OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

December 2011

Feature Article:

Review of 2011 – Outlook for 2012

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OPEC Monthly Oil Market Report

Publishing Schedule for 2012

Monday,	16	January
Thursday,	9	February
Friday,	9	March
Thursday,	12	April
Thursday,	10	May
Tuesday,	12	June
Wednesday,	11	July
Thursday,	9	August
Tuesday,	11	September
Wednesday,	10	October
Friday,	9	November
Tuesday,	11	December

Oil Market Highlights

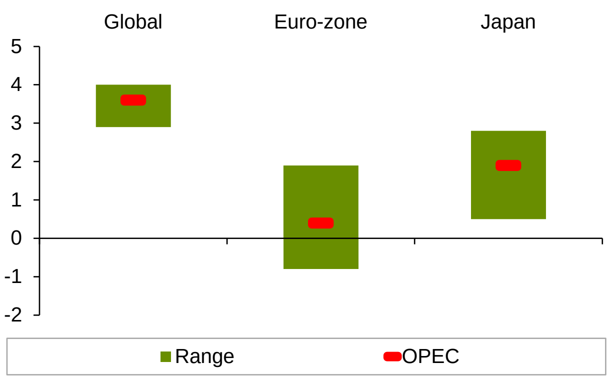
- The **OPEC Reference Basket** increased in November to settle above the $110 mark for the first time since July this year. The upward movement of the Basket, which began gradually in the first half of the month, was supported by efforts to address the Euro-zone crisis, renewed geopolitical concerns, and US data showing a slight improvement in the economy. In November, crude oil futures markets were up significantly, particularly the WTI front-month which registered the highest month-on-month gain since March. Nymex WTI jumped $10.73/b to average $97.16/b for the month, while ICE Brent rose $1.70/b to average $110.49/b. WTI was up 15.2% y-o-y and ICE Brent 28.2% higher than a year ago. On 12 December, the OPEC Reference Basket stood at $107.33/b.
- **World economic growth** remains at 3.6% for both 2012 and 2011. However, the 2012 forecast for the OECD has been revised down from 1.7% to 1.5%, with Developing Countries helping to compensate for this shortfall. US growth is now forecast at 1.7% for 2012 compared to 1.8% previously. The Euro-zone remains the center of uncertainty and therefore 2012 has been revised down from 0.7% to 0.4%. Japan is forecast to expand by 1.9% in 2012, following a downward adjustment of 0.3 percentage points. China’s development remains relative resilient so far and 2012 growth expectations have been increased to 8.7% from 8.5%. India’s momentum is decelerating and growth for 2012 was lowered to 7.5% from 7.6%. The downside risk for the world economy is evident and close monitoring will be needed on developments in the Euro-zone debt crisis, slowing activity in developing economies, and the still relatively weak situation of the US economy.
- **World oil demand** in 2011 is estimated to grow by 0.9 mb/d, unchanged from the previous assessment. Global oil demand in 2012 is now expected to grow by 1.1 mb/d to average 88.9 mb/d, representing a downward revision of 0.1 mb/d from the previous assessment. The adjustment reflects slowing growth in the OECD, which is expected to have spillover effects for China and India, and hence impact oil consumption over the coming year.
- **Non-OPEC oil supply** is estimated to increase 0.2 mb/d in 2011 following a downward revision of about 50 tb/d from last month. The main contributors to the adjustment are Australia, Syria, Sudan, and Azerbaijan. In 2012, non-OPEC oil supply is forecast to increase by 0.7 mb/d over the current year, around 0.1 mb/d lower than the previous assessment. The bulk of the increase will come from the US, Brazil, Canada, Colombia, and Russia. OPEC NGLs and non-conventional oils are expected to add 0.4 mb/d in 2012 following the same increase in 2011. In November, OPEC crude production averaged 30.37 mb/d, according to secondary sources, an increase of 560 tb/d over a month earlier.
- **Product market sentiment** showed a mixed performance with the middle and heavy parts of the barrel maintaining the recovery shown in the previous months. The bullish sentiment in middle distillates was fuelled by the tightening market with the start of the winter season. However, this was not sufficient to offset the substantial decline in the crack spread for light distillates, which plummeted to the lowest level so far this year, not only due to lackluster gasoline demand in the Atlantic Basin but also weaker demand in the petrochemical industry. Thus, refinery margins fell across the globe.
- On the **tanker market**, the increased tonnage demand driven by winter requirements supported VLCC spot freight rates in November from the persistently low levels seen over the previous months. VLCC spot freight rates from the Middle East to the East increased 28% over the previous month. OPEC spot fixtures increased 1.0 mb/d in November to average 11.9 mb/d, supported by winter demand. OPEC sailings increased in November by 0.65 mb/d to average 23.1 mb/d.
- **US commercial oil inventories** continued to fall for the third consecutive month in November, declining by 20.3 mb to stand at 1,044.5 mb. The drop was attributed to both products and crude which fell by 15.6 mb and 4.7 mb, respectively. With the decline in total US commercial oil inventories, the surplus with the five-year average in the previous months switched to a deficit of 9.1 mb in November. In Japan, the most recent monthly data for October shows that commercial oil inventories declined slightly by 0.6 mb to stand at 178.2 mb. At this level, crude stocks still showed a surplus of 7.6% over a year ago, while the deficit with the five-year average has widened to 5.3%. This stock draw was attributed to the 1.7 mb fall in products, as crude oil stocks rose 1.1 mb.
- **Demand for OPEC crude** in 2011 remained unchanged at 30.0 mb/d compared to the previous assessment and around 0.3 mb/d higher than in 2010. In 2012, the demand for OPEC crude is projected to average 30.1 mb/d, about 0.1 mb/d higher than in the previous report and indicating growth of about 0.1 mb/d over the current year.

Review of 2011 – Outlook for 2012

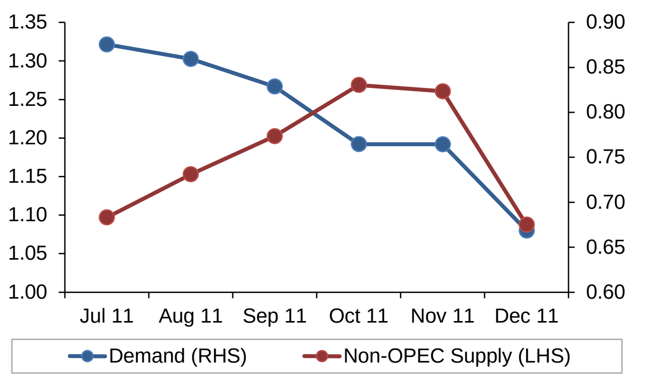
The OPEC Reference Basket began the year with a strong surge following geopolitical events in the MENA region. Since May, the OPEC Reference Basket has fluctuated in a range of between $98-114/b. Over this period, the Basket has generally moved in tandem with macroeconomic sentiment – rising temporarily on positive data before falling again when economic uncertainties re-asserted themselves. In comparison, futures prices have been more volatile. Nymex WTI declined from above $100/b in early May to as low as $75/b in October, as a glut in supply at Cushing weighed on WTI prices. However, news of the reversal of the Seaway pipeline caused prices to recover sharply in November. In contrast, ICE Brent prices have fluctuated between $100-120/b, although generally drifted lower, on easing supply disruptions in the North Sea and the quicker-than-expected return of Libyan production. Taken together, this has resulted in a narrowing of the Brent-WTI spread from as much as $28/b to below $9/b more recently.

In 2011, the global economy entered a phase of increased uncertainty. While underlying demand in the real economy has improved, the outlook has weakened over the course of the year. This was mainly due to the sovereign debt crisis in the Euro-zone, persistently high unemployment in the advanced economies, and inflation risk in the emerging economies. This has contributed to the downward revision to world economic growth in 2011 from 3.9% to 3.6%. While the current forecast for 2012 remains unchanged at 3.6% for now, developments need to be closely monitored as the uncertainties impacting the market are likely to persist over the coming months. Planned austerity measures, not only in the Euro-zone but also in other OECD economies; the slow-down in developing economies, particularly China and India; and the still weak economic situation in the United States are factors that warrant particular attention as downside risks (***Graph 1***).

Graph 1: Range of forecasts for GDP growth in 2012, %



Graph 2: 2012 oil demand & non-OPEC supply revisions, mb/d



World oil demand growth in 2011 now stands close to the initial forecast, following upward and downward revisions earlier in the year. With global oil demand currently estimated at 0.9 mb/d, this represents a downward adjustment of just 0.1 mb/d from the initial forecast. Although the changes came mainly from the OECD, China has also experienced some downward adjustments. With the slowing pace of economic growth, manufacturing activities and trade are expected to be affected worldwide. Already, oil consumption in both the transportation and industrial sectors has noticeably slowed. As a result, world oil demand growth in 2012 has been revised down to 1.1 mb/d from an initial forecast of 1.3 mb/d. This growth is subject to increased uncertainties, associated with the conditions of the global economic recovery and risks that are skewed to the downside (***Graph 2***).

The forecast for non-OPEC supply in 2011 encountered various revisions in both directions. In the second and third quarters, non-OPEC supply suffered various setbacks due to political, technical, geological and weather factors. Non-OPEC supply is currently expected to grow by 0.2 mb/d in 2011. For the coming year, non-OPEC supply is forecast to increase by close to 0.7 mb/d. The risk associated with the forecast remains high on both sides, given that growth is expected to be supported by the return to normal output in some countries from levels curtailed due to political and technical difficulties, as well as from unfavourable weather conditions. Despite disruptions, OPEC crude oil production has been accommodative to keeping the market well supplied and currently stands above 30 mb/d with sufficient spare capacity in place. OPEC NGLs are expected to increase by about 0.4 mb/d in 2012, in line with the growth seen in the current year (***Graph 2***).

Based on the above forecasts, incremental oil demand in 2012 will be met by the increase in non-OPEC supply and OPEC NGLs. However, slowing economic growth and the uncertain outlook for the global economy in the coming year highlight increasing risks facing the oil market in 2012. This underscores the need to closely monitor the factors driving crude oil prices – not only developments in supply and demand, but also non-fundamental factors such as macro-economic sentiment and speculative activity – to ensure that the market remains stable during this challenging period for the world economy. These will be the factors that OPEC Ministers will be considering at the 160th Ministerial Conference on 14 December 2011.

Crude Oil Price Movements

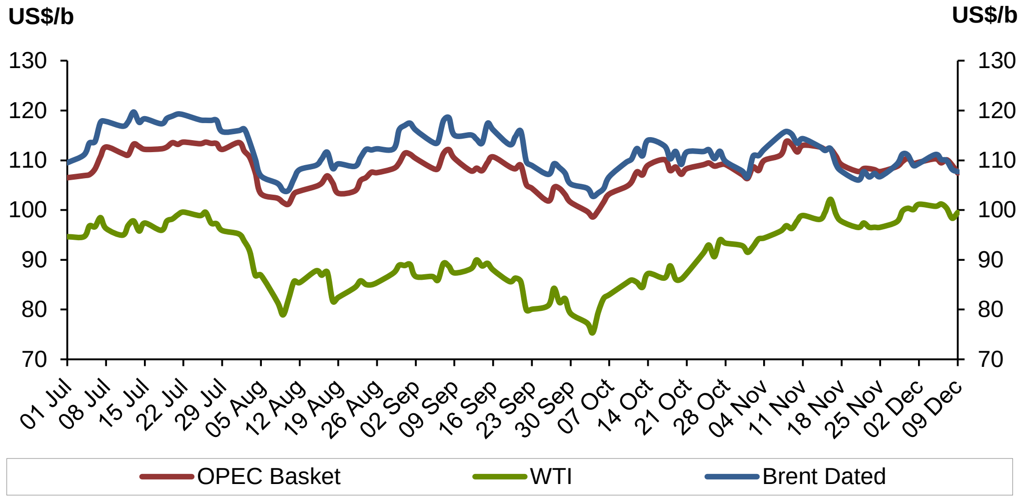
OPEC Reference Basket reversed course to settle above the $110/b mark

OPEC Reference Basket

The OPEC Reference Basket increased in November to settle above the momentous $110/b level for the first time since July this year. The upward movement of the Basket, a trend that started gradually in the first half of the month, was supported by high hopes that the Euro-zone, particularly Greece and Italy, could resolve their debt troubles, renewed geopolitical concerns and data from the US showing a slight improvement in the economy. The Basket maintained its upward momentum throughout the remainder of the month, although at a slower pace as renewed worries over the Euro-zone debt levels and investors' moves to book profits weighed heavily on the market. And this was despite a rally on news of a planned reversal of the Seaway pipeline in the US, a move expected to help relieve an oil glut at the Cushing, Oklahoma hub.

On a monthly basis, the OPEC Reference Basket improved significantly to an average of $110.08/b in November, demonstrating a large increase of $3.79/b or 3.6% over the previous month. Year-to-date, the Basket averaged $107.47/b compared to last year's average of $76.40/b for the same period. Moreover, compared to the 2008 record-high average of $94.45/b, the November 2011 year-to-date average was almost 14% higher and in line to establish a new record by year-end.

Graph 1.1: Crude oil price movement, 2011



Apart from Saharan Blend, all Basket components increased in the month with Middle Eastern grades showing a significant gain after several months of trailing Brent-related crudes. Middle Eastern crudes Murban, Arab Light and Qatar Marine moved up sharply to $110.55/b, higher by $4.35/b or more than 4%. On the other hand, Brent-related crudes, Saharan Blend, Es Sider and Bonny Light increased by less than 1% to an average of $112.16/b, up by only $0.67/b for the month. Ecuador's Oriente showed an increase of $2.06/b or almost 2%, translating into a monthly average of $105.75/b, while Venezuelan crude averaged around $105.05/b, the lowest among the Basket components, but above the $100/b level for the first time since July this year.

The improvement in Middle Eastern crudes was supported by a relatively strong performance by the Dubai/Oman market as the value of Oman for January loading started at firm differentials on good refining margins and strong gasoil cracks. Despite top oil exporter Saudi Arabia unexpectedly steeply reducing the prices for most of its crude for December, strong Asian demand, supported by heating fuels, kept the spot premium strong and backwardation very steep. Moreover, heavy buying of benchmark Dubai crude partials by Shell, coupled with the strength of the Asian residual fuel market, saw sour grades from the Middle East well supported.

In December, the OPEC Reference Basket remained strong at $110.35/b, over 27¢ and almost $16/b above the November average and 2008's record high, respectively. On 12 December, the OPEC Reference Basket stood at $107.33/b

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

	Oct 11	Nov 11	Change Nov/Oct	Year-to-Date 2010	Year-to-Date 2011
OPEC Reference Basket	**106.29**	**110.08**	**3.79**	**76.36**	**107.47**
Arab Light	106.40	110.59	4.19	76.70	107.81
Basrah Light	105.00	108.47	3.47	75.69	106.18
Bonny Light	113.09	114.21	1.12	79.90	114.46
Es Sider	110.24	111.46	1.22	77.96	112.19
Girassol	110.26	111.73	1.47	78.38	111.79
Iran Heavy	104.83	109.20	4.37	75.66	106.05
Kuwait Export	104.09	109.46	5.37	75.25	105.51
Marine	104.68	109.14	4.46	77.13	106.46
Merey	99.24	105.05	5.81	68.96	97.63
Murban	107.51	111.92	4.41	78.86	109.79
Oriente	103.69	105.75	2.06	71.83	101.04
Saharan Blend	112.74	112.41	-0.33	79.17	113.30
Other Crudes					
Minas	110.01	117.85	7.84	81.04	114.83
Dubai	104.13	108.94	4.81	77.02	106.19
Isthmus	105.18	111.54	6.36	76.86	105.23
T.J. Light	103.40	109.64	6.24	75.27	103.25
Brent	109.44	110.66	1.22	78.44	111.67
West Texas Intermediate	86.45	97.11	10.66	78.48	94.67
Urals	108.10	110.54	2.44	77.28	109.36
Differentials					
WTI/Brent	-22.99	-13.55	9.44	0.04	-17.00
Brent/Dubai	5.31	1.72	-3.59	1.42	5.48

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

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

The oil futures market

Crude futures were up significantly in November with Nymex WTI increasing $10.73 and ICE Brent by $1.70

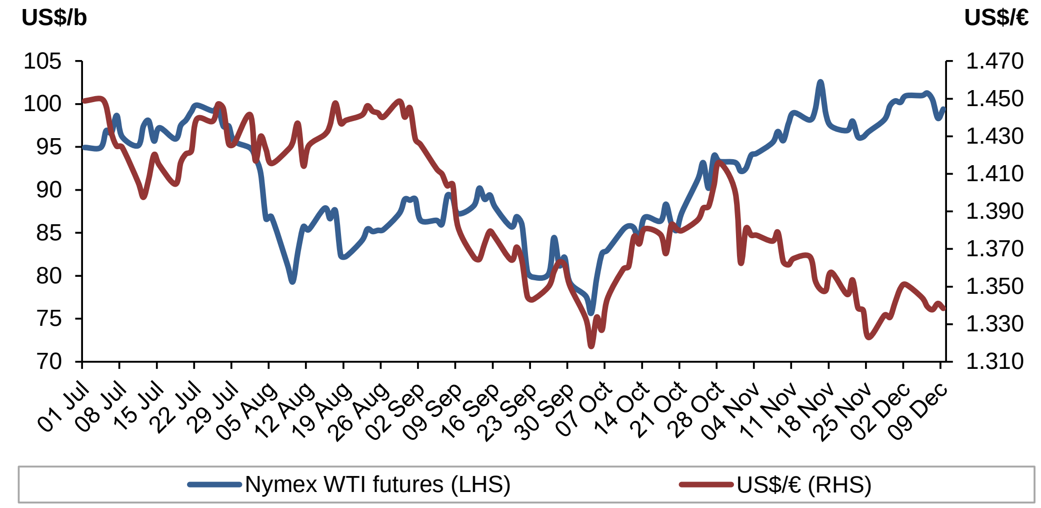
The crude oil futures markets were up significantly in November, principally the WTI front-month which registered its highest m-o-m gain since March. Continuing on from its previous month gains, WTI front-month prices showed an impressive performance in November, despite relatively sloppy market fundamentals, the effects of the European debt crisis and global manufacturing falling deeper into recession territory. Supportive US economic data coupled with the announcement of the reversal of the Seaway pipeline, potentially as soon as the second quarter of next year. Enbridge's $1.15 billion deal with Conoco Phillips opened the doors to reversing the flow of oil through the Seaway pipeline and thus ease the infrastructure problem causing the Cushing bottleneck. Moreover, geopolitical risk premiums, due to ongoing tensions in the MENA region remain high and continue to support prices. On the other hand, ICE Brent prices increased slightly over the month as the European debt crisis and the return of regional supply of crudes continued to weigh on the Brent market. On the Nymex, the WTI front-month improved sharply by $10.73/b to average 97.16/b in November, whereas ICE Brent increased by $1.70/b to average $110.49/b and above the key $110/b level. Compared to November last year, WTI was up by 15.2%, while ICE Brent was higher by a hefty 28.2%.

The WTI front-month traded as low as $92.20/b in the earlier trading sessions of November before rallying to stand at above $100/b in the middle of the month. WTI was then boosted up to $102.60/b, the highest close in more than five months, on news of plans to reverse the Seaway crude oil pipeline next year, a move expected to help relieve an oil glut at the Cushing, Oklahoma hub. Thereafter, encouraging US economic data, coupled with geopolitical tensions supported the rally in WTI front-month prices.

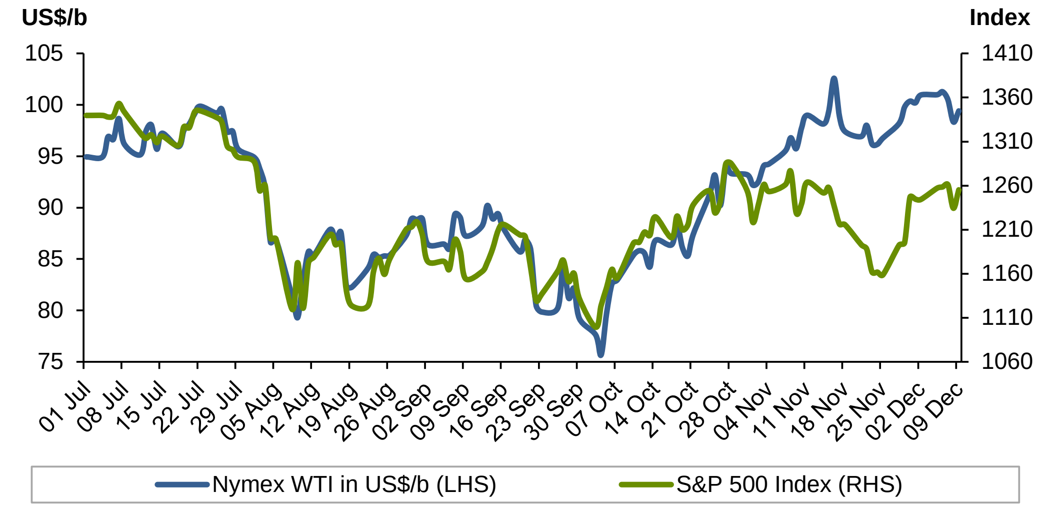
Meanwhile, ICE Brent steadily increased from $106/b to $115/b in the first decade of November, but ended the month at around $108/b, primarily on worsening economic sentiment. At the end of the month, bearish sentiment on the ICE Brent market escalated as worries over Euro-zone debt levels weighed heavily on the market, in addition to the unexpected steady supply return of Libyan production. These concerns prompted investors to cut exposure to riskier assets, such as equities and commodities, like oil, and helped push the US dollar higher, which also impacted the market.

Crude oil futures prices kept their momentum in the first week of December when Nymex WTI settled above $101/b and ICE Brent moved up above 110.00/b. On 12 December, ICE Brent stood at $107.26/b and Nymex WTI at $97.77/b.

Graph 1.2: Nymex WTI futures and US$ exchange rate, 2011



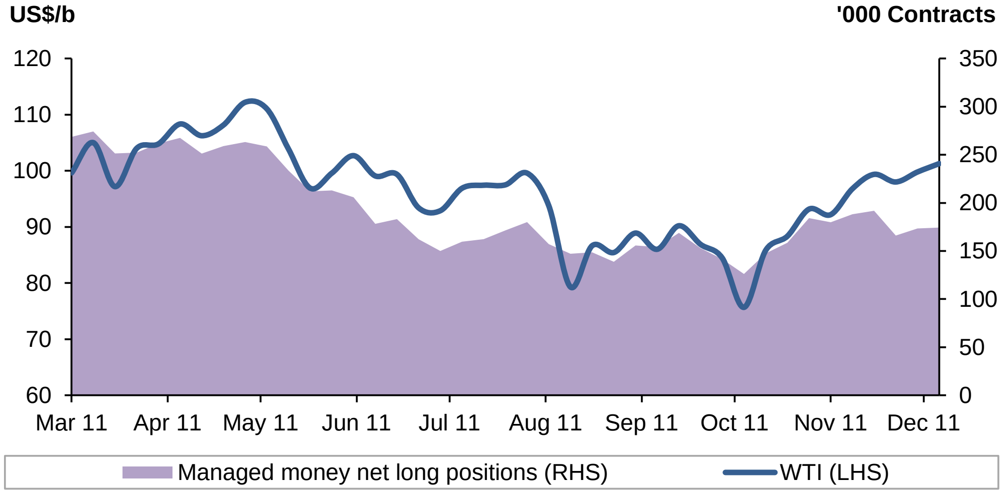
Graph 1.3: Nymex WTI futures vs. S&P 500 index, 2011



Data from the US Commodity Futures Trading Commission (CFTC) showed that speculators raised their net long positions in US crude oil futures and options positions in the month of November. Hedge funds and other large investors increased their net long positions on the New York Mercantile Exchange (Nymex) by 25,797 contracts to 179,850, an increase of almost 17%, a month after static movement. The data showed, however, that much of the rise was down to short-covering, as opposed to the establishment of outright new long positions. Outright longs were up by just 4,175, while shorts were cut by 21,622, suggesting that as prices rose back towards $100/b, bullish traders were not backing the move. During this period, US crude oil prices rose from $98.01/b to $99.79/b. Prices continued to edge higher into early December, settling above $100/b. Moreover, the open Interest volume for the month of November dropped sharply by 85,992 contracts to 1.33 million contracts. This further explains that speculators were not supporting high prices as shown earlier by the small increase in new long positions.

The daily average traded volume during November for WTI Nymex contracts decreased by 82,424 lots to average 636,559 contracts or almost 640 mb/d (almost seven times the physical supply). For ICE Brent, the volume dropped by 9% to 555,479 contracts, while open interest increased marginally by 1% to 943,555 lots, signifying the continuation of strong bearish sentiment among investors in the paper market, triggered by the European debt crisis and the return of Libyan crude to the market.

Graph 1.4: Nymex WTI price vs. speculative activity

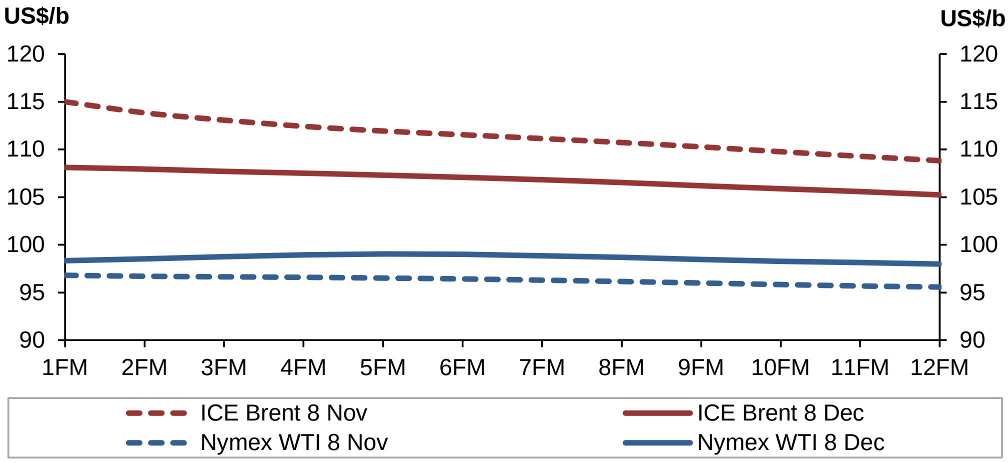


Nymex switched back to contango while ICE Brent contracted its backwardation sharply

The futures market structure

Since flipping into backwardation in late October, Nymex WTI remained in backwardation only for the first half of November. The symptom of tightness in the market did not last long though, as the market structure switched back into contango on November 14 and ended the month with the front-month versus the second-month at -10 ¢/b. Front-month WTI rose by 13¢ on 24 October, the first time for the front of the curve since early September 2008. The delay, or possibly the cancellation of the Keystone XL project, which will significantly cut inflows of Canadian crude into Cushing supported a reverse in the market structure back into contango. On a monthly average basis, the Nymex front-month moved from a 10¢/b discount to the second-month contract in October to flat in November.

Graph 1.5: Nymex WTI and ICE Brent forward curve, 2011



FM = future month

Continuing on from the late October trend, the ICE Brent forward curve contracted sharply in November from the previous months of steep backwardation amid a rise in supply from Libya and major North Sea fields, as well as West Africa, which depressed the North Sea market amid low refinery demand. Although it remained in backwardation for the whole month of November, the premium of the first month over the second more than halved. The spread between the second and the first month averaged around 75¢/b, the lowest in three months, in November compared to $1.55/b in the previous month.

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

Nymex WTI	1st FM	2nd FM	3rd FM	6th FM	12th FM
08 Nov 11	96.80	96.70	96.64	96.42	95.57
08 Dec 11	98.34	98.54	98.74	99.01	97.98
ICE Brent	**1st FM**	**2nd FM**	**3rd FM**	**6th FM**	**12th FM**
08 Nov 11	115.00	113.84	113.07	111.54	108.82
08 Dec 11	108.11	107.94	107.70	107.07	105.23

FM = future month

The sweet/sour crude spread

Sweet/sour spread narrowed sharply in Asia and moderately in Europe

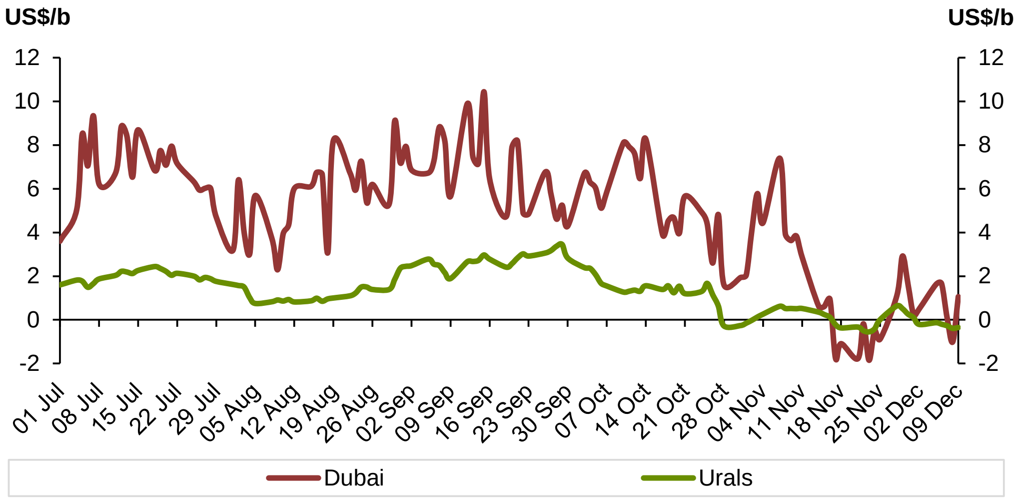
Light-sweet/heavy-sour differentials narrowed globally amid increasing supply of light-sweet crudes, a lack of demand due to falling light distillates cracking margins, particular naphtha, and the closure of some refineries in the US East Coast.

In Asia, light-sweet/heavy-sour differentials narrowed sharply compared to other regions, in line with the product market, which showed a sharp fall in light distillates, naphtha and gasoline. Meanwhile, a strong fuel oil market supported heavy-sour grades in Asia. High bunker demand, Japanese electrical generation demand and specification changes strengthened the fuel oil market. Ample supply of West African crudes also helped in narrowing the differentials. As a result, Dubai's monthly average discount to Brent in November narrowed to its lowest level since November last year at minus $1.70/b, compared to a discount of $5.30/b in October. Similarly, Dubai's discount to Tapis dropped by $3.25/b to $8.30/b in November from $11.60/b in the previous month.

Similarly, in Europe, stronger middle/heavy product cracks versus that of naphtha and gasoline supported Urals to trade at a premium against Dated Brent for the longest consecutive weeks at that level. Tight supply, due to the sanctions on sour Syrian crudes and potentially other grades supported the Urals markets noticeably. Oppositely, besides weak naphtha and gasoline cracks, light-sweet Brent was also pressured by the return of Libyan exports and the greater availability of Nigerian crude, following less buying from refiners on the US East Coast. Urals' discount to Dated Brent in November dropped by over $1.20/b compared to October to reach almost flat at 20¢ from -$1.35/b. Currently, Urals is trading at a premium of 10¢/b over Dated Brent.

The US Gulf Coast sweet and sour grades spread, represented by the LLS/Mars spread, narrowed significantly in November, in line with developments in the product market. Gasoline cracks are now at the lowest level of the year, while fuel oil has managed to hold on to its levels, supported by lower availability in the Atlantic Basin, due in part to fewer Russian exports. Additionally, one reason for the contraction in light-heavy differentials is the strength of middle distillates, with US output recently reaching an all-time high. Exports are also at a historic high and middle distillate yields across US refineries also hit a record. The differential for LLS vs. Mars averaged $3.60/b in November, down from the previous month's premium of $4.45/b.

Graph 1.6: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2011



Commodity Markets

Following a hefty fall in October, commodity prices declined at a milder pace in November.

Trends in selected commodity markets

The **World Bank (WB) index** for non-energy commodities dropped by 3.3% m-o-m in October, following a 7.4% decline in November, owing to a fall in base metal and agricultural prices. By contrast, the **energy commodity index** posted a 4.2% m-o-m gain in November. Most commodity prices recovered slightly in November, but these still declined and markets were characterised by volatility and disorientation amid dramatically higher risk for global economic growth in OECD countries and the slow-down of demand from developing countries, especially China, the Euro-zone debt crisis, as well as still pending US problems.

The **WB energy commodity price index** (crude oil, natural gas and coal) went up by 4.5% m-o-m in November, sustained by higher crude oil prices.

Table 2.1: Commodity price data, 2011

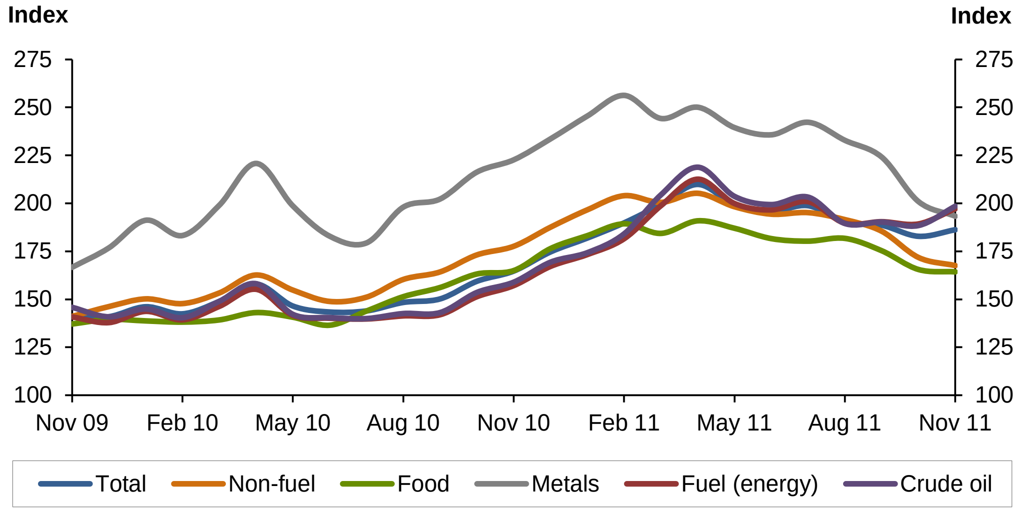
Commodity	Unit	*Monthly averages*			*% Change*		
		Sep 11	Oct 11	Nov 11	Sep/Aug	Oct/Sep	Nov/Oct
World Bank commodity price indices for low and middle income countries (2000 = 100)							
Energy		343.5	340.1	355.3	0.4	-1.0	4.5
Coal, Australia	$/mt	122.6	119.0	113.8	2.8	-2.9	-4.4
Crude oil, average	$/bbl	100.8	99.8	105.4	0.3	-1.0	5.6
Natural gas, US	$/mmbtu	3.9	3.6	3.2	-3.8	-8.5	-9.1
Non Energy		317.1	293.1	283.5	-2.6	-7.6	-3.3
Agriculture		281.3	264.9	254.7	-1.4	-5.8	-3.9
Food		277.9	263.2	261.0	-1.0	-5.3	-0.8
Soybean meal	$/mt	395.0	373.8	354.0	-1.5	-5.4	-5.3
Soybean oil	$/mt	1305.0	1220.0	1217.0	-1.9	-6.5	-0.2
Soybeans	$/mt	543.0	503.0	486.0	-2.7	-7.4	-3.4
Grains		305.5	290.2	290.6	-1.4	-5.0	0.1
Maize	$/mt	295.3	274.8	274.4	-4.8	-6.9	-0.1
Sorghum	$/mt	288.8	263.7	265.4	-4.5	-8.7	0.7
Wheat, US, HRW	$/mt	315.9	289.0	281.0	-3.4	-8.5	-2.8
Sugar World	¢/kg	58.8	56.1	53.0	-3.9	-4.5	-5.6
Base Metal		320.0	289.6	291.2	-6.9	-9.5	0.5
Aluminum	$/mt	2293.5	2180.7	2080.0	-3.6	-4.9	-4.6
Copper	$/mt	8300.1	7394.2	7581.0	-7.8	-10.9	2.5
Iron ore, spot, cfr China	¢/dmtu	177.2	150.4	135.5	-0.2	-15.1	-9.9
Lead	¢/kg	228.8	196.0	199.4	-4.6	-14.3	1.7
Nickel	$/mt	20377.6	19039.1	17873.0	-6.7	-6.6	-6.1
Steel products index	2000=100	271.4	271.4	264.6	0.0	0.0	-2.5
Tin	¢/kg	2252.7	2186.9	2129.2	-6.3	-2.9	-2.6
Zinc	¢/kg	207.5	187.1	193.5	-5.7	-9.8	3.4
Precious Metals							
Gold	$/toz	1771.0	1665.2	1738.1	0.8	-6.0	4.4
Silver	¢/toz	3813.1	3206.3	3326.5	-5.4	-15.9	3.7

Source: World Bank, Commodity price data

Henry Hub (HH) natural gas prices declined further by 9% m-o-m in November compared to 8.5% in the previous month. As in previous months, HH natural gas prices came under pressure from the high storage levels.

