039	-23	-2.2
Total	**6,708**	**6,780**	**-72**	**-1.1**

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

European oil demand is projected to decrease in 2014 by 0.17 mb/d as compared to a contraction of 0.18 in 2013.

OECD Asia Pacific

In **Japan**, May 2014 y-o-y oil demand decreases were once more largely originated in direct fuel and crude burning for electricity generation as a result of increasing substitution with natural gas and coal. Decreases have also been seen in the requirements of all other product categories with the exception of jet fuel, leading to an overall 0.2 mb/d y-o-y decline in oil demand in May.

Table 4.3: Japanese domestic sales, tb/d

	May 14	Change from May 13	Change from May 13, %
LPG	461	6	1.3
Gasoline	885	-35	-3.8
Naphtha	658	-40	-5.7
Jet fuel	80	8	10.8
Kerosene	130	-33	-20.3
Gasoil	556	7	1.3
Fuel oil	458	-33	-6.8
Other products	55	4	6.8
Direct crude burning	147	-100	-40.4
Total	**3,431**	**-217**	**-5.9**

Nevertheless, Japanese auto sales, which have been in the negative in April 2014 due to increasing taxes, returned to a minor positive growth of 0.4% y-o-y in May. The status of the Japanese nuclear power plants remained unchanged since last month, with any additional operation in 2014 not likely.

During 2015, however, especially the second half, some nuclear plants are likely to restart operation. As far as the outlook for 2014, Japanese oil demand is concerned, current indications remain roughly unchanged from last month's forecasts with the risks being skewed more towards the downside as a result of the recent deceleration in industrial production and employment rates.

In **South Korea**, May 2014 came up strongly increasing by 0.08 mb/d y-o-y with the bulk of increases being in transportation fuels, namely diesel and gasoline, as well as naphtha for the petrochemical industry. The outlook for South Korean oil consumption during 2014 remained unchanged as compared to last month's projections.

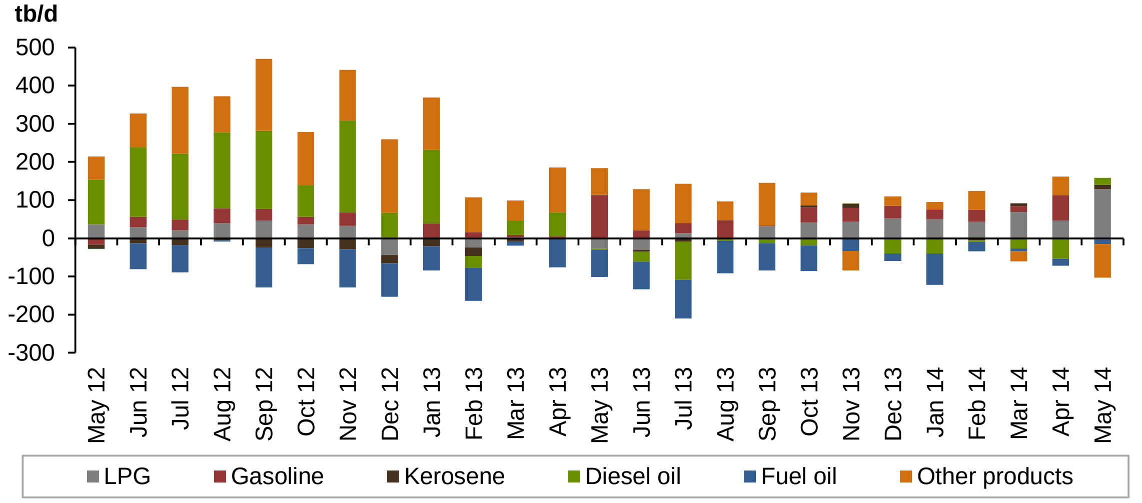
OECD Asia Pacific oil consumption is expected to fall in 2014 by 0.12 mb/d, after falling by 0.23 mb/d in 2013.

Other Asia

For the month of May 2014, oil demand growth in **India** was slightly above last year's average of 50 tb/d, rising by 1.5% to 56 tb/d, as compared to the same period in 2013. The averages of the total products consumed stands at 3.76 mb/d. The products performance was mixed. While gasoline, fuel oil and other products were in the negative territory, LPG, jet/kerosene and diesel oil were in the positive. The significant point to highlight in the development of the products mix is the diesel oil performance, which grew for the first time since May of 2013 with the exception of moderate growth seen in November 2013. Diesel oil registered growth of 18 tb/d or 1.3% y-o-y. A number of factors can be attributed to improvement in diesel consumption.

First, the recovery of the power situation led to a decreased deficit compared to the 2013 levels, from -5.7% in 2013 to -3.8% in 2014. Second, increased port traffic and cargoes handled at major ports contributed positively to this growth. Third, the lifting of a 19-month ban on mining at an iron ore production site prompted additional diesel consumption in May 2014.

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



Another significant development was the LPG performance, which rose to just below 130 tb/d or around 27% as compared to the same period in 2013. The reason continued to be the same as in previous months with support coming from increased residential usage as logistical constrains eased, increasing the number of subsided cylinders and the low baseline of 2013. Gasoline demand, on the other hand, fell for the first time since mid-2012, decreasing marginally by around 3 tb/d or 0.7% y-o-y, mainly due to a higher historical baseline and the effects of the heat wave across the country on vehicle movement.

Table 4.4: Indian oil demand by main products, tb/d

	May 14	May 13	Change	Change, %
LPG	607	478	129	27.0
Gasoline	472	476	-3	-0.7
Kerosene	335	323	11	3.5
Diesel oil	1,428	1,410	18	1.3
Fuel oil	223	235	-12	-5.1
Other products	694	782	-88	-11.2
Total oil demand	**3,759**	**3,704**	**56**	**1.5**

In **Indonesia**, the latest available April 2014 data are led by rising demand for LPG and fuel oil, the first mostly used in the residential sector and the latter for industrial purposes, partly offset by falling demand for gas/diesel oil. 2014 Indonesian oil demand is dependent on the overall economic performance and the level of subsidy cuts for petroleum products.

In **Taiwan**, oil demand grew for another month, by almost 2%, in April 2014 as compared with the same period last year, with the bulk of the increases coming from LPG, jet/kerosene and diesel oil usage, respectively, while fuel oil and other products recorded declines.

The risks to 2014 oil demand in Other Asia are currently balanced between the upside and downside as a result of the possible overall economic improvement in the biggest oil consumer in the region, India, and the general economic performance of some countries in the region.

Other Asia's oil demand is expected to grow at the rate of 0.23 mb/d in 2014.

Latin America

Oil demand in **Latin America** is projected to grow by 0.23 mb/d in 2014 to reach 6.73 mb/d. April 2014 product growth in **Brazil** showed a rise in consumption as compared to last year. The growth level was above 0.1 mb/d or 4.5% y-o-y. All products showed positive growth with the exception of LPG and diesel oil, which weakened slightly. Transportation products, namely gasoline and ethanol, recorded the highest gains, by 72 tb/d and 31 tb/d, respectively. More significant was the growth of fuel oil in percentage terms as it grew by more than 25% y-o-y. The main reason can be attributed to construction work and activities in preparation for the World Cup.

Table 4.5: Brazilian inland deliveries, tb/d

	Apr 14	Apr 13	Change	Change, %
LPG	230	235	-4	-1.8
Gasoline	791	719	72	10.1
Jet/Kerosene	125	122	3	2.2
Diesel	1,019	1,034	-15	-1.5
Fuel oil	110	88	23	25.8
Alcohol	201	170	31	18.4
Total	**2,477**	**2,367**	**110**	**4.6**

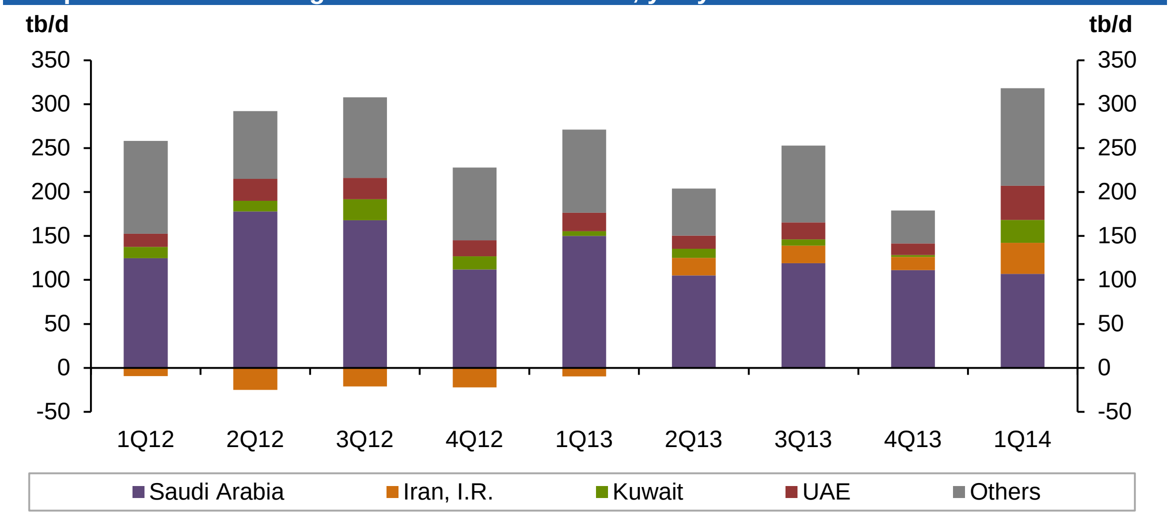
In **Argentina**, which accounts for around 11% of Latin America's oil demand, oil product consumption in the country fell marginally in April 2014 according to the latest data and total oil demand growth decreased marginally, too. In terms of product performance, fuel oil, other products and gasoline were on the rise while LPG, jet/kerosene and diesel oil decreased.

In 2014, **Latin American oil demand** expanded by 0.23 mb/d, similar to the levels seen in 2013.

Middle East

In **Saudi Arabia**, oil demand figures continued their robust momentum during the month of May 2014, rising by around 274 mb/d or by more than 12% as compared to the same month in 2013. All products grew at different rates, with the highest growth originating in industrial and power generation fuels. Fuel oil increased by around 85 tb/d or more than 29% while crude oil utilized for direct burning for power generators also increased by more than 0.13 mb/d or 24% y-o-y. The increased usage of these products was mainly due to the newly commissioned desalinization plant located in the northwest of Jubail and the aluminum smelter plant, which commenced operations early this year. Part of this growth is also a result of the increased use of air conditioning, signalling the start of the increased summer oil requirements.

Graph 4.4: Oil demand growth in the Middle East, y-o-y



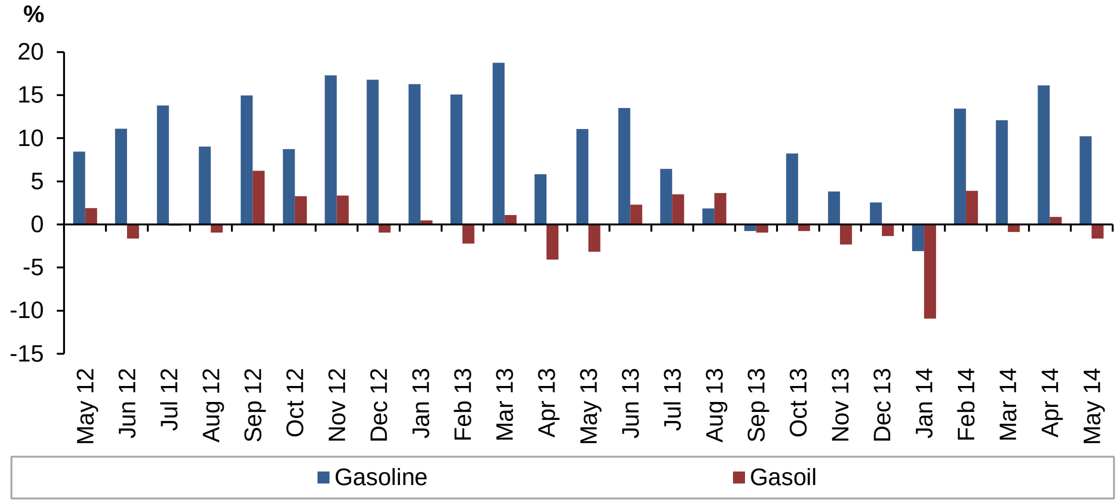
Additionally, other products, LPG and jet/kerosene grew at the high rates of 20%, 11% and 10%, respectively. Transportation fuels, namely gasoline and diesel, also grew but at lower rates than the rest. Oil demand is expected to remain robust in the coming months as the transportation and industrial sectors in the country perform well due to peak demand in summer and activities related to Ramadan and Eid al-Fitr.

In 2014, **Middle East oil demand** is anticipated to expand by 0.31 mb/d as compared to 0.22 mb/d in 2013.

China

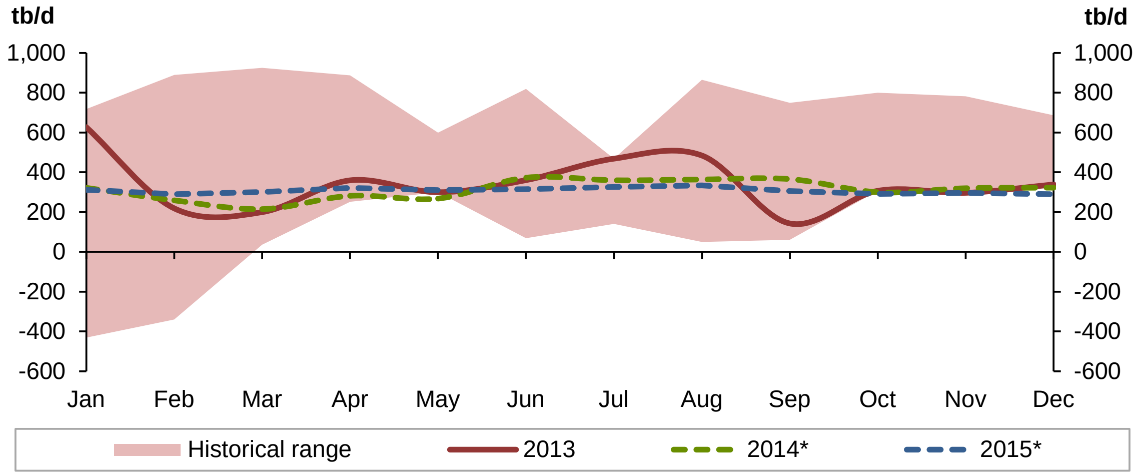
Chinese oil demand indicators have been rather mixed as some products showed strength, such as gasoline and LPG, while other products showed some weakness, such as diesel oil and fuel oil. Focusing on positive developments, gasoline consumption in the country continued to grow at an exceptional pace. The product grew by 0.22 mb/d or more than 10% as compared to last year. Growth is also noteworthy in LPG consumption, which increased by more than 0.18 mb/d or 21% from the same period last year. The increase in gasoline is supported by passenger car sales, which continue to rise. The latest data for car sales in China show figures around 1.6 million units for the months of May 2014, a 14% rise from the levels of last year. It's worth mentioning that diesel and gasoline account for more than 50% of the country's oil demand consumption.

Graph 4.5: Chinese gasoil and gasoline demand growth, y-o-y



On the other hand, gasoil demand growth figures in China along with softening economic indicators have raised concern in the industry regarding the direction of oil demand growth in the Middle Kingdom. Monthly consumption of gasoil, the major product in the country, has been declining constantly from the end of last year, when compared with the same month a year earlier. The product declined by 55 tb/d or 1.6% in May 2013 as compared to the same month last year, mainly as a result of softening momentum in economic activities. This is despite some improvement in the Chinese official manufacturing purchasing managers index (PMI), which remained above the 50 threshold in May, at 50.8, a slight improvement from April's level of 50.4.

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



** Forecast.*

China's oil consumption is anticipated to rise in 2014 by 0.33 mb/d, which is within the historical average growth level of China for the past six years.

World oil demand in 2015

In 2015, world oil demand is forecast to grow by 1.21 mb/d y-o-y, approximately 0.1 mb/d higher than growth during 2014. Breaking down this projection by regions, the **OECD** will grow slightly, by 0.04 mb/d, the first time since 2010, with the Americas being the only OECD region rising into positive growth; Europe is expected to decline slightly, while Asia Pacific oil demand will also be weaker as a result of some nuclear plants likely starting up again.

Table 4.6: World oil demand in 2015, mb/d

							Change 2015/14	
	2014	1Q15	2Q15	3Q15	4Q15	2015	Growth	%
Americas	24.15	24.11	24.14	24.60	24.55	24.35	0.21	0.85
of which US	*19.36*	*19.41*	*19.24*	*19.75*	*19.76*	*19.54*	*0.18*	*0.91*
Europe	13.42	12.97	13.47	13.65	13.28	13.35	-0.07	-0.52
Asia Pacific	8.24	8.79	7.65	7.81	8.32	8.14	-0.10	-1.22
Total OECD	**45.80**	**45.87**	**45.26**	**46.06**	**46.15**	**45.84**	**0.03**	**0.08**
Other Asia	11.29	11.32	11.50	11.61	11.60	11.51	0.22	1.97
of which India	*3.79*	*3.94*	*3.85*	*3.78*	*3.96*	*3.88*	*0.10*	*2.51*
Latin America	6.73	6.64	6.90	7.21	7.05	6.95	0.23	3.34
Middle East	8.12	8.36	8.25	8.79	8.24	8.41	0.30	3.63
Africa	3.64	3.75	3.75	3.59	3.75	3.71	0.07	1.92
Total DCs	**29.77**	**30.07**	**30.41**	**31.20**	**30.64**	**30.58**	**0.81**	**2.73**
FSU	4.53	4.44	4.28	4.68	4.93	4.58	0.05	1.10
Other Europe	0.63	0.63	0.58	0.63	0.72	0.64	0.01	1.11
China	10.39	10.37	10.85	10.59	10.99	10.70	0.31	2.96
Total "Other regions"	**15.56**	**15.44**	**15.71**	**15.90**	**16.64**	**15.93**	**0.36**	**2.34**
Total world	**91.13**	**91.38**	**91.38**	**93.16**	**93.43**	**92.35**	**1.21**	**1.33**
Previous estimate	91.14							
Revision	-0.01							

Totals may not add up due to independent rounding.

In the **non-OECD region**, growth is expected to be around 1.18 mb/d, with slightly lower Chinese oil demand growth. On the products side, focus will be on diesel oil and gasoline to fuel the ever-growing transportation industry, and to a lesser extent on petrochemical feedstocks, namely LPG and naphtha. However, there are certain risks associated with the 2015 projection, which could impact oil demand figures in both directions. These include the development of economic activities in major consuming nations, the strength of substitution with natural gas and other fuels, subsidy programmes and their removal strategies, the effect of commissioning/delays/closure of mega projects and programmes for fuel efficiencies, especially in the transportation sector.

OECD

In **OECD Americas**, oil demand is projected to be slightly higher by 0.21 mb/d as compared to 2014. US oil demand is mainly driven by higher projected economic growth. 2015 US oil demand is projected to grow slightly higher than the growth in 2014, by approximately 0.2 mb/d. As was the case for 2014, 2015 forecasts are mainly dependent on the materialization of projected growth in the US economy. Another factor that could push US oil demand upwards is further expansion in the petrochemical industry, while some downside risks are imposed by increasing fuel substitution with natural gas and planned implementation of fuel efficiencies in the road transportation sector. Also, in 2015, the growth in Canadian oil requirements is projected to be roughly at the same levels as in 2014. While in Mexico, higher economic growth will turn oil demand growth into the positive, by around 1% y-o-y.

In **OECD Europe**, the projected improvements in the economies combined with the very low historical baseline are calling for a contraction in oil requirements, which would be slower in magnitude than the one in 2014. However, there are considerable risks to the downside, such as economic concerns, expected closures of refineries, fuel substitution and efficiencies in the road transportation sector. In 2015, the contraction in the region’s oil demand is forecast to be at 0.07 mb/d.

In **OECD Asia Pacific**, oil demand projections for 2015 have been reached under the assumptions that some of the nuclear plants will rejoin operation and that some refinery closures are to be expected, resulting in a decrease in oil demand requirements by approximately 0.14 mb/d. In South Korea, expectations for 2015 retain roughly the same growth as in 2014.

Non-OECD

Other Asia’s oil demand is projected to be marginally lower, reaching 0.22 mb/d as compared to 2014. In 2015, assumptions are focused towards higher GDP growth than the current year, and the emphasis will be on road transportation fuels as well as petrochemical industry fuels, continued substitution with natural gas and coal, mainly in India, and finally, subsidy reduction programmes and policies.

In **Latin America**, oil demand during 2015 is expected to grow by 0.23 mb/d with better GDP growth as compared to 2014. Preparations for the 2016 Summer Olympics in Brazil are expected to result in increased oil usage, while a slight decline in oil demand in Argentina and other countries in the region can be expected.

In the **Middle East**, oil demand during 2015 will remain broadly unchanged from this year’s level. Assumptions are based on healthy demand for transportation and industrial fuels, continued use of crude and fuel oil in direct burning, increased requirements for the petrochemical industry, additional refining capacities while the already high baseline is expected moderate oil demand growth.

In **China**, oil consumption is projected to increase by 0.31 mb/d, slightly less than growth in 2014. This forecast is based on assumed stronger petrochemical feedstock consumption and rising oil demand for transportation and industrial sectors, while slightly lower GDP growth as compared to 2014, higher fuel qualities targeting reduced emissions, and continuation of fuel substitution with natural gas and coal are the factors to be watched. Total products consumed are anticipated to be around 10.7 mb/d.

World Oil Supply

Non-OPEC oil supply is estimated to have averaged 55.65 mb/d in 2014, an increase of 1.47 mb/d over a year earlier with an upward revision of 30 tb/d from the previous Monthly Oil Market Report (MOMR). OECD Americas was the main driver for growth in 2014. Non-OPEC oil supply is projected to grow at a slower pace of 1.31 mb/d in 2015 to average 56.96 mb/d. OPEC NGLs and non-conventional liquids are estimated grow by 150 tb/d to average 5.81 mb/d in 2014 and are forecast to grow by 220 tb/d to average 6.03 mb/d in 2015. In June 2014, OPEC crude oil production decreased by 79 tb/d to average 29.70 mb/d, according to secondary sources. As a result, preliminary data indicates that global oil supply decreased by 0.26 mb/d in June to average 90.66 mb/d.

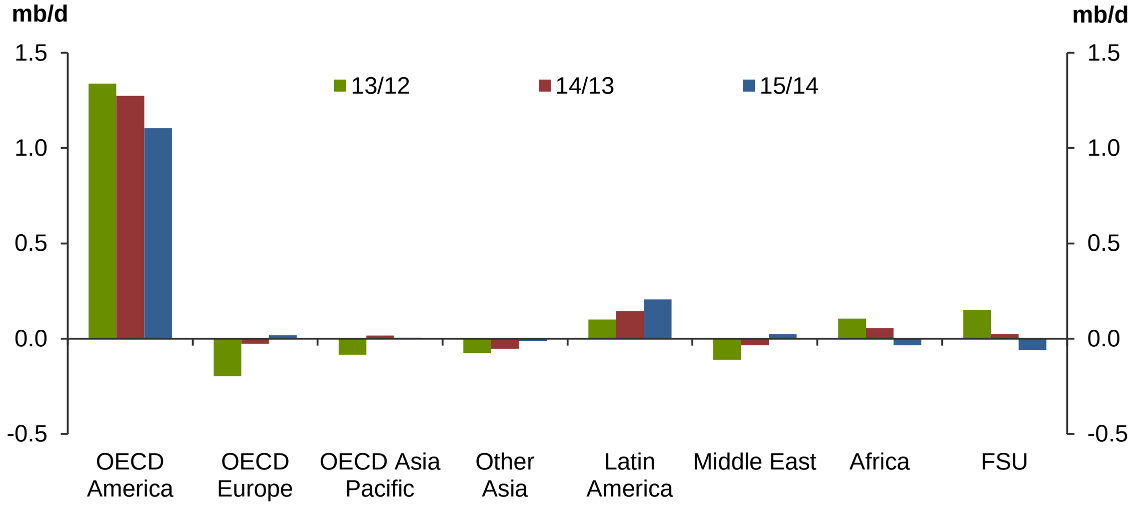
Forecast for 2014

Non-OPEC supply

Non-OPEC oil production (excluding processing gains) is expected to average **53.48 mb/d in 2014**, an increase of 1.44 mb/d over 2013, indicating an upward revision of 30 tb/d from the previous MOMR. Due to this revision, 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 as well as some historical revisions. Additionally, various changes were incorporated into the second and fourth quarter forecasts that collectively resulted in the subsequent flat position for the entire year. By assuming 30 tb/d as processing gains in non-OPEC countries at an average of 2.16 mb/d in 2014, the non-OPEC liquids supply will reach 55.65 mb/d, an increase of 1.47 mb/d. On a quarterly basis, all quarters were revised from the previous month. Upward revisions affected supply forecasts for the OECD countries, Latin America and China on an annual basis, while oil supply projections for Russia, Kazakhstan, Africa and Other Asia were revised down. On a quarterly basis, non-OPEC supply in 2014 is projected to stand at 55.61 mb/d, 55.40 mb/d, 55.50 mb/d and 56.08 mb/d, respectively.

