OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

December 2013

Feature Article:
Reviewing 2013; looking ahead to 2014

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OPEC Monthly Oil Market Report

Publishing Schedule for 2014

Thursday,	16	January
Wednesday,	12	February
Wednesday,	12	March
Thursday,	10	April
Tuesday,	13	May
Thursday,	12	June
Thursday,	10	July
Friday,	8	August
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Wednesday,	12	November
Wednesday,	10	December

Oil Market Highlights

- The **OPEC Reference Basket** in November fell below $105/b for the first time since July. A key factor behind the decline in the crude oil prices was reduced refinery crude intake due to scheduled turnarounds, as well as dismal margins. All Basket component values saw losses in November, but at varying levels. Crude futures prices also declined in November for the second month in a row. High crude inventories and rising supply in the US weighed heavily on Nymex WTI. The positive outcome at the Iran-P5+1 talks in Geneva also impacted the market. The Basket began to improve at the end of the month and into December to stand at $107.72/b on 9 December.
- **World economic growth** for 2013 and 2014 remains unchanged at 2.9% and 3.5% respectively. The forecast for the major OECD economies assumes a continued recovery, leading to higher growth in 2014 at 1.9%, compared to 1.2% in the current year, both unchanged from the previous report. China's recent stimulus efforts and rising exports confirm this year's forecast of 7.8%; growth is expected to continue at this level in 2014. While recent indicators point at some improvement, the forecast for India remains at 4.7% for 2013 and at 5.6% in 2014. Most recent advances in the OECD and China confirm the on-going recovery in the global economy.
- **World oil demand** growth in 2013 has been left broadly unchanged at 0.9 mb/d, while the forecast for 2014 remains at 1.0 mb/d. The bulk of next year's growth is expected to come from the non-OECD, which is seen increasing by 1.2 mb/d, while OECD demand is projected to contract by 0.2 mb/d, which represents an improvement from the current year. China's demand growth in 2014 is expected at 0.3 mb/d, in line with growth in 2013. Demand growth in OECD Americas is expected at 0.1 mb/d, while OECD Asia Pacific consumption is projected to contract by 0.1 mb/d.
- **Non-OPEC oil supply** is expected to increase by 1.2 mb/d in 2013, up slightly from the last report. In 2014, non-OPEC oil supply is forecast to grow by 1.2 mb/d. Output growth is expected to come mainly from the US, Canada, the Sudans, Kazakhstan, Russia, and Colombia, while oil supply from Norway, Syria, the UK, and Mexico is seen declining. In 2014, OPEC NGLs and non-conventional oils are forecast to grow by 0.15 mb/d over the current year to average 5.95 mb/d. OPEC crude oil production averaged 29.63 mb/d in November, a decrease of 193 tb/d from the previous month, according to secondary sources.
- Oil **product markets** remained relatively weak worldwide in November. The top of the barrel continued to show a poor performance, despite some positive signs of increasing seasonal demand for naphtha. However, tightening market sentiment fuelled by some refinery outages and run cuts helped to limit potential declines in margins in Asia and Europe. Meanwhile, falling US middle distillate inventories, amid increasing seasonal requirements and lower US crude prices, allowed US margins to show a healthy recovery.
- In the **tanker market**, spot freight rates for dirty vessels saw gains across various classes with VLCC rates encountering the strongest growth. VLCC, Suezmax and Aframax spot freight rates increased by 40%, 18%, and 5%, respectively, over the previous month. The improvements were driven by winter demand, higher Asian requirements, and increased delays in the Turkish straits. Clean tanker freight rates were mixed in November, with West of Suez freight rates increasing by 10%, while East of Suez freight rates remained weak, dropping by 9% from a month earlier.
- Preliminary data showed total **OECD commercial oil stocks** declined by 2.5 mb in October, indicating a deficit of around 10.1 mb compared to the five-year average. Crude inventories reached 26.4 mb above the seasonal norm, while products fell to 36.5 mb below the five-year average. In terms of days of forward cover, OECD commercial stocks stood at 58.5 days, 0.7 days more than the five-year average. Preliminary data for November shows that US total commercial oil stocks fell by 26.4 mb, but still indicated a surplus of 9.2 mb above the five-year average. Crude inventories indicated a surplus of 40.8 mb, while products showed deficit of 31.6 mb.
- **Demand for OPEC crude** in 2013 is estimated to average 29.9 mb/d, unchanged from the previous report and 0.6 mb/d lower than the 2012 level. Demand for OPEC crude in 2014 is also unchanged from the previous report at 29.6 mb/d, representing a decline of 0.3 mb/d compared to 2013.

Reviewing 2013; looking ahead to 2014

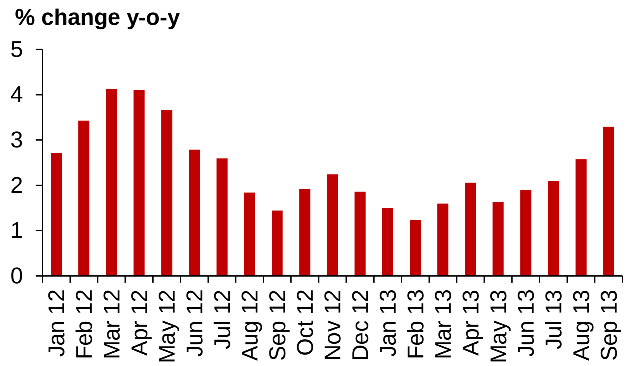
With 2013 coming to a close, it is time to review the performance of the world oil market over the last twelve months, in terms of crude oil prices, the global economy, global oil demand, and non-OPEC supply. This is combined with a look ahead to 2014, to highlight expectations and uncertainties for the coming year.

This year, the OPEC Reference Basket experienced significant quarterly swings. After reaching close to $115/b in 1Q13, the Basket price came down steeply to around $96/b in the second quarter, before regaining strength to rebound sharply in the third. Over this period, the increase in crude oil prices was driven by numerous outages, supply disruptions and improved macroeconomic indicators, while lower refinery appetite, production increases, high inventories and economic run cuts pressured prices. Geopolitical factors impacted prices in both directions. At the same time, speculative activities continued to magnify the upside and downside movements in crude oil prices.

The spread between ICE Brent and Nymex WTI changed notably over the course of the year. After reaching as much as $23/b, the Brent-WTI spread narrowed steadily to trade at close to parity around mid-July. This was primarily due to the availability of new pipeline capacity, which relieved the supply glut in the US pricing hub of Cushing, Oklahoma. However, from early 3Q13 on, the spread widened rapidly as refinery maintenance cut demand, resulting in a built-up of inventories at Cushing and the US Gulf Coast, weighing on WTI prices at a time when Brent values were being pushed higher by supply disruptions. However, the spread is likely to be less pronounced into the coming year, as additional pipeline capacity to the US Gulf Coast becomes available.

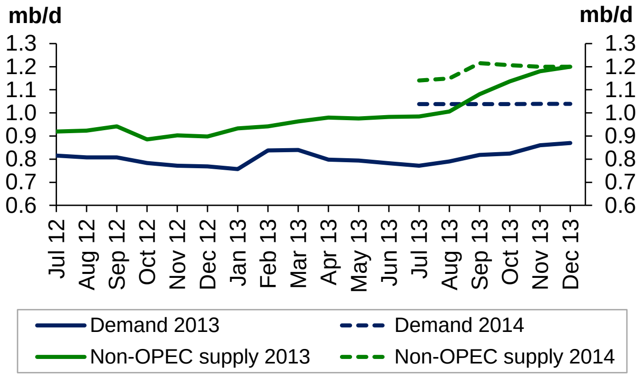
After a relatively weak start in 1Q13, the global economy has gained traction again. The Euro-zone has gradually moved out of recession, the US managed to expand at a healthy level despite fiscal adjustments, and Japan has benefitted from its substantial stimulus efforts. Although growth in the emerging economies has slowed, China's economy has accelerated in the second half of this year and India's outlook looks likely to improve after the poor performance seen for most of this year. Global GDP growth is estimated at a modest 2.9% in 2013, strengthening to 3.5% next year, mainly as a result of momentum in the OECD economies. However, many challenges remain ranging from the outcome of postponed fiscal negotiations in the US, the future monetary policy of major central banks, the resilience of the Euro-zone recovery, and continued reforms in the emerging economies to improve structural issues. Having said that, signs of a recovery are already visible in rising global industrial production (***Graph 1***).

Graph 1: Global industrial production, % y-o-y



Sources: Netherlands Bureau for Economic Policy and Haver Analytics.

Graph 2: Revisions to world oil demand & non-OPEC supply growth forecasts



Sources: OPEC Secretariat.

Turning to the oil market, the current estimate for world oil demand growth in 2013 currently stands at 0.9 mb/d, almost unchanged from the initial projection despite a series of adjustments in various regions (***Graph 2***). Improved macroeconomic indicators have provided some optimism for OECD regions, especially OECD Europe. In contrast, weakening consumption and the slowing economic pace in some non-OECD countries have necessitated a number of downward revisions, largely offsetting gains. In 2014, world oil demand is projected to grow at a higher rate of 1.0 mb/d. Oil demand growth continues to come mainly from non-OECD countries, while OECD oil demand is expected to show a further contraction, albeit at a slower rate. However, this forecast is associated with uncertainties related to the pace of economic growth in the OECD, China and India, as well as to policy reforms in oil product retail prices in some emerging economies.

On the supply side, non-OPEC supply growth in 2013 has performed better than initially expected to stand at 1.2 mb/d. Growth is supported mainly by the US and Canada, adding around 1.0 mb/d. Other contributions to 2013 growth come from the Sudans, Russia and China, while ouput disruptions in Syria, along with the decline in North Sea production, partially offset this growth. Non-OPEC supply growth in 2014 is expected at almost the same level as this year, with some risks in both directions, given possible early start-ups or delays, as well as political, technical and meteorological factors. Meanwhile, OPEC NGLs are expected to rise by 0.1 mb/d in 2014 following an increase of 0.2 mb/d this year.

While the above forecasts indicate that incremental non-OPEC oil supply and OPEC NGL growth will outpace projected world oil demand growth, the 164th OPEC Ministerial Conference decided to maintain current production of 30.0 mb/d in the interest of maintaining market equilibrium. In taking this decision, Member Countries re-confirmed their readiness to promptly respond to unforeseen developments that could have an adverse impact on an orderly and balanced oil market.

Crude Oil Price Movements

The OPEC Basket dropped slightly below $105 for the first time since July

OPEC Reference Basket

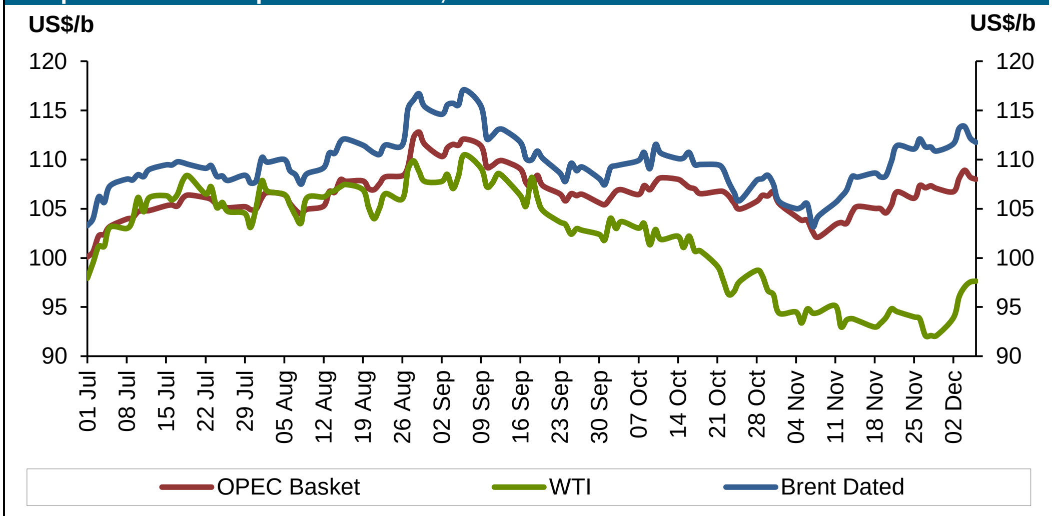
In November, the value of the OPEC Reference Basket (ORB) dropped following the global oil market, edging slightly below the $105/b mark for the first time since July. One key factor underlying the weakness in the outright crude oil price this month was a reduction in refinery crude intake due to scheduled turnarounds and the current dismal margin environment. On the US Gulf Coast (USGC), offline capacity has given rise to significant builds in crude stocks following an October dip in utilization rates; this has recently slowed, but not yet begun to reverse.

European maintenance seemed to have a similar effect, albeit one that has been exaggerated and exacerbated by the exceptionally poor state of regional refining margins. This was reflected in the most recent Euroilstock data, which indicated that refinery intake in Europe was at its lowest level on record.

Meanwhile, Asian refining margins have not been much better than those in Europe, but prompt demand has been affected, with infrastructure filling for Chinese refinery additions in the next three to four months helping to keep the market supported. Furthermore, despite production disruptions in North Africa, demand for the light, sweet ORB components was slim due to weak European refining margins and plentiful North Sea supplies. Competing North Sea production has fully returned from summer maintenance, rising up to 980,000 b/d. At the same time, a significantly narrower Brent–Dubai spread has not provided any support in the shape of buying interest from Asia. In the past, Asian refiners have taken sizeable quantities of light, sweet crude from the West, even when the arbitrage spread made doing so much less favourable than at present.

The value of the ORB was down $1.72/b, reaching a monthly average of $104.97/b in November. Compared with the same period last year, the Basket year-to-date value of $105.72/b shows a lag of almost $4 or 3.6%. The ORB year-to-date value this time last year was around $109.70/b.

Graph 1.1: Crude oil price movement, 2013



All ORB component values dropped in November, but again at varying levels. Despite poor global refining margins, which typically cripple demand from prompt barrels, the Asian crude market has proven to be rather robust, with backwardation in the Dubai market structure consistently high. The strong apparent level of buying interest has been maintained, despite only minimal recovery of cracking margins in the region from the slump which started in July.

Crude buying has been buoyed by the need to fill new infrastructure coming online (particularly in China) in the last part of this year, as well as in the first quarter of 2014. Most key Middle Eastern spot sour grades have seen their differentials strengthen over the month as their spreads to their respective OSPFs have turned into premiums. These grade differentials benefitted from a reduction in retroactive OSPFs early in the month and steady interest from buyers, particularly in Northeast Asia, who have been looking to cover their winter requirements.

The Middle Eastern ORB components — Qatar Marine and Murban crudes — decreased by only 77¢/b over the month while multi-destination grades Iran Heavy, Basrah Light, Kuwait Export and Arab Light on average weakened by around $1.65. Ecuador's Oriente — and to a lesser extent Venezuela's Merey and multi-distention components — was affected by the ongoing distress in the USGC crude market.

Both sweet and sour USGC benchmark spreads continued to be at deep discounts to Dated Brent in November as a bottleneck remained in place due to oversupply in Louisiana. Even if completion of the Houston–Houma pipeline boosts availability of barges along the USGC and brings some relief for distressed Gulf Coast grades, interconnections in upcoming new pipeline infrastructure might limit recovery. Oriente dropped by a hefty $5.45/b, while Merey lost almost $2.

The Brent market came under some pressure this month on the back of an uptick in production of North Sea grades at a time when several refineries in Northwest Europe were cautious coming out of turnarounds due to severely pressured refining margins. This sentiment was underlined by the fact that Dated Brent slipped into contango, even as production of some light, sweet North African grades was halted again. On average, the prices of Brent-related Basket components from North and West Africa — Saharan Blend, Bonny Light, Girassol and Es Sider — slipped by about $1.30.

On 9 December, the OPEC Reference Basket stood at $107.72/b.

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

			Change	Year-to-date	
	Oct 13	Nov 13	Nov/Oct	2012	2013
OPEC Reference Basket	**106.69**	**104.97**	**-1.72**	**109.70**	**105.72**
Arab Light	107.14	104.84	-2.30	110.38	106.40
Basrah Light	103.69	101.63	-2.06	108.20	103.47
Bonny Light	112.44	111.47	-0.97	113.87	111.21
Es Sider	108.74	107.57	-1.17	112.07	108.35
Girassol	110.20	108.83	-1.37	112.48	108.96
Iran Heavy	107.69	106.87	-0.82	109.27	105.46
Kuwait Export	106.13	104.73	-1.40	109.16	104.85
Marine	106.61	105.83	-0.78	109.52	105.11
Merey	96.80	94.83	-1.97	100.77	96.66
Murban	110.13	109.36	-0.77	112.00	107.95
Oriente	95.16	89.72	-5.44	103.10	97.84
Saharan Blend	111.04	109.27	-1.77	111.62	109.10
Other Crudes					
Brent	109.04	107.97	-1.07	111.81	108.44
Dubai	106.70	105.95	-0.75	109.30	105.25
Isthmus	99.84	93.83	-6.01	107.18	105.73
LLS	102.85	97.18	-5.67	111.88	107.73
Mars	97.76	91.65	-6.11	107.03	102.62
Minas	106.98	104.28	-2.70	117.24	107.50
Urals	108.28	107.73	-0.55	110.68	107.80
WTI	100.41	93.76	-6.65	94.59	97.98
Differentials					
Brent/WTI	8.63	14.21	5.58	17.22	10.46
Brent/LLS	6.19	10.79	4.60	-0.07	0.71
Brent/Dubai	2.34	2.02	-0.32	2.52	3.19

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

Oil futures slipped amid high inventories and rising supply

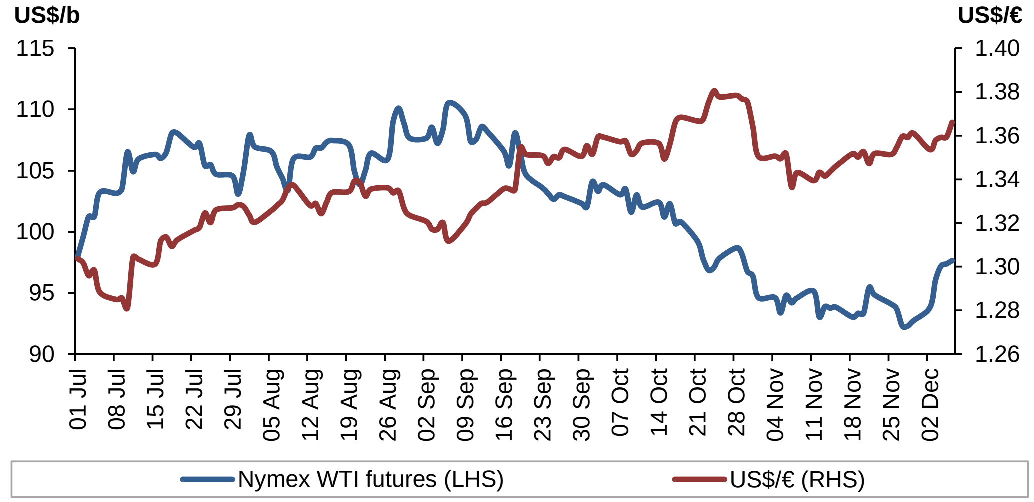
Both international crude futures declined on average for the second month in a row during November, with the Nymex WTI losing a hefty $6.62 to settle at an average of $93.93/b and ICE Brent falling by around $1.55, leaving the average settlement price at $107.90/b.

High inventories and rising supply in the US weighed heavily on the Nymex WTI. The US Energy Information Administration (EIA) data showed US crude production for the week ending 22 November surpassed the 8 mb/d mark for the first time since 1989 and crude stocks are getting closer to the record levels seen in May, despite greater utilization. This is at a time of year when stocks tend to remain flat before dropping due to less maintenance and tax considerations. It is therefore hardly surprising that the market reacted to this strong counter-seasonal trend.

By the end of the month, EIA data showed US crude stocks rose for a tenth straight week to 391 mb, their highest for this time of year since records began in 1982. Its data also showed that crude production exceeded imports for the first time in nearly two decades. Crude oil futures prices were also influenced by the positive outcome at the Iran-P5+1 talks in Geneva.

Earlier in the month, the futures market suffered more due to broader financial market weakness, with the S&P 500 recording its biggest intraday loss in more than four months. The first estimates of US GDP growth for the third quarter came in better than expected at 2.8% y-o-y. However, large inventory builds and weaker-than-forecast consumer spending made market participants worry about growth sustainability. Despite their drop over the month, crude oil futures found some support from positive US economic data, better refined products performance and ongoing supply outages.

Graph 1.2: Nymex WTI futures and US$ exchange rate, 2013



On the Nymex, the WTI front-month ended November a hefty $6.62 lower to average $93.93/b, falling below $100/b for the first time since June and losing almost 12% of its value in two months. However, its year-to-date average continues to be higher than before. Compared with the same period in 2012, the WTI value was higher by $3.23 or 3.4% at $97.97/b. ICE exchange Brent front-month dropped by $1.53 to average $107.90/b. Meanwhile, Brent front-month year-to-date values lagged by $3.34 or 3.0% at $108.59/b from $111.93/b in 2012.

On 9 November, ICE Brent stood at $109.39/b and Nymex WTI at $97.34/b.

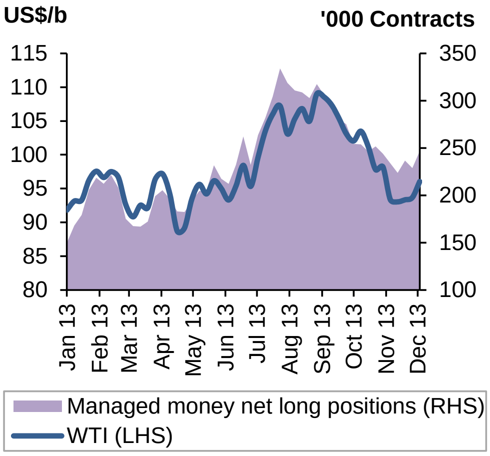
By the month's end, hedge funds and other large speculators raised their bets on higher Brent crude prices for two straight weeks, according to ICE exchange data, providing another indication that money-manager sentiment towards the market may have turned.

The speculator group raised its net long futures and options positions by 22,380 contracts to 129,761, taking the increase to more than 45% since hitting a year low earlier in the month. In the same time frame, oil speculators cut their long positions in US West Texas Intermediate crude (WTI) futures. Oil speculators cut their net long position in WTI by 7,891 contracts to 228,819, data from the Commodity Futures Trading Commission (CFTC) showed.

Fund bets on rising Brent prices hit an all-time peak of almost 232,000 in late August — the equivalent on paper of 232 mb of oil — before tumbling, falling 10 weeks out of 11 by the start of November to stand near 89,000. Net longs represent the difference between bets on higher and lower prices, and can be a key indicator of market sentiment. Brent prices fell from a six-month high in August of near $117/b to below $103/b at the beginning of November, but have since rebounded to around $110/b.

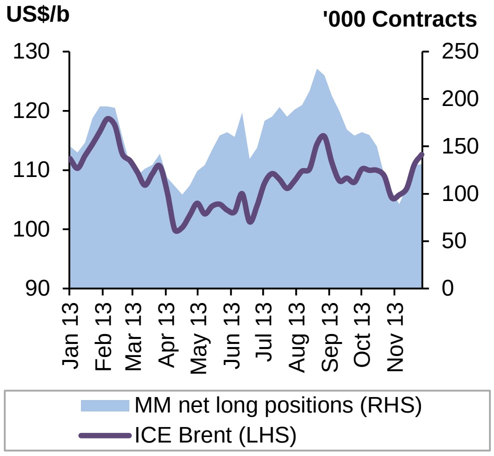
The combined futures and options open interest for ICE Brent increased by almost 60,000 to reach 1.78 million contracts by the end of the month. Nymex WTI open interest ended at 2.13 million lots.

Graphs 1.3: Nymex WTI price vs. speculative activity, 2013



Source: CFTC.

Graphs 1.4: ICE Brent price vs. speculative activity, 2013



Source: IntercontinentalExchange, Inc.

ICE Brent futures daily traded volume increased by 29,873 contracts to 632,092 lots, while Nymex WTI volume dropped by 57,046 contracts to 542,556 lots. The daily aggregate traded volume in both crude oil futures markets increased by 27,173 contracts in November to around 1.17 million futures contracts, equivalent to 1.16 billion b/d. Total traded volume in Nymex WTI and ICE Brent contracts in November was 10.85 mn and 13.27 mn contracts, respectively.

The futures market structure

Oversupply weakened prompt prices relative to forward months

The oversupply in global crude markets has undoubtedly weakened prompt crude oil markets in the US and Europe. In the US this weakness is persisting, with some WTI inter-month spreads still in contango. Cushing stocks saw an additional increase in stored crude, resulting in the biggest straight six-week build since December 2009. As a result, volumes in storage at Cushing now exceed more than 60% of working storage capacity.

This development goes along with the WTI market structure switching into contango at the front end in mid-October. Since then, the first vs. second month spread dropped 65¢/b by mid-November. However, the contango softened recently, pointing to a slowdown in the Cushing stock build, particularly given the decline in idle refinery capacity. Additionally, US tax laws should incentivize traders to draw down stocks by the end of the year.

In Europe, the Brent market only recently recovered from its early-month shift into contango to end the month up only 35¢/b. The Brent complex came under some pressure this month on the back of an increase in production of North Sea grades at a time when several refineries in Northwest Europe were experiencing economic run cuts due to severely poor refining margins. This sentiment was underlined by the fact that Dated Brent slipped into contango, even as production of light, sweet crude in Libya was put on pause again.