Agricultural prices decreased by 3.8% m-o-m in November compared to a 5.9% loss a month earlier. Despite the impact of an increasingly risky macroeconomic outlook and bearish sentiment and risk reduction in the markets, some groups, like grains, and especially corn and wheat, saw some recovery as a result of supply tightness suggested by the latest US Department of Agriculture (USDA) report. Grain prices rebounded by 0.14% m-o-m in November compared to a 5% drop in the previous month on greater imports from China and the prediction of the USDA that 2011-12 world corn ending stocks would be 34% below 2010-11 levels.

Graph 2.1: Major commodity price indices, 2009-2011



Commodity price index, 2005 = 100

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

Source: IMF

Following a hefty 9.5% m-o-m decline in October, base metal prices rebounded by 0.54% m-o-m in November amid high volatility and worsening global macroeconomic conditions. Base metal markets are closely link to the economic cycle, so it is expected that macroeconomic factors and the performance of global economic growth will drive prices rather than microeconomic factors. Even more, the weakening of Chinese semis exports in 2H11 suggests slower growth outside China which will turn into softening domestic market conditions for base metals. The London Metal Exchange (LME) continued declining.

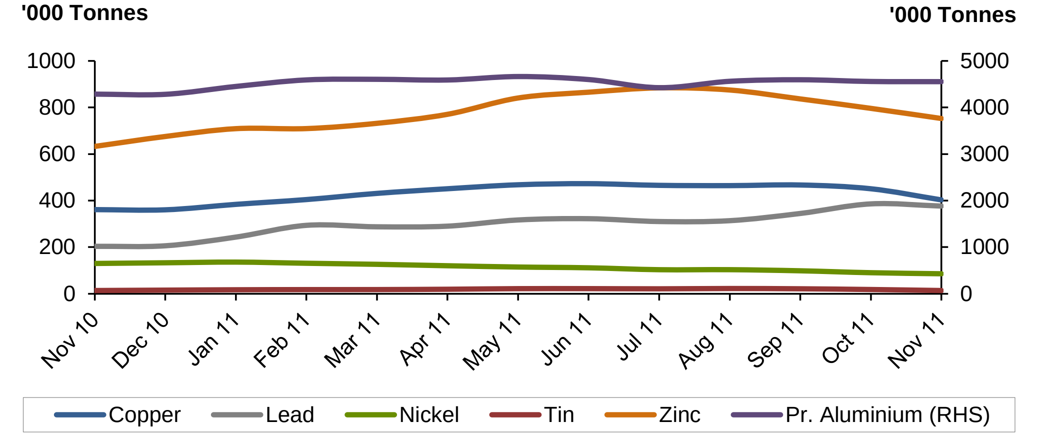
Copper prices recovered by 2.5% m-o-m in November compared to a loss of 10.9% in October. LME copper inventories, which had stabilized over the last semester, declined in October (3.5%) and November (10.6% m-o-m) owing to open arbitrage attributable to Chinese restocking. Refined copper imports from China increased by 7% m-o-m in October to their highest level since April 2010. Although some of this increase may be reflecting speculation by market participants, the strength in imports may have largely reflected robust demand for cathode against a backdrop of tight domestic supply. Additionally, some micro-factors, such as labour problems in Indonesia and Peru, are still affecting production. Despite this, the strong difficulties in the economic panorama have been impacting copper demand with emerging nations still the main source of demand. Forecasted prices have been downgraded. China revealed for the first time the estimated size of its copper inventories: Chinese copper inventories stood at 1.9 tonnes at the end of 2010, more than what the US consumes in a year. The estimate is significantly higher than the 1.0-1.5 tonnes range that foreign analysts had assumed in the past. This implies that real Chinese copper demand may have been lower than expected in recent years. The outlook for copper depends closely on confidence in the global economy and Chinese demand. Whilst there is evidence of restocking in China, consumer sentiment is weakening, meaning that this could be short-lived unless prices fall further.

Lead prices rose by 1.7% m-o-m in November with this metal being the best performer in the complex with perceived fundamental support coming from cost-curve pressures (indirectly through zinc), expectations (and some evidence) of a seasonal demand-driven tightening in the Chinese market and relatively robust demand from the US and Europe. As the LME declined by 2% m-o-m, this seems to indicate that a deficit dynamic is taking place. Nevertheless, the outlook for lead relies on the direction of

Chinese market dynamics. In this sense, a rising domestic price premium to the LME and falling domestic stocks point to tightness. Lead also found some support from the news that Magellan Mine (the largest only lead facility) is likely to remain off-line until at least 2H12.

Gold prices rebounded by 4% m-o-m in November, supported by the unfavourable macroeconomic and financial outlook.

Graph 2.2: Inventories at the LME



Source: LME

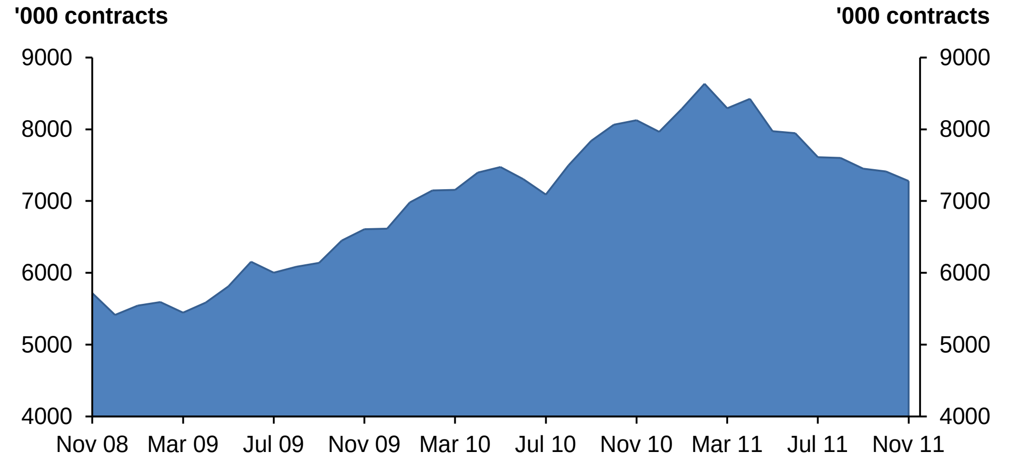
Investment flows into commodities

Some modest optimism of investors in November

Investments into commodities rebounded slightly in November, which may point to the fact that investors may keep interest in commodities, if the EU debt crisis is ring-faced.

The total number of contracts for major commodity markets in the US declined by 1.7% m-o-m to 7,386,860 contracts in November compared to a 0.6% fall in October. After plummeting by 11% m-o-m in October, the net length of money manager positions posted a milder 6% m-o-m decline to 582,210 contracts in October. There was a lower selling of commodities with non-commercial shorts rising by only 7% m-o-m compared to 15.9% in October, while longs only dropped by 0.1% m-o-m compared to a 12.1% fall in October.

Graph 2.3: Total open interest volume

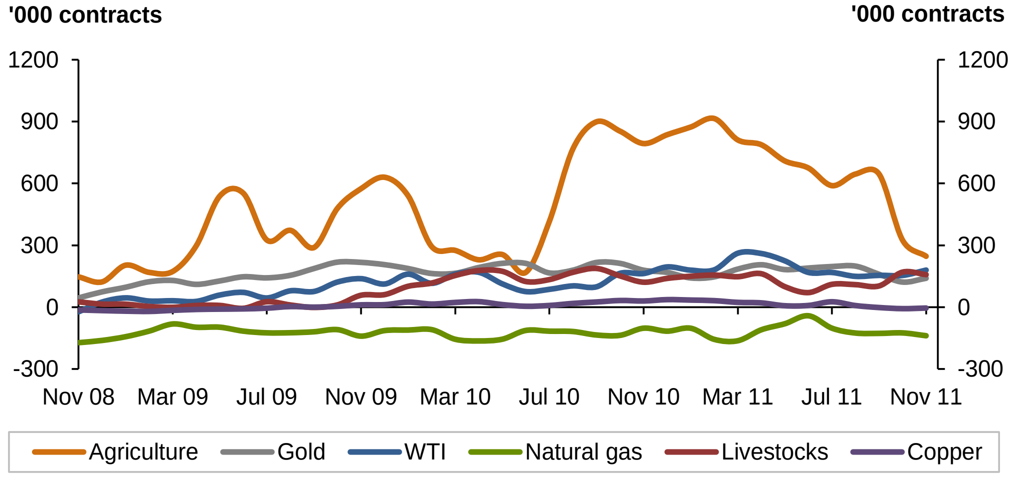


Source: CFTC

Agricultural open interest volume (OIV) decreased by 0.7% m-o-m to 3,770,642 contracts in November compared to a 0.9% decline in September. Net length money managers' positions declined by 24% in November compared to a 49.7% drop in the previous month.

HH natural gas OIV rose by 0.5% m-o-m to 975,013 contracts in November compared to a 2% fall in the previous month. Speculative net length positions increased by 11% m-o-m compared to a 1.8% decline in October. Speculative shorts increased more than longs.

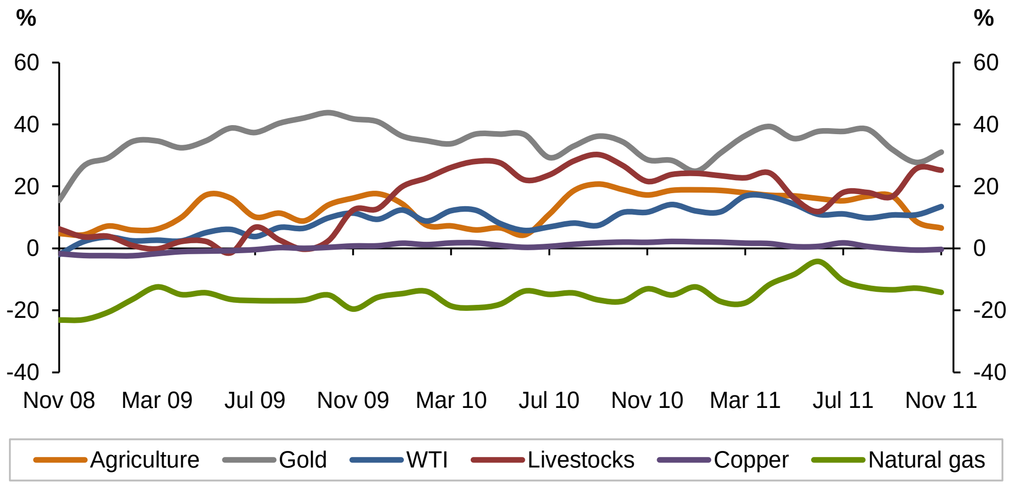
Graph 2.4: Speculative activity in key commodities, net length



Source: CFTC

Copper OIV declined by 2% m-o-m to 123,298 contracts in November compared to a 4.9% gain in October. Following a strong increase in October, the net-length of manager positions declined by 40% m-o-m in November. This partly reflected the more than 300% decline in the earlier month. The bearish sentiment among investors in copper reflected falling prices and the unfavourable macroeconomic outlook.

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



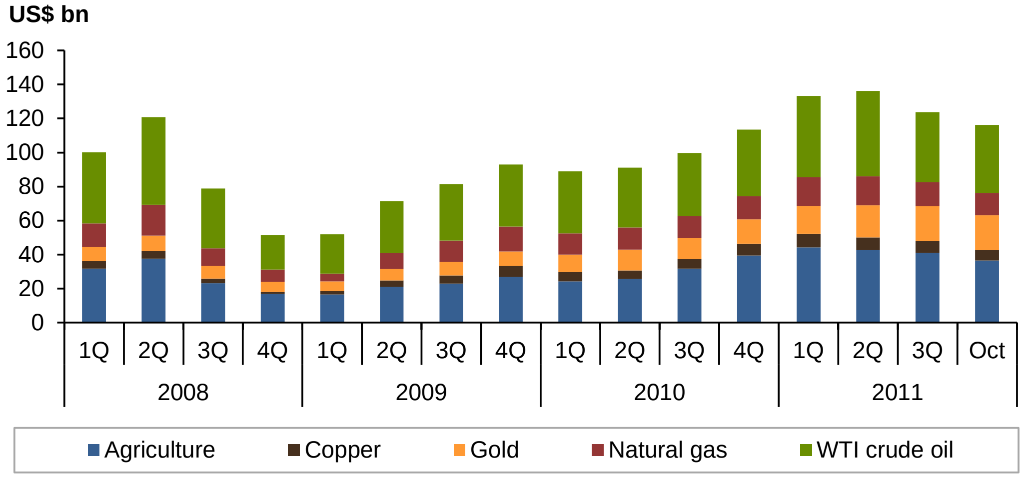
Source: CFTC

Gold OIV rose by 2.8% m-o-m to 451,631 contracts in November compared to a 12% drop a month earlier. Net length speculative positions recovered by 15% m-o-m in November compared to a15% decrease in October. This was the outcome of a strong decline in short positions and an increase in longs.

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

	Open interest		*Net length*			
	Oct 11	Nov 11	Oct 11	% OIV	Nov 11	% OIV
Crude Oil	1419	1333	154	11	180	13
Natural Gas	970	975	-125	-13	-138	-14
Agriculture	3799	3771	325	9	247	7
Precious Metals	542	559	132	24	152	27
Copper	126	123	-7	-6	-4	-3
Livestock	659	625	170	26	158	25
Total	**7,515**	**7,387**	**649**	**9**	**594**	**8**

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



Source: CFTC

World Economy

Table 3.1: Economic growth rates 2011-2012,%

	World	OECD	US	Japan	Euro-zone	China	India
2011	3.6	1.7	1.7	-0.2	1.6	9.0	7.6
2012	3.6	1.5	1.7	1.9	0.4	8.7	7.5

Industrialised countries

US

The United States economy continues to recover. Unemployment fell to 8.6% in October and industrial production was posting the highest rate of expansion since May at a rate of 3.9%.

After a considerable rebound in 2010, thanks to the fiscal and monetary stimulus, the United States had a very challenging 1H11 with exceptionally low growth levels. However, most recently it seems that the momentum has improved slightly, although the expansion remains low. After an expansion of 0.4% in the 1Q11 and 1.3% in the 2Q11, the 3Q11 growth was initially reported at 2.5% by the Bureau of Economic Analysis (BEA). This number has since been revised down to 2.0%, which is again an indication that the expansion is not developing smoothly, but still constitutes a positive trend. Furthermore, there have been some signals from leading indicators most recently that the 4Q11 performance will improve further as the most recent unemployment number fell considerably and industrial production and manufacturing orders have pointed in the same direction.

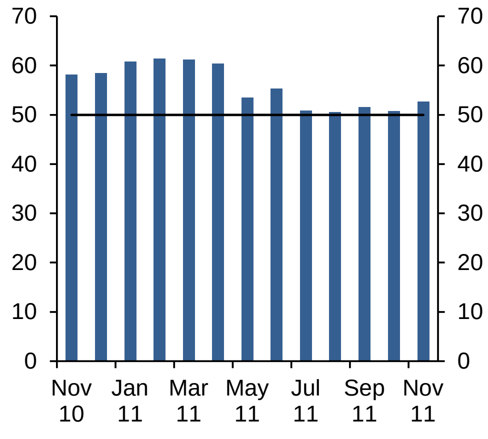
After the developments of this year's summer, when Standard and Poor's downgraded the sovereign debt of the United States from its triple-A status for the first time and, after very tough negotiations to raise the sovereign debt ceiling, this recent turnaround should be taken as a sign that the US economy still seems to possess enough potential to withstand the current challenges, while certainly the momentum remains low. Many issues remain and the most recent failure of the so-called "super-committee" to agree on the necessary budget cuts that were enforced by the Budget Control Act provides evidence that a common understanding for future austerity measures will be hard to find. The time for large-scale fiscal stimulus seems to be over. The joint committee should have come up with another $1.5 trillion of savings, in addition and on top of the savings of $917 billion that have been agreed upon already after the debt ceiling was lifted in July. As this has not been achieved, automatic spending cuts will now be enforced, most of them starting in 2013. So, mainly the Federal Reserve Board (FED) is left to continue providing monetary support, which it had already announced it will conduct if needed.

The lack of an alternative for fiscal stimulus leads to the conclusion that the underlying economy, i.e. private household consumption, has to continue improving and, as highlighted, so far the US economy has demonstrated a remarkable resilience, when compared to the greater uncertainties in its OECD-peer economies, namely the Euro-zone and Japan. It is to a certain extent dealing with similar issues of high debt, unemployment, necessary austerity measures, deleveraging households, but primarily due to the abilities of the FED to act as a lender of last resort, by providing the ultimate reserve currency – the US dollar - and having the deepest capital market with a supportive labour-market flexibility, it seems to be in a better position to handle the current situation.

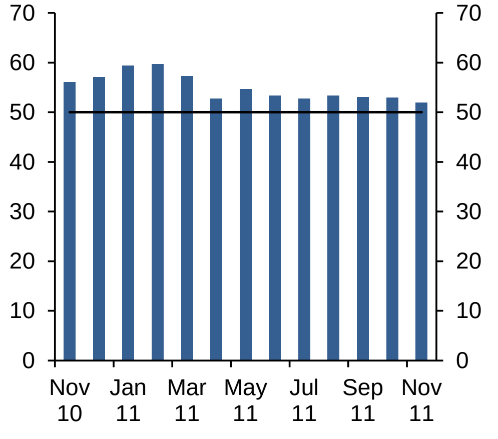
In particular, the labour market has improved over recent months. The unemployment rate fell to 8.6% in November from October's rate of 9.0%, thereby hitting its lowest level since March 2009, when the global economy was reaching trough levels. Furthermore, on the positive side, was the fact that job additions in the non-farm payroll area stood at 120,000 jobs, after 100,000 job additions in October and 210,000 in September. This is indeed a positive development, given that more than 8 million jobs were shed in the crisis and that it is the ultimate necessity to re-create jobs that were lost, in order to support consumption and again get the unemployment rate back to more acceptable levels. It will still be a long way to go as it will need many years, but it is a move in the right direction. On the negative side, the ratio of long-term unemployed has again risen and now stands at 43.0% as a percentage of total unemployed, slightly higher than September's 42.4%. The long-term unemployment rate has now held above the unhealthy 40% level for 24 months and it is obvious that such a high level of skilled workers, not participating in the labour market and working is obviously a very inefficient use of precious resources in an economy. The number of people that do not participate in the labour market, but actually would like to go to work is as well on the rise again and stood at 6.183 million in November, compared to 5.969 million in October. This is almost 4% of the official labour force, while it is not accounted for in the official unemployment rate and a sign that the improvements in the labour market will have to run deeper.

A slight improvement could have been observed as well in output-related monthly indicators. Industrial production increased in October by 3.9% y-o-y, after a rise of 3.1% in September, posting the highest rate of expansion since May this year. The sub-component of manufacturing even increased by 4.5%, supporting a three-month consecutive rise. Manufacturing orders, which have been in decline up to September, have risen as well in October at 10.8% y-o-y, pointing to a solid expansion in the 4Q11. The ISM number for the manufacturing sector was supporting this uptick in the manufacturing area. It rose from 50.8 in October to 52.7 in November, the highest number since July this year. The ISM for the services sector, however, moved down to 52.0 from 52.9 in October.

Graph 3.1: ISM manufacturing index



Graph 3.2: ISM non-manufacturing index



Source: Institute for Supply Management

The slight improvements observed in the economy have also been mirrored in the most important consumer-related indicators, which is considered an important development, given the importance of consumption to the US economy, with around two-thirds of the country's GDP contribution and its potential impact, therefore, in supporting the global economic recovery. Consumer confidence has improved from 49.0 in October to 56.0 in November, according to the Conference Board. The consumer sentiment index of the University of Michigan increased to 64.1 in November from the previous month's level of 60.9. Retail trade, therefore, should be expected to grow in the near future, while it decelerated slightly in October to a growth rate of 0.54% m-o-m, compared to 1.14% in September. Even the ailing housing sector was providing a positive sentiment with pending home sales in October growing at 10.4% m-o-m, compared to a decline of 4.6% in September. This represents a yearly increase of 9.2%. House prices as a wealth-creation factor should follow. While they are still in decline at minus 2.2% in September, they had been following an improving trend in the previous months.

With these developments, the growth forecast for 2011 has been raised to 1.7% from 1.6%. The development for 2012 is still highly uncertain and there is the likelihood that the challenges from the Euro-zone sovereign debt crisis will have an impact on the US economy. However, the economy should be expected to be strong enough to withstand these challenges via a growing momentum in underlying consumption. However, taking this uncertainty into consideration, the forecast for 2012 has been lowered from 1.8% to 1.7%.

The Japanese recovery remains fragile. After an exceptionally high growth number for 3Q11 of 6.0%, the 4Q and the coming months in general are expected to contend with a global slowdown.

Japan

The Japanese economy continues its recovery from the lows it experienced after the triple disaster seen in the 1H11. Recent developments in the recovery have been volatile and many uncertainties about the future prevail, but the situation has shifted from being relatively depressed to a slightly more positive trend. The natural domestic demand pick-up after such a disaster is one supportive factor. Another one is certainly the recently announced stimulus package – the third supplementary budget of 2011 - which was proposed by the government in October and has been enacted now by the Japanese legislature – the Diet – on 21 November 2011. This stimulus is primarily addressing improving the situation of the economy after the earthquake and tsunami through rebuilding infrastructure in the affected regions, helping companies in need and supporting disaster-affected people. This recent package is in the considerable amount of 12 trillion yen ($150 billion), which brings the total fiscal stimulus this year for addressing the negative effects of the triple-disaster to 16.1 trillion yen. This is certainly considered to be supportive for the economy and it is estimated that it will help growth next year by around 2.5% to 3.0%.

While the most recent developments in the economy have been positive, the near-term future is likely to be challenging, mainly due to the problems seen in the global economy. The recently announced 3Q11 GDP growth number was higher than expected at 6.0% annualized and seasonally adjusted and representing a strong rebound from the decline seen in the 1H11, which, in the latest GDP-announcement, was reported at -2.7% for the 1Q11 and -1.3% in the 2Q11. Industrial production has been volatile in recent months, but has recovered. After the unexpected major decline in September of 3.4% y-o-y, the October performance stood at 0.4% and is the first month of a positive yearly performance since March. It is also the strongest monthly performance since June. Some positive momentum is supported by manufacturing orders, which fell in July and August, but turned positive again in September at 0.6% y-o-y, mainly supported by local demand, while foreign demand declined. The ISM numbers published by Markit highlight the fragility of the recovery too. The manufacturing ISM again moved below the growth-indicating level of 50 in November to stand at 49.1, after an October level of 50.6, while having already indicated a challenging environment in September at a level of 49.3. This current index level is therefore the lowest since April, which followed the March earthquake. Following the logic of the ISM index, which is published for the manufacturing and services sectors, it remains to be seen whether the services sector is contributing the major share to the recovery. But it has also fallen below the 50 line and now stands at 49.5. Therefore, the 4Q11 development should be expected at a rather lower level of expansion.

This fragile environment is also indicated by labour market statistics. The unemployment rate, while at low levels, increased again in October, edging up by 0.4 percentage point to stand at 4.5%. It was mainly the manufacturing sector that started to have an impact on this increase and, in combination with the indicators highlighted before, it seems clear that the global economy is having a dampening effect. Certainly the strong Japanese yen, which still stands significantly below the important ¥80/$, remains a factor that is negatively impacting exports. Exports fell by 1.8% y-o-y in October. Foreign orders for the manufacturing sector also significantly declined in October at a rate of -14.8% y-o-y, the lowest level since September 2009.

Taking the strong 3Q11 into consideration, while at the same time acknowledging the slowing momentum for the coming months, the 2011 forecast has been consequently raised to -0.2% from the previous -0.8%, while the forecast for 2012 has been lowered to 1.9% from 2.2%.

While the leaders of the European Union have agreed on the creation of a fiscal union, many challenges remain. The sovereign debt

Euro-zone

While it has already been said several times recently that the Euro-zone remains the centre of interest for the global economy, it has even increased its importance for the future development in recent weeks. The situation has deteriorated significantly over the past few weeks with the peripheral countries being continuously faced with sovereign debt challenges, while the leaders of the European Union have struggled to find a common understanding on how to solve the crisis. After the most recent summit, it seems that agreement has been found to install a fiscal union as a prerequisite for *problems are expected to continue in 2012, when the underlying economy will move into a considerable deceleration. Growth for 2012 is expected at 0.4%*

further cooperation and an important factor for the wealthier nations to continue providing financial support. Still, many details remain unknown and the legal basis of this accord could prove challenging. Ireland has already announced that a referendum is possible and some other countries might follow. And while the Euro-zone countries are currently trying to keep all 17 nations under the umbrella of the common currency, it cannot be ruled out that any of the weaker economies could leave the Euro-zone in 2012. This will not only depend on fiscal discipline but on the ability of the nations in question to be able to recover their economies and find a way back to growth.

Austerity measures are considered to be one important factor, but this will be a very sensitive issue for the governments of some of the economies, particularly Greece, in not wanting to cool down the economy too much, which could push tax revenues down even more significantly. It is also relatively obvious that even with the current emergency facilities to help ailing economies in the Euro-zone of €750 billion and even with the plan to increase this figure to around €1 trillion, or slightly more, it will be much too small to cover the obligations of more than €3 trillion of those economies that are currently facing most of the pressure and are supposed to pay highly burdensome interest rates on their sovereign debt. Mainly, Italy and Spain are those economies of the Euro-zone that, because of their size, could create a major problem for the global economy. While Italian 10-year debt had traded above the 7% yield in the past weeks, it has moved back to currently stand at 6.85%, but this is still too high for a realistic budget. Italy will have to refinance around €320 billion in 2012, which, in relation to the previously mentioned emergency facilities, is a big number. The other peripheral countries are also faced with significant refinancing rounds in 2012, with Spain at €142 billion and Ireland, Portugal and Greece together at €75 billion. Adding up all those needed facilities for 2012, more than €500 billion will have to be refinanced next year. This could probably be supported by the European Financial Stability Facility (EFSF), the European Stability Mechanism (ESM) and the International Monetary Fund (IMF), together with the support of the European Central Bank (ECB), but it remains to be seen if the underlying problems in the meantime can be solved and if this Band-Aid solution will provide enough time to prevent the problems from becoming too big, so that after 2012 there will be enough room to maneuver.

The underlying economy has moved largely in deceleration and some parts are in decline. While GDP levels in the first three quarters expanded at healthy levels, there is the likelihood that the 4Q11 will show a decline and the same situation is expected for the 1Q11, while it remains to be seen how the Euro-zone economy will develop. But it becomes clearer that developments in 2012 will become very challenging. Industrial production declined significantly to a level of 2.9% annual growth in September from 5.4% in August. The deceleration is visible in manufacturing orders, which stood at 1.8% y-o-y in September compared to 5.9% y-o-y in August. As in Japan, it is mainly the weakening export base that is denting the expansion. Foreign orders fell by 0.1% y-o-y in September, after an increase of 7.9% in August. On a monthly basis, this is even more dramatic at a 7.5% rate of decline. This negative trend is also highlighted by the most recent ISM numbers, provided by Markit. The manufacturing ISM index fell to 46.4 in November from the already low 47.2 in October, while the services index stood at 47.5, slightly higher than the October number of 46.4. Unemployment reached a new record high level of 10.3% in October, the highest rate since the introduction of the euro.

The ECB has, in the meantime, lowered its key-policy rate by 0.25 percentage point to 1.0%. However, with banks across the globe deleveraging and the most recent findings of the European Banking Authority that European banks have to recapitalize their balance sheets by around €115 billion, it remains to be seen if enough credit will be available in the future to support growth. But, currently, it seems rather likely that the deleveraging of the sector will remain a dampening factor.

While many uncertainties prevail, current challenges will mostly have an effect in 2012. Therefore, next year's GDP growth forecast has been lowered to 0.4% from 0.7% in the previous month, while the 2011 forecast remains unchanged at 1.6%.

Emerging markets

Despite the slow-down in the advanced economies, tightened monetary policies and fading fiscal stimulus packages, Emerging Markets are expected to show robust growth in 2012

Approaching the end of the year, economic activities have been weakening in Europe, Japan and the major emerging markets, while the US economy has appeared steady on its path to recovery. According to JP Morgan (2 December 2011), while growth is downshifting materially, despite the stronger US performance a policy response is beginning to take hold across a number of fronts that include easier monetary and fiscal policies and coordinated actions to contain European financial market stress. However, while more accommodating economic policies might affect economic performance later in 2012, in the immediate future a solid and steady expansion of the global economy seems unlikely. The structural problems facing the crisis-hit advanced economies has proven to be more intractable than expected and these problems are now negatively affecting the economic performance of the emerging markets, as, for example, the so-called “technical recession” of Brazil's economy in the third quarter of the year is believed to be influenced by Euro-zone economic problems. On top of the spillover effect of advanced economies' problems, growth in the non-OECD countries is also being negatively affected as the impact of fiscal stimulus packages and the inventory cycle fades, while reduced external demand has weakened the tradable sectors of developing economies. This makes the prospects for emerging markets more uncertain, although robust growth is expected for emerging markets in 2012 as a whole. Our latest estimates indicate that Asia-Pacific (including Oceania) will lead the Developing Countries, growing by around 5.6% in 2012. The economies of Eastern Europe, the Former Soviet Union, Latin America and the Middle East and North Africa region (MENA) are expected to expand by 3.3%, 4.3%, 3.6% and 4%, respectively.

As the growth forecast for China lowers, so it does for EMs and BRICs as a whole, considering the weight of the Chinese economy in emerging markets' aggregate GDP. Although events such as the Thai floods and the year-end inventory correction have also affected GDP growth for the emerging markets in the second half of 2011, increasingly weaker domestic demand in developing countries has also been a major cause of concern. Recently, there have been reports of weakening demand in China that together with the excessive monetary expansion of the past couple of years and the deteriorating prospects of China's exports to the advanced economies, particularly the Euro-zone, have sparked mounting pressure on the renminbi, reducing its parity with the US dollar in the last weeks, despite the Chinese central bank's intervention. In Brazil, with the onset of the Euro-zone crisis and slower growth in China and other key markets for Brazilian commodities, a decline in factory output has widened into a broader slowdown in Latin America’s largest economy. Official reports indicate that Brazil's GDP contracted q-o-q by 0.04% in the third quarter of 2011. Compared to the same period a year earlier, GDP in the third quarter rose by a mere 2.1%, the slowest expansion in two years. If confirmed with more evidence, this might put in jeopardy our estimate of Brazil’s GDP growth of 3.3% for 2011 and call for a moderation of the 3.5% growth for 2012. India also faces a similar problem of weakening domestic demand and the impact of the Euro-zone problems have reflected on a depreciation of its currency, the rupee. Therefore, China, Brazil and India, the three largest emerging economies, are all now slowing, according to their latest GDP figures. Russia, on the other hand, has posted strong growth in domestic demand in the first half of the year, with private consumption and investment having reportedly grown by 6.2% and 32%, respectively, with no sign of weakening in the second half of the year so far. In fact, indicators of domestic demand remained robust in September with consumer spending recording 9.2% growth and investment spending 8.5% growth. Imports have also been increasing by high rates in the first half of the year and in September. According to the Economist Intelligence Unit’s country report (EIU, November 2011) the acceleration in retail sales appears increasingly fuelled by consumer credit, which rose by around 25% in January-September. The RosStat consumer confidence survey for the third quarter, published in September, indicates a small improvement in expectations, According to this survey, the proportion of respondents who saw their own position improving rose from 2% in the second quarter to 15% in the third quarter. Performance of the BRICs, at a macro level, is summarized in ***Table 3.3*** below.

Table 3.3: Summary of macro-economic performance of the BRIC countries

	GDP growth rate		Consumer price index, % y-o-y change			Current account balance, US$ bn		Government fiscal balance, % of GDP	
	2011	2012	2010	2011	2012	2011	2012	2011	2012
Brazil	3.3	3.5	5.9	6.5	5.5	-53.5	-68.1	2.5	2.3
China	9.0	8.7	3.3	5.4	3.8	300.2	294.2	-1.8	-3.1
India	7.6	7.5	10.2	8.3	7.2	-54.1	-57.9	-5.2	-4.7
Russia	4.1	4.0	8.8	6.8	6.6	90.1	57.2	-0.3	-1.3

**Source: Data Services Department, OPEC Secretariat for GDP growth rates; Consensuses Forecast, November 2011, for prices and current account; Economist Intelligence Unit, November and December 2011, for government fiscal balance*

Figures for India are from the fiscal year 2010-2011 and 2011-2012

As China, Brazil and India, the three-largest emerging economies, are all now slowing, according to their latest GDP figures, prospects for a robust performance of the global economy in 2012 are deteriorating further. The Euro-zone crisis is hitting confidence, while the economic slowdown in Europe and the US is undermining demand, both for manufactured goods from the emerging markets and for the minerals produced by resource-rich countries, such as Brazil. Other big emerging economies, notably Russia and Indonesia, posted increases in third-quarter growth, though even in these economies the authorities see a looming slowdown. Nevertheless, emerging market growth rates are forecast to remain much higher than in the developed world, with China, for example, predicted to grow at around 8.7% in 2012. The Asian Development Bank (ADB) on Tuesday forecast that East Asia's economic growth next year would drop slightly to 7.2%, with a worst-case scenario of 5.4%. However, many economists are concerned that this will not be enough to rescue the world economy.

Brazil

Slow-down in global economy and lack of competiveness weigh on economic growth in Brazil and other Latin American countries

As was mentioned, Brazil's GDP is reportedly contracting. It's GDP shrank slightly q-o-q by 0.04% in the third quarter of 2011. Compared with the same period a year earlier, GDP in the third quarter rose by 2.1%, the slowest expansion in two years. This could put at risk our estimation for Brazil's 2011 economic growth of about 3.3% if the situation in the Euro-zone, which impacts the economic performance of Latin America and Brazil, deteriorates further. This would be a sharp deceleration from 2010, when Brazil registered 7.5% growth, fuelled by a steroid-like fiscal stimulus. Contraction of the country's economy illustrates the vulnerability of the world's emerging markets' growth engines to the Euro-zone crisis and the slowdown in the developed world.

In the third quarter there was evidence of a slowing down in the industrial sector of Brazil's economy. It seems that weakness in the industrial sector is now spreading to other sectors as well. In the face of this, domestic demand, which looked firm on the back of a tight labour market and low unemployment, has been weakening, perhaps in anticipation of slower growth in income. Some economists believe that consumption in Brazil has already started to slow down. The sharp deterioration in growth and the contraction of the industrial sector in Brazil poses political challenges for the country's President Dilma Rousseff because this is happening for the first time in almost three years.