Non-OPEC supply growth in 2014 of 1.47 mb/d was much higher than the average experienced during the last five to ten years of approximately 0.5 mb/d. The main growth is coming from OECD Americas, which will increase by 1.27 mb/d compared with the previous year. Estimated growth in OECD Americas' 2014 supply is the highest on record. The second-highest growth was recorded in 2013 at 1.31 mb/d. Tight oil and oil sand developments are driving growth in 2014 as they did one year ago in OECD Americas. Outside OECD Americas, growth in 2014 is expected to come from Latin America, Africa, Russia, China and OECD Asia Pacific, but this is relatively low compared with the output increase realized in OECD Americas. OECD Europe, Other Asia and the Middle East, experienced supply declines in 2014, while Other Europe's production remains steady. OECD Europe's production will decrease at a slower pace, by 0.03 mb/d, in 2014 from the previous year as investment increases in major producers' oil fields in the region to start up new projects and employ more enhanced oil recovery (EOR) projects to better control field declines. OECD Asia Pacific's oil production will increase by 20 tb/d in 2014 as Australia's oil supply has benefited from new additions. The oil output in Other Asia will drop by 50 tb/d, mainly in Indonesia and Vietnam. Middle East production will also decrease by 0.03 mb/d in 2014 on the back of political issues in Syria and Yemen.

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



On a country basis, the US, Canada, Brazil, Russia, the Sudans, China, Chad, Oman and Australia experienced healthy supply growth in 2014, while Syria, Yemen, Indonesia, Vietnam, Kazakhstan, Egypt and Colombia encountered significant declines. Tight oil and oil sand developments were the main factors supporting growth in 2014, while political, technical and weather factors had a strong negative impact on non-OPEC output.

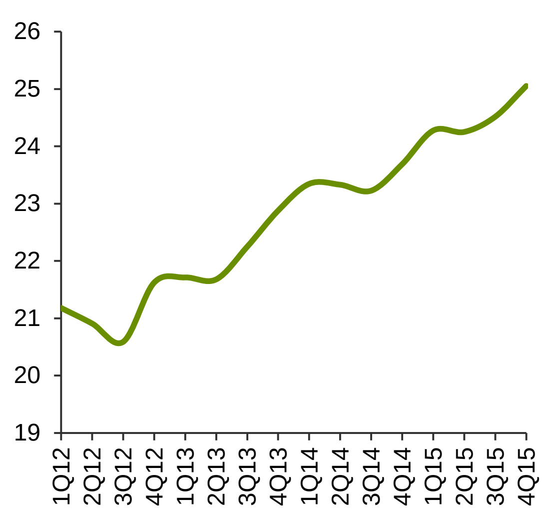
Table 5.1: Non-OPEC oil supply in 2014, mb/d

	2013	1Q14	2Q14	3Q14	4Q14	2014	*Change* 14/13
Americas	18.08	19.10	19.31	19.36	19.63	19.35	1.27
of which US	*11.17*	*11.95*	*12.28*	*12.29*	*12.45*	*12.25*	*1.08*
Europe	3.58	3.75	3.51	3.37	3.58	3.55	-0.03
Asia Pacific	0.48	0.50	0.50	0.50	0.48	0.50	0.02
Total OECD	**22.13**	**23.35**	**23.33**	**23.23**	**23.69**	**23.40**	**1.26**
Other Asia	3.58	3.55	3.52	3.53	3.50	3.53	-0.05
Latin America	4.78	4.84	4.83	4.97	5.05	4.92	0.14
Middle East	1.36	1.32	1.30	1.33	1.34	1.32	-0.03
Africa	2.42	2.52	2.48	2.45	2.44	2.47	0.06
Total DCs	**12.13**	**12.24**	**12.14**	**12.27**	**12.33**	**12.24**	**0.11**
FSU	13.41	13.48	13.40	13.42	13.42	13.43	0.02
of which Russia	*10.51*	*10.59*	*10.55*	*10.55*	*10.55*	*10.56*	*0.05*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.23	4.24	4.23	4.27	4.33	4.27	0.03
Total "Other regions"	**17.78**	**17.86**	**17.77**	**17.84**	**17.89**	**17.84**	**0.06**
Total Non-OPEC production	**52.05**	**53.44**	**53.24**	**53.34**	**53.91**	**53.48**	**1.44**
Processing gains	2.13	2.16	2.16	2.16	2.16	2.16	0.03
Total Non-OPEC supply	**54.18**	**55.61**	**55.40**	**55.50**	**56.08**	**55.65**	**1.47**
Previous estimate	54.20	55.56	55.14	55.46	56.41	55.64	1.44
Revision	-0.03	0.05	0.26	0.04	-0.33	0.00	0.03

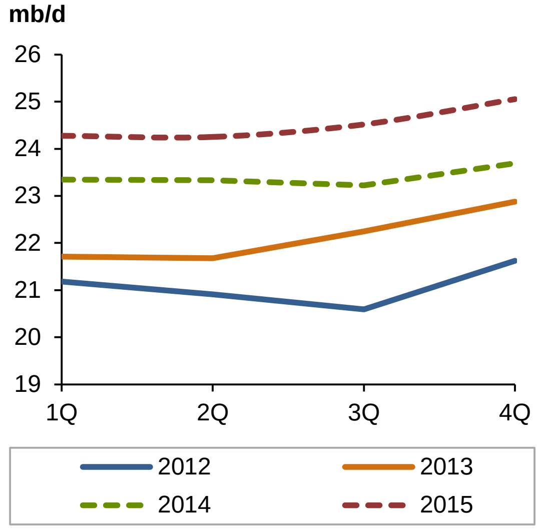
OECD

Total OECD supply is expected to average 23.40 mb/d in 2014, representing an increase of 1.26 mb/d from one year earlier and an upward revision of 220 tb/d from the previous month. Anticipated OECD average supply for 2014 is at its highest since 2003. The upward revision came on the back of a re-evaluation of individual countries' supply profiles as well as updated production figures in 1Q14 and the early part of the second quarter, which partly carried over to the next quarters. Upward revisions in OECD Americas are concentrated mainly in the US. OECD Europe and OECD Asia Pacific's supply projections indicate upward revisions from the previous MOMR by 50 tb/d and 30 tb/d, respectively. OECD Americas remains the main driver of growth in 2014 as the anticipated increase will more than offset the supply decline in other regions. On a quarterly basis, OECD liquids production is estimated to average 23.35 mb/d, 23.23 mb/d, 23.69 mb/d and 23.40 mb/d, respectively.

Graph 5.2: OECD's quarterly production



Graph 5.3: OECD's quarterly production, annual comparison



OECD Americas

OECD Americas oil production is projected to grow by 1.27 mb/d in 2014 to average 19.35 mb/d. The anticipated output increase from the US and Canada is expected to offset the foreseen decline from Mexico. The risk associated with the OECD Americas supply forecast remains on the high side given the effect of weather conditions and decline rates, particularly in tight oil producing wells, as well as environmental, technical and economic issues, mainly in the oil sand fields of Canada. OECD Americas' oil supply in 2014 is seen to stand at a quarterly amount of 19.10 mb/d, 19.31 mb/d, 19.36 mb/d and 19.63 mb/d, respectively.

US

US production has been revised up by 130 tb/d from the previous assessment to stand at 12.25 mb/d, indicating a rise of 1.08 mb/d in 2014, the highest growth among all non-OPEC countries. This upward revision has affected all quarters, with the biggest change occurring in 2Q14 due to updated production data that was partly carried over to the rest of the year. The continued healthy growth of tight oil from North Dakota and Texas supported this trend, and the activated operation and new projects in the Gulf of Mexico (GOM) provided further support. The forecast risk remains high on weather and technical factors, especially with the impending hurricane season, which could impact output in the GOM.

Upstream activity in the GOM - one of the leading offshore oil and gas regions - is being driven this year by a number of new discoveries, several field developments and enhanced production from new and existing fields. Recent discoveries in deep water (i.e. Amethyst) and deep gas (i.e. Tomcat prospect) could further boost US oil output while production is estimated to start in 2H14. Meanwhile, production has been boosted at the Cascade-Chinook development, while oil production has started in Na Kika Phase 3.

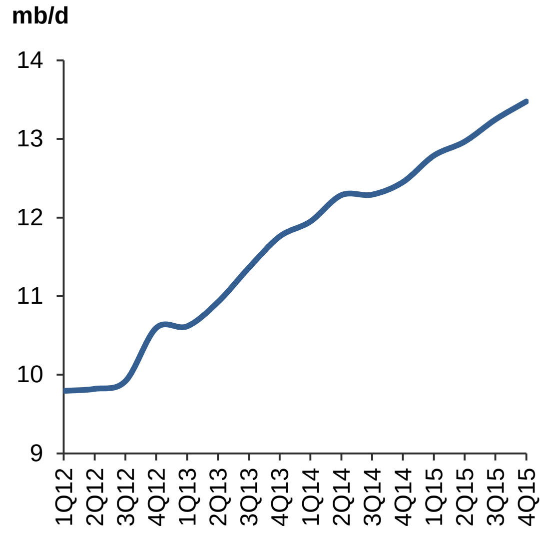
Oil and gas field activities in the US continue to be centered on tight oil and shale formations onshore. Growth in crude oil production from those resources, for example in Texas and North Dakota, spurred by technology and efficiency gains, increased from 12% of total US production in 2011 to approximately half of US crude production in April 2014. Based on EIA's actual data, US crude production in April 2014 was 8.4 mb/d, with Texas and North Dakota crude oil production volumes reaching 4.0 mb/d from April 2010 to April 2014, which accounts for nearly half of the total US crude production. Texas oil output reached 3.0 mb/d for the first time since the late 1970s, more than doubling production in the past three years, and North Dakota production passed 1.0 mb/d for the first time in history, nearly tripling its production over the same period. Crude oil production volumes in North Dakota and Texas grew at average annual rates of 37% and 28%, respectively, versus 2% average annual growth in the rest of the US. During this period, North Dakota and Texas's combined share of total US crude oil production rose from 26% to 48%.

Biofuel production is projected to provide further support to US output in 2014 to meet renewable fuel requirements. However, price levels and blending economics remain risk factors for biofuel growth in 2014 as does the harvest season in 2013. On a quarterly basis, US oil supply in 2014 is expected to average 11.95 mb/d, 12.28 mb/d, 12.29 mb/d and 12.45 mb/d, respectively.

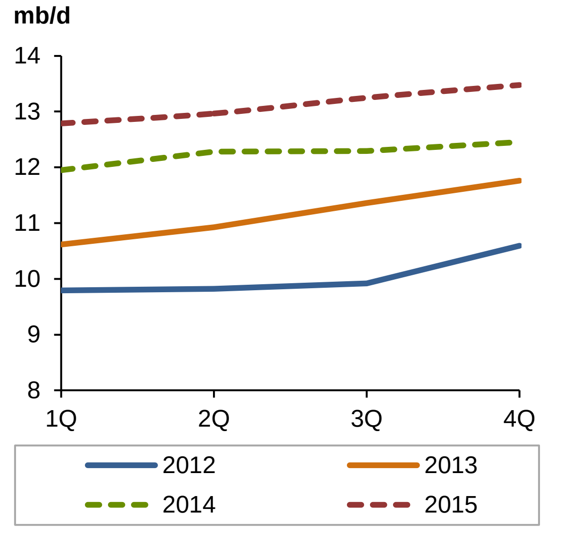
Hurricane forecast

The National Oceanic and Atmospheric Administration (NOAA) predicts a relatively quiet hurricane season this year **with near to below-normal tropical weather activity in the Atlantic Basin**. Based on NOAA's projections, EIA's mean estimate is for 12 mb of crude oil production in the GOM to be shut in at some point. **Colorado State University's** hurricane research department is also forecasting that the 2014 Atlantic hurricane season will have less activity than the median for seasons from 1981 to 2010. In their latest forecast of 2 June 2014, they estimate 10 named storms forming in the Atlantic Basin, of which 4 are expected to become hurricanes with 1 becoming a major hurricane.

Graph 5.4: US quarterly production



Graph 5.5: US quarterly production, annual comparison



Canada and Mexico

Oil production in **Canada during 2014** has been revised up by 50 tb/d to average 4.25 mb/d, according to updated production data in 1Q14, which carried over to other quarters. The revision was also partially due to the approval of oil sand project developments in 2Q14, which increased the future supply base. In-situ production of synthetic crude through mining and bitumen is the most prolific area for growth. Oil sand production from phase II and phase III of the Kearl project is one of the main contributors for the output growth this year. Nevertheless, maintenance work impacted output in 2Q, necessitating the adjustment undertaken, and it is expected that more heavy maintenance at a number of projects will impact the expected incremental production of oil sands in Canada. In 2013, nearly 150 tb/d of oil sands were produced in Canada, similar to the last years. The share of oil sand production is approximately half of Canada's total liquids output, and the annual increase trend is forecasted for this year. Canadian NGL output is seen to be flat at approximately 0.67 mb/d in 2014. On a quarterly basis, Canada oil supply in 2014 is expected to average 4.27 mb/d, 4.17 mb/d, 4.22 mb/d and 4.35 mb/d, respectively.

Mexico's oil production is expected to decline by 50 tb/d in 2014 to average 2.84 mb/d, remaining steady compared to the previous *MOMR*. It is expected that the Mexican oil industry would benefit from the large transformation resulting from the signing of a landmark energy bill into law by the President of Mexico last December. While Mexico's oil output has dropped by approximately 1 mb/d in less than a decade, these reforms in the oil and gas industries are expected to boost the country's oil output in the near future, probably at least in the next three years. Oil production in Mexico, which mostly comes from mature, shallow offshore fields, indicates a yearly decline by almost 150 tb/d, but it has been under the control of Pemex, slowing it down due to several EOR methods in recent years. Several Mexican deep water prospects as well as tight formations have potential, and new exploration areas are also on the horizon for foreign investment to increase oil output in Mexico. NGL production is also expected to decline by nearly 20 tb/d to average 0.34 mb/d in 2014. On a quarterly basis, Mexico's oil supply in 2014 is expected to average 2.87 mb/d, 2.85 mb/d, 2.84 mb/d and 2.82 mb/d, respectively.

OECD Europe

Total OECD Europe oil output is seen to decline by 30 tb/d from 2014 to average 3.55 mb/d in 2014. Declines are predicted for all the minor OECD Europe producers, including Denmark and other small producers. Quarterly figures are expected at 3.75 mb/d, 3.51 mb/d, 3.37 mb/d and 3.58 mb/d, respectively. North Sea liquids production, which includes supplies from Norway, UK offshore, Denmark, Netherlands offshore and Germany offshore, indicates heavy declines in brown fields, declining by 100 tb/d in the current year. Nevertheless, new field production will compensate for part of this amount.

Norway's oil supply is anticipated to be steady over 2013, averaging 1.84 mb/d in 2014. The foreseen progress to control the heavy decline rate in mature fields with regular investing in upstream divisions would be the most successful result in recent years. Preliminary production figures for May 2014 indicate an average daily production of about 1.67 mb/d of oil, NGL and condensate. This is 282 tb/d (about 14%) less than in April 2014. The average daily liquid production in May was 1.32 mb/d of oil, 0.29 mb/d of NGL and 55 tb/d of condensate. Oil production is 5% above the Norwegian Petroleum Directorate's prognosis for May and 13% below the oil production in May of last year. The Brage, Grane, Heidrun, Oseberg and Veslefrikk fields reduced production in May due to planned maintenance work. Delays to flagship

Arctic projects due to sharply higher costs and taxes, and lower oil prices will hamper Norway's efforts to revive oil output, which is stuck at a 25-year low. The expected production build-up is driven mainly by continuing EOR methods in mature producing fields, and the new volumes are expected to totally offset the decline. Projects such as Brynhild, Ekofisk South, Goliat, Svalin M & C, Vilje South, Visund North, Yme and Gudrun are likely to add new volumes to the country's oil supply in 2014. The recent impact of technical issues on oil production is projected to continue in 2014. The decline in 2014 is expected to take place despite anticipated increases in investment. Accordingly, the 2014 supply forecast could be revised in the coming period since the risk level is high, especially regarding issues such as decline rates, technical difficulties and project delays. On a quarterly basis, Norway's oil supply in 2014 is seen to average 1.95 mb/d, 1.79 mb/d, 1.74 mb/d and 1.89 mb/d, respectively.

The **UK's** oil supply is forecast to average 0.89 mb/d in 2014, an increase of 20 tb/d from 2013. A few projects are expected to add new barrels in 2014, such as Golden Eagle, Kinnoull, Solan, East Rochelle, Alma/Galia, Franklin West phase 2, Laggan-Tormore, Laggan, Perth phase 1 and Greater Stella. However, the anticipated declines in mature producing areas are expected to offset part of these new volumes. Moreover, the effects of maintenance and technical difficulties are projected to further support anticipated declines. The expected 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 0.97 mb/d, 0.90 mb/d, 0.81 mb/d and 0.88 mb/d, respectively.

Denmark's oil supply is estimated to decline by 20 tb/d to average 0.16 mb/d in 2014. The expected output drop comes on the back of a decline in mature producing areas coupled with limited new developments.

Other Western European oil supplies are seen to decline by 20 tb/d to average 0.66 mb/d in 2014 compared with the previous year. Biofuels growth is expected to offset the decline seen in mature areas.

OECD Asia Pacific

OECD Asia Pacific's oil supply is projected to average 0.50 mb/d in 2014, indicating growth of 20 tb/d compared with the previous year. On a quarterly basis, total oil supply from OECD Asia Pacific in 2014 is estimated to average 0.50 mb/d, 0.50 mb/d, 0.50 mb/d and 0.48 mb/d, respectively.

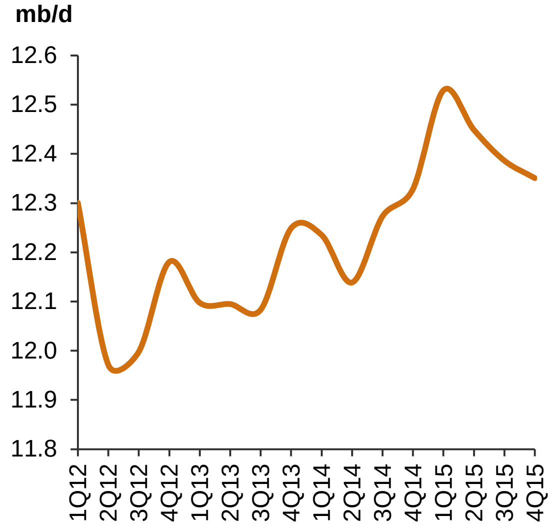
Australia's oil output is seen to increase by 20 tb/d in 2014 to average 0.42 mb/d. The growth is expected to be driven by increasing volumes from development projects such as Balnaves, Coinston, Montara, condensate projects in North Rankin B and Gorgon as well as the Talbot/Puffin southwest project. Expected growth is supported by the assumption that relatively minor weather-related shutdowns will occur during the cyclone season in 2014. On a quarterly basis, Australia's oil supply in 2014 is seen to stand at 0.41 mb/d, 0.42 mb/d, 0.44 mb/d and 0.42 mb/d, respectively.

Oil supply in **New Zealand and Papua New Guinea (PNG)** is estimated to remain steady over 2013, averaging 70 tb/d in 2014. The expected decline at mature fields is seen to drive the anticipated drop in supply in 2014, probably offset by limited new developments.

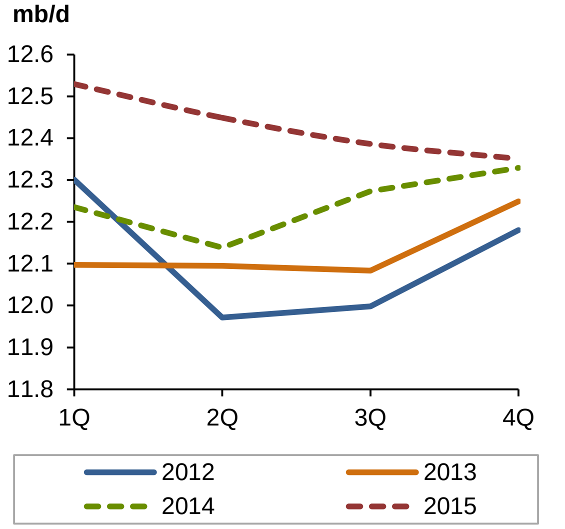
Developing countries

Total oil supply in developing countries (DCs) is expected to average 12.24 mb/d in 2014, representing growth of 0.11 mb/d over 2013. This increase will come mainly from Latin America, supported by growth in Brazil, followed by Africa, while supply in the Middle East and Other Asia is forecast to decline in 2014. 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 2014 is forecast to average 12.24 mb/d, 12.14 mb/d, 12.27 mb/d and 12.33 mb/d, respectively.

Graph 5.6: Developing Countries' quarterly production



Graph 5.7: Developing Countries' quarterly production, annual comparison



Other Asia

Other Asia's oil supply is expected to decrease by 50 tb/d over 2013 to average 3.53 mb/d in 2014. **Malaysia's** supply is seen to grow by 10 tb/d to average 0.67 mb/d, supported by an output increase from the Gumusut developments. **India's** supply is expected to decrease by 10 tb/d in 2014 over 2013 and average 0.87 mb/d. The expected production increase is supported by the ramp-up of the Rajasthan Aishwariya and other facilities. **Vietnam's** supply is seen to average 0.36 mb/d in 2014, a decrease of 20 tb/d from the previous year. Declines are expected despite new barrels anticipated from developments such as Dong Do, Dua and Su Tu Nau. The decline in mature producing areas is seen to offset new volumes.

Indonesia's supply is expected to decrease by 20 tb/d in 2014 to average 0.92 mb/d. New barrels from the Bukit Tua and Cepu offshore oil field developments are expected to add considerable volume in 2H14. The new volume is not likely to offset the anticipated decline in production from mature areas. **Thailand's** production is forecast to decline by 10 tb/d in 2014 to average 0.35 mb/d. The anticipated decline in mature producing areas coupled with limited new developments are seen as driving the output drop. Finally, oil production in **Brunei** continues at a steady rate of 0.14 mb/d in 2014. On a quarterly basis, Other Asia's oil supply in 2014 is seen to stand at 3.55 mb/d, 3.52 mb/d, 3.53 mb/d and 3.50 mb/d, respectively.

Latin America

Latin America's oil supply is projected to increase by 0.14 mb/d over 2013 to average 4.92 mb/d in 2014. This growth is supported by Brazil, while other countries' supply within the region is seen to decline in the current year. **Colombia's** production is expected to decline by 30 tb/d over 2013 to average 1.00 mb/d in 2014. Moreover, risks remain associated with the forecast, mainly related to security and transport issues. **Argentina's** supply is also seen to decline by 10 tb/d in 2014, averaging 0.66 mb/d. New volume is expected from the expansion of biofuel production as well as from pilot programmes at the Vaca Muerta basin. The anticipated decline in mature areas is seen to offset new volume. Oil production in "Latin America others" will remain stagnant at 0.33 mb/d in 2014. On a quarterly basis, Latin America's supply in 2014 is seen to average 4.84 mb/d, 4.83 mb/d, 4.97 mb/d and 5.05 mb/d, respectively.

Brazil's production is expected to average 2.83 mb/d in 2014, indicating growth of 0.19 mb/d over the previous year. The growth is supported by a long list of project startups and ramp-ups, such as Bauna (FPSO Cidade de) and North Whales Park or Parque Das Baleias (P-58). Moreover, biofuel supplies are expected to increase in 2014 and support output. However, a high level of risk is associated with the forecast, especially in relation to technical, delay and environmental issues. On a quarterly basis, Brazil's supply in 2014 is expected to average 2.71 mb/d, 2.76 mb/d, 2.90 mb/d and 2.95 mb/d, respectively.