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

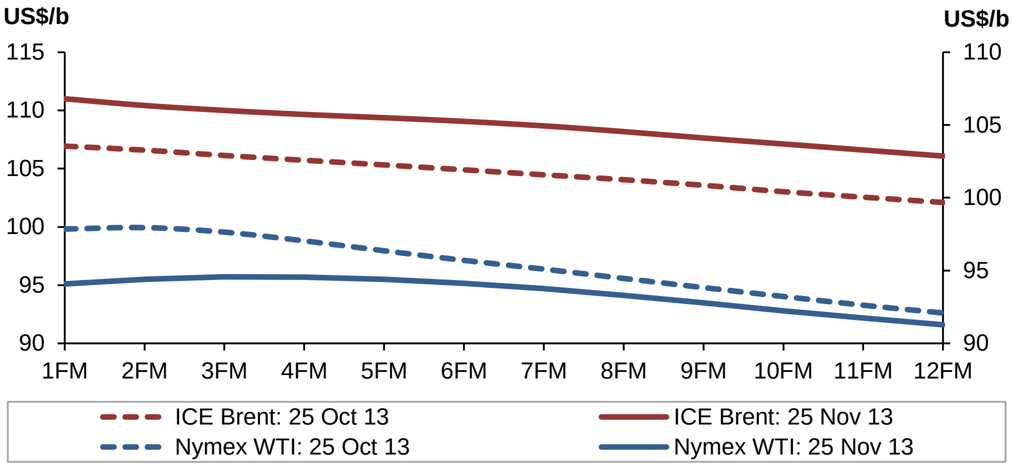
Nymex WTI	1st FM	2nd FM	3rd FM	6th FM	12th FM
25 Oct 13	97.85	97.95	97.64	95.70	92.09
25 Nov 13	94.09	94.40	94.57	94.13	91.28

ICE Brent	1st FM	2nd FM	3rd FM	6th FM	12th FM
25 Oct 13	106.93	106.59	106.13	104.90	102.10
25 Nov 13	111.00	110.42	110.00	109.06	106.08

FM = future month.

US prices continue to be detached from international prices due to the ongoing strong build in crude stocks in and around Cushing, with latest EIA figures showing a rise of 0.7 mb. Meanwhile, US production continues to go from strength to strength, with the EIA's latest report showing that October's production of 7.7 mb/d is likely to have outstripped net imports for the first time in 18 years. The transatlantic spread widened further to stand at almost $14/b on average, the widest since March this year. The latest EIA report showed that an additional 3.0 mb were put on storage in the US, implying that US players are still taking advantage of cheaper feedstock and accumulating barrels in storage, despite year end.

Graph 1.5: Nymex WTI and ICE Brent forward curve, 2013



FM = future month.

The light sweet–medium sour crude spread

Sweet/sour spread continues to diverge

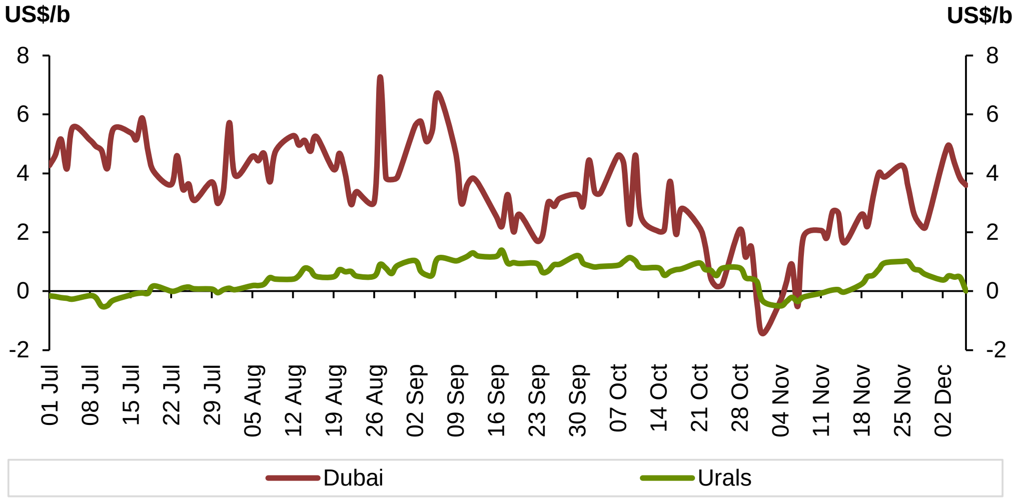
Global sweet/sour crude spreads continued to be mixed over November, with the spread narrowing in Asia and Europe, while at the USGC, LLS widened its premium to Mars to its highest level since July.

In Europe, Russian refineries completing turnarounds cut the November export availability of Urals in the Mediterranean (Med) region to the shortest average daily rate seen this year at just under 610,000 b/d. As the Med is severely short of rival sour grades, the Urals–Med spread was pushed to a premium relative to Dated Brent for most of the month, even as refining margins remained firmly negative. December volumes of Urals have tightened further according to the preliminary loading schedule. On the other hand, the Brent complex came under some pressure, even as production of light, sweet crude in Libya was halted again on the back of a slight increase in production of North Sea grades at a time when several refineries in Northwest Europe were undergoing economic run cuts due to severely pressured refining margins. The Brent–Urals or light–heavy spread narrowed to 22¢/b from 75¢/b the previous month, on average.

In November, the Tapis–Dubai spread narrowed to $7.35/b from $9.70/b a month earlier. The Tapis–Dubai spread failed to recapture last month's maintenance-driven strength as supplies of light, sweet crude in the region became more ample. Although Singapore light distillate cracks trended upwards, this was not enough to offset the implications of a new pricing structure for Tapis' OSPF. The crude's OSPF adjustments are now frozen at a discount of $2.50/b to a basket of Malaysian crudes. It was formerly priced at narrower discounts to a smaller selection of domestic grades. This explains the progressively narrower premium of Tapis to Dubai over the reporting period, although a resilient fuel oil crack is keeping Dubai's relative strength robust.

Mars came under pressure relative to LLS in the USGC, as turnarounds on secondary capacity limited Gulf Coast refiners' need to run heavier and sourer crudes. This trend is likely to be short-lived as pipeline bottlenecks in the region are limiting movement of both grades out of the region; this is already evidently weighing on spreads for both crudes. Moreover, the LSFO crack is soaring as a result of seasonal maintenance and depressed crude prices, thereby supporting Mars, while continuing production of shale oil amid prevailing pipeline limitations will add further downside pressure on light grades.

Graph 1.6: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2013



Commodity Markets

Decelerating commodity demand from Emerging economies keeps pressure on prices

Trends in selected commodity markets

What to some extent has become visible in the current year in energy markets is generally forecast to be observed in other commodity markets, i.e. the shift from commodity demand in emerging and developing economies to industrialised economies. This is in general an important development that at least for the short-term is expected to continue. This shift in growth contribution, heralding the recovery of OECD economies, coincides with the need of developed economies' central banks to consider at least a gradual reduction in their unprecedented monetary supply measures, which were designed to support the current and ongoing recovery. Albeit, OECD economies are expected to rebound from low GDP growth of around 1.2% in the current year to 1.9% in the next year; recovery within this set of economies remains uneven and therefore the strategy of central banks will differ across the globe.

In addition to the observation of a relatively stronger growth dynamic in developed economies when compared with emerging and developing economies, inflation has fallen to significantly low levels in advanced economies and is also experiencing a clear deceleration in emerging economies, with the exception of India so far. While it is expected to rise gradually in the near term, the level will still remain at close to 2%, which is around the level major central banks are targeting. Average inflation in advanced economies stood at only 1.2% y-o-y in September. Hence the fear of rising inflation in past years has receded, and therefore the necessity of investing in the commodities market to protect against inflation has also declined. This has been felt in waning interest in gold, causing a significant price decline in the past months of around 25% since the beginning of the year. This was amplified by the rupee's swift decline in summer, which led to an increase in gold prices in India's currency and a decline of imports into the world's largest gold market.

In referring to commodities as an asset class, it is important to highlight that the ongoing expansion of monetary supply — particularly in the US — continues to lift the equity market, while the correlation between commodity prices and increasing monetary supply has largely faded. This may again be due to the fact that growth in emerging economies has been significantly fuelled by central bank money from developed economies. It has now become more attractive to invest this money in higher-yielding markets at home. The phenomenon has become particularly visible in India, where large foreign investment flows left the country over the summer and moved into other economies. Basically all major emerging economies have been affected, but particularly those with large current account deficits, i.e. India and Brazil.

This development has led to decelerating demand for commodities in these countries, and while some demand pick-up has been observed in OECD economies, it is clear that growth in these countries is less commodity-intensive because the services sector plays a larger role — it is, for example, responsible for more than two-thirds of growth in the US — and manufacturing is less commodity-intensive there. So given the current dynamic it may be sensible to not expect a sharp rebound in commodity prices as supply in almost all commodity sectors also seems to be well established. Hence, a continuation of the current growth dynamic could even lead to some supply overhang.

While price behaviour over the last months has been different among the various commodities, it has taken a relatively clear negative turn in November, with all the major commodity sub-groups declining. Energy prices continued to decline and while the average decline has been modest in agricultural and food-related commodities, base metals were more significantly impacted as were precious metals, with both gold and silver falling out of fashion. While some downside is currently apparent, continued recovery in the major developed economies, a stabilisation of the economy in China and an expected rebound in India should support demand for major commodities in the near future. However, close monitoring of the supply side will be needed, too.

Table 2.1: Commodity price data, 2013

Commodity	Unit	Monthly averages			% Change		
		Sep 13	Oct 13	Nov 13	Sep/Aug	Oct/Sep	Nov/Oct
World Bank commodity price indices for low and middle income countries (2010 = 100)							
Energy		131.6	128.3	125.5	0.5	-2.5	-2.2
Coal, Australia	$/mt	77.6	79.4	82.3	0.8	2.3	3.6
Crude oil, average	$/bbl	108.8	105.4	102.6	0.6	-3.1	-2.7
Natural gas, US	$/mmbtu	3.6	3.7	3.6	5.5	1.7	-1.1
Non Energy		98.5	98.9	97.7	-0.8	0.4	-1.2
Agriculture		103.2	103.7	102.6	-0.2	0.4	-1.1
Food		111.5	112.0	111.0	-0.6	0.5	-0.9
Soybean meal	$/mt	566.0	580.0	557.0	7.6	2.5	-4.0
Soybean oil	$/mt	1,024.0	987.0	992.0	2.5	-3.6	0.5
Soybeans	$/mt	556.0	544.0	555.5	7.8	-2.2	2.1
Grains		111.7	111.7	109.0	-7.6	0.0	-2.5
Maize	$/mt	207.4	201.7	199.1	-13.1	-2.7	-1.3
Wheat, US, HRW	$/mt	307.5	325.7	306.8	0.7	5.9	-5.8
Sugar World	$/kg	0.4	0.4	0.4	2.2	7.3	-5.4
Base Metal		87.3	88.7	86.5	-1.5	1.6	-2.4
Aluminum	$/mt	1,761.3	1,814.6	1,748.0	-3.1	3.0	-3.7
Copper	$/mt	7,159.3	7,203.0	7,070.7	-0.5	0.6	-1.8
Iron ore, cfr spot	$/dmtu	134.2	132.6	136.3	-1.8	-1.2	2.8
Lead	$/mt	2,084.9	2,115.4	2,089.6	-4.1	1.5	-1.2
Nickel	$/mt	13,801.4	14,117.7	13,684.0	-3.6	2.3	-3.1
Tin	$/mt	22,735.1	23,101.6	22,826.9	5.0	1.6	-1.2
Zinc	$/mt	1,846.9	1,884.8	1,866.4	-2.7	2.1	-1.0
Precious Metals							
Gold	$/toz	1,348.6	1,316.6	1,275.9	-0.2	-2.4	-3.1
Silver	$/toz	22.6	21.9	20.8	3.1	-2.9	-5.3

Source: World Bank, Commodity price data.

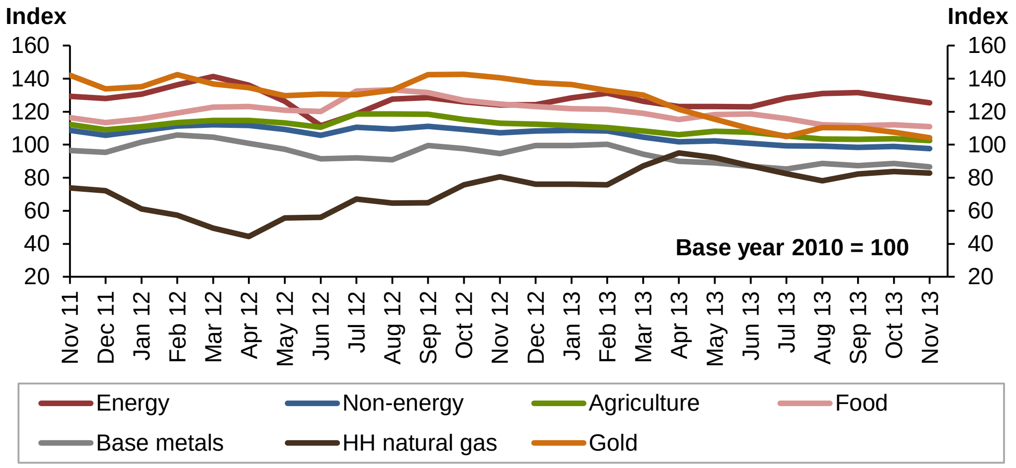
While energy prices have declined by 2.2% m-o-m in November on average, coal prices have gone up, with the Australian coal benchmark rising by 3.6%; the third consecutive monthly increase. Natural gas in the US declined slightly, by 1.1% m-o-m, after achieving solid rises in previous months.

The agricultural and food sectors were relatively resilient, falling by 1.1% m-o-m and 0.9% m-o-m, respectively. After falling by 2.2% m-o-m, soybeans recovered by 2.1%, matching almost all of October's loss.

Base metal prices fell by 2.4% m-o-m in November, after an increase of 1.6% m-o-m in October. The strongest gain came from iron ore, which rose by 2.8% m-o-m in November.

In the precious metals group, the decline continued. Gold fell by 3.1% m-o-m in November, after a decline of 2.4% in October, while silver fell by 5.3% m-o-m in November, compared to a decline of 2.9% in October.

Graph 2.1: Major commodity price indices, 2011-13



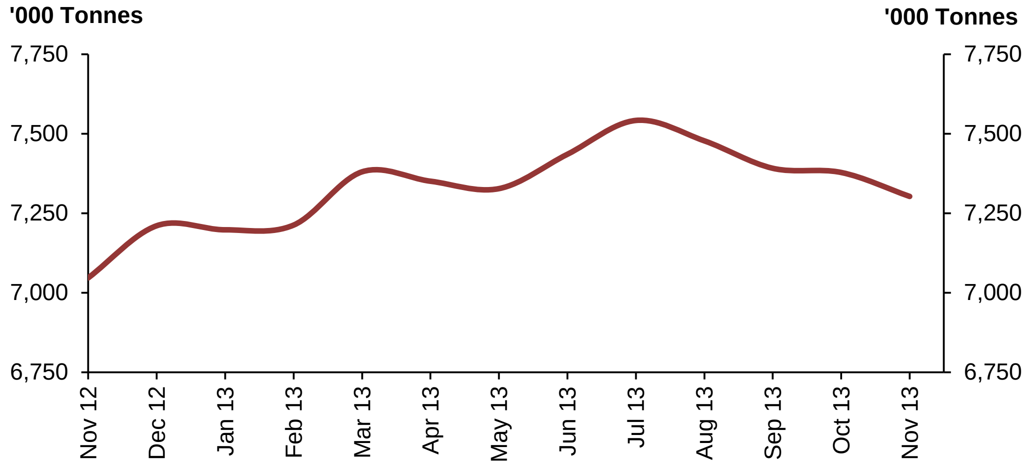
Source: World Bank, Commodity price data.

HH natural gas down slightly in November

In November the **Henry Hub (HH) natural gas price index** ended lower as demand declined in the residential/commercial and power sectors earlier in the month. The index ended down 4¢, or 1.1%, at $3.63 per million British thermal units (mmbtu), after trading at an average of $3.67/mmbtu the previous month. The combined effect of reduced natural gas demand from residential and commercial consumers as temperatures warmed in the Northeast, Midwest, and Southeast, as well as reduced natural gas demand from electric generators, likely pushed the Henry Hub spot price down for three weeks in a row, to its lowest point since the middle of August.

Prices remained relatively low for most of the month; in the last decade of the month prices rallied as colder weather helped raise the cost of natural gas, which increased on eight consecutive trading days from 19 November to 2 December, with the price reaching $4/mmbtu, its highest level since 5 June 2013. There has also been a reduction in seasonal price variations, seen when comparing the differences between natural gas front-month contracts and spot prices. The premium that winter-month futures contracts have over spot prices has diminished considerably in recent years.

Graph 2.2: Inventories at the LME



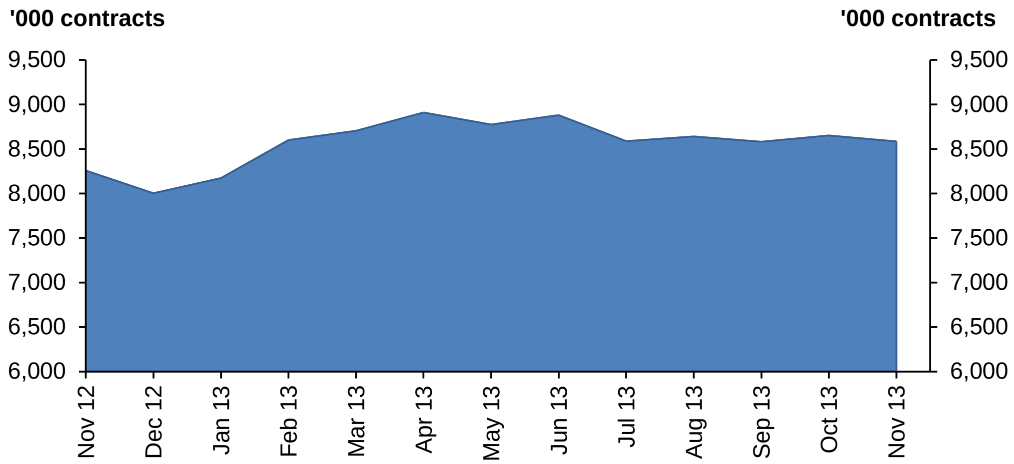
Sources: London Metal Exchange and Haver Analytics.

Investment flows into commodities

Total OIV declined marginally with crude oil OIV posting a heavier drop of 7.7%

The total open interest volume (OIV) in major US commodity markets decreased marginally by less than 1% m-o-m to 8.7 million contracts in November. Cooper and Precious Metal OIVs expanded sharply by 6.5% and 5.7%, respectively. Of the energy indices, crude oil OIV dropped by a hefty 7.7%, while that of natural gas increased marginally by about half a per cent. Gold OIV increased by almost 4%. The remaining commodity OIVs grew by around 1%.

Graph 2.3: Total open interest volume

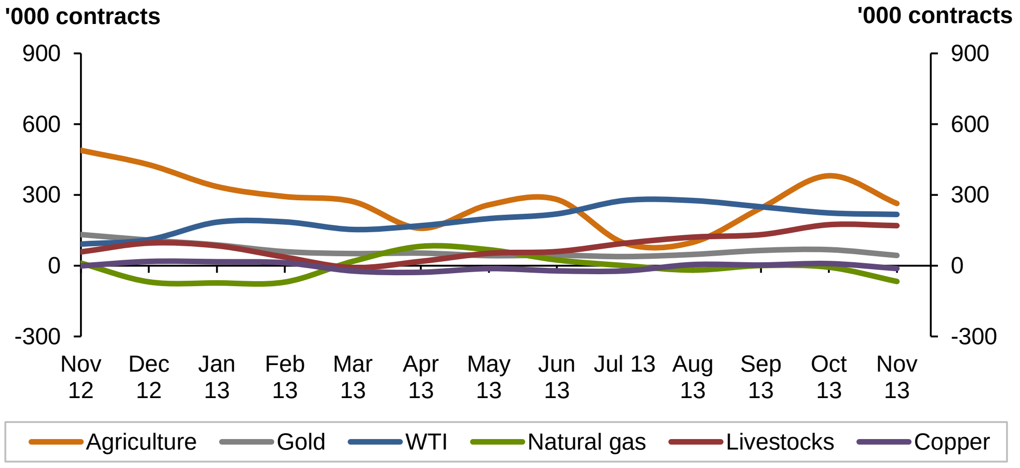


Source: US Commodity Futures Trading Commission.

Total net length speculative positions in commodities decreased sharply by more than 27% m-o-m to 625,161 contracts in November, almost reversing the previous two months' accumulative gains of 30%. Across the board, speculative commodity market sentiments were bearish, except for natural gas. Money managers' activities in copper reflected deep bearish sentiments, turning net length into a net short position, as the US Fed tapering concerns outweighed China's latest demand figures. Meanwhile, in the January–November period, China imported about 4.1 million metric tons of copper and copper products, down 4.8% year-on-year, according to the General Administration of Customs (GAC).

Agricultural OIV was up 1% m-o-m to 4,419,473 contracts in November. Meanwhile, money managers' net long positions in agriculture retreated sharply by over 37% to 263,838 lots in November. Speculators cut their net long position as agricultural futures markets extended their decline to multi-week lows amid pressure from a supply glut. Meanwhile, harvests in the US Midwest are stretching the system for moving crops from fields to markets beyond its limits this year, driving up export costs and crimping profits for both farmers and grain dealers. After years of drought, the bountiful harvests may have come as a relief to America's heartland if not for the severe transportation bottlenecks that have developed.

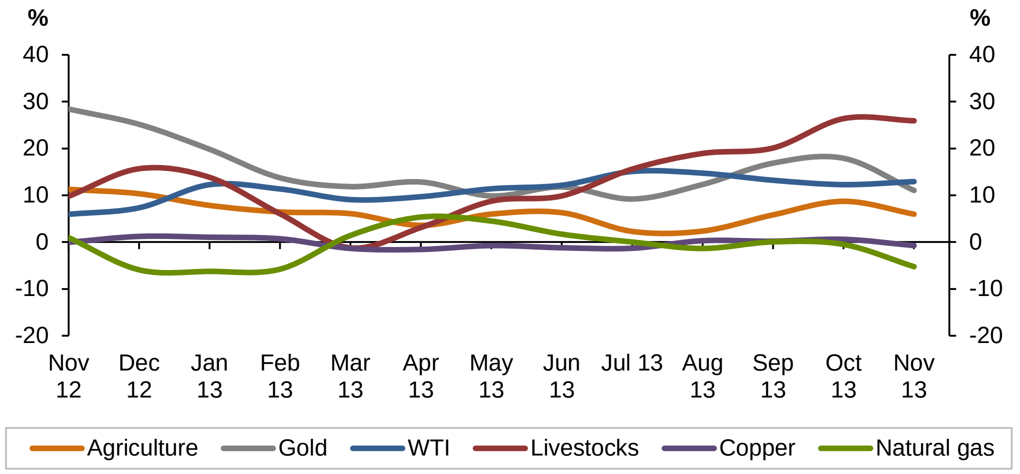
Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

Henry Hub natural gas's OIV increased by less than 1% m-o-m to 1,269,336 contracts in November. Money managers expanded their short positions by 60,287 lots to stand at net short positions of 66,526 lots, ten times more than the previous month. This was driven by lower demand, which declined in all consumer sectors earlier in the month.

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



Source: US Commodity Futures Trading Commission.

Copper's OIV increased 6.5% m-o-m, to 160,944 contracts in November, for the second month in a row. On the other hand, a group of investors flipped their net length positions into 11,749 net short contracts. Speculators reduced net longs as worries that the Federal Reserve may decide to trim its $85 billion monthly bond-buying stimulus hurt demand expectations for industrial metals. Copper is often viewed as a barometer of global economic strength.

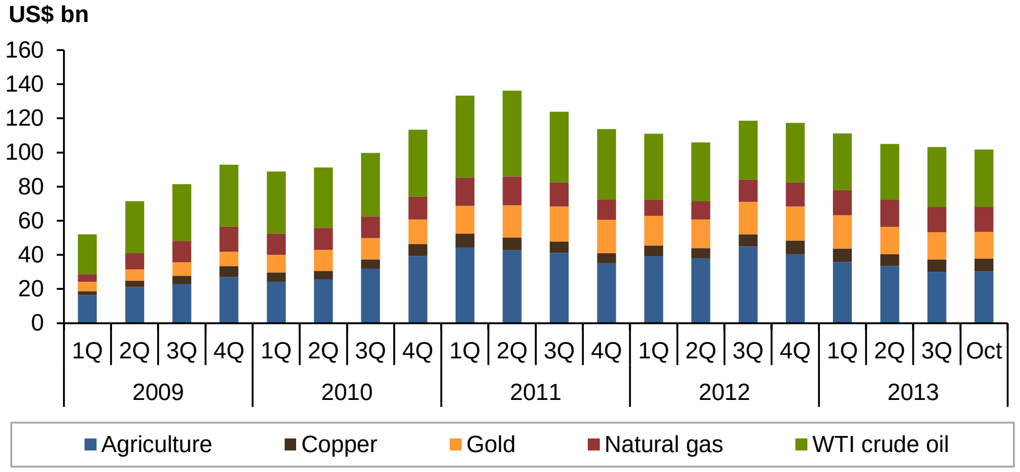
Table 2.2: CFTC data on non-commercial positions, '000 contracts

	Open interest		*Net length*			
	Oct 13	Nov 13	Oct 13	% OIV	Nov 13	% OIV
Crude oil	1,823	1,682	224	12	217	13
Natural gas	1,263	1,269	-6	0	-67	-5
Agriculture	4,374	4,419	381	9	264	6
Precious metals	497	526	83	17	52	10
Copper	151	161	9	6	-12	-7
Livestock	660	656	174	26	170	26
Total	**8,767**	**8,714**	**865**	**10**	**625**	**7**

Source: US Commodity Futures Trading Commission.

Gold's OIV increased by nearly 4% m-o-m to 395,664 contracts in November. However, hedge funds and money managers cut bullish bets in US gold by a hefty 35% m-o-m to 43,671 lots amid renewed fears of Fed stimulus tapering soon. The price of gold fell broadly in November.

Graph 2.6: Inflow of investment into commodities, 2009 to date



Source: US Commodity Futures Trading Commission.

World Economy

Table 3.1: Economic growth rate 2013-14, %

	World	OECD	US	Japan	Euro-zone	China	India
2013	2.9	1.2	1.6	1.9	-0.3	7.8	4.7
2014	3.5	1.9	2.5	1.5	0.7	7.8	5.6

Industrialised countries

US

The US recovery continues at a higher than expected pace. Given remaining uncertainties mainly from the fiscal side, GDP growth assumptions remain at 1.6% for 2013 and 2.5% for 2014.