For Brazil, the fall in annualized growth in the third quarter to 2.1% compared to a year earlier – the lowest quarterly reading since the third quarter of 2009 – is particularly pronounced, coming after 2010 when the economy grew by 7.5%. The slowdown follows a series of interest rate increases in the first half of the year, as the central bank sought to cool overheating in the economy, following a huge fiscal stimulus in 2010, when the ruling coalition was contesting a presidential election. Brazilian industry was also hit by a strong exchange rate that undermined its competitiveness against imports, with car sales, in particular, collapsing since August. The final blow was the Euro-zone crisis, which has begun to affect consumer sentiment. After the unexpected reduction in the economy's benchmark interest rate in late August Brazil's Finance Minister had been quoted as stating that: “measures taken by the Brazilian government, in order to maintain sustainable growth, the deterioration of the international economy, and the natural slowdown after 2010, when the Brazilian economy was rapidly recovering from the 2009 recession”. The deceleration affected all elements of the economy, except exports and agriculture, with private consumption contracting 0.08% in quarterly terms – the first decline since the 2008-09 crisis. Imports also contracted compared to the second quarter, down by 0.37%, compared to q-o-q growth of 5.3% in the second quarter, indicating that Brazilians’ recent retail splurge is losing steam. Brazil could be headed for a technical recession after it reported an admittedly very slight contraction in economic growth for the third quarter. Given that leading indicators suggest that the economy may contract by around 0.3% q-o-q in the current quarter (December), the out-turn means that the Brazilian economy may be in a technical recession. The central bank’s activity indicator contracted in October, while November’s manufacturing PMI suggests that the industrial sector remains in recession.

Given the slowing down of the Brazilian economy in the last quarter of the year, what would be its prospects for 2012? It seems that there are still reasons to be cautiously optimistic about this economy. Brazil has the foreign reserves needed, a sound banking system, solid government finances and is believed to be prepared to weather the crisis. In reaction to this unprecedented change of economic growth direction, President Rousseff has announced stimulus measures and the central bank has begun slashing interest rates to try to prevent the economy from slipping into negative territory in the coming months. However, in assessing the capability of the Brazilian economy, it seems that the government has room to cut interest rates and introduce more budgetary stimulus measures. This would drive a recovery in the second half of next year, with most economists predicting 3.3% or lower growth for 2011 and around 3.5% in 2012.

Although the fallout from the Euro-zone sovereign debt crisis could hit Brazil’s growth in 2012, the policy response should be sufficient to keep growth positive and lead to a stronger recovery in 2013. Perhaps of longer-term significance is the fact that if the technical recession does happen, the central bank and the government will have been proven right in their sprint to cut interest rates earlier this year. In August, the central bank abruptly ended a tightening cycle by cutting the benchmark Selic interest rate by 50 basis points without a pause. At the time, Central Bank Governor Alexandre Tombini warned that the outlook in Europe was far worse than people were expecting. He seems to have been proven right, although economists will continue to dispute the manner in which he went about making the cuts. Interest rate cuts are supported by President Rosseff, who sees the move as a dual purpose. Firstly, they shore up economic growth, which is politically popular. And, secondly, they cater to her long-held aim of bringing Brazil’s real interest rates down to levels closer to other countries.

During the last crisis, Brazil missed the opportunity of reducing its rates permanently by pump-priming the economy well beyond what was necessary. But the increase in fiscal spending and state bank lending helped President Rosseff win office during the elections last year. But now she wants to undo the damage. Whether she can succeed in this, however, is doubtful, at least in the near term. Most economists believe that Brazil’s inflation will stay relatively high next year, above the mid-point of the central bank’s target of 4.5% plus or minus 2 percentage points. After that, the global economy will begin to recover and Brazil will be up and running again, with the same problems of over-heating and high interest rates likely to recur. It seems that the multiple-targeting framework - curbing inflation, encouraging growth and managing a favourable exchange rate - will lead to a “stop-and-go” monetary policy, with inflation risks remaining high, even in a period of external headwinds. Risks are clearly on the downside for growth, given the large external risks faced by Brazil, whose economic performance remains closely tied to that of China.

China

China’s apparent success in taming the economy’s elevated inflation

As the economic outlook in the EU and to some extent the OECD region as a whole has deteriorated, China's exports have felt the effects. Y-o-y growth in merchandise exports declined significantly from 24.5% in August to 17.1% in September and to 15.9% in October. However, October’s overall exports have been buoyed partly by a *increases the possibility of a more accommodative monetary policy in 2012 to maintain economic growth on its desired level.*

continued strong rise in sales to the emerging markets, particularly in Southeast Asia. The HSBC China purchasing managers' index (PMI) for October showed new export orders growing at their strongest rate in nine months.

However, data for October suggests that the economy is continuing to slow. Industrial value-added growth decelerated marginally in October. Retail sales growth also cooled slightly from 17.8% in September to 17.2% in October. There are fears that sales of household appliances and consumer electronic goods could be hit in the coming months as a subsidy programme comes to an end. A subsidy scheme for car purchases was ended earlier this year. Since then, sales have languished. Vehicle sales in October were down by by 1.1% y-o-y at 1.5 million vehicles, although passenger cars posted a slightly better performance, growing by 1.4% to 1.2 million units (EIU, Country report, December 2011).

Fixed asset investment in urban areas continued to grow at a fast pace in the first nine months of 2011, up by 24.9% y-o-y. But figures might look mixed and confusing in the construction sector because iron ore prices tumbled in October, having fallen by almost 36% since mid-September. This would seem to indicate deteriorating prospects for the construction sector, whose demand for steel drives iron ore prices. One explanation might lie in the government's social housing drive that, despite the announcement of the start of work on 10 million new social housing units, roughly one-third of the projects has seen little real activity.

Despite the slowing economy China's domestic energy supplies remain tight. The State Electricity Regulatory Commission (SERC) issued a warning in October that power shortages were expected this winter as high coal prices were putting pressure on power-generating firms and many electricity plants were operating at a loss. In November, the Government also instructed two state-owned oil companies, China Petroleum & Chemical Corporation (Sinopec) and the China National Petroleum Corporation (CNPC), to ensure adequate diesel supplies by maintaining oil refineries at full capacity. The two firms account for around 75% of China's diesel refining capacity.

A deceleration of the real sector of the economy has begun impacting the monetary part of the economy and China's national currency, the renminbi. As reported by the Financial Times (7 December 2011), despite the Chinese central bank's efforts on supporting the renminbi, the currency has fallen to the bottom of its official trading band for six straight days against the US dollar, an unprecedented indication of the Chinese currency’s potential weakness as the economy slows. Beijing has so far acted to keep the renminbi largely stable against the dollar by supporting its value, but the intervention is prompting growing discussion about whether the renminbi could depreciate, or at least become considerably more volatile. The central bank controls the renminbi within a narrow trading band, setting a daily reference rate and then letting it fluctuate up or down by 0.5% from that level. Looked in isolation, the central bank’s daily fixing shows the currency to have been steady against the dollar, even appreciating a tiny amount over the past week. But since early December, the renminbi has gone “limit down” every day, falling 0.5% against the dollar, only to be propped back up by the central bank. As observed by Financial Times' commentators (8 December 2011), the currency has never come under such sustained selling pressure, not even at the height of the global financial crisis in late 2008.

Signs of central bank intervention first showed up in a fall in foreign exchange reserves in September, the first monthly decline in more than a year. That was reinforced by data showing that renminbi positions created to buy foreign exchange fell in October, the first decline since 2007 and seen by many in the market as evidence of capital outflows. Few analysts think the renminbi has much scope to weaken against the dollar because an official devaluation would risk sparking a dispute with the US, where critics maintain that the Chinese currency is still artificially cheap. But Chinese policymakers have started making the point that a smaller trade surplus has pushed the renminbi close to a fair market value. For example, Li Yang, a former adviser to the central bank, was quoted in official media as saying that the renminbi was nearing its “equilibrium level”. Speaking at a news conference, Chong Quan, Deputy China International Trade Representative, said it would be natural for the currency to rise and fall in a wave-like pattern.

However, renminbi volatility is not just limited to the mainland. In the offshore market, based in Hong Kong, the renminbi suffered record falls against the dollar in September as international investors liquidated their bets on renminbi appreciation. Until three months ago, the offshore renminbi, known as CNH, traded at a premium to its onshore equivalent, known as CNY. That premium has since swung to a discount and in the second week of December the offshore renminbi was trading almost 0.15% weaker than the onshore rate against the US dollar. In October, the pool of renminbi deposits in Hong Kong shrank for the first time in two years, falling by 0.6% from the previous month. Meanwhile, the amount of cross-border trade settled in renminbi, the initiative at the heart of China's plan to internationalize its currency, also declined for the first time in the third quarter.

In a longer-term setting, the performance of the economy looks brighter as inflationary pressures slowed down significantly in October compared to August. The cooling of inflation is not only welcomed by the business community, but it also re-opens the possibility for a more accommodating monetary policy. Money supply, M2, increased by a modest rate of 13.1%, y-o-y in September, the lowest growth since 2001. Bank lending increased by a higher-than-expected rate in October. This might signal a shift towards loosening monetary policy. The People's Bank of China (PBC, the central bank), has recently been adding to the amount of liquidity in the economy through less aggressive sterilization efforts. According to the EIU (Country report, December 2011), there has been speculation that the PBC could also offer a longer timetable to meet the tougher reserve requirement standards that were strengthened in August to prevent the economy from overheating.

China's aggregate fiscal stance remains robust. Central government revenue increased by 28.1% in January-October 2011 y-o-y. Revenue growth has outpaced the 27.2% y-o-y increase in public spending. However, regional governments' finance remain opaque, owing to large off-budget spending and income. Local governments' debt has soured in recent years, due to many infrastructure projects undertaken by local authorities. However, the fiscal woes of the regional governments have mounted in recent months as land sales, one of their key revenue streams, have begun to suffer amid growing trouble in China's real estate market.

Ahead of major changes in the political leadership of the country, expected in 2012, senior officials in other parts of the government are already being reshuffled. In October, the country's key financial regulatory bodies received new chiefs. Meanwhile, the former chairman of the state-owned China Construction Bank (CCB) will head the China Securities Regulatory Commission (CSRC). These personal changes, however, are not expected to lead to any sharp reversals in policies.

India

Sustaining economic growth without spurring high inflation has been proven difficult in India, where a large budget deficit and a weakening domestic currency limit capability of economic policy.

India's GDP growth has dropped below 7%. India's economy grew at the slowest rate for more than two years in the second quarter, confirming the shift of Asia's third-largest economy to lower growth rates of about 7%, after a failed push to reach double-digit growth. Chandrajit Banerjee, Director General of the Confederation of Indian Industry (CII), has attributed this decline in economic growth to a pullback in investments and high borrowing costs that threaten to curb India's fast-growing economy further in the coming months. Data released on 7 December 2011 showed economic growth for the quarter to the end of September slowed to an annualized 6.9%, weighed on by almost two years of progressive monetary tightening, a retreat of foreign capital and a weakening local currency. In addition, the administration has been unable to tame inflation raging at near double-digit levels, nor shown a readiness to rein in public spending.

The last time India's GDP growth fell below 7% was in the quarter to June 2009, when it was struck by the effects of the global financial crisis in western economies. The drop in the latest quarter – from the 7.7% recorded in the three months to the end of June - puts the government's official target for economic growth in fiscal 2012 of 8.5% out of reach, according to many economists. Our estimates imply that the Indian economy will expand by 7.6% and 7.5% in 2011 and 2012 respectively. Some observers have pointed out that a good part of India's difficulties stem from the period when efforts were made to push growth above a sustainable rate. That was now coming back to haunt the economy. Although Shri Pranab Mukherjee, the country's Finance Minister, has blamed the weakening domestic economy on the dismal global economic outlook, particularly the woes in the Euro-zone. However Chandrajit Banerjee, the Director of CII, urged policymakers to look closer to home for a remedy. "the current situation of the Indian economy is induced largely by domestic issues ... the corrective actions are very much in the hands of domestic policymakers".

According to the Ministry of Statistics and Programme Implementation (MOSPI), industrial production slowed sharply in September, growing by only 1.9% y-o-y, the slowest pace in over two years. The Index of Industrial Production (IIP) had increased by 3.8% and 3.6% in July and August, respectively, on annual basis. The September industrial production figures are only the latest in a series of data suggesting a sharp fall in economic activities' growth (EIU, Country report, December 2011). The decline has been attributed to rising fuel prices and the cost of borrowing. The industrial action of the labour unions of Maruti Suzuki, the country's largest car manufacturer, also contributed to the decline.

The services sector contracted for a second constructive month in October, pushing the sector into a technical recession. Markit (a UK-based financial information services firm) and HSBC have suggested that weak global demand and tight monetary policy are to blame for this downtrend. In line with the services sector contraction, according to the EIU (December 2011), India's second-biggest private airline (Kingfisher) has been facing financial difficulties, citing $1.2 billion of debt, and forced to close its low-cost services. It seems that neither the government nor the financial markets have faith that private airlines will emerge from the crisis successfully. Kingfisher, of course, is not the only Indian airline that is encountering difficulties. State-run Air India and the largest private airline in the country have been reported as losing around $1.7 billion and $200 million, respectively, in the third quarter.

India's wholesale price index (WPI) has remained above 9% for nearly a year, the formal annual wholesale price inflation reaching 9.73% in October. The rate of annual fuel price inflation stood at 14.8% and food inflation was pegged at 11.1%. Although policymakers have been projecting a deceleration in inflation, a falling rupee (India's currency) and 13 consecutive increases in the interest rate have not been effective so far in taming inflationary pressures.

India's struggling currency is set to endure its worst month since the Asian financial crisis, driven down by a mixture of slowing domestic demand and concerns over the crisis in the Euro-zone. The rupee has declined by more than 6% in the past month, reaching an all-time low in the first week of December of 52.73 rupee against the US dollar. The fall is the currency's sharpest decline since November 1997. Since the start of August, when a mixture of concerns about the fiscal position of the US and Europe's debt crisis prompted local traders and companies to seek safety in US dollar, the rupee has fallen by about 18%, making it one of Asia's weakest currencies. The declines come against a backdrop of faltering output in Asia's third-largest economy. Official data released this week showed India's growth increasing at its slowest rate in more than two years. The falls have also exacerbated a broader decline in local equity markets. Since the start of 2011, India has been the world's worst-performing major stock market, according to an analysis by Mumbai-based Espirito Santo Investment Bank.

The MSCI India Index, a benchmark measure of listed Indian companies, has fallen by 34% since the beginning of 2011. The bank credits just over 11% of this decline to recent rupee depreciation. The falling currency puts new pressure on India's corporate sector, with importers especially vulnerable to increases in the costs of fuel and raw materials. Further risks come as dollar denominated debt taken on by fast-growing Indian businesses, attracted by low US interest rates, begins to mature over the next few months. The recent declines in the rupee have prompted the Reserve Bank of India to make limited moves to control the currency, following criticism that it had failed to match other emerging market central banks with stronger efforts to stabilize volatile movements. Last week, the bank intervened to buy rupees for the first time in two months. It also increased rates on bank deposits for Indians living outside their home country and loosened rules to allow domestic companies to borrow more abroad.

The worsening global economic outlook has hit currencies in other Asian emerging markets with Indonesia's rupiah in November posting its biggest monthly decline since February 2009. The country's central bank said on 7 December 2011 that it planned to boost intervention to support its currency. Analysts now expect the RBI, which holds more than $300 billion in foreign exchange reserves, to make further interventions. Even if India's central bank follows suit and introduces further protective policy changes, the rupee is unlikely to recover strongly in the near term and may even fall further in the coming months, due to weak macroeconomic performance prospects. Some expect that under the current macroeconomic headwinds and heightened risk aversion globally, the rupee will trade between 51 and 53 until the end of the year.

Russia

Strong domestic demand, both on consumption spending and investment has improved Russia's economic growth prospects in 2012

Figures on GDP by expenditure for the first half of the year released by the Federal State Statistics Service (RosStat) indicate that growth has been driven mainly by domestic demand. Domestic consumption grew by 6.6% in the second quarter on an annual basis, while investment increased by 17.1%. The contribution from exports to growth remained marginal, while imports grew by more than 23.4%, another indication of strong domestic demand. Industrial output growth, however, slowed significantly in September to 3.9% on an annual basis. The main cause is attributed to manufacturing, which rose by 4.4% in September, down from 7.1% in August (EIU, Country report, November 2011). Consumer spending also continued to pick up, with retail sales volumes increasing by 9.2% over a year ago.

According to preliminary estimates released by the Central Bank of Russian Federation (CBR), the balance of payments surplus continued to rise in January-September, mainly because of higher oil revenue. The capital account however, registered a significant $48 billion outflow in the same period compared to $9.4 billion a year earlier. The net outflow from the non-banking sector was $31 billion, with net outflow on the direct and portfolio investment accounts composing the bulk of the net outflows at just over $20 billion. The RCB reported a net outflow of $13 billion in September alone, but it did not predict an acceleration of outflows. Foreign debt reported at $519.3 billion at the end of September. Non-financial corporate sector debt accounted for the bulk of this increase as this item was reported to be raised by $27 billion in the 12 months to September, according to the CBR.

The Russian government has published a detailed budget proposal, according to which the budget deficit is estimated to remain at 2.7% of GDP in 2012 and 2013, reducing to 2.3% in 2014. Public sector expenditure is to increase by 10.7% in 2012 on an annual basis. National security and defense will receive most of the additional budget provision with 37.2% and 20.5% increases, respectively. Social expenditure, with more than 31% of total spending, is to rise by more than 20%, mainly to cover pension and other funds outside the budget (EIU, November 2011).

OPEC Member Countries

Real GDP in Saudi Arabia is expected to moderate to 4.7% in 2012 mainly due to expected lower average oil production. Year-on-year inflation in Saudi Arabia dipped to 5.2% in October from 5.3% in September owing to lower food price inflation. The trade and current account surplus is expected to jump on higher export realization in 2011. Exports are likely to jump 40% year-on-year this year to 1320 billion riyals. Imports are also expected to grow 13% year-on-year to reach 453 billion riyals in 2011. Thus, the trade surplus is also expected to touch a record high of 867 billion riyals equivalent to 43% of GDP this year. The current account surplus is expected to reach 537 billion riyals, equivalent to 27% of GDP.

Nigerian inflation remains a “threat” to the economy, leaving little room to loosen monetary policy, even as the European debt crisis worsens. The Central Bank of Nigeria has kept its benchmark rate unchanged at a record 12% for the first time this year on 22 November, believing that 6 percentage points of rate increases since

September 2010 will control rising inflation. Price pressures may climb in 2012, as the government prepares to end fuel subsidies and the economy expands an estimated 7.7%. Nigeria devalued the naira, as the government lowered its budget price for oil exports from $75/b in 2011 to $70/b in 2012 in addition to lower-than-expected oil revenue of 2011.

Oil prices, US dollar and inflation

The US dollar strengthened against all major currencies in the previous month, with the exception of the pound sterling. In nominal terms, the OPEC Reference Basket increased by 3.6% or $3.79/b from $106.29/b in October to $110.08/b in November.

The US dollar strengthened against all major currencies in the previous month, with the exception of the pound sterling. Versus the euro, the dollar appreciated by 0.9%, and compared to the yen, it increased by 1.1%. Versus the Swiss franc, the dollar gained 1.1%. Compared to the pound sterling, it declined by 0.5%. Trading versus the euro was less volatile than in the previous months and averaged a level of $1.3580/€.

The considerable weakness of the euro eased in the month, following signs that the Euro-zone will find ways to solve its sovereign debt crisis and that Germany and France will continue supporting the region financially after a common understanding for a fiscal union is found. The future path for this most important currency pairing will continue to depend on developments in the Euro-zone debt crisis and the growth momentum of the US economy. A further easing of both the Federal Reserve Board and the European Central Bank is not expected in the near future.

In nominal terms, the OPEC Reference Basket increased by $3.79/b or 3.6%, from $106.29/b in October to $110.08/b in November. In real terms, after accounting for inflation and currency fluctuations, the Basket price increased by $2.68/b or 4.2%, from $64.24/b to $66.92/b (base June 2001=100). Over the same period, the US dollar increased 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

World oil demand in 2011

World oil demand growth is forecast at 0.9 mb/d in 2011

Again, economic turbulence is shaking oil demand as the slowdown hits manufacturing activities worldwide. The negative effect is touching China as well, the second-largest oil consumer in the world. Slow oil demand, initiated in the OECD region, has moved to China and India, leading to a new downward revision of 0.1 mb/d in next year's oil demand growth forecast. Other regions are also expected to experience an economic slowdown, including countries like Brazil and several Latin American economies. Retail petroleum prices are also negatively affecting oil demand across the globe. Hence, the new downward revision is not restricted to the OECD region only, but is spreading to the non-OECD region as well. The transportation and industrial sectors are the ones most affected. The use of oil in both sectors is noticeably slowing down worldwide.

Table 4.1: World oil demand forecast for 2011, mb/d

							Change 2011/10	
	2010	**1Q11**	**2Q11**	**3Q11**	**4Q11**	**2011**	**Growth**	**%**
North America	23.76	23.76	23.39	23.62	23.75	23.63	-0.13	-0.53
Western Europe	14.58	14.18	14.11	14.73	14.70	14.43	-0.15	-1.02
OECD Pacific	7.82	8.35	7.12	7.71	8.10	7.82	0.00	0.02
Total OECD	**46.15**	**46.29**	**44.62**	**46.06**	**46.55**	**45.88**	**-0.27**	**-0.59**
Other Asia	10.18	10.33	10.45	10.35	10.50	10.41	0.23	2.23
Latin America	6.18	6.16	6.33	6.48	6.42	6.35	0.17	2.80
Middle East	7.28	7.32	7.38	7.71	7.45	7.47	0.19	2.56
Africa	3.35	3.42	3.39	3.26	3.45	3.38	0.02	0.69
Total DCs	**26.99**	**27.23**	**27.54**	**27.80**	**27.83**	**27.60**	**0.61**	**2.26**
FSU	4.14	4.13	3.97	4.39	4.45	4.24	0.09	2.24
Other Europe	0.69	0.69	0.65	0.69	0.76	0.69	0.00	0.29
China	8.95	9.13	9.54	9.37	9.48	9.38	0.43	4.80
Total "Other regions"	**13.79**	**13.95**	**14.15**	**14.44**	**14.69**	**14.31**	**0.52**	**3.80**
Total world	**86.93**	**87.47**	**86.31**	**88.30**	**89.07**	**87.80**	**0.86**	**0.99**
Previous estimate	86.94	87.52	86.28	88.30	89.13	87.81	0.88	1.01
Revision	0.00	-0.05	0.03	0.00	-0.06	-0.02	-0.02	-0.02

Totals may not add up due to independent rounding

The uncertainty for the short term still exists; not only is US oil demand seen as the wild card next year, but the situation in China is also a factor. This might further weaken world oil demand in the first half of next year.

Table 4.2: First and second quarter world oil demand comparison for 2011, mb/d

			Change 2011/10				Change 2011/10	
	1Q10	**1Q11**	**Volume**	**%**	**2Q10**	**2Q11**	**Volume**	**%**
North America	23.41	23.76	0.35	1.51	23.69	23.39	-0.30	-1.25
Western Europe	14.31	14.18	-0.13	-0.91	14.25	14.11	-0.14	-1.00
OECD Pacific	8.23	8.35	0.12	1.46	7.34	7.12	-0.23	-3.10
Total OECD	**45.95**	**46.29**	**0.34**	**0.75**	**45.29**	**44.62**	**-0.67**	**-1.48**
Other Asia	10.11	10.33	0.23	2.26	10.23	10.45	0.22	2.13
Latin America	5.94	6.16	0.22	3.78	6.15	6.33	0.18	2.91
Middle East	7.18	7.32	0.14	1.94	7.17	7.38	0.20	2.83
Africa	3.38	3.42	0.04	1.04	3.37	3.39	0.02	0.60
Total DCs	**26.61**	**27.23**	**0.63**	**2.36**	**26.92**	**27.54**	**0.62**	**2.30**
FSU	4.02	4.13	0.11	2.67	3.86	3.97	0.11	2.72
Other Europe	0.69	0.69	0.00	0.46	0.64	0.65	0.00	0.76
China	8.37	9.13	0.76	9.06	9.09	9.54	0.44	4.87
Total "Other regions"	**13.08**	**13.95**	**0.87**	**6.65**	**13.60**	**14.15**	**0.55**	**4.06**
Total world	**85.63**	**87.47**	**1.84**	**2.15**	**85.81**	**86.31**	**0.50**	**0.59**

Totals may not add up due to independent rounding

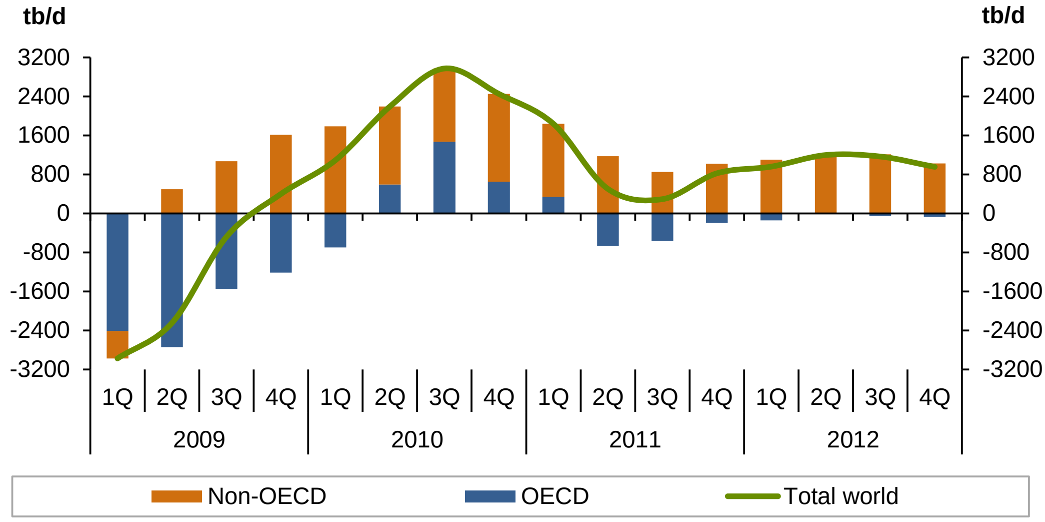
Table 4.3: Third and fourth quarter world oil demand comparison for 2011, mb/d

			Change 2011/10				Change 2011/10	
	3Q10	3Q11	Volume	%	4Q10	4Q11	Volume	%
North America	24.07	23.62	-0.45	-1.86	23.85	23.75	-0.10	-0.42
Western Europe	14.92	14.73	-0.19	-1.30	14.83	14.70	-0.13	-0.87
OECD Pacific	7.62	7.71	0.08	1.09	8.07	8.10	0.03	0.40
Total OECD	**46.62**	**46.06**	**-0.56**	**-1.20**	**46.75**	**46.55**	**-0.20**	**-0.42**
Other Asia	10.10	10.35	0.26	2.54	10.30	10.50	0.20	1.98
Latin America	6.34	6.48	0.14	2.18	6.27	6.42	0.15	2.42
Middle East	7.50	7.71	0.21	2.81	7.26	7.45	0.19	2.62
Africa	3.24	3.26	0.02	0.55	3.43	3.45	0.02	0.58
Total DCs	**27.18**	**27.80**	**0.62**	**2.29**	**27.27**	**27.83**	**0.57**	**2.08**
FSU	4.30	4.39	0.09	1.98	4.38	4.45	0.07	1.70
Other Europe	0.68	0.69	0.00	0.57	0.76	0.76	0.00	-0.53
China	9.23	9.37	0.14	1.52	9.10	9.48	0.38	4.21
Total "Other regions"	**14.21**	**14.44**	**0.23**	**1.61**	**14.24**	**14.69**	**0.45**	**3.18**
Total world	**88.01**	**88.30**	**0.29**	**0.33**	**88.25**	**89.07**	**0.82**	**0.93**

Totals may not add up due to independent rounding

World oil demand growth is forecast at 0.9 mb/d in 2011; however the world oil demand forecast for 2012 was revised down by 0.1 mb/d to show growth of 1.1 mb/d, averaging 88.9 mb/d.

Graph 4.1: Quarterly world oil demand growth



Year in review - 2011

The financial crisis has been hammering the world economy and is no longer confined solely to the OECD region. There has been a continuous economic deterioration across the globe, leading to weakening world oil demand during 2011. The economic negative effect on oil demand was seen in both the OECD and non-OECD regions during the year. Although the downward revision in oil demand growth was mainly in the OECD, some downward revision occurred in the strongest growth area of the world, which is China. The 2011 oil demand forecast was not as ambiguous as the one in 2010. The downward revision was only 0.1 mb/d from the initial forecast.

Oil demand declined in the OECD in 2011, wiping out 0.3 mb/d from the region's total oil demand pool. Although China's third-quarter oil demand was amazingly weak, non-OECD oil demand grew by 1.15 mb/d y-o-y in 2011. As a result of a cold winter, first-quarter oil demand grew the most, reaching 1.9 mb/d. The second quarter (low seasonality by nature) grew by 1.2 mb/d; however the substantial decline in OECD oil demand suppressed the growth to only 0.4 mb/d. Due to the weakness in China's oil demand during the peak summer activities, the world's third-quarter oil demand growth was unusually lower than in the second quarter at 0.2 mb/d. In general, the weather so far in the fourth quarter has not been as cold as last year; therefore, oil demand growth has reached only 0.9 mb/d y-o-y.

Product-wise, transportation fuel consumption was the dominant product, accounting for around 50% of the total oil used. Diesel demand (transport and industrial) grew by 0.64 mb/d in 2011 y-o-y, averaging 26 mb/d worldwide. Gasoline demand, on the other hand, declined by 0.6% during the year, averaging 21.8 mb/d. The main reasons for gasoline demand's decline were less US demand, increased taxes in some OECD countries, higher retail prices, and the removal of price subsidies in some countries in the non-OECD region. Japan's natural disaster saw the country's oil demand plunge in the second quarter by 0.15 mb/d y-o-y; however the use of direct crude burning reduced the loss in the third quarter to only 0.03 mb/d. The Japanese disaster affected the auto industry worldwide. Japan's new car registrations declined by 35% in the second quarter, pulling down European and Chinese figures to the negative level. However, Japanese auto sales rose strongly in the fourth quarter by 25%, supported by governmental subsidies, which sought to replace cars older than 13 years.

China's oil demand grew sharply in the first quarter of 2011 by more than 9% y-o-y; however, this growth weakened to only 1.5% in the third quarter. Several factors affected China's oil demand, including lower exports, increased petroleum product prices, and the removal of new car registration incentives. Despite the weakness in oil demand growth in the middle of the year, China's total oil demand growth for 2011 is expected to be around 5% y-o-y. China adopted a new pricing mechanism which reduced the gap between domestic prices and international crude prices. This move passed the extra increase to end-users.

Industrial, including petrochemical and transport fuels, were the products that showed the largest increases during the year, as a result of an improving economy and increased industrial activity. The petrochemical industry, especially in Asia (China), saw substantial increases during the first half of 2011. In China, as is the case in many countries, a significant amount of oil (crude and products) has been used to fill up the country's SPR, especially during this year.

World oil demand growth in 2011 is forecast at 0.9 mb/d y-o-y to average 87.8 mb/d.

OECD

The developments in the US economy are the most important for oil consumption worldwide. US oil demand has been the wild card for global oil consumption for the past few years. Following a rather strong first quarter of 2011, US oil consumption went into decline for the rest of the year. Product-wise, US consumption of distillate fuel oil was the only major growth factor that was seen in the year. In addition, gasoline usage declined the most as a result of economic turbulence and hikes in retail prices. The gasoline demand pool lost more than 0.25 mb/d during the year. At the end, US oil demand declined by around 1.5% in 2011 y-o-y.

The 'Big Four' European countries (Germany, France, Italy and the UK) have exhibited a weak oil consumption pattern during the last eight years. The Euro-zone debt problem has been considerably hitting the OECD Europe economy, suppressing its GDP growth to only 1.6% and submerging its total oil demand to minus 1% in 2011. In all OECD European countries, the sectors hit the most were transport and industrial, resulting in lower consumption for distillates and gasoline. Despite Germany's strong economy, the country's oil demand went into the negative by 2.5% y-o-y. Germany is the largest oil-consuming country in Europe and its energy policies have a major effect on oil demand.

Japan's natural disaster affected all aspects of the country. Not only did its oil demand decline, but also manufacturing activities plunged as well. This has led to a decline in the country's oil demand by 0.5%. This moderate decline came about as a result of the closure of several nuclear power plants, replacing them with crude-burning facilities.

Non-OECD:

China's oil demand saw its weakest growth since the first quarter of 2009. Many factors led to this weak performance, such as a slowdown in economic activities, high retail prices and a government energy savings programme. However, oil demand in the fourth quarter is forecast to grow by 4.7%, with China ending the year with 5% growth. Despite a substantial weakening in the months after the summer and the expiry of sales incentives in the form of tax breaks for small-engine vehicles, Chinese auto sales rose, adding 15 million units in the year 2011. Of course, the Japanese earthquake negatively affected the auto industry in China and in the US.

Indian oil consumption in the transportation (a boom in new car registration) and industrial sectors displayed solid growth during the year, but has been offset by fuel substitution to gas moves in the petrochemical and power plant industries. Furthermore, shortages in electricity supply gave a push to independent diesel-operated generators which resulted in more diesel consumption. As a result of India's oil demand, Other Asia's oil demand grew by 230 tb/d for the year. The Indian auto market went into the negative at the end of the year as the government pulled out of its new car sales incentives.

Energy-intensive projects in the Middle East, especially Saudi Arabia, led to a hike in the region's oil demand by 2.6% in 2011. That accounts for almost 70% of the region's oil demand growth.

The non-OECD region's oil demand assumed all the oil demand growth in 2011, totaling 1.2 mb/d y-o-y.

World oil demand in 2012

Graph 4.2: Forecasted y-o-y growth in 2012 world oil demand, by product

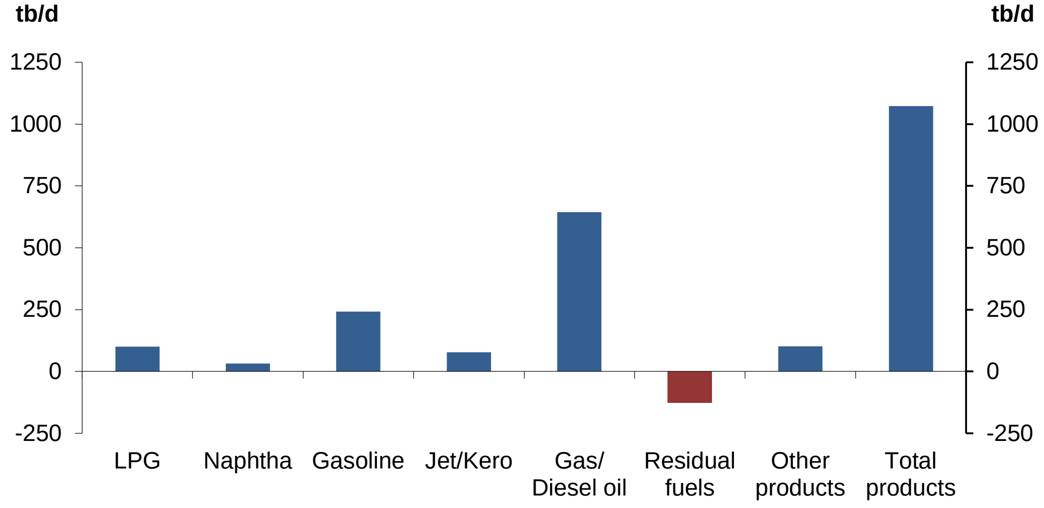


Table 4.4: World oil demand forecast for 2012, mb/d

							Change 2012/11	
	2011	1Q12	2Q12	3Q12	4Q12	2012	Growth	%
North America	23.63	23.73	23.48	23.72	23.84	23.69	0.06	0.26
Western Europe	14.43	14.04	13.97	14.57	14.53	14.28	-0.15	-1.04
OECD Pacific	7.82	8.37	7.17	7.72	8.11	7.84	0.02	0.31
Total OECD	**45.88**	**46.14**	**44.62**	**46.01**	**46.48**	**45.82**	**-0.07**	**-0.14**
Other Asia	10.41	10.53	10.66	10.58	10.70	10.61	0.20	1.96
Latin America	6.35	6.34	6.52	6.65	6.59	6.53	0.18	2.82
Middle East	7.47	7.50	7.57	7.92	7.63	7.65	0.19	2.52
Africa	3.38	3.45	3.41	3.30	3.47	3.41	0.03	0.85
Total DCs	**27.60**	**27.82**	**28.16**	**28.45**	**28.38**	**28.20**	**0.60**	**2.17**
FSU	4.24	4.24	4.08	4.50	4.54	4.34	0.10	2.47
Other Europe	0.69	0.69	0.65	0.69	0.76	0.70	0.00	0.66
China	9.38	9.54	10.00	9.82	9.87	9.81	0.43	4.56
Total "Other regions"	**14.31**	**14.47**	**14.73**	**15.01**	**15.17**	**14.85**	**0.54**	**3.75**
Total world	**87.80**	**88.43**	**87.51**	**89.47**	**90.03**	**88.87**	**1.07**	**1.22**
Previous estimate	87.81	88.73	87.44	89.50	90.33	89.01	1.19	1.36
Revision	-0.02	-0.29	0.07	-0.04	-0.30	-0.14	-0.12	-0.14

Totals may not add up due to independent rounding

In 2012, North American oil demand is projected to grow again, but only by 0.06 mb/d.