Middle East

Middle Eastern oil production is expected to decrease by 30 tb/d in 2014 to average 1.32 mb/d. The decline is driven by an anticipated supply drop from Syria and Yemen, while production from Oman and Bahrain is likely to see a minor increase. **Oman's** production is expected to rise by 20 tb/d in 2014 to average 0.96 mb/d. This is supported by EOR at the Amal and Harweel projects. The new volume is expected to more than offset foreseen declines in mature producing areas. **Bahrain's** supply is expected to rise by 10 tb/d in 2014 to average 0.23 mb/d, with support from the Awali project. **Yemen's** production is estimated to decline by 30 tb/d in 2014, averaging 0.11 mb/d; the security situation is seen to limit growth. **Syria's** oil supply is projected to average only 20 tb/d in 2014, as per the recently reported production figure, indicating another decline in volume of 30 tb/d in the current year. This assumes that the ongoing political situation will continue in 2014. The risk to Yemen's and Syria's forecasts remains high given the ongoing security issues as well as limited data. The forecast could encounter significant revision if the political situation changes in 2014 or actual production data is received. On a quarterly basis, the Middle East's 2014 supply is expected to stand at 1.32 mb/d, 1.30 mb/d, 1.33 mb/d and 1.34 mb/d, respectively.

Africa

Africa's oil production in 2014 is forecast to average 2.47mb/d, an increase of 60 tb/d over 2013. Oil supplies from Chad, Equatorial Guinea and the Sudans (Rep. of Sudan & Rep. of South Sudan) are expected to increase in 2014. This comes on the back of new developments and a return to normalcy in the Sudans. Oil supply from Egypt is forecast to decrease by 20 tb/d in 2014, and oil production in Congo, Gabon, South Africa and "Africa other" will remain steady. Output from **South Sudan** and **Sudan** is expected to increase by 50 tb/d in 2014 to average 0.29 mb/d on the assumption that the delicate agreement reached recently on oil transit will continue with possible interruptions. Political risk factors could bring a significant change to the supply forecast, especially from South Sudan and Sudan. On a quarterly basis, total oil supply in Africa in 2014 is estimated to average 2.52 mb/d, 2.48 mb/d, 2.45 mb/d and 2.44 mb/d, respectively.

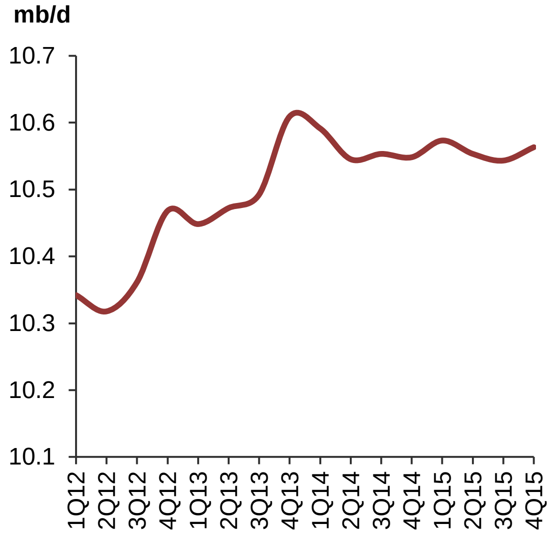
FSU, other regions

The **FSU's** total oil supply is forecast to average 13.43 mb/d in 2014, representing growth of 20 tb/d over the previous year. The expected growth will come from Russia and "FSU others", while Kazakhstan will decline and Azerbaijan's production is forecast to remain unchanged over 2013. On a quarterly basis, total oil supply in the FSU in 2014 is expected to average 13.48 mb/d, 13.40 mb/d, 13.42 mb/d and 13.42 mb/d, respectively. **China's** supply is seen to grow by 30 tb/d in 2014 to average 4.27mb/d. Other Europe's supply is estimated to remain steady in 2014, averaging 0.14 mb/d.

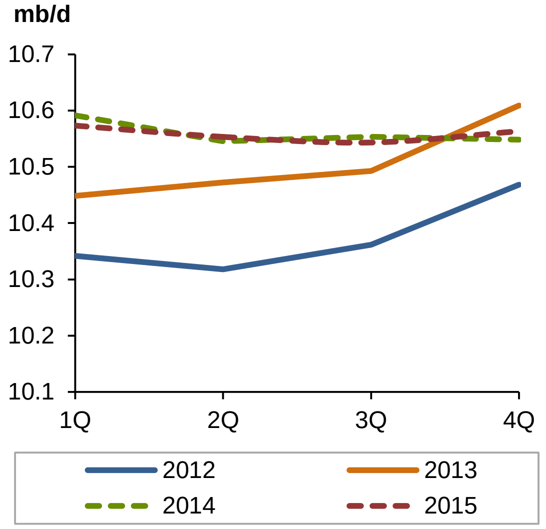
Russia

Russia's oil output is projected to increase by 50 tb/d in 2014 to average 10.56 mb/d. The anticipated growth is gradually reduced compared to the past years' growth, whereas it is unlikely that new barrels will come from new project startups and ramp-ups, which are predicted to exceed natural declines from mature areas. For instance, the Novoprotovskoye field is one of the most significant fields currently under development in the Yamalo-Nenetsk Autonomous Region where full-scale production drilling started on 25 June 2014, with production expected to come on stream in 2016. However, the first shipment of oil produced from the Prirazlomnoye field located 60 km offshore in the Russian Arctic shelf was loaded by Gazprom in late April 2014. The field was discovered in 1989 and is the only Russian hydrocarbon development project in the Arctic shelf. This is the first time that Arctic oil has entered the global market. The oil was traded among refining companies in Northwestern Europe during the first quarter.

Graph 5.8: Russia's quarterly production



Graph 5.9: Russia's quarterly production, annual comparison



The risk to Russia's supply forecast is high. Price levels will be an important factor for the country's oil supply in the remainder of 2014, since producers are expected to continue to invest in brown fields to maintain output levels. Furthermore, policy decisions, especially related to the export duty level, will be a key factor in the realization of the 2014 forecast. Project delays will also be an important issue that could impact the outcome of next year's forecast. On a quarterly basis, Russian supply in 2014 is seen to average 10.59 mb/d, 10.55 mb/d, 10.55 mb/d and 10.55 mb/d, respectively.

Caspian

Kazakhstan's production is expected to average 1.61 mb/d in 2014, a decrease of 30 tb/d from the previous year. The foreseen decline has been mainly due to the pushback of the Kashagan project. It was planned that the first phase of this project, with a peak output of 0.35 mb/d, would come on stream to add new significant volumes in 2Q14, but the project, after various delays and cost overruns, was postponed to 2016 or even 2017 after the pipeline was found damaged by acidic corrosion. Output from other fields is expected to remain relatively steady with minor declines. The risk to the outlook for Kazakhstan's oil supply is high on the possibility of further delays and technical issues. On a quarterly basis, Kazakhstan's supply in 2014 is expected to stand at 1.65 mb/d, 1.58 mb/d, 1.60 mb/d and 1.61 mb/d, respectively.

Azerbaijan's oil supply is predicted to average 0.86 mb/d in 2014, a decline of 10 tb/d from last year. Approximately 80% of Azerbaijan's total production is supported by the Chirag oil project, part of the Azeri-Chirag-Guneshli (ACG) fields. Nevertheless, the production has dropped significantly due to the field's annual decline and heavy maintenance. The operator of the ACG fields has reported that the output plateau will be maintained at 750 tb/d in the coming years by adding new developments to counter the decline in mature areas. Azerbaijan's forecast for 2014 is associated with a high risk due to technical issues. On a quarterly basis, Azerbaijan's supply in 2014 is estimated to average 0.85 mb/d, 0.87 mb/d, 0.88 mb/d and 0.87 mb/d, respectively.

The oil output of '**FSU Others**' is projected to average 0.39 mb/d in 2014, an increase of 10 tb/d over 2013. The expected growth is supported by Turkmenistan's and Uzbekistan's output from the Dzheitune and Ustyurt projects. Natural declines in mature producing areas are expected to offset part of the growth in 2014.

China

China's oil production is estimated to increase by 30 tb/d in 2014 to average 4.27 mb/d. The expected growth is supported by startups and ramp-ups of different projects, such as Liwan 3-1, the Pearl Lufeng 7-1 & 7-2 gas/condensate projects in the Changqing and Qinghai Province. Risks to the forecast remain associated with technical and delay issues as well as decline rate development. On a quarterly basis, China's 2014 oil supply is expected to stand at 4.24 mb/d, 4.23 mb/d, 4.27 mb/d and 4.33 mb/d, respectively.

Forecast for 2015

Non-OPEC supply

Non-OPEC oil supply in 2015 is expected to increase by 1.31 mb/d over the current year to average 56.96 mb/d. The strong growth trend estimated for 2014 is expected to continue at a slower pace in 2015, supported by OECD Americas, Latin America and China, yet partly offset by declines in FSU and Africa. Growth in OECD, DCs and China in 2015 is predicted at 1.13 mb/d, 0.18 mb/d and 0.05 mb/d, respectively, while FSU is forecast to contract by 0.06 mb/d. On a regional basis, OECD Americas, with annual average growth of 1.11 mb/d, Latin America with 0.21 mb/d, China with 0.05 mb/d, Middle East with 0.03 mb/d and OECD Europe with 0.02 mb/d are probably the main contributors to growth in 2015. FSU, Africa and Other Asia will decline by 0.06 mb/d, 0.03 mb/d and 0.01 mb/d, respectively. OECD Asia Pacific is expected to remain stagnant in 2015. On a quarterly basis, non-OPEC supply in 2015 is projected to stand at 56.87 mb/d, 56.66 mb/d, 56.85 mb/d and 57.46 mb/d, respectively.

The forecast is associated with a high level of **risk**. According to the report of six major IOCs, the upstream CAPEXs are increasing 10% y-o-y, and the expectation of capital expenditures in 2014 and 2015 indicates a rising trend, nevertheless other risk factors such as geopolitics, environment, price and technical developments will continue to impact supply growth expectations.

The forecast growth of **biofuels**, which is expected to increase by around 0.13 mb/d in 2015, 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 will be subject to revisions.

Table 5.2: Non-OPEC oil supply in 2015, mb/d

	2014	1Q15	2Q15	3Q15	4Q15	2015	*Change* 15/14
Americas	19.35	20.09	20.21	20.59	20.94	20.46	1.11
of which US	*12.25*	*12.79*	*12.97*	*13.25*	*13.48*	*13.12*	*0.88*
Europe	3.55	3.68	3.53	3.42	3.64	3.57	0.02
Asia Pacific	0.50	0.51	0.52	0.51	0.47	0.50	0.00
Total OECD	**23.40**	**24.28**	**24.25**	**24.52**	**25.05**	**24.53**	**1.13**
Other Asia	3.53	3.57	3.54	3.50	3.45	3.51	-0.01
Latin America	4.92	5.11	5.11	5.13	5.17	5.13	0.21
Middle East	1.32	1.36	1.35	1.34	1.33	1.35	0.03
Africa	2.47	2.48	2.44	2.42	2.40	2.44	-0.03
Total DCs	**12.24**	**12.53**	**12.45**	**12.39**	**12.35**	**12.43**	**0.18**
FSU	13.43	13.44	13.35	13.32	13.37	13.37	-0.06
of which Russia	*10.56*	*10.57*	*10.55*	*10.54*	*10.56*	*10.56*	*0.00*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.27	4.31	4.29	4.31	4.37	4.32	0.05
Total "Other regions"	**17.84**	**17.89**	**17.78**	**17.77**	**17.88**	**17.83**	**-0.01**
Total Non-OPEC production	**53.48**	**54.70**	**54.48**	**54.67**	**55.28**	**54.79**	**1.30**
Processing gains	2.16	2.17	2.17	2.17	2.17	2.17	0.01
Total Non-OPEC supply	**55.65**	**56.87**	**56.66**	**56.85**	**57.46**	**56.96**	**1.31**
Previous estimate	55.64						
Revision	0.00						

OECD

Total **OECD oil production** in 2015 is forecast to average 24.53 mb/d, representing an increase of 1.13 mb/d over 2014. Expected supply growth from the US, Canada and Norway is seen to offset the declines anticipated in other OECD countries. On a quarterly basis, OECD oil supply in 2015 is expected to average 24.28 mb/d, 24.25 mb/d, 24.52 mb/d and 25.05 mb/d, respectively.

OECD Americas

OECD Americas oil production is projected to grow by 1.11 mb/d in 2015 to average 20.46 mb/d. The anticipated output increase from the US and Canada is expected to offset the foreseen decline from Mexico. The risk associated with the OECD Americas' supply forecast remains on the high side given the effect of weather conditions and decline rates particularly in tight oil producing wells, as well as environmental, technical and economic issues, particularly in the oil sand fields of Canada. OECD Americas' oil supply in 2014 is seen to stand at a quarterly amount of 20.09 mb/d, 20.21 mb/d, 20.59 mb/d and 20.94 mb/d, respectively.

US

US oil production is expected to average 13.12 mb/d in 2015, an increase of 0.88 mb/d over 2014. This increase will be the highest among all non-OPEC countries in 2015. The outlook in 2015 is supported by anticipated onshore tight oil developments, aided by rising investment and more activities in the GOM. In 2015, oil drilling activities will continue to improve, with a relatively steady number of rigs drilling a significantly higher number of wells as operational efficiency improves. While drilling efficiency is expected to continue to improve in 2015, it will take place at a slower rate than in 2013, when operators achieved more than 40% progress at some locations. The assumed number of wells for 2014 is higher than for 2013, however, the associated high decline rate of tight oil wells is assumed to impact growth and result in lower supply increases compared to the current year. The analysis of current and anticipated crude oil output indicates that US supply of lighter API gravity crude will continue to outpace that of medium and heavier crude. Based on this analysis, more than 60% of the EIA's forecast of production growth for 2014 and 2015 consists of sweet grades with an API gravity of 40 or above.

Supply growth is expected to come from Texas, North Dakota, New Mexico, Montana, Wyoming, Colorado and others. Additionally, new developments in the GOM are expected to support the outlook. Most of the production growth from US offshore areas is from a number of deep water GOM projects that are scheduled to come on stream by the end of 2015, such as Jack S. Malo, Big Foot and Lucius. New offshore and onshore developments are seen as supporting the continued strong US supply growth. Despite the anticipated strong growth from tight oil developments in 2015, a certain level of risk remains, mainly related to the current oil price, infrastructure and environmental issues. Moreover, weather conditions in the GOM may have a major impact on US supply in 2015 during the hurricane season.

Canada and Mexico

Canada's oil supply is forecast to increase by 0.28 mb/d over 2014 to average 4.53 mb/d in 2015. The expected growth in 2015 is the highest since 1973, and the absolute level is the highest on record. Canada's oil supply is seen to achieve the second highest growth in 2015 among all non-OPEC countries. The growth is supported by the projected increase from oil sands as well as tight oil production. On a quarterly basis, Canada's production is seen to average 4.49 mb/d, 4.45 mb/d, 4.53 mb/d and 4.66 mb/d, respectively.

Mexico's oil supply is projected to decline by 50 tb/d in 2015, the same volume as expected for 2014, to average 2.79 mb/d. The trend of declining volumes in Mexico in the last five years at -20 tb/d (2011), -20 tb/d (2012), -30 tb/d (2013), -50 tb/d (E2014) and -50 tb/d (E2015), indicates that most of the mature fields, particularly offshore fields, are suffering from an increasing annual decline, which is required to employ EOR methods to stop this negative trend, while even helping spur on more production along with vast exploration. It is expected that the offshore project of Ayatsil in ultra-deep GOM with peak capacity of 150 tb/d will start up in January 2015. Another project in GOM that has started to produce light oil is the Tsimin project. However, risks and uncertainties remain high, especially related to natural declines. On a quarterly basis, Mexico's production is expected to average 2.81 mb/d, 2.78 mb/d, 2.80 mb/d and 2.79 mb/d, respectively.

OECD Europe

OECD Europe's total oil supply is seen to average 3.57 mb/d in 2015, representing an increase of 0.20 mb/d compared to 2014. The reason behind this growth is increased production in Norway and ceasing declines in the UK. However, Denmark and other OECD Europe countries are expected to decline in 2015. On a quarterly basis, OECD Europe supply in 2015 is seen to average 3.68 mb/d, 3.53 mb/d, 3.42 mb/d and 3.64 mb/d, respectively.

Norway

Exploration on the Norwegian shelf continues at a strong pace, with thirteen new discoveries so far in 2014, seven in the North Sea, three in the Norwegian Sea and three in the Barents Sea. On a quarterly basis, Norway oil supply in 2015 is seen to average 1.94 mb/d, 1.85 mb/d, 1.79 mb/d and 1.92 mb/d, respectively.

UK

The **UK**'s oil supply is anticipated to average 0.89 mb/d in 2015, unchanged from 2014, representing stable production compared to the recent years of decline. New projects such as Clandhan, Fionn, the Franklin West, oil & condensate project of Greater Stella, Golden Eagle, Laggan-Tormore and Solan are expected to start up in 2015. However, the shutdown and heavy maintenance of oil facilities will heavily affect supply. On a quarterly basis, supply is expected to stand at 0.92 mb/d, 0.87 mb/d, 0.84 mb/d and 0.93 mb/d, respectively.

OECD Asia Pacific

OECD Asia Pacific's oil production is forecast to average 0.50 mb/d in 2015, remaining stagnant compared to 2014. Growth of 10 tb/d over 2012 is anticipated in Australia, and New Zealand's oil supply is also expected to remain unchanged from 2014. On a quarterly basis, OECD Asia Pacific's oil supply is seen to average 0.51 mb/d, 0.52 mb/d, 0.51 mb/d and 0.47 mb/d, respectively.

Australia's oil supply is expected to average 0.43 mb/d in 2015, an increase of 10 tb/d from the previous year. According to the oil projects scheduled in Australia, increased production of condensate and NGLs from North Rankin B & Gorgon and Kipper-Tuna-Turrum in addition to oil from the Balnaves offshore field is expected in 2015. Severe weather conditions could impact production in 1Q15. However, output is seen to gradually increase in the coming period supported by new volume. On a quarterly basis, Australia's oil supply is seen to average 0.43 mb/d, 0.45 mb/d, 0.44 mb/d and 0.41 mb/d, respectively.

Developing countries

DCs' total oil supply is projected to increase by 0.18 mb/d over 2014 to average 12.43 mb/d in 2015. The anticipated growth is driven mainly by supply from Latin America and the Middle East, while oil supply in Other Asia and Africa is expected to decline. On a quarterly basis, DCs' total oil production is seen to stand at 12.53 mb/d, 12.45 mb/d, 12.39 mb/d and 12.35 mb/d, respectively.

Other Asia

Other Asia's oil supply is estimated to decrease by 10 tb/d in 2015 to average 3.51 mb/d. Oil supply from **Asia others** and **Vietnam**, particularly from the offshore project of "Su Tu Nau", is expected to increase in 2015 by 40 tb/d and 10 tb/d, respectively, while supply from **Indonesia, India and Malaysia** is seen to decline by 20 tb/d, 10 tb/d and 20 tb/d to average 0.9 mb/d, 0.65 mb/d and 0.86 mb/d, respectively. However, the new biodiesel project with 5 tb/d as well as one small ethanol plant and an EOR project of Minas will come on stream in Indonesia. In 2015, the oil supply in **Brunei** and **Thailand** is expected to remain steady at 0.14 mb/d and 0.35 mb/d, respectively. Nevertheless, in Thailand, two small offshore projects of Manora and Nong Yao will start in late 2014 and 2015. On a quarterly basis, Other Asia's supply is expected to stand at 3.57 mb/d, 3.54 mb/d, 3.50 mb/d and 3.45 mb/d, respectively.

Latin America

Oil production from **Latin America** is anticipated to increase by 0.21 mb/d over 2014 to average 5.13 mb/d in 2015. Latin America's current expected growth level is the second highest among all non-OPEC after OECD Americas. On a quarterly basis, Latin American supply is seen to stand at 5.11 mb/d, 5.11 mb/d, 5.13 mb/d and 5.17 mb/d, respectively.

Argentina's supply is expected to grow by 10 tb/d to average 0.67 mb/d in 2015. The ongoing shale developments in the Vaca Muerta area are seen to support the output as reports indicate that production in 2015 is expected to average 7 tb/d. Two ethanol projects with 2 tb/d and a biodiesel plant with 7 tb/d are expected for 2015.On the other hand, the anti-dumping tax imposed on Argentinian biodiesel exports to Europe could impact supply.

Colombia's production is expected to decrease by 10 tb/d in 2015 to average 0.99 mb/d. However, the continued attacks on oil infrastructure pose a higher risk level. Two ethanol projects and biodiesel could produce a total of 3 tb/d in 2015.

Brazil's oil supply is projected to increase by 0.21 mb/d over 2014 to average 3.04 mb/d in 2015. Petrobras introduced only one project that may begin production in 2015, however it is expected that more oil will come from those projects which commenced production in 2014. Total platform capacity for 2014 and 2015 is 810 tb/d, at which point oil fields will gradually reach their peaks. On a quarterly basis, Brazil's production is expected to stand at 2.97 mb/d, 3.00 mb/d, 3.09 mb/d and 3.11 mb/d, respectively.

Middle East

Middle Eastern oil production is expected to increase by 30 tb/d over 2014 to average 1.35 mb/d in 2015. **Syria's** production is expected to remain stagnant at 20 tb/d in 2015, however, it depends on the political situation of this country from now on. In **Yemen,** the political conditions are an important factor for future oil production, hence it is assumed that the oil output will increase by 20 tb/d in 2015 to average 0.13 mb/d. **Oman's** oil production is also expected to increase by 10 tb/d through implementing EOR projects in their mature fields to reach an average of 0.98 mb/d in 2015. On a quarterly basis, Middle Eastern supply is forecast to average 1.36 mb/d, 1.35 mb/d, 1.34 mb/d and 1.33 mb/d, respectively.

Africa

Africa's oil supply is forecast to average 2.44 mb/d in 2015, a decline of 30 tb/d from 2014. **Chad's** oil production in 2015 is forecast to decline by 10 tb/d to average 0.13 mb/d. Both the Lake Chad Basin and the Doba Basin in southern Chad are the sources for oil production. Chad's petroleum production success depends on its ability to access international markets through the Chad-Cameroon pipeline project. 85% of the pipeline is located in Cameroon. As there are no new projects expected to come on stream in 2014 or 2015, production is forecast to decline.

The $10 billion Moho Nord Subsea project is located approximately 75 km off the coast of Pointe Noire in the **Republic of Congo**. It is the first deep water offshore project in Congo at water depths ranging between 650 m and 1,100 m. First oil production from the Moho Nord Subsea project is scheduled for 2015 with the total output expected to reach 140,000 boe/d by 2017. It is expected that Congo's oil production will increase by 10 tb/d to average 0.27 mb/d in 2015. Oil production in **Egypt**'s petroleum companies, with the cooperation of Japan's Toyota Tsusho and the Japan Drilling Company, by construction of a deep water drilling rig would allow them to own their production tools for developing projects in future. It is targeting to invest $58 mn in oil exploration and research in the South Valley Development, during the 2014/2015 fiscal year. The firm is planning to produce 31,500 b/d during that period from the South Valley oil fields. According to the high risk expected for implementation of the development projects in Egypt, the 2015 forecast indicates a 30 tb/d decline in production to average 0.66 mb/d in 2015.

Equatorial Guinea's oil supply is expected to decline by 10 tb/d to average 0.32 mb/d in 2015. In **Gabon**, oil production is expected to drop by 10 tb/d in 2015, to average 0.22 mb/d. Moreover, certain non-operated production in Gabon has not been booked in 1H14 due to ongoing license discussions, which are expected to be resolved in 2H14. Production guidance remains unchanged for the full year at 79,000-85,000 boe/d. In **South Africa,** oil production in 2014 stands steady at 0.19 mb/d, remaining unchanged from 2014.

South Sudan and **Sudan's** oil production is expected to decrease to 20 tb/d in 2015 to average 0.38 mb/d. South Sudan plans to borrow 3 billion South Sudanese pounds, about $1 billion at the official rate, from oil companies during the coming financial year to help cover repayments on domestic loans and previous oil advances, the government said in a budget document. The budget anticipates revenues of 11.553 billion pounds for the 2014/2015 fiscal year, which is starting in July. About three-quarters of that is due to come from oil earnings, according to the text of the finance minister's speech Dated 25 June. The document said projected revenue was based on oil output's rising to 260,000 b/d by the end of the year from 180,000 b/d at the start of 2014.

On a quarterly basis, Africa's supply is expected to average 2.48 mb/d, 2.44 mb/d, 2.42 mb/d and 2.40 mb/d, respectively.

FSU, Other regions

Total **FSU oil supply** is projected to average 13.37 mb/d in 2015, representing a decline of 60 tb/d from 2014. Based on the pushback of the Kashagan production startup in Kazakhstan, a severe decline in Azerbaijan's ACG project in the Caspian and undefined new projects in Russia, total FSU production is forecast to decline. In terms of volume, the FSU remains the region with the second-highest supply after OECD Americas. Liquids production in FSU others, Turkmenistan and Uzbekistan, is also expected to decline next year. On a quarterly basis, total supply from the FSU is expected to stand at 13.44 mb/d, 13.35 mb/d, 13.32 mb/d and 13.37 mb/d, respectively. Other Europe's supply is seen to remain steady in 2015 and average 0.14 mb/d. China's oil supply is forecast to increase by 50 tb/d over the previous year to average 4.32 mb/d in 2015.