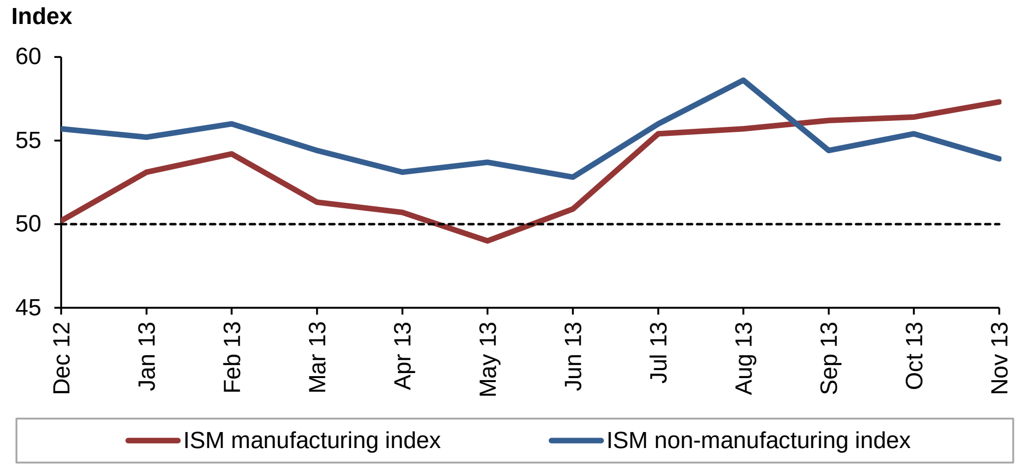
The United States continues to recover at a currently higher than expected magnitude. It remains to be seen if this momentum continues, but the current dynamic as indicated by the most recently published GDP numbers for the third quarter of 3.6% and the better than expected job growth numbers would lead to an upgrade in current growth assumptions, if this trend continues. Better growth would also mean that the Federal Reserve Board (Fed) would decide rather earlier than later on tapering their current extraordinary monetary supply measures. Members of the Fed in the recent past reiterated on many occasions that they would like to reduce the balance sheet risk of the central bank before the growth of the economy demands higher interest rate levels, thereby forcing losses onto the balance sheet. It currently seems that a reduced monetary stimulus would, to some extent, level out the rise of the economy, but if managed sensibly, it should not dampen the current growth level. Moreover, the Fed made clear that a reasonable unemployment rate for cutting back the monetary stimulus would be at 6.5%, and inflation should be around 2%. Both levels have not been reached, but at an unemployment level of 7.0% in November and considering the current job-growth rate, the 6.5% threshold could be achieved in the coming months relatively easily. Inflation remains low at 0.9% y-o-y, but higher inflation should follow particularly with the rising earnings of private households. Another important angle to monitor will be if companies move back to investing in the economy and spend their record-high cash levels less on share buy backs and other means to improve share performance but more on job creation as has become somewhat visible in the 3Q13 GDP numbers with a significant rise in inventory, a signal of confidence in the economy.

Lead indicators and actual output numbers show that the government shutdown at the beginning of October had only a relatively limited effect. The debt ceiling now ends by 7 February, and the funding for the government is authorised up to 15 January. A broader budget agreement will now need to be found in Congress by 13 December, a deadline set by the bipartisan budget conference. After the latest experience in October, there might be a more fruitful base for negotiations to avoid another government shutdown and the risk of a federal default, but given the experience of the past years, any outcome is possible, including another postponement of a broad-based agreement.

The second reading of the 3Q13 GDP growth level was reported at an unexpected high level of 3.6%, much higher than the advanced estimate of 2.8% q-o-q seasonally adjusted annualised rate (SAAR). This was a sharp increase from 2.5% q-o-q in 2Q13. However, a large contribution from inventory building could also provide some increased risk for the 4Q13 numbers to be lower. The improving labour market should provide some support for the last quarter of the year, however. The unemployment rate fell to 7.0% in November, while the job creation numbers have been increasing, as has the participation rate, which rose from the recent low of 62.8% to 63.0%.

The manufacturing sector also continues to improve. The purchasing manager's index (PMI) for the manufacturing sector, as provided by the Institute of Supply Management (ISM), increased to 57.3 in November, from 56.4 in October. Industrial production rose by a healthy 3.2% y-o-y in October, the same level as in September. The ISM for the services sector, which constitutes more than two-thirds of the economy, fell only slightly to 53.9 in November from 55.4 in October.

Graph 3.1: ISM manufacturing and non-ISM manufacturing indices



Source: Institute for Supply Management.

While the momentum of 1Q seems to have been significantly impacted by the fiscal drag, the 2Q and 3Q performances have pointed to some healthy improvements. However, while some fiscal uncertainty remains and other indicators would also need to point to some additional material changes, the GDP growth assumptions remain unchanged to stand at 1.6% for 2013 and 2.5% for 2014.

Japan

Japan's stimulus-induced recovery seems to continue, albeit at slightly lower levels in the third quarter. The GDP growth forecast remains unchanged at 1.9% for 2013 and 1.5% for 2014.

Japan's stimulus-induced recovery seems to continue, albeit at slightly lower levels in 3Q when compared to the first half of the year. GDP in 3Q13 expanded by 1.1% q-o-q seasonally adjusted annualised rate, while 1Q13 grew by 4.5% and 2Q13 by 3.6%. This is still a very solid growth level for an economy that had average GDP growth of around 1% in the past 20 years. Therefore, success of the governmental-led stimulus measures continues, not only because of domestic improvements, but also backed by a recovery in its export markets. However, fiscal challenges lie ahead, a fact that the government has acknowledged. The recent confirmation to move ahead with the planned sales tax increase in April 2014 from 5% currently to 8% confirms the necessity of fiscal consolidation. At the same time, the government has announced that it will counterbalance the negative effects of the sales tax increase via additional fiscal stimulus, but the government has made clear that Japan has no choice but to accomplish economic recovery and fiscal consolidation at the same time.

The debt issue indeed will need an increasing focus in the future given the fact that not only has the public debt level risen significantly in the past years, but that since the newly elected government has, together with the Bank of Japan, supported a loose monetary policy, private household debt has also increased to the relatively high level of almost 110% to GDP. According to the latest IMF estimates, gross debt to GDP in Japan will stand at 244% in 2013 and only negligibly lower in the coming year. The budget deficit is forecast at 9.5%. These debt levels are extraordinary and can only be sustained as Japan is funding most of this debt domestically, but it seems obvious that, while it still can enjoy these high debt levels, it will also need to bring it down in the future in order not to risk unwanted financial repercussions in its economic future.

While within the stimulus efforts, the government is pushing for a 2% inflation target by the end of 2014, inflation currently stands at around 1%. The October consumer price inflation stood at 1.1% y-o-y, following 1.0% in September. This is a partially successful achievement that has been supported by the monetary supply measures that were introduced in April, but it remains to be seen whether or not 2% will actually be achieved. This is of even greater uncertainty when considering that food and energy have been the main driving components for inflation. Without these two categories, inflation was flat in August and September and stood at only 0.3% y-o-y in October. It will be a sensitive issue that average monthly earnings by employees will grow at around the same rate to make this inflation affordable for average households. Recently, the rise in inflation was not matched by the rise in earnings, which grew by only 0.1% y-o-y in September and by 0.6% in October.

Industrial production increased by an impressive 4.7% y-o-y in October, after 5.2% y-o-y in September. This has, to some extent, been fuelled by rising exports, which increased by 18.6% in October and 11.5% y-o-y in September. The second important leg has certainly been improving domestic demand. Retail sales in October rose by 2.3% y-o-y, after September rose by 3.0% y-o-y. Sentiment is pointing to a continuation of the current growth momentum, at least in industrial production. The latest numbers from the PMI, as provided by Markit, show an increase for the manufacturing sector from 54.2 in October to 55.1 in November, while for the services sector, the level fell from 55.3 to 51.8. The consumer confidence index level also fell in October, as provided by the Cabinet Office. While it had moved to 45.1 in September, it fell back to 40.5, its lowest level within a year.

By taking into account the latest trend, the 2013 GDP growth forecast remains at 1.9% for the current year. While growth for the current year is relatively well established, the potential for the next year remains to be seen. The increase of the consumption tax is expected to largely impact the 2Q14 growth number, which is now expected to be flat, after a more significant rise in 1Q14 ahead of the tax rise. Taking into consideration this negative impact and its continued drag for the remainder of the year and also some slower underlying momentum in 2014 due to reduced public spending, the economy's growth forecast for 2014 remains at 1.5%.

Euro-zone

The Euro-zone's recovery continues after it had moved out of recession in the second quarter. The GDP growth forecast for 2013 remains at minus 0.3%. The 2014 forecast remains at 0.7%.

The Euro-zone's economy continues to recover, but the dynamic of this rebound seems to be relatively modest. After the 2Q growth of 0.3% q-o-q, the economy managed to expand at only 0.1% in 3Q. Lead indicators point to a continuation of a more fragile pattern. Moreover, with the latest setbacks of the French economy in particular, it becomes obvious that the recovery is relatively uneven. Therefore, the expectation of a low-growth economy seems to be a reasonable assumption for at least the near term. Also, the still high unemployment rate is a hurdle that is providing a significant challenge to the economy. This slow growth has led to record-low key policy rates by the European Central Bank (ECB), which has been maintained in its latest rate-setting meeting at the beginning of December. While this is one angle of the monetary support, there might be further measures of quantitative easing being introduced if no improvement in the still impaired monetary transmission channel is seen in the coming months. It will also be of great interest to see what the outcome of the ECB's current stress tests for the system-relevant commercial banks will be, an exercise that is aiming to raise confidence in the banking sector, whose weakness continues to drag on growth of the Euro-zone as it is keeping the financial intermediaries from expanding loan creation, while focusing instead on shoring up their balance sheets.

The recovery is also uneven with Germany, recovering faster than other economies particularly when compared to the second biggest economy in the Euro-zone, France. The Q3 GDP in Germany expanded by 0.3%, while France's GDP declined by 0.1%, and even in ailing Spain, it grew by 0.1%. Industrial production in France declined for three consecutive months up to September, the latest available number, when it fell by 0.9% y-o-y. To the contrary, industrial production in Germany expanded by 1.1% y-o-y in September and in Spain by 4.0% y-o-y, albeit this is coming from a low base. Lead indicators confirm the unevenness of the Euro-zone's growth pattern. The latest PMI for manufacturing, as provided by Markit, stood at 51.6 in November, after 51.3 in October. It reached 52.7 in Germany, but only 48.4 in France. A level below 50 indicates a contraction of the sector. Positively, in Italy, it reached 51.4 and in Spain, it stood at 48.6, pointing to continued challenges in the economy despite the recent uptick of its growth numbers. So, while on average the economy is improving tenderly, the main issues of the Euro-zone remain patchy growth, record unemployment and the impaired monetary transition channel, now exaggerated by the very low inflation levels of only 0.9% y-o-y, particularly low compared to the ECB target of below, but close to 2%.

The lagging indicators of the labour market have not improved, based on the latest data release. The unemployment rate stood at 12.1% in October, only slightly below the record level of 12.2% in September. Youth unemployment stood at 24.4% in

October, the highest level on record. Among the larger economies, Spain recorded again the highest unemployment rate at 26.7% general unemployment and 57.4% youth unemployment, both unsustainable on the long term. Taking into consideration that these numbers are harmonised and take into account that they do not consider unemployed that have moved out of the social security system or are in education programmes, it becomes clear that there is an increasing pressure for reviving growth again in the Euro-zone. Despite the still very weak situation of the labour market, retail trade has increased on a yearly basis in October, when it rose by 0.3% y-o-y, after a rise of 0.2% y-o-y in September, which marked the first rise in more than two years.

Taking into consideration the 3Q GDP number and the ongoing trend, the forecast for 2013 remains at -0.3%. The 2014 GDP growth forecast also stays unchanged at 0.7%. It remains to be seen to what extent the economy will manage to rebound in the coming months as many uncertainties prevail, but it will certainly need the larger economies of namely Germany and moreover France to improve, with the other peripheral economies, supporting growth too.

Emerging and developing economies

More upside potential for China and India than Brazil and Russia

The benign economic outlook provides favourable conditions for structural reforms in **China**. The third plenary session of the 18th Communist Party of China (CPC) Central Committee, which concluded on November 12, outlined an ambitious reform plan for the next five to ten years, laying out 60 reform tasks addressing a variety of areas. In **India**, this year, sluggish growth, high inflation and a sliding Indian rupee resulting from worsening global financial conditions have highlighted the weaknesses of that economy. This has made international investors much more cautious. Elsewhere, the downside risks to the economies of **Brazil** and **Russia** appear to be increasing. Both economies showed disappointing GDP growth rates in the 3Q of this year. Brazil’s GDP forecast, however, is less skewed to the downside when compared to Russia which is seen as being impacted by retreating investments and stagnant retail sales amid no apparent efforts towards structural reforms needed to attract foreign investment. An average growth of 2.5% in Brazil’s GDP remains within reach, taking into account less turbulent financial markets by tapering speculation as well as government efforts to revive the economy over the short term.

Table 3.2: Summary of macroeconomic performance of BRIC countries

	GDP growth rate		CPI, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Brazil	2.5	2.8	6.2	5.7	-77.9	-84.7	-3.1	-3.3	59.4	60.6
Russia	1.7	2.6	6.4	5.5	55.7	41.5	-0.5	-0.5	8.1	8.2
India	4.7	5.6	9.6	8.7	-74.8	-72.3	-5.2	-5.0	51.8	51.1
China	7.8	7.8	2.6	3.4	181.8	169.9	-2.1	-2.0	16.4	17.0

Source: OPEC Secretariat, Economic Intelligence Unit and Financial Times.

Brazil

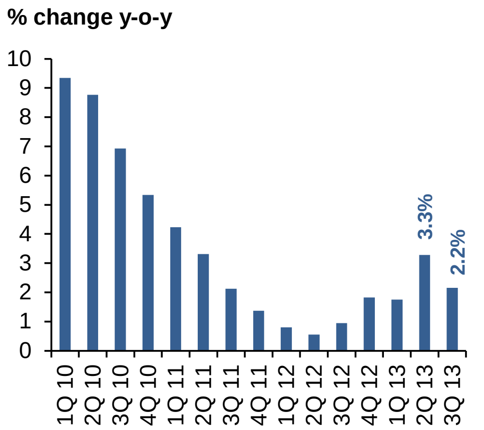
Brazil’s GDP forecast remains at 2.5% and 2.8% for 2013 and 2014, respectively.

The latest data published early this month showed that the economy of Brazil grew at a slower pace in the 3Q of this year compared to its previous three months. The **GDP** expanded by 2.2% y-o-y down from 3.3% y-o-y in the 2Q. A q-o-q comparison shows that GDP fell 0.5% in the July to September period from the previous three months. This marks the biggest drop since the 1Q of 2009. This deceleration is attributed to the above-target inflation, a deteriorating fiscal account and rising interest rates which weakened confidence and crimped investment.

Investment in the 3Q grew by 7.3% y-o-y, compared with 9.1% in the 2Q of this year. Last month, investors were pessimistic about the economy with 10% saying the nation can avoid a credit-rating downgrade in the next year, according to a market survey. Moody’s Investors Service last month followed S&P in lowering its outlook on Brazil to stable from positive. Moody’s cited the country’s 59% **government debt-to-GDP ratio**, compared with a 45% median for other nations whose sovereign bonds have the same rating. The two rating companies highlighted the increase in public lending.

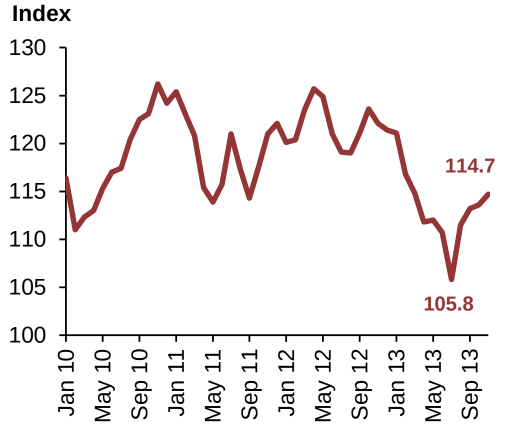
Private consumption also added to the negative calculations, decelerating from approximately 2.6% in 2Q13 to 2.3% in 3Q13. Furthermore, growth in **exports** posted 3.1%, down from 6.3% in the 2Q, and while imports pace jumped from 7.8% to 13.7% in 3Q13. The consumer confidence index posted the lowest quarterly reading in the 3Q of this year since the 3Q09, at 110.2.

Graph 3.2: Brazilian quarterly GDP growth, NSA



Source: Instituto Brasileiro de Geografia e Estatística and Haver Analytics.

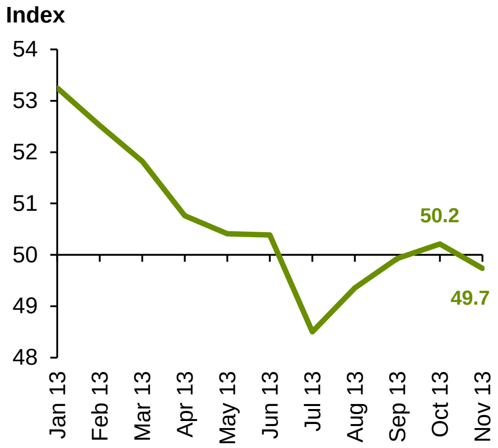
Graph 3.3: Brazilian consumer confidence index, NSA



Sources: Fundação Getúlio Vargas and Haver Analytics.

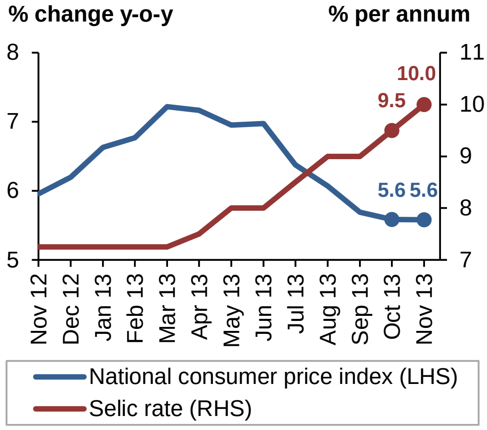
The Central Bank of Brazil last week raised its benchmark **interest rate** 'Selic' for the sixth straight time, to 10%, marking 275 basis points of increases since April of this year. **Inflation** showed a fractional slowness in October to 5.6% from 5.7% in the previous month, while consumer confidence improved to 114.7 last month, up from 113.6 in the earlier month. The unemployment rate fell in October to its lowest reading since December of last year, posting 5.2%, from 5.4% in September. The HSBC Brazil manufacturing **PMI** fell to 49.7 in November, from 50.2 in October. This signals a deterioration of operating conditions across the country's manufacturing sector. Although marginal, the latest contraction was the fourth in 2013 so far. The survey showed that amid reports of subdued demand conditions and competitive pressures, order book volumes decreased in November. The index measuring new orders posted below the no-change threshold of 50.0 for the fifth successive month and was indicative of a marginal decline overall. New business from abroad stabilised in November, following a seven-month sequence of contraction. Output rose for the third successive month in November, but the rate of expansion was only slight and eased from that seen one month previously.

Graph 3.4: HSBC Brazil manufacturing PMI



Sources: HSBC, Markit and Haver Analytics.

Graph 3.5: Brazilian inflation and interest rates



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

The lower GDP growth in the 3Q has put more downwards pressure to our forecast of 2.5%, requiring the economy to grow by 2.7% in the final three months of the year. Such pace of growth, however, remains within reach taking into account the less turbulent financial markets by tapering speculation as well as the governmental efforts to revive the economy over the short-term. That being said, the forecast of this month has not changed for both 2013 and 2014, though the focus will be on the economy in the coming weeks for additional insights.

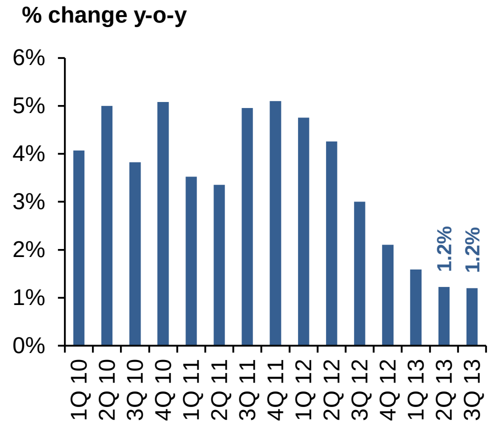
Russia

Growing downside risk in Russia, making further GDP revisions more likely in the near future

Russia's economy is apparently experiencing its worst slowdown this year since the 2009 recession. Economic growth has slowed every quarter since the 4Q11, when **GDP** expanded 5.1%. GDP grew by 1.2% in the 3Q, the same pace as in the previous three months. This deceleration is mainly attributed to weak investment and slowing domestic demand.

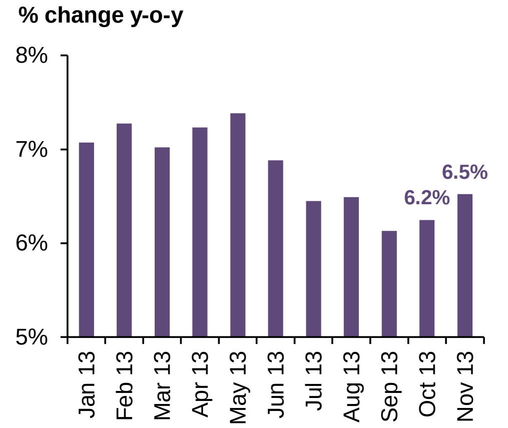
According to the Russian Federal Statistics Service, **consumer prices** rose 6.5% last month y-o-y after a 6.3% increasing in October. This is the second consecutive quickening in inflation as the central bank conceded that price growth would exceed the target range for a second straight year. Consumer prices rose 0.6% m-o-m in November, the same pace as in October. The Economy Ministry raised its forecast for 2013 inflation to 6.2% this week suggesting that non-monetary factors will bring it above this year's target. **Fixed-capital investment** shrank for a third month in a row in Russia, falling 1.9% in October y-o-y after a 1.6% drop in September. Investment has been stagnating since mid-2012. The Economy Ministry now envisages it growing just 0.2% this year, nowhere near its earlier forecast of 2.5%. It should be noted, however, that the weak growth of investment in last year's 4Q may result in a relatively better figure on the last three months of 2013 due to the base effect. Likewise, some recovery is anticipated in the **agricultural production** in the 4Q due to the base effect compared to 2012. The recently proposed legislation which would impose additional restrictions on foreign ownership in the Russian real estate sector will likely further tarnish foreign investors' perception of Russia's business environment. After all, an increase in private investment is unlikely without structural reforms to the financial sector and the business environment.

Graph 3.6: Russian GDP growth, NSA



Source: State Committee of the Russian Federation and Haver Analytics.

Graph 3.7: Russian consumer price index



Sources: Federal State Statistics Service and Haver Analytics.

The central bank left **interest rates** unchanged for a 14th month last month despite continued disappointing news on economic developments. The key one-week minimum repo rate will remain at 5.5%, the overnight or Lombard rate will remain at 6.5%, and the fixed overnight deposit rate will stay at 4.5%. The pace of consumer price inflation picked up again in October to 6.3% y-o-y due to hikes in the cost of some fresh produce items and livestock products, which are not typical for the season. The basic index of consumer prices, a core inflation measure, was held steady at 5.5%, the same rate seen in October 2012. Retails sales showed little improvement in October, increasing by 3.5% y-o-y, compared with 3.0% the month before. Contracting by 0.1%, industrial production continued its weak performance for a sixth month in

October, while the jobless rate increased in the same month to its highest since April 2013 at 5.5%.

The growth momentum among manufacturers turned negative last month. The November HSBC Russia **manufacturing PMI** survey found that growth of both output and new orders slowed to marginal rates, while manufacturers continued shedding staff for the fifth month running. The index fell to 49.4 from 51.8 in the previous month. The latest contraction in the manufacturing sector marks the fourth overall deterioration in the past five months. The Economy Ministry cut its 2013-2015 GDP growth forecast after months of data pointing to stagnant corporate investment as well as declining growth in consumer demand. The latest forecast sees downward revisions announced early this month with GDP seen growing by 1.4%, 2.5% and 2.8%, down from 1.8%, 3.0% and 3.1% in 2013, 2014 and 2015, respectively.

In conclusion, the latest developments obviously point to the downside despite some better figures that might be seen in the 4Q due to the base effect. However, the coming few weeks should bring more insight as to the magnitude of the continued stagnation in the economy. In the meantime, the December forecast and last month's forecast remain alike.

India

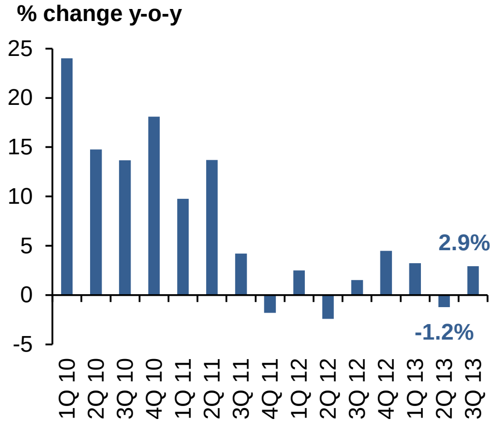
India's GDP growth rose 4.8% in 3Q13 from a year earlier, compared with 4.4% in the previous quarter

Wholesale price inflation rose to 7% in October compared to 6.5% in September. The increase was driven by the weaker Indian rupee and high food prices. This may put more pressure on the Reserve Bank of India (RBI) to raise rates again at the next meeting. However, recent comments by the RBI governor suggesting that he is comfortable with the current monetary policy stance, together with a still sluggish real economy, point to the repo rate staying at 7.8% in the coming months.

The rupee has been on a roller coaster ride this year. At the start of the year, US$/INR was around the 53.5 level only to begin a free fall and hit a trough of 69 in August at the Fed's hints of tapering. Sharp rupee depreciation resulted in policymakers taking steps to compress the current account deficit and attract flows to ensure its financing. This resulted in the current account deficit collapsing in the July-September period to an estimated less than 1% of GDP, with adequate capital flows to fund it. Consequently, the currency mean reverted swiftly to the 62-63 range as confidence was re-engendered.