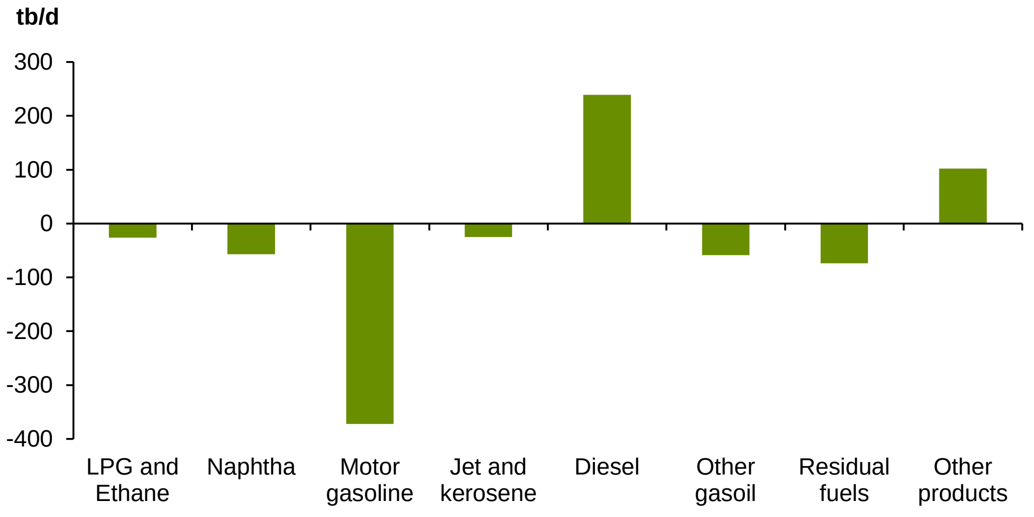
OECD – North America

Latest monthly US oil consumption data for September show a larger y-o-y contraction than previously reported at approximately 1.3%. The usage of transportation fuels and especially gasoline accounted for the bulk of this contraction, which was attributed to higher fuel prices, increased vehicle fleet efficiencies, as well as declining driving mileage and generally gloomy expectations about the economy. The growth in distillates consumption was rather weak, as a result of frail industrial production. In line with the weak industrial activity, consumption of propane/propylene and residual fuel oil contracted during the month. Moreover, consumption of jet/kerosene also decreased substantially. Preliminary weekly data for October 2011 display similar contractions in US oil consumption, while consumption during November 2011 is flat compared to last year. October 2011 Mexican oil consumption was up by 1.0%, compared to last year, with all product categories showing increases, the most observed in industrial fuels. According to latest available September data, Canadian oil demand contracted slightly by 1.1%; a negative contribution to oil consumption by transportation fuels was somehow offset by oil usage in industry.

For the whole of 2011, North American oil demand is expected to shrink by 0.15 mb/d. Given the expected conservative economic growth in 2012, US oil demand is expected to move away from the red, yielding moderate growth of only 50 tb/d. In 2012, North American oil demand is projected to grow again, but only by 0.06 mb/d.

Low interest rates lifted US vehicle sales by 14% in November y-o-y for the third month in a row, despite weak employment figures and the declining housing market. As seen before, the bulk of vehicles sold were trucks and SUVs. This resulted from lower prices of larger vehicles, compared to smaller cars. Other factors that boosted car sales were some growth in the commercial sector and lower gasoline prices. Latest available Canadian data shows auto sales in Canada grew strongly by 4.4% in November y-o-y, the strongest level seen since the summer. According to the Mexican Automobile Industry Association, Mexico's auto sales, production and exports grew robustly in October, by 2.2%, 14% and 15%, respectively.

Graph 4.3: OECD product demand changes, 2011



OECD Europe oil demand is forecast to decline by 0.15 mb/d y-o-y, averaging 14.3 mb/d in 2012.

OECD – Europe

European oil consumption contracted again in October, the second month in a row. During the first ten months of 2011, European oil consumption shrank by 0.15 mb/d, reflecting the weak economy in that region. October's oil consumption in Germany, France, Italy and UK fell as a result of decreasing demand in transportation fuels and weak industrial activity. The European 'Big Four' oil demand decreased by 0.17 mb/d in October compared to October 2010. Their consumption of transportation and industrial fuels continued to be in the minus during October, while some minor increases were registered for kerosene.

The short- and medium-term development of European oil consumption will mostly be determined by the continuing debt problems in several European economies. The European debt crisis will have a huge impact on next year's oil demand for the region. It is forecast that oil demand in 2012 will decline by 1%; however if the crisis magnifies then the decline might worsen by another 100 tb/d for the year. OECD Europe oil demand is forecast to decline by 0.15 b/d y-o-y, averaging 14.3 mb/d in 2012.

According to latest figures from the European Automobile Manufacturer's Association (ACEA), European new passenger car registrations declined by 1.8% in October y-o-y. French and British auto market sales increased by 2.4% and 2.6%, respectively, while demand in Germany was flat. However, sales in the Italian and Spanish markets fell by 5.5% and 6.7%, respectively.

From January to October, the market picture was diverse across the region, leading to an overall 1.2% decline y-o-y. Looking at the main markets, the UK, Italy and Spain contracted by 4.5%, 10.8% and 19.7%, respectively, while France remained stable (0.4%) and Germany registered strong growth (9.8%).

Table 4.5: Europe Big 4* oil demand, mb/d

	Oct 11	Oct 10	Change from Oct 10	Change from Oct 10 %
LPG	362	385	-23	-5.9
Gasoline	1,174	1,227	-53	-4.3
Jet/Kerosene	801	784	17	2.2
Gas/Diesel oil	3,432	3,447	-14	-0.4
Fuel oil	395	443	-48	-10.9
Other products	1,111	1,156	-45	-3.9
Total	**7,275**	**7,441**	**-166**	**-2.2**

** Germany, France, Italy and the UK*

OECD – Pacific

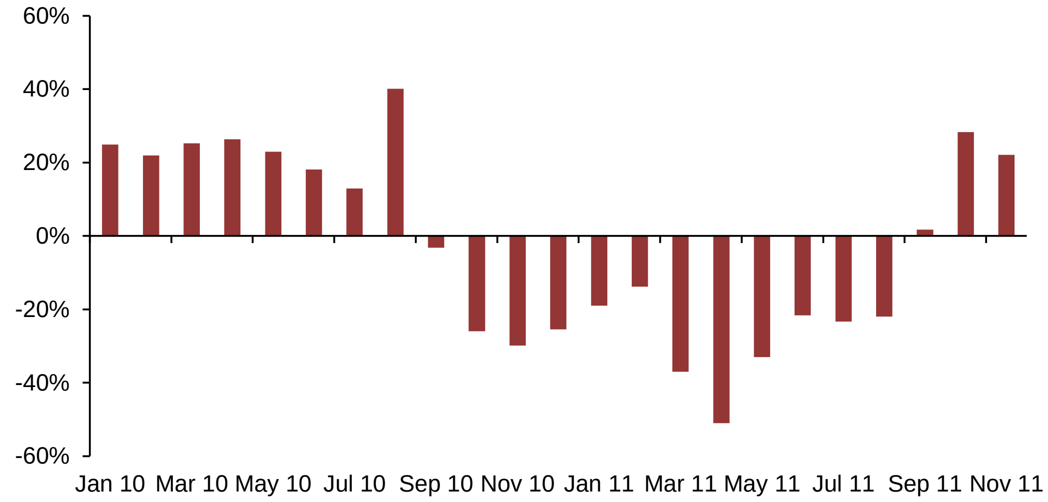
OECD Pacific oil demand is forecast to grow modestly by 24 tb/d y-o-y in 2012

In Japan, latest October monthly data reversed the negative picture seen in August and September, showing a strong increase in the consumption of all oil products. Increased product demand was related to the industrial and power sectors. Direct use of crude was one of the main factors behind growing oil demand in October as the Japanese government announced the closure of some nuclear plants in the country. In South Korea, September came up, just like August, with y-o-y increases in oil consumption; increases in transportation and some industrial fuels were combined with decreasing LPG demand.

OECD Pacific oil consumption in 2012 will mostly be dependent on the Japanese market. Japan has just announced a stimulus plan that will have a positive effect on oil demand. Furthermore, the fate of some nuclear power plants in the country will determine the amount of crude burning in power plants next year. The halted nuclear power plants might not operate during the first quarter of next year, but could resume operations later in 2012. The region's oil demand is forecast to grow modestly by 24 tb/d y-o-y in 2012.

Japanese auto sales continued to rise strongly in November by 22.1%, following a very strong October, which saw remarkable growth of 28% y-o-y. This growth came about despite the expiry of government subsidies to replace cars older than 13 years during October. However, the outlook for the country's auto industry remains uncertain as result of several factors, including the Japanese yen's strength against the US dollar and the debt crisis in Europe.

Graph 4.4: Japanese new passenger car registrations, y-o-y % changes

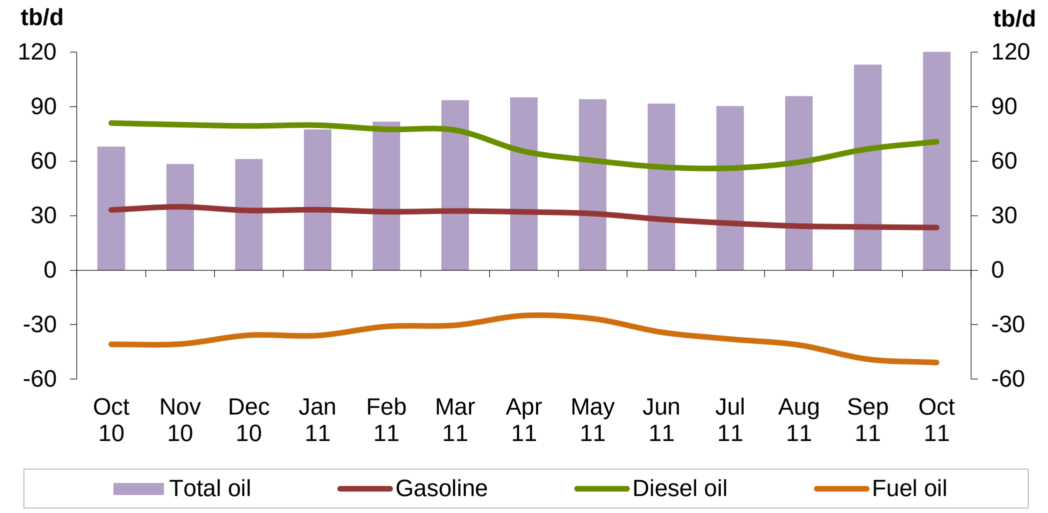


Developing countries

Developing Countries' oil demand growth in 2012 is forecast at 0.60 mb/d y-o-y, averaging 28.2 mb/d.

Indian diesel demand increased in October by 8%, due to the use of independent power generators for electricity. The electricity shortage countrywide reached 9.6% in October. According to the Indian Ministry of Petroleum, labour strikes at coal production sites led to the shortage of electricity. Another factor that led to the increase in diesel demand was the strong growth in new vehicle registrations, which exceeded 21%. Naphtha demand was up by 39% in October y-o-y, due to an increase in petrochemical activities and a low baseline for last year. Fuel oil demand was down by 17% in October as a result of fuel switching among power plants. Indian oil demand growth is forecast to exceed 0.12 mb/d in 2011. Despite the forecast of lower Indian GDP next year, the country's oil demand growth is expected to reach the same level as this year. According to the Society of Indian Automobile Manufacturers (SIAM), domestic passenger car sales declined by 17.3% in October 2011 y-o-y, mainly due to high interest rates and increased petrol prices.

Graph 4.5: Yearly changes in Indian oil demand, 12 month moving averages



Other Asian oil demand expected to grow by 0.2 mb/d in 2012. Indian oil demand will contribute 62% to the region's total growth.

Declining diesel demand resulted in Hong Kong's oil demand hitting the break-even level. This decline was attributed to lower transport and industrial fuel demand in September y-o-y. Hong Kong's oil demand is forecast to be flat this year, averaging 0.46 mb/d.

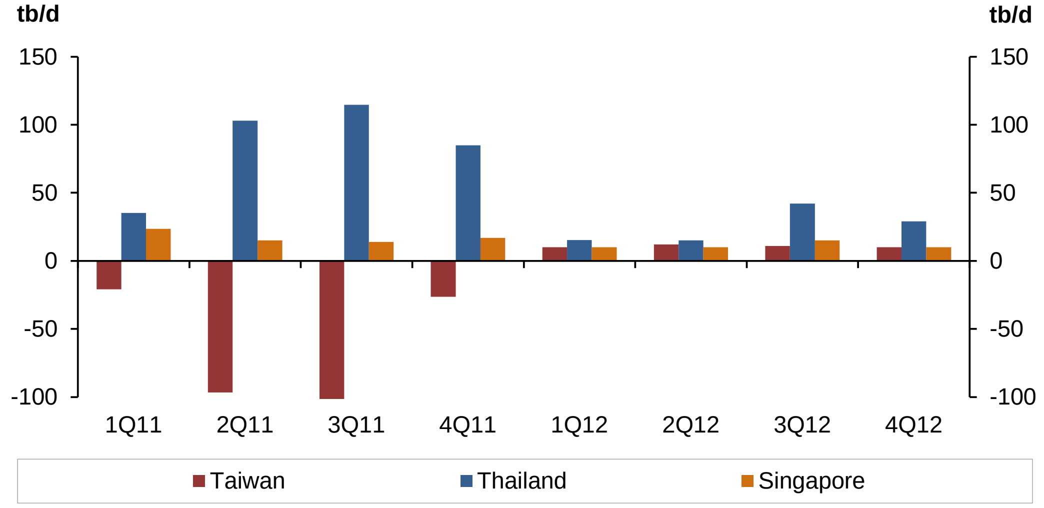
Table 4.6: Consumption of petroleum products in Hong Kong, tb/d

	Sep 11	Sep 10	Change	Change %
LPG	12	12	0	-3.4
Gasoline	10	9	0	2.2
Jet/Kerosene	122	116	6	5.4
Gas/Diesel oil	83	123	-40	-32.4
Fuel oil	155	118	37	31.4
Other Products	0	0	0	-97.0
Total	**381**	**378**	**3**	**0.8**

Source: JODI

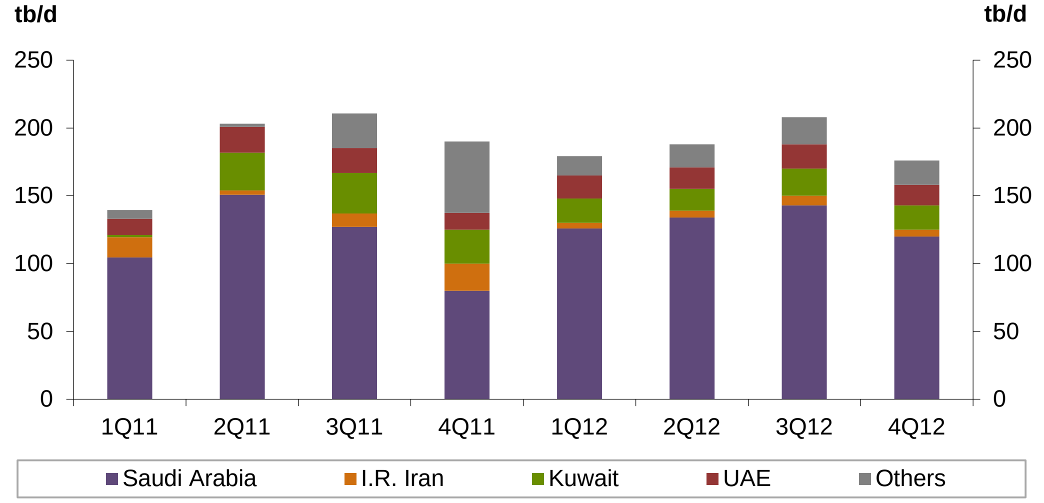
Other Asian oil demand is expected to grow by 0.2 mb/d in 2012. Indian oil demand will contribute 62% to the region's total growth.

Graph 4.6: Oil consumption in selected Asian countries, y-o-y growth



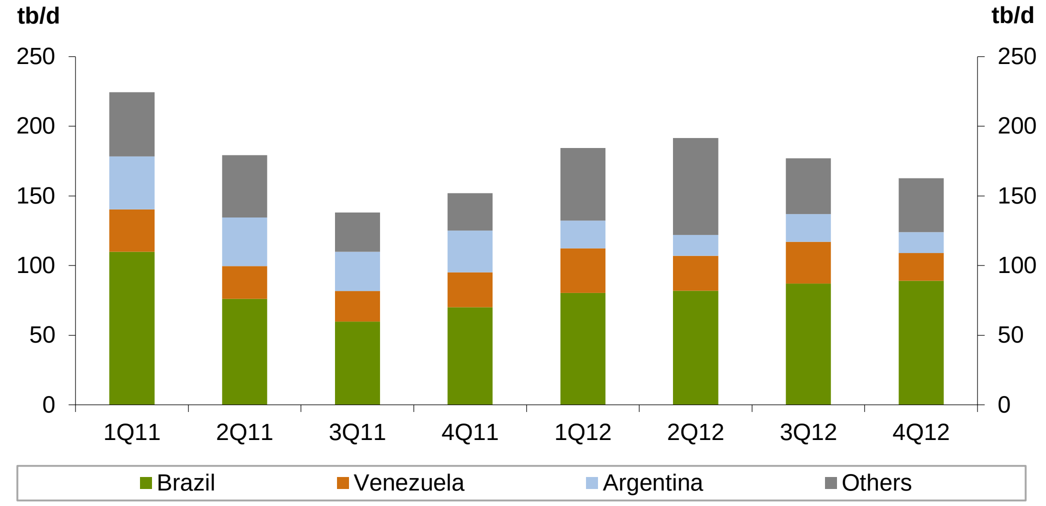
A cooling climate eased the pressure on Saudi Arabia's electricity demand in October. Hence the Kingdom's oil demand dipped by 0.1 mb/d in the month y-o-y. However, this will not affect the country's total oil demand forecast for the year. As for 2012, the Middle East is forecast to have the same level of growth in oil demand as this year. Booming economic activities are the dynamo behind next year's oil demand growth. Most of the growth is attributed to Saudi and UAE oil demand. As was seen in the past few years, developing projects are calling for more energy.

Graph 4.7: Yearly oil demand growth in the Middle East



Developing Countries' oil demand growth in 2012 is forecast at 0.60 mb/d y-o-y, averaging 28.2 mb/d.

Graph 4.8: Yearly oil demand growth in the Latin America



Other regions

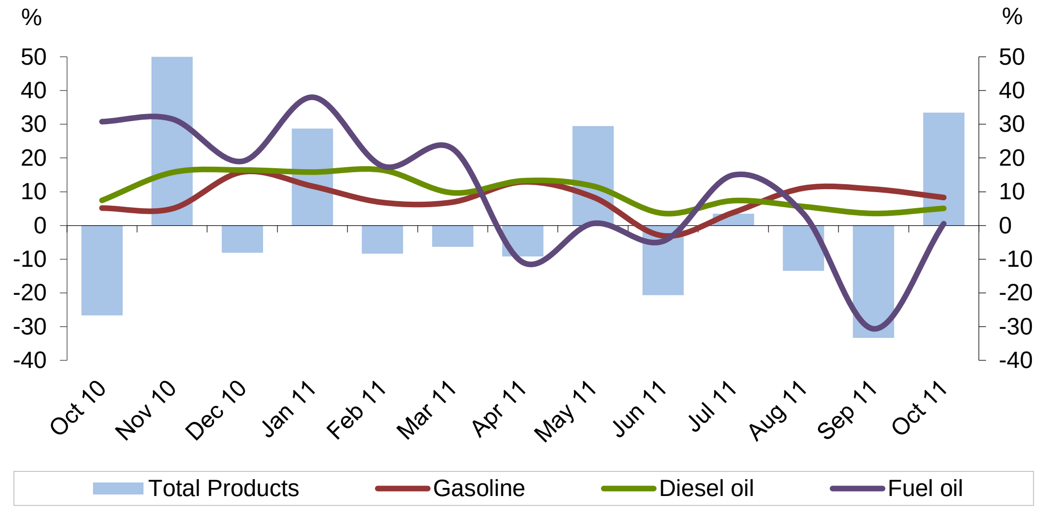
China's oil demand growth will follow a normal quarterly distribution and end 2012 with growth of 0.4 mb/d or 4.6% y-o-y

In China, October's oil consumption experienced strong growth in all the main product categories with the exception of kerosene and residential sectors. The strong growth in the country's petrochemical industry implied increased usage of LPG and naphtha. Moreover, consumption of transportation fuels, especially gasoline, showed considerable increases, compared to the same month in 2010. Consumption of fuel oil in power plants boosted the required volume for residual fuel in the country, while industrial activity was the reason behind the strong diesel demand growth. October oil demand followed a weak performance that started in June. Slow industrial manufacturing, along with weak gasoline demand, was the reason behind the unexpected weak demand for oil in the second quarter. An October diesel demand hike led to a shortage of diesel supply, resulting from refinery maintenance and weak retail margins.

In the first ten months of the year, Chinese product demand growth showed substantial y-o-y growth of 0.4 mb/d or 5%, with transportation and industrial fuels accounting for the bulk of this increase.

China's oil demand is expected to rebound in the fourth quarter, ending the year of 2011 with growth of 4.8% y-o-y. This is considerably less than the growth of 8.5% that was seen in 2010.

Graph 4.9: Changes in Chinese main oil products apparent consumption, y-o-y



As for 2012, China's oil demand growth is expected to be almost unchanged in 2011 as the country's economic activities are forecast to be marginally less. It is forecast that China's oil demand growth will follow a normal quarterly distribution and end 2012 with growth of 4.6% y-o-y. Transport fuel, mainly diesel and gasoline, demand will dominate the expected demand growth. Industrial fuel demand was also expected to show strong growth next year.

Data from the China Association of Automobile Manufacturers (CAAM), showed that China's automobile sales decreased by 1.1% during October 2011 compared to a year earlier. The fall was due to a sharp drop in commercial vehicle sales. Moreover, the growth in passenger vehicle sales during the same month was much lower (1.1%) than in the previous month.

Graph 4.10: Changes in Chinese apparent oil demand, y-o-y

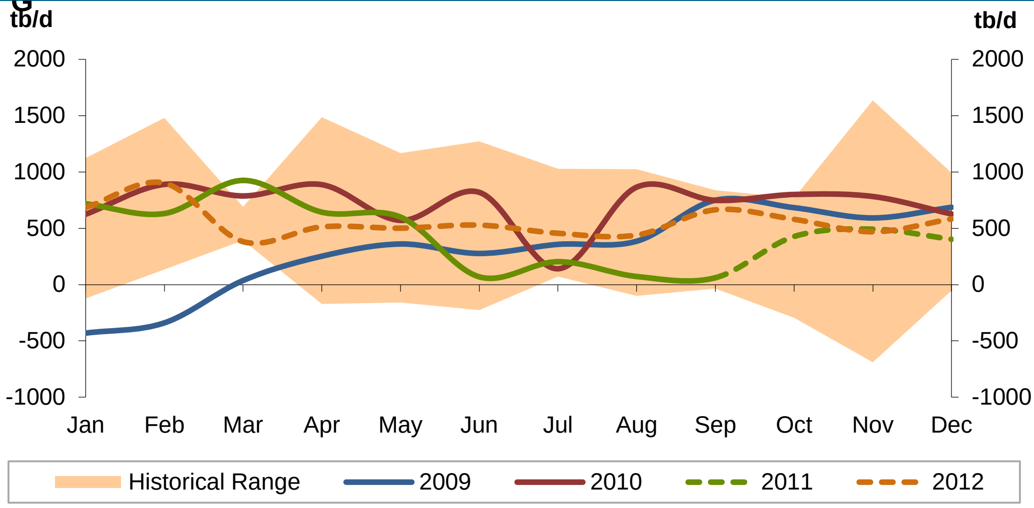


Table 4.7: First and second quarter world oil demand comparison for 2012, mb/d

			Change 2012/11				Change 2012/11	
	1Q11	1Q12	Volume	%	2Q11	2Q12	Volume	%
North America	23.76	23.73	-0.03	-0.12	23.39	23.48	0.09	0.38
Western Europe	14.18	14.04	-0.14	-0.96	14.11	13.97	-0.14	-1.00
OECD Pacific	8.35	8.37	0.02	0.25	7.12	7.17	0.05	0.75
Total OECD	**46.29**	**46.14**	**-0.14**	**-0.31**	**44.62**	**44.62**	**0.00**	**0.01**
Other Asia	10.33	10.53	0.19	1.85	10.45	10.66	0.21	2.00
Latin America	6.16	6.34	0.18	2.99	6.33	6.52	0.19	3.03
Middle East	7.32	7.50	0.18	2.45	7.38	7.57	0.19	2.55
Africa	3.42	3.45	0.03	0.84	3.39	3.41	0.03	0.75
Total DCs	**27.23**	**27.82**	**0.58**	**2.14**	**27.54**	**28.16**	**0.61**	**2.23**
FSU	4.13	4.24	0.11	2.67	3.97	4.08	0.11	2.81
Other Europe	0.69	0.69	0.00	-0.19	0.65	0.65	0.01	0.78
China	9.13	9.54	0.41	4.52	9.54	10.00	0.47	4.88
Total "Other regions"	**13.95**	**14.47**	**0.52**	**3.74**	**14.15**	**14.73**	**0.58**	**4.11**
Total world	**87.47**	**88.43**	**0.96**	**1.10**	**86.31**	**87.51**	**1.20**	**1.39**

Totals may not add up due to independent rounding

Table 4.8: Third and fourth quarter world oil demand comparison for 2012, mb/d

			Change 2012/11				Change 2012/11	
	3Q11	3Q12	Volume	%	4Q11	4Q12	Volume	%
North America	23.62	23.72	0.09	0.39	23.75	23.84	0.09	0.38
Western Europe	14.73	14.57	-0.15	-1.04	14.70	14.53	-0.17	-1.17
OECD Pacific	7.71	7.72	0.01	0.15	8.10	8.11	0.01	0.13
Total OECD	**46.06**	**46.01**	**-0.05**	**-0.11**	**46.55**	**46.48**	**-0.07**	**-0.15**
Other Asia	10.35	10.58	0.22	2.16	10.50	10.70	0.19	1.82
Latin America	6.48	6.65	0.18	2.73	6.42	6.59	0.16	2.53
Middle East	7.71	7.92	0.21	2.70	7.45	7.63	0.18	2.36
Africa	3.26	3.30	0.04	1.16	3.45	3.47	0.02	0.69
Total DCs	**27.80**	**28.45**	**0.65**	**2.32**	**27.83**	**28.38**	**0.55**	**1.99**
FSU	4.39	4.50	0.11	2.58	4.45	4.54	0.08	1.91
Other Europe	0.69	0.69	0.01	1.15	0.76	0.76	0.01	0.88
China	9.37	9.82	0.45	4.80	9.48	9.87	0.38	4.03
Total "Other regions"	**14.44**	**15.01**	**0.57**	**3.95**	**14.69**	**15.17**	**0.47**	**3.22**
Total world	**88.30**	**89.47**	**1.17**	**1.32**	**89.07**	**90.03**	**0.96**	**1.07**

Totals may not add up due to independent rounding

World Oil Supply

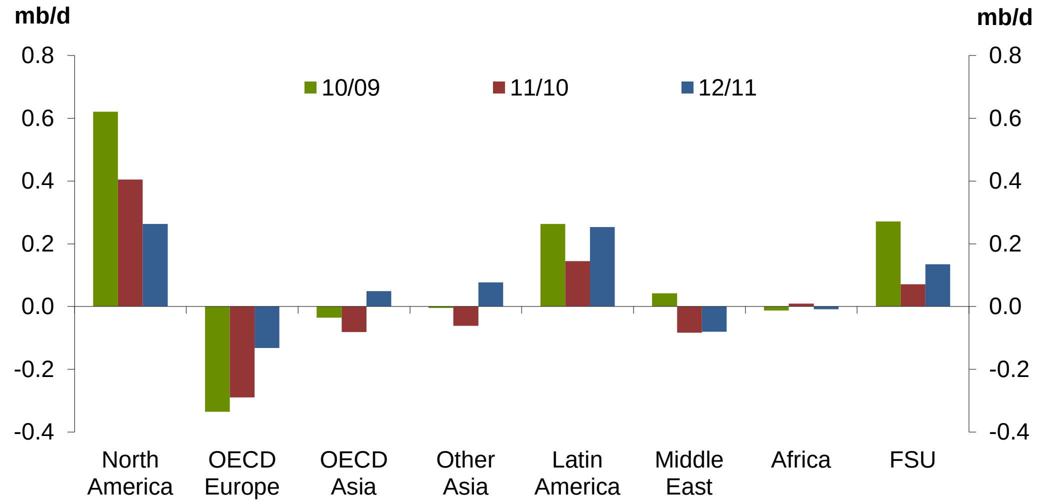
Non-OPEC

Forecast for 2011

Non-OPEC supply is expected to grow by 170 tb/d in 2011 to average 52.46 mb/d

Non-OPEC production is expected to increase by 0.17 mb/d in 2011, averaging 52.46 mb/d and representing a downward revision of 40 tb/d compared to the previous Monthly Oil Market Report (MOMR). Lower-than-expected output during the third quarter required the adjustment. In addition to a minor historical revision, the second half of 2011 encountered the downward revision. The supply profiles of the US, Other Western Europe, Indonesia, Argentina, and Russia experienced upward revisions, while the production outlook for Denmark, Australia, Oman, Syria, Sudan, Other Africa, Azerbaijan, and China encountered downward revisions. However, the total downward adjustment more than offset the upward revisions. Updated actual and preliminary production data continued to show slower output in 2011. The various unplanned outages, as well as political and weather-related factors, are among the main aspects behind the slow non-OPEC supply growth in 2011. North America remains the region with the highest expected supply growth in 2011, followed by Latin America and the FSU, while OECD Western Europe remains the region with the highest expected decline. The US is expected to show the largest production increase among all non-OPEC producers in 2011, followed by Colombia, Russia and Canada. The UK is estimated to encounter the largest output drop in 2011 among all non-OPEC countries, followed by Norway, Azerbaijan, Yemen, Australia, and Malaysia.

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



According to preliminary actual and estimated data, total non-OPEC supply rose by 0.17 mb/d during the first three quarters of 2011, compared to the same period of 2010. The growth came mainly from the first quarter, while second-quarter supply experienced a decline. The third quarter was relatively steady from the previous year with a minor increase. On a quarterly basis, non-OPEC supply in 2011 is expected to average 52.77 mb/d, 51.97 mb/d, 52.03 mb/d and 53.06 mb/d, respectively.

Table 5.1: Non-OPEC oil supply in 2011, mb/d

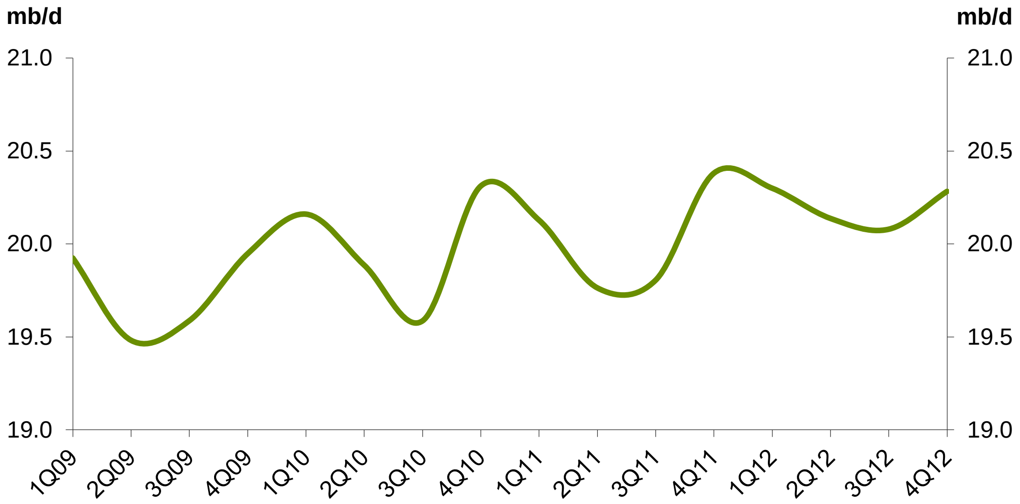
	2010	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10
North America	14.99	15.31	15.20	15.44	15.63	15.40	0.41
Western Europe	4.39	4.31	4.06	3.86	4.19	4.10	-0.29
OECD Pacific	0.60	0.51	0.50	0.51	0.57	0.52	-0.08
Total OECD	**19.99**	**20.13**	**19.76**	**19.81**	**20.38**	**20.02**	**0.03**
Other Asia	3.68	3.69	3.54	3.58	3.68	3.62	-0.06
Latin America	4.67	4.75	4.72	4.78	5.00	4.81	0.14
Middle East	1.78	1.78	1.65	1.70	1.64	1.69	-0.08
Africa	2.59	2.61	2.57	2.58	2.62	2.59	0.01
Total DCs	**12.71**	**12.83**	**12.48**	**12.64**	**12.93**	**12.72**	**0.01**
FSU	13.22	13.32	13.26	13.23	13.37	13.30	0.07
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.12	4.22	4.19	4.08	4.10	4.15	0.03
Total "Other regions"	**17.48**	**17.68**	**17.59**	**17.45**	**17.62**	**17.58**	**0.10**
Total Non-OPEC production	**50.18**	**50.64**	**49.84**	**49.90**	**50.93**	**50.33**	**0.14**
Processing gains	2.10	2.13	2.13	2.13	2.13	2.13	0.03
Total Non-OPEC supply	**52.28**	**52.77**	**51.97**	**52.03**	**53.06**	**52.46**	**0.17**
Previous estimate	52.28	52.76	51.97	52.17	53.07	52.50	0.22
Revision	0.01	0.01	0.00	-0.15	-0.01	-0.04	-0.05

OECD

OECD supply to remain steady at 20.02 mb/d in 2011

Total OECD oil production is estimated to remain relatively steady in 2011 compared to the previous year with a minor increase of 30 tb/d to average 20.02 mb/d, indicating a minor upward revision of 10 tb/d from the previous month. The projected minor growth in 2011 is coming after relatively strong growth in 2010 and above the five-year average of a 90 tb/d decline. North America oil supply is driving the growth in the OECD, while OECD Western Europe and the Pacific are seen to decline. North America was the driver behind the upward revision for this month, while negative adjustment to OECD Western Europe and the OECD Pacific partially offset some of the upward changes. The overall supply profile of the OECD remains relatively unchanged, with strong supply growth projected from North America and a relatively heavy decline from OECD Western Europe and the OECD Pacific. According to preliminary data, total OECD oil production stood at 20.31 mb/d during October 2011, a rebound of 0.70 mb/d from September. On a quarterly basis, OECD oil supply in 2011 is estimated to average 20.13 mb/d, 19.76 mb/d, 19.81 mb/d and 20.38 mb/d, respectively.