Russia

Russia's oil supply is projected to average 10.56 mb/d in 2015, remaining unchanged over 2014. One of Russia's new oil production projects in 2015 is the onshore project of Novoportoskoye, which will start in 2015, reaching a capacity of 250 tb/d in 2020. Condensate production is also expected to grow as some gas projects may increase their production in 2015. Russian liquids production also maintained a healthy level in 2015, supported by NGLs, ethane and LPG production. On a quarterly basis, Russia's supply is forecast at 10.57 mb/d, 10.55 mb/d, 10.54 mb/d and 10.56 mb/d, respectively.

Caspian

Kazakhstan's oil supply is expected to decrease by 30 tb/d over 2014 to average 1.58 mb/d in 2015, representing the same decline in volume forecast for 2014. Kazakhstan's oil output is decreasing due to the postponement of Kashagan oil production until at least 2016. The only source for increasing liquids production may come from the NGL plant, Karachaganak phase III. On a quarterly basis, Kazakhstan's supply is seen to stand at 1.61 mb/d, 1.57 mb/d, 1.56 mb/d and 1.58 mb/d, respectively.

Azerbaijan's oil supply is anticipated to decrease by 10 tb/d in 2015 to average 0.86 mb/d. Although the operator of the Azeri–Chirag–Guneshli (ACG) field, which is aiming to stabilize the field's output at around 650 tb/d to 700 tb/d, the severe decline rate and heavy maintenances in Chirag will affect production. ACG production accounts for nearly 78% of Azerbaijan's oil output. On a quarterly basis, supply is estimated to average 0.88 mb/d, 0.85 mb/d, 0.84 mb/d and 0.86 mb/d, respectively.

China

China's oil production is forecast to average 4.32 mb/d in 2015, a new record high and an increase of 50 tb/d over 2014, which marks a continuation of this increasing trend that started in 2010. For 2015, this trend is expected to continue as companies expand their capacity, particularly in offshore developments as well as in several EOR projects. The production from the two biggest oil fields in China, Daqing and Changqing, will continue to increase production. On a quarterly basis, China's supply is projected to average 4.31 mb/d, 4.29 mb/d, 4.31 mb/d and 4.37 mb/d, respectively.

OPEC NGLs and non-conventional oils

OPEC NGLs and non-conventional oils are expected to grow by 0.15 mb/d in 2014 to average 5.81 mb/d. In 2015, they are projected to increase by 0.20 mb/d to average 6.01 mb/d. In 2014, growth is expected to come mainly from Algeria, Iran, Nigeria, Saudi Arabia and the UAE. Regarding the 2015 forecast, it is predicted that incremental production will come mainly from Iran, Saudi Arabia, Libya and Algeria.

OPEC NGLs and non-conventional oils are forecast to average 6.01 mb/d in 2015, an increase of 0.20 mb/d over the previous year. This increase is expected to come mainly from Iran, Saudi Arabia, Libya, Algeria and Qatar.

Table 5.3: OPEC NGLs + non-conventional oils, 2012-2015

	2012	2013	*Change* 13/12	1Q14	2Q14	3Q14	4Q14	2014	*Change* 14/13	2015	*Change* 15/14
Total OPEC	**5.57**	**5.66**	0.09	5.71	5.77	5.84	5.91	**5.81**	0.15	**6.01**	0.20

OPEC crude oil production

Total OPEC crude oil production averaged 29.70 mb/d in June, representing a decline of 79 tb/d compared with the previous month, according to secondary sources. OPEC crude oil production, excluding Iraq, averaged 26.54 mb/d, an increase of 90 tb/d over the same period. Iraq, led the crude oil output decrease, while crude oil production from Saudi Arabia and Nigeria experienced an increase in June.

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

	2012	2013	4Q13	1Q14	2Q14	Apr 14	May 14	Jun 14	*Jun/May*
Algeria	1,210	1,159	1,144	1,131	1,147	1,146	1,148	1,145	*-2.6*
Angola	1,738	1,738	1,719	1,599	1,648	1,642	1,647	1,655	*7.4*
Ecuador	499	516	530	537	539	536	540	542	*2.0*
Iran, I.R.	2,977	2,673	2,686	2,772	2,748	2,754	2,758	2,731	*-26.6*
Iraq	2,979	3,037	3,019	3,217	3,255	3,272	3,330	3,161	*-169.3*
Kuwait	2,793	2,822	2,821	2,797	2,782	2,807	2,780	2,758	*-22.4*
Libya	1,393	928	332	371	218	222	212	220	*8.8*
Nigeria	2,073	1,912	1,870	1,888	1,880	1,860	1,868	1,911	*42.8*
Qatar	753	732	731	733	726	726	726	726	*0.0*
Saudi Arabia	9,737	9,584	9,721	9,702	9,678	9,624	9,681	9,729	*47.8*
UAE	2,624	2,741	2,743	2,745	2,743	2,699	2,749	2,780	*30.2*
Venezuela	2,359	2,356	2,359	2,341	2,340	2,335	2,341	2,343	*2.5*
Total OPEC	**31,135**	**30,196**	**29,675**	**29,832**	**29,703**	**29,624**	**29,781**	**29,701**	***-79.3***
OPEC excl. Iraq	**28,155**	**27,159**	**26,657**	**26,614**	**26,448**	**26,352**	**26,450**	**26,540**	***90.0***

Totals may not add up due to independent rounding.

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

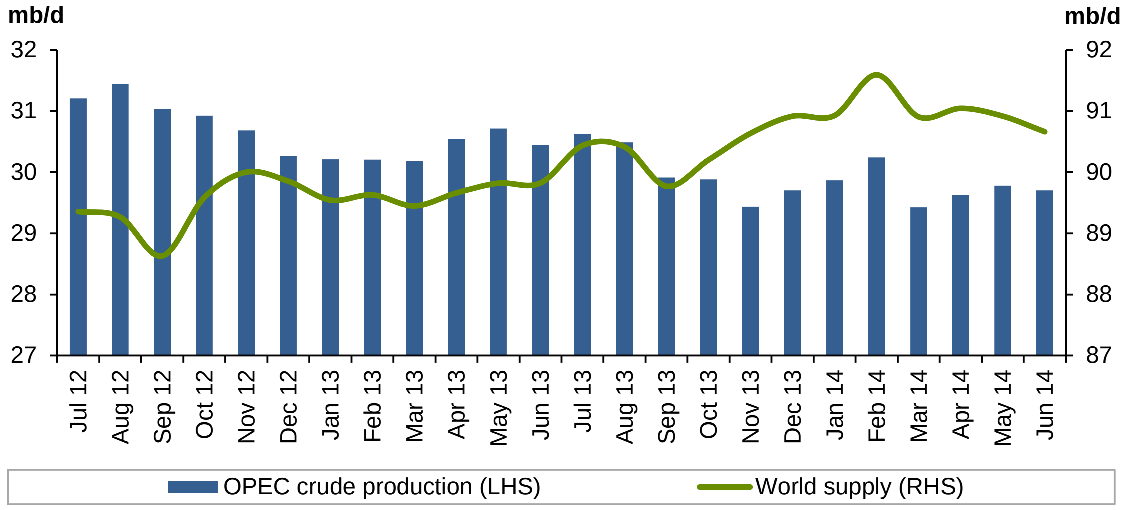
	2012	2013	4Q13	1Q14	2Q14	Apr 14	May 14	Jun 14	*Jun/May*
Algeria	1,203	1,203	1,208	1,202	1,190	1,190	1,190	1,190	*0.0*
Angola	1,704	1,701	1,625	1,553	1,616	1,599	1,605	1,645	*40.0*
Ecuador	504	526	544	553	557	560	554	555	*1.0*
Iran, I.R.	3,740	3,576	3,239	3,270	3,194	3,250	3,230	3,100	*-130.0*
Iraq	2,944	2,980	2,915	3,106	3,118	3,064	3,177	3,111	*-66.0*
Kuwait	2,977	2,922	2,912	2,898	2,885	2,927	2,927	2,800	*-127.2*
Libya	1,450	993	332	384	228	222	217	243	*25.9*
Nigeria	1,954	1,754	1,706	1,869	..	1,824	1,809	..	..
Qatar	734	724	725	725	710	701	701	729	*28.4*
Saudi Arabia	9,763	9,637	9,773	9,723	9,715	9,660	9,705	9,780	*75.0*
UAE	2,652	2,797	2,714	2,733	2,770	2,606	2,847	2,855	*8.6*
Venezuela	2,804	2,786	2,851	2,870	2,826	2,836	2,832	2,808	*-23.6*
Total OPEC	**32,429**	**31,599**	**30,543**	**30,886**	**..**	**30,440**	**30,794**	**..**	**..**
OPEC excl. Iraq	**29,485**	**28,619**	**27,628**	**27,781**	**..**	**27,376**	**27,617**	**..**	**..**

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

World oil supply

Preliminary figures indicate that global oil supply averaged 90.66 mb/d in June, down by 0.26 mb/d from the previous month. The decline was driven both by OPEC crude oil output and non-OPEC supply. OPEC crude is estimated to have a 32.8% share of global supply, unchanged from the previous month. The estimate is based on preliminary data from non-OPEC supply, while estimates for OPEC NGLs and OPEC production are derived from secondary sources.

Graph 5.10: OPEC and world oil supply

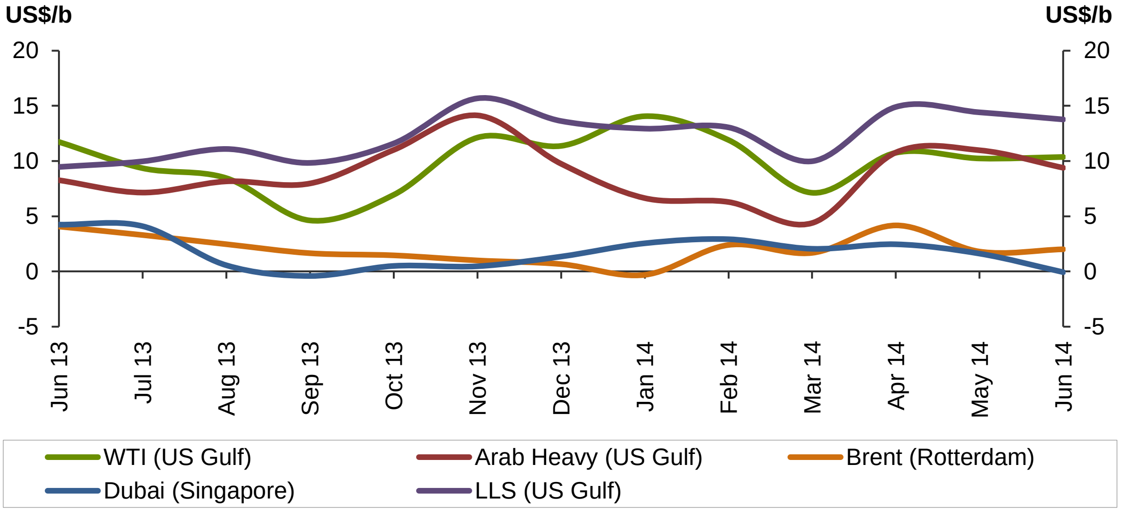


Product Markets and Refinery Operations

Product markets in the Atlantic Basin continued receiving support from strong US gasoline demand as some refinery outages boosted the gasoline crack spreads, which outweighed the heavy decline seen in the middle and bottom of the barrel, thus preventing the refinery margins from falling in the US and Europe.

The Asian market continued losing ground during June as weakening demand amid increasing supplies with refineries coming back from maintenance made refinery margins fall sharply due to the heavy losses seen in middle distillates and fuel oil crack spreads.

Graph 6.1: Refinery margins, 2013-2014



US product markets exhibited a mixed performance during June with losses seen throughout the middle and bottom of the barrel as lower demand and rising inventories exerted some pressure on crack spreads. Meanwhile, the top of the barrel strengthened as the driving season supported product markets with strong gasoline demand, allowing margins to rise slightly. The refinery margin for WTI crude on the USGC showed a slight gain of 20¢ to average $10.4/b in June. Meanwhile, the margin for Light Louisiana Sweet (LLS) crude on the USGC averaged $13.8/b, exhibiting a slight loss of 60¢.

European refining margins recovered slightly in June as the improvement seen in gasoline, which has been supported by the arbitrage to the US, outweighed the decline witnessed at the middle of the barrel where the crack spread weakened by increasing inflows to the region amid weaker regional demand, keeping pressure on the market. The refinery margin for Brent crude in Northwest Europe showed a slight gain of 20¢ to average $2.0/b in June.

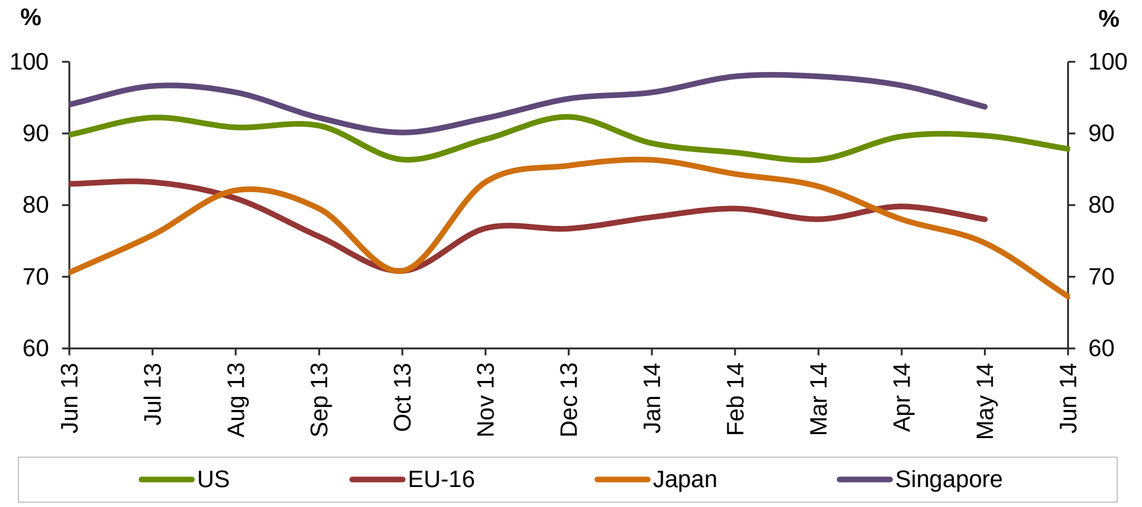
Asian refining margins trended down over the past month, witnessing a sharp drop with all products losing ground except gasoline, which remained stable on the back of strong demand. Meanwhile, the middle of the barrel exhibited a negative performance as the gasoil crack was pressured by increasing inventories caused by weaker demand amid increasing supplies as several refineries returned from maintenance. Refinery margins in Singapore lost almost $1.70 to average minus 7¢/b in June.

Refinery operations

Refinery utilization rates in the **US** fell during June, mainly due to lower crude intake seen in PADD-3 and PADD-5. The decline was partly due to a series of outages at the beginning of the month, but was also the result of increased pressure on gasoil export markets amid increasing inventories.

US refinery utilization averaged 87.2% in June, a reduction of 1.7 percentage points (pp) versus the previous month.

Graph 6.2: Refinery utilisation rates, 2013-2014



European refinery runs averaged around 78% in May, corresponding to a throughput of 9.6 mb/d of refining capacity, 120 tb/d lower than the previous month despite several refineries having returned from maintenance. Refinery runs remained at around 360 tb/d, lower than levels of a year ago as European refiners continued to feel pressure from increased competition and weak domestic demand.

Poor refining margins in the region have been weighing on European refiners, causing some adjustments in crude runs.

In **Asia**, heavy maintenance has been moderating refinery runs in several countries, however, with some refineries being back from maintenance, there is a potential uptick in crude intake, although this could be limited by decelerating demand growth in the region.

Chinese refinery levels averaged 9.5 mb/d in May, about 100 tb/d lower than in April. Refinery runs in Singapore for May averaged around 94%, which is 3 pp lower than the previous month. Japanese throughputs averaged 67% of capacity in June, 7 pp lower than in May, with several refineries in maintenance and concerns about a possible shutdown of Japan’s refinery capacity as part of the new regulations on conversion levels in the nation’s refinery sector.

US market

US gasoline demand stood at around 9.0 mb/d in June, around 230 tb/d lower than the previous month and broadly unchanged from the same month a year earlier.

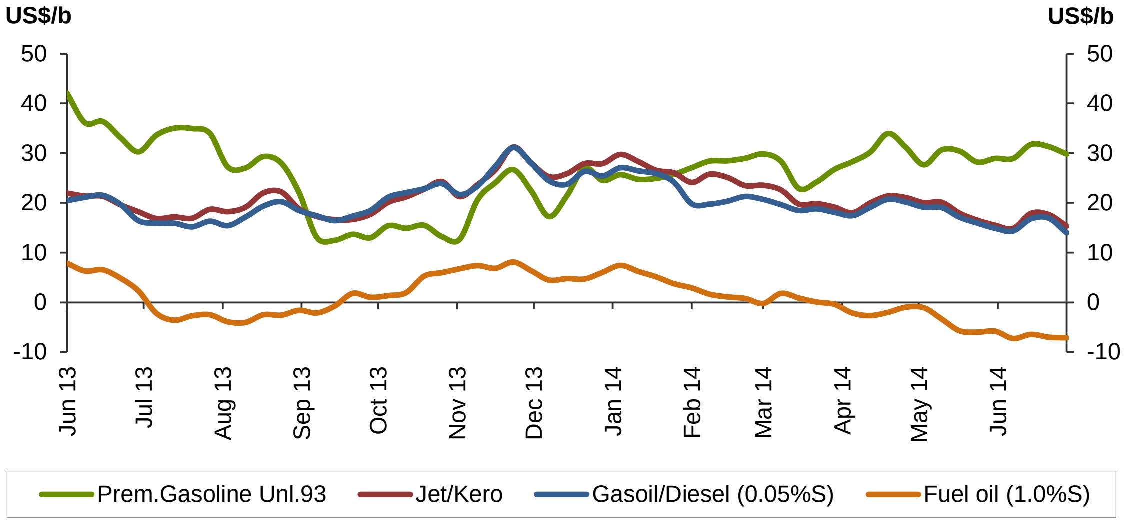
The gasoline crack recovered the ground lost last month in the US on the back of strong domestic demand, which offset the continued increase in inventories to reach the typical average level for the season. Total gasoline stocks increased some 2 mb during June, however they still remain lower than last year's level as inventories have stopped rising during the last weeks due to refinery outages in California and the Midcontinent.

Since the beginning of June, USGC gasoline prices have climbed steadily, mainly RBOB in Houston, while prices in other PADDs have increased less rapidly amid some pressure from the East Coast.

Another supporting factor has been the strength of Nymex RBOB futures as money managers increased long positions at the end of June, resulting in the RBOB price breaching $3/gal, the highest level since the end of April.

The gasoline crack spread saw an increase of around $1 to average $30/b in June.

Graph 6.3: US Gulf crack spread vs. WTI, 2013-2014



Middle distillate demand stood at around 3.8 mb/d in June, about 300 tb/d lower than the previous month and close to 110 tb/d above the same month a year earlier.

The middle distillate market remained under pressure this month, with distillate inventories continuing to build amid weaker domestic demand, causing a sharp drop in gasoil crack spreads. Distillate inventories increased across the US, mainly in PADD-3, despite lower crude intake, as the increase in US gasoil yields seen during this year have contributed to the continued rising trend in inventories during the last weeks. In addition, there has been some softness in exports over the last weeks due to weakening demand in Mexico and South America.

The USGC gasoil crack lost more than $2 versus the previous month's level to average around $15.7/b in June.

Looking ahead, the diesel market could remain under pressure, and the upside should be limited by increasing competition in the European market.

At the **bottom of the barrel**, the fuel oil crack continued weakening as higher inventories exerted pressure amid reduced demand from the shipping sector and power generation. Additional pressure came from rebounding imports, which caused stocks to remain on the rise amid expectations of increasing inflows, causing a sharp decline in LSFO prices in the US.

The fuel oil crack in the USGC saw a loss of almost $3 to average minus $6.6/b during June.

European market

Product markets in Europe saw a mixed performance last month due to crack spreads being pressured by weakness at the middle and bottom of the barrel, while strengthening in gasoline prevented refinery margins from falling further.

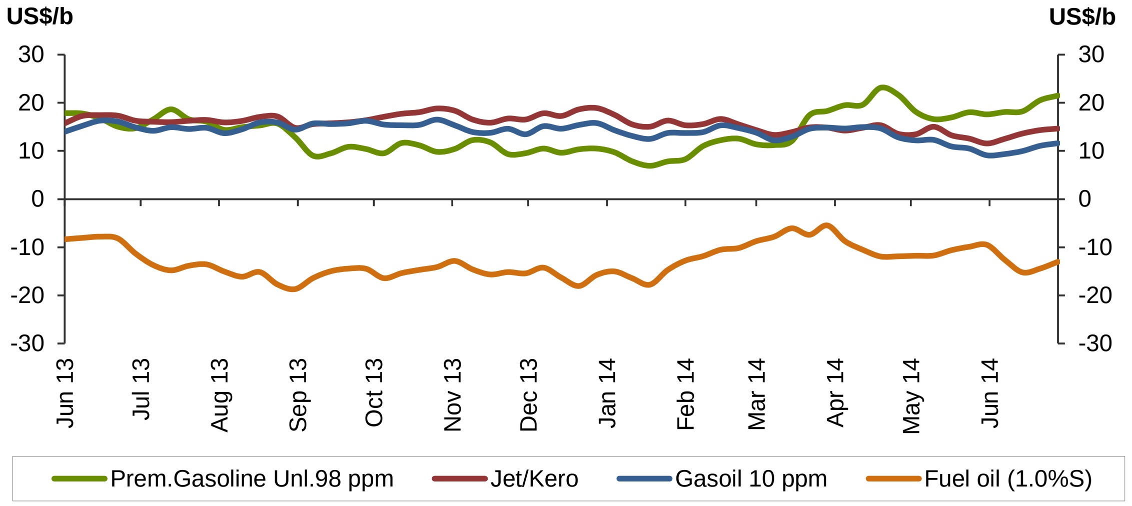
The **gasoline** crack recovered part of the ground lost in May after getting some support coming from volumes headed to West Africa, with steady demand from Nigeria.

Meanwhile, domestic demand has shown some signs of recovery, mainly with French gasoline demand remaining on the rise during this year and Italy showing a slight monthly rebound. Despite this recovery, demand in the region remains below levels of a year ago.

Poor refining margins in the region have caused some adjustments in crude runs, which may have reduced gasoline supplies somewhat. This, along with some refinery outages, has contributed to a reduction in ARA gasoline inventories, thus giving support to the market. Another positive factor has been the expectation that arbitrage to the US, with the driving season underway, will boost market sentiment. The gasoline crack spread against Brent saw a recovery of $1 to average $18.6/b in June.

The light distillate naphtha crack remained weak as arbitrage to Asia remains restricted as the naphtha/LPG spread still remains sufficiently wide to encourage LPG use in the petrochemical sector.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2013-2014



Middle distillate cracks continued weakening during June due to pressure coming from the supply side amid lacklustre demand in the region.

The ULSD crack in Northwest Europe continued losing ground during June to hit its lowest level in more than a year as the European market continued to feel pressure from high inflows to the region.

The supply overhang stemming from higher trade flows into Europe, mainly the diesel inflows from the US and Russia, has outweighed demand, thus keeping the European market under pressure.
The gasoil crack spread against Brent crude at Rotterdam fell around $2 versus the previous month's level to average $10/b in June.

Looking ahead, with the end of the spring season, and increasing capacity worldwide, any potential recovery for the gasoil market will likely depend on European refiners accepting to keep runs in check in the coming months.

At the **bottom of the barrel**, fuel oil cracks continued weakening over the reporting month due to subdued regional demand and a lack of arbitrage to Asia amid higher supplies.

The LSFO weakened as increasing volumes from America, mainly from Brazil, and some expectations of increasing inflows from North Africa in the coming weeks fuelled bearish market sentiment.

The Northwest European fuel oil crack lost almost $2 versus the previous month's level to average minus $13/b in June.

Asian market

The Asian market continued losing ground in June. Weakening demand amid increasing supplies with several refineries coming back from maintenance caused refinery margins to fall sharply due to heavy losses seen in the middle distillate and fuel oil crack spreads.

The Singapore **gasoline crack** posted a marginal uptick, supported by positive demand developments both in the Atlantic Basin and within the region.

On the demand side, Southeast Asian demand strengthened with Indonesian gasoline imports reportedly on the upside.