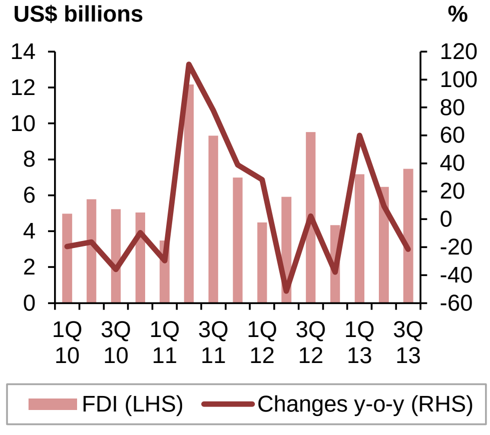
The strong monsoon and harvest season are expected to push food prices lower starting in November. Nonetheless, if inflation continues to accelerate, the risk of another rate hike at the December review will rise meaningfully. The Indian rupee has depreciated in recent days, mostly because 30-40% of dollar demand by oil companies (which was being met by a special swap window at the RBI) has now moved to the market as part of the RBI's efforts to scale back the emergency measures.

Graph 3.8: Indian gross fixed capital formation (GFCF)



Sources: Central Statistical Organization and Haver Analytics.

Graph 3.9: Indian foreign direct investment (FDI)



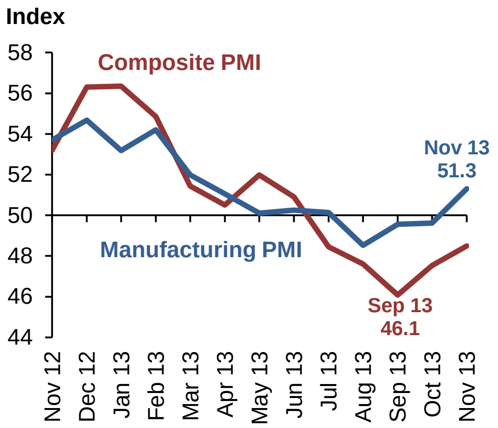
Sources: Reserve Bank of India and Haver Analytics.

Consumer spending fell by 3% relative to the baseline, while investment fell by more than 6%, although the weaker currency leads to a decline in imports and an increase in exports. This year, high inflation, slow growth, and a weakening rupee reflecting worsening global financial conditions have highlighted the weaknesses in the Indian economy. This has made international investors much more cautious. Growth in domestic demand is forecast to ease from 5.5% in 2012 to 2.3% in 2013, affected by high inflation and the loss of monetary policy support, as well as tighter credit conditions. Despite the mentioned weakness, Indian GDP growth rose 4.8% in the three months ending September from a year earlier, compared with 4.4% in the previous quarter.

The expectation for GDP growth rate for 2013 and 2014 remains unchanged at 4.7% and 5.6%, respectively. On balance, however, all of these dynamics are expected to drive a cyclical lift and, in the process, could end up increasing producer pricing power and keep core inflation elevated. For growth to get a sustainable lift it is critical that the private investment cycle finally kick in. This may have to wait for political uncertainty to resolve after the general election next spring.

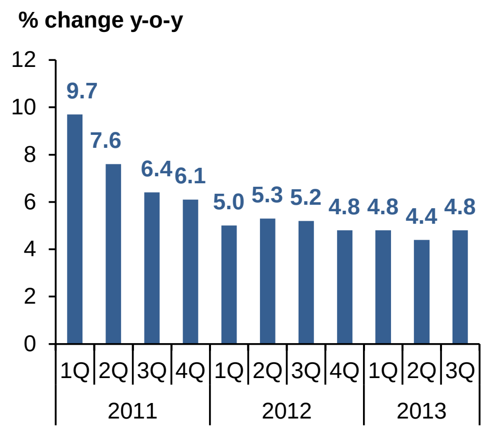
India's industrial output data disappointed again in September, with the industrial production index rising a meager 1.96% y-o-y.

Graph 3.10: Indian PMI, seasonally adjusted



Sources: HSBC, Markit and Haver Analytics.

Graph 3.11: Indian GDP growth (SAAR)



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

China

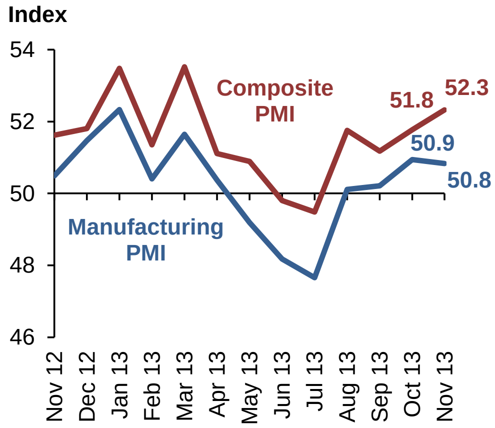
China's Central Committee plenary outlines ambitious reform plan for the next 5-10 years, with 60 reform tasks in a variety of areas

Economic activity in China remained solid after a strong 3Q, although the growth momentum eased somewhat going into November. The flash reading for the November Markit manufacturing PMI moderated to 50.4, compared to the final reading of 50.9 in October. The slightly better-than-expected reading in October economic activity data, plus the latest flash manufacturing PMI, point to still solid growth in the near term, although momentum likely peaked in the 3Q.

The 3Q national accounts data confirmed our belief that Chinese activity had picked up, with GDP growth of 7.8% year-on-year even higher than we had expected. Industrial production and investment were particularly strong, with more recent monthly indicators suggesting that some of this strength will continue into the 4Q. As a result the forecast of 7.8% remains unchanged for this year and next year.

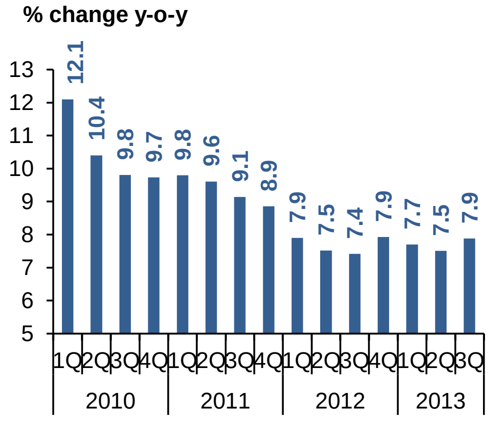
Some of the economy's strength in 3Q reflects fiscal expansion earlier this year to boost activity, together with a rise in credit growth (which peaked in 1Q). Slower credit growth since then suggests that GDP growth will start to fall off and the net increase in renminbi loans in October was the smallest so far in 2013. This year therefore looks set to see a cyclical peak in activity, with growth gradually slowing over the medium-term.

Graph 3.12: Chinese PMI



Sources: HSBC, Markit and Haver Analytics.

Graph 3.13: Chinese GDP growth (SAAR)



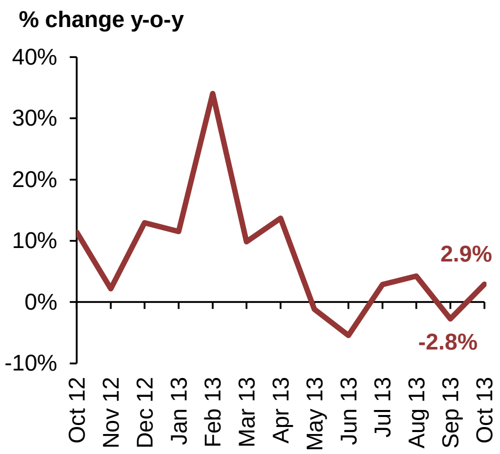
Source: China's National Bureau of Statistics and Haver Analytics.

China's Ministry of Commerce issued data showing that utilised foreign direct investment (FDI) amounted to $8.41 billion in October, having grown by 1.24% y-o-y. This represents a sharp slowdown from last month's 4.9% growth. In cumulative terms, growth slowed marginally, down to 5.8% y-o-y through October, from 6.2% during the first three quarters of the year. Sectoral distribution services attracted 51.3% of total FDI, manufacturing and industry 39.5% and resource extraction less than 2%.

The benign economic outlook provides favourable conditions for structural reforms. The third plenary session of the 18th Communist Party of China (CPC) Central Committee, which concluded on November 12, outlined an ambitious reform plan for the next five to 10 years, laying out 60 reform tasks addressing a variety of areas .On the economic front, the priorities include administrative reform, financial reform, fiscal reform, land reform and resource pricing reform. The report highlighted that the market should play a "decisive" role in resource allocation, in contrast to the previous language used of having a "basic" role.

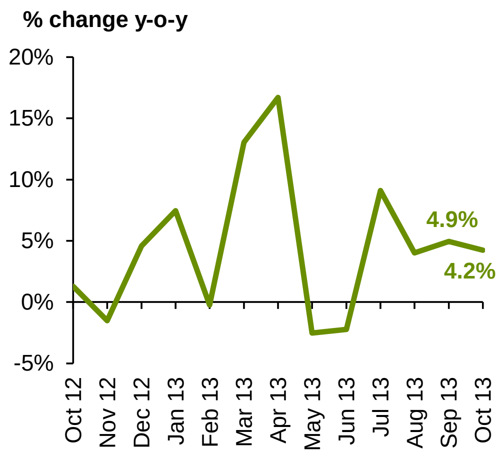
The efficacy of these reforms depends on concrete policy action, so it is crucial to watch out further concrete details and timelines to determine their ultimate impact. While these reforms will benefit long-term growth, some (e.g. those dealing with overcapacity and financial imbalances) will likely be a drag on economic growth in the near term.

Graph 3.14: China's merchandise exports, fob



Sources: China Customs and Haver Analytics.

Graph 3.15: China's merchandise imports, cif



Sources: China Customs and Haver Analytics.

In the near term, it seems the government of China will maintain a pro-active fiscal policy (modest easing) and a neutral monetary policy. No change is expected in policy rates and "credit tapering" will continue (i.e. credit growth will slow but will remain much higher than nominal GDP growth). In addition, we expect regulators will strengthen regulation and supervision of speculative financial activity in shadow banks and banks' interbank assets, which may lead to more a cautious attitude of financial institutions in interbank and credit markets.

Chinese exports value index rebounded to show growth of 2.9% y-o-y after a slump to -2.8% in September. During the same period, Chinese imports decreased to 4.2% in October from 4.9% in September. Year-to-date export growth edged down to 7.8% from 8.0% in August, although that decline in cumulative terms is partly the result of capital flows disguised as trade, which inflated growth during the 1Q of the year. Cumulative import growth remained steady at 7.3% for the first 10 months of the year.

Other Asia

Strong improvement in Taiwan's manufacturing sector

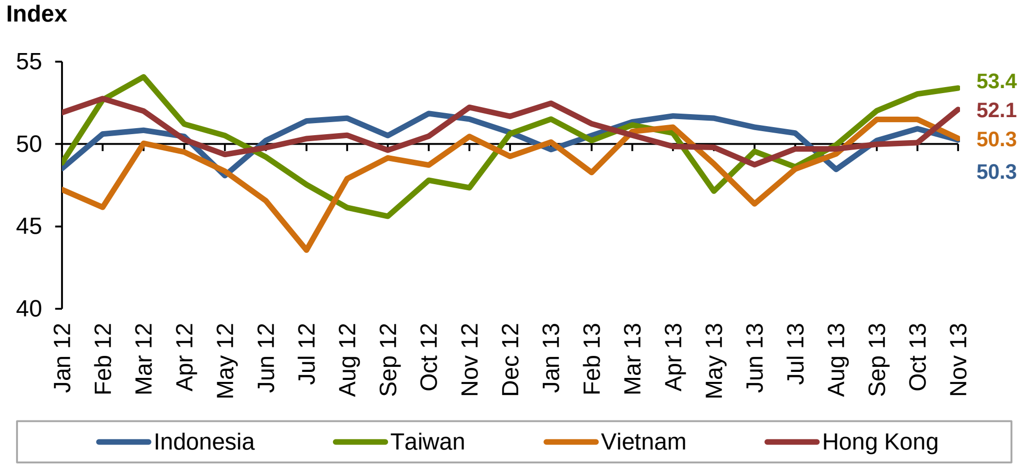
The central bank of **Indonesia** attributed the rupiah's recent decline to external factors and increased dollar demand toward the end of the month. Indonesia's rupiah weakened beyond 12,000/$ in late November for the first time since 2009 after a failed debt sale added concerns that fund inflows are slowing on the prospect of a cut in stimulus by the Federal Reserve. The central bank increased the benchmark interest rate by 1.75 pp this year to 7.5%, while the government eased mineral-export quotas and raised import taxes on luxury goods to reduce the current account shortfall. The deficit narrowed to 3.8% of GDP last quarter, from a record 4.4% in the previous period. Foreign reserves fell 18% from the end of last year to $92.7 billion in July, the lowest level since 2010. The Bank of Indonesia's foreign currency holdings have since climbed to $97 billion in October. The significance of the 12,000 level diminishes as foreign reserves improve and the current account gap narrows; these show government measures are working. Indonesia's manufacturing activity slowed last month led by a contraction in output. However, the HSBC PMI survey signalled an increase in total new orders, while the downturn in new export work continued in November. The PMI fell slightly from 50.9 in October to 50.3 in the latest month.

Vietnam's manufacturing economy witnessed slower growth in November to a fractional pace as a fall in new orders broadly offset continued expansion of output and employment. The country's manufacturing PMI recorded 50.3 during November, down from 51.5 in October. As for **Taiwan**, it experienced the strongest improvement of operating conditions with the growth of both output and new orders hitting a 2-month high last month. Accordingly, Taiwan's manufacturing PMI figure posted at 53.4, up from 53.0 in October. The survey also showed the manufacturers' solid accumulation of work-in-hand. The pace of growth in **Singapore**'s manufacturing activity eased in November on weaker production and new orders. The Singapore Institute of Purchasing & Materials Management's PMI fell to 50.8 from October's 51.2.

The economy of the **Philippines** grew at the slowest pace in over a year during the last quarter. Super Typhoon Haiyan caused damage that further crimped the outlook for the economy's full-year expansion before a reconstruction boost. The GDP rose 7% in the three months through September from a year earlier, compared with a 7.6% gain in the previous quarter. Private consumption rose 6.2% from a year earlier, while government spending gained 4.6%. The industry sector grew 8.2% last quarter from a year earlier, compared to a 10.3% pace in the previous three months. Construction growth slowed to 4.7%. Industry sources estimated the damage to residential, commercial, and agricultural properties from Haiyan at between $6.5 billion and $14.5 billion. While increased spending has sheltered the nation from global turbulence, the government has said growth will probably ease this quarter after Haiyan destroyed roads, farms, towns and an entire city in the Visayas group of islands. The impacts of Haiyan are likely to be seen on GDP in the 4Q and until the first half of 2014. The economy, however, has favourable fundamentals in terms of strong domestic demand, low interest rate and moderate inflation. The government plans to increase the budget to a record in 2014 and boost spending on roads, schools and ports.

The bank of **Thailand** cut its benchmark interest rate last month by a quarter of a percentage point to 2.25%. This marks the second rate cut this year as escalating anti-government protests threaten investor confidence and local demand, hurting the nation's growth outlook. Late last month, the Thai central bank cut its 2013 growth forecast to about 3% from 3.7% earlier, and its 2014 estimate to about 4.0% from 4.8%. Political noise could increase investor cautiousness as the Fed's tapering of quantitative easing draws closer.

Graph 3.16: Manufacturing PMIs: Other Asia



Source: HSBC, Markit and Haver Analytics.

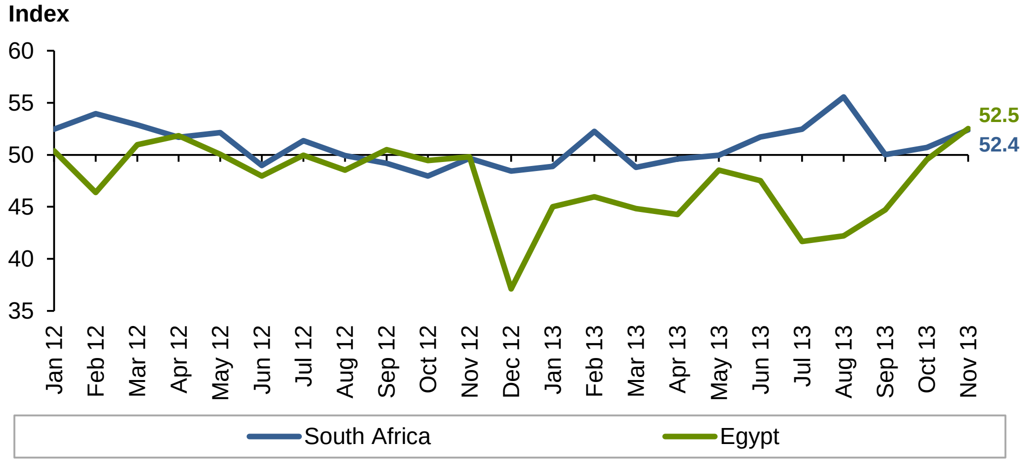
Africa

Notable improvements in Egyptian and South African manufacturing

The biggest economy in Africa grew at the slowest pace in more than four years in the 3Q amid strikes at car plants cut manufacturing output. **South Africa**'s GDP rose an annualized 0.7% compared with the 2Q, when output increased a revised 3.2%. Strikes by workers at carmakers in the 3Q curbed output from an industry that accounts for almost 10% of the economy. Manufacturing output, which makes up 15% of the economy, declined an annualized 6.6% in the 3Q, the only industry to contract. Mining climbed an annualized 11.4%, agriculture gained 3.6% and construction increased 2.1%. General government services expanded 0.4% and the retail and finance industries rose 1.3% each. The reserve bank has cut its 2013 economic growth forecast last month to 1.9% from 2.0% and kept the benchmark repurchase rate at the lowest level in more than three decades to help support consumer spending. The reserve bank said that there is no room for cutting interest rates as further currency weakness my fuel inflation. South Africa's current account deficit widened to 6.8% of GDP in the 3Q, the biggest gap in more than five years, as a weak currency boosted import costs while strikes and subdued global demand hurt exports. The gap in the current account grew to an annualized $22.6 billion. In November, South Africa's PMI posted 51.6 to signal a second consecutive improvement in overall operating conditions at the country's private sector companies. This reading is the strongest in 11 months, although up only fractionally from October's 51.5. The survey detected an acceleration in new orders growth in addition to the first increase in export orders in six months.

Egypt's economy has received a vote of confidence as the rating agency Standard & Poor's raised the country's sovereign credit ratings to B- which reflects a stable outlook. This upgrade means that Egyptian authorities have secured sufficient foreign currency funding to manage the country's short-term fiscal and external financing needs. Cash inflow from GCC countries is the main driver behind this improvement. Egypt's non-oil producing private sector companies reported solid increases in activity and new orders in November, with the rates of expansion being the quickest recorded in survey history. At 52.5, the headline PMI edged back into expansion territory in November, ending a 13-month period of deteriorating operating conditions in Egypt's non-oil producing private sector.

Graph 3.17: Manufacturing PMIs: South Africa and Egypt



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

The parliament of **Morocco** approved 2014 budget of €30 billion, 3.1% less than the 2013 budget. The new approved budget foresees reducing the deficit-to-GDP ratio to 4.9%, down from 7% in 2013. The 2014 budget consists of austerity measures imposed on the fund used to subsidise basic consumer items. The official forecast of next year's GDP growth stands at 4.2%.

The fiscal deficit in **Ghana** is forecast to narrow to 8.5% of GDP in 2014 from an estimated 10.2% this year, according to official statement. Ghana is struggling to reduce a budget gap that reached 12% of economic output in 2012 during a presidential election year. The government has tried to compensate for a rise in public wages which now amount to 74% of tax income, by cutting subsidies for fuel, water and electricity. It also raised the value-added tax rate last month to 15% from 12.5%. Fitch Ratings last month lowered Ghana's credit rating to B from B+ as the government failed to achieve its fiscal deficit goal of 9% for this year and overran spending on interest payments.

Latin America without Brazil

Latin America growth seen at 3.1% in 2013 and 3.2% in 2014

Mexico's GDP increased 0.8% in the 3Q from the previous three months, the national statistics agency reported. This marks a rebound from a revised 0.5% contraction from April through June. The record low 3.5% benchmark interest rate and government spending seemed to be spurring the economy. The congress in Mexico last month approved a 2014 budget deficit of 1.5% of GDP. This is the widest gap in four years and will allow the government to increase spending in a bid to stimulate the economy. The government estimates the economy will grow 1.3% this year, signalling the slowest growth pace since 2009. The central bank has cut interest rates three times in 2013 and signalled that further reductions would not be advisable.

Argentina's dollar reserves have plunged 29% this year to $30.9 billion, their lowest levels since December 2006. The government uses the funds to pay international debt and import energy. The government raised the tax charged on credit card purchases in foreign currency to 35% from 20% in a bid to stem the drop in Argentina's international reserves.

Colombia's 2Q GDP was higher than expected by most analysts and unemployment rates achieved one-digit drops for four consecutive months up to August. Colombia's industrial sector is facing some difficulties related to lower external demand due to uncertainties in the developed world and an appreciated exchange rate.

Consumer prices in **Bolivia** increased 0.73% in October. Inflation for the past 12 months through October stands at 7.5%, the highest rate since 2011. Accumulated inflation stands at 6.43%, while the detailed breakdown of the index shows the food and non-alcoholic beverages and restaurants components with price increases above the October CPI, exhibiting growth rates of 1.47% and 0.94%, respectively.

Data released by the central bank of **Peru** shows that GDP growth weakened to an annual 4.4% rate, following 4.6% and 5.6% y-o-y during the first two quarters of 2013. The latest figure signals the slowest growth since the 3Q of 2009. The central bank decided to cut its reference interest rate for monetary policy from 4.25% to 4.0% last month for the first time in four years as weak global growth curbs demand for metals that account for half of Peru's export revenue. Exports fell 16% in September from a year earlier as copper and gold sales declined, taking this year's drop to 9.4% and leaving a $932 million trade gap, the widest since 1999. Business sentiment is rebounding after the government began reducing bureaucratic delays on $27 billion of private investment and the central bank intervened to halt the currency depreciation.

Transition region

Nominal retail sales in **Poland** rose 3.2% y-o-y in October, which constitutes the slowest rate since June and falls below the consensus figure of 4.3% y-o-y. October growth was boosted by continued strong sales in the automotive category. In real terms, retail sales were somewhat stronger, rising 3.7% y-o-y. Although retail sales are improving, Poland's registered jobless rate has been stagnating, remaining at 13.0% in October for the third consecutive month. In a y-o-y comparison, the jobless rate was up by 0.5 pp. Average paid employment in the enterprise sector continued to decline in October, down 0.2% y-o-y, but this was the slowest rate of decrease in a year.

The central bank of **Hungary** continued to cut its interest rates, reducing the main policy rate by another 20 basis points to 3.2%, another record low for the rate following the 16th consecutive reduction in as many months. Additionally, inflation remains subdued, at historically low levels. In November, the 11.1% reduction in utility prices will further deflate annual inflation when those numbers come out. Economic growth remains sluggish. Although strong infrastructure spending helped to end the recession, domestic demand is struggling to expand again. Bosnian exports rose just 2.2% y-o-y in October, down from 3.8% y-o-y in September and from a cumulative rate of 7.0% y-o-y in the first nine months of the year. Hungary's economic sentiment index jumped to its strongest level in more than two and a half years in November as businesses and consumers became more optimistic about their prospects.

According to the agency for statistics of **Bosnia and Herzegovina**, imports fell 3.8% y-o-y in October, marking the eighth consecutive month of decline. As a result, the monthly trade gap improved, shrinking 9.2% y-o-y. With the EU accounting for nearly three-quarters of external demand, any weakening of the economic rebound in key trading partners, which include Germany, Italy and Croatia, could erode the growth outlook for Bosnia's economy.

Albania's trade gap in October narrowed by 12% y-o-y. In September, the trade gap had eased by around 25% y-o-y, following a strengthening of 15% y-o-y in the two preceding months. As has been the case recently, the improvement in October largely drew from strengthened exports; external sales surged by 17% y-o-y, whereas imports remained virtually flat in annual comparison. In cumulative terms, the trade deficit for January-October narrowed by 20% compared with the same period a year ago, with exports rising by 16% and imports retreating by 6% y-o-y. Further details show that European Union countries accounted for 68% of Albania's trade turnover in January-October. Italy was by far the most important export market, accounting for nearly half of total exports in January-October.

OPEC Member Countries

GDP growth in OPEC MCs forecast to average 3.2% in 2013 and 4.0% in 2014

Kuwait's CPI inflation edged down to 2.7% y-o-y in October 2013 from 2.9% y-o-y in September, according to data released by Kuwait's Central Statistical Office. Core inflation, which excludes food, was essentially unchanged from the previous month at 2.5% y-o-y, according to IHS estimates.

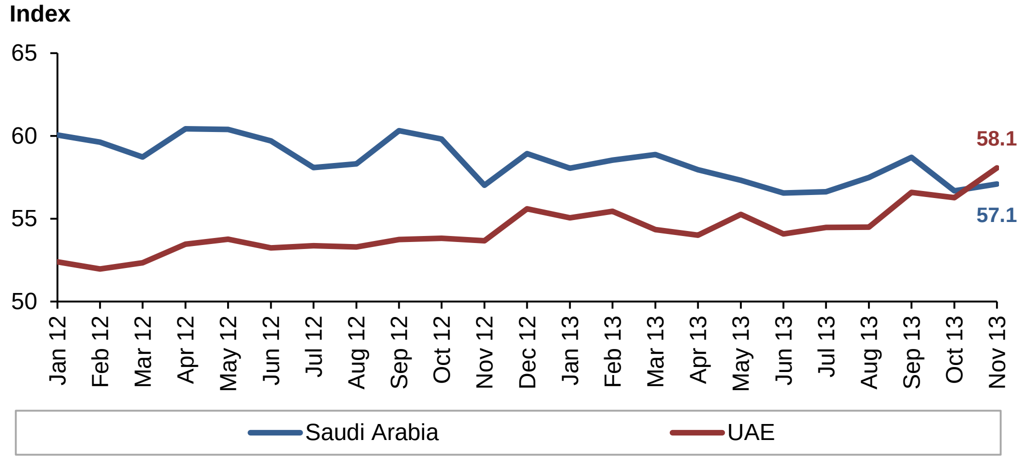
Algeria's headline CPI — measured in the capital city of Algiers — slowed to an annual rate of just 0.1% in October 2013, down from 2.2% a month earlier, according to the National Office of Statistics (ONS). The index declined 0.1% m-o-m in October, led by falling food prices, which declined a further 0.3% m-o-m after dropping 1.3% in September.