Graph 5.2: OECD's quarterly production



North America

North America's oil production in 2011 continues to show healthy growth, moving from a steady position in the initial forecast to current growth of 0.41 mb/d. The strong enhanced forecast for both the US and Mexico was the main factor behind the strong upward revision. The healthy output increases in the US and stabilizing output from Mexico required continual upward revisions to the forecast throughout the year. The region is currently on top of the list in terms of growth among all non-OPEC regions. The continued ramp-up of production in the US and a lack of production disruptions during the hurricane season, coupled with Mexico's successful endeavors to arrest its production decline, were the main aspects of the forecast upgrades. On a quarterly basis, North America's oil supply in 2011 is expected to average 15.31 mb/d, 15.20 mb/d, 15.44 mb/d and 15.63 mb/d, respectively.

US

Tobago start-up in the Gulf of Mexico

US oil production is forecast to increase by 0.32 mb/d in 2011, the largest growth among all non-OPEC countries, to average 8.96 mb/d, representing an upward revision of 27 tb/d from the previous month. The upward revision came mainly in the fourth quarter, with weekly production data indicating that US supply is higher than previously expected. The healthy supply of NGL supported the upward revision as natural gas producers focused on wet wells to achieve better economics as gas prices remain subdued. Moreover, the start-up of Tobago, part of the Perdido hub, in the Gulf of Mexico further supported the upward revision.

The increase of liquid output from shale developments is seen as the most significant factor behind the experienced growth so far in US supply in 2011. The surge of activities in the Bkken and Eagle Ford formation is leading US shale developments. In mid-November, the US oil rig count reached a record high of 1,133 as operators shifted their focus from natural gas to shale development. The encountered upward revision came despite the drop in output from Alaska in October compared both to the previous month and the same period the previous year, mainly on mature fields' decline. During the first three quarters of this year, US oil production is estimated to have increased by 0.33 mb/d, compared to the same period of 2010. On a quarterly basis, US oil supply in 2011 is seen to stand at 8.76 mb/d, 8.94 mb/d, 8.99 mb/d and 9.12 mb/d, respectively.

Canada and Mexico

Canadian oil supply to increase by 0.1 mb/d in 2011 to average 3.5 mb/d

Canada's oil output is projected to grow by 0.10 mb/d in 2011 to average 3.50 mb/d, flat from the previous MOMR. The steady situation came despite the accident at the White Rose field where a supply ship crashed into an oil rig. Furthermore, the scheduled maintenance work during the fourth quarter is seen to be impacting output as previously expected, hence no further downward revision was introduced. During the fourth quarter, Canada's oil supply is expected to increase compared to the third quarter as a further ramp-up of oil sand developments, as well as shale liquid output, is seen to more than offset the negative effect of the maintenance. The continued increase in oil rigs is supporting the expected growth, as producers shift to shale developments from the currently less lucrative natural gas production. During the first three quarters of 2011, Canadian oil production increased by 0.13 mb/d over the same period of 2010, coming from the first and third quarters, while the second quarter experienced a decline compared to 2010. On a quarterly basis, Canada's oil production in 2011 is estimated to stand at 3.57 mb/d, 3.30 mb/d, 3.53 mb/d and 3.58 mb/d, respectively.

Mexico crude output rebounded in October

Mexico's oil supply is foreseen to average 2.94 mb/d in 2011, indicating a decline of 20 tb/d over 2010 and unchanged from the previous month. The flat position compared to the previous MOMR came as Mexico's output increased by around 65 tb/d during October compared to the previous month. The increase was supported by rebounding output at the Ku-Maloob-Zaap (KMZ) in October from the September level (the lowest so far in 2011). However, according to preliminary data, Mexico's oil production declined in November compared to the previous month on lower output from the Cantarell field. Accordingly, Cantarell oil production so far in 2011 has declined by 50 tb/d compared to the previous year, while Chicontepec output has increased by 11 tb/d, while KMZ supply has remained steady. During the first three quarters of this year, Mexico's oil production dropped by 20 tb/d compared to the same period in 2010. On a quarterly basis, Mexico's oil production in 2011 is seen to average 2.97 mb/d, 2.96 mb/d, 2.92 mb/d and 2.92 mb/d, respectively.

Western Europe

Total OECD Western Europe oil supply is estimated to drop by 0.29 mb/d in 2011 to average 4.10 mb/d, indicating a downward revision of 10 tb/d compared to the previous MOMR. The downward revision came from the third quarter, while the fourth quarter experienced a minor upward revision. However, it was not enough to totally offset the downward revision. During the first three quarters, OECD Western Europe oil supply dropped by 0.31 mb/d over the same period of last year. The heaviest decline came in the first quarter, when OECD Western Europe supply experienced a decline of 0.41 mb/d. On a quarterly basis, OECD Western Europe supply in 2011 is seen to stand at 4.31 mb/d, 4.06 mb/d, 3.86 mb/d and 4.19 mb/d, respectively.

Norway supply to decline by 90 tb/d in 2011 to average 2.05 mb/d

Norway's oil supply is forecast to decline by 90 tb/d in 2011 and average 2.05 mb/d, flat from the previous month. Despite the steady situation, there was a minor downward revision that affected the third quarter figure, yet it did not impact the annual level. The minor downward revision in the third quarter was introduced to adjust for updated production data. Preliminary production data showed that Norway's oil supply encountered a healthy rebound of 110 tb/d in October from the maintenance and shutdown-impacted output in September. The return of the Grane oil field to its normal supply level, after its gas compressor problem was resolved, supported output in October. However, October supply indicated a decline of 150 tb/d compared to the average of the fourth quarter of 2010. The encountered supply drop so far in 2011 compared to 2010 has been driven mainly by mature fields' decline, as well as operational difficulties. Despite the rebound in October output, technical difficulties halted any upward revision for the fourth quarter supply projection. The shutdown of some output in a precautionary move ahead of a storm, as well as the gas leak at the Gullfaks B, arrested any upward revision in the fourth quarter. On a quarterly basis, Norway's oil production in 2011 is expected to average 2.14 mb/d, 1.98 mb/d, 1.99 mb/d and 2.08 mb/d respectively.

UK Buzzard output encountered difficulties in November

Oil supply from the UK is expected to decline by 0.23 mb/d in 2011 to average 1.14 mb/d, unchanged from the previous MOMR. Despite the steady annual situation, the second-half oil supply forecast experienced some revisions. The UK's third-quarter supply estimate encountered a minor downward revision, while the fourth-quarter figure was revised upward. The revisions offset each other. The downward revision in the third quarter came to adjust for updated production data that proved to be slightly lower than expected. The UK's output is expected to rebound during the fourth quarter as supply returns from maintenance. However, the shutdown of the Buzzard field that caused delays for December cargos, as well as delays in the field's start-up, are negatively impacting the rebound in the fourth quarter. Furthermore, the series of technical difficulties at the Buzzard field is casting some doubt on the recovery of the field, which could increase the chances of further revisions to fourth-quarter estimate. On a quarterly basis, the UK's oil supply in 2011 is expected to average 1.27 mb/d, 1.17 mb/d, 0.95 mb/d and 1.17 mb/d, respectively.

Denmark's oil production is estimated to average 0.24 mb/d in 2011, a decline of 10 tb/d compared to the previous year, and representing a downward revision of 10 tb/d from the previous month. The downward revision was introduced in the third quarter to adjust for updated production data and was carried over to the fourth quarter.

Asia Pacific

Total OECD Asia Pacific oil output is predicted to decline by 80 tb/d in 2011 to average 0.52 mb/d, indicating a downward revision of 10 tb/d compared to the previous month. On a quarterly basis, total OECD Asia Pacific supply in 2011 is seen to stand at 0.51 mb/d, 0.50 mb/d, 0.51 mb/d and 0.57 mb/d, respectively.

Australia oil supply is expected to decline 70 tb/d in 2011 to average 0.43 mb/d

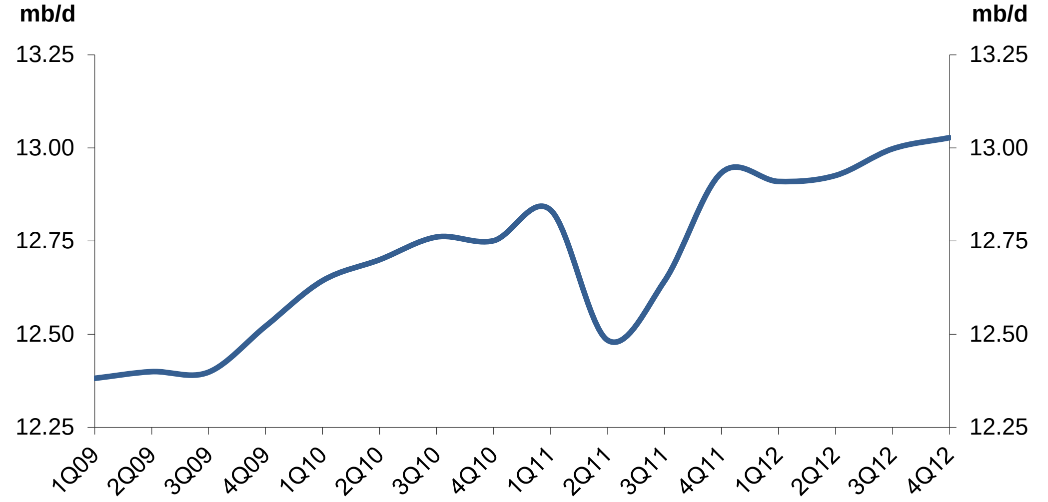
Australia's oil supply is forecast to drop by 70 tb/d in 2011 to average 0.43 mb/d, representing a downward revision of 10 tb/d from the previous MOMR. The downward revision impacted the first three quarters on updated production data. The third quarter experienced the largest downward revision on actual production data. The updated data came below expectation in the third quarter, as actual output did not rebound from the cyclone-impacted level in the first half of the year, as well as the impact of natural decline. According to updated production data, Australia's oil supply declined by 0.10 mb/d during the first three quarters of 2011 compared to the same period the previous year. Australia's oil supply is seen to rebound in the fourth quarter, supported by the return of production to normal levels, as well as new volume from the Kitan, Montara, and Pyrenees developments. On a quarterly basis, Australian oil supply in 2011 is seen to average 0.42 mb/d, 0.41 mb/d, 0.42 mb/d and 0.47 mb/d, respectively.

Developing Countries

DCs supply expected to average 12.72 mb/d in 2011, steady from 2010

Total Developing Countries (DCs) oil supply is anticipated to remain relatively steady in 2011 compared to the previous year and average 12.72 mb/d, indicating a downward revision of 40 tb/d compared to the previous MOMR. The downward revision came from the Middle East and Africa supply, while projections for Latin America and Other Asia remained relatively unchanged. Latin America is currently expected to be the region with the second-highest supply growth, following North America. DCs oil supply forecast continues to experience downward revisions, mainly on delays, weather, technical, and political factors. Oil production from DCs is expected to increase in the fourth quarter, supported by expected growth from Latin America, Other Asia, and Africa. During the first three quarters of 2011, DCs oil production decreased by 50 tb/d compared to the same period last year. On a quarterly basis, DC's oil supply in 2011 is seen to average 12.83 mb/d, 12.48 mb/d, 12.64 mb/d and 12.93 mb/d, respectively.

Graph 5.3: Developing Countries' quarterly production



Other Asia supply to drop 60 tb/d in 2011 to average 3.62 mb/d

Other Asia oil supply is expected to average 3.62 mb/d in 2011, a decline of 60 tb/d from the previous year and unchanged from previous month. Despite the steady situation, there were a few downward and upward revisions that offset each other. India's oil supply is expected to increase by 40 tb/d in 2011 to average 0.90 mb/d, flat from the previous MOMR. Despite the steady situation, third-quarter oil supply experienced a downward revision from the previous month on adjustment to updated production data. Oil output is anticipated to increase in the fourth quarter, supported by the Mangala oil developments, as well as offshore production. During the first three quarters of this year, Other Asia oil production dropped by 80 tb/d compared to the same period in 2010. On a quarterly basis, Other Asia oil supply in 2011 is expected to average 3.69 mb/d, 3.54 mb/d, 3.58 mb/d and 3.68 mb/d, respectively.

Indonesia's oil supply is projected to decline by 30 tb/d in 2011 to average 1.0 mb/d, indicating an upward revision of 10 tb/d compared to the previous MOMR. The upward revision came on the back of updated production data that affected the first three quarters and was carried over to the fourth quarter. Despite the upward revision, Indonesia's oil supply is seen to drop in 2011 on unexpected shutdowns and mature fields' decline. The Southeast Sumatra field partially resumed output in early November after a fire hit the 16 tb/d field's FPSO in early September. Malaysia's oil supply is forecast to average 0.64 mb/d in 2011, a decline of 60 tb/d compared to the previous year and unchanged from the previous MOMR. Malaysia's oil production is expected to increase in the fourth quarter compared to the third as output from the Kikeh field is responding positively to the drilling work-over programme.

Latin America supply to average 4.81 mb/d in 2011

Latin America's oil supply is projected to increase by 0.14 mb/d in 2011 to average 4.81 mb/d, representing a minor upward revision of 10 tb/d from the previous MOMR. Argentina's oil production is expected to average 0.73 mb/d in 2011, a decline of 20 tb/d from the previous year, indicating a minor upward revision of 10 tb/d from the previous month. The minor upward revision came to adjust for updated production data that was carried over to the fourth quarter. During the first three quarters, Argentina's oil supply dropped by 40 tb/d compared to the same period of 2010, mainly on mature fields' decline and various strike actions. Colombia's oil production is foreseen to increase by 0.14 mb/d in 2011 to average 0.94 mb/d, unchanged from the last MOMR. Colombia's oil production in October indicated a healthy increase compared to the previous month as output returned from the strike-impacted level seen in September from the Quifa and Rubiales fields. During the first three quarters of 2011, Latin America's oil supply increased by 0.11 mb/d compared to the same period of 2010. On a quarterly basis, Latin America's oil production this year is seen to average 4.75 mb/d, 4.72 mb/d, 4.78 mb/d and 5.00 mb/d, respectively.

Technical difficulties to curtail Brazil growth in 2011

Brazil's oil production is forecast to increase by 30 tb/d in 2011 to average 2.69 mb/d, flat from the previous month's figure. According to preliminary data, Brazil's output in October remained relatively steady from the previous month as unplanned outage at the Marlim P-35 platform and a delayed restart of other units halted any monthly growth. Furthermore, the oil leak at the Frade development, which halted output of the well, was seen limiting growth in the coming period. Similarly, the gas leak at the P-40 platform that reduced output is further affecting the growth projection. According to recent reports, unplanned outages are estimated to have reduced Brazil's oil output by 45 tb/d in 2011. On the other hand, the share of offshore subsalt production in Brazil's total output is increasing as total subsalt production reached 180 tb/d in early November from 130 tb/d in the second quarter of 2011. During the first three quarters of 2011, Brazil's oil supply increased by a minor 10 tb/d compared to the same period of 2010, yet fourth-quarter output is expected to support the annual growth figure. On a quarterly basis, Brazil's oil supply in 2011 is expected to average 2.66 mb/d, 2.67 mb/d, 2.65 mb/d and 2.79 mb/d, respectively.

Political factors seen negatively impacting Syrian supply in 2011

Middle East oil supply is estimated to average 1.69 mb/d in 2011, a drop of 80 tb/d from the previous year and indicating a downward revision of 30 tb/d compared to the previous MOMR. The downward revision came in the second half to adjust for updated production data, as well as lower expectations for the fourth quarter. Syria's oil supply is seen to decrease by 30 tb/d in 2011 to average 0.39 mb/d, representing a downward revision of 20 tb/d from the previous month. The downward revision came mainly in the fourth quarter as Syria's production is anticipated to sharply decline on the back of the ongoing political situation. Oman's oil production is expected to average 0.90 mb/d in 2011, representing growth of 30 tb/d from the previous year and a downward revision of less than 10 tb/d from the last MOMR. The downward revision came on the back of adjustment to updated actual production data in the third quarter that was carried over to the fourth quarter. During the first three quarters of 2011, Middle East oil output decreased by 70 tb/d compared to the same period of 2010. Middle East oil supply is seen to further decline in the fourth quarter. On a quarterly basis, Middle East oil supply in 2011 is estimated to average 1.78 mb/d, 1.65 mb/d, 1.70 mb/d and 1.64 mb/d, respectively.

Aseng and Agadem fields started up

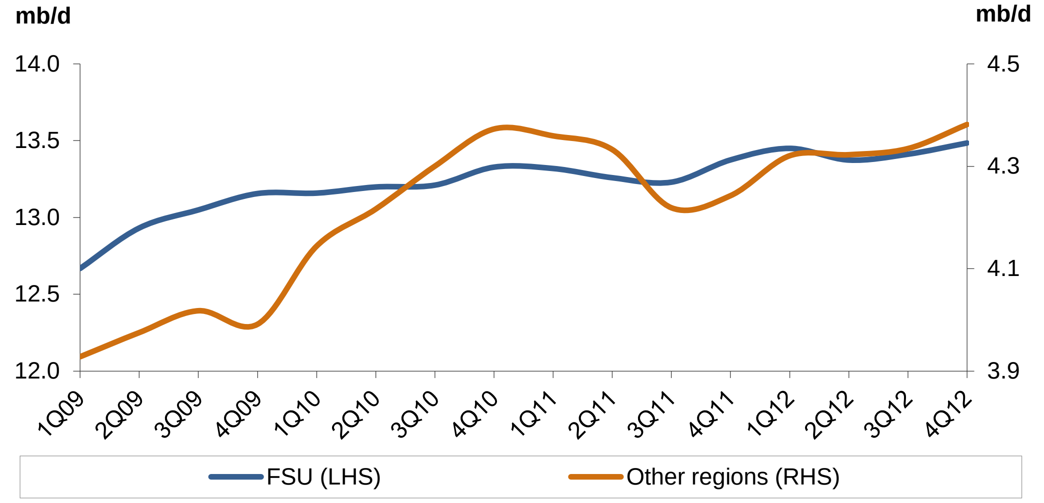
Africa's oil supply is forecast to average 2.59 mb/d in 2011, steady and with a minor increase of 10 tb/d from the previous year and representing a downward revision of 30 tb/d from the last MOMR. The downward revision came from Sudan and Ghana. Sudan's oil supply is expected to decrease by 30 tb/d in 2011 to average 0.43 mb/d, a downward revision of 15 tb/d compared to the previous month. The downward revision was introduced to adjust for updated production data, in addition to the recent halt of exports, due to payment issues between Sudan and South Sudan. In Ghana, ramp-up delays at the Jubilee oil field have led to a postponement of peak output of 120 tb/d to beyond 2011. On the other hand, the 80 tb/d Aseng oil field started up in Equatorial Guinea, with reports suggesting that output reached 50 tb/d in mid-November. Moreover, the Agadem oil field started up in Niger with production reaching 20 tb/d. During the first three quarters of this year, Africa's oil supply remained relatively steady compared to the same period of 2010. On a quarterly basis, Africa's oil supply in 2011 is seen to stand at 2.61 mb/d, 2.57 mb/d, 2.59 mb/d and 2.62 mb/d, respectively.

FSU, Other Regions

Total FSU supply to increase by 70 tb/d in 2011 and average 13.30 mb/d

Total FSU oil supply is foreseen to increase by 70 tb/d in 2011 to average 13.30 mb/d, unchanged from the previous month's assessment. Despite the steady situation, there were few upward and downward revisions among the group's country supply profiles that offset each other. Russia, Kazakhstan and Other FSU remain as the drivers of growth in the FSU, while Azerbaijan supply is seen to decline in 2011. During the first three quarters of this year, FSU oil supply increased by 80 tb/d compared to the same period of 2010. On a quarterly basis, total FSU oil supply in 2011 is estimated to average 13.32 mb/d, 13.26 mb/d, 13.23 mb/d and 13.37 mb/d, respectively. China's oil production is seen to increase by 30 tb/d in 2011 to average 4.15 mb/d. Other Europe oil supply is estimated to remain flat from 2010 and average 0.14 mb/d in 2011.

Graph 5.4: FSU and other region's quarterly production



Russia

Russian November output remained at a record high level

Russia's oil supply is projected to increase by 0.12 mb/d in 2011 to average 10.26 mb/d, an upward revision of 10 tb/d compared to the previous MOMR. Russia's oil production in November was at the same level as the record-high figure achieved in October, according to preliminary data, which supported the upward revision. The encountered upward revision affected the fourth quarter as actual production data in October and November indicated higher-than-expected output. Furthermore, the start-up of the Urengoi gas field, where gas and condensate output is expected to further enhance the growth, supported the upward revision. So far in 2011, Russia's oil supply has remained relatively strong as monthly production data reached new record highs on several occasions. The healthy price level supported operators to maintain and ramp-up output at mature producing areas, in addition to the new volume coming from green fields. On average, Russia's oil supply increased by 120 tb/d during the first eleven months of 2011 compared to 2010. On a quarterly basis, Russian oil supply in 2011 is expected to average 10.21 mb/d, 10.23 mb/d, 10.28 mb/d and 10.33 mb/d, respectively. Russia's oil production averaged 10.35 mb/d in November.

Caspian

Kazakh supply to average 1.62 mb/d in 2011, an increase of 20 tb/d

Kazakhstan's oil output is predicted to average 1.62 mb/d in 2011, minor growth of 20 tb/d from the previous year and unchanged from the previous month. Despite the steady situation, there was a minor downward revision in the fourth quarter that did not impact the annual figure. The downward revision came on the back of updated preliminary production data from the early part of the quarter. Kazakhstan's oil output is expected to increase in the fourth quarter from the maintenance-curtailed production seen in the third quarter. During the first three quarters of 2011, Kazakhstan's oil supply increased by 20 tb/d from the same period of 2010. The growth in these three quarters is the lowest seen in the past five years. On a quarterly basis, Kazakhstan's oil supply in 2011 averages 1.66 mb/d, 1.60 mb/d, 1.54 mb/d and 1.67 mb/d, respectively.

Azeri output to decline in 2011, the first drop since 2004

Azerbaijan's oil supply is seen to decline by 90 tb/d in 2011 to average 0.98 mb/d, indicating a downward revision of 10 tb/d compared to the previous month. The downward revision came on the back of updated production data in the third quarter that was carried over to the fourth quarter. Reduced output during field maintenance sharply impacted Azerbaijan's oil supply and is expected to further curtail production in the fourth quarter. The Caspian export programme in the fourth quarter also indicates a sharp decline. During the first ten months of 2011, oil exports indicated a drop of 10% compared to the same period of 2010. During the first three quarters of 2011, Azerbaijan's oil supply decreased by 80 tb/d compared to the same period of 2010. The output decline during the first three quarters is the only production drop seen by Azerbaijan in the past five years. On a quarterly basis, Azerbaijan's oil supply in 2011 is estimated to average 1.02 mb/d, 1.00 mb/d, 0.97 mb/d and 0.94 mb/d, respectively.

China

China supply to average 4.15 mb/d in 2011, an increase of 30 tb/d

China's oil supply is projected to average 4.15 mb/d in 2011, a relatively minor increase of 30 tb/d compared to the previous year and indicating a downward revision of 5 tb/d compared to the previous MOMR. The minor downward revision came from a revision in the fourth quarter as third-quarter output data was partially carried over to the fourth quarter. China's oil supply during the third quarter marked the lowest level seen since the first quarter of 2010. The low production level in the third quarter was a result of the decline in offshore oil supply following the shutdown of the Peng Lai oil field, with reports suggesting that output from the field will return during the first half of 2012. During the first three quarters of 2011, China's oil supply increased by 90 tb/d compared to the same period of 2010. On a quarterly basis, China's oil supply this year is estimated to stand at 4.22 mb/d, 4.19 mb/d, 4.08 mb/d and 4.10 mb/d, respectively.

Forecast for 2012

Non-OPEC supply to grow by 0.67 mb/d in 2012 to average 53.13 mb/d

Non-OPEC oil supply is forecast to grow by 0.67 mb/d in 2012 to average 53.13 mb/d, showing a downward revision of 150 tb/d from the previous MOMR. There were various upward and downward revisions to the 2012 supply forecast, coming from modifications to the 2012 risk assessment as well as base changes in 2011 and some historical revisions from 2009. Non-OPEC supply is expected to experience increases in all the quarters in 2012 on a y-o-y basis. On a regional basis, North and Latin America are expected to have the highest growth, followed by the FSU, while Western Europe and the Middle East supply are seen to decline. Growth is expected to come mainly from the US, Brazil, Canada, Colombia, and Russia while Syria, Norway, Mexico, and Sudan oil supply are seen to decline. The risk and uncertainties associated with the supply forecast remain high on both sides, especially for the US, Russia, Brazil, Syria, Yemen, Sudan, China and Mexico. On a quarterly basis, non-OPEC supply is expected to average 53.17 mb/d, 52.95 mb/d, 53.01 mb/d, and 53.37 mb/d, respectively.

Table 5.2: Non-OPEC oil supply in 2012, mb/d

	2011	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11
North America	15.40	15.62	15.62	15.66	15.75	15.66	0.26
Western Europe	4.10	4.12	3.94	3.84	3.98	3.97	-0.13
OECD Pacific	0.52	0.56	0.58	0.58	0.55	0.57	0.05
Total OECD	**20.02**	**20.30**	**20.14**	**20.08**	**20.28**	**20.20**	**0.18**
Other Asia	3.62	3.69	3.69	3.70	3.71	3.70	0.08
Latin America	4.81	5.01	5.04	5.09	5.13	5.07	0.25
Middle East	1.69	1.61	1.61	1.61	1.61	1.61	-0.08
Africa	2.59	2.60	2.59	2.59	2.58	2.59	-0.01
Total DCs	**12.72**	**12.91**	**12.93**	**13.00**	**13.03**	**12.97**	**0.24**
FSU	13.30	13.45	13.37	13.41	13.48	13.43	0.13
Other Europe	0.14	0.15	0.15	0.15	0.15	0.15	0.01
China	4.15	4.17	4.17	4.18	4.23	4.19	0.04
Total "Other regions"	**17.58**	**17.77**	**17.70**	**17.75**	**17.87**	**17.77**	**0.19**
Total Non-OPEC production	**50.33**	**50.98**	**50.76**	**50.82**	**51.18**	**50.94**	**0.61**
Processing gains	2.13	2.19	2.19	2.19	2.19	2.19	0.06
Total Non-OPEC supply	**52.46**	**53.17**	**52.95**	**53.01**	**53.37**	**53.13**	**0.67**
Previous estimate	52.50	53.32	53.16	53.22	53.57	53.32	0.82
Revision	-0.04	-0.15	-0.21	-0.21	-0.21	-0.19	-0.15

Revisions to the 2012 forecast

There were many upward and downward revisions to the non-OPEC supply forecast in 2012 compared to the previous month. Various revisions came as a result of historical adjustments in 2009 and 2010, in addition to many revisions introduced to the 2011 forecast. However, the main revisions that altered the supply growth forecast for 2012 were made to Syria, Sudan, Yemen and China's output projections. Syria oil production is expected to drop 0.14 tb/d in 2012 to average 0.24 mb/d, a downward revision of 125 tb/d compared to the previous forecast. The revision was introduced as the political circumstances impacted production and is foreseen to continue into 2012. Reports suggested that Syria oil supply dropped by around 150 tb/d late November. Sudan oil supply outlook in 2012 encountered a downward revision of 50 tb/d compared to the previous MOMR, as difficulties in the secession of South Sudan from Sudan influenced output. Political factors impacted Yemen oil supply forecast in 2012, where output is expected to average 0.21 mb/d, a minor increase of 10 tb/d and a downward revision of 40 tb/d compared to the previous MOMR. China oil supply is expected to increase by 40 tb/d in 2012 to average 4.19 mb/d, a minor downward revision of 10 tb/d compared to last month. The downward revision was experienced as reports suggested that the return of the Peng Lai oil field output might be delayed.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils expected to increase by 0.39 mb/d in 2011 and 0.36 mb/d in 2012

OPEC NGLs and non-conventional oils are expected to increase by 0.39 mb/d in 2011 to average 5.29 mb/d. In 2012, OPEC NGLs and nonconventional oils are forecast to grow by 0.36 mb/d over the current year to average 5.65 mb/d.

Table 5.3: OPEC NGLs + non-conventional oils 2009-2012, mb/d

	2009	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	2012	Change 12/11
Total OPEC	**4.35**	**4.90**	0.55	5.12	5.26	5.37	5.42	**5.29**	0.39	**5.65**	0.36

OPEC crude oil production

OPEC crude oil production increased 0.56 mb/d in November

Total OPEC crude oil production increased by 0.56 mb/d in November compared to the previous month to average 30.37 mb/d, according to secondary sources. Crude oil output experienced significant increases from Libya, Saudi Arabia, Angola, Nigeria, and Iraq while crude production from the UEA, Venezuela, and Algeria decreased in November compared to the previous month. OPEC crude production, not including Iraq, stood at 27.69 mb/d in November, an increase of 0.50 mb/d from the previous month.

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

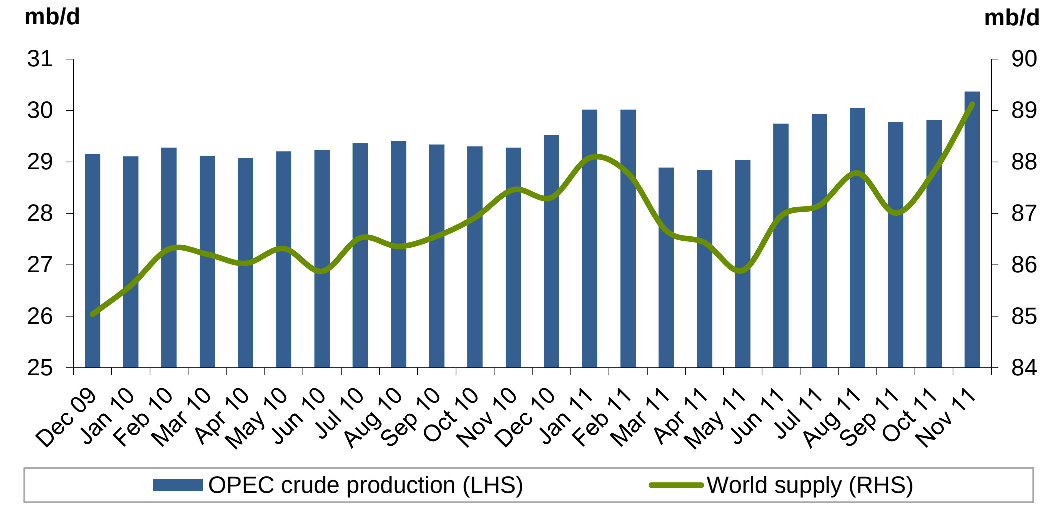
	2009	2010	1Q11	2Q11	3Q11	Sep 11	Oct 11	Nov 11	Nov/Oct
Algeria	1,268	1,258	1,259	1,255	1,260	1,261	1,259	1,239	*-20.4*
Angola	1,780	1,783	1,664	1,548	1,674	1,696	1,729	1,833	*103.2*
Ecuador	477	475	490	490	486	489	489	491	*2.6*
Iran, I.R.	3,725	3,706	3,656	3,658	3,603	3,601	3,568	3,553	*-15.0*
Iraq	2,422	2,401	2,649	2,671	2,685	2,694	2,621	2,681	*60.0*
Kuwait	2,263	2,297	2,374	2,483	2,569	2,598	2,611	2,635	*23.7*
Libya	1,557	1,559	1,096	153	47	86	348	570	*221.7*
Nigeria	1,812	2,061	2,083	2,147	2,180	2,127	1,994	2,077	*82.8*
Qatar	781	801	807	807	810	813	812	818	*5.8*
Saudi Arabia	8,051	8,284	8,732	9,106	9,637	9,453	9,422	9,597	*175.3*
UAE	2,256	2,304	2,441	2,519	2,561	2,553	2,567	2,515	*-51.7*
Venezuela	2,394	2,338	2,375	2,368	2,406	2,403	2,389	2,361	*-28.5*
Total OPEC	**28,785**	**29,267**	**29,626**	**29,204**	**29,917**	**29,773**	**29,808**	**30,367**	***559.5***
OPEC excl. Iraq	**26,362**	**26,866**	**26,977**	**26,533**	**27,231**	**27,079**	**27,187**	**27,687**	***499.5***

Totals may not add up due to independent rounding

World Oil Supply

Preliminary data indicates that global oil supply increased 1.31 mb/d in November to average 89.12 mb/d. Non-OPEC supply experienced growth of 0.75 mb/d, while OPEC crude oil production increased by 0.56 mb/d. The share of OPEC crude oil in global supply remained unchanged at 34% in November. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGL and OPEC crude oil production from secondary sources.

Graph 5.5: OPEC and world oil supply

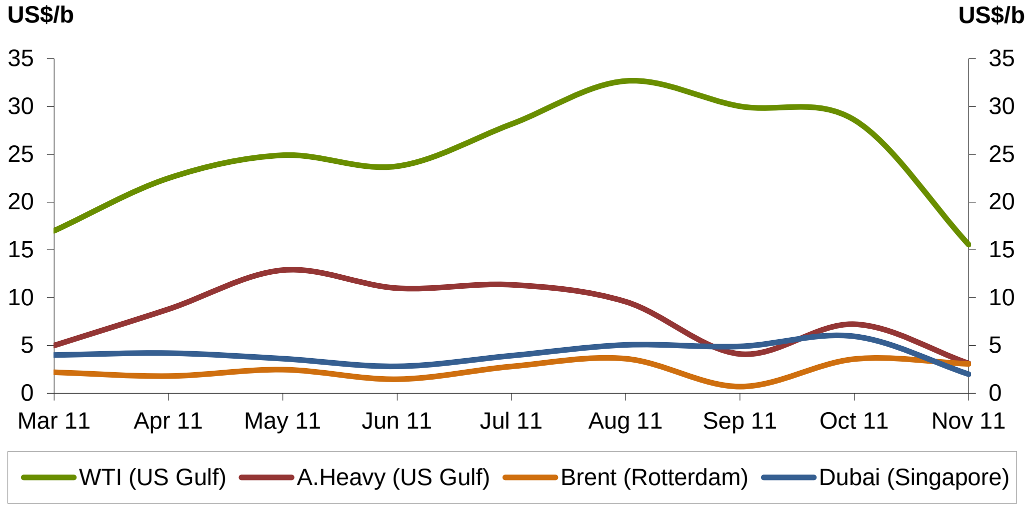


Product Markets and Refinery Operations

Light distillates pushed refinery margins down

Light distillates continued bearish and the cracks plummeted worldwide in November, due to weaker demand in the structurally unbalanced market, while middle distillates continued supporting the market on the back of strong demand amid tight product supply. This, however, could not upset the loss in the top of the barrel and refinery margins fell across the board.