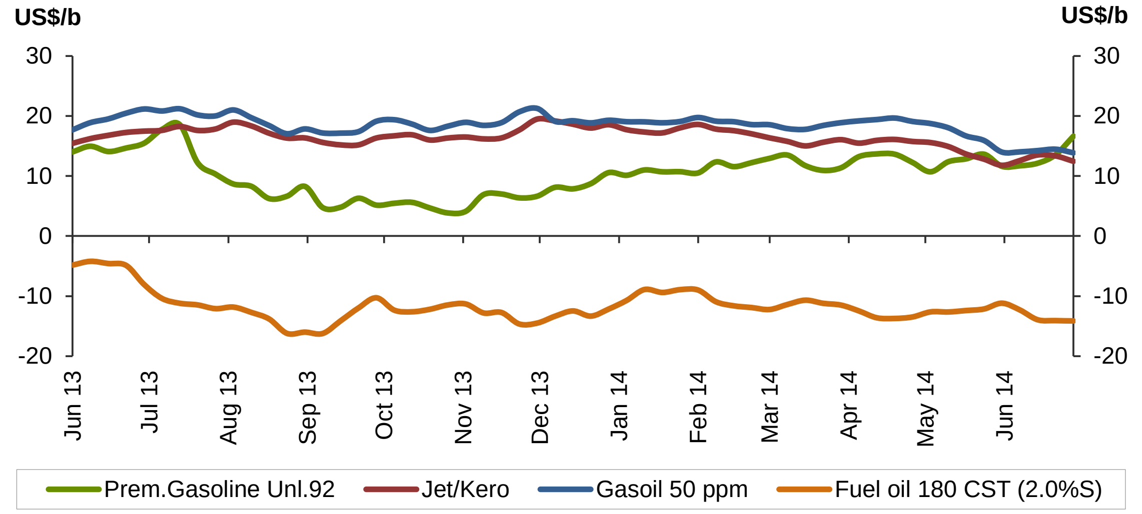
In addition, some support came from Japan, where heavy refinery maintenance has kept gasoline exports on the low side. The gasoline crack spread against Dubai crude in Singapore rose a slight 20¢ to average $12.4/b in June.

The potential uptick was limited by the bearish sentiment coming with several large exporting refineries returning from maintenance, which could start to exert supply pressure.

The Singapore **naphtha crack** declined during June despite firm demand.

Import requirements from Vietnam and South Korea were not sufficient to support the naphtha crack due to the deterioration of naphtha fundamentals on the back of expectations of higher supplies with Indian refineries back from maintenance amid the expected commercial start-up of condensate splitter units in the coming weeks.

Graph 6.5: Singapore crack spread vs. Dubai, 2013-2014



At the **middle of the barrel**, cracks continued their weakening trend, which started at the beginning of May, and the Singapore gasoil crack spread fell, losing more than $3 over the month.

The supply side was exerting pressure on the back of higher Indian exports following the country's maintenance season and due to lower domestic consumption as the monsoon season started. The marginal demand support that stemmed from some countries like Australia, Sri Lanka, Taiwan and Vietnam was unable to compensate for lacklustre demand from Asia's larger consumer countries such as India and China. In Indonesia, the higher biodiesel mandate was raised to 10% for retail users and 20% for industrial purposes, from 3-10% last year, thus impacting the middle distillate demand in the country.

The gasoil crack spread in Singapore against Dubai lost more than $3 to average around $14/b in June.

The **fuel oil crack** lost the ground gained last month in Singapore on the back of bearish sentiment fuelled by Singapore maritime fuel oil sales dropping as Chinese imports of fuel oil at Shandong teapot refiners came under pressure from competing feedstock imports from South America. On the other hand, arbitrage inflows from the West are expected to remain elevated at around 4 million tonnes in July.

The fuel oil crack spread in Singapore against Dubai lost 40¢ to average minus $12.90/b in June.

Table 6.2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	Apr 14	**May 14**	**Jun 14**	***Change* Jun/May**	**Apr 14**	**May 14**	**Jun 14**	***Change* Jun/May**
US	15.72	15.89	15.54	-0.35	89.58	89.68	87.83	-1.85
France	1.07	0.99	-	-	71.00	65.57	-	-
Germany	1.87	1.85	-	-	83.39	82.28	-	-
Italy	1.14	1.15	-	-	54.07	54.54	-	-
UK	1.19	1.11	-	-	78.20	72.62	-	-
Euro-16	9.75	9.64	-	-	79.80	78.00	-	-
Japan	3.35	2.95	2.66	-0.29	78.00	74.70	67.23	-7.47

Sources: OPEC statistics, Argus, Euroilstock inventory report, IEA, EIA/DoE, METI and PAJ.

Table 6.1: Refined product prices, US$/b

		Apr 14	May 14	Jun 14	Change Jun/May
US Gulf (Cargoes FOB):					
Naphtha		111.71	112.47	115.72	3.25
Premium gasoline	*(unleaded 93)*	132.43	131.25	135.44	4.19
Regular gasoline	*(unleaded 87)*	122.76	120.77	125.95	5.18
Jet/Kerosene		121.83	120.93	121.66	0.73
Gasoil	*(0.2% S)*	121.12	120.09	120.89	0.80
Fuel oil	*(1.0% S)*	101.56	98.40	99.26	0.86
Fuel oil	*(3.0% S)*	90.74	91.77	93.10	1.33
Rotterdam (Barges FoB):					
Naphtha		102.40	103.76	105.38	1.62
Premium gasoline	*(unleaded 98)*	128.03	127.36	130.41	3.05
Jet/Kerosene		122.24	123.29	124.73	1.44
Gasoil/Diesel	*(10 ppm)*	122.13	121.29	121.59	0.30
Fuel oil	*(1.0% S)*	98.07	98.66	98.71	0.05
Fuel oil	*(3.5% S)*	91.32	91.19	93.20	2.01
Mediterranean (Cargoes FOB):					
Naphtha		100.23	101.83	103.30	1.47
Premium gasoline*		122.87	121.92	126.37	4.44
Jet/Kerosene		119.82	120.61	121.52	0.91
Gasoil/Diesel*		122.04	122.22	122.79	0.56
Fuel oil	*(1.0% S)*	98.72	99.73	100.17	0.44
Fuel oil	*(3.5% S)*	90.17	91.55	92.20	0.65
Singapore (Cargoes FOB):					
Naphtha		103.99	105.31	106.17	0.86
Premium gasoline	*(unleaded 95)*	121.39	121.43	123.74	2.31
Regular gasoline	*(unleaded 92)*	117.64	117.96	120.46	2.50
Jet/Kerosene		120.56	119.88	120.80	0.92
Gasoil/Diesel	*(50 ppm)*	123.96	123.01	122.18	-0.83
Fuel oil	*(180 cst 2.0% S)*	93.81	95.08	97.24	2.16
Fuel oil	*(380 cst 3.5% S)*	91.76	92.86	95.13	2.27

** Cost, insurance and freight (CIF).*
Sources: Platts and Argus Media.

Tanker Market

The tanker market for crude oil and petroleum products showed a differing performance for different tanker segments in June. In the dirty market, spot freight rates for VLCCs experienced an increase on all reported routes. Compared to the previous month, the increase in VLCC freight rates resulted mainly from higher activity versus lower tonnage availability in West Africa and the Middle East to both eastbound and westbound destinations. On average, VLCC freight rates increased by 8% in June from the previous month. Suezmax freight rates saw higher gains by 17% in June from a month ago, as the tonnage list proved tight for some dates, mainly on the back of the active West African market. On the contrary, Aframax spot freight rates showed a decline of 1% in June from the last month. Although this slight decline resulted from a mixed pattern seen on different routes, Aframax freight rates did not encounter significant changes during the month as rates were reported flat, often despite port delays and increased lighterage activity, leading to higher tonnage demand. At the same time, clean tanker spot freight rates did not experience volatility in June as they were reported flat due to little movement in the market. On average, East of Suez spot freight rates were stable from last month, while West of Suez increased by 4%.

Spot fixtures

In June, estimated OPEC spot fixtures increased by 4% compared with the previous month to average 12 mb/d. Global spot fixtures increased by 3% in June compared with the previous month to average 17.28 mb/d. Those gains in fixtures came as mainly OPEC fixtures increased by 0.48 mb/d from last month. The increase was driven by higher fixtures from outside the Middle East but was offset by lower chartering activity in the Middle East to both eastern and western destinations.

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

	Apr 14	May 14	Jun 14	*Change* Jun 14/May 14
Spot Chartering				
All areas	18.09	16.75	17.28	0.52
OPEC	12.53	11.52	12.00	0.48
Middle East/East	6.11	5.55	5.42	-0.13
Middle East/West	2.70	2.51	2.36	-0.15
Outside Middle East	3.72	3.46	4.21	0.75
Sailings				
OPEC	23.88	23.46	23.31	-0.16
Middle East	17.53	17.12	16.99	-0.14
Arrivals				
North America	9.51	9.29	9.40	0.11
Europe	12.25	12.56	12.61	0.05
Far East	8.86	8.64	8.66	0.02
West Asia	4.27	4.35	4.39	0.04

Sources: Oil Movements and Lloyd's Marine Intelligence Unit.

Sailings and arrivals

OPEC sailing dropped by 0.16 mb/d in June from last month to stand at 23.31 mb/d. The drop came as sailings from the Middle East dropped by 0.14 mb/d. On the other hand, arrivals showed an increase in June at all ports. North America, Europe the Far East and West Asia's arrivals registered gains by percentages ranging between 0.3% and 1.1% compared with last month to stand at 9.4 mb/d, 12.61 mb/d, 8.66 mb/d and 4.39 mb/d, respectively.

Spot freight rates

VLCC

The **VLCC** segment of the market showed improved sentiment for freight rates registered on all reported routes in June. However, VLCCs experienced a very slow start at the beginning of the month as only very few new requirements were received as charterers kept holding back their inquiries to maintain freight rates at low levels. These low freight rates for both eastbound and westbound destinations kept daily earnings depressed whereby ship owners were barely able to cover operational costs and VLCC freight rates at the beginning of June reached their lowest levels since the start of 2014. Market activity at the beginning of the month was affected by shipping events in Greece, while the second week of June saw increased activity, resulting in enhanced freight rates for VLCCs due to higher loadings from West Africa and the North Sea. Tanker owners showed a resistance to low offers to protect their gains from falling back as the number of offers given for each inquiry was lower than at the beginning of June. West Africa fixtures were maintained at a healthy level as July requirements were sought in the market and rates adjusted up relatively, yet gains remained marginal. Activity in the Atlantic was healthy, while freight rates in West Africa-to-East increased as a result of strong activity combined with a shortening tonnage list. In comparison with the previous month, Middle East-to-East spot freight rates increased by 10% to stand at WS40 points, West Africa-to-East increased by 9% to stand at WS42 points and Middle East-to-West gained a slight 4% to stand at WS27 points. However, on average, for all selected routes, VLCC spot freight rates saw a marginal increase of WS2 points from the month before.

Graph 7.1: Monthly averages of crude oil spot freight rates

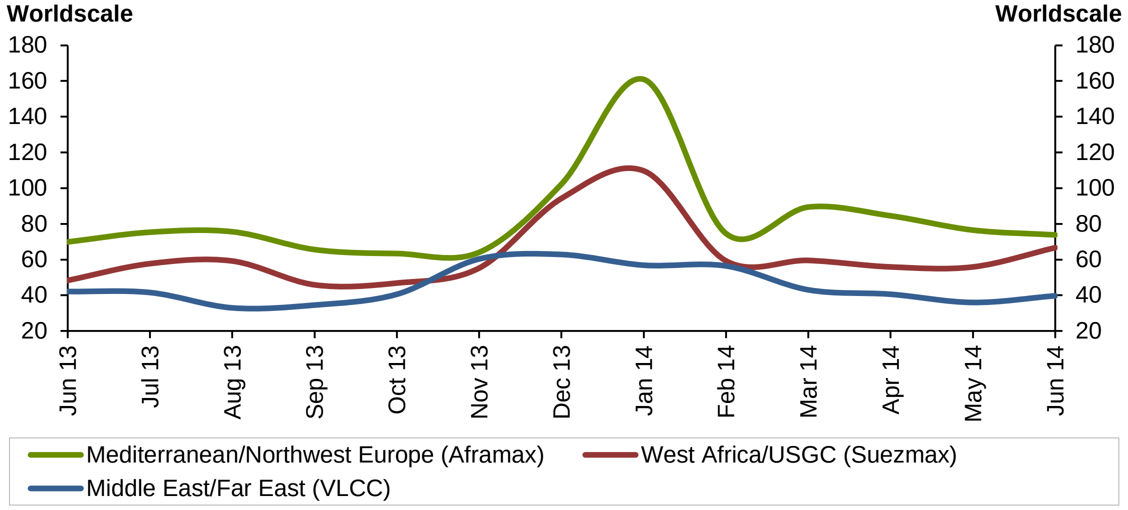


Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	Apr 14	May 14	Jun 14	*Change* Jun/May
Crude					
Middle East/East	230-280	41	36	40	4
Middle East/West	270-285	30	26	27	1
West Africa/East	260	42	39	42	3
West Africa/US Gulf Coast	130-135	56	56	67	11
Northwest Europe/US Gulf Coast	130-135	51	52	59	8
Indonesia/East	80-85	87	89	96	7
Caribbean/US East Coast	80-85	101	116	107	-9
Mediterranean/Mediterranean	80-85	93	82	82	0
Mediterranean/Northwest Europe	80-85	85	77	74	-3

Sources: Galbraith's tanker market report and Platts.

Suezmax

In June, **Suezmax** spot freight rates increased by 17% on average from the previous month while showing a sizeable gain of 33% from the same month a year ago. This increase in rates mainly resulted from higher freight rates registered for tankers trading on the West Africa-to-US Gulf Coast (USGC) route, which went up by 19% from the previous month to average WS67 points. The Suezmax market in West Africa was quiet with freight rates remaining flat at the beginning of the month as firm inquiries were limited and rates softened further before increasing ahead of the flow of July's requirement in which the availability of tonnage appears to be considerably lower. Fixtures to western destinations were also higher as the number of offers received for each inquiry decreased, suggesting tightness in vessel availability on some days. Freight rates for tankers trading on Northwest Europe-to-USGC were up by 15% in June from last month to average WS59 points. In the Middle East, the Suezmax market firmed as the tonnage list thinned towards the end of the month in combination with the firming VLCC market in West Africa. The Suezmax market in the Mediterranean and Caribbean experienced several ups and downs during June as the level of activity in the market varied during the course of the month, affecting tonnage demand and freight rates.

Aframax

Aframax spot freight rates on most selected routes showed a drop from a month ago, the only exception being freight rates registered on tankers operating on the Indonesia-to-East route as it showed an increase of 8% to average WS96 points. The Aframax market lacked activity in several regions while vessels were in surplus, leading to an increased number of offers versus limited firm inquiries. This scenario was repeated in the North Sea, the Baltics, the Mediterranean and the Black Sea. Mediterranean-to-Mediterranean Aframax spot freight rates stood almost at the same level as last month, while Mediterranean-to-Northwest Europe freight rates declined by 4% in June. Rates in the Mediterranean did not show great changes despite port delays as even prompt replacements were secured at market levels with no premiums. Aframax spot freight rates in the North Sea and the Baltics did encounter gradual freight rate gains towards the end of June as requirements were secured and tonnage availability thinned. Rates in the Caribbean held stable at the beginning of the month before encountering an upward correction in freight rates on the back of increased lighterage activity, however those increases were short-lived as freight rates did drop afterwards due to low tonnage demand. Caribbean-to-US rates declined 7% in June from the previous month to average WS107 points.

Clean spot freight rates

In the **clean** tanker market, spot freight rates showed diverging trends. In the East of Suez, clean freight rates were mostly soft during the month, while medium-range tankers trading on the Singapore-to-Japan route had an adequate level of activity, however that was not reflected in any WS point increase as rates remained stable. Therefore, Singapore-to-East spot freight rates stood as seen in the previous month at WS111 points in June. Meanwhile, Middle East-to-East clean freight rates dropped slightly by WS1 point to average WS110 points. In the West of Suez, spot freight rates were better than in the East. Freight rates for cross-Mediterranean voyages increased on the back of busier markets. Therefore, clean spot freight rates in Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe increased by 7% for each to stand at WS124 and WS134 points, respectively. On the other hand, freight rates for tankers operating on Northwest Europe-to-US experienced a drop of 5% to average WS99 points in June as a result of low product shipments to the US.

Graph 7.2: Monthly average of clean spot freight rates

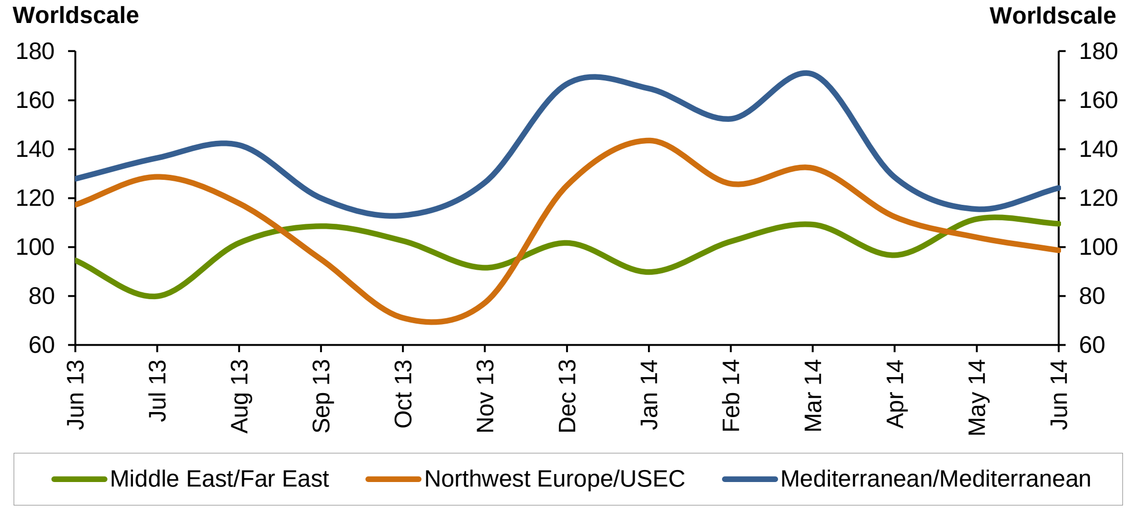


Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	**Apr 14**	**May 14**	**Jun 14**	***Change* Jun/May**
Products					
Middle East/East	30-35	97	111	110	-2
Singapore/East	30-35	114	111	111	0
Northwest Europe/US East Coast	33-37	112	104	99	-5
Mediterranean/Mediterranean	30-35	129	116	124	9
Mediterranean/Northwest Europe	30-35	139	126	134	9

Sources: Galbraith's tanker market report and Platts.

Oil Trade

Preliminary data for June shows that US crude oil imports increased by 135 tb/d from the previous month to average 7.2 mb/d. Compared to last year, US crude imports witnessed a decline of 480 tb/d or 6%, but on a year-to-date basis they were 319 tb/d higher.

All Asia's main importers saw a decline in their May imports as refinery maintenance took place. Japan's May crude oil imports dropped by 262 tb/d or 7% to average 3.3 mb/d, the lowest level since October 2013. This drop can be attributed mainly to the refinery maintenance season in the East. Crude imports y-o-y declined too in May, by 111 tb/d or 3%.

China's crude oil imports in May dropped by 643 tb/d or 9% to average 6.2 mb/d. At the same time, China reported low refinery runs in May. On an annual basis, China's crude imports were 504 tb/d higher, 9% more than for the same period last year.

In May, India's crude imports dropped by 493 tb/d or 12% from the previous month to average 3.5 mb/d. Annually, crude imports dropped by 522 tb/d, 13% lower than one year ago.

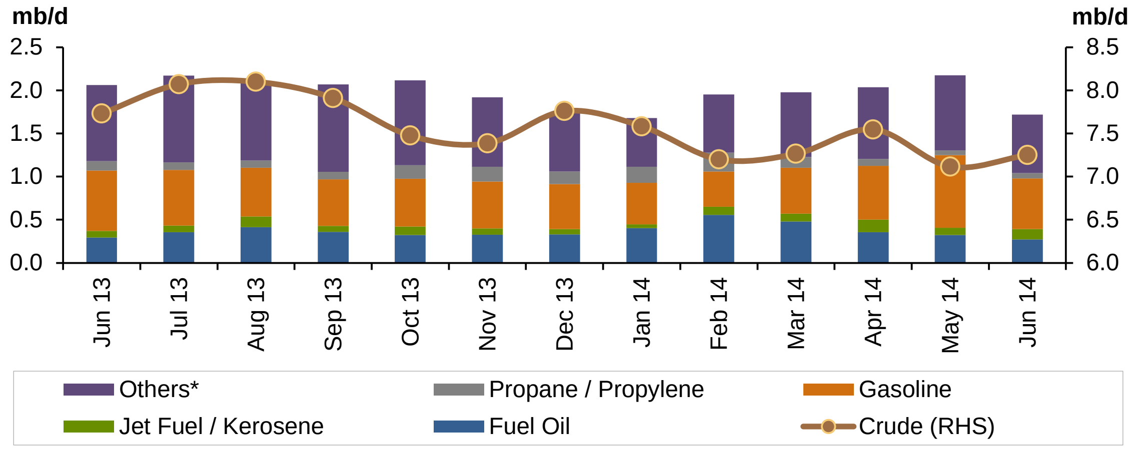
US

In June, preliminary data shows that US crude oil imports increased to average 7.2 mb/d, up 135 tb/d from last month, although down by 480 tb/d or 6% from last year. Y-t-d, crude imports were 319 tb/d higher from the same period a year ago.

US monthly product imports dropped by 393 tb/d or 18% to average 1.8 mb/d, the lowest level seen since January 2014. On a y-o-y comparison they dropped by 278 tb/d or 14%, and on a year-to-date basis they fell by 9%.

Product exports in June averaged 3 mb/d, 54 tb/d higher than a month ago. On an annual comparison, the figure reflects a drop of 332 tb/d or 10%. As a result, **US total net imports declined in June to average 5.7 mb/d, 6% lower than the previous month and 7% less than last year's level.**

Graph 8.1: US imports of crude and petroleum products



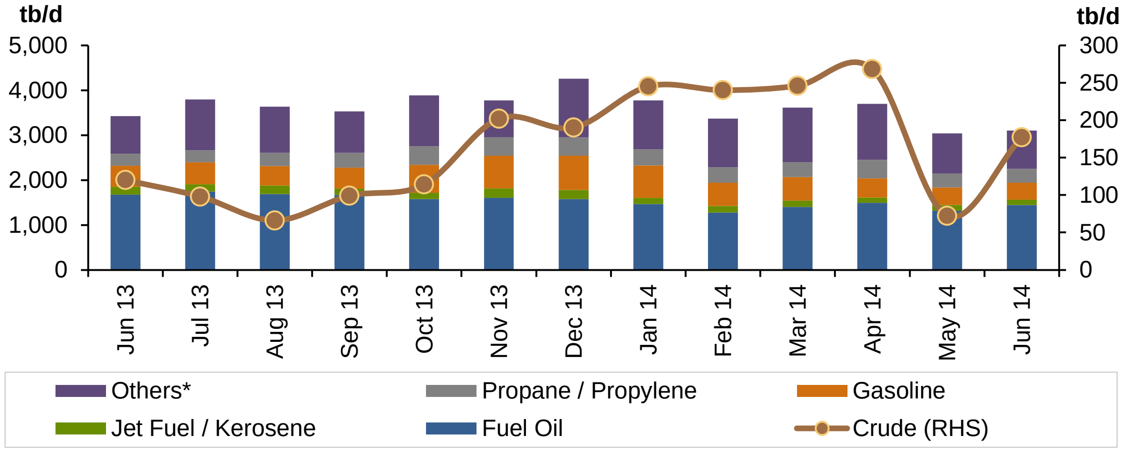
**Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.*

In April, the top two suppliers to the US retained the same order as last month. Canada remained the largest crude supplier to the US, accounting for 37% of total US crude imports, an increase of 60 tb/d from a month earlier. Saudi Arabia, the second largest supplier to the US, saw increased April volumes from the previous month with a rise of 154 tb/d or 11%. Venezuela was the third largest supplier in April, accounting for 10% of total US crude imports. This was up by 57 tb/d or 10% from last month's level.

April crude imports to the US from OPEC Member Countries were higher by 281 tb/d or 9% than in the previous month,. They accounted for 46% of total US crude imports. However, US product imports from OPEC Member Countries were 41 tb/d or 16% lower than March, although annually the figure reflects a slight gain of 7 tb/d.