The Central Bank of **Ecuador** reported that the CPI increased 0.41% during October, slowing down from 0.57% posted in September. Ten of the 12 basket components posted price increases. The government of **Iraq** announced the allocation of $54 billion for investment spending in 2014. The total amount allocated for the five-year development plan (2013-2017) has reached $357 billion.

According to the Central Department of Statistics and Information (CDSI), **Saudi Arabia**'s consumer price inflation slowed to a 3.0% annual rate in October from 3.2% in September. The SABB HSBC PMI of November signalled a further improvement in operating conditions as output growth picked up. The index rose to 57.1 from 56.7 in October.

Last month, Moody's Investor Service raised the outlook for the **United Arab Emirate**s' banking industry to stable from negative as economic growth rebounds and the real estate market recovers. In November, the UAE's PMI hit a record high as output and new orders increased sharply. The index rose to 58.1, up from October's 56.3. Dubai will invest almost $8.1 billion on infrastructure projects ahead of the Expo. The emirate plans to attract 25 million visitors during the six-month event starting 20 October 2020. The National Bureau of Statistics (NBS) reports that CPI inflation in the United Arab Emirates was unchanged for the fifth consecutive month in October 2013, chugging along at a 1.3% annual rate.

Graph 3.18: Manufacturing PMIs: Saudi Arabia and UAE



Source: SAAB, HSBC, Markit and Haver Analytics.

Oil prices, US dollar and inflation

US dollar in November recovers half of the decline seen in the previous month

After a drop in October, the US dollar started to rise again by 1.1% in November compared to the euro, recovering half of its October decline, when it fell by 2.1%. Moreover, the US dollar rose by 2.0% versus the Japanese yen, and remained almost flat compared to the pound sterling, and rose by 1.2% compared to the Swiss franc. In absolute terms, it stood at $1.3481/€ versus the euro and at ¥99.788/$ compared to the yen.

In real terms, the Basket price declined by 0.8% or 54¢/b to $63.82/b

The uncertainty in October on US budgetary issues and the debt ceiling situation pushed the US dollar lower, but after the postponement and short-term solution of the budget negotiations in combination with better-than-expected US output figures, it recovered over the past weeks. The Fed's future policy on quantitative easing measures will provide an important guideline for the dollar's development as it seems more likely now that the Fed will start tapering monetary stimulus in 1H14. The pace of the recovery in the Euro-zone and progress in Japan will also impact its value in the near future. In nominal terms, the price of the ORB declined on a monthly average to $104.97/b in November for a second month in a row, down by $1.72/b or 1.6% from October. In real terms, after accounting for inflation and currency fluctuations, the Basket price declined by 0.8% or 54¢/b to $63.82/b (base June 2001=100). Over the same period, the US dollar rose by 0.8% against the import-weighted modified Geneva I + US dollar basket while inflation remained flat.*

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

World Oil Demand

World oil demand growth for 2013 remains broadly unchanged at 0.87 mb/d; forecast to increase by 1.04 mb/d in 2014

World oil demand

World oil demand is expected to reach 89.79 mb/d in 2013, an increase of 0.87 mb/d over the previous year, and almost unchanged from the previous report. However, in the latest information for 3Q13, preliminary October and November figures suggest that actual data is better than expected for OECD Americas, OECD Europe and Other Asia, leading to an upward revision in the second half of this year, while for OECD Asia Pacific and Middle East, oil demand was revised down.

Table 4.1: World oil demand in 2013, mb/d

							Change 2013/12	
	2012	1Q13	2Q13	3Q13	4Q13	2013	Growth	%
Americas	23.63	23.71	23.74	23.85	23.85	23.79	0.16	0.66
Europe	13.74	13.18	13.71	13.78	13.42	13.52	-0.22	-1.59
Asia Pacific	8.59	8.92	7.89	8.14	8.66	8.40	-0.19	-2.20
Total OECD	**45.96**	**45.81**	**45.33**	**45.76**	**45.93**	**45.71**	**-0.25**	**-0.55**
Other Asia	10.86	10.91	11.08	11.11	11.16	11.07	0.21	1.91
Latin America	6.27	6.21	6.47	6.74	6.59	6.50	0.23	3.68
Middle East	7.59	7.79	7.76	8.19	7.75	7.87	0.29	3.76
Africa	3.44	3.42	3.45	3.38	3.54	3.45	0.00	0.11
Total DCs	**28.16**	**28.33**	**28.76**	**29.42**	**29.04**	**28.89**	**0.73**	**2.58**
FSU	4.41	4.33	4.18	4.58	4.83	4.48	0.07	1.52
Other Europe	0.64	0.63	0.59	0.63	0.71	0.64	-0.01	-0.80
China	9.74	9.79	10.19	9.91	10.41	10.07	0.34	3.44
Total "Other regions"	**14.80**	**14.75**	**14.95**	**15.12**	**15.95**	**15.19**	**0.40**	**2.68**
Total world	**88.92**	**88.89**	**89.04**	**90.29**	**90.92**	**89.79**	**0.87**	**0.98**
Previous estimate	88.92	88.89	89.03	90.27	90.89	89.78	0.86	0.97
Revision	0.00	0.00	0.01	0.02	0.03	0.02	0.01	0.01

Totals may not add up due to independent rounding.

Within OECD regions, OECD Americas and OECD Europe oil demand growth saw upward revisions of 0.02 mb/d and 0.11 mb/d, respectively, in 3Q13, followed by upward adjustments of 0.05 mb/d and 0.03 mb/d in 4Q13. Improving economic activity was the main factor behind these positive developments. Indeed, in the US, Purchasing Managers' Indexes (PMIs) showed signs of increasing momentum, with the economic indicator recording an eight-month high of 57.3. Euro-zone PMIs also rose to a 29-month high in November, reaching 51.6. In the case of OECD Asia Pacific, however, oil demand growth was revised down by 0.12 mb/d and 0.1 mb/d in 3Q13 and 4Q13, respectively. This downward revision could be attributed to a continued decrease in fuel oil and crude burning as Japan is trying to reduce the cost of fuel imports in reaction to depreciation of the yen relative to the US dollar.

In non-OECD countries, Other Asia's regional oil demand experienced an upward revision of 0.02 mb/d in 4Q13. India's economy has improved, with its PMI moving up into expansion, rising to 51.3 in November from 49.6 in the previous month. An increase in India's gasoline demand was also observed in October, supported by the festive Diwali season.

In contrast, Middle East oil demand saw a slight downward revision of 0.01 mb/d in 3Q13, as temperatures continued to cool, lowering crude consumption for power generation. Actual data for September also suggested a decline in Saudi diesel oil demand.

Taking into consideration the above adjustments made to the 3Q13 and 4Q13, estimated yearly growth remained almost unchanged at 0.87 mb/d as the upward revision for OECD Americas, OECD Europe and Other Asia was offset by downward revision in OECD Asia Pacific and the Middle East. On a quarterly basis, oil demand is estimated to grow by 0.9% and 1.0% in 1Q13 and 2Q13 respectively, while 3Q13 saw a higher increase of 1.1% before dropping to 0.9% in 4Q13.

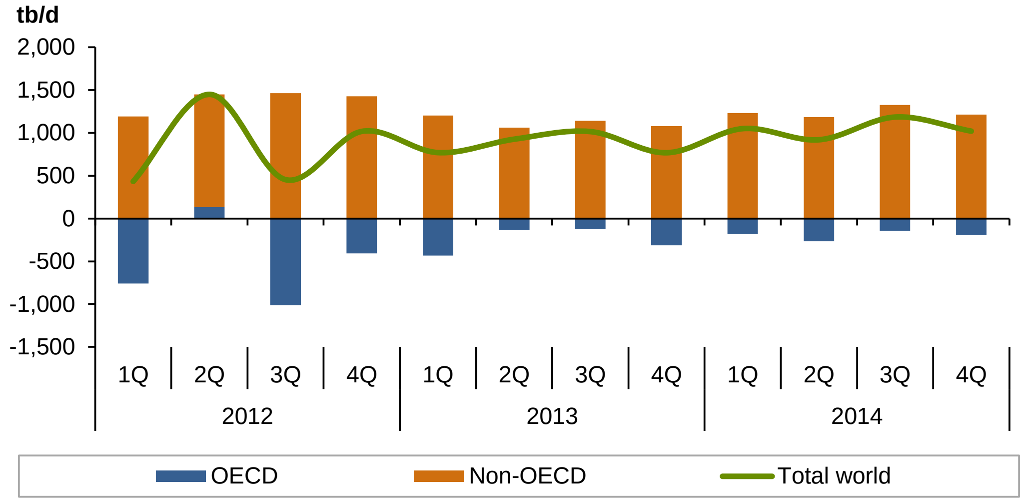
Table 4.2: World oil demand in 2014, mb/d

	2013	1Q14	2Q14	3Q14	4Q14	2014	Change 2014/13 Growth	%
Americas	23.79	23.83	23.82	23.96	23.95	23.89	0.11	0.44
Europe	13.52	13.01	13.43	13.65	13.31	13.35	-0.17	-1.27
Asia Pacific	8.40	8.79	7.82	8.00	8.48	8.27	-0.13	-1.54
Total OECD	**45.71**	**45.63**	**45.07**	**45.62**	**45.74**	**45.51**	**-0.20**	**-0.43**
Other Asia	11.07	11.16	11.28	11.37	11.42	11.31	0.24	2.18
Latin America	6.50	6.44	6.70	6.99	6.83	6.74	0.24	3.64
Middle East	7.87	8.11	8.05	8.53	8.03	8.18	0.31	3.89
Africa	3.45	3.46	3.48	3.41	3.57	3.48	0.03	0.96
Total DCs	**28.89**	**29.16**	**29.52**	**30.29**	**29.85**	**29.71**	**0.82**	**2.83**
FSU	4.48	4.41	4.25	4.66	4.92	4.56	0.08	1.79
Other Europe	0.64	0.64	0.58	0.64	0.72	0.64	0.01	0.82
China	10.07	10.10	10.54	10.27	10.72	10.41	0.34	3.34
Total "Other regions"	**15.19**	**15.15**	**15.37**	**15.57**	**16.35**	**15.61**	**0.42**	**2.78**
Total world	**89.79**	**89.94**	**89.96**	**91.47**	**91.94**	**90.84**	**1.04**	**1.16**
Previous estimate	89.78	89.92	89.95	91.45	91.91	90.82	1.04	1.16
Revision	0.02	0.02	0.01	0.02	0.03	0.02	0.00	0.01

Totals may not add up due to independent rounding.

Looking ahead to 2014, world oil demand is projected to increase by 1.04 mb/d, unchanged from the previous month, to average 98.84 mb/d. The bulk of the growth will come from non-OECD demand, projected to rise by 1.2 mb/d, while OECD demand should continue to contract by 0.2 mb/d, an improvement over the previous year. The existing outlook is strongly dependent on the pace of economic recovery in major OECD economies, China and India; policy reforms affecting retail prices for refined oil products in some emerging economies; and the amount of oil substitution with natural gas and coal.

Graph 4.1: Quarterly world oil demand growth

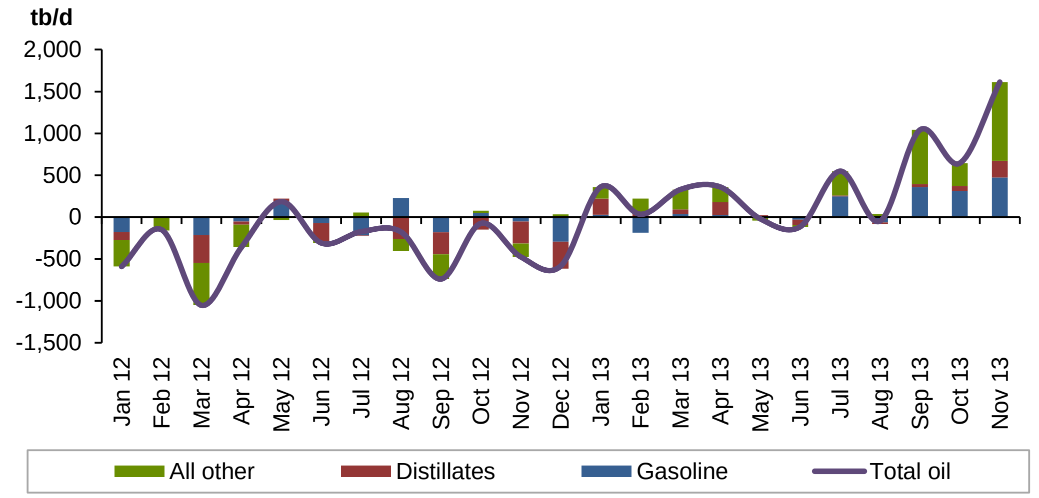


OECD Americas

OECD Americas oil demand growth up by 0.16 mb/d in 2013 and forecast to grow by 0.11 mb/d in 2014

Mostly driven by increasing gasoline requirements, the latest monthly **US** oil demand for September 2013 showed solid gains y-o-y, following a disappointing August. September's gasoline demand is mostly attributed to increasing mileage — coming out of a low base last year — and relatively lower prices, with an improving economy being the main factor underlying these developments. Distillates and jet fuel demand were also on the rise during September 2013, while residual fuel oil and propane/propylene needs remained flat compared with the same month in 2012. With data already in for nine months of 2013, US oil demand is rising very much in line with increasing industrial production and general economic recovery. The main characteristics in the first nine months of 2013 are growing requirements for all product categories — notably gasoline and propane propylene with the exception of falling residual fuel oil requirements. Weak demand for residual fuel oil can be explained by increasing fuel substitution with natural gas, mainly in the power generation sector. Preliminary weekly data for October and November of 2013 show a continuation of the already observed trend during recent months, with all main product categories rising except residual fuel oil. US oil demand in 2014 remains strongly dependent on developments related to further recovery of the US economy, but is skewed even more to the upside compared with last month. Nevertheless, some downside risks exist, such as pending fiscal issues, fuel substitution, especially with natural gas, and continuously improving vehicle efficiencies.

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



In **Mexico**, October 2013 was marked by falling oil demand for all product categories; the largest drop was seen in residual fuel oil and resulted from a stagnant manufacturing sector and lower industrial production. Mexican oil demand is expected to grow slightly by 0.5% y-o-y for 2014, with risks being skewed to the downside compared with last month and substantially depending on developments in the manufacturing sector. The latest September 2013 Canadian data imply strong gasoline and gas/diesel oil requirements y-o-y, with projections for Canadian oil demand in 2014 remaining unchanged from those of the previous month, leaving oil requirements during 2014 relatively unmoved from 2013 levels.

In 2013, **OECD Americas'** oil demand grew by 0.16 mb/d compared with 2012 to average 23.76 mb/d. OECD Americas oil demand in 2014 is projected to increase by 0.11 mb/d to stand at 23.89 mb/d.

OECD — Europe

OECD Europe oil demand growth to contract by 0.22 mb/d in 2013 and by a lesser 0.17 mb/d in 2014

European oil demand is undoubtedly improving, especially after 1Q13, with the absolute level of shrinking oil demand steadily declining and with the very low historical baseline still playing a significant role in this development. In addition to the baseline, there are clear signs of an improving economy, especially countries without pending budget deficit issues. The region's industrial production is on an upward trend compared with 2012, and some countries have managed to curb fiscal debts to an extent, enabling the loosening of austerity measures, hence contributing to consumption. In addition, the auto market grew strongly in September and October 2013 y-o-y for the first time since September 2011 — all major auto markets grew with the exception of Italy. European Big Four oil demand grew by 1% y-o-y, with gasoline and gas/diesel oil being the main contributors, and with the bulk of increases originating in Germany and the UK.

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

	Oct 13	Oct 12	Change from Oct 12	Change from Oct 12, %
LPG	326	328	-2	-0.6
Gasoline	1,142	1,122	19	1.7
Jet/Kerosene	779	748	31	4.1
Gas/Diesel oil	3,523	3,464	59	1.7
Fuel oil	342	360	-18	-4.9
Other products	1,026	1,029	-3	-0.3
Total	**7,137**	**7,051**	**86**	**1.2**

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

As in previous months, September 2013 oil demand fell in some **South European countries** — Turkey being the only exception with growing oil demand. The largest decreases were observed in Spain and Italy, while Greece and Portugal's oil requirements grew slightly y-o-y. The recent decision of the European Commission to exempt all jet fuel imports from customs duties, effective 1 January 2014, could positively influence the region's airline industry and enhance jet fuel consumption. General expectations for the region's oil demand during 2014 have definitely improved since last month's projections, as the economies of some countries seem to have started stabilizing. The latter supports easing contraction in oil requirements, with a magnitude below that of 2013. The risk for 2014 projections is skewed more towards the upside as a result of the very low historical baseline and the region's improving economy.

In 2013, **European oil demand** shrank by 0.22 mb/d, as a result of the deep economic crisis in several countries of the region, while oil demand in 2014 is projected to again decrease but to a lesser extent by 0.17 mb/d, averaging 13.35 mb/d.

OECD — Asia Pacific

OECD Asia Pacific oil demand growth down 0.19 mb/d in 2013 and will fall less by 0.13 mb/d in 2014

Japanese total oil demand in October 2013 contracted by 0.13 mb/d y-o-y, contrary to developments in the main product categories. Oil requirements regarding crude and fuel oil for direct burning and electricity generation continued their downward trends y-o-y, due mainly to high consumption volumes in previous years and increasing fuel substitution with other commodities, primarily coal and natural gas. However, during the same month demand for naphtha, jet fuel and gas/diesel oil rose and partly offset the overall decline as a result of growing industrial production, especially in the machinery and petrochemical sectors.

The outlook for Japanese oil demand in 2014 has been lowered from last month's forecasts, with the risks being skewed even more towards the downside as a result of indications more coal will be used for electricity generation, especially after additions of coal and gas operating facilities. Furthermore, there seems to be a low probability for the restart of operations in some of the country's nuclear plants during 2014, implying more risk to the downside.

Table 4.4: Japanese domestic sales, tb/d

	Oct 13	Change from Oct 12	Change from Oct 12, %
LPG	412	12	3.0
Gasoline	935	-33	-3.4
Naphtha	768	61	8.7
Jet fuel	86	8	10.6
Kerosene	218	3	1.4
Gas oil	606	18	3.0
Fuel oil	513	-134	-20.7
Other products	64	-5	-6.8
Direct crude burning	197	-56	-22.3
Total	**3,798**	**-125**	**-3.2**

In **South Korea**, October 2013 showed a decreasing tendency y-o-y. Gains in the petrochemical industry, which called for increasing LPG and naphtha requirements, have been more than offset by declining requirements in all other main product categories, notably gasoline due to disappointing auto sales and fuel oil as a result of stagnating manufacturing activity. The outlook for South Korean oil consumption during 2014 remained unchanged compared with last month's projections.

In 2013, **OECD Asia Pacific** oil consumption fell by 0.19 mb/d to average 8.40 mb/d; the fall will continue in 2014, but to lesser extent by 0.13 mb/d, reaching 8.27 mb/d.

Other Asia

Other Asia oil demand growth up by 0.21 mb/d in 2013 and by another 0.24 mb/d in 2013

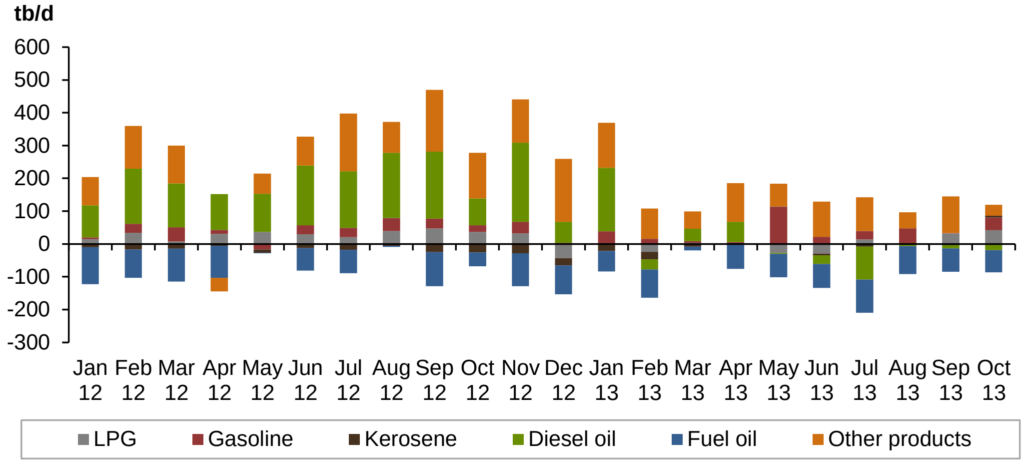
In **India**, oil demand in October 2013 increased by 0.8% y-o-y for the third consecutive month. Within products, the bulk of growth came from gasoline driven by the festive Diwali season, which saw motorbike sales increase to a record high of 18% y-o-y. Diesel oil demand also saw some improvement, supported by higher industrial production. In October, the PMI was at 49.5 and recent data shows an even greater improvement; as PMI came in at 51.3.

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

	Oct 13	Sep 13	Jan-Oct 13	Difference to Jan-Oct 13	%
LPG	541	572	501	1	0.1
Motor gasoline	413	374	403	31	8.5
Jet Kero	313	267	282	-6	-2.2
Gas diesel oil	1,264	1,401	1,443	10	0.7
Residual fuel oil	283	194	273	-70	-20.5
Other products	688	928	768	87	12.8
Total oil demand	**3,503**	**3,736**	**3,670**	**53**	**1.5**

Demand in 3Q13 stands at 3.55 mb/d, almost unchanged from the previous quarter at the same time. However 4Q13 oil demand growth is expected to perform much better, rising by 25,000 b/d and averaging 3.56 b/d, in line with recent macroeconomic indicators. With 10 months of data available, demand for 2013 in total is expected to grow by around 50,000 b/d to average 3.65 mb/d.

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



In **Thailand,** the economic risk stemming from political unrest — demonstrators have gathered outside government buildings in Bangkok — coupled with weaker third quarter economic activities, may lead to a further downward revision in demand growth for the current year in coming months. The latest data for September showed negative growth followed by a contraction in August. July is the only month which experienced positive growth during 3Q13. As a result, 3Q13 oil demand remained at almost the same level as one year ago for the same period. As a reference, 2Q13 reflected an increase of 3.6% y-o-y. If this trend continues, political uncertainty may hurt Thailand's investment attractiveness and reduce tourist arrivals, potentially negatively impacting gas/diesel oil and jet fuel oil consumption.

Due to the destruction caused by Typhoon Haiyan, which struck the **Philippines** in mid-November, economic and industrial activities are expected to shrink in the near-term, negatively impacting petroleum product consumption. Oil demand in 3Q13 experienced growth of around 6% y-o-y to average 3.2 mb/d. Given the fact that oil demand in the Philippines accounted for only 2.9% of total Other Asia oil demand, any impact is likely to be limited.

Other Asia's oil demand is estimated to grow strongly by 0.21 mb/d in 2013 to average 11.1 mb/d. In 2014, oil demand is forecast to grow solidly again, increasing by 0.24 mb/d to stand at 11.3 mb/d.

Latin America

Latin America oil demand growth up by 0.23 mb/d in 2013 and forecast to grow by 0.24 mb/d in 2014

In September, **Brazil's** oil consumption grew by 132 tb/d, much greater than the increase of 76 tb/d seen in August, supported especially by robust gasoline and gasoil/diesel demand. However, oil demand growth for the whole quarter remained moderate at 0.12 mb/d, compared with 0.14 mb/d in 2Q13. Early indications for October showed a PMI rise to 50.2, signaling an expansion over September's rate of 49.9. This could translate into expected higher demand in October. Brazilian demand estimates for 2013 remained almost unchanged from the previous report, with annual growth of 0.13 mb/d.

Table 4.6: Brazilian inland deliveries, tb/d

	Jan-Sep 13	Jan-Sep 12	Change	Change, %
LPG	228	223	6	2.6
Gasoline	700	668	32	4.7
Jet/Kerosene	124	126	-3	-2.0
Diesel	1,001	944	57	6.0
Fuel oil	86	60	26	43.5
Alcohol	177	164	13	7.8
Total	**2,316**	**2,185**	**131**	**6.0**

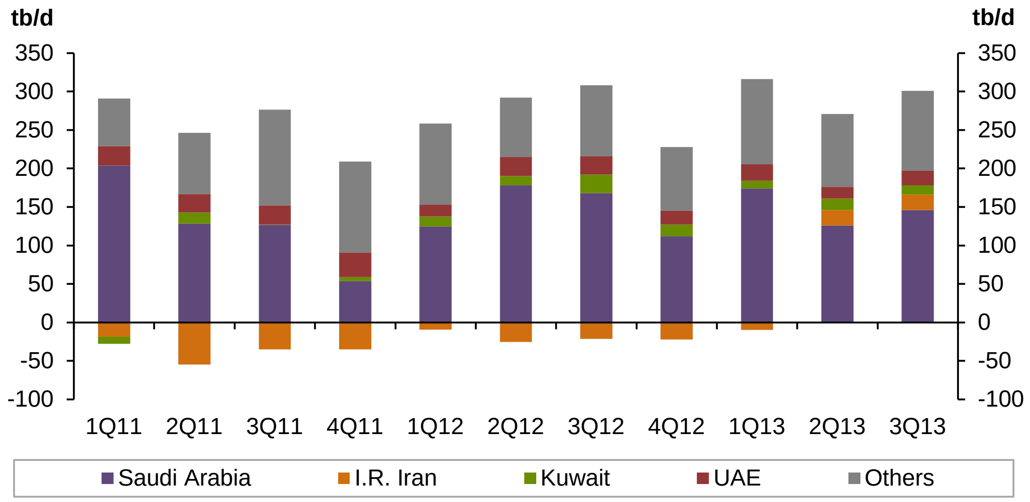
Latin American oil demand is projected to grow in 2013 by 0.23 mb/d to average 6.50 mb/d. In 2014, Latin American oil demand is forecast to increase by slightly more at 0.24 mb/d to stand at 6.74 mb/d.