Graph 6.1: Refining margins, 2011



The margin for WTI crude on the US Gulf Coast showed a sharp drop of $13 to stand at around $16/b in November, reflecting the continued loss in light distillates and the strong correction in the WTI price, which recovered more than $9/b against Brent. Meanwhile, for Arab Heavy on the US Gulf Coast, the margin showed a sharp drop of $4/b, as the grade strengthened, exhibiting a sharp price increase during the month.

In Europe, product market sentiment continued showing a mixed performance, with light distillates continuing to lose ground. The gasoline crack plummeted, due to both lacklustre demand in the region and poor export opportunities, while the middle and heavy parts of the barrel remained stronger on the back of a tight market, which partially offset the loss seen in the top of the barrel and avoided a further drop in margins. The refinery margin for Brent crude in Rotterdam showed a slight drop of 40¢ in November to stand at around $3.1/b.

The stronger middle distillate and fuel oil demand in a tight market continued increasing their crack spread. However, they were not able to offset the big loss exhibited at the top of the barrel, where light distillate cracks plummeted, losing more than $10, due to weaker demand amid plenty of supply in the region. With this, refinery margins suffered a sharp drop of $4/b to stand at $2/b during the month, the lowest level seen this year.

Refinery operations

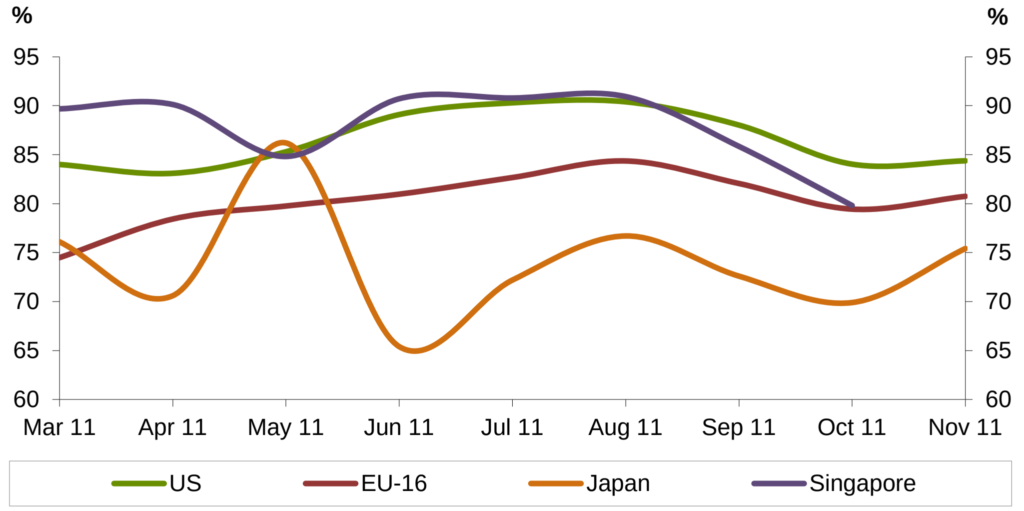
Refinery runs driven by the tight gasoil market

Despite lower light distillate demand and margins further falling, pushed by the correction in the WTI price, the strong export opportunities and diesel demand encouraged US refiners to continue operating with higher refinery runs.

The refinery runs averaged 84.4% of capacity in November, a slight 0.4% higher than in the previous month, representing a high level considering the maintenance season on the West Coast.

In addition, refiners continued to maximize gasoil production, with stocks remaining below the five-year average, while the gasoil market tightened across the world.

Graph 6.2: Refinery utilization rates, 2011



European refiners have continued to moderate throughput in response to deteriorating refining margins in the region in recent months, with refinery runs remaining at around 80%. This lower level has kept the distillate market tight, helping margins to increase over the last two months; however, the unbalanced market in the top of the barrel with record-low cracks will encourage keeping the runs low.

Asian refiners are again on the rise as India has finished maintenance and planned to run over the 83% seen in October, due to rising demand during this period. On the other hand, China is expected to run at maximum capacity, in order to replenish stocks to face the higher gasoil demand for power generation. Japan has increased throughput to around 72%, after finishing some maintenance, while runs in Singapore have recovered after Shell's refinery came online again.

US market

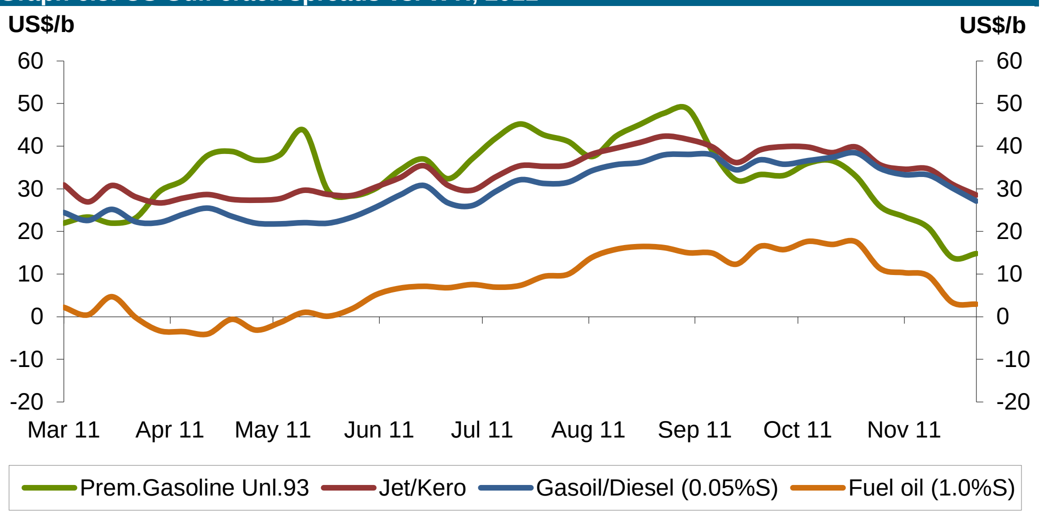
Middle distillate cracks surpassing the WTI correction

US gasoline demand continued at a low level of around 8.7 mb/d in November, an increase of 125 tb/d over the previous month and a decline of 150 tb/d from the same month last year.

Weak US gasoline demand continued to fall and the gasoline crack spread plummeted to the lowest level seen in ten months, despite strong export opportunities to Latin America and a temporary recovery, due to the Thanksgiving holiday.

The gasoline crack continued falling to average $18/b during November, a sharp loss of $15/b compared to the previous month. This strong correction from over $40/b seen two months ago was mainly due to the relative increase in the WTI price observed during the last months.

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



Middle distillate demand remained strong at around 3.97 mb/d in November, a decrease of 304 tb/d over the previous month, when it hit a two-year record high, and 92 tb/d higher than in the same month last year.

The middle distillate market remained healthy over the month, supported by stronger demand. According to the EIA data, demand stood at around 4 mb/d. This data, along with the 1.3% y-o-y rise in trucking diesel consumption in September, kept some hope for possible slight economic relief in the US.

In addition to the robust domestic demand, the market was supported by healthy diesel exports to Latin America, specifically Argentina, Chile, Colombia and Peru. Some arbitrage opportunities to Europe and lower inventories during the month have continued fuelling bullish sentiment.

The gasoil crack on the US Gulf Coast showed a decrease of $6 to average $31/b. The loss was less than the correction in WTI.

The US fuel oil market was stable, although domestic demand was weaker, due to mild weather conditions limiting utility requirements. This has been partially offset by the firm demand from Latin America.

The fuel oil crack dropped from a premium of almost $15.9/b over WTI in October to $6.6/b in November, in line with the correction exhibited by the WTI crude price.

European market

European light distillates sank

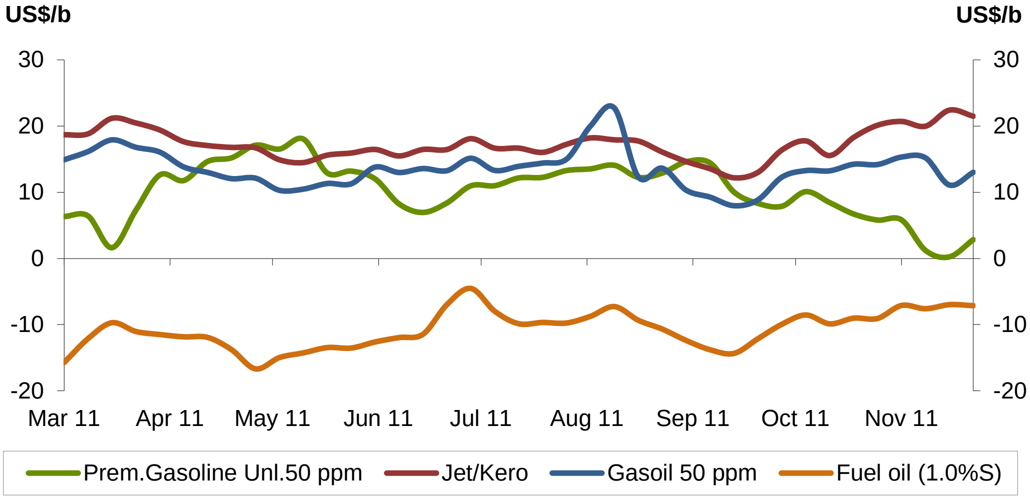
Light distillates continued losing ground, due to lacklustre demand in the region and poor export opportunities, while the middle and heavy parts of the barrel kept the recovery shown in the previous month.

Naphtha cracks continued losing ground, since demand from the petrochemical sector remains disappointing as the downstream sector has reduced prices, thus forcing units to reduce the run levels and some naphtha crackers have been reported as running as low as 70% of capacity. At the same time, the arbitrage window to the Asian markets has remained closed.

The European gasoline market has continued weak over the last months, losing ground as a result of lacklustre domestic demand amid poor export opportunities, not only to the Atlantic, where US demand has been at its lowest level in years, but also to Africa, where requirements have dropped, causing the gasoline crack to collapse to levels not seen in the last two years.

The gasoline crack spread against Brent crude showed a sharp loss of $5.3 from an average of $7.8/b in October to $2.5/b in November.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2011



The tightness in the European middle distillates market continued, supporting the ground recovered in recent months, while the Northwest European gasoil crack remained healthy.

The tightness in the market continued on the back of reduced Russian exports, due to refinery maintenance, low European refinery runs and limited arbitrage from Asia. The European market was affected by the unusually low water level of the Rhine river, causing tightness in the German gasoil market. This limitation caused the inflows from the US to be sold directly to France and the UK, instead of going through Rotterdam, causing the ARA stock levels to rise. However, this was counteracted by the bullish support gained from the news concerning the Antwerp refinery strike threat and the gasoil market managed to retain the level gained last month. On the other hand, the demand side was supported by diesel requirements from Turkey and North Africa.

The gasoil crack spread against Brent crude at Rotterdam remained at around $14/b, unchanged from the previous month.

Looking ahead, the tight middle distillate market will remain supported by increasing heating oil demand during the winter season, despite the potential increase of inflows to the region.

At the bottom of the barrel, fuel oil cracks continued gaining momentum on the back of a tight market, due to lower regional refinery output — lower run rates — while inflows from other regions, including Russia, remained limited. The demand side was supported by healthy regional demand for utilities, especially in the Mediterranean, and the arbitrage opportunities to the East .The Northwest European fuel oil crack spread against Brent showed a sharp gain of $2.1 this month to stand at minus $7.2/b

Asian market

Gasoline cracks plummeted, turning negative

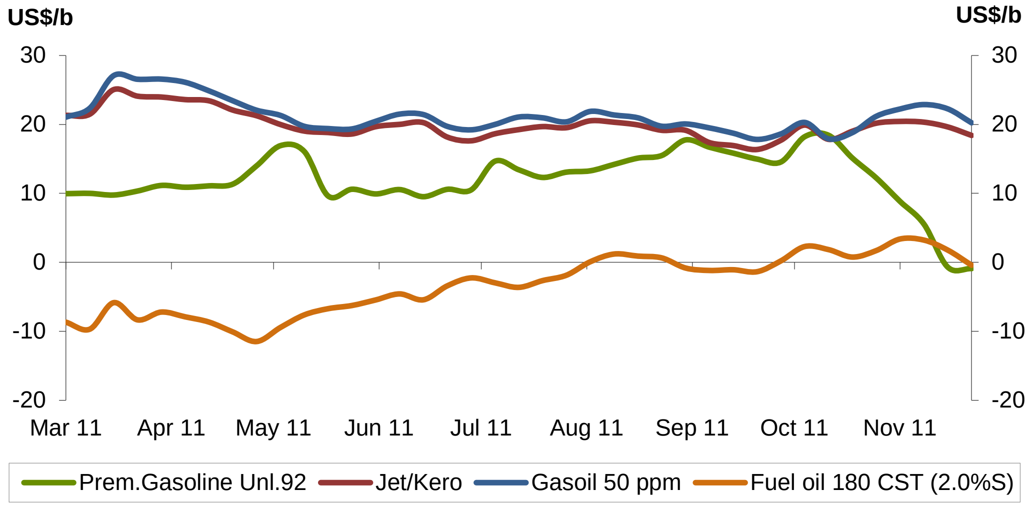
Asian cracking margins plummeted over the month, as bearish sentiment in the light distillates market made the crack slump to the lowest level in two years.

The Asian naphtha market continued to be affected by disappointing demand from the petrochemical sector, due to the economic situation across the world, while supplies are seen plentiful, mainly from India. Additional bearish sentiment came from the unplanned shutdown of the VCM (vinyl chloride monomer) plant in Japan, due to a fire, and plans to reduce runs in several cracker complexes, some of which are running at only 80% of capacity. The naphtha crack fell, losing more than $5/b over the month, to the lowest level seen in two years – minus $14/b – a sign confirming the slowdown in world economic growth.

Weaker seasonal gasoline demand amid increasing supplies as refineries in Taiwan and Singapore returned from unscheduled shutdowns and Indian refineries came back on line after completing maintenance, exerted such pressure on the gasoline market that the gasoline crack plummeted to the lowest level seen in two years and has crossed to the negative side since mid-November.

The gasoline crack spread against Dubai crude in Singapore showed a sharp loss of $13, to average around $3/b in November, from an average of $16/b during the previous month.

Graph 6.5: Singapore crack spreads vs. Dubai, 2011



The middle distillates market continued showing a positive performance on the back of tightening supplies and strong regional demand amid falling stocks. The supply side received support from lower exports from Japan and South Korea as they focused on maximizing kerosene production and reduced inflows from the West. In addition, regional demand was healthy, mainly from China replenishing falling inventories to prevent a winter shortage, due to higher power generation requirements. The gasoil crack spread in Singapore against Dubai remained strong, increasing on average by $2.4 from the previous month to stand at $21.9/b.

At the bottom of the barrel, fuel oil cracks showed a gain of 30¢ to stand at a premium of $2.0/b over Dubai, the highest level in two years, supported by a lack of on-specification fuel oil volumes coming from the west, which, along with lower inflows from the Middle East, has kept the Asian market relatively tight. Additional support came from stronger regional demand, mainly from Pakistan and Japan, on seasonal requirements for power generation utilities.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			*Refinery utilization, %*		
	Oct 11	**Nov 11**	**Nov/Oct**	**Oct 11**	**Nov 11**	**Nov/Oct**
US	14.54	14.59	0.06	84.03	84.38	0.34
France	1.34	-	-	72.78	-	-
Germany	1.96	-	-	80.86	-	-
Italy	1.58	-	-	67.52	-	-
UK	1.41	-	-	80.00	-	-
Euro-16	10.41	10.58	0.17	79.44	80.75	1.31
Japan	3.15	3.40	0.25	69.90	75.42	5.52

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

Table 6.2: Refined product prices, US$/b

		Sep 11	Oct 11	Nov 11	Change Nov/Oct
US Gulf (Cargoes):					
Naphtha		109.64	110.04	105.11	-4.93
Premium gasoline	*(unleaded 93)*	120.86	118.78	114.75	-4.03
Regular gasoline	*(unleaded 87)*	113.99	114.28	108.27	-6.01
Jet/Kerosene		124.43	124.72	128.62	3.90
Gasoil	*(0.05% S)*	121.80	123.11	127.43	4.32
Fuel oil	*(1.0% S)*	100.34	102.04	103.07	1.03
Fuel oil	*(3.0% S)*	97.66	99.27	100.07	0.80
Rotterdam (Barges FoB):					
Naphtha		104.10	97.59	95.62	-1.97
Premium gasoline	*(unleaded 10 ppm)*	123.64	117.08	112.81	-4.27
Premium gasoline	*(unleaded 95)*	121.05	114.63	110.45	-4.18
Jet/Kerosene		126.83	127.57	131.30	3.73
Gasoil/Diesel	*(10 ppm)*	126.27	129.00	131.36	2.36
Fuel oil	*(1.0% S)*	100.41	100.42	103.47	3.05
Fuel oil	*(3.5% S)*	99.27	99.30	100.69	1.39
Mediterranean					
Naphtha		102.04	95.47	93.51	-1.96
Premium gasoline	*(50 ppm)*	119.31	112.98	112.98	0.00
Jet/Kerosene		124.89	125.16	125.16	0.00
Gasoil/Diesel	*(50 ppm)*	107.73	110.06	110.06	0.00
Fuel oil	*(1.0% S)*	100.47	100.19	103.15	2.96
Fuel oil	*(3.5% S)*	98.89	99.29	99.67	0.38
Singapore (Cargoes):					
Naphtha		103.49	96.19	95.25	-0.94
Premium gasoline	*(unleaded 95)*	124.36	121.63	112.86	-8.77
Regular gasoline	*(unleaded 92)*	122.06	119.62	111.17	-8.45
Jet/Kerosene		123.53	123.25	127.99	4.74
Gasoil/Diesel	*(50 ppm)*	125.08	123.56	130.36	6.80
Fuel oil	*(180 cst 2.0% S)*	105.42	105.82	110.76	4.94
Fuel oil	*(380 cst 3.5% S)*	101.23	102.08	105.89	3.81

Tanker Market

OPEC spot fixtures rose in November on healthy eastbound requirements

In November, OPEC spot fixtures increased by 9% from the previous month to average 11.86 mb/d, according to preliminary data. The experienced increase is mainly attributed to higher spot fixtures from the Middle East to East destinations, which increased by 0.95 mb/d or 15% in November to average 7.02 mb/d. Winter season demand, as well as higher Chinese requirements, supported the fixture increase in November. Spot fixtures from outside the Middle East registered a small gain of 60 tb/d or 2% in November compared to the previous month.

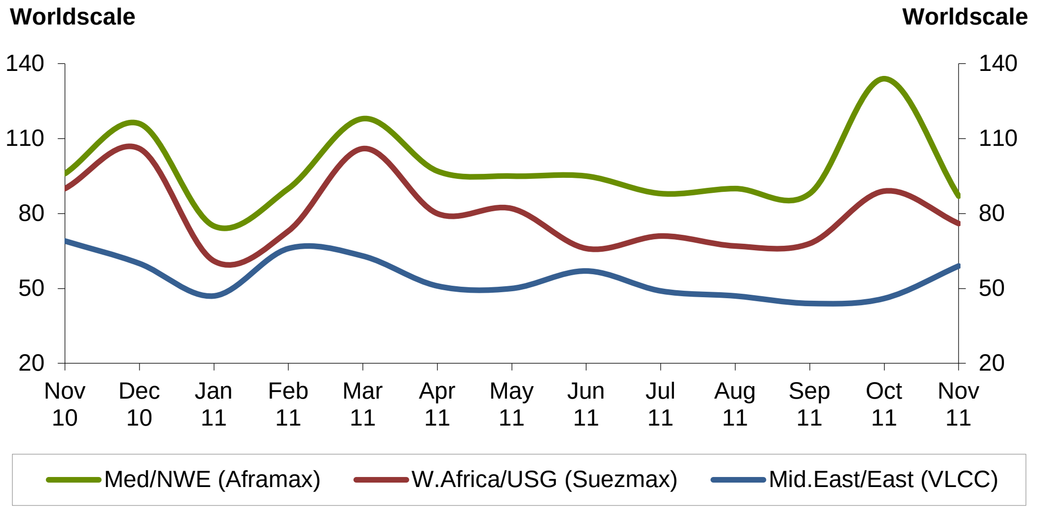
Table 7.1: Tanker chartering, sailings and arrivals, mb/d

	Sep 11	Oct 11	Nov 11	Change Nov/Oct
Spot Chartering				
All areas	15.88	16.64	18.28	1.64
OPEC	11.23	10.82	11.86	1.04
Middle East/East	5.64	6.07	7.02	0.95
Middle East/West	1.52	1.50	1.53	0.03
Outside Middle East	4.07	3.25	3.31	0.06
Sailings				
OPEC	22.66	22.48	23.13	0.65
Middle East	12.39	12.35	12.85	0.49
Arrivals				
North America	8.67	8.52	8.53	0.01
Europe	12.31	12.37	12.33	-0.04
Far East	8.18	8.49	8.53	0.04
West Asia	4.67	4.52	4.63	0.11

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

OPEC sailings increased by 0.65 mb/d or 3% in November to stand at 23.13 mb/d, supported by an increase of Middle East sailings. In November, Middle East sailings gained 0.49 mb/d or 4% from the previous month to stand at 12.85 mb/d. During the first eleven months of 2011, OPEC sailings declined by around 0.3 mb/d compared to the same period of 2010. Crude oil arrivals increased in November in North America, the Far East and West Asia by 0.1%, 0.5% and 3%, respectively, compared to the previous month, while Europe arrivals declined by 30 tb/d or 0.3%.

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



VLCC rates increased while Suezmax and Aframax retreated in November

In November, dirty tanker market sentiment was mixed. **VLCC** spot freight rates continued the positive momentum and average rates stood 23% higher than in the previous month. However, Suezmax and Aframax average spot freight rates declined by 11% and 17%, respectively, compared to the previous month, despite the gains registered a month earlier.

For the VLCC sector, spot freight rates for tankers operating the Middle East to the East route registered the largest increase among all reported routes. Middle East to East VLCC spot freight rates increased by 13WS or 28% in November compared to the previous month. The increase was supported by higher Chinese requirements to cover stock-draws in October, driven by higher diesel demand. VLCC spot freight rates for tankers operating the West Africa to the East route were supported by higher Chinese requirements, as well as healthy lifting by Indian buyers. Accordingly, spot freight rates increased by 21% in November to stand at 58WS. Winter seasonal demand from the West improved tonnage demand and supported VLCC spot freight on the long-haul route from the Middle East to the West in November to average 41WS, an increase of 17% from the previous month. Despite the November increase of VLCC spot freight rates, during the first eleven months of 2011, VLCC average spot freight rates dropped by 28% compared to the same period of 2010. The extremely lower freight rates so far this year drove some companies to file for bankruptcy.

Suezmax market sentiment was bearish in November. Spot freight rates for Suezmax operating from both West Africa to the US and Northwest Europe to the US declined by 15% and 8%, respectively, in November compared to the previous month. Lower West African crude requirements from the US, on the back of weak gasoline demand, as well as increased US oil supply, along with Suezmax tonnage oversupply, were the main factors behind the drop of Suezmax spot freight rates in November. So far in 2011, Suezmax average spot freight rates have indicated a decline of 22% compared to the same period in 2010.

In the **Aframax** sector, limited cargoes from the Black Sea, partially due to field maintenance in the Caspian, strongly impacted Aframax spot freight rates. Aframax tankers operating the Mediterranean to the Mediterranean and Mediterranean to Northwest Europe routes encountered a sharp decline in spot freight rates in November of 36% and 35%, respectively, compared to the previous month. On a y-o-y basis, rates indicated a decline of 9%. Reduced delays at the Turkish straights contributed to the easing of the Mediterranean freight market. However, on the Indonesia to the East and Caribbean to the US routes, Aframax spot freight rates gained 7% and 8%, respectively, in November compared to the previous month. The increase seen in the Aframax spot freight rates on the Caribbean to the US route was supported by the tight tonnage position and owners' pressure to achieve better rates.

Table 7.2: Spot tanker crude freight rates, Worldscale

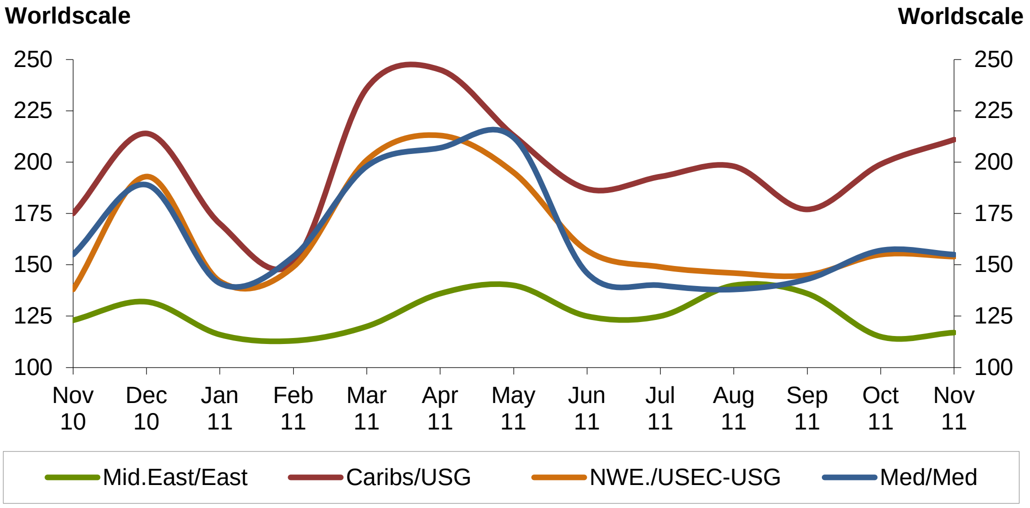
	Size *1,000 DWT*	**Sep 11**	**Oct 11**	**Nov 11**	**Change Nov/Oct**
Crude					
Middle East/East	230-280	44	46	59	13
Middle East/West	270-285	36	35	41	6
West Africa/East	260	43	48	58	10
West Africa/US Gulf Coast	130-135	68	89	76	-13
NW Europe/USEC-USGC	130-135	54	78	72	-6
Indonesia/US West Coast	80-85	92	95	102	7
Caribbean/US East Coast	80-85	92	100	108	8
Mediterranean/Mediterranean	80-85	87	134	86	-48
Mediterranean/North-West Europe	80-85	88	134	87	-47

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

Clean rates increased in November

Clean average spot freight rates gained 1.6% in November compared to the previous month, supported by the continued upward momentum of the West of Suez market as well as the rebound of East of Suez rates. Clean west spot freight rates gained 1.5% in November compared to the previous month and East spot freight rates rebounded by 1.9%. Clean spot freight rates for tankers operating the Middle East to the East route increased by 1.7% and rates for the Singapore to the East route increased by 2% in November compared to the previous month. Higher naphtha and petroleum products trade supported clean spot freight rates in the East of Suez.

Graph 7.2: Monthly averages of clean spot freight rates



The increase in West clean spot freight rates in November was supported by Caribbean to the US and Mediterranean to Northwest Europe as a result of tight tonnage positions and strong US diesel exports to the Caribbean and Northwest Europe markets. Compared to the previous month, clean spot freight rates on the Caribbean to the US and Mediterranean to Northwest Europe routes increased by 6% and 1%, respectively, in November. Clean spot freight rates on the Northwest Europe to the US and Mediterranean to the Mediterranean routes were very weak in November and weighed negatively on the average of West clean spot freight rates. Northwest Europe to the US route clean spot freight rates dropped by 1% and Mediterranean to the Mediterranean rates declined by 1.3%, mainly due to limited tonnage demand and access of tonnage supply. On an annual basis, average clean spot freight rates remained relatively steady so far in 2011 compared to the same period of 2010.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	**Sep 11**	**Oct 11**	**Nov 11**	**Change Nov/Oct**
Products					
Middle East/East	30-35	136	115	117	2
Singapore/East	30-35	153	151	154	3
Caribbean/US Gulf Coast	38-40	177	199	211	12
NW Europe/USEC-USGC	33-37	145	155	154	-1
Mediterranean/Mediterranean	30-35	143	157	155	-2
Mediterranean/North-West Europe	30-35	150	161	162	1

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

Oil Trade

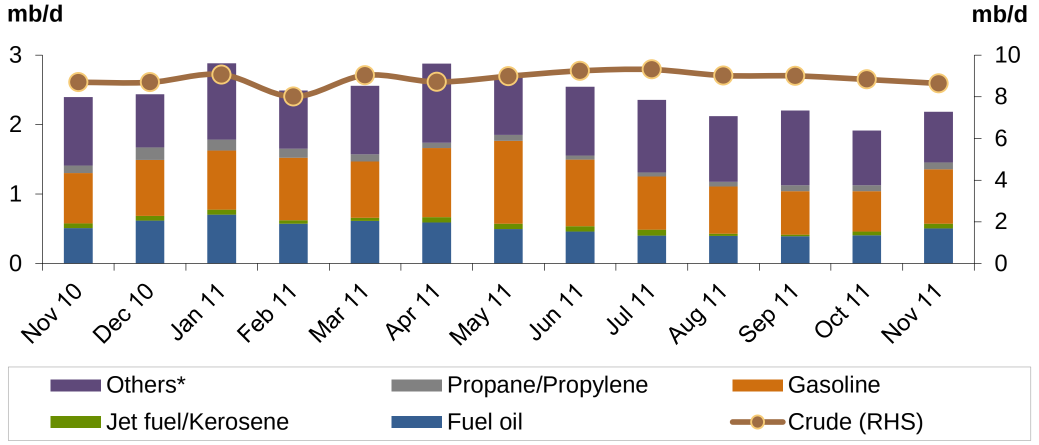
US crude oil imports declined in November to 8.64 mb/d

US

Preliminary data indicated that US crude oil imports declined by 190 tb/d or 2.15% m-o-m to an average of 8.64 mb/d in November. Imports in November were 56 tb/d or 0.6% lower compared to last year's level when they stood at 8.7 mb/d. Year-to-date, imports are 355 tb/d or 3.8% lower than those of last year. They averaged 8.9 mb/d between January and November, compared to 9.2 mb/d for the same period a year ago, implying a 3.8% decline.

Product imports rebounded in November, following their steady decline since April onwards and have arrived at a level of 2.19 mb/d. Compared to the month before, the increase was estimated at around 271 tb/d or 14.14%. For the y-o-y comparison, a drop of around 210 tb/d or 8.7% in November 2011 was registered. Product imports averaged 2.44 mb/d between January and November, compared to 2.6 mb/d for the same period a year ago, implying a 6.0% decline.

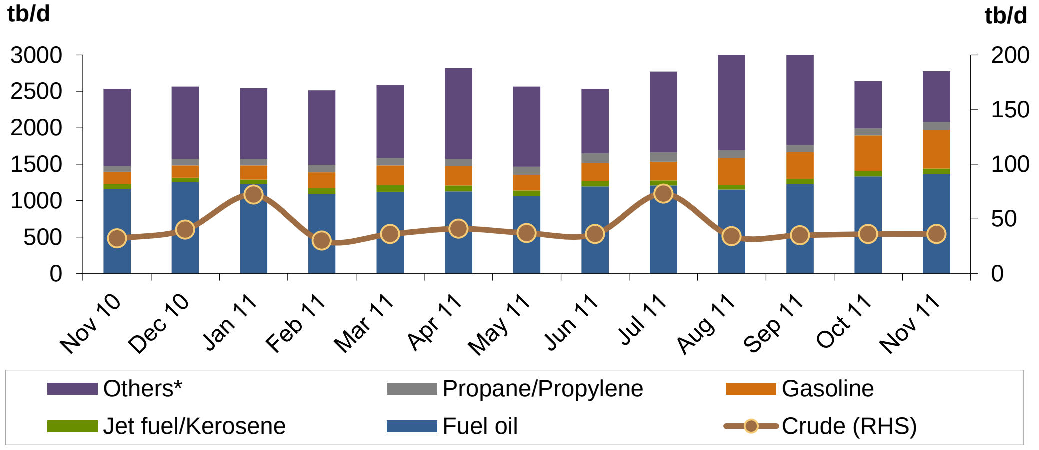
Graph 8.1: US imports of crude and petroleum products



**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*

On the other hand, product exports rebound slightly in November to 2.81 mb/d, up by 136 tb/d or 5.06% m-o-m and 245 tb/d or 9.5% y-o-y. Exports averaged 2.76 mb/d between January and November, compared to 2.28 mb/d for the same period a year ago, implying an increase of around 20.7%.

Graph 8.2: US exports of crude and petroleum products



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

As a result, **US net oil imports declined in November to 7.9 mb/d, down 54 tb/d or 0.68% from the previous month**. However, net oil imports remained almost 6.1% below the year-ago level. Net oil imports averaged 8.55 mb/d between January and November, compared to 9.53 mb/d for the same period a year ago, implying a decline of around 10.3%.

The US imported 4.03 mb/d of crude oil from OPEC Member Countries in September, representing a share of 44.8% of the total imports to the US. On a m-o-m comparison, this represented a decrease of 291 tb/d or 6.73%. Canada remained the leading supplier to the US with 2.32 mb/d or 25.8%, followed by Saudi Arabia with 1.47 mb/d or 16.3%, Mexico with 1.1 mb/d or 12.2%, Venezuela with 0.76 mb/d or 8.4% and Nigeria with 0.53 mb/d or 5.9%.

On the product side, US imports from OPEC Member Countries decreased by 29 tb/d or 8.95% to an average of around 295 tb/d in September. OPEC held a share of 13.4% in total US product imports. Canada and Russia remained the main US suppliers, accounting for 505 tb/d or 22.5% and 316 tb/d or 14.3%, respectively, followed by the Virgin Islands with 189 tb/d or 8.6%, Algeria with 152 tb/d or 6.9% and Aruba with 149 tb/d or 6.8%.

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

	Sep 11	Oct 11	Nov 11	Change Nov/Oct
Crude oil	8,971	8,798	8,607	-190
Total products	-920	-759	-624	136
Total crude and products	**8,051**	**8,038**	**7,984**	**-54**

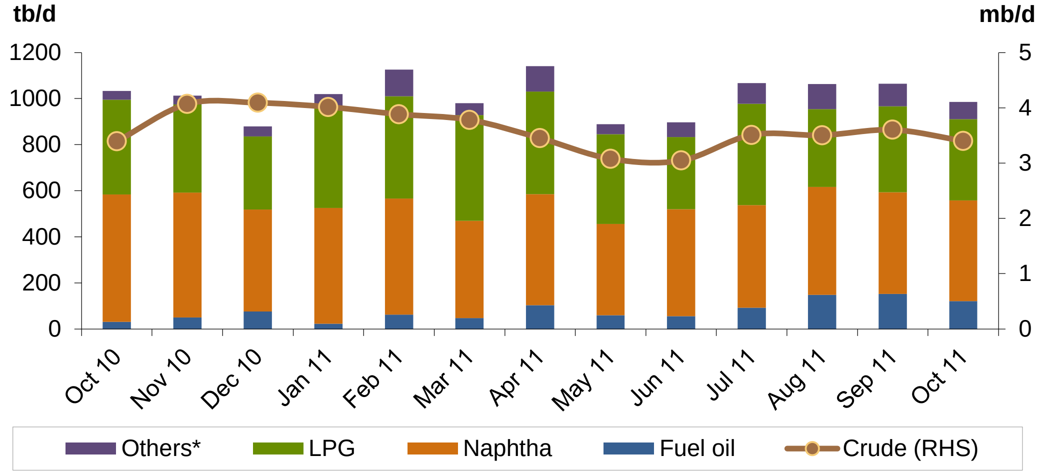
Japan

Japan's crude oil imports decline in October by 5.6% to 3.4 mb/d

Japan's crude oil imports declined in October after a stable period of two months during July and August and an increase in September, which reversed the downward trend seen earlier this year.

October crude imports decreased from the month before to 3.4 mb/d, representing a decline of 200 tb/d or 5.6% compared to the September level. On a y-o-y basis, the October level represented an increase of 8 tb/d or 0.2%. For the first ten months of 2011, imports stood at a level of 3.53 mb/d, a decline of 111 tb/d or 3.1% from the same period the previous year when they stood at 3.64 mb/d.