In terms of the share of product imports to the US, Canada and Russia maintained their position as the top two suppliers accounting for 20% each. However, both countries exported less petroleum products to the US in April from the previous month, partially due to ongoing refinery maintenance. Canada's and Russia's product exports to the US were lower by 38% and 16%, respectively. The UK was the third largest product supplier to the US, with exported volumes higher by 55 tb/d or 47% from the previous month.

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.*

From the perspective of US crude imports by region, in April 2014 imports from North America averaged 2.8 mb/d, exceeding imports from the Middle East, which stood at 2.2 mb/d. Latin America was the third largest, with an average of 2.1 mb/d. Imports from both North America and the Middle East were significantly higher than in the same month a year earlier.

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

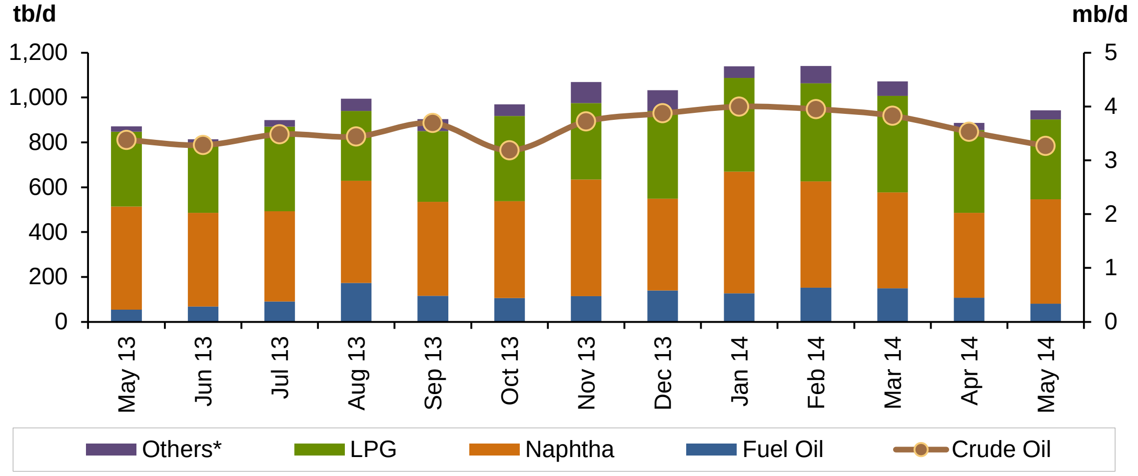
	Apr 14	May 14	Jun 14	Change Jun/May
Crude oil	7,279	7,043	7,073	30
Total products	-1,661	-864	-1,382	-517
Total crude and products	**5,618**	**6,179**	**5,691**	**-488**

For crude imports by Petroleum Administration for Defense Districts (PADDs), in PADD-1, the highest crude imports to the US East Coast were sourced from North America and Africa, which stood at 271 tb/d and 204 tb/d, respectively. Crude imports from both regions were higher in April than the previous month by 10% and 56%, respectively. Imports to PADD-2 were only sourced from the Middle East and North America, which stood at 44 tb/d and 1,831 tb/d, respectively, 12 tb/d higher for each from the previous month. PADD-3 mainly sourced its imports from Latin America and the Middle East. However, while Latin America's exports to PADD-3 were down 2% from last month, imports from the Middle East were higher by 17%. Imports from both regions stood at 1.8 mb/d and 1.6 mb/d, respectively, from a month ago. PADD-4 covered their requirements solely from North America, averaging 232 tb/d in April. PADD-5, imported less crude from the Middle East in April to average 470 tb/d, down by 130 tb/d or 22% from the previous month. On a contrary trend, imports from Latin America increased to average 284 tb/d. No imports were registered from the FSU for the second month in a row.

Japan

Japan crude oil imports in May dropped by 262 tb/d or 7% to average 3.3 mb/d. This is the lowest level of crude imports for Japan since October 2013. This fall came mainly on the back of the refinery maintenance season in the East. On a y-o-y comparison, crude imports also declined in May, by 111 tb/d or 3%.

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



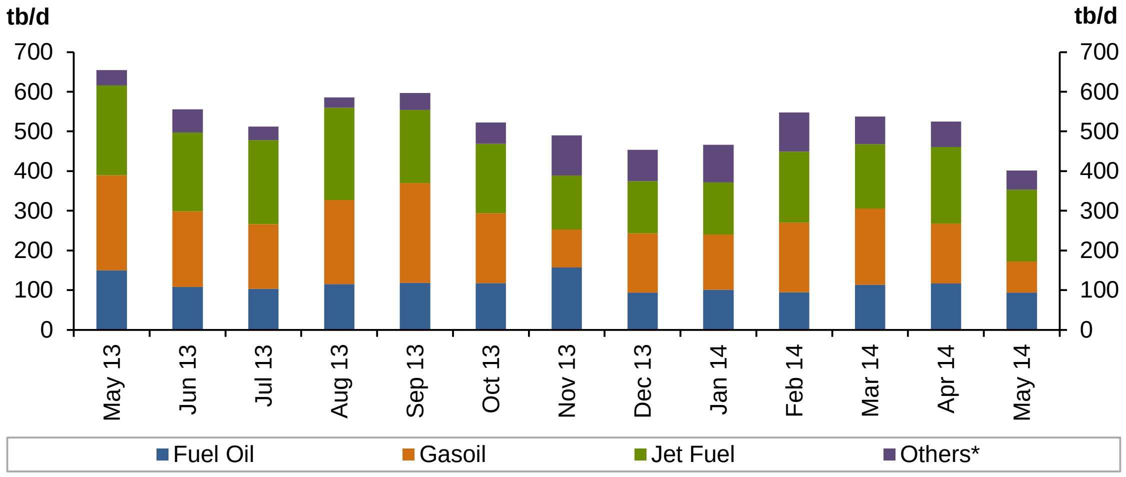
Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.

As for the supplier's share, Saudi Arabia, the UAE and Qatar were the top suppliers to Japan in May. Saudi Arabia, as in the previous month, was the top crude supplier, with a 33% share of Japan's total crude imports. The UAE was second, with a share of 23%, while Qatar held third position with a share of 11%. However, all three countries saw a reduction in volumes exported to Japan from the previous month by 5%, 14% and 17%, respectively.

On the other hand, product imports, excluding LPG, increased by 69 tb/d in May to average 0.58 mb/d. This reflects a gain of 13% m-o-m and 9% y-o-y. With the exception of April, product imports in May are the lowest since September 2013.

Domestic product sales were lower by 4.4% from the previous year, averaging 2.8 mb/d in May.

Graph 8.4: Japan's exports of petroleum products



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

In terms of product exports, Japan's May exports dropped by 123 tb/d or 23% to average 402 tb/d. Y-o-y product exports declined by 253 tb/d or 39%. Accordingly, **Japan's net imports dropped y-o-y in May by 435 tb/d to average 3.4 mb/d. This reflects a monthly drop of 71 tb/d.**

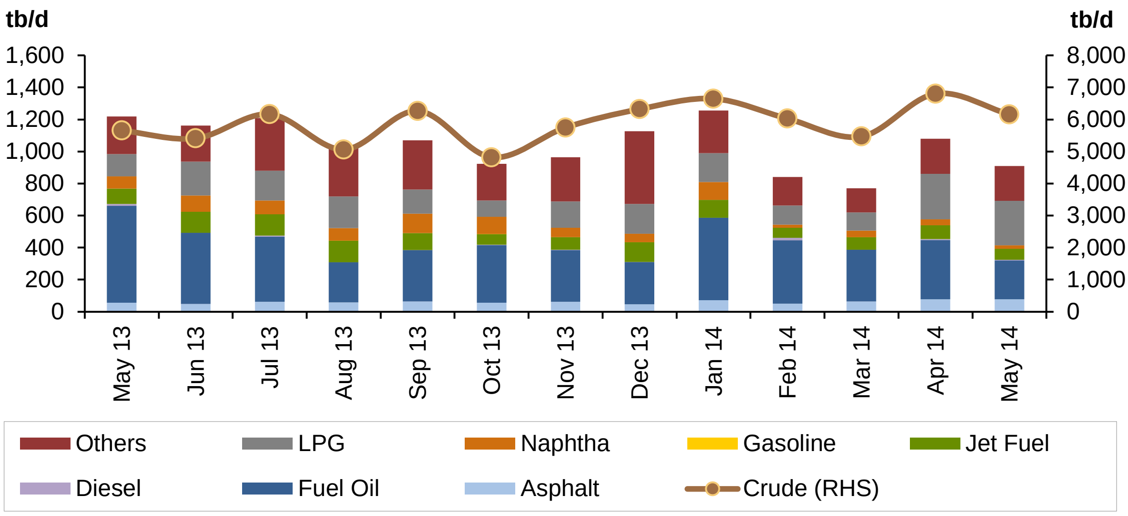
Table 8.2: Japan's crude and product net imports, tb/d

	Mar 14	Apr 14	May 14	*Change* May/Apr
Crude oil	3,828	3,530	3,267	-262
Total products	105	-7	185	192
Total crude and products	**3,933**	**3,523**	**3,453**	**-71**

China

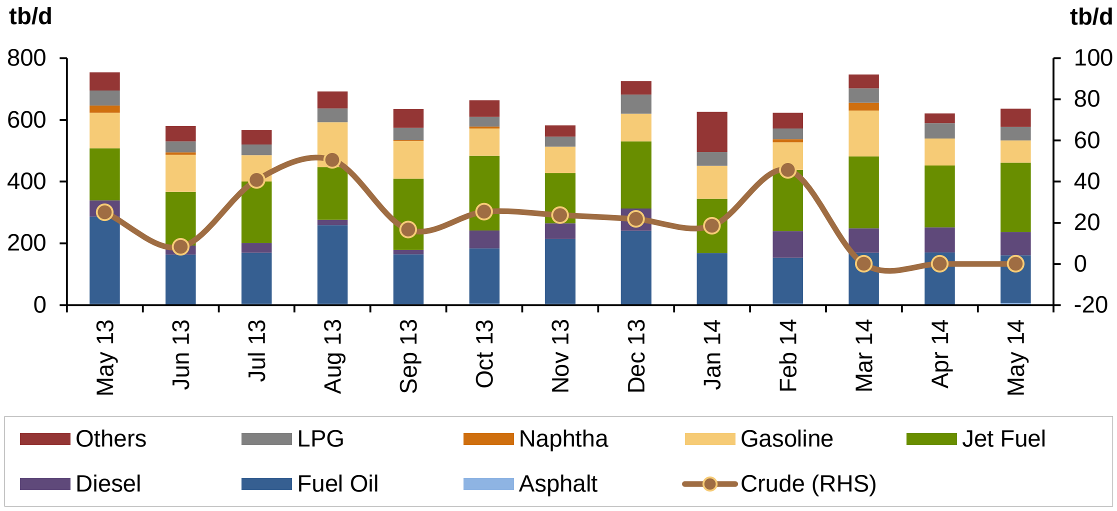
Following the substantial increase in China's imports the previous month, crude oil imports in May dropped by 643 tb/d or 9% to average 6.2 mb/d. China also reported low refinery runs in May. On an annual comparison, China's crude imports were higher by 504 tb/d or 9% than for the same period last year. On a year-to-date basis, figures show a major gain of 601 tb/d or 11%.

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



In terms of supplier share, Saudi Arabia, Angola and Iran were the top suppliers to China in May, accounting for 14%, 13% and 12%, respectively. However, volumes exported from all three countries were lower than in the previous month by 6%, 20% and 5%, respectively. On the other hand, volumes from Russia – the fourth largest supplier to China in May – increased by 10%.

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



For the third month in a row, China did not export any crude in May. Product exports, however, increased 15 tb/d in May compared to the previous month to average 637 tb/d, but dropped y-o-y by 118 tb/d or 16%. As a result, **China's net oil imports decreased by a significant 830 tb/d from the previous month and 337 tb/d from a year earlier.**

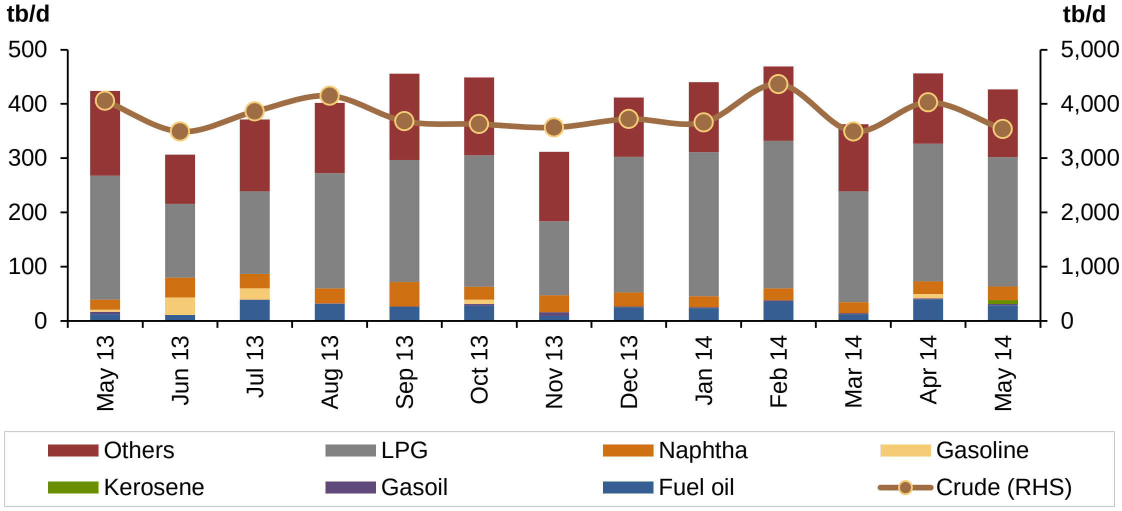
Table 8.3: China's crude and product net imports, tb/d

	Mar 14	Apr 14	May 14	*Change* May/Apr
Crude oil	5,468	6,802	6,159	-643
Total products	23	459	272	-187
Total crude and products	**5,491**	**7,261**	**6,431**	**-830**

India

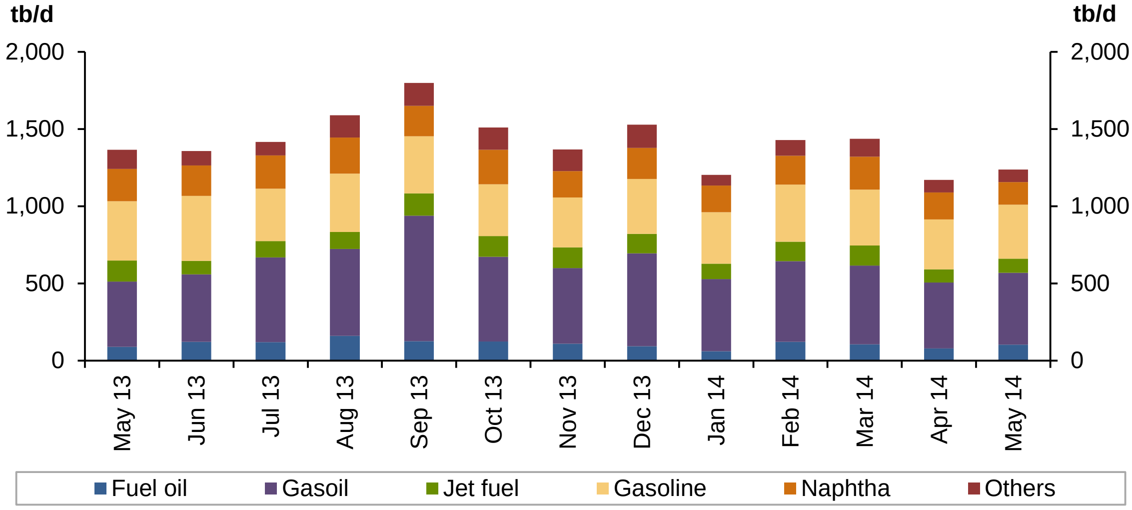
India's May crude imports declined by 493 tb/d or 12% from the previous month to average 3.5 mb/d. Annually crude imports showed a drop of 522 tb/d or 13%.

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



On the product side, India's imports in May saw a decrease of 29 tb/d or 6% m-o-m to average 427 tb/d, while y-o-y imports increased slightly by 3 tb/d. India's domestic product sales were up 1.5% in May from the previous month. The drop in monthly product imports came mainly as a result of fewer imported volumes of fuel oil and LPG, which were down by 11 tb/d and 16 tb/d, respectively, while no imports of petrol were registered in May.

Graph 8.8: India's exports of petroleum products



India's product exports were up by 67 tb/d or 6% in May to average 1.2 mb/d. The gain in monthly product exports came as a result of higher exported volumes for all products, with the exception of naphtha, which fell by 27 tb/d or 15% from last month. Y-o-y product exports were lower by 129 tb/d or 10%. As a result, **India's net imports declined by 589 tb/d to average 2.7 mb/d, reflecting a drop of 17% m-o-m and 13% y-o-y.**

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

	Mar 14	Apr 14	May 14	Change May/Apr
Crude oil	3,491	4,027	3,535	-493
Total products	-1,074	-714	-810	-96
Total crude and products	**2,418**	**3,314**	**2,725**	**-589**

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

FSU

In May, total crude oil exports from the FSU declined by 497 tb/d or 8% to average 6 mb/d. Crude exports through Russian pipelines declined as well, by 163 tb/d or 4%, to average 3.9 mb/d.

Total shipments from the Black Sea dropped by 3 tb/d or 0.4% to average 688 tb/d. This drop came as shipments from Novorossiysk declined by the same amount from the previous month. Total Baltic Sea exports dropped by 58 tb/d in May, mainly as shipments from the Primorsk port terminal decreased, while oil exports through the Ust Luga terminal increased by 21 tb/d. Total Druzhba pipeline shipments reached 986 tb/d in May, down by 90 tb/d from the previous month, while Kozmino shipments declined slightly, by 9 tb/d or 2%, to average 480 tb/d. Exports through the Lukoil system dropped from the previous month both in the Barents Sea – where the Varandey offshore platform reported a drop of 4 tb/d – and in the Baltic Sea, where the Kalinigrad port terminal showed a fall of 8tb/d. Most of the other routes also reported lower shipments in May.

On the whole, total exports from the Russia Far East were lower by 44 tb/d or 15% from the previous month. This was mainly because the Aniva bay port terminal showed a drop of 43 tb/d from volumes exported in April to average 258 tb/d. The de Kastri port terminal also saw a fall, but only 1 tb/d from the previous month.

Total exports from Central Asia stood at 232 tb/d, with a decline of 1 tb/d through the Kenkiyak-Alashankou pipeline.

Total Baltic Sea exports dropped by 206 tb/d, with the main declines registered in the Novorossiysk Caspian Pipeline Consortium (CPC) and Batumi port terminals. They declined by 151 tb/d and 52 tb/d, respectively, from a month ago. The Supsa and Kulevi port terminals reported slight declines of 2 tb/d and 1 tb/d, respectively. In the Mediterranean, Baku-Tbilisi-Ceyhan (BTC) supplies showed a decline of 83 tb/d, or 14%, from the previous month to average 530 tb/d.

Concerning product exports, FSU total product exports increased by 81 tb/d or 2% from the previous month to average 3.6 mb/d. This gain came on the back of higher exported volumes of fuel oil, which went up by 78 tb/d, or 5%, from a month earlier to average 1.6 mb/d, and naphtha, which increased by 84 tb/d, or 17%, from last month to stand at 582 tb/d. On the other hand, exports of VGO, gasoil and gasoline all declined by 5%,4% and 22%, respectively, from the previous month.

Table 8.6: Recent FSU exports of crude and petroleum products by source, tb/d

			2012	2013	1Q 14	Apr 14	May 14
Transneft system							
	Europe	**Black Sea total**	**843**	**739**	**674**	**691**	**688**
		Novorossiysk port terminal - total	843	739	674	691	688
		of which: Russian oil	573	535	495	513	513
		Others	271	204	179	178	175
		Baltic Sea total	**1,690**	**1,546**	**1,313**	**1,532**	**1,475**
		Primorsk port terminal - total	1,356	1,083	896	1,016	938
		of which: Russian oil	1,277	1,007	863	1,016	938
		Others	79	76	32	0	0
		Ust-Luga port terminal - total	334	463	417	516	537
		of which: Russian oil	273	342	250	339	304
		Others	61	121	167	178	233
		Druzhba pipeline total	**1,079**	**1,032**	**1,009**	**1,077**	**986**
		of which: Russian oil	1,027	1,000	976	1,044	954
		Others	52	32	33	32	32
	Asia	**Pacific ocean total**	**331**	**434**	**488**	**471**	**480**
		Kozmino port terminal - total	331	434	488	471	480
		China (via ESPO Pipeline) total	**306**	**321**	**108**	**315**	**294**
		China Amur	306	321	108	315	294
	Total Russian crude exports		**4,249**	**4,071**	**3,591**	**4,086**	**3,923**
Lukoil system			**2012**	**2013**	**1Q 14**	**Apr 14**	**May 14**
	Europe and North America	**Barents Sea Total**	**66**	**111**	**113**	**117**	**113**
		Varandey offshore platform	66	111	113	117	113
	Europe	**Baltic Sea Total**	**10**	**19**	**8**	**16**	**8**
		Kalinigrad port terminal	10	19	8	16	8
Other routes			**2012**	**2013**	**1Q 14**	**Apr 14**	**May 14**
	Asia	**Russian Far East total**	**259**	**259**	**283**	**302**	**258**
		Aniva bay port terminal	114	114	125	137	94
		De Kastri port terminal	145	145	158	165	164
		Central Asia total	**210**	**239**	**241**	**232**	**232**
		Kenkiyak-Alashankou	210	239	241	232	232
	Europe	**Baltic sea total**	**829**	**853**	**978**	**1,063**	**857**
		Novorossiysk port terminal (CPC)	656	704	824	910	759
		Supsa port terminal	72	76	62	62	60
		Batumi port terminal	82	53	71	70	18
		Kulevi port terminal	19	20	21	21	20
		Mediterranean sea total	**654**	**641**	**580**	**613**	**530**
		BTC	654	641	580	613	530
Russian rail			**2012**	**2013**	**1Q 14**	**Apr 14**	**May 14**
		Russian rail	**107**	**198**	**102**	**50**	**61**
		of which: Russian oil	*10*	*9*	*9*	*8*	*8*
		Others	97	189	93	42	53
	Total FSU crude exports		**6,382**	**6,392**	**5,896**	**6,478**	**5,981**
Products			**2012**	**2013**	**1Q 14**	**Apr 14**	**May 14**
		Gasoline	130	122	143	130	102
		Naphtha	311	390	501	498	582
		Jet	7	11	5	20	23
		Gasoil	784	857	1,018	1,071	1,029
		Fuel oil	1,336	1,415	1,427	1,530	1,608
		VGO	242	263	217	302	288
	Total FSU product exports		**2,810**	**3,058**	**3,310**	**3,551**	**3,632**
Total FSU oil exports			**9,192**	**9,450**	**9,207**	**10,029**	**9,613**

Sources: Argus Nefte Transport and Argus Global Markets.

Stock Movements

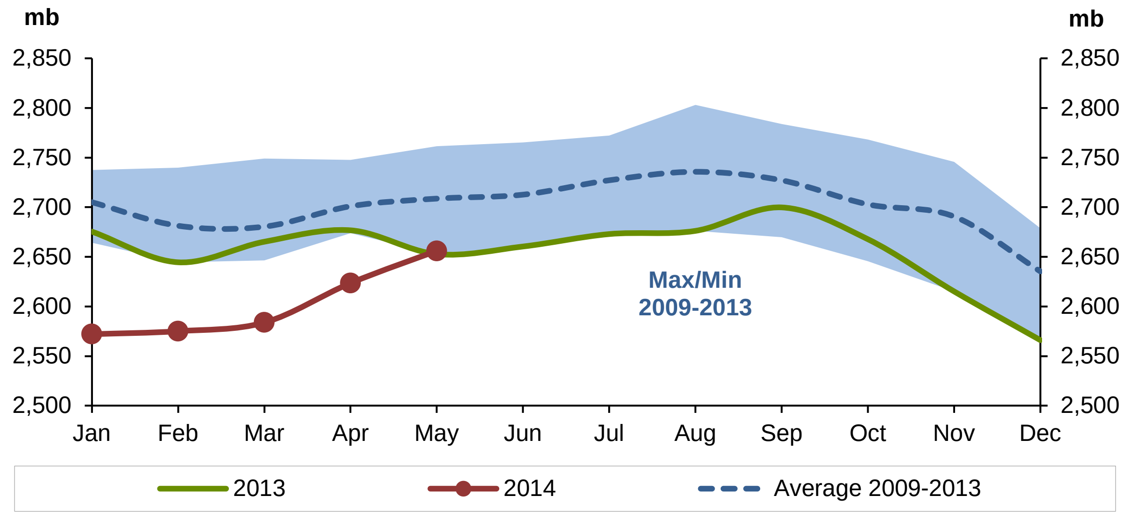
OECD commercial oil stocks rose in May by around 32 mb to stand at 2,656 mb, the highest level in seven months. Despite this seasonal build, inventories were still around 53 mb less than the latest five-year average. Crude indicated a surplus of 12 mb, while product stocks remained 65 mb below the latest five-year average. In terms of days of forward cover, OECD commercial stocks stood at 57.7 days. This is around 0.7 days lower than the five-year average. Preliminary data for June shows that US total commercial oil stocks rose by 17.0 mb for the fifth consecutive month to stand at 1,118.5 mb, the highest level since October 2013. Since February 2014, US total commercial stocks have accumulated nearly 72 mb, leaving them 9.0 mb or 0.8 % above the five-year average at the end of June; however, they are still 3.2 mb or 0.3% below year ago in the same period. Chinese total oil commercial inventories rose by 1.0 mb in May and are nearly 26 mb above a year ago at the same time. Crude commercial stocks rose by 9.7 mb, while products fell by 8.7 mb.