Middle East

Middle East oil demand growth up by 0.29 mb/d in 2013 at by 0.31 mb/d in 2014

In **Saudi Arabia**, October oil demand eased when compared with the growth observed in 3Q13 as temperatures continued to drop, reducing consumption particularly in the power generation sector. In fact, October oil demand saw a growth of 0.1 mb/d, compared with higher growth of 0.15 mb/d in 3Q13. Crude burning continued to decline, partially offsetting increases in fuel oil demand as prices are much lower compared with crude or diesel prices. For the whole year, Saudi oil demand is expected to increase by 5.2% to average 3.0 mb/d. The latest data for October saw growth in Iraq — almost at the same magnitude as in September — of around 60 tb/d, driven by increasing direct crude burning for electricity generation and rising LPG and jet fuel requirements.

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



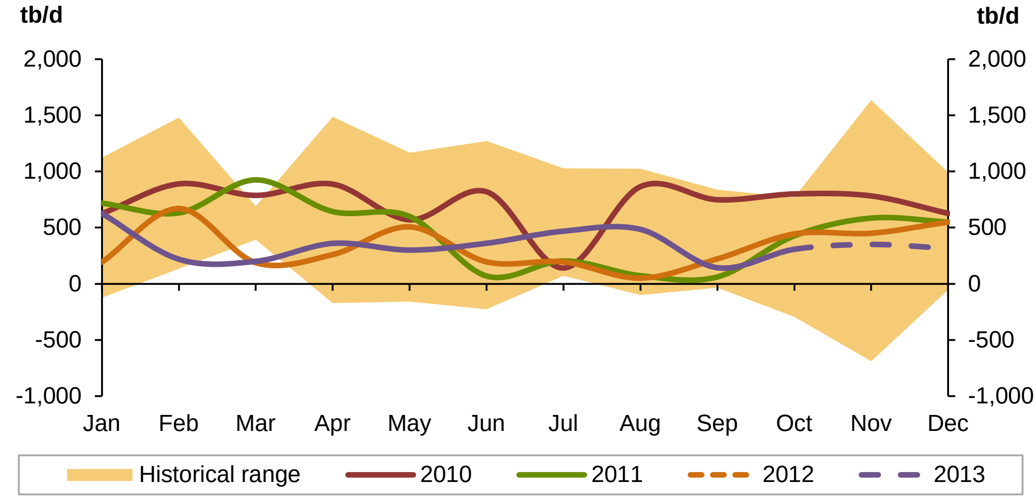
Middle East oil demand is expected to grow by 0.29 mb/d in 2013 to average 7.87 mb/d and 0.31 mb/d in 2014, in line with higher economic expectations. The estimated demand growth for 2013 and the outlook for 2014 in the Middle East remained unchanged from the previous month's projections.

China

China oil demand growth up by 0.34 mb/d in both 2013 and 2014

November economic indicators continued to show signs of improvement — as seen over recents months — resulting in higher growth in oil demand. November's PMI came in at 50.8, following 50.9 in October and up from 50.2 in September, thus staying above 50 for four consecutive months. **Chinese** oil demand picked up in October by around 307 tb/d y-o-y; up 143 tb/d over September. Gasoline demand climbed by 8.4% y-o-y in October, resulting in increase of 10.4% for the first ten months of this year. This significant growth was driven by higher passenger car sales, which increaed by 23.6%, the highest so far this year. In contrast, gas/diesel demand only increased by 0.4% in October due partially to a week-long holiday.

Graph 4.5: Changes in Chinese apparent oil demand, y-o-y changes



Chinese oil demand is expected to grow by 0.34 mb/d in both 2013 and 2014, unchange from the last month report. However, this forecast remains associated with some risk as recently China announced tax benefits for new import sources of natural gas, extending an existing tax exemption. This measure combined with levying a new tax on biodiesel and gasoil starting on December could negatively impact oil demand growth.

World Oil Supply

Non-OPEC

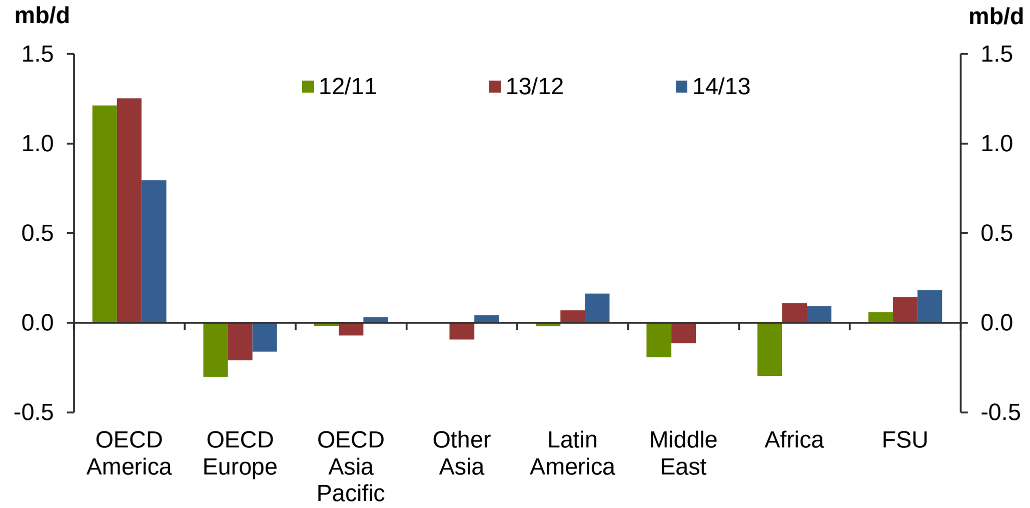
Estimate for 2013

Non-OPEC supply expected to increase by 1.20 mb/d in 2013 to average 54.11 mb/d

Non-OPEC oil supply is expected to increase by 1.20 mb/d in 2013 to average 54.11 mb/d; this represents a minor upward revision of 15 tb/d from the previous *Monthly Oil Market Report* (*MOMR*). This revision came in the second half of the year due to higher-than-expected output during the third and part of the fourth quarters, although it was partially offset by a downward revision to the first quarter supply estimate.

The supply profiles of the US, Russia, China and Egypt were revised up, while the production outlooks for Canada, Brazil, Brunei, Other Latin America, Other FSU, Colombia and Azerbaijan were revised down. However, the total upward adjustment more than offset the downward revisions. The continued strong growth from US tight oil production as well as Russian and Chinese oil supply supported the upward revision. Various unplanned outages in addition to political factors are among the main reasons behind the downward revisions.

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



OECD Americas remains the region with the highest expected supply growth of 1.25 mb/d in 2013

On a regional basis, OECD Americas remains the region with the highest expected level of 1.25 mb/d supply growth in 2013, followed by the FSU, Africa, China and Latin America. OECD Europe, the Middle East, Other Asia, and OECD Asia Pacific remained the regions with the highest expected declines. The US is expected to show the largest production increase among all the non-OPEC producers in 2013, followed by Canada, Russia, South Sudan and Sudan, China, Colombia, and Kazakhstan. Oil supply from Syria, the UK, Norway and Australia is seen to encounter the largest output drop among the non-OPEC countries.

According to preliminary actual and estimated data, total non-OPEC supply rose by 1.28 mb/d during the first three quarters of 2013, compared with the same period of 2012. The third quarter experienced the highest growth. On a quarterly basis, non-OPEC supply in 2013 is expected to average 53.82 mb/d, 53.70 mb/d, 54.25 mb/d and 54.67 mb/d, respectively.

Table 5.1: Non-OPEC oil supply in 2013, mb/d

	2012	1Q13	2Q13	3Q13	4Q13	2013	*Change* 13/12
Americas	16.75	17.64	17.62	18.35	18.40	18.00	1.25
Europe	3.77	3.63	3.57	3.47	3.57	3.56	-0.21
Asia Pacific	0.56	0.45	0.49	0.51	0.51	0.49	-0.07
Total OECD	**21.08**	**21.71**	**21.68**	**22.33**	**22.48**	**22.05**	**0.97**
Other Asia	3.64	3.65	3.57	3.48	3.49	3.55	-0.09
Latin America	4.67	4.71	4.73	4.78	4.75	4.74	0.07
Middle East	1.50	1.48	1.35	1.36	1.34	1.38	-0.12
Africa	2.30	2.30	2.42	2.45	2.49	2.41	0.11
Total DCs	**12.12**	**12.14**	**12.07**	**12.06**	**12.08**	**12.09**	**-0.03**
FSU	13.30	13.45	13.39	13.42	13.53	13.45	0.14
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.16	4.24	4.27	4.15	4.29	4.24	0.08
Total "Other regions"	**17.60**	**17.82**	**17.80**	**17.70**	**17.96**	**17.82**	**0.22**
Total Non-OPEC production	**50.80**	**51.67**	**51.55**	**52.09**	**52.52**	**51.96**	**1.16**
Processing gains	2.12	2.15	2.15	2.15	2.15	2.15	0.04
Total Non-OPEC supply	**52.92**	**53.82**	**53.70**	**54.25**	**54.67**	**54.11**	**1.20**
Previous estimate	52.92	53.84	53.70	54.21	54.63	54.10	1.18
Revision	0.00	-0.02	0.00	0.04	0.04	0.02	0.02

OECD

Total OECD oil output is seen to increase by 0.97 mb/d in 2013 to average 22.05 mb/d, following an upward revision of 40 tb/d from the previous month. OECD Americas oil supply is the only driver for oil supply growth in the OECD, while the forecast for OECD Europe and OECD Asia Pacific are seen to decline, unchanged compared to the last report. The overall supply profile of the OECD remains more or less unchanged, with strong supply growth projected from OECD Americas. According to preliminary data, total OECD production stood at 22.72 mb/d during November, an increase of 0.36 mb/d from October.

On a quarterly basis, OECD supply in 2013 is estimated to average 21.71 mb/d, 21.68 mb/d, 22.33 mb/d and 22.48 mb/d, respectively.

Graph 5.2: OECD's quarterly production

OECD Americas

OECD Americas oil production is estimated to increase by 1.25 mb/d in 2013 to average 18.00 mb/d, the highest among all the non-OPEC regions, indicating an upward revision of 40 tb/d from the previous *MOMR*. The strong estimates for both the US and Canada constituted the main factor behind the expected supply growth. On a quarterly basis, OECD Americas oil supply in 2013 is expected to average 17.64 mb/d, 17.62 mb/d, 18.35 mb/d and 18.40 mb/d, respectively.

US

North Dakota output reaches highest record in September 2013

US oil production is estimated to increase by 1.08 mb/d in 2013, the largest growth among all the non-OPEC countries and the largest in US history, to average 11.12 mb/d, constituting an upward revision of 50 tb/d from the previous month. This revision affected all quarters, with the highest in the second half of the year, as updated production data showed stronger growth than previously expected. US oil production increased by 0.27 tb/d in September compared to the last month to average 11.66 mb/d. This revision was supported by record-high crude production from North Dakota in September of 0.93 mb/d on the back of a continued increase in the development of tight oil output. During the first nine months of 2013, North Dakota's crude output averaged 0.83 mb/d, an increase of 195 tb/d, which is 31% in production growth compared to 63% growth in 2012 over the same period a year earlier. Alaska's crude production declined by 37 tb/d, while the Gulf of Mexico's production increased by 29 tb/d to average 1.26 mb/d during the same period, although the production peak in the Gulf of Mexico was 1.75 mb/d in September 2009. Moreover, increased production from tight oil activity in Texas, North Dakota, Oklahoma, New Mexico and Ohio further supported the upward revision, with horizontal drilling and hydraulic fracturing continuing to drive the growth.

Texas crude supply during the first nine months of 2013 saw growth of 0.60 mb/d from the same period a year earlier, but the growth in the same period dropped from 38% to 31.6% compared to the 2012-2011 period. This was driven mainly by tight oil activity from the Eagle Ford and Permian basins. In addition, US natural gas liquid (NGL) supply experienced healthy growth, supporting of the current figure. During the third quarter, US oil supply averaged 11.44 mb/d, a growth level of 1.51 mb/d from the same period a year earlier. Further revision to the US supply figure is possible in the coming months as more production data becomes available. On a quarterly basis, US oil supply in 2013 is seen to average 10.63 mb/d, 10.95 mb/d, 11.44 mb/d and 11.46 mb/d, respectively.

Canada and Mexico

Canada's supply estimate to increase by 0.22 mb/d in 2013

Canada's oil output is expected to grow by 0.22 mb/d in 2013 to average 3.99 mb/d, constituting a downward revision of 15 tb/d from the previous *MOMR*. This revision came about in the second half, due to updated production data for the third quarter. Despite this revision, which was partly carried over to the fourth quarter, Canada's supply growth remained the second largest among all the non-OPEC countries. Canada's supply growth in 2013 has been driven by oil sand output growth as well as by crude from tight oil developments. During the first three quarters, Canada's supply averaged 3.96 mb/d, an increase of 0.24 mb/d from the same period a year earlier. On a quarterly basis, its production in 2013 is estimated to stand at 4.08 mb/d, 3.78 mb/d, 4.02 mb/d and 4.08 mb/d, respectively.

Mexico's supply to decline by 40 tb/d in 2013

Mexico's oil supply is seen to average 2.88 mb/d in 2013, denoting a decline of 40 tb/d from 2012 and remaining unchanged from the previous MOMR. Mexico's supply averaged 2.88 mb/d in 3Q13 after remaining relatively steady at below 2.90 mb/d during the second and third quarters. During the first three quarters, Mexico's supply averaged 2.89 mb/d, a decline of 40 tb/d from the same period of 2012. On a quarterly basis, Mexico's production in 2013 is seen to average 2.91 mb/d, 2.87 mb/d, 2.88 mb/d and 2.86 mb/d, respectively.

OECD Europe

OECD Western Europe's annual supply to drop by 0.21 mb/d in 2013

Total OECD Europe oil supply is estimated to drop by 0.21 mb/d in 2013 to average 3.56 mb/d, the lowest level since 1983, remaining unchanged from the previous *MOMR*. During the first three quarters, the region's supply dropped by 0.26 mb/d from the same period last year. The annual decline rate so far in 2013 is slower than the last two years. OECD Europe is seen as the region with the highest annual decline rate among all the non-OPEC regions in 2013. The oil production of this region in the third quarter with the average of 3.47 mb/d has been the lowest level of the region so far. On a quarterly basis, OECD Western Europe's supply in 2013 is seen to stand at 3.63 mb/d, 3.57 mb/d, 3.47 mb/d and 3.57 mb/d, respectively.

Norway output increased in October by 0.17 mb/d from the previous month

Norway's oil supply is projected to decline by 80 tb/d in 2013 to average 1.84 mb/d, unchanged from the previous month. There was a minor downward revision that impacted the third quarter data; however, the minor adjustment did not affect the annual figure. Norwegian production increased in October by 0.17 mb/d compared to the previous month, yet output did not reach the July level. During the first three quarters, Norway's production declined by 0.11 mb/d from the same period a year earlier, and a similar decline occurred in the same period of 2011. On a quarterly basis, Norway's production in 2013 is expected to average 1.84 mb/d, 1.84 mb/d, 1.82 mb/d and 1.85 mb/d, respectively.

UK output in 3Q13 lowest since 1977 at 0.78 mb/d

The UK's oil production is estimated to decline by 90 tb/d in 2013 to average 0.86 mb/d, the lowest level since 1977, unchanged from the previous *MOMR*. A minor downward revision was introduced to adjust for updated production data in the third quarter which was offset by the experienced upward revision in the fourth quarter. During the first three quarters, the UK's production declined by 0.12 mb/d from the same period a year earlier. On a quarterly basis, UK supply in 2013 is expected to average 0.92 mb/d, 0.89 mb/d, 0.78 mb/d and 0.86 mb/d, respectively.

OECD Asia Pacific

Total OECD Asia Pacific oil output is expected to decrease by 70 tb/d in 2013 to average 0.49 mb/d, unchanged from the previous month. On a quarterly basis, its supply in 2013 is seen to stand at 0.45 mb/d, 0.49 mb/d, 0.51 mb/d and 0.51 mb/d, respectively.

Australia's output dropped 16% in first 9 months compared to the same period in 2012

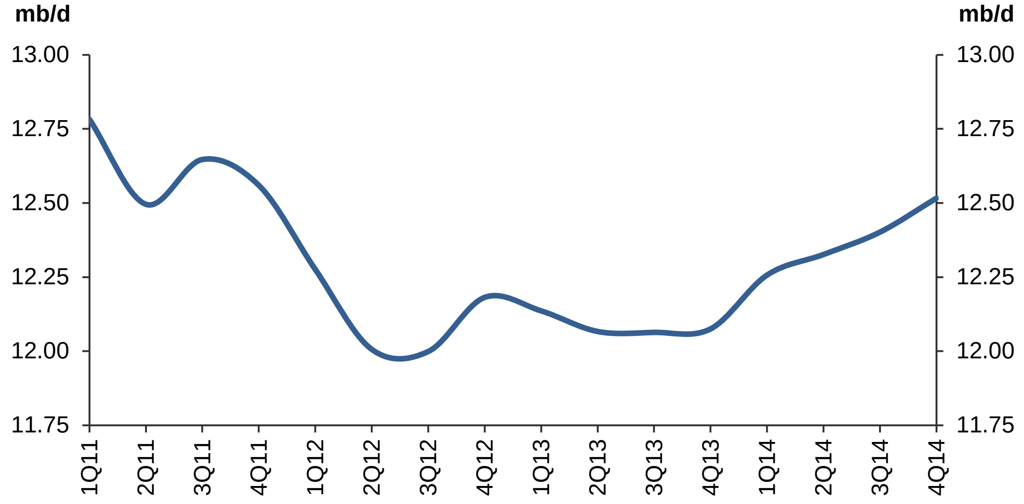
Australia's oil supply is expected to decrease by 60 tb/d in 2013 to average 0.41 mb/d, no revision from the previous *MOMR*. During the first nine months, Australia's supply averaged 0.41 mb/d, a decrease of 80 tb/d or more than 16% over the same period a year earlier. On a quarterly basis, Australian supply in 2013 is seen to average 0.37 mb/d, 0.41 mb/d, 0.43 mb/d and 0.44 mb/d, respectively.

Developing countries

No change in DCs' supply in 9 months compared to the same period in 2012

Developing country (DC) total oil supply is estimated to decline by 30 tb/d in 2013 compared with the previous year to average 12.09 mb/d, the lowest level since 2007; this represents a downward revision of 55 tb/d from the previous *MOMR*. The downward revision came from Latin America, Other Asia and Middle East supply, while projections for Africa production remained steady. The Middle East is expected to have the highest decline in supply among the DCs with a drop of 0.12 mb/d, followed by Other Asia at 90 tb/d in 2013, from the previous year. Africa is currently expected to be the region with the highest supply growth among DC regions at 0.11 mb/d, followed by Latin America at 70 tb/d. The DC supply forecast experienced various downward revisions, mainly due to delays as well as technical and political factors. DC production is expected to experience a minor increase in the fourth quarter from the third, supported by expected growth from Africa. During the first three quarters of 2013, DC production averaged 12.09 mb/d, unchanged from the same period a year earlier in spite the outages in Middle East production. During the third quarter, it averaged 12.06 mb/d, the lowest level in the current year. On a quarterly basis, DC supply in 2013 averaged 12.14 mb/d, 12.07 mb/d, 12.06 mb/d and 12.08 mb/d, respectively.

Graph 5.3: Developing Countries' quarterly production



Other Asia supply to decline by 90 tb/d in 2013

Other Asia's oil supply is expected to average 3.55 mb/d in 2013, the lowest annual level since 1994. This represents a decline of 90 tb/d from the previous year and a downward revision of 20 tb/d from the previous month. Among the region's countries, oil supply from Brunei, India and Indonesia is expected to decrease in 2013, while the rest of the countries are seen without any changes compared to the last year. There have been a few downward revisions that more than offset the upward ones. India's supply is expected to decrease by 10 tb/d in 2013 to average 0.87 mb/d. Brunei's supply is seen to decline in 2013 by 20 tb/d to average 0.14 mb/d, indicating a downward revision of 10 tb/d. This revision came in the second half due to updated production data. During the first three quarters of this year, Other Asia's production dropped by 70 tb/d from the same period in 2012. On a quarterly basis, its supply in 2013 is expected to average 3.65 mb/d, 3.57 mb/d, 3.48 mb/d and 3.49 mb/d, respectively.

Oil supply from Indonesia, the region's largest producer, is expected to decline by 50 tb/d in 2013 to average 0.93 mb/d, flat from the previous MOMR. The foreseen drop in Indonesian's oil supply is expected on the back of declines from mature producing areas and limited new developments. During the first three quarters of 2013, Indonesian's production dropped by 50 tb/d from the same period in 2012. **Malaysia's oil output** is estimated to average 0.66 mb/d in 2013 without any changes from the previous year or from last month's *MOMR*. During the first three quarters of this year, Malaysia's oil supply remained unchanged from the same period in 2012.

Latin Americas' oil output increased by 80 tb/d in the first three quarters compared to the same period in 2012

Latin America's oil supply is estimated to increase by 70 tb/d to average 4.74 mb/d in 2013, with a revision of 30 tb/d from the previous *MOMR*. **Argentina's** production is expected to average 0.66 mb/d in 2013, a drop of 30 tb/d from the previous year. During the first three quarters, the country's supply declined by 30 tb/d from the same period in 2012. **Colombia's** production is estimated to increase by 70 tb/d in 2013 to average 1.02 mb/d, with a minor downward revision by 10 tb/d from the last *MOMR*. The downward revision by 30 tb/d in the fourth quarter was due to an adjustment to available actual production data. During the first three quarters of 2013, Colombia's supply increased by 70 tb/d from the same period of 2012. On a quarterly basis, Colombia's production in the current year averaged 1.02 mb/d, 1.02 mb/d, 1.04 mb/d and 1.02 mb/d, respectively. During the first three quarters of 2013, **Latin America's supply** increased by 80 tb/d compared with the previous year to average 4.74 mb/d. On a quarterly basis, Latin America's supply in 2013 is expected to average 4.71 mb/d, 4.73 mb/d, 4.78 mb/d and 4.75 mb/d, respectively.

Brazil's production increased by 0.10 mb/d in 3Q13 at an average of 2.60 mb/d compared to 3Q12

Brazil's oil production is projected to increase by 10 tb/d in 2013 to average 2.61 mb/d, indicating a downward revision of 15 tb/d from the previous MOMR. This revision was adjusted for updated production data in the third quarter as well as early indications of fourth quarter output. Brazil's supply in the third quarter reached 2.63 mb/d, an increase of 0.10 mb/d compared to the same quarter a year earlier, which offset the decline from the first half of 2013. During the first three quarters of 2013, Brazil's supply remained steady compared with the previous year to average 2.60 mb/d. On a quarterly basis, Brazil's supply in 2013 is expected to average 2.57 mb/d, 2.61 mb/d, 2.63 mb/d and 2.65 mb/d, respectively.

Oman's production to increase by 20 tb/d in 2013

Middle East oil supply is estimated to average 1.38 mb/d in 2013, a decline of 0.12 mb/d from the previous year and indicating a minor downward revision of 5 tb/d compared to the previous *MOMR*. This revision came in the second half of the year to adjust for updated production data as well as for lower expectations for the third and fourth quarter. **Oman's** production is estimated to average 0.94 mb/d in 2013, representing an increase of 20 tb/d from the previous year, unchanged from the last *MOMR*. The oil outputs in all quarters in 2013 are more or less steady. Oman's main operator reported a minor increase in crude oil output during the first 11 months of 2013 compared with the same period a year earlier. On a quarterly basis, Oman's supply in 2013 is expected to average 0.94 mb/d, 0.93 mb/d, 0.95 mb/d and 0.94 mb/d, respectively. During the first three quarters of 2013, the Middle East's oil output decreased by 90 tb/d from the same period of 2012. On a quarterly basis, its supply in 2013 is estimated to average 1.48 mb/d, 1.35 mb/d, 1.36 mb/d and 1.34 mb/d, respectively.

Syria's oil output dropped to the lowest level in 2013

Syria's oil supply is expected to decline by 0.12 mb/d in 2013 to average 0.09 mb/d. The risks associated with Syria's supply forecast are very high due to the lack of production data, the high level of uncertainty and ongoing security issues. Syria's supply is estimated to average 0.10 mb/d in first three quarters of 2013, a decline of 0.12 mb/d from the previous year. **Yemen's** oil supply is estimated to average 0.14 mb/d in 2013, a decline of 40 tb/d from the previous year. The security issue remains the main factor impacting Yemen's oil supply with continued attacks on its oil infrastructure. During the first three quarters of 2013, Yemen's oil production decreased by 40 tb/d to average 0.14 mb/d.