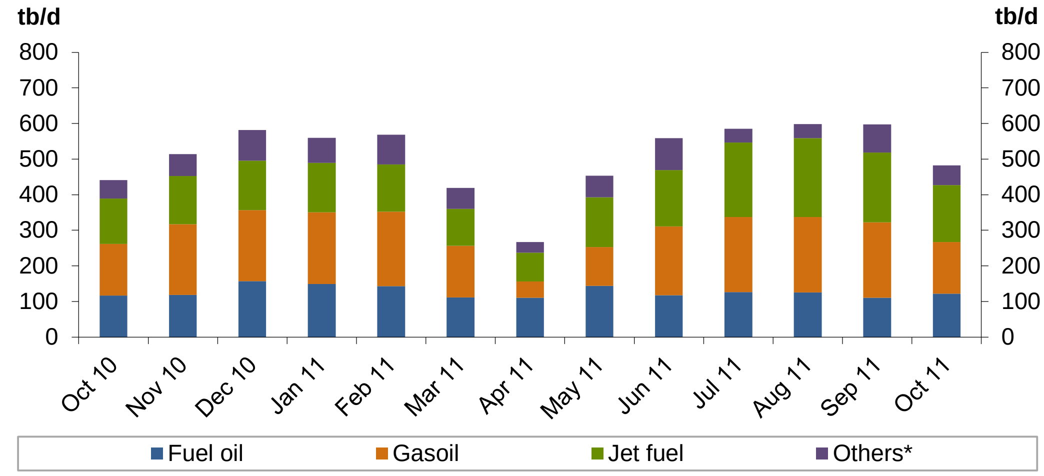
Graph 8.3: Japan's imports of crude and petroleum products



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

Product imports, including LPG, declined to 0.99 mb/d, representing a decrease of 79 tb/d or 7.4% compared to the month before and a decline of 4.6% or 48 tb/d y-o-y. In the first ten months of 2011 an import level for products of 1.02 mb/d was reached. This was 70 tb/d or 7.4% higher than in the same last year when they stood at 952 tb/d.

Graph 8.4: Japan's exports of petroleum products



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

Product exports, including LPG declined by 115 tb/d or 19.2%, averaging 0.48 mb/d. Y-o-y, an increase of 42 tb/d or 9.5% was registered. In the first ten months of the year, they showed a slight decline of 30 tb/d or 5.5% compared to the same period of 2010 when they stood at a level of 538 tb/d.

As a result, **Japan's net oil imports declined in October to 3.9 mb/d, down by 164 tb/d or 4.0% from September**. Y-o-y a decline of 82 tb/d or 2.1% was registered. The decline can be attributed to the net trade in crude oil which was 200 tb/d or 5.6% lower m-o-m.

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

	Aug 11	Sep 11	Oct 11	Change Oct/Sep
Crude oil	3,504	3,602	3,401	-200
Total products	464	467	503	36
Total crude and products	**3,969**	**4,068**	**3,904**	**-164**

China

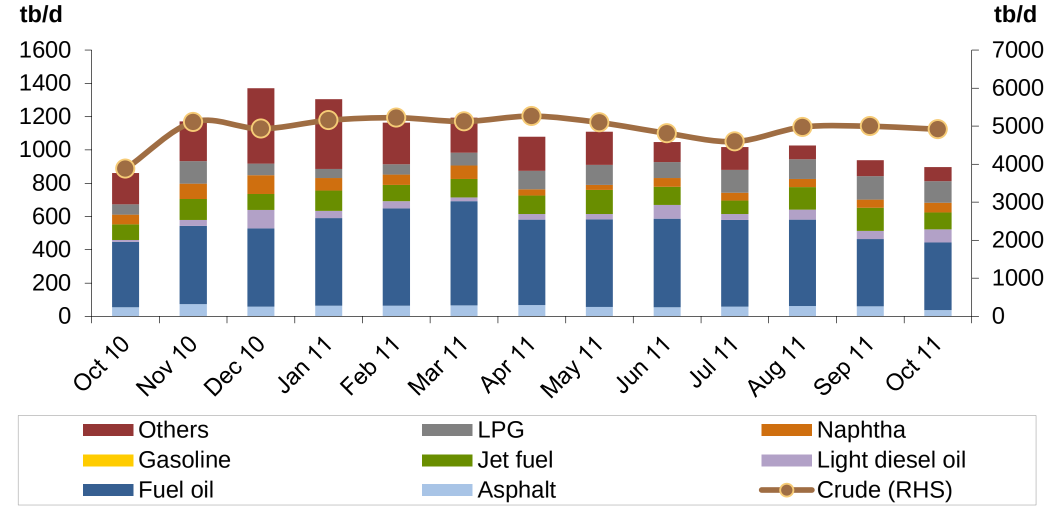
China's crude oil imports rose slightly in October

China's crude oil imports stood at 4.91 mb/d or 20.8 million tonnes in October. A comparison with September, based on the unit of million tonnes, showed a slight increase of around 1.7%. However, the comparison in b/d terms returned a slight decline of around 78 tb/d or 1.6%. The increase in October can be mainly attributed to a recovery in crude oil refining volume and low domestic output.

China's crude oil imports are expected to stay high in the coming months as domestic crude oil output remains low. The imports are needed to supplement oil stocks, feed domestic demand and meet the recovery in refining activities. Y-o-y October imports showed a surge of 26.9%. This was 1.04 mb/d more than in the same month last year when the level stood at 3.88 mb/d.

China's crude oil imports in the first ten months of 2011 stood at 5.01 mb/d an increase of 250 tb/d, or 5.3%, compared to last year. Oil product imports registered a moderate decline of 41 tb/d, or 4.4%, compared to the month before. On a y-o-y comparison for the month an increase of 36 tb/d or 4.2% was shown. In the first ten months of 2011, China's product imports increased by 125 tb/d or 13.2%.

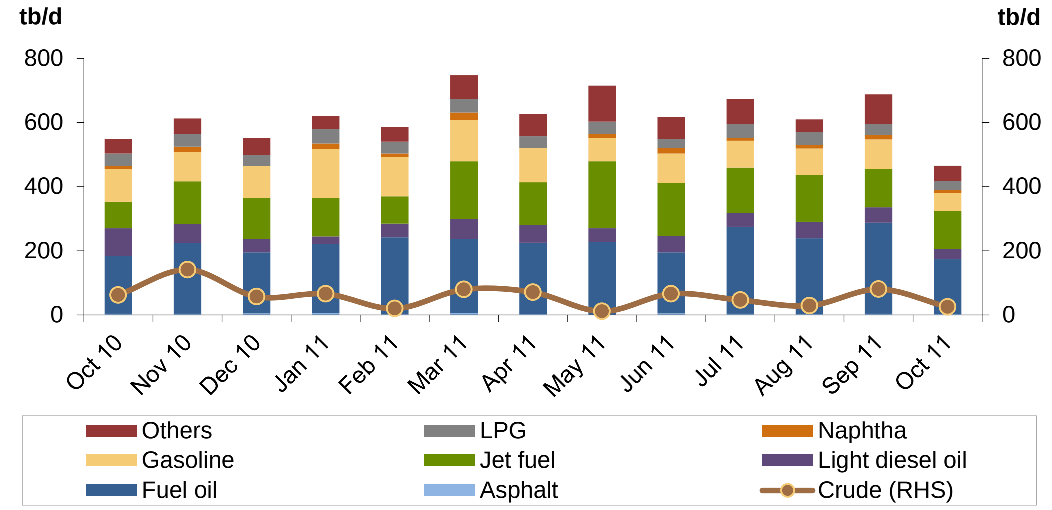
Graph 8.5: China's imports of crude and petroleum products



In October, China's crude oil exports showed a steep decline of 55 tb/d or 70% m-o-m to 25 tb/d. Y-o-y the decline was estimated at 37 tb/d or around 60%. Year-to-date, China's crude exports have suffered a slight decline of around of 4 tb/d or 7.4%.

China's oil product exports declined by around 222 tb/d or 32% m-o-m. Y-o-y the decline was estimated at 82 tb/d or 15%. China's product exports y-o-y in October stood at 627 tb/d, indicating a decline of 24 tb/d or 3.6% from last year's level of 651 tb/d.

Graph 8.6: China's exports of crude and products



As a result, **China's total net oil imports increased by 159 tb/d or 3.1% m-o-m to stand at 5.33 mb/d.** The increase can be attributed to net product imports which increased by 181 tb/d to 0.43 mb/d. This offset net crude oil imports, which showed a moderate decline of 22 tb/d or 0.5%.

Looking at China's net oil imports in the first ten months of 2011, they rose by 403 tb/d or 8.0% to a level of 5.41 mb/d.

The top five suppliers to the Chinese market were ranked as Saudi Arabia with 1.08 mb/d, followed by Iran with 0.60 mb/d, Angola with 0.51 mb/d, Russia with 0.43 mb/d and Oman with 0.34 mb/d.

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

	Aug 11	Sep 11	Oct 11	Change Oct/Sep
Crude oil	4,947	4,916	4,894	-22
Total products	494	250	431	181
Total crude and products	**5,440**	**5,166**	**5,325**	**159**

India

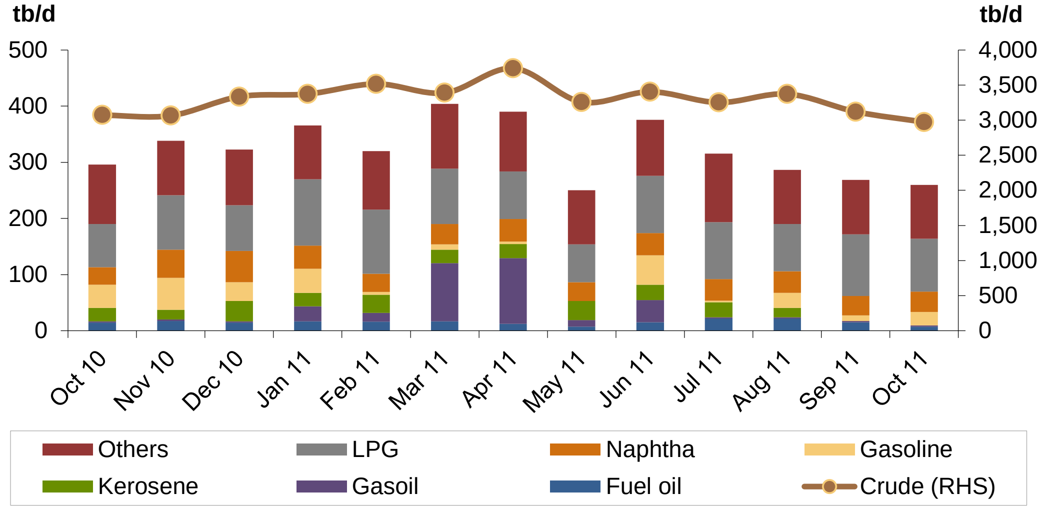
India's crude oil imports decreased by 4.7% in October to 2.97 mb/d

India's crude oil imports decreased by 148 tb/d or 4.7% in October to stand at a level of 2.97 mb/d. India's crude oil imports in the first ten months of 2011 were estimated at 3.34 mb/d, 186 tb/d or 5.9% higher than in the same period the previous year.

Product imports, which declined for the fifth consecutive month, fell by 9 tb/d or 3.2% in October to an average of around of 260 tb/d. Despite an increase in gasoline imports to 24.1 tb/d from 9.9 tb/d in September, the overall decline in India's product imports continued in October. However, India's product imports still remained above the low 250 tb/d level recorded in May 2011. Compared to a year ago, October's product imports were 12.2% lower this year. LPG and fuel oil were the main contributors to the product import fall in October. LPG declined by 15.6 tb/d or 14.2% to a level of 93.8 tb/d, while fuel oil declined by 7.7 tb/d or 51.6% to 7.22 tb/d.

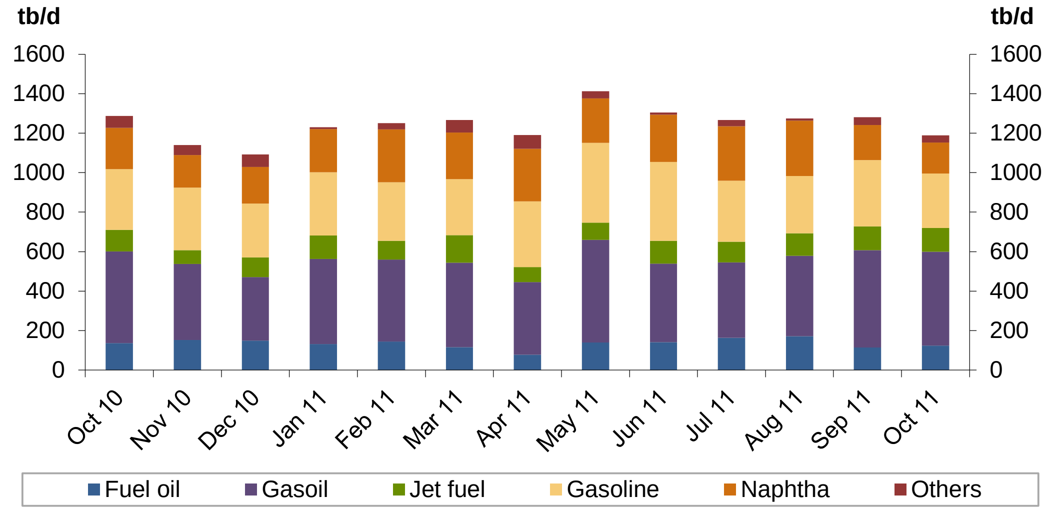
India's product imports in the first ten months of the year stood at 320 tb/d, representing a decline of 10 tb/d or 3% compared to the same period the previous year, when they stood at 330 tb/d.

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



On the export side, India's product exports decreased by 93 tb/d or 7.3% compared to the month before to stand at 1.19 mb/d. The decrease offsets the moderate increase seen since the month of August. Y-o-y product exports decreased by 6.9% in October. India's product exports over the last ten months showed an increase of 225 tb/d or 21.4% to a level of 1.27 mb/d compared to 1.05 mb/d in the same period last year.

Graph 8.8: India's exports of petroleum products



India's net oil imports decreased by 64 tb/d or 3.0% to an average 2.04 mb/d, diping below this year's lowest level in May of 2.096 mb/d. Y-o-y a decline of 2.2% was recorded.

In the first ten months of the year, imports stood at a level 2.38 mb/d, 49 tb/d or 2.0% lower than last year's level of 2.43 tb/d.

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

	Aug 11	Sep 11	Oct 11	Change Oct/Sep
Crude oil	3,372	3,120	2,972	-148
Total products	-1,035	-1,013	-929	84
Total crude and products	**2,337**	**2,107**	**2,043**	**-64**

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

FSU

FSU exports edged down from September's five-month high to 6.45 mb/d. Products fell slightly by 0.6% to 2.46 mb/d.

Total FSU crude exports edged down by 60 tb/d or 0.8% from September's five-month high of 6.51 mb/d to 6.45 mb/d in October. The decline was mainly attributed to export reductions from Azerbaijan and Kazakhstan, while overall shipments through Russia's Transneft pipeline system remained stable.

Exports of Azeri crude using the Baku-Tbilisi-Ceyhan (BTC) pipeline dropped to 676 tb/d or by 1.5% in October. Projections for the loading schedules indicate a further decline, due to the expected production reduction in Azerbaijan caused by field maintenance.

Exports of Kazakh crude to China through the Kenkiyak-Alashankou pipline fell by 75 tb/d or more than 30% in October. Exports of Caspian Pipeline Consortium (CPC) Blend through the CPC terminal at Novorossiysk were down by 25 tb/d to 628 tb/d.

Black sea pipeline exports where down by 935 tb/d or 3.1% compared to the previous month, reflecting the reduced exports of Urals and lower transit supplies from Kazakhstan and Azerbaijan. The decline would have been bigger if not for increased supplies from Tuapse which compensated for the fall.

Shipments of Russian crude along the Druzhba pipeline dropped by 14 tb/d or 1.2%, after record high supplies during the previous month.

Exports of ESPO Blend from Russia's far east Kozmino terminal were down by 34 tb/d or 10.7% to a level of 284 tb/d in October, while direct pipeline exports to China were estimated at 313 tb/d, representing an increase of 5.7%.

Exports of Sakhalin light sweet offshore grades Sokol and Viyaz were up for the second consecutive month, bringing overall exports from Russia's far east to 296 tb/d.

Crude exports from the Varandey terminal in northern Russia rose sharply in October to 138 tb/d from 53 tb/d the month before, due to the loading of accumulated oil at the port.

FSU product exports fell slightly in October by 0.6% to 2.46 mb/d compared to September. Maintenance at Russian refineries undermined exports of most products at the beginning of the month. In particular, supplies of 10ppm diesel have fallen because of maintenance at the Nizhny Novgorod, Ryazan and Yaroslavl refineries and higher domestic demand in Russia.

Fuel oil exports fell by around 5.3% compared to the month before and were also affected by a drop of supplies from the Kirishi and Moscow refineries. Jet exports dropped sharply by 12 tb/d to a level of 1.0 tb/d in October compared with 13 tb/d in September. This follows an acute shortage of the product at Russian airports in September and also reflects reduced output of the product by Russian refineries. Gasoline exports grew by 35 tb/d or around 33% to a level of 140 tb/d in October compared to the month before as domestic demand slackened.

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

	2009	2010	1Q11	2Q11	3Q11	Sep 11	Oct 11*
Crude							
Russian pipeline							
Black Sea	1,201	994	970	886	951	965	935
Baltic	1,577	1,564	1,445	1,534	1,342	1,427	1,485
Druzhba	1,112	1,126	1,140	1,118	1,178	1,216	1,202
Kozmino	0	309	294	315	319	318	284
Total	**3,922**	**4,005**	**4,155**	**4,157**	**4,087**	**4,223**	**4,218**
Other routes							
Russian rail	280	330	197	145	137	206	202
Russian-Far East	283	276	299	286	260	274	296
Kazakh rail	18	1	0	128	126	196	184
Vadandey	155	152	111	92	67	53	138
Kaliningrad	0	24	23	21	22	16	30
CPC	736	743	737	671	668	653	628
BTC	805	775	710	761	691	686	676
Kenkiyak-Alashankou	157	204	230	239	240	241	166
Caspian	281	239	183	141	123	156	99
Total crude exports	**6,653**	**6,750**	**6,646**	**6,525**	**6,295**	**6,509**	**6,454**
Products							
Gasoline	221	152	205	220	101	105	140
Naphtha	269	275	285	302	246	205	226
Jet	47	20	7	17	16	13	1
Gasoil	948	878	896	793	711	671	698
Fuel oil	1,116	1,235	1,178	1,448	1,330	1,291	1,223
VGO	235	242	179	294	189	190	172
Total	**2,837**	**2,801**	**2,750**	**3,074**	**2,594**	**2,475**	**2,460**
Total oil exports	**9,490**	**9,551**	**9,396**	**9,600**	**8,889**	**8,984**	**8,914**

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

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

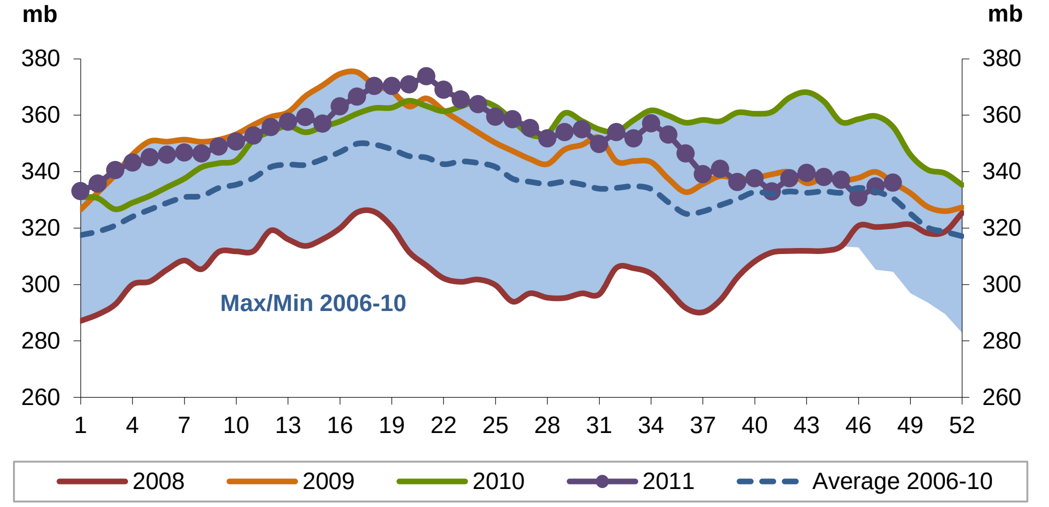
Stock Movements

US commercial oil stocks continue to fall in November, declining by 20.3 mb

US

After heavy stock-draws in the last two months, US commercial oil inventories continued to fall for the third consecutive month in November, declining by 20.3 mb to stand at 1,044.5 mb, the lowest level since April 2011. The drop was attributed to both products and crude, which fell by 15.6 mb and 4.7 mb, respectively. With this decline in total US commercial oil inventories, the deficit with a year ago remained at 54.6 mb or 5%; however, the surplus with the five-year average switched to a deficit of 9.1 mb or 0.9%.

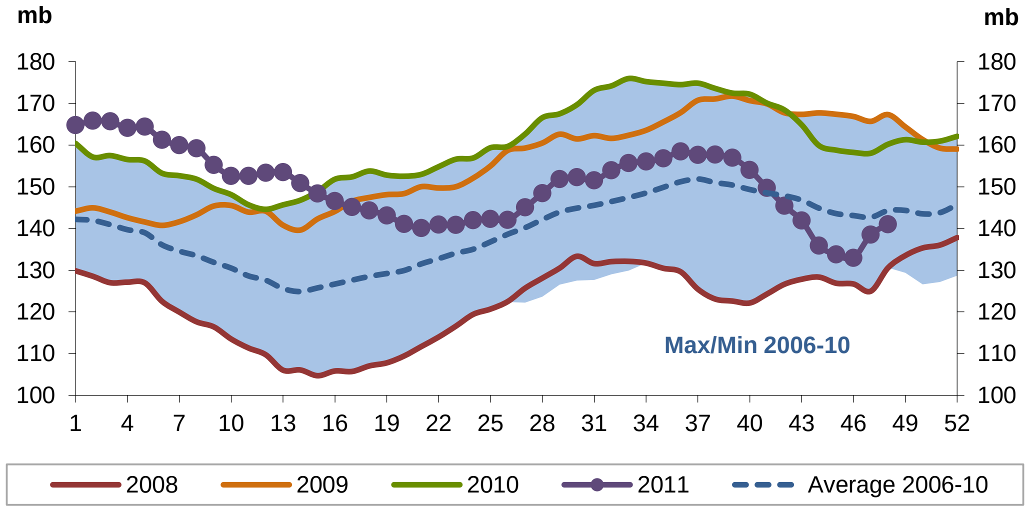
Graph 9.1: US weekly commercial crude oil inventories



US commercial crude stocks reversed the build incurred the previous month and declined by 4.7 mb to stand at 334.7 mb. Despite the draw, US commercial crude oil stocks still indicated a surplus of 6.1 mb or 1.9%. However, they remained 15.8 mb or 4.5% lower than a year ago over the same period. The drop came mainly from the decline in crude oil imports, which decreased by more than 130,000 b/d to average 8.6 mb/d, but remained almost 300,000 b/d above last year at the same time. US crude oil refinery inputs averaged 14.6 mb/d, broadly unchanged from the previous month, but stood more than 400,000 b/d above a year ago in the same period. In November, US refineries operated at 84.4%, almost the same rate as in the previous month and 0.8 percentage points (pp) higher than in the same month last year. It should be noted that during the week ending 25 November, US crude oil stocks surged by nearly 4 mb over the previous week, helped by a strong recovery in crude oil imports which exceeded 9.0 mb/d, almost 750,000 b/d up from the previous week. At the same time, crude runs fell by 225,000 b/d, reflecting lower demand during the week, which dipped to 18.0 mb/d, the lowest level in over a year. Cushing stocks reversed the build observed in October and fell by 0.8 mb to end the month at 31.3 mb.

Product stocks declined sharply for the third consecutive month in November to stand at 709.7 mb, the lowest level since June 2011. With this draw, US product inventories widened the deficit with a year ago to 5.2% from 3.7% a month earlier. The gap with the five-year average also widened to 2.1% from 1.0% a month ago. The drop in US product stocks in November reflected higher total demand, which averaged 18.9 mb/d, around 300,000 b/d more than a month ago. However, this level was still lower than a year earlier over the same period.

Graph 9.2: US weekly distillate stocks



Within products, the picture was mixed. Other unfinished product stocks saw the bulk of the drop as they declined by 12.9 mb, followed by 3.7 mb for jet fuel and 3.4 mb for distillate stocks. In contrast, gasoline and residual fuel oil stocks saw a build of 3.6 mb and 1.3 mb, respectively. Distillate stocks fell for the fourth consecutive month, ending November at 138.5 mb, the lowest level in almost three years. At this level, distillate stocks stood at 23.5 mb or 7.4% below last year at the same time and 10.4 mb or 7.0% below the five-year average. Higher domestic demand, along with stronger exports, was behind the continued drop in distillate stocks, despite healthy production. In November, demand for distillate stocks was still above 4 mb/d, while export demand stood just under 1 mb/d. Production remained strong to offset this demand trend, averaging 4.7 mb/d in November, 330,000 b/d more than a year ago over the same period. In contrast, gasoline stocks rose by 3.6 mb to end the month of November at 209.8 mb, representing a deficit of 2.9 mb or 1.3% with a year ago and 10.4 mb or 7.0% less than the five-year average. The build in gasoline stocks reflects mainly weaker demand, which remained under 8.7 mb/d in November. Higher output levels also contributed to the build in gasoline stocks. Overall, gasoline production averaged 9.15 mb/d, nearly 150,000 b/d more than a month earlier and almost 230,000 b/d more than a year ago at the same time. Residual fuel oil stocks rose by 1.3 mb for the second consecutive month ending the month at 37.6 mb. At this level, residual stocks stood at 3.0 mb or 7.4% below last year and 2.0 mb or 5.0% lower that the seasonal norm. Jet fuel stocks fell by 3.7 mb to end the month at 42.1 mb, the lowest level since June. At this level, jet fuel stocks showed a surplus of 1.6 mb or 4.0% with the five-year average, while they indicated a deficit of 2.0 mb or 4.5% with the seasonal norm.

Table 9.1: US onland commercial petroleum stocks, mb

	Sep 11	Oct 11	Nov 11	Change Nov 11/Oct 11	Nov 10
Crude oil	331.8	339.5	334.7	-4.7	352.5
Gasoline	216.1	206.3	209.8	3.6	212.8
Distillate fuel	153.7	141.9	138.5	-3.4	162.0
Residual fuel oil	34.6	36.3	37.6	1.3	40.5
Jet fuel	46.0	45.8	42.1	-3.7	44.1
Total	**1085.0**	**1064.7**	**1044.5**	**-20.3**	**1100.6**
SPR	696.0	696.0	696.0	0.0	726.5

** Latest available data at time of report's release*

Source: US Department of Energy's Energy Information Administration

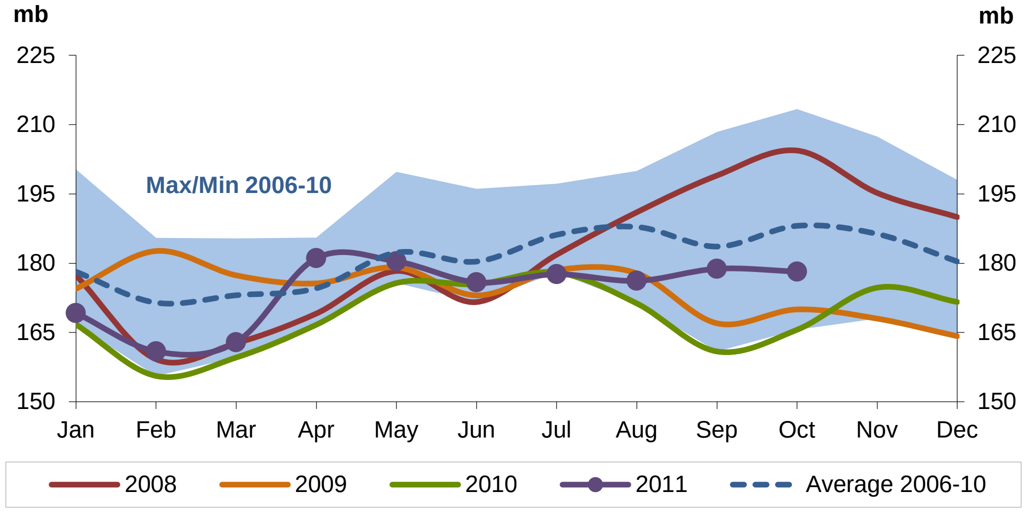
In October, Japanese stocks reversed the build of a month earlier to a draw of 0.6 mb

Japan

In October, **commercial oil stocks in Japan** reversed the build experienced the previous month and declined slightly by 0.6 mb to stand at 178.2 mb. At this level, Japanese commercial oil stocks still showed a surplus with a year ago of 12.6 mb or 7.6%, while the deficit with the five-year average widened to 5.3% from 2.6% a month earlier. This stock-draw was attributed to a fall in products as they declined by 1.7 mb, while crude oil stocks abated the drop, rising by 1.1 mb.

Japanese commercial crude oil stocks continued the build seen the previous month and rose by 1.1 mb to end the month at around 101.0 mb. With this build, Japanese crude commercial oil stocks stood at 12.0 mb or 13.5% above the previous year during the same month. However, they showed a deficit with the seasonal norm of 1.2 mb. The build in crude commercial oil stocks in October came from lower crude throughput, which declined by more than 200,000 b/d or 6.2% from the previous month to average 3.15 mb/d. This level was also below last year at the same period by almost a similar rate and corresponded to a refinery utilization rate of 69.9%, 2.7 pp lower than the previous month and 2.3 pp less than a year ago over the same period. It is important to note that direct crude burning continued to increase, showing almost 30% growth from the previous month to meet the needs of power generation. The drop in Japanese crude oil imports has limited the build in crude oil stocks. In fact, crude oil imports fell by 200,000 b/d or 5.6% from a month ago to average 3.4 mb/d, but they remained 0.2% higher than in the same month last year, marking the second straight rise after the previous month's 4.5% jump.

Graph 9.3: Japan's commercial oil stocks



In contrast to the build in crude oil stocks, **Japanese total product inventories** fell in October, reversing the build of the last three consecutive months to stand at 77.2 mb. With this drop, the surplus with a year ago narrowed to 1.0% from 9.0% a month earlier, while the deficit with the five-year average widened to 10.1% from 7.9% a month earlier. The drop in product stocks came from higher total oil sales, which increased by 2.1% to average 3.2 mb/d. At this level, crude oil sales were also 0.3% above last year's level at the same time. The increase in oil sales reflects the improvement in industrial output which rose more than expected by 2.4% and suggests a recovery from a slump caused by the earthquake earlier in the year. The decline in refinery output, which dropped by 2.2% to average 3.02 mb/d, also contributed to the drop in product stocks. With the exception of naphtha, which increased by 0.6 mb, all products saw a drop with the bulk of the loss coming from fuel oil stocks, which decreased by 1.3 mb, followed by a decline of 0.6 mb in distillate stocks, while gasoline inventories fell slightly by 0.3 mb.

At 12.6 mb, gasoline stocks showed a deficit of 0.6 mb or 4.8% over the same period a year ago, while in the previous month they switched the surplus with the five-year average to a deficit of 0.6 mb or 4.5%. The fall in gasoline inventories came on the back of lower gasoline imports, which dropped by 27% from the previous month. Lower gasoline domestic sales have limited the decline of gasoline stocks. Indeed, gasoline sales fell by 3.1% from the previous month and by 1.5% from a year ago, marking the eighth straight month of y-o-y decline. Distillates saw a stock-draw, finishing the month at 37.1 mb to stand at 1.7 mb or 4.7%, higher than a year ago at the same time, while they still indicated a deficit of 4.3 mb or 10.4% with the five-year average. Within the components of distillates, the picture was mixed; gasoil saw a drop of 7.5%, while jet fuel stocks and kerosene rose by 4.1% and 0.4%, respectively. The drop in gasoil stocks came on the back of higher domestic sales which increased by 5%, combined with lower output, which declined by 5.9%. The build in jet fuel stocks could be attributed to higher production, which increased by 12%. However, higher domestic sales limited the build. Kerosene stocks also rose to almost a three-year high as refiners anticipated surging demand for winter heating fuel to face a possible shortage, due to the slump in nuclear energy output. Residual fuel stocks fell by 1.3 mb to stand at 16.2 mb, the lowest level in almost a year and showed a slight deficit of 0.8% with a year ago at the same time, while they widened the deficit with the five-year average to 12.4% from 9.1% a month earlier. Within the components of fuel oil, fuel oil B.C inventories saw a drop of almost 10%, followed by fuel oil A stocks, which declined by 3.0%. The stock draw in fuel oil B.C came on the back of higher domestic sales, as supplies were partly used for power generation. Sales of fuel oil B.C rose by 3.4% from a month earlier, but were nearly 50% higher than a year ago at the same period. The drop in fuel oil A inventories came mainly on the back of healthy domestic sales, which rose by 22% over a month earlier. Naphtha stocks saw a build of 0.6 mb to finish the month at 11.4 mb, while still indicating a deficit of 2.8% with a year ago over the same period and 11.5% less than the seasonal average.

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

	Aug 11	Sep 11	Oct 11	Change Oct 11/Sep 11	Oct 10
Crude oil	97.5	99.9	101.0	1.1	88.9
Gasoline	13.2	12.9	12.6	-0.3	13.2
Naphtha	10.9	10.8	11.4	0.6	11.7
Middle distillates	37.6	37.8	37.1	-0.7	35.5
Residual fuel oil	17.0	17.5	16.2	-1.3	16.3
Total products	78.7	78.9	77.2	-1.7	76.7
Total**	**176.2**	**178.8**	**178.2**	**-0.6**	**165.6**

* *At end of month*
** *Includes crude oil and main products only*
Source: METI, Japan

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

Product stocks in Singapore fell further in October

At the end of October, **product stocks in Singapore** continued their downward trend for the fourth consecutive month, falling by 2.2 mb to end the month at 40.3 mb, the lowest level since last February. With this draw, the deficit with last year widened to 5.6 mb or 12.3% from 9.2% a month earlier. Within products, the picture was mixed. Light distillates rose by 1.5 mb, while middle distillates and fuel oil declined by 3.0 mb and 0.6 mb, respectively. Singapore light distillate stocks continued their build for the second consecutive month to end the month of October at 11.2 mb, a level not seen since April 2011. With this build, light distillate stocks reversed the deficit with a year ago during the last months to stand at 1.0 mb or 9.4% above a year earlier over the same period. The build in distillate stocks could be attributed to the easing of demand as the seasonal peak requirement for gasoline has ended. The start-up of two crude units also helped the build in inventories, as Shell's 500,000 b/d refinery in Singapore was shut following a fire at the end of September. Light distillate stocks are expected to further increase in the coming weeks as refinery maintenance at India's Essar refinery has ended and, combined with higher refinery runs in China, should lead to more exports to the Singapore market. In contrast, middle distillates experienced a stock-draw after a build the previous month and fell to a six-month low. At 10.7 mb, middle distillate stocks stood at 4.1 mb or 17% below last year's level at the same time. Reduced exports from South Korea, as well as lower output from Shell's 500,000 b/d refinery in Singapore, were behind the stock-draw in middle distillates. Additionally, higher demand for gasoil from China also contributed to the fall in stocks. Fuel oil stocks fell by 0.6 mb to end the month of October at 18.37 mb, leaving them at 2.5 mb or 12% below last year at the same period. It should be noted that Singapore fuel stocks reversed the downward trend seen since mid-September, rising from 16.8 mb two weeks ago to more than 18 mb at the end of October. The stock-build was driven by large arbitrage inflows from Europe and the Middle East to Singapore. Stocks are likely to increase further as November inflow volumes are expected to stay at least at similar levels from October.