OECD

Preliminary data for May shows that **total OECD commercial oil stocks** continued to rise, increasing by 32.2 mb to stand at 2,656.0 mb, the highest level since October 2013, after a build of around 90 mb since January. With this seasonal build, inventories were around 3.3 mb higher than a year ago at the same time, but they are still 53 mb below the latest five-year average.

Within the components, crude commercial and product stocks were up in May by 12.2 mb and 20.3 mb, respectively. **OECD crude commercial stocks** were up in May as refiners replenished stocks ahead of expected higher demand in the second half of this year. At 1,318 mb, **OECD crude commercial** stocks were 13 mb above the same time a year earlier and 12.4 mb higher than the latest five-year average. Higher refinery throughputs were behind the build in product stocks, which ended May at 1,338 mb. Despite this build, **OECD product stocks** showed a deficit of 65 mb compared to the seasonal norm and around 9 mb below a year ago at the same time. Middle distillates accounted for the bulk of the deficit with the five-year average, standing nearly 46 mb below the seasonal norm, while gasoline stocks saw a surplus of 3.0 mb.

Graph 9.1: OECD's commercial oil stocks



In terms of **days of forward cover**, OECD commercial stocks fell slightly, by 0.1 days, in May from April to stand at 57.7 days. This is around 0.7 days lower than both the latest five-year average and 0.1 days less than the same month a year earlier. OECD Americas' inventories were 0.2 days above the historical average at 56.0 days in May and OECD Europe's stood at 2.4 days below the seasonal average to finish the month at 66.3 days. Meanwhile, OECD Asia Pacific indicated a deficit of 0.1 days, averaging 51.3 days.

In May, **commercial stocks** in **OECD Americas** indicated a build of 14.7 mb, after a strong build in April, finishing the month at 1,369 mb. At this level, inventories were around 17 mb above the seasonal norm but stood slightly 0.6 mb below one year ago at the same time. Within the components, the total build came from products as crude witnessed draws.

At the end of May, **crude commercial oil stocks** in **OECD Americas** fell by 3.6 mb to stand at 689 mb, but still represented a surplus of 17.6 mb above the latest five-year average, and 2.1 mb higher than a year ago at the same time. The fall in crude commercial stocks was driven mainly by lower imports in the US, which declined by nearly 480,000 b/d to average 7.1 mb/d. Higher crude runs also contributed to this stock draw.

In contrast, **OECD Americas' product stocks** rose by 18.3 mb in May, following a build of 25 mb in April. At 681 mb, they still represent a slight deficit of 1.1 mb below the seasonal norm, and 2.7 mb below the same time one year ago. The build in product stocks came mainly from high US throughputs, which reached almost 16 mb/d. Distillate stocks remained tight, showing a deficit of 22 mb with the five-year average, mainly due to higher US distillate exports, while gasoline stocks remained around 7 mb above the five-year average.

In May, **OECD Europe's commercial stocks** rose 9.3 mb, reversing the build from the previous three months to stand at 882 mb. At this level, OECD Europe's commercial stocks stood at 67 mb below the seasonal norm, but around 5 mb above one year ago at the same time. Within the components, crude rose by 10.2 mb, while products fell by 0.9 mb. At 386 mb, **OECD Europe's commercial crude stocks** stood at 10.4 mb below the latest five-year average, but indicated a surplus of 8.8 mb with the same period a year ago. The build in crude oil inventories came mainly from lower crude runs.

In contrast, **OECD Europe's commercial product stocks** fell in May, reversing the build of last month to stand at 496 mb. At this level, OECD Europe's commercial product inventories showed a deficit of 57 mb below the seasonal norm and stood 4 mb lower than a year ago at the same time.

OECD Asia Pacific commercial stocks rose by 8.5 mb in May to stand at 405 mb. At this level, they were 1.0 mb below the same period a year ago and 1.7 mb lower than the latest five-year average. Within the components, both crude and product stocks rose by 5.6 mb and 2.9 mb, respectively. **Crude inventories** ended the month of May at 243 mb and stood 2.1 mb above a year ago and 5.3 mb higher than the seasonal norm. **OECD Asia Pacific's total product inventories** ended May at 162 mb, indicating a deficit of 3.1 mb compared with a year ago and 1.1 mb below the seasonal norm.

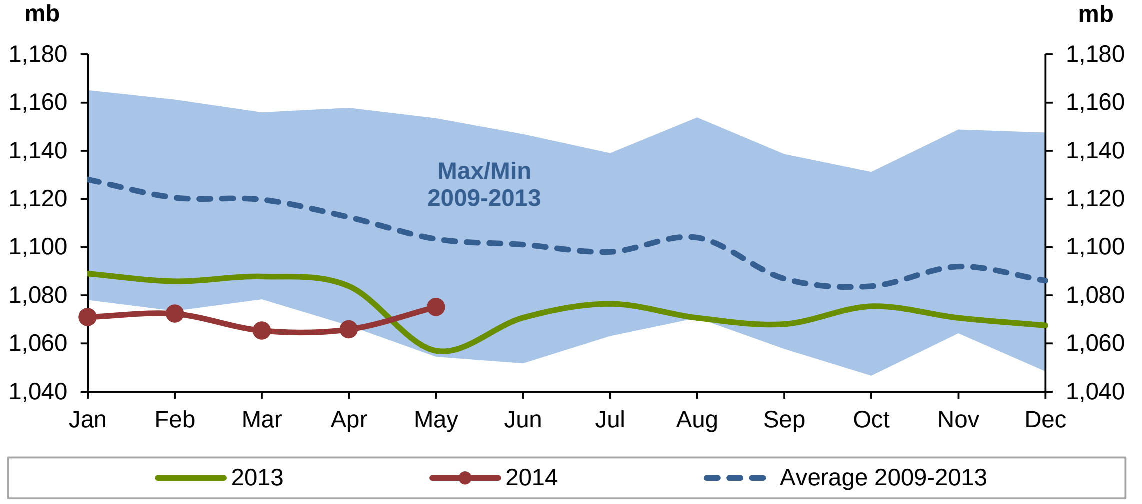
Table 9.1: OECD's commercial stocks, mb

	Mar 14	Apr 14	May 14	*Change* May 14/Apr 14	May 13
Crude oil	1,292	1,306	1,318	12.2	1,305
Products	1,292	1,318	1,338	20.3	1,348
Total	**2,584**	**2,624**	**2,656**	**32.5**	**2,653**
Days of forward cover	**57.1**	**57.6**	**57.7**	**0.1**	**57.8**

EU plus Norway

Preliminary data for May shows that **European stocks** rose by 9.3 mb to stand at 1,075.2 mb, which is 18.2 mb or 1.7% lower than the same time a year ago and 28.2 mb or 2.6% below the latest five-year average. The total stock build came from crude, rising by 10.2 mb, while products declined by 0.9 mb.

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



European crude inventories rose in May for the fourth consecutive month to stand at 480.5 mb, which is 17.8 mb or 3.9% above the same period last year and 10.8 mb or 2.3% above the latest five-year average. This build came mainly from lower crude runs as they declined by 115,000 b/d from the previous month to stand at 9.64 mb/d. At this level, throughputs remained 360,000 b/d lower than the same period last year. In May, refinery utilization rates were around 78%, two percentage points lower than a year earlier in the same month.

OECD Europe's product stocks fell by 0.9 mb in May for the fifth consecutive month. At 594.7 mb, European stocks were 39 mb or 6.2% below the seasonal norm but remained in line with the same level a year ago. Within products, the picture is mixed; residual fuel oil inventories rose, while gasoline, distillate and naphtha stocks saw a drop.

Gasoline stocks fell slightly by 0.2 mb, ending May at 108.8 mb. At this level, gasoline stocks showed a surplus of 2.3 mb or 2.2% above a year ago, but 1.0 mb or 0.9% less than the seasonal norm. This drop mainly reflects higher exports to the US to meet strong demand in the country during the driving season.

Distillate stocks also fell by 1.3 mb in May, reversing the build in April. At 391.5 mb, distillate stocks indicated a surplus of 16.6 mb or 4.4% higher than a year ago but remained at 2.0 mb or 0.5% below the five-year average. The build came mainly from lower refinery output as weak demand limited further stock draws in distillate stocks.

Naphtha stocks fell by 0.9 mb in May to stand at 22.9 mb, showing a deficit of 4.2 mb or 15.5% with a year ago and 15.5 mb or 7.9 % below the latest five-year average. In contrast, **residual fuel oil** stocks rose by 1.4 mb in May to end the month at 71.5 mb. At this level, they were 14.4 mb or 16.8% below the same time a year ago and 28.1 mb or 28.2% less than the seasonal average. The build in residual fuel oil could be attributed to weak bunker demand as lower output limited a further build in residual fuel inventories.

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

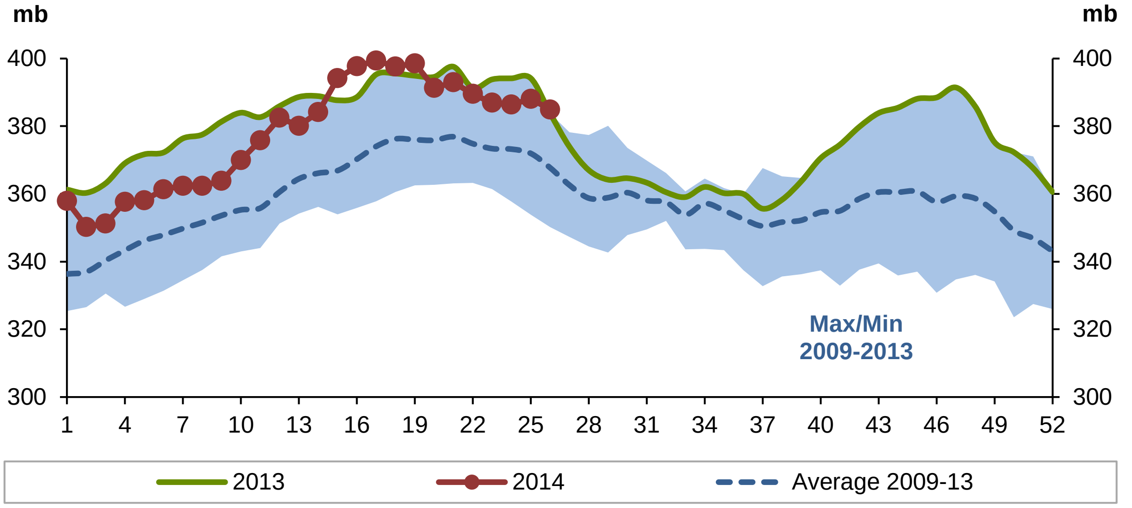
	Mar 14	Apr 14	May 14	*Change* May 14/Apr 14	May 13
Crude oil	**467.0**	**470.3**	**480.5**	**10.2**	**462.7**
Gasoline	113.6	109.0	108.8	-0.2	106.5
Naphtha	24.2	23.8	22.9	-0.9	27.1
Middle distillates	388.7	392.8	391.5	-1.3	374.9
Fuel oils	72.0	70.1	71.5	1.4	85.9
Total products	598.4	595.6	594.7	-0.9	594.3
Total	**1,065.4**	**1,065.9**	**1,075.2**	**9.3**	**1,057.0**

Sources: Argus and Euroilstock.

US

Preliminary data for June shows that **US total commercial oil stocks** rose by 17.0 mb for the fifth consecutive month to stand at 1,118.5 mb, the highest level since October 2013. Since February 2014, US total commercial stocks have accumulated nearly 72 mb, leaving them 9.0 mb or 0.8 % above the five-year average at the end of June; however, they are still 3.2 mb or 0.3% below year ago in the same period.

Graph 9.3: US weekly commercial crude oil stocks

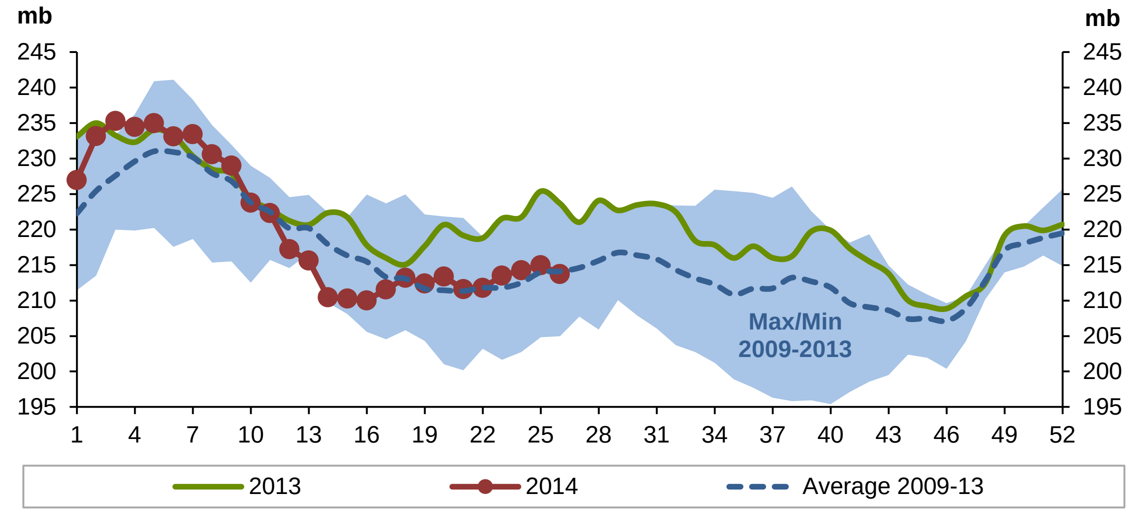


US commercial crude stocks saw a drop of 4.6 mb in June for the second consecutive month to stand at 348.9 mb. At this level, US crude oil commercial stocks finished the month at 19.0 mb or 5.2% above the five-year average, and they are also 9.2 mb or 2.5% higher than a year ago at the same time. The bulk of the fall in crude stocks came during the last week of the month driven by higher US crude oil refinery inputs averaging over 16.2 mb/d, 546,000 b/d more than the previous week. Refineries operated at 91.5% of their operable capacity during last week of June. Inventories at **Cushing, Oklahoma** dropped also by 0.9 mb, to end the month of June at 20.5 mb, around 27.0 mb lower than in the same period a year ago.

Total product stocks rose by 21.5 mb in June, for the third consecutive month to stand at 733.6 mb. At this level, US product stocks still remained at 12.4 mb or 1.7% below a year ago at the same time, showing a deficit of 10.0 mb or 1.3% below the seasonal norm. Within the products, the picture was mixed.

Gasoline stocks rose by 2.0 mb in June reversing the drop of last fourth months and stood at 213.7 mb. At this level, gasoline stocks were 11.2 mb or 5.0% lower than in the same period a year ago, and 1.6 mb or 0.7% less than the latest five-year average. The total build in US gasoline stocks came mainly from lower gasoline demand which fell by 230 tb/d to stand at 9.0 mb/d. Lower gasoline output limited a further drop in gasoline stocks.

Graph 9.4: US weekly gasoline stocks



Distillate stocks also rose by 3.4 mb in June, for the fourth consecutive month to stand at 121.5 mb. At this level, distillate stocks were 0.8 mb or 0.6% below a year ago and remained 19.8 mb or 14.0% lower than the seasonal average. The build in middle distillate stocks reflected lower apparent demand, which decreased by around 300 tb/d to average 3.8 mb/d. The decline in distillate production limited a further build in distillate stocks.

Residual fuel oil stocks fell by 1.3 mb to end May at 37.0 mb, which is 1.3 mb or 0.4% lower than a year ago and 1.2 mb or 3.1% below the seasonal norm. **Jet fuel** stocks also fell by 2.0 mb to stand at 37.1 mb. At this level, jet fuel stocks stood at 3.4 mb or 8.4% less than the same month a year ago and 5.1 mb or 12.1% below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

	Apr 14	May 14	Jun 14	*Change* Jun 14/May 14	Jun 13
Crude oil	393.2	389.5	384.9	-4.6	375.7
Gasoline	215.9	211.8	213.7	2.0	224.9
Distillate fuel	116.8	118.1	121.5	3.4	122.3
Residual fuel oil	36.2	38.3	37.0	-1.3	37.5
Jet fuel	38.4	39.1	37.1	-2.0	40.5
Total	**1,086.9**	**1,101.6**	**1,118.5**	**17.0**	**1,121.7**
SPR	693.3	691.0	691.0	0.0	696.0

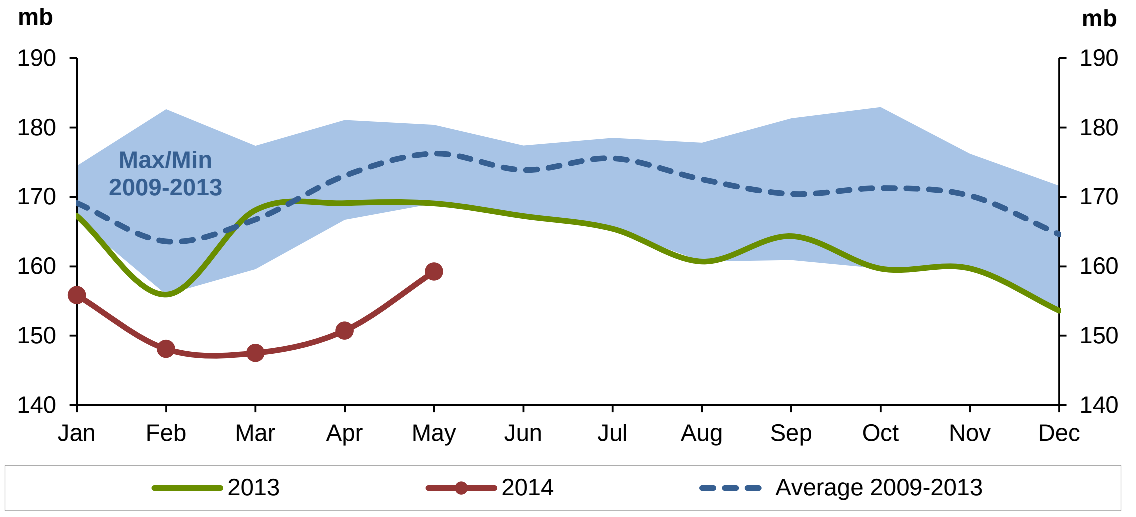
Source: US Department of Energy's Energy Information Administration.

Japan

In Japan, total **commercial oil stocks** rose by 8.5 mb in May, following a build last month, to stand at 159.2 mb. Despite this build, Japanese oil inventories are 10.2 mb or 6.0% below what they were a year ago and 17.1 mb or 9.7% lower than the latest five-year average. Within the components, crude and products rose by 5.6 mb and 2.9 mb, respectively.

Japanese commercial **crude oil stocks** rose in May for the third consecutive month to stand at 96.3 mb, the highest level since July 2013. At this level, they were still 5.0 mb or 5% below a year ago at the same time and remained 7.4 mb or 7.1% below the five-year average. The stock build in crude oil was driven by lower crude runs, which fell by around 385,000 tb/d or 11.5%, to average nearly 3.0 mb/d, down by 4.1% from the previous year at the same time. Lower crude oil imports limited a further build in crude oil stocks. Indeed, crude oil imports fell by 262,000 b/d or 7.4% to average 3.3 mb/d. At this level, they were also 3.3% less than the same period last year. Direct crude burning in power plants declined by nearly 25% in May compared with the previous month, averaging 137 tb/d, and showing a decline of 42% over the same period a year ago.

Graph 9.5: Japan's commercial oil stocks



Japan's **total product inventories** rose by 2.9 mb in May for the second consecutive month to stand at 62.9 mb, which is a deficit of 5.0 mb or 7.4% compared with a year ago at the same time and 9.7 mb or 13.3% below the five-year average. The fall of domestic oil sales was behind the build in product inventories. Indeed, Japanese oil product sales fell by almost 195,000 b/d to average 2.8 mb/d in May and stood at 4.4%

below a year earlier at the same period. Within products, with the exception of gasoline, all other products witnessed a stock build.

Gasoline stocks fell by 0.5 mb in May, reversing the build of last month, to stand at 12.3 mb, which is 1.9 mb or 13.5% less than the same time the previous year and 2.1 mb or 14.6.% below the five-year average. Higher domestic sales, which increased by 8.1%, combined with lower production, declining by 4.3%, was behind the stock draw.

Distillate stocks rose by 2.3 mb in May for the second consecutive month. At 26.3 mb, distillate stocks are 1.1 mb or 4.1% below the same period a year ago and 4.0 mb or 13.2% lower than the seasonal average. All distillate components saw a build in May. Jet fuel inventories rose by 5.4% on the back of weaker domestic sales, which fell by almost 17% in May compared to the previous month. Kerosene stocks rose by 5.4%, driven by lower domestic sales, which declined by 23%. Gasoil inventories went up by 16.7% on the back of a decline of 6% in production.

Total residual **fuel oil stocks** rose by 0.3 mb to end the month of May at 15.5 mb, which is 0.2 mb or 1.5% less than a year ago and 1.6 mb or 9.4% lower than the latest five-year average. Within fuel oil components, fuel oil A stocks fell by 0.9%, while fuel oil B.C stocks increased by 2.8%. The fall in residual oil A was driven by lower output, while the build in fuel oil B.C could be attributed to lower domestic sales.

Naphtha stocks also rose by 0.8 mb, finishing the month of April at 8.8 mb, still indicating a deficit of 2.2 mb or 20.1% compared with a year ago and 2.0 mb or 18.3% below the seasonal norm. The stock build came from lower domestic sales, which fell by nearly 10%.

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

	Mar 14	Apr 14	May 14	*Change* May 14/Apr 14	May 13
Crude oil	**90.2**	**90.7**	**96.3**	**5.6**	**101.1**
Gasoline	11.7	12.8	12.3	-0.5	14.3
Naphtha	9.7	8.0	8.8	0.8	11.0
Middle distillates	21.2	24.0	26.3	2.3	27.5
Residual fuel oil	14.7	15.2	15.5	0.3	15.3
Total products	**57.3**	**60.0**	**62.9**	**2.9**	**68.0**
Total**	**147.5**	**150.7**	**159.2**	**8.5**	**169.1**

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

China

The latest information for May showed **Chinese total oil commercial inventories** rose by 1.0 mb, reversing the fall of the last two months. At 407.1 mb, Chinese inventories were nearly 26 mb above last year at the same time. Within the components, commercial crude rose by 9.7 mb, while product stocks fell by 8.7 mb. At 251.8 mb, crude commercial stocks represent a surplus of 21.3 mb when compared to the previous month. The build in **crude commercial stocks** came mainly from crude imports, which stayed at the relatively high level of 6.2 mb/d. Higher refinery runs limited a further build in crude stocks.

In contrast, total **product stocks** in China decreased in May to stand at 155.3 mb but still represented a surplus of 4.2 mb over a year ago at the same time. The drop in product stocks could be attributed to an increase in apparent demand as higher refinery throughputs limited a further fall in product stocks. Within products, the picture was mixed. Diesel indicated a strong drop of 9.3 mb to end May at 71.9 mb. Gasoline inventories rose by 0.6 mb to stand at 68.1 mb, while kerosene stocks remained unchanged, ending the month at 15.3 mb.

Table 9.5: China's commercial oil stocks, mb

	Mar 14	Apr 14	May 14	*Change* May 14/Apr 14	May 13
Crude oil	**240.8**	**242.1**	**251.8**	**9.7**	**231.3**
Gasoline	67.0	67.5	68.1	0.6	63.5
Diesel	86.9	81.2	71.9	-9.3	75.8
Jet kerosene	15.9	15.3	15.3	0.0	13.3
Total products	**169.8**	**163.9**	**155.3**	**-8.7**	**152.6**
Total	**410.6**	**406.1**	**407.1**	**1.0**	**384.0**

Source: OPEC Secretariat analysis.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of May, **product stocks in Singapore** rose by 0.9 mb for the second consecutive month to stand at 46.7 mb. With this build, product stocks in Singapore represented a surplus of 5.7 mb or 13.9% over the same period the previous year. Within products, light distillate stocks fell, while middle distillates experienced a build. Residual fuel oil remained unchanged.