Security arrangements delay restart of South Sudan's halted output

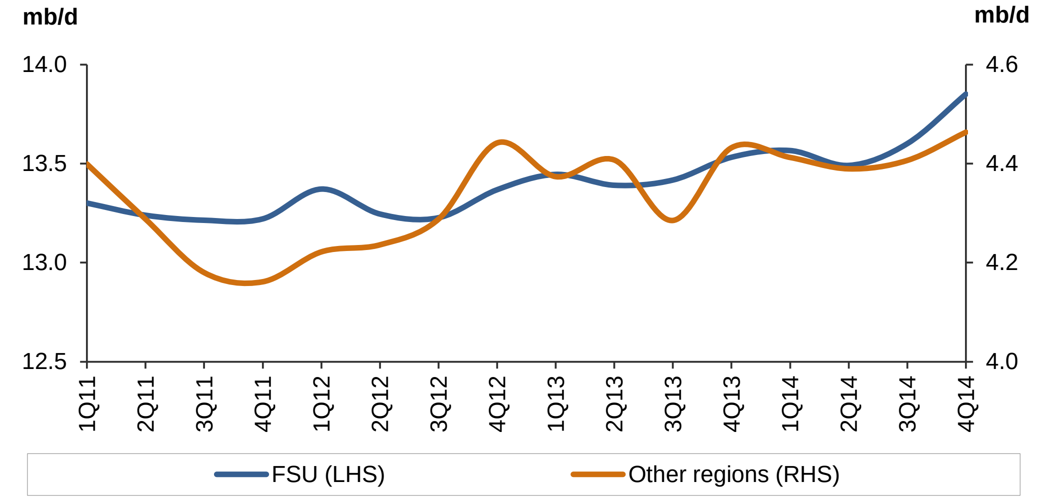
Africa's oil supply is predicted to average 2.41 mb/d in 2013, an increase of 0.11 mb/d from the previous year, remaining unchanged from the last *MOMR*. **South Sudan and Sudan's** oil supply is forecast to increase by 0.11 mb/d in 2013 to average 0.23 mb/d, unchanged from the previous month. Supply forecasts for the other countries in the region remained more or less steady from the previous *MOMR*. During the first three quarters of this year, Africa's supply increased by 80 tb/d compared with the same period in 2012. On a quarterly basis, supply in 2013 is seen to stand at 2.30 mb/d, 2.42 mb/d, 2.45 mb/d and 2.49 mb/d, respectively.

FSU, Other regions

Total FSU supply to increase by 140 tb/d in 2013 to average 13.45 mb/d

Total FSU oil supply is estimated to increase by 140 tb/d in 2013 to average 13.45 mb/d, with an upward revision of 15 tb/d from the previous month's assessment. The upward revision was supported by Russia's oil supply forecast, while Azerbaijan and Other FSU supply encountered downward revisions. Russia and Kazakhstan remain the drivers of growth in the FSU, while Azerbaijan's supply is seen to decline in 2013, and FSU Other's output remained unchanged. During the first three quarters of this year, FSU supply increased by 140 tb/d from the same period of 2013. On a quarterly basis, total FSU supply in 2013 is estimated to average 13.45 mb/d, 13.39 mb/d, 13.42 mb/d and 13.53 mb/d, respectively.

Graph 5.4: FSU and other region's quarterly production



Russia

Russia's output reached a new record in November of 10.59 mb/d

Russia's oil supply is anticipated to increase by 0.13 mb/d in 2013 to average 10.50 mb/d, an upward revision of 25 tb/d from the previous MOMR. Production reached a record of 10.59 mb/d in November as per preliminary data, representing an upward revision by 100 tb/d in the fourth quarter. The revision affected the fourth quarter, with current production data for October and November indicating higher-than-expected output. During the first 11 months of 2013, Russia's supply has increased by 0.13 mb/d from the same period a year earlier. The healthy price level supported operators in maintaining and ramping up output in mature producing areas, in addition to the new volumes coming from green fields. On a quarterly basis, Russian supply in 2013 is expected to average 10.45 mb/d, 10.47 mb/d, 10.49 mb/d and 10.58 mb/d, respectively. Russia's production is expected to average 10.58 mb/d in the fourth quarter, an increase of 90 tb/d from the third quarter.

Caspian

Kazakhstan's supply to increase by 50 tb/d to average 1.64 mb/d in 2013

Kazakhstan's oil output is expected to average 1.64 mb/d in 2013, an increase of 50 tb/d from the previous year and unchanged from the previous month. During the first three quarters of 2013, Kazakhstan's supply decreased by 60 tb/d from the same period of 2012. On a quarterly basis in 2013, Kazakhstan's supply is seen to average 1.68 mb/d, 1.60 mb/d, 1.61 mb/d and 1.68 mb/d, respectively.

Azeri output to decline by 30 tb/d in 2013 to average 0.86 mb/d

Azerbaijan's oil supply is seen to decline by 30 tb/d in 2013 to average 0.86 mb/d, indicating a downward revision of 10 tb/d from the previous month. This revision was due to updated production data in the third quarter that was carried over to the fourth quarter. During the first three quarters of 2013, Azerbaijan's supply decreased by 50 tb/d from the same period in 2012. On a quarterly basis in 2013, it is estimated to average 0.87 mb/d, 0.87 mb/d, 0.88 mb/d and 0.83 mb/d, respectively.

Other Europe's supply is estimated to remain flat from 2012 and average 0.14 mb/d in 2013.

China

China's production is expected to increase by 80 tb/d in 2013 to average 4.24 mb/d

China's oil supply is projected to average 4.24 mb/d in 2013, an increase of 80 tb/d over the previous year and an upward revision by 20 tb/d from the previous *MOMR*. Oil output in the fourth quarter is seen to increase compared to the third quarter. During the first three quarters of this year, China's supply increased by 110 tb/d from the same period of 2012. On a quarterly basis, China's oil output is estimated to stand at 4.24 mb/d, 4.27 mb/d, 4.15 mb/d and 4.29 mb/d, respectively. In October, China's supply averaged 4.33 mb/d, an increase of 150 tb/d from September, according to preliminary data.

Non-OPEC supply to grow by 1.20 mb/d in 2014 to average 55.32 mb/d

Forecast for 2014

Non-OPEC oil supply is forecast to grow by 1.20 mb/d in 2014 to average 55.32 mb/d, remaining relatively unchanged from the previous *MOMR*. There were various upward and downward revisions to the 2014 supply forecast, coming from changes to the 2013 supply forecast and historical revisions from 2012. Non-OPEC supply is expected to experience increases in all the quarters in 2014 on a y-o-y basis.

On a regional basis, OECD Americas is expected to have the highest growth, followed by DCs and the FSU, while OECD Europe is seen to decline. Growth is expected to come mainly from the US, Canada, South Sudan and Sudan, Kazakhstan, Russia, Australia, China, Malaysia and Colombia, while oil supply from Norway, Syria, the UK and Mexico is seen to decline. The risk and uncertainties associated with the supply forecast remain high on both sides, especially for the US, Syria, South Sudan and Sudan. On a quarterly basis, non-OPEC supply in 2014 is expected to average 54.90 mb/d, 54.81 mb/d, 55.22 mb/d and 56.32 mb/d, respectively.

Table 5.2: Non-OPEC oil supply in 2014, mb/d

	2013	1Q14	2Q14	3Q14	4Q14	2014	*Change* 14/13
Americas	18.00	18.46	18.54	18.86	19.32	18.80	0.80
Europe	3.56	3.52	3.35	3.24	3.48	3.40	-0.16
Asia Pacific	0.49	0.51	0.53	0.53	0.51	0.52	0.03
Total OECD	**22.05**	**22.49**	**22.42**	**22.63**	**23.32**	**22.72**	**0.67**
Other Asia	3.55	3.57	3.59	3.60	3.58	3.59	0.04
Latin America	4.74	4.81	4.85	4.92	5.04	4.91	0.16
Middle East	1.38	1.37	1.38	1.38	1.39	1.38	-0.01
Africa	2.41	2.50	2.51	2.51	2.51	2.51	0.09
Total DCs	**12.09**	**12.26**	**12.33**	**12.40**	**12.52**	**12.38**	**0.29**
FSU	13.45	13.57	13.49	13.60	13.85	13.63	0.18
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.24	4.27	4.25	4.27	4.32	4.28	0.04
Total "Other regions"	**17.82**	**17.98**	**17.88**	**18.01**	**18.31**	**18.05**	**0.22**
Total Non-OPEC production	**51.96**	**52.72**	**52.63**	**53.04**	**54.15**	**53.14**	**1.18**
Processing gains	2.15	2.18	2.18	2.18	2.18	2.18	0.02
Total Non-OPEC supply	**54.11**	**54.90**	**54.81**	**55.22**	**56.32**	**55.32**	**1.20**
Previous estimate	54.10	54.88	54.79	55.20	56.30	55.30	1.20
Revision	0.02	0.02	0.02	0.02	0.02	0.02	0.00

Revisions to the 2014 forecast

In addition to historical revisions, there were a few offsetting adjustments to the 2014 non-OPEC supply forecast. The US total oil supply forecast in 2014 was revised up by 30 tb/d compared to the last *MOMR*; however the growth showed decline due to change of the base. Russia, China, and Congo oil supply in 2014 experienced upward revisions while projection for Brazil, Colombia, Other Latin America, Brunei, Azerbaijan, and FSU Other was revised down. US oil supply in 2014 is now expected to increase by 0.65 mb/d to average 11.77 mb/d.

OPEC natural gas liquids and non-conventional oils

OPEC natural gas liquids (NGLs) and non-conventional oils are expected to increase by 0.24 mb/d in 2013 to average 5.80 mb/d. In 2014, OPEC NGLs are forecast to grow by 0.15 mb/d over the current year to average 5.95 mb/d.

Table 5.3: OPEC NGLs + non-conventional oils, 2011-14

	2011	2012	*Change* 12/11	1Q13	2Q13	3Q13	4Q13	2013	*Change* 13/12	2014	*Change* 14/13
Total OPEC	**5.37**	**5.57**	0.20	5.76	5.78	5.81	5.85	**5.80**	0.24	**5.95**	0.15

OPEC crude oil production decreased 193 tb/d in November

OPEC crude oil production

Total OPEC crude oil production decreased by 193 tb/d in November compared to the previous month to average 29.63 mb/d, according to secondary sources. Crude oil output experienced a decline from Libya, Nigeria, Saudi Arabia, UAE, Algeria, and Kuwait in November compared to the previous month, while output from Iraq, Iran, and Angola rose. OPEC crude production, not including Iraq, stood at 26.53 mb/d in November, a decrease of 0.39 mb/d from the previous month.

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

	2011	2012	1Q13	2Q13	3Q13	Sep 13	Oct 13	Nov 13	Nov/Oct
Algeria	1,240	1,210	1,169	1,166	1,154	1,152	1,160	1,122	*-38.3*
Angola	1,667	1,738	1,754	1,752	1,720	1,720	1,716	1,737	*21.2*
Ecuador	490	499	502	511	519	520	521	526	*5.5*
Iran, I.R.	3,628	2,973	2,709	2,678	2,678	2,667	2,679	2,716	*36.8*
Iraq	2,665	2,979	3,031	3,101	2,998	2,794	2,915	3,107	*192.1*
Kuwait	2,538	2,793	2,787	2,837	2,837	2,844	2,813	2,781	*-32.4*
Libya	462	1,393	1,399	1,342	653	375	512	371	*-140.9*
Nigeria	2,111	2,073	1,983	1,889	1,912	1,955	1,925	1,821	*-104.4*
Qatar	794	753	736	729	731	731	731	731	*-0.2*
Saudi Arabia	9,296	9,737	9,105	9,482	10,024	10,037	9,714	9,626	*-87.6*
UAE	2,516	2,624	2,690	2,728	2,772	2,783	2,776	2,731	*-44.7*
Venezuela	2,380	2,359	2,349	2,355	2,361	2,363	2,365	2,364	*-0.2*
Total OPEC	**29,788**	**31,132**	**30,212**	**30,569**	**30,358**	**29,939**	**29,827**	**29,633**	***-193.2***
OPEC excl. Iraq	**27,122**	**28,152**	**27,181**	**27,469**	**27,360**	**27,145**	**26,911**	**26,526**	***-385.3***

Totals may not add up due to independent rounding.

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

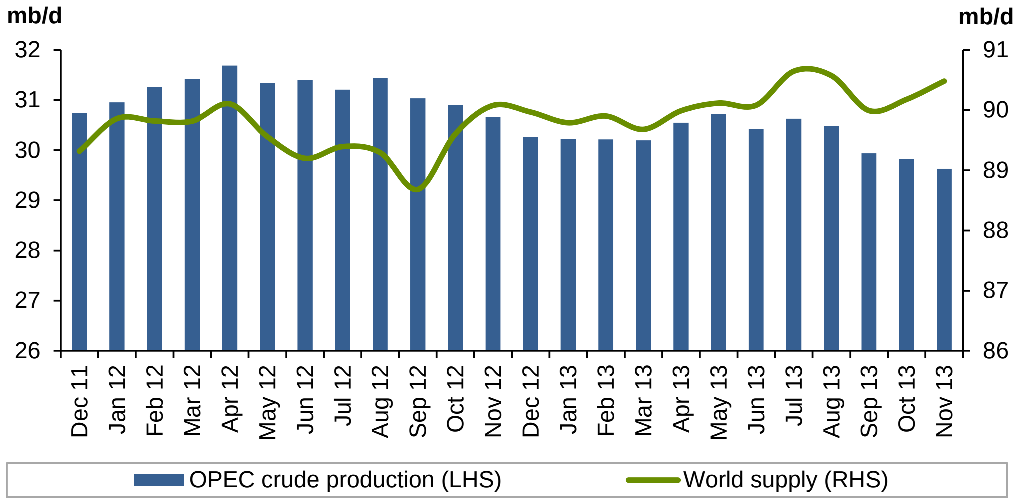
	2011	2012	1Q13	2Q13	3Q13	Sep 13	Oct 13	Nov 13	Nov/Oct
Algeria	1,173	1,203	1,199	1,202	1,202	1,198	1,203	1,213	*10.0*
Angola	1,618	1,704	1,734	1,730	1,701	1,712	1,679	1,568	*-111.0*
Ecuador	500	504	506	520	534	535	540	545	*5.1*
Iran, I.R.	3,576	3,740	3,704	3,711	3,653	3,517	3,200	3,300	*100.0*
Iraq	2,653	2,944	2,957	3,042	3,006	2,833	2,964	..	*..*
Kuwait	2,660	2,977	2,813	2,970	2,992	2,969	2,898	2,944	*46.0*
Libya	462	1,450	1,489	1,415	752	407	539	226	*-312.9*
Nigeria	1,896	1,954	1,820	1,649	1,824	1,809	1,758	1,672	*-85.9*
Qatar	734	734	728	724	719	720	723	719	*-4.2*
Saudi Arabia	9,311	9,763	9,111	9,538	10,115	10,123	9,753	9,746	*-7.2*
UAE	2,565	2,652	2,823	2,792	2,859	2,888	2,827	2,572	*-254.8*
Venezuela	2,795	2,804	2,743	2,762	2,773	2,794	2,826	2,854	*27.6*
Total OPEC	**29,942**	**32,429**	**31,626**	**32,055**	**32,131**	**31,504**	**30,909**	**..**	**..**
OPEC excl. Iraq	**27,290**	**29,485**	**28,669**	**29,013**	**29,125**	**28,671**	**27,945**	**27,358**	**-587**

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

World Oil Supply

Preliminary data indicates that global oil supply increased 0.30 mb/d in November to average 90.48 mb/d. Non-OPEC supply experienced growth of 0.50 mb/d, while OPEC crude oil production decreased by 0.19 mb/d. The share of OPEC crude oil in global supply declined to 33% in November compared to the previous month. 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



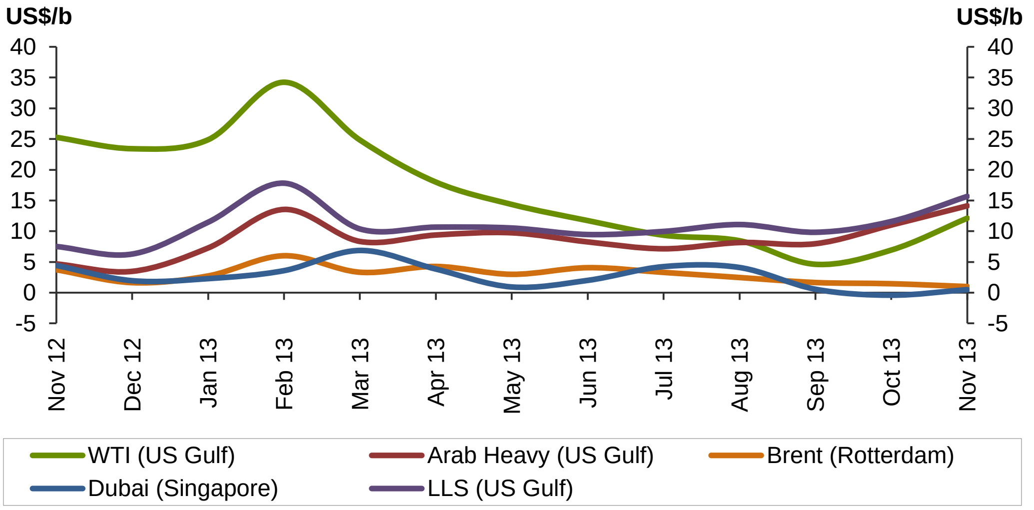
Product Markets and Refinery Operations

Refinery margins on the rise in the US on the back of cheaper crude oil

Product markets remained relatively weak worldwide during November. The top of the barrel continued to be seasonally weak, despite some positive signs of increasing seasonal demand for naphtha. This, along with a tightening environment fuelled by some refinery outages and run cuts, limited the losses in margins in Asia and Europe.

Meanwhile, falling middle distillate inventories in the US amid increasing seasonal demand and a drop in US crude prices allowed US margins to experience a healthy recovery.

Graph 6.1: Refining margins, 2012-13



US product markets strengthened, with gasoline being supported by the continued recovery in demand amid a tightening market environment. On the other hand, middle distillate demand increased due to higher winter requirements at a time when inventory levels stood below the five-year average, thus further supporting the market.

US refining margins continued their upward trend during November on the back of sharp gains across the barrel, with a distillate stock-draw helping to drive the market. This improvement has also been helped by weakening in domestic crudes with US Gulf Coast grades such as LLS and Mars continuing to be affected by a regional supply glut caused by local refinery maintenance and the reversal of the Ho-Ho pipeline.

The refinery margin for WTI crude on the USGC continued its upward trend and gained more than $5 to average around $12/b in November, while the margin for Light Louisiana Sweet (LLS) crude on the USGC gained almost $4 to average $16/b.

European product markets saw a mixed performance, with the gasoline crack continuing to be weak due to seasonally lower domestic demand; however, a temporarily tight environment limited further losses.

European refining margins continued to weaken as the recovery seen in fuel oil was offset by weakness at the middle of the barrel, and the refinery margin for Brent crude in Northwest Europe suffered a decline, falling 50¢, to average $1.00/b in November.

Asian refining margins continued weak with Asian products showing a mixed performance during November as the light distillate crack spread saw a recovery with better margins for naphtha on the back of higher seasonal demand, while weaker bunker demand weighed on the fuel oil market despite a recovery in power generation requirements.

Refinery margins in Asia remained weak at around 50¢/b in November, at the same level of the previous month.

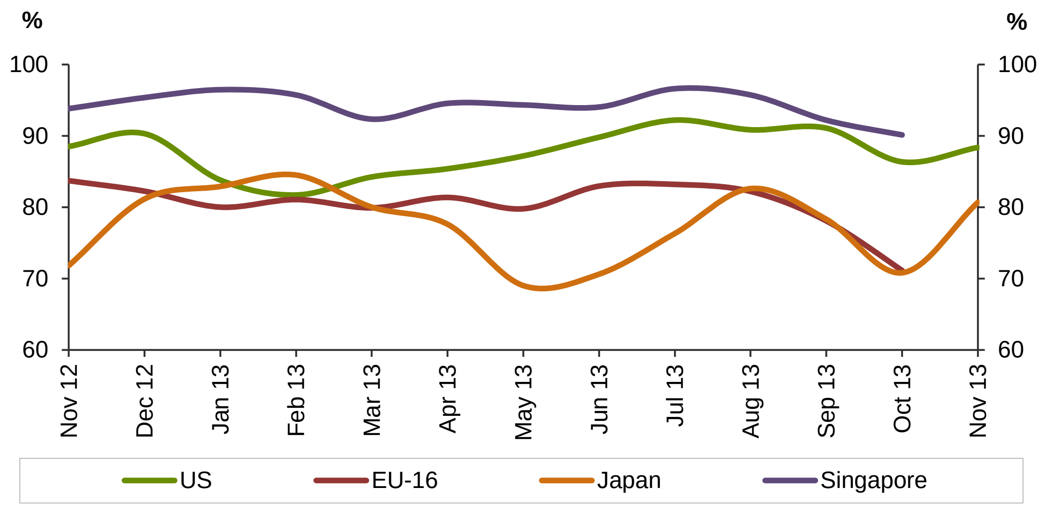
Refinery runs increased with the end of the maintenance season

Refinery operations

Refinery throughputs started to increase again in the US and Japan as some refineries finished their maintenance with expectations of increasing demand during winter. However, in other Asian countries, refineries continued to be affected by the maintenance season amid some outages impacting several refineries.

Refinery utilisation rates in the **US** were on the rise to average 88.4% in November, increasing more than 2 percentage points (pp) versus the previous month, with several refineries returning from maintenance and attempting to maximise their feedstock advantage.

Graph 6.2: Refinery utilization rates, 2012-13



In **Europe**, the refinery utilisation rate averaged around 71% in October, 7 pp lower than in the previous month and falling below 9 mb/d of throughput, thus hitting a record-low level not recorded in years.

This came on the back of very low margins affecting the region during the last months amid maintenance, which remained high until mid-November. Belgium and Sweden witnessed busy maintenance activity, while the temporary shutdown of Scotland´s Grangemouth refinery also shaved off additional capacity.

In **Asia**, the refinery maintenance season saw moderated refinery runs amid several outages, affecting some countries and thus contributing to a tightening of the market. Refinery runs in Singapore during September averaged around 92%, a drop of more than 3 pp versus the previous month, while Japanese throughputs averaged 80% of capacity in November, rising almost 10 pp after refinery maintenance was finished.

Looking ahead, margins should remain weak, and with the maintenance season coming to an end, elevated supplies across all products will continue pressuring margins and could force some refineries to reduce throughputs in the coming months.

US market

US product demand continues to recover

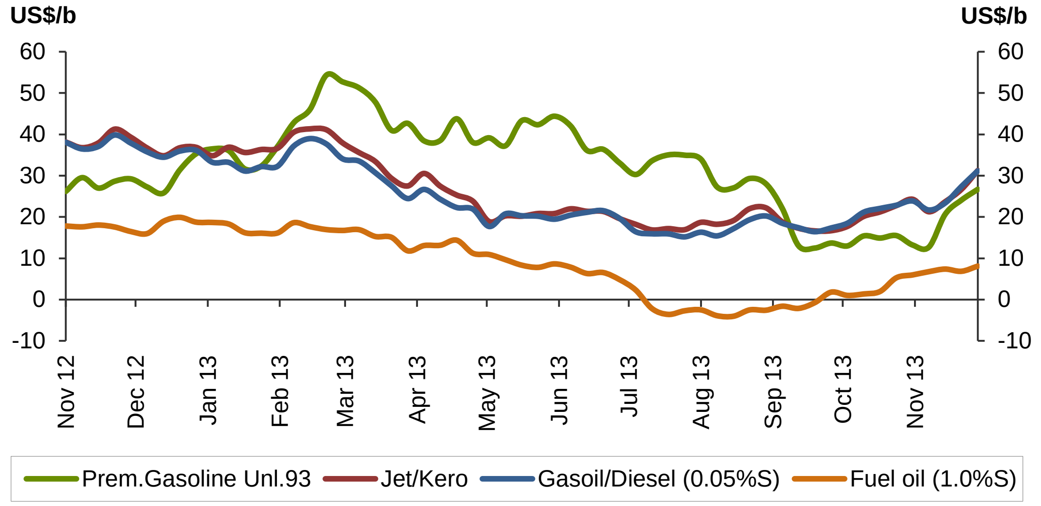
US gasoline demand stood at around 9.0 mb/d in November, around 90 tb/d lower than the previous month, and was up by more than 400 tb/d from the same month a year earlier.

The US gasoline crack strengthened on the back of increasing demand, above last year's level, amid some refinery outages tightening the market.

Despite gasoline inventories continuing to stand above average, limited supplies in Florida due to the Garyville refinery outage have impacted the market, causing stocks to be drawn from the US Gulf Coast, and several European cargoes were diverted from the Atlantic Coast to Florida, thus also having an impact on the Atlantic Coast market. In addition, limited replenishments from the maxed-out Colonial Pipeline also helped to push Nymex RBOB prices up, although the uptick was limited, due to expectations of higher post-maintenance seasonal inflows from Europe and the return of the Irving refinery from maintenance.

The tight environment along with the developments in crude prices allowed the gasoline crack to gain more than $5 to average $19.5/b in November.

Graph 6.3: US Gulf crack spreads vs. WTI, 2012-13



Middle distillate demand stood at around 4.0 mb/d in November, a slight improvement from the previous month and around 200 tb/d above the same month a year earlier**.**

The middle of the barrel continued gaining ground over the month on the back of stronger diesel and heating oil demand amid inventories remaining seasonally low.

The New York heating oil market has strengthened with the arrival of colder weather and tighter supplies in the region.

Additionally, middle distillates received support as US refiners have significantly boosted product exports, especially diesel, in recent weeks as players look to benefit from the current feedstock price advantage as well as increasing seasonal demand from Latin America. This, along with higher exports to Europe and the developments in the crude price, allowed the USGC gasoil crack to strengthen, gaining $3, to stand at around $25/b in November.

At the **bottom of the barrel**, the fuel oil crack continued recovering with support coming from the supply side, as new deep conversion units come on line, which, along with some refinery maintenance, helped to fuel tight sentiment. Additional support came from increasing power demand.

The fuel oil crack continued recovering, gaining $4 to average $7/b during November.

European market

Gasoline cracks stable in Europe on the back of a temporarily tight market

Product markets in Europe held steady and remained balanced on the back of refinery maintenance and run cuts in the region continuing to tighten supply. Meanwhile, on the demand side, the picture remained bearish, not supporting the margins.

In **light distillates**, the gasoline crack continued to be under pressure from seasonally lower domestic demand, however this was offset by a tightening environment.

The Northwest European gasoline market was balanced as ongoing heavy refinery maintenance in the region continued to tighten supply, while on the demand side, the picture remained bearish.

The downside was limited on the back of still-delayed refinery startups, while the reopening of arbitrage opportunities to West Africa also lent support.

Gasoline was also supported by the improvement in arbitrage to ship cargoes across the Atlantic, especially towards Florida.

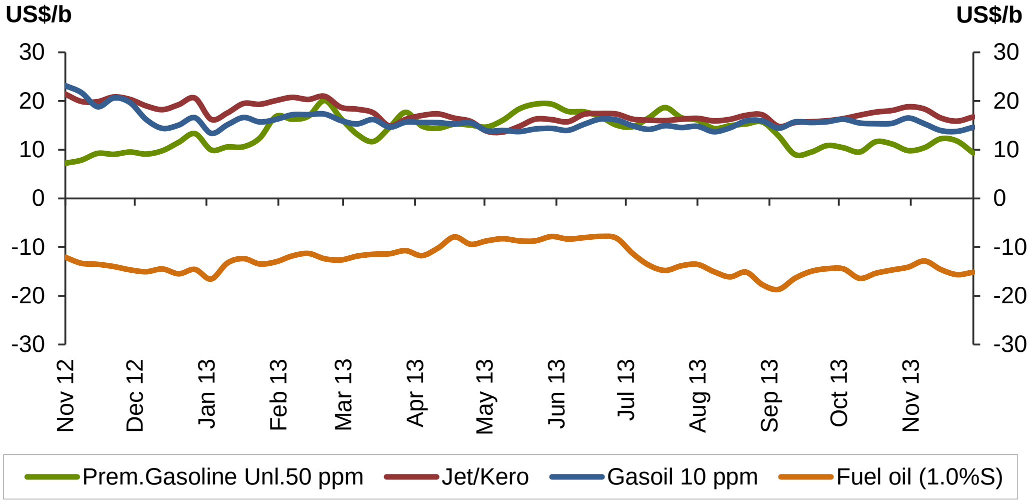
Additional support came from the supply side with low refinery runs after autumn maintenance and the unscheduled shutdown of a reformer unit at the Antwerp refinery during mid-November, further limiting regional supply.

The gasoline crack spread against Brent crude remained at an average of $10.6/b in November, the same level as in the previous month.

European naphtha demand for the petrochemical sector has recovered, which, along with improved arbitrage to Asia, has allowed the naphtha crack to post an impressive rebound, gaining more than $5/b.

Given widespread forecasts for a colder winter this year, LPG prices are likely to remain elevated in the coming months, which should help keep domestic naphtha demand supported.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2012-13



The **middle of the barrel** continued to be balanced and cracks relatively healthy as the market remained supported by the run cuts in Europe and the maintenance season, however, the cracks lost some ground due to expectations of higher inflows

Diesel margins continued to be supported from the supply side as European refineries are only slowly returning online, thus limiting middle distillate production last month and fuelling a tight environment in the market with the ARA gasoil stocks falling 15% to stand below the five-year average.

However, potential gains were offset by the end of maintenance amid expectations of increasing inflows to the region.

The gasoil crack spread against Brent crude at Rotterdam lost 90¢ from the previous month to average $14.8/b in November.

Looking ahead, the expected increasing volumes of US and Russian diesel coming into Europe could pressure the market from the supply side in the coming weeks; however, this could be offset by expected rising demand with colder temperatures.

At the **bottom of the barrel**, fuel oil cracks continued gaining ground, with fundamentals being supported by lower production, although the uptick was limited as the market has started to be pressured by the increasing volumes coming from Russia as refineries there resume production.

The Northwest European fuel oil crack spread against Brent exhibited a slight gain of 60¢ in November to stand at minus $14.5/b.

Looking forward, the expected seasonally increasing demand for power generation in Northeast Asia could lend support to the fuel oil market; however, this will be partially offset by increasing inflows to the region coming from Russian refineries and the elevated West-to-East fuel oil arbitrage flows.

Asian market

Naphtha demand recovering in Asia

The Asian market showed a mixed performance during November as the light distillate crack spread saw a recovery with better margins for naphtha, while weaker bunker demand weighed on the fuel oil market.

At the **top of the barrel**, the Singapore gasoline crack continued to be bearish due to plentiful supplies offsetting some demand recovery.

Meanwhile, on the supply side, the latest Chinese data showed that gasoline exports were on the rise on the back of higher import requirements in Mongolia, Macau, the Philippines and other non-OECD Asian countries.

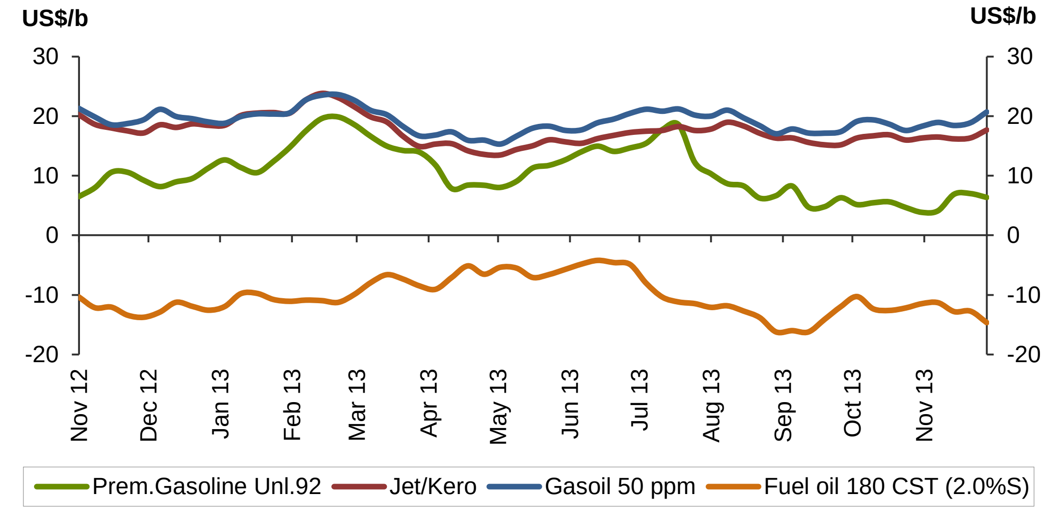
The Singapore gasoline crack posted a marginal uptick on the back of positive spot demand development in Southeast Asia, as the requirements from Indonesia and Taiwan remained high. Additionally, Saudi Arabia's imports surged, while Sri Lanka's buying interest was also rising.

The gasoline crack spread against Dubai crude in Singapore gained 50¢ to average $5.6/b in November. The uptick was in line with the drop in the Dubai crude price.

Asian naphtha strengthened in line with seasonally higher petrochemical demand, thus allowing the Singapore naphtha crack to have a positive trend recovering more than $4 over the month.

Looking ahead, the upside potential of the Asian naphtha crack could be capped by elevated arbitrage volumes arriving from the West in the coming weeks.

Graph 6.5: Singapore crack spreads vs. Dubai, 2012-13



At the **middle of the barrel**, the gasoil crack continued to be healthy on the back of a tight environment with some refinery shutdowns.

The gasoil crack was supported by supply developments, with the tightening of volumes supporting the prompt gasoil market.

Lower exports were reported from South Korea amid China´s exports being capped by current negative export margins, and they were further impacted by the shutdown of refineries in the Qingdao region after a pipeline accident.

This general tightening of the market kept middle distillate inventories in check in the region, thus supporting the market.

The market was also supported by the continued increasing imports from East Africa as the region is increasing the requirements of gasoil not only from Asia, but also from the Middle East, and in November, a low-sulphur gasoil cargo was received from Saudi Arabia.

On the other hand, a drop in demand from the Philippines and Vietnam is expected due to the impact of the typhoon on the region.

The gasoil crack spread in Singapore against Dubai showed a gain of 50¢ to average around $19/b in November.

The fuel oil crack showed a mixed performance over the month , with an upside trend for the light sulphur fuel oil crack, on the back of increasing buying interest from Asian utilities in anticipation of winter power demand, while the market weakened for its high-sulphur counterpart due to lower bunker demand.

Pressure coming from the supply side due to elevated arbitrage volumes arriving into the region — estimated at above 3.5 million tonnes over November — caused the crack to lose part of the ground recovered a month earlier.

The fuel oil crack spread in Singapore against Dubai lost almost $1 to average minus $13/b in November.

Looking ahead, the expectations of relatively colder temperatures in Northeast Asia could increase fuel oil demand and lend support to the cracks in the coming weeks.

Table 6.1: Refined product prices, US$/b

		Sep 13	Oct 13	Nov 13	*Change Nov/Oct*
US Gulf (Cargoes FOB):					
Naphtha		107.84	106.79	105.50	-1.29
Premium gasoline	*(unleaded 93)*	121.06	114.71	114.06	-0.65
Regular gasoline	*(unleaded 87)*	110.93	106.28	104.36	-1.92
Jet/Kerosene		123.31	121.81	118.85	-2.96
Gasoil	*(0.2% S)*	123.51	122.20	119.07	-3.13
Fuel oil	*(1.0% S)*	101.61	98.74	97.82	-0.92
Fuel oil	*(3.0% S)*	94.59	92.11	89.62	-2.49
Rotterdam (Barges FoB):					
Naphtha		102.87	99.76	102.81	3.05
Premium gasoline	*(unleaded 98)*	122.50	119.49	118.89	-0.60
Jet/Kerosene		127.45	126.65	124.93	-1.72
Gasoil/Diesel	*(10 ppm)*	127.30	124.77	122.47	-2.30
Fuel oil	*(1.0% S)*	95.88	93.89	93.49	-0.40
Fuel oil	*(3.5% S)*	93.88	92.58	90.63	-1.95
Mediterranean (Cargoes CIF):					
Naphtha		103.39	100.24	103.23	2.99
Premium gasoline		119.30	114.49	112.43	-2.06
Jet/Kerosene*		124.76	123.98	122.15	-1.84
Gasoil/Diesel		126.39	125.15	123.29	-1.86
Fuel oil	*(1.0% S)*	99.03	96.47	96.11	-0.35
Fuel oil	*(3.5% S)*	91.88	90.57	88.68	-1.89
Singapore (Cargoes FOB):					
Naphtha		102.76	100.20	103.69	3.49
Premium gasoline	*(unleaded 95)*	117.31	114.36	114.89	0.53
Regular gasoline	*(unleaded 92)*	114.28	111.60	111.94	0.34
Jet/Kerosene		123.87	123.08	122.63	-0.45
Gasoil/Diesel	*(50 ppm)*	125.71	125.24	125.18	-0.06
Fuel oil	*(180 cst 2.0% S)*	96.30	96.88	96.32	-0.56
Fuel oil	*(380 cst 3.5% S)*	94.48	95.69	93.88	-1.81

**Free on Board (FOB).*

Source: Platts and Argus Media.

Table 6.2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				Refinery utilization, %			
	Sep 13	Oct 13	Nov 13	Change Nov/Oct	Sep 13	Oct 13	Nov 13	Change Nov/Oct
US	15.76	14.91	15.37	0.46	91.08	86.35	88.38	2.02
France	1.05	0.92	-	-	59.86	52.53	-	-
Germany	1.84	1.83	-	-	81.74	81.21	-	-
Italy	1.31	1.30	-	-	59.86	58.99	-	-
UK	1.17	0.99	-	-	66.09	55.96	-	-
Euro-16	9.75	8.97	-	-	77.30	71.12	-	-
Japan	3.45	3.07	3.50	0.43	78.30	70.80	80.67	9.87

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

Tanker Market

OPEC spot fixtures down by 8% from the previous month and OPEC sailings dropped by 1.5%

Global spot fixtures declined by 6% in November compared to the previous month. OPEC spot fixtures dropped as well in November, down by 8% compared to the previous month. The decline was seen on all fixtures in comparison to a month earlier. Middle East-to-East fixtures, Middle East-to-West and out of the Middle East fixtures all declined by 7%, 19% and 1%, respectively.

OPEC and Middle East sailings in November dropped by 1.5% and 2%, respectively. According to preliminary data, North America arrivals dropped by 4%, while arrivals in the Far East, West Asia and Europe increased by 0.4%, 4% and 0.4%, respectively.

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

	Sep 13	Oct 13	Nov 13	Change Nov/Oct
Spot Chartering				
All areas	18.81	18.72	19.28	0.56
OPEC	13.21	13.19	13.45	0.26
Middle East/East	5.98	6.37	6.50	0.13
Middle East/West	2.54	2.86	2.91	0.06
Outside Middle East	4.68	3.96	4.04	0.08
Sailings				
OPEC	23.75	23.88	24.70	0.82
Middle East	17.45	17.58	18.01	0.43
Arrivals				
North America	9.10	9.95	10.34	0.39
Europe	12.06	12.03	12.08	0.05
Far East	8.17	8.42	8.45	0.03
West Asia	4.67	4.32	4.51	0.19

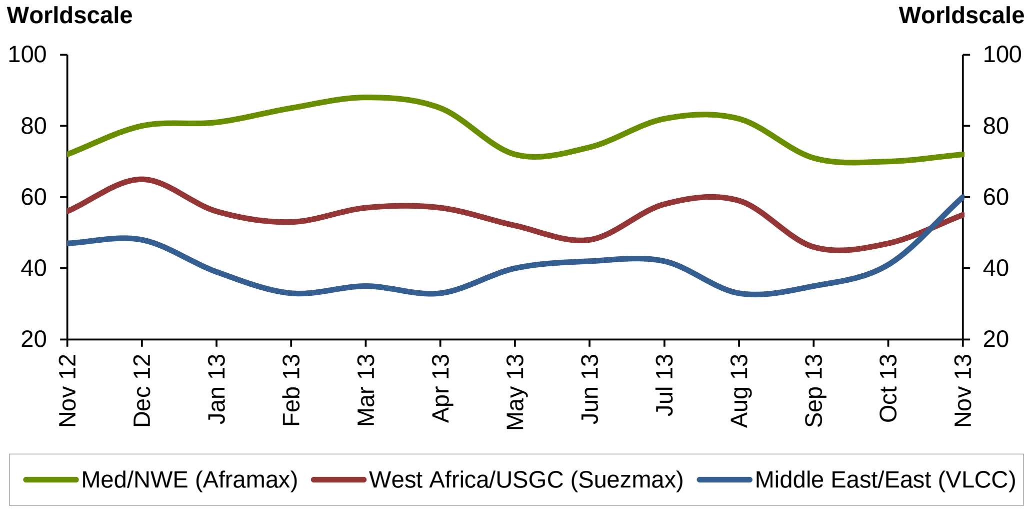
Source: Oil Movements and Lloyd's Marine Intelligence Unit.

Dirty tanker rates recovered in November, as did clean freight rates, both up from a month earlier

In November, both crude and product spot freight rates registered gains compared with the previous month. This general positive trend has not been detected in the tanker market in a while. Dirty tanker freight rates recovered in November, mainly on the back of higher tonnage demand for Far East destinations. The VLCC market saw the strongest activity during November with freight rates sharply increasing in different regions. On average, VLCC freight rates increased by 40% from the previous month, while Suezmax and Aframax registered lower increases of 18% and 5%, respectively.

Clean tanker spot freight rates gained 2% on average in November compared with the previous month. East and West of Suez rates showed a different pattern. While West of Suez rates showed an increase of 10% from the previous month as a result of a firmer Western market, East of Suez rates remained weak. On an annual comparison, all clean tanker freight rates showed a decline from a year ago.

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



VLCC freight rates in November up by 27% from a year ago

For the **VLCC** sector, the market reported a constant increase during the month as market activity increased. While vessel availability was the lowest seen for some time, ship owners were capable of resisting lower freight rates as the market conditions were in their favour.

Spot freight rates for tankers operating on the Middle East-to-East route registered the highest increase among all reported routes. VLCC spot freight rates for tankers operating on the Middle East-to-East route increased by WS19 or 46% in November compared to the previous month. The increase was supported by higher Asian requirements.

Similarly, VLCC spot freight rates for tankers operating on the West Africa-to-East route exhibited a worthy increase in November averaging WS58 points, up by WS16 points or 38% from a month ago. Winter seasonal demand from the West improved tonnage demand and supported VLCC spot freight rates on the long-haul route from the Middle East-to-West in November to average WS38, an increase of 36% from the previous month.

The general gain in VLCC freight rates supported ship owners' margins while bunker fuel prices declined in all major bunkering ports from a month ago. On average, VLCC freight rates in November where 27% higher than the same month in 2012.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	Sep 13	Oct 13	Nov 13	*Change* Nov/Oct
Crude					
Middle East/East	230-280	35	41	60	19
Middle East/West	270-285	25	28	38	10
West Africa/East	260	36	42	58	16
West Africa/US Gulf Coast	130-135	46	47	55	8
NW Europe/USEC-USGC	130-135	45	43	51	8
Indonesia/US West Coast	80-85	76	79	82	3
Caribbean/US East Coast	80-85	106	93	102	9
Mediterranean/Mediterranean	80-85	71	70	72	2
Mediterranean/North-West Europe	80-85	66	63	64	1

Source: Galbraith's tanker market report and Platts.

Suezmax up by 18% m-o-m in November

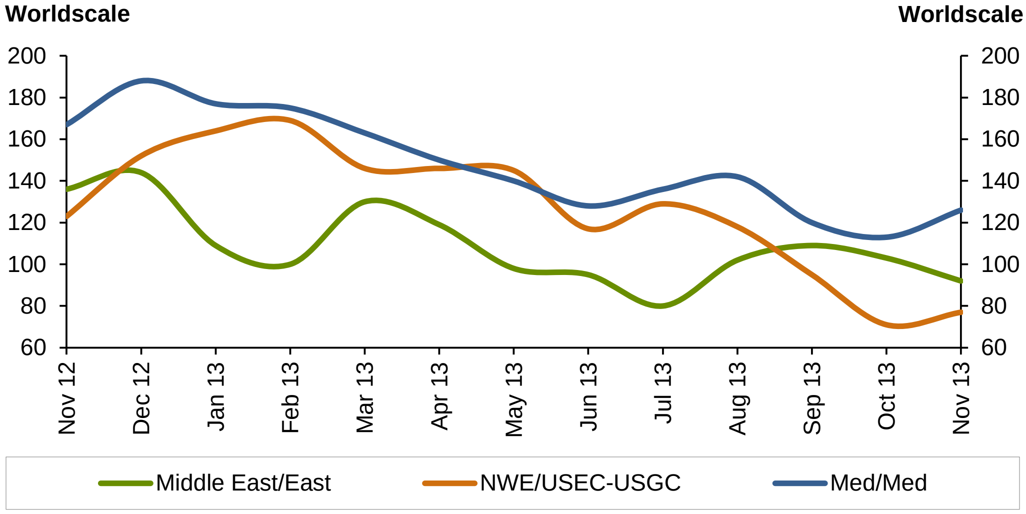
Suezmax spot freight rates also showed an increase in November, up by 18% from the previous month to stand at WS53 points. Rates for tankers operating on the West Africa-to-US route increased by 17% in November to stand at WS55 points, and rates on the Northwest Europe-to-US route gained 19% to stand at WS51 points. The increased freight rates came partially on the back of higher freight rates for VLCC as some owners were considering splitting their cargoes, and partially as increased demand has been seen for Suezmax in different regions.

Aframax also up slightly in November

Aframax market followed the same pattern as VLCC and Suezmax, however Aframax gains remained minor. Aframax freight rates were flat at the beginning of the month as activities were thin in the Mediterranean, however increased delays in the Turkish straits, a flow of activity before the Thanksgiving holidays and bad weather in the Caribbean all together supported freight rates during the month to some extent.

The healthiest increase in this segment was registered on spot freight rates for Aframax trading on the Caribbean-to-US route as it increased by 10% from the previous month to stand at WS102 points. Rates on the Indonesia-to-East route were up by 4% from the previous month to average WS82 points. Spot freight rates for Aframax operating on Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes registered the weakest gains of all reported routes. Compared with last month, the Mediterranean-to-Mediterranean rates increased by 3% in November to stand at WS72 points, and the Mediterranean-to-Northwest Europe rates increased by a slight 2% to stand at WS64 points.

Graph 7.2: Monthly averages of clean spot freight rates



Clean spot freight rates gained West-of-Suez in November

Clean average spot freight rates gained 2% in November compared to the previous month, backed mainly by a firmer market in the West-of-Suez where freight rates registered a gain of 10% to average 113WS points. On the other hand, Clean spot freight rates remained under pressure in the East-of-Suez.

The increase in West clean spot freight rates in November was supported by steady diesel and jet fuel trading as well as delays in the Turkish Straits. Freight rates on the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes exhibited an increase of 11% each to stand at WS126 and WS136 points, respectively, while the gains were lower on the Northwest Europe-to-US routes as its freight rates increased by 8% to average WS77 points.

Clean spot freight rates for tankers operating on the Middle East-to-East route declined by 11%, and rates for the Singapore-to-East route declined by 8% in November compared to the previous month. A lack of cargoes and low tonnage demand were seen to create a surplus of tonnage leading to lower freight rates.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	**Sep 13**	**Oct 13**	**Nov 13**	***Change*** **Nov/Oct**
Products					
Middle East/East	30-35	109	103	92	-11
Singapore/East	30-35	119	119	109	-10
NW Europe/USEC-USGC	33-37	95	71	77	6
Mediterranean/Mediterranean	30-35	120	113	126	13
Mediterranean/North-West Europe	30-35	130	123	136	13

Source: Galbraith's tanker market report and Platts.

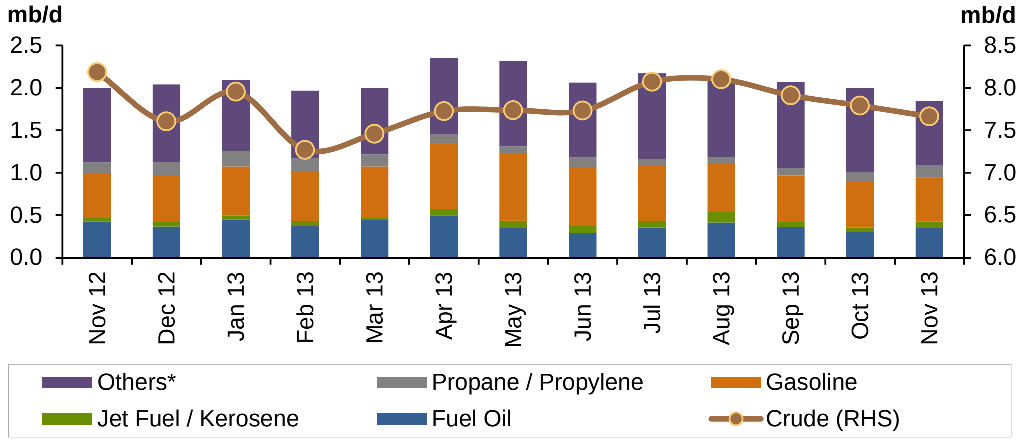
Oil Trade

US crude imports dropped in November by 98 tb/d to average 7.7 mb/d

US

November preliminary data showed that US crude oil imports dropped for the second consecutive month by 98 tb/d or 1% from the previous month to average 7.7 mb/d. This reflects a loss of 491 tb/d or 6% less from one year earlier.

Graph 8.1: US imports of crude and petroleum products



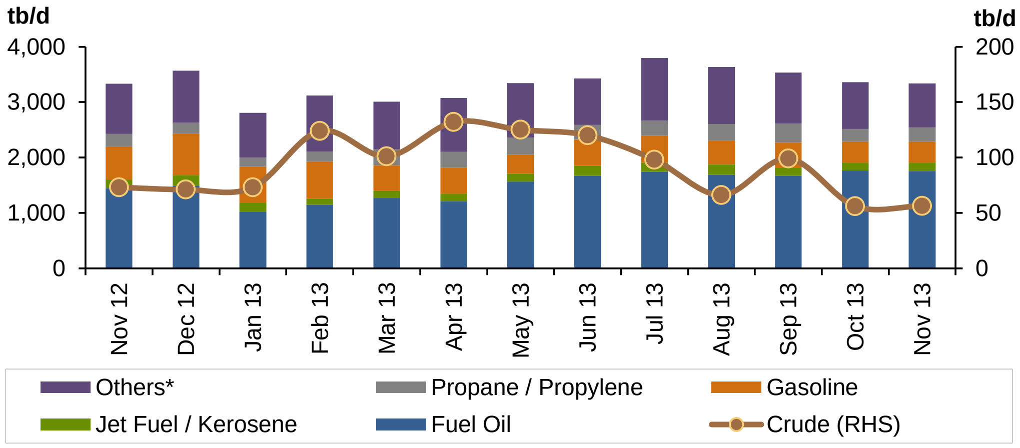
**Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.*

US product imports dropped by 121 tb/d or 6% to average 1.9 mb/d m-o-m, the lowest level since March 2012, while y-o-y there was a decline of 125 tb/d. Year-to-date crude import comparisons were lower by 845 tb/d, while product imports were up by 16 tb/d.

US product exports in November showed a small drop of 12 tb/d or 0.3% from the previous month to average 3.3 mb/d. In an annual comparison, figures reflect a small gain of 17 tb/d.

As a result, US total net imports decreased in November to average 6.2 mb/d, 3% lower than the previous month and 9% less than last year's level.

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.*

In September, Canada remained the top crude oil supplier to the US as it had been earlier, accounting for 32% of total US crude imports, although this amount is 3% or 82 tb/d less than the previous month. Saudi Arabia was the second biggest supplier to the US, providing 19% of total crude imports. Saudi Arabia's crude exports to the US were up by 207 tb/d or 15% from last month. Mexico was the third biggest supplier to US in September; however, volume-wise Mexican exports to the US dropped by 67 tb/d.

Crude imports from OPEC Member Countries were higher than the previous month by 68 tb/d or 2% to average 3.7 mb/d. Crude imports from OPEC Members Countries accounted for 47% of total US crude imports.

On the other hand, US product imports from OPEC Member Countries declined from one month ago to stand at 231 tb/d, holding an 11% share of total products imported by the US, an annual gain of 10%. Canada was the biggest product supplier with 26% of the market, while Russia and the United Kingdom maintained their positions as second and third top suppliers to the US with shares of 21% and 6%, respectively. Volumes of Canadian product imports rose by 17% over September, while imports from Russia and the UK were lower by 13% and 11% from one month ago.

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

	Sep 13	Oct 13	Nov 13	*Change* Nov/Oct
Crude oil	7,812	7,735	7,606	-129
Total products	-1,464	-1,365	-1,491	-126
Total crude and products	**6,348**	**6,370**	**6,116**	**-255**

Japan