ARA product stocks saw a draw in October for the second month

Product stocks in ARA in October fell by 0.8 mb for the second month to end the month at 29.39 mb. With this draw, the deficit with a year ago stood at 6.3 mb or 17.7%. Within products, the picture was mixed. Gasoline and jet fuel saw gains, while naphtha, gasoil and fuel oil stocks experienced draws. Gasoline inventories reversed the downward trend incurred for the last three months and increased by 0.4 mb to stand at 5.03 mb, 1.6 mb or 24% below the same period last year. This build came mainly from higher imports. However, the wide backwardation in the gasoline market limited this build, as it encouraged importers to only buy what they strictly needed. Jet fuel stocks rose by 1.4 mb to 4.48 mb, but, despite the build, remained 0.8 mb or 15% below a year ago at the same time. Gasoil stocks saw the largest decline as they went down by 2.2 mb to end the month of October at 14.3 mb. The drop in gasoil came on the back of higher exports, outpacing the incoming flows to the ARA region. This trend may continue in the coming months, as some refineries are still out for seasonal maintenance. Fuel oil stocks also saw a slight decline of 0.1 mb to finish the month at 5.1 mb, showing a deficit of 0.8 mb or 14.3% over the same period a year earlier. Inflows, including those from Russia, are offsetting the impact of outflows to Singapore. Naphtha stocks fell by 0.2 mb after two consecutive months of build, ending the month at 0.5 mb, more than double that seen at the same time last year.

Balance of Supply and Demand

Estimate for 2011

Required OPEC crude for 2011 estimated at 30.0 mb/d, 0.3 mb/d higher than in the previous year

Demand for OPEC crude for this year remained unchanged from the previous assessment. However, within the quarters, 1Q11 saw a downward adjustment of 0.1 mb/d. In contrast, 3Q11 was revised up by 0.2 mb/d reflecting the downward revision in non-OPEC supply. 2Q11 and 4Q11 remained unchanged from the previous report. At 30.0 mb/d, the demand for OPEC crude stood at 0.3 mb/d above the 2010 level. 1Q11 and 2Q11 showed growth of 0.8 mb/d and 0.2 mb/d respectively, while 3Q11 is estimated to have remain unchanged. 4Q11 is seen to show growth of 0.2 mb/d compared to the previous year at the same period.

Table 10.1: Summarized supply/demand balance for 2011, mb/d

	2010	1Q11	2Q11	3Q11	4Q11	2011
(a) World oil demand	**86.93**	**87.47**	**86.31**	**88.30**	**89.07**	**87.80**
Non-OPEC supply	52.28	52.77	51.97	52.03	53.06	52.46
OPEC NGLs and non-conventionals	4.90	5.12	5.26	5.37	5.42	5.29
(b) Total supply excluding OPEC crude	**57.19**	**57.89**	**57.23**	**57.39**	**58.48**	**57.75**
Difference (a-b)	**29.75**	**29.58**	**29.08**	**30.91**	**30.60**	**30.05**
OPEC crude oil production	29.27	29.63	29.20	29.92		
Balance	-0.48	0.04	0.12	-0.99		

Totals may not add up due to independent rounding

Forecast for 2012

Demand for OPEC crude in 2012 forecast at 30.1 mb/d, around 0.1 mb/d higher than this year's level

The demand for OPEC crude in 2012 is projected to average 30.1 mb/d, about 0.1 mb/d higher than in the previous report. This upward revision came as the downward adjustment in non-OPEC supply outpaced the downward revision in global demand. Within the quarters, 1Q12 and 4Q12 were revised down by 0.1 mb/d, while 2Q12 and 3Q12 saw an upward adjustment of 0.3 mb/d and 0.2 mb/d respectively. Required OPEC crude is forecast to see an increase of about 0.1 mb/d from this year. 1Q12 is estimated to see growth of 0.2 mb/d, followed by negative growth of 0.1 mb/d and 0.2 mb/d in 2Q12 and 3Q12 respectively. 4Q12 is forecast to see an increase of 0.3 mb/d compared to a year earlier at the same period.

Table 10.2: Summarized supply/demand balance for 2012, mb/d

	2011	1Q12	2Q12	3Q12	4Q12	2012
(a) World oil demand	**87.80**	**88.43**	**87.51**	**89.47**	**90.03**	**88.87**
Non-OPEC supply	52.46	53.17	52.95	53.01	53.37	53.13
OPEC NGLs and non-conventionals	5.29	5.50	5.61	5.71	5.79	5.65
(b) Total supply excluding OPEC crude	**57.75**	**58.67**	**58.56**	**58.72**	**59.15**	**58.78**
Difference (a-b)	**30.05**	**29.76**	**28.95**	**30.75**	**30.88**	**30.09**

Totals may not add up due to independent rounding

Graph 10.1: Balance of supply and demand

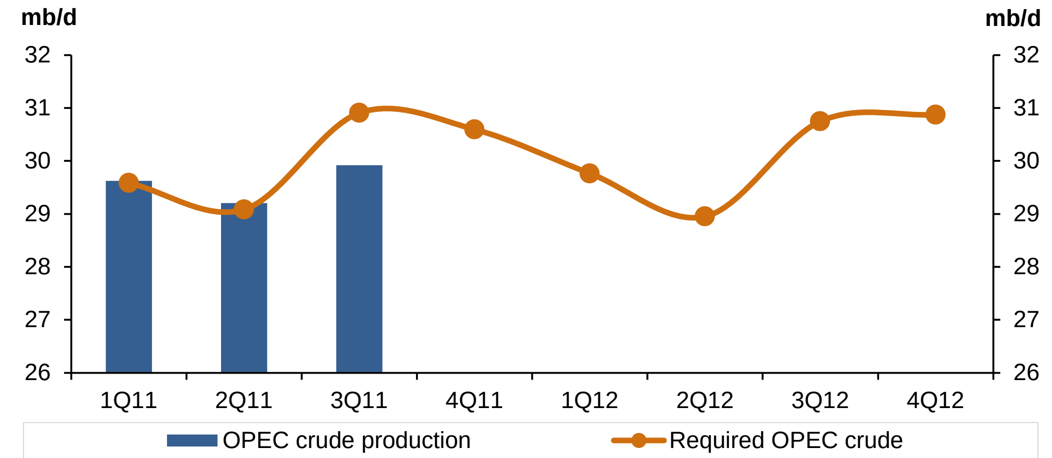


Table 10.3: World oil demand/supply balance, mb/d

	2006	2007	2008	2009	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
World demand															
OECD	49.5	49.3	47.6	45.6	46.2	46.3	44.6	46.1	46.6	45.9	46.1	44.6	46.0	46.5	45.8
North America	25.4	25.5	24.2	23.3	23.8	23.8	23.4	23.6	23.8	23.6	23.7	23.5	23.7	23.8	23.7
Western Europe	15.7	15.5	15.4	14.7	14.6	14.2	14.1	14.7	14.7	14.4	14.0	14.0	14.6	14.5	14.3
Pacific	8.5	8.4	8.0	7.7	7.8	8.3	7.1	7.7	8.1	7.8	8.4	7.2	7.7	8.1	7.8
DCs	23.6	24.8	25.6	26.2	27.0	27.2	27.5	27.8	27.8	27.6	27.8	28.2	28.4	28.4	28.2
FSU	4.0	4.0	4.1	4.0	4.1	4.1	4.0	4.4	4.5	4.2	4.2	4.1	4.5	4.5	4.3
Other Europe	0.9	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7
China	7.2	7.6	8.0	8.3	9.0	9.1	9.5	9.4	9.5	9.4	9.5	10.0	9.8	9.9	9.8
(a) Total world demand	85.2	86.5	86.1	84.7	86.9	87.5	86.3	88.3	89.1	87.8	88.4	87.5	89.5	90.0	88.9
Non-OPEC supply															
OECD	20.1	20.0	19.5	19.7	20.0	20.1	19.8	19.8	20.4	20.0	20.3	20.1	20.1	20.3	20.2
North America	14.2	14.3	13.9	14.4	15.0	15.3	15.2	15.4	15.6	15.4	15.6	15.6	15.7	15.7	15.7
Western Europe	5.3	5.2	4.9	4.7	4.4	4.3	4.1	3.9	4.2	4.1	4.1	3.9	3.8	4.0	4.0
Pacific	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.6	0.5	0.6	0.6	0.6	0.6	0.6
DCs	11.9	11.9	12.2	12.4	12.7	12.8	12.5	12.6	12.9	12.7	12.9	12.9	13.0	13.0	13.0
FSU	12.0	12.5	12.6	13.0	13.2	13.3	13.3	13.2	13.4	13.3	13.4	13.4	13.4	13.5	13.4
Other Europe	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1
China	3.7	3.8	3.8	3.8	4.1	4.2	4.2	4.1	4.1	4.1	4.2	4.2	4.2	4.2	4.2
Processing gains	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	49.9	50.4	50.3	51.1	52.3	52.8	52.0	52.0	53.1	52.5	53.2	52.9	53.0	53.4	53.1
OPEC NGLs + non-conventional oils	3.9	3.9	4.1	4.3	4.9	5.1	5.3	5.4	5.4	5.3	5.5	5.6	5.7	5.8	5.7
(b) Total non-OPEC supply and OPEC NGLs	53.8	54.4	54.4	55.4	57.2	57.9	57.2	57.4	58.5	57.7	58.7	58.6	58.7	59.2	58.8
OPEC crude oil production (secondary sources)	30.6	30.2	31.3	28.8	29.3	29.6	29.2	29.9							
Total supply	84.4	84.6	85.7	84.2	86.5	87.5	86.4	87.3							
Balance (stock change and miscellaneous)	-0.9	-2.0	-0.4	-0.5	-0.5	0.0	0.1	-1.0							
OECD closing stock levels (mb)															
Commercial	2655	2554	2679	2641	2668	2630	2676	2684							
SPR	1499	1524	1527	1564	1561	1558	1561	1525							
Total	4154	4079	4206	4205	4229	4188	4237	4209							
Oil-on-water	919	948	969	919	871	891	853	835							
Days of forward consumption in OECD															
Commercial onland stocks	54	54	59	57	58	59	58	58							
SPR	30	32	33	34	34	35	34	33							
Total	84	86	92	91	92	94	92	90							
Memo items															
FSU net exports	8.1	8.5	8.5	9.0	9.1	9.2	9.3	8.8	8.9	9.1	9.2	9.3	8.9	8.9	9.1
(a) - (b)	31.4	32.2	31.6	29.3	29.7	29.6	29.1	30.9	30.6	30.0	29.8	29.0	30.7	30.9	30.1

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

	2006	2007	2008	2009	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
World demand															
OECD	-	-	-	-	-	-	-	-	-	-	-0.2	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-0.2	-	-0.1	-0.1	-0.1
Western Europe	-	-	-	-	-	-	-	-	-	-	-0.2	-	-	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1
(a) Total world demand	-	-	-	-	-	-	-	-	-0.1	-	-0.3	0.1	-	-0.3	-0.1
World demand growth	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-0.06*	*-*	*-0.24*	*-*	*-*	*-0.24*	*-0.12*
Non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD	-	-	-	-	-	-	-	-0.1	0.1	-	0.1	0.1	0.1	0.1	0.1
North America	-	-	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-0.1	-	-0.2	-0.2	-0.2	-0.3	-0.2
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-0.1	-	-	-0.2	-0.2	-0.2	-0.2	-0.2
Total non-OPEC supply growth	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-0.15*	*-*	*-*	*-0.16*	*-0.20*	*-0.06*	*-0.19*	*-0.15*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-0.1	-	-	-0.2	-0.2	-0.2	-0.2	-0.2
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-							
Total supply	-	-	-	-	-	-	-	-0.2							
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-	-0.2							
OECD closing stock levels (*mb*)															
Commercial	-	-	-	-	-1	-1	-1	-							
SPR	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-1	-1	-1	-							
Oil-on-water	-	-	-	-	-	-	-	-							
Days of forward consumption in OECD	-	-	-	-	-	-	-	-							
Commercial onland stocks	-	-	-	-	-	-	-	-							
SPR	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-	-							
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-
(a) - (b)	-	-	-	-	-	-0.1	-	0.2	-	-	-0.1	0.3	0.2	-0.1	0.1

** This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the November 2011 issue*
This table shows only where changes have occurred

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

	2004	2005	2006	2007	2008	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Closing stock levels *mb*																							
OECD onland commercial	2,531	2,576	2,655	2,554	2,679	2,643	2,629	2,554	2,553	2,584	2,641	2,679	2,731	2,745	2,763	2,641	2,675	2,757	2,749	2,668	2,630	2,676	2,684
North America	1,186	1,247	1,264	1,211	1,282	1,275	1,267	1,211	1,197	1,221	1,259	1,282	1,332	1,367	1,373	1,286	1,314	1,370	1,400	1,329	1,295	1,339	1,346
Western Europe	915	935	963	937	991	940	929	937	961	954	952	991	991	976	971	972	975	982	947	949	954	932	916
OECD Pacific	430	394	429	407	407	428	432	407	394	409	431	407	408	401	419	383	386	405	402	390	382	405	421
OECD SPR	1,450	1,487	1,499	1,524	1,527	1,506	1,520	1,524	1,529	1,526	1,522	1,527	1,547	1,561	1,564	1,564	1,567	1,562	1,549	1,561	1,558	1,561	1,525
North America	678	687	691	699	704	692	695	699	702	708	704	704	715	726	727	729	729	729	728	729	727	727	695
Western Europe	377	407	412	421	416	413	423	421	423	414	414	416	424	427	429	426	429	422	419	423	420	423	421
OECD Pacific	396	393	396	404	406	401	403	404	404	404	403	406	408	408	408	409	409	411	402	410	411	411	409
OECD total	3,982	4,063	4,154	4,079	4,206	4,149	4,149	4,079	4,082	4,110	4,164	4,206	4,278	4,306	4,327	4,205	4,241	4,319	4,298	4,229	4,188	4,237	4,209
Oil-on-water	905	954	919	948	969	891	917	948	935	925	885	969	899	899	869	919	919	897	926	871	891	853	835
Days of forward consumption in OECD																							
OECD onland commercial	51	52	54	54	59	54	53	52	54	55	56	57	61	61	60	57	59	59	59	58	59	58	58
North America	46	49	50	50	55	50	50	49	49	52	53	55	58	59	58	55	55	57	59	56	56	57	57
Western Europe	58	60	62	61	68	60	59	61	63	61	62	66	69	67	67	68	68	66	64	67	68	63	62
OECD Pacific	50	47	51	51	53	54	49	46	50	54	54	50	56	55	52	47	53	53	50	47	54	53	52
OECD SPR	29	30	30	32	33	31	30	31	32	33	32	33	35	35	34	34	35	34	33	34	35	34	33
North America	26	27	27	29	30	27	27	28	29	30	29	30	31	31	31	31	31	30	31	31	31	31	29
Western Europe	24	26	27	27	28	26	27	27	28	27	27	28	29	29	30	30	30	28	28	30	30	29	29
OECD Pacific	46	46	47	50	53	51	46	45	51	54	51	50	56	56	51	50	56	54	50	49	58	53	51
OECD total	80	82	84	86	92	85	83	83	86	88	88	90	96	95	94	92	94	93	92	91	94	92	90

n.a. not available

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

	2006	2007	2008	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11
US	7.36	7.47	7.50	8.14	0.64	8.55	8.52	8.63	8.84	8.64	0.49	8.76	8.94	8.99	9.12	8.96	0.32	9.09	9.10	9.12	9.20	9.13	0.17
Canada	3.20	3.31	3.27	3.25	-0.02	3.28	3.37	3.38	3.54	3.39	0.15	3.57	3.30	3.53	3.58	3.50	0.10	3.62	3.64	3.66	3.68	3.65	0.15
Mexico	3.69	3.49	3.17	2.98	-0.19	2.99	2.97	2.95	2.93	2.96	-0.02	2.97	2.96	2.92	2.92	2.94	-0.02	2.91	2.87	2.88	2.86	2.88	-0.06
North America	14.24	14.26	13.94	14.37	0.43	14.82	14.86	14.96	15.31	14.99	0.62	15.31	15.20	15.44	15.63	15.40	0.41	15.62	15.62	15.66	15.75	15.66	0.26
Norway	2.78	2.55	2.47	2.36	-0.11	2.32	2.12	1.93	2.17	2.14	-0.22	2.14	1.98	1.99	2.08	2.05	-0.09	2.05	1.93	1.89	1.99	1.97	-0.08
UK	1.71	1.69	1.57	1.48	-0.10	1.52	1.40	1.20	1.35	1.37	-0.11	1.27	1.17	0.95	1.17	1.14	-0.23	1.15	1.10	1.04	1.10	1.10	-0.04
Denmark	0.34	0.31	0.28	0.26	-0.02	0.25	0.25	0.23	0.26	0.25	-0.02	0.23	0.25	0.23	0.24	0.24	-0.01	0.23	0.23	0.22	0.21	0.22	-0.02
Other Western Europe	0.51	0.62	0.62	0.63	0.01	0.63	0.65	0.66	0.64	0.64	0.01	0.67	0.67	0.69	0.70	0.68	0.04	0.68	0.69	0.69	0.69	0.69	0.01
Western Europe	5.34	5.17	4.94	4.73	-0.21	4.72	4.42	4.03	4.42	4.39	-0.33	4.31	4.06	3.86	4.19	4.10	-0.29	4.12	3.94	3.84	3.98	3.97	-0.13
Australia	0.51	0.53	0.53	0.54	0.01	0.52	0.50	0.50	0.48	0.50	-0.04	0.42	0.41	0.42	0.47	0.43	-0.07	0.47	0.49	0.49	0.46	0.48	0.05
Other Pacific	0.05	0.08	0.10	0.10	0.00	0.10	0.10	0.10	0.09	0.10	0.00	0.09	0.09	0.09	0.09	0.09	-0.01	0.09	0.09	0.09	0.09	0.09	0.00
OECD Pacific	0.56	0.60	0.63	0.64	0.01	0.62	0.61	0.60	0.58	0.60	-0.04	0.51	0.50	0.51	0.57	0.52	-0.08	0.56	0.58	0.58	0.55	0.57	0.05
Total OECD	20.14	20.03	19.51	19.73	0.23	20.16	19.89	19.59	20.31	19.99	0.25	20.13	19.76	19.81	20.38	20.02	0.03	20.30	20.14	20.08	20.28	20.20	0.18
Brunei	0.22	0.19	0.17	0.16	-0.01	0.17	0.15	0.17	0.17	0.17	0.00	0.17	0.16	0.17	0.18	0.17	0.00	0.18	0.18	0.18	0.18	0.18	0.01
India	0.78	0.80	0.80	0.78	-0.02	0.82	0.83	0.88	0.90	0.86	0.08	0.90	0.89	0.88	0.93	0.90	0.04	0.93	0.93	0.93	0.94	0.93	0.03
Indonesia	1.07	1.02	1.05	1.03	-0.02	1.03	1.04	1.03	1.00	1.03	0.00	1.01	1.00	1.00	0.99	1.00	-0.03	0.98	0.97	0.97	0.97	0.97	-0.03
Malaysia	0.76	0.76	0.76	0.73	-0.03	0.72	0.70	0.68	0.69	0.70	-0.03	0.68	0.60	0.63	0.65	0.64	-0.06	0.64	0.63	0.62	0.61	0.63	-0.01
Thailand	0.32	0.33	0.36	0.37	0.01	0.34	0.35	0.36	0.33	0.35	-0.02	0.34	0.33	0.33	0.33	0.33	-0.01	0.33	0.33	0.33	0.34	0.33	0.00
Vietnam	0.37	0.35	0.33	0.37	0.04	0.35	0.35	0.36	0.37	0.35	-0.02	0.34	0.33	0.34	0.36	0.34	-0.01	0.37	0.38	0.39	0.40	0.38	0.04
Asia others	0.26	0.26	0.26	0.25	-0.01	0.22	0.24	0.24	0.23	0.23	-0.02	0.23	0.23	0.23	0.25	0.24	0.00	0.26	0.27	0.28	0.29	0.28	0.04
Other Asia	3.78	3.70	3.73	3.69	-0.04	3.66	3.67	3.70	3.70	3.68	0.00	3.69	3.54	3.58	3.68	3.62	-0.06	3.69	3.69	3.70	3.71	3.70	0.08
Argentina	0.77	0.77	0.78	0.76	-0.02	0.76	0.76	0.76	0.71	0.75	-0.01	0.76	0.68	0.74	0.75	0.73	-0.02	0.73	0.72	0.72	0.71	0.72	-0.01
Brazil	2.11	2.22	2.38	2.51	0.12	2.61	2.67	2.66	2.70	2.66	0.16	2.66	2.67	2.65	2.79	2.69	0.03	2.82	2.83	2.88	2.90	2.86	0.17
Colombia	0.54	0.54	0.60	0.68	0.09	0.77	0.79	0.80	0.83	0.80	0.12	0.88	0.93	0.94	1.00	0.94	0.14	1.00	1.02	1.04	1.05	1.03	0.09
Trinidad & Tobago	0.18	0.16	0.16	0.15	0.00	0.15	0.15	0.15	0.13	0.15	-0.01	0.14	0.14	0.14	0.14	0.14	-0.01	0.14	0.14	0.15	0.15	0.14	0.01
L. America others	0.26	0.28	0.28	0.30	0.02	0.31	0.31	0.32	0.32	0.32	0.01	0.31	0.31	0.31	0.32	0.31	0.00	0.32	0.32	0.32	0.32	0.32	0.00
Latin America	3.87	3.97	4.20	4.40	0.20	4.61	4.69	4.68	4.70	4.67	0.26	4.75	4.72	4.78	5.00	4.81	0.14	5.01	5.04	5.09	5.13	5.07	0.25
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.20	0.20	0.21	0.20	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.22	0.22	0.21	0.01
Oman	0.75	0.71	0.76	0.81	0.06	0.86	0.86	0.87	0.88	0.86	0.05	0.89	0.87	0.89	0.93	0.90	0.03	0.94	0.94	0.95	0.95	0.94	0.05
Syria	0.44	0.42	0.41	0.41	0.00	0.42	0.43	0.42	0.42	0.42	0.01	0.42	0.42	0.40	0.31	0.39	-0.03	0.25	0.25	0.24	0.24	0.24	-0.14
Yemen	0.37	0.33	0.30	0.30	0.00	0.30	0.29	0.28	0.27	0.29	-0.02	0.27	0.16	0.20	0.19	0.20	-0.08	0.21	0.21	0.21	0.21	0.21	0.01
Middle East	1.76	1.66	1.68	1.73	0.05	1.78	1.77	1.78	1.78	1.78	0.04	1.78	1.65	1.70	1.64	1.69	-0.08	1.61	1.61	1.61	1.61	1.61	-0.08
Chad	0.15	0.15	0.15	0.14	-0.01	0.15	0.15	0.15	0.15	0.15	0.01	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.13	0.13	0.13	0.13	-0.01
Congo	0.25	0.24	0.26	0.27	0.02	0.30	0.30	0.29	0.29	0.30	0.02	0.29	0.29	0.30	0.31	0.30	0.00	0.31	0.30	0.30	0.29	0.30	0.00
Egypt	0.66	0.66	0.69	0.69	0.00	0.69	0.71	0.72	0.71	0.71	0.01	0.71	0.71	0.71	0.71	0.71	0.00	0.70	0.70	0.70	0.69	0.70	-0.01
Equatorial Guinea	0.37	0.37	0.38	0.36	-0.02	0.33	0.33	0.32	0.31	0.32	-0.03	0.31	0.31	0.30	0.30	0.30	-0.02	0.31	0.31	0.32	0.33	0.32	0.01
Gabon	0.25	0.25	0.24	0.24	0.00	0.25	0.23	0.25	0.25	0.25	0.01	0.26	0.24	0.24	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00
South Africa	0.19	0.18	0.18	0.17	-0.01	0.18	0.18	0.18	0.18	0.18	0.01	0.18	0.18	0.18	0.18	0.18	0.00	0.17	0.17	0.17	0.17	0.17	-0.01
Sudan	0.36	0.48	0.46	0.48	0.02	0.46	0.46	0.47	0.47	0.46	-0.01	0.46	0.42	0.43	0.42	0.43	-0.03	0.39	0.38	0.38	0.37	0.38	-0.05
Africa other	0.29	0.28	0.27	0.25	-0.01	0.24	0.23	0.23	0.22	0.23	-0.02	0.27	0.29	0.29	0.31	0.29	0.06	0.34	0.34	0.35	0.35	0.34	0.05
Africa	2.51	2.60	2.62	2.60	-0.02	2.59	2.57	2.60	2.58	2.59	-0.01	2.61	2.57	2.58	2.62	2.59	0.01	2.60	2.59	2.59	2.58	2.59	-0.01
Total DCs	11.92	11.94	12.23	12.43	0.20	12.64	12.70	12.76	12.75	12.71	0.29	12.83	12.48	12.64	12.93	12.72	0.01	12.91	12.93	13.00	13.03	12.97	0.24
FSU	12.03	12.54	12.60	12.95	0.35	13.16	13.20	13.21	13.33	13.22	0.27	13.32	13.26	13.23	13.37	13.30	0.07	13.45	13.37	13.41	13.48	13.43	0.13
Russia	9.65	9.87	9.78	9.92	0.14	10.09	10.12	10.13	10.22	10.14	0.22	10.21	10.23	10.28	10.33	10.26	0.12	10.31	10.30	10.33	10.34	10.32	0.06
Kazakhstan	1.30	1.35	1.41	1.54	0.12	1.60	1.56	1.57	1.65	1.60	0.06	1.66	1.60	1.54	1.67	1.62	0.02	1.66	1.62	1.64	1.68	1.65	0.03
Azerbaijan	0.65	0.87	0.94	1.06	0.12	1.05	1.10	1.10	1.03	1.07	0.01	1.02	1.00	0.97	0.94	0.98	-0.09	1.04	1.01	1.00	1.03	1.02	0.04
FSU others	0.43	0.45	0.46	0.44	-0.02	0.42	0.42	0.41	0.42	0.42	-0.02	0.43	0.43	0.44	0.44	0.43	0.02	0.44	0.44	0.44	0.44	0.44	0.00
Other Europe	0.15	0.15	0.15	0.14	-0.01	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.15	0.15	0.15	0.15	0.15	0.01
China	3.69	3.77	3.84	3.84	0.00	4.01	4.08	4.16	4.24	4.12	0.28	4.22	4.19	4.08	4.10	4.15	0.03	4.17	4.17	4.18	4.23	4.19	0.04
Non-OPEC production	47.94	48.43	48.32	49.09	0.77	50.11	50.00	49.86	50.76	50.18	1.09	50.64	49.84	49.90	50.93	50.33	0.14	50.98	50.76	50.82	51.18	50.94	0.61
Processing gains	1.96	1.99	1.97	2.00	0.03	2.10	2.10	2.10	2.10	2.10	0.10	2.13	2.13	2.13	2.13	2.13	0.03	2.19	2.19	2.19	2.19	2.19	0.06
Non-OPEC supply	49.90	50.42	50.29	51.09	0.80	52.21	52.10	51.96	52.86	52.28	1.19	52.77	51.97	52.03	53.06	52.46	0.17	53.17	52.95	53.01	53.37	53.13	0.67
OPEC NGL	3.76	3.86	4.04	4.24	0.21	4.55	4.70	5.04	4.89	4.79	0.55	4.99	5.10	5.19	5.24	5.13	0.34	5.28	5.36	5.41	5.44	5.38	0.25
OPEC Non-conventional	0.14	0.08	0.11	0.11	0.00	0.11	0.11	0.11	0.11	0.11	0.00	0.13	0.16	0.18	0.18	0.16	0.05	0.21	0.24	0.29	0.34	0.27	0.11
OPEC (NGL+NCF)	3.89	3.95	4.14	4.35	0.21	4.66	4.81	5.15	5.00	4.90	0.55	5.12	5.26	5.37	5.42	5.29	0.39	5.50	5.61	5.71	5.79	5.65	0.36
Non-OPEC & OPEC (NGL+NCF)	53.79	54.36	54.43	55.44	1.01	56.86	56.91	57.11	57.86	57.19	1.75	57.89	57.23	57.39	58.48	57.75	0.56	58.67	58.56	58.72	59.15	58.78	1.03

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

Table 10.7: World Rig Count

	2006	Change 06/05	2007	Change 07/06	2Q08	3Q08	4Q08	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	Oct	Nov	Nov/Oct
US	1,647	267	1,767	119	1,770	1,864	1,978	1,898	1,877	111	1,326	936	956	1,108	1081	-796	1345	1508	1622	1687	1541	459	1717	1829	1945	2018	2011
Canada	470	12	344	-126	507	169	432	408	379	35	328	91	177	277	218	-161	470	166	364	389	347	129	587	188	443	507	487
Mexico	83	-24	92	9	96	106	103	106	103	11	128	128	135	123	128	26	118	106	84	80	97	-31	83	87	103	104	102
North America	2,200	255	2,202	2	2,373	2,139	2,513	2,411	2,359	157	1,782	1,154	1,267	1,508	1428	-931	1933	1780	2070	2156	1985	557	2386	2104	2492	2629	2600
Norway	17	0	18	1	17	21	21	21	20	2	25	18	18	20	20	0	21	18	13	20	18	-2	21	17	16	18	19
UK	27	5	26	-1	19	21	24	24	22	-4	22	19	16	15	18	-4	15	20	21	21	19	1	18	17	15	14	15
Western Europe	77	7	78	0	91	97	101	103	98	20	90	82	76	85	83	-15	87	96	92	100	94	11	118	112	123	122	122
OECD Pacific	26	2	29	2	32	39	39	34	36	7	27	25	26	23	25	-11	22	18	23	22	21	-4	17	17	17	19	16
Total OECD	2,347	269	2,352	4	2,532	2,317	2,698	2,593	2,535	183	1,945	1,299	1,368	1,616	1557	-978	2042	1893	2185	2278	2100	543	2521	2232	2632	2770	2738
Other Asia	202	2	212	10	213	220	218	212	216	4	212	212	213	233	217	1	235	249	253	255	248	31	257	234	232	240	231
Latin America	149	19	175	27	187	184	195	197	191	16	164	147	149	169	157	-34	183	203	220	213	205	48	191	192	196	198	198
Middle East	132	1	149	18	158	165	175	171	167	18	162	151	139	147	150	-18	152	150	163	159	156	6	101	107	102	100	110
Africa	10	2	14	4	10	13	14	11	12	-2	8	11	9	12	10	-2	20	19	19	18	19	9	1	2	0	4	8
Total DCs	493	25	551	58	569	583	602	591	586	36	546	520	510	561	534	-52	589	621	655	645	628	93	549	535	530	542	547
Non-OPEC Rig Count	2,840	294	2,903	62	3,101	2,900	3,300	3,183	3,121	219	2,491	1,819	1,878	2,177	2091	-1030	2632	2514	2840	2924	2727	636	3070	2768	3161	3312	3285
Algeria	24	4	27	2	26	27	24	26	26	-1	24	30	27	27	27	1	23	28	24	24	25	-2	29	33	30	34	33
Angola	4	1	4	1	5	6	5	5	5	1	5	3	3	4	4	-1	10	8	9	9	9	5	11	11	11	7	8
Ecuador	11	0	11	-1	7	9	12	13	10	-1	10	10	10	10	10	0	11	11	11	11	11	1	11	11	11	16	13
Iran	44	4	50	6	50	50	50	51	50	0	51	52	52	52	52	2	52	52	52	52	52	0	54	54	54	54	54
Iraq	0	0	0	0	29	29	29	29	29	29	36	36	36	36	36	7	36	36	36	36	36	0	36	36	36	36	36
Kuwait	14	1	12	-1	12	11	12	12	12	0	12	11	14	13	13	0	19	18	21	23	20	8	56	56	57	61	60
Libya	10	1	13	3	14	15	15	15	15	2	15	13	14	15	14	-1	17	17	14	15	16	1	10	0	0	0	0
Nigeria	10	1	8	-1	9	8	6	6	7	-1	7	6	6	7	6	-1	11	13	18	17	15	8	35	35	36	36	37
Qatar	11	-1	13	2	11	12	11	11	11	-1	9	9	9	9	9	-2	8	8	9	9	9	0	10	8	7	7	6
Saudi Arabia	65	28	77	11	78	77	76	76	77	0	72	67	67	66	68	-9	68	67	67	65	67	-1	98	98	98	104	105
UAE	16	0	15	-2	12	12	13	12	12	-2	13	12	13	12	12	0	13	13	13	13	13	1	17	21	24	23	23
Venezuela	81	13	76	-5	82	81	77	81	80	4	69	64	54	54	60	-20	66	64	70	80	70	10	125	125	125	119	109
OPEC Rig Count	290	51	305	16	336	337	330	336	335	29	322	314	302	305	311	-24	334	335	344	355	342	31	492	487	487	497	484
Worldwide Rig Count*	3,130	345	3,208	78	3,438	3,237	3,630	3,519	3,456	248	2,813	2,133	2,180	2,483	2402	-1054	2965	2849	3184	3278	3069	667	3562	3255	3649	3809	3769
of which:																											
Oil	1,124	144	1,242	119	1408	1351	1,479	1490	1432	190	1283	1,069	1,182	1,356	1222	-210	1590	1534	1783	1896	1701	479	2197	2020	2347	2433	2440
Gas	1,947	201	1,903	-44	1969	1814	2,070	1948	1950	47	1450	993	965	1,092	1125	-825	1333	1276	1356	1337	1325	200	1319	1187	1257	1324	1278
Others	17	-4	20	4	26	32	36	37	33	12	35	35	34	37	35	3	43	40	42	46	43	8	48	49	47	55	55

*/ *Excludes China and FSU*
na: *Not available*
Note: *Totals may not add up due to independent rounding*
Source: *Baker Hughes International & Secretariat's Estimates*

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Data Summary December 2011

OPEC Basket average price

US$ per barrel

⬆ *up $3.79 in November*

November 2011	**110.08**
October 2011	106.29
Year-to-date	107.47

November OPEC production

in million barrels per day, according to secondary sources

⬆ *up 0.56 in November*

November 2011	**30.37**
October 2011	29.81

World economy

Global growth expectation for 2012 and 2011 remain unchanged at 3.6%, although downside risks have increased. OECD growth for 2012 was revised down to 1.5% from 1.7% and increased slightly for 2011 to 1.7% from 1.6%. Growth for China remains unchanged at 9.0% in 2011 and was increased to 8.7% from 8.5% in 2012. India's forecast has been revised down slightly to 7.5% from 7.6% for 2012 and remains at 7.6% for 2011.

Supply and demand

in million barrels per day

2011		10/11
World demand	87.8	**0.9**
Non-OPEC supply	52.5	**0.2**
OPEC NGLs	5.3	**0.4**
Difference	**30.0**	**0.3**

2012		11/12
World demand	88.9	**1.1**
Non-OPEC supply	53.1	**0.7**
OPEC NGLs	5.7	**0.4**
Difference	**30.1**	**0.1**

Totals may not add due to independent rounding

Stocks

US commercial oil inventories continued to fall for the third consecutive month in November, declining by 20.3 mb. This drop was attributed to both products and crude which fell by 15.6 mb and 4.7 mb, respectively. With this decline, the surplus with the five-year average has switched to a deficit of 9.1 mb in November. In Japan, the most recent monthly data for October shows that commercial oil inventories declined slightly by 0.6 mb to stand at 178.2 mb.

Issued 13 December 2011

Next report to be issued on 16 January 2012

Data covered up to the end of November 2011 unless otherwise stated.