Light distillate stocks fell by 0.5 mb in May, reversing the build of last month to stand at 11.8 mb, an increase of 1.9 mb or 18.9% over a year ago during the same period. In contrast, middle distillate stocks rose by 1.4 mb, ending May at 12.5 mb, which is 2.8 mb or 28.8% above a year ago in the same period. Residual fuel oil stocks remained unchanged following three months of builds. At 22.4 mb, residual fuel oil stocks stood at 1.0 mb or 4.7% above the same period last year.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) rose by 0.8 mb in May, reversing the drop of the last three months. At 29.7 mb, product stocks in ARA stood at 1.6 mb or 5.0% below a year ago at the same time. Within products, the picture was mixed as naphtha and gasoil experienced builds, while gasoline, fuel oil and jet fuel oil saw a drop.

Gasoil stocks rose by 1.5 mb in May to stand at 13.6 mb, which is 3.1 mb or 18.3% lower than the same period last year. This stock build was driven by weak demand in the region as well as higher arrivals at the storage hub. Naphtha stocks also rose by 0.5 mb in May after declining in April. At 1.2 mb, naphtha stocks are 0.5 mb or nearly 30% higher than last year at the same time.

In contrast, gasoline stocks fell by 0.2 mb to end May at 8.2 mb despite weak demand. At this level, gasoline stocks stood at 1.9 mb or 30% higher than a year ago at the same time. Jet fuel stocks also fell by 0.1 mb to stand at 2.8 mb, which is 0.4 mb or 12.1% lower than a year ago at the same time. The fall came mainly from higher jet fuel consumption. Residual fuel oil fell by 0.8 mb, reversing the build of last month, to stand at 4.0 mb, which is 0.3 mb or 6.4% below last year at the same time.

Balance of Supply and Demand

Demand for OPEC crude in 2014 is estimated at 29.7 mb/d, down 0.5 mb/d from 2013. This is unchanged from the previous report. Based on the initial forecasts for demand, non-OPEC supply and OPEC NGLs in 2015, the demand for OPEC crude is projected at 29.4 mb/d in 2015, 0.3 mb/d less than the current year.

Forecast for 2014

Demand for OPEC crude in 2014 was unchanged from the previous report. Within the quarters, the first and the third quarter remained unchanged. The second quarter was revised down by 0.3 mb/d, while the fourth quarter was revised up by 0.3 mb/d. These adjustments were mainly driven by revisions to non-OPEC supply as global demand remained unchanged. The demand for OPEC crude is estimated at 29.7 mb/d in 2014, representing a decrease of 0.5 mb/d from last year's level. The first and the second quarters are estimated to fall by 0.9 mb/d and 1.0 mb/d, respectively. The third quarter is projected to decline by 0.2 mb/d versus the same quarter last year, while the fourth quarter is expected to see a growth of 0.1 mb/d versus the same quarter last year.

Table 10.1: Summarized supply/demand balance for 2014, mb/d

	2013	1Q14	2Q14	3Q14	4Q14	2014
(a) World oil demand	**90.01**	**90.15**	**90.16**	**91.92**	**92.27**	**91.13**
Non-OPEC supply	54.18	55.61	55.40	55.50	56.08	55.65
OPEC NGLs and non-conventionals	5.66	5.71	5.77	5.84	5.91	5.81
(b) Total supply excluding OPEC crude	**59.83**	**61.32**	**61.17**	**61.34**	**61.99**	**61.46**
Difference (a-b)	**30.17**	**28.83**	**28.99**	**30.58**	**30.28**	**29.68**
OPEC crude oil production	30.20	29.83	29.70			
Balance	0.02	1.00	0.71			

Totals may not add up due to independent rounding.

Forecast for 2015

Based on the first forecast for demand and non-OPEC supply (including OPEC NGLs and non-conventional oil) for 2015, the demand for OPEC crude next year is projected to decline by 0.3 mb/d to average 29.4 mb/d, a the third consecutive year of decline. Both the first and the second quarter are expected to decline by 0.2 mb/d, while the following quarters are projected to decline by 0.3 mb/d and 0.5 mb/d, versus the same quarters last year.

Table 10.2: Summarized supply/demand balance for 2015, mb/d

	2014	1Q15	2Q15	3Q15	4Q15	2015
(a) World oil demand	**91.13**	**91.38**	**91.38**	**93.16**	**93.43**	**92.35**
Non-OPEC supply	55.65	56.87	56.66	56.85	57.46	56.96
OPEC NGLs and non-conventionals	5.81	5.87	5.96	6.06	6.16	6.01
(b) Total supply excluding OPEC crude	**61.46**	**62.74**	**62.61**	**62.90**	**63.61**	**62.97**
Difference (a-b)	**29.68**	**28.64**	**28.76**	**30.26**	**29.82**	**29.37**

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

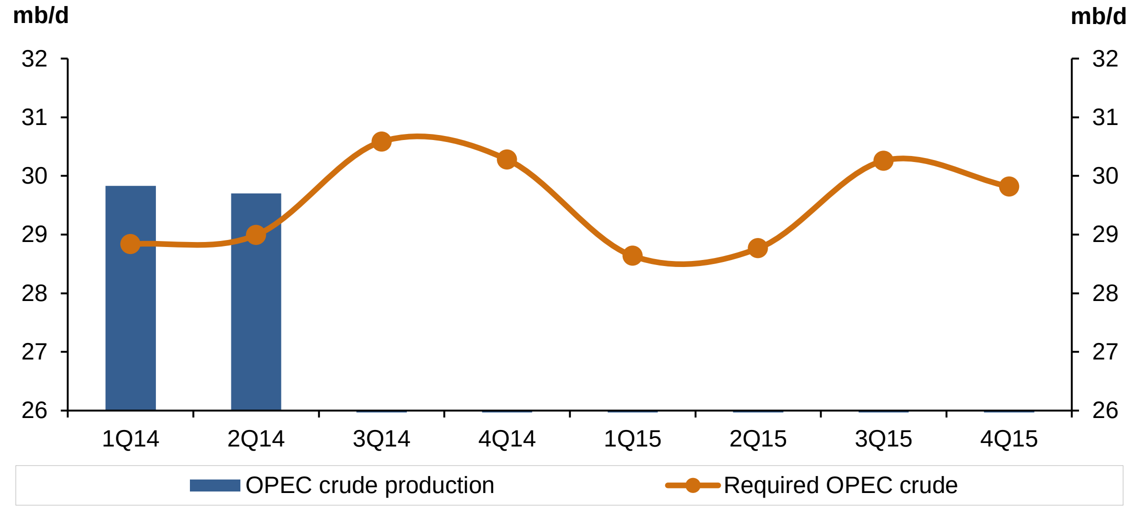


Table 10.3: World oil demand and supply balance, mb/d

	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
World demand													
OECD	46.5	46.0	45.9	45.8	45.2	46.0	46.2	45.8	45.9	45.3	46.1	46.2	45.8
Americas	24.0	23.6	24.0	23.9	23.9	24.4	24.3	24.1	24.1	24.1	24.6	24.5	24.4
Europe	14.3	13.8	13.6	13.0	13.5	13.7	13.4	13.4	13.0	13.5	13.7	13.3	13.3
Asia Pacific	8.2	8.6	8.4	8.9	7.7	7.9	8.5	8.2	8.8	7.7	7.8	8.3	8.1
DCs	27.3	28.2	28.9	29.3	29.6	30.4	29.8	29.8	30.1	30.4	31.2	30.6	30.6
FSU	4.3	4.4	4.5	4.4	4.2	4.6	4.9	4.5	4.4	4.3	4.7	4.9	4.6
Other Europe	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.6
China	9.4	9.7	10.1	10.1	10.5	10.3	10.7	10.4	10.4	10.9	10.6	11.0	10.7
(a) Total world demand	**88.1**	**89.0**	**90.0**	**90.2**	**90.2**	**91.9**	**92.3**	**91.1**	**91.4**	**91.4**	**93.2**	**93.4**	**92.3**
Non-OPEC supply													
OECD	20.2	21.1	22.1	23.3	23.3	23.2	23.7	23.4	24.3	24.3	24.5	25.1	24.5
Americas	15.5	16.7	18.1	19.1	19.3	19.4	19.6	19.4	20.1	20.2	20.6	20.9	20.5
Europe	4.1	3.8	3.6	3.7	3.5	3.4	3.6	3.5	3.7	3.5	3.4	3.6	3.6
Asia Pacific	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
DCs	12.6	12.1	12.1	12.2	12.1	12.3	12.3	12.2	12.5	12.4	12.4	12.4	12.4
FSU	13.2	13.3	13.4	13.5	13.4	13.4	13.4	13.4	13.4	13.4	13.3	13.4	13.4
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
China	4.1	4.2	4.2	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.4	4.3
Processing gains	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	52.4	52.9	54.2	55.6	55.4	55.5	56.1	55.6	56.9	56.7	56.8	57.5	57.0
OPEC NGLs + non-conventional oils	5.4	5.6	5.7	5.7	5.8	5.8	5.9	5.8	5.9	6.0	6.1	6.2	6.0
(b) Total non-OPEC supply and OPEC NGLs	**57.8**	**58.4**	**59.8**	**61.3**	**61.2**	**61.3**	**62.0**	**61.5**	**62.7**	**62.6**	**62.9**	**63.6**	**63.0**
OPEC crude oil production (secondary sources)	29.8	31.1	30.2	29.8	29.7								
Total supply	87.6	89.6	90.0	91.2	90.9								
Balance (stock change and miscellaneous)	-0.5	0.6	0.0	1.0	0.7								
OECD closing stock levels (mb)													
Commercial	2,606	2,663	2,566	2,584									
SPR	1,536	1,547	1,584	1,586									
Total	4,142	4,211	4,150	4,169									
Oil-on-water	825	879	909	954									
Days of forward consumption in OECD													
Commercial onland stocks	57	58	56	57									
SPR	33	34	35	35									
Total	90	92	91	92									
Memo items													
FSU net exports	8.9	8.8	8.9	9.1	9.2	8.8	8.5	8.9	9.0	9.1	8.6	8.4	8.8
(a) - (b)	**30.3**	**30.5**	**30.2**	**28.8**	**29.0**	**30.6**	**30.3**	**29.7**	**28.6**	**28.8**	**30.3**	**29.8**	**29.4**

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

	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q15	2Q15	3Q15	4Q15	2015
World demand													
OECD	-	-	-	-	-	-	-	-					
Americas	-	-	-	-	-	-	-	-					
Europe	-	-	-	-	-	-	-	-					
Asia Pacific	-	-	-	-	-	-	-	-					
DCs	-	-	-	-	-	-	-	-					
FSU	-	-	-	-	-	-	-	-					
Other Europe	-	-	-	-	-	-	-	-					
China	-	-	-	-	-	-	-	-					
(a) Total world demand	-	-	-	-	-	-	-	-					
World demand growth	-	-	-	-	-	-	-	-					
Non-OPEC supply													
OECD	-	-	-	0.1	0.5	0.2	-	0.2					
Americas	-	-	-	-	0.5	0.2	-	0.2					
Europe	-	-	-	-	-	0.1	0.1	0.1					
Asia Pacific	-	-	-	-	-	-	-	-					
DCs	-	-	-	-	-0.2	-0.1	-0.2	-0.1					
FSU	-	-	-	-	-0.1	-	-0.2	-0.1					
Other Europe	-	-	-	-	-	-	-	-					
China	-	-	-	-	-	-	-	-					
Processing gains	-	-	-	-	-	-	-	-					
Total non-OPEC supply	-	-	-	-	0.3	-	-0.3	-					
Total non-OPEC supply growth	-	-	-	-	0.3	-	-0.3	-					
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-					
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	0.3	-	-0.3	-					
OPEC crude oil production (secondary sources)	-	-	-	-									
Total supply	-	-	-	-									
Balance (stock change and miscellaneous)	-	-	-	-									
OECD closing stock levels (mb)													
Commercial	-	-1	1	14									
SPR	-	-	-1	-									
Total	-	-1	1	13									
Oil-on-water	-	-	-	-									
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-									
SPR	-	-	-	-									
Total	-	-	-	-									
Memo items													
FSU net exports	-	-	-	-	-0.1	-0.1	-0.2	-0.1					
(a) - (b)	-	-	-	-	-0.3	-	0.3	-					

* *This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the June 2014 issue.*
This table shows only where changes have occurred.

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

		2011	2012	2013	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14
Closing stock levels, mb													
OECD onland commercial		**2,606**	**2,663**	**2,566**	**2,657**	**2,688**	**2,730**	**2,663**	**2,665**	**2,660**	**2,700**	**2,566**	**2,584**
	Americas	1,308	1,365	1,315	1,335	1,362	1,385	1,365	1,349	1,377	1,402	1,315	1,311
	Europe	905	901	869	943	913	917	901	904	873	885	869	874
	Asia Pacific	392	397	382	379	413	428	397	413	409	413	382	399
OECD SPR		**1,536**	**1,547**	**1,584**	**1,536**	**1,539**	**1,542**	**1,547**	**1,581**	**1,577**	**1,582**	**1,584**	**1,586**
	Americas	697	696	697	697	697	696	696	697	697	697	697	697
	Europe	426	436	470	426	429	433	436	472	471	472	470	470
	Asia Pacific	414	415	417	414	413	414	415	413	409	413	417	418
OECD total		**4,142**	**4,211**	**4,150**	**4,194**	**4,227**	**4,272**	**4,211**	**4,247**	**4,237**	**4,282**	**4,150**	**4,169**
Oil-on-water		**825**	**879**	**909**	**787**	**812**	**844**	**879**	**942**	**871**	**878**	**909**	**954**
Days of forward consumption in OECD													
OECD onland commercial		**57**	**58**	**56**	**58**	**59**	**59**	**58**	**59**	**58**	**58**	**56**	**57**
	Americas	55	57	55	57	57	58	58	57	57	58	55	55
	Europe	66	66	65	68	66	67	68	65	63	66	67	65
	Asia Pacific	46	47	46	47	50	49	44	53	51	48	43	52
OECD SPR		**33**	**34**	**35**	**34**	**34**	**33**	**34**	**35**	**34**	**34**	**35**	**35**
	Americas	29	29	29	30	29	29	29	29	29	29	29	29
	Europe	31	32	35	31	31	32	33	34	34	35	36	35
	Asia Pacific	48	50	51	51	50	47	46	53	51	48	47	54
OECD total		**90**	**92**	**91**	**92**	**92**	**92**	**92**	**94**	**92**	**93**	**91**	**92**

Table 10.6: Non-OPEC supply and OPEC natural gas liquids, mb/d													
							Change						Change
	2011	2012	2013	3Q14	4Q14	2014	14/13	1Q15	2Q15	3Q15	4Q15	2015	15/14
US	9.0	10.0	11.2	12.3	12.5	12.2	1.1	12.8	13.0	13.2	13.5	13.1	0.9
Canada	3.5	3.8	4.0	4.2	4.3	4.3	0.2	4.5	4.5	4.5	4.7	4.5	0.3
Mexico	2.9	2.9	2.9	2.8	2.8	2.8	0.0	2.8	2.8	2.8	2.8	2.8	-0.1
OECD Americas*	**15.5**	**16.7**	**18.1**	**19.4**	**19.6**	**19.4**	**1.3**	**20.1**	**20.2**	**20.6**	**20.9**	**20.5**	**1.1**
Norway	2.0	1.9	1.8	1.7	1.9	1.8	0.0	1.9	1.8	1.8	1.9	1.9	0.0
UK	1.1	1.0	0.9	0.8	0.9	0.9	0.0	0.9	0.9	0.8	0.9	0.9	0.0
Denmark	0.2	0.2	0.2	0.2	0.1	0.2	0.0	0.2	0.1	0.1	0.1	0.1	0.0
Other OECD Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.6	0.7	0.0
OECD Europe	**4.1**	**3.8**	**3.6**	**3.4**	**3.6**	**3.5**	**0.0**	**3.7**	**3.5**	**3.4**	**3.6**	**3.6**	**0.0**
Australia	0.5	0.5	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OECD Asia Pacific	**0.6**	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**
Total OECD	**20.2**	**21.1**	**22.1**	**23.2**	**23.7**	**23.4**	**1.3**	**24.3**	**24.3**	**24.5**	**25.1**	**24.5**	**1.1**
Brunei	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.8	0.9	0.0
Indonesia	1.0	1.0	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Malaysia	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.6	0.6	0.6	0.0
Thailand	0.3	0.4	0.4	0.3	0.3	0.4	0.0	0.4	0.4	0.4	0.3	0.3	0.0
Vietnam	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.3	0.3	0.3	0.3	0.0
Other Asia	**3.6**	**3.7**	**3.6**	**3.5**	**3.5**	**3.5**	**-0.1**	**3.6**	**3.5**	**3.5**	**3.5**	**3.5**	**0.0**
Argentina	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Brazil	2.6	2.6	2.6	2.9	3.0	2.8	0.2	3.0	3.0	3.1	3.1	3.0	0.2
Colombia	0.9	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.9	1.0	1.0	0.0
Trinidad & Tobago	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
L. America others	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Latin America	**4.7**	**4.7**	**4.8**	**5.0**	**5.1**	**4.9**	**0.1**	**5.1**	**5.1**	**5.1**	**5.2**	**5.1**	**0.2**
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	0.9	0.9	0.9	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	1.0	0.0
Syria	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Middle East	**1.7**	**1.5**	**1.4**	**1.3**	**1.3**	**1.3**	**0.0**	**1.4**	**1.4**	**1.3**	**1.3**	**1.3**	**0.0**
Chad	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Congo	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Egypt	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.6	0.7	0.0
Equatorial Guinea	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Gabon	0.3	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Sudans	0.4	0.1	0.2	0.3	0.3	0.3	0.1	0.3	0.3	0.3	0.3	0.3	0.0
Africa other	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.4	0.3	0.3	0.3	0.3	0.0
Africa	**2.6**	**2.3**	**2.4**	**2.4**	**2.4**	**2.5**	**0.1**	**2.5**	**2.4**	**2.4**	**2.4**	**2.4**	**0.0**
Total DCs	**12.6**	**12.1**	**12.1**	**12.3**	**12.3**	**12.2**	**0.1**	**12.5**	**12.4**	**12.4**	**12.4**	**12.4**	**0.2**
FSU	**13.2**	**13.3**	**13.4**	**13.4**	**13.4**	**13.4**	**0.0**	**13.4**	**13.4**	**13.3**	**13.4**	**13.4**	**-0.1**
Russia	10.3	10.4	10.5	10.6	10.5	10.6	0.1	10.6	10.6	10.5	10.6	10.6	0.0
Kazakhstan	1.6	1.6	1.6	1.6	1.6	1.6	0.0	1.6	1.6	1.6	1.6	1.6	0.0
Azerbaijan	1.0	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.8	0.9	0.9	0.0
FSU others	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
China	4.1	4.2	4.2	4.3	4.3	4.3	0.0	4.3	4.3	4.3	4.4	4.3	0.1
Non-OPEC production	**50.3**	**50.7**	**52.0**	**53.3**	**53.9**	**53.5**	**1.4**	**54.7**	**54.5**	**54.7**	**55.3**	**54.8**	**1.3**
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	0.0	2.2	2.2	2.2	2.2	2.2	0.0
Non-OPEC supply	**52.4**	**52.9**	**54.2**	**55.5**	**56.1**	**55.6**	**1.5**	**56.9**	**56.7**	**56.8**	**57.5**	**57.0**	**1.3**
OPEC NGL	5.2	5.4	5.4	5.6	5.6	5.6	0.1	5.6	5.7	5.8	5.9	5.8	0.2
OPEC non-conventional	0.1	0.2	0.2	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
OPEC (NGL+NCF)	**5.4**	**5.6**	**5.7**	**5.8**	**5.9**	**5.8**	**0.2**	**5.9**	**6.0**	**6.1**	**6.2**	**6.0**	**0.2**
Non-OPEC & OPEC (NGL+NCF)	**57.8**	**58.4**	**59.8**	**61.3**	**62.0**	**61.5**	**1.6**	**62.8**	**62.6**	**62.9**	**63.6**	**63.0**	**1.5**

** Chile has been included in OECD Americas.*

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

Table 10.7: World Rig Count

	2010	2011	2012	2013	*Change* 13/12	3Q13	4Q13	1Q14	2Q14	May 14	Jun 14	*Change* Jun/May
US	1,541	1,881	1,919	1,761	-158	1,769	1,758	1,780	1,852	1,859	1,861	2
Canada	347	423	366	354	-12	348	379	526	202	162	240	78
Mexico	97	94	106	106	0	100	101	93	87	85	88	3
Americas	1,985	2,398	2,391	2,221	-170	2,217	2,238	2,400	2,140	2,106	2,189	83
Norway	18	17	17	20	2	21	18	17	18	18	16	-2
UK	19	16	18	17	-1	16	14	15	17	19	13	-6
Europe	94	118	119	135	16	140	133	135	146	149	139	-10
Asia Pacific	21	17	24	27	3	24	25	28	27	25	29	4
Total OECD	2,100	2,532	2,534	2,383	-151	2,382	2,396	2,563	2,314	2,280	2,357	77
Other Asia	248	239	217	219	2	216	219	230	221	218	222	4
Latin America	205	195	180	166	-14	159	168	164	176	175	175	0
Middle East	156	104	110	76	-33	69	86	84	85	84	85	1
Africa	19	2	7	16	9	15	24	27	30	33	28	-5
Total DCs	628	540	513	477	-36	459	497	504	512	510	510	0
Non-OPEC rig count	**2,727**	**3,072**	**3,047**	**2,860**	**-187**	**2,841**	**2,894**	**3,067**	**2,826**	**2,790**	**2,867**	**77**
Algeria	25	31	36	47	11	48	47	49	46	47	42	-5
Angola	9	10	9	11	2	12	14	16	16	17	14	-3
Ecuador	11	12	20	26	6	27	26	25	25	27	22	-5
Iran**	52	54	54	54	0	54	54	54	54	54	54	0
Iraq**	36	36	58	83	25	93	92	89	93	94	96	2
Kuwait**	20	57	57	58	1	58	57	60	60	60	61	1
Libya**	16	8	12	15	3	14	14	15	10	12	11	-1
Nigeria	15	36	36	37	1	34	36	35	31	31	28	-3
Qatar	9	8	8	9	1	10	8	11	11	10	11	1
Saudi Arabia	67	100	112	114	3	111	115	125	132	132	135	3
UAE	13	21	24	28	4	28	30	30	33	32	35	3
Venezuela	70	122	117	121	3	121	121	121	114	117	113	-4
OPEC rig count	**342**	**494**	**542**	**602**	**60**	**611**	**614**	**629**	**624**	**633**	**622**	**-11**
Worldwide rig count*	**3,069**	**3,566**	**3,589**	**3,462**	**-127**	**3,452**	**3,508**	**3,696**	**3,450**	**3,423**	**3,489**	**66**
of which:												
Oil	1,701	2,257	2,654	2,611	-43	2,595	2,631	2,819	2,687	2,665	2,734	69
Gas	1,325	1,262	886	746	-140	747	769	780	671	667	664	-3
Others	43	49	52	109	57	114	110	99	95	93	93	0

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

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

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Disclaimer

OPEC Basket average price

US$/b

up 2.45 in June

June 2014	107.89
May 2014	105.44
Year to date	**105.30**

June OPEC crude production

mb/d, according to secondary sources

down 0.08 in June

June 2014	29.70
May 2014	29.78

Economic growth rate

per cent

	World	OECD	US	Japan	Euro-zone	China	India
2014	3.1	1.7	1.6	1.5	0.9	7.4	5.5
2015	3.4	2.0	2.6	1.2	1.1	7.2	5.8

Supply and demand

mb/d

2014		13/14	2015		14/15
World demand	91.1	1.1	World demand	92.3	1.2
Non-OPEC supply	55.6	1.5	Non-OPEC supply	57.0	1.3
OPEC NGLs	5.8	0.2	OPEC NGLs	6.0	0.2
Difference	**29.7**	**- 0.5**	**Difference**	**29.4**	**- 0.3**

OECD commercial stocks

mb

	Mar 14	Apr 14	May 14	May 14/Apr 14	May 13
Crude oil	1,292	1,306	1,318	12.2	1,305
Products	1,292	1,318	1,338	20.3	1,348
Total	**2,584**	**2,624**	**2,656**	**32.5**	**2,653**
Days of forward cover	57.1	57.6	57.7	0.1	57.8

Next report to be issued on 8 August 2014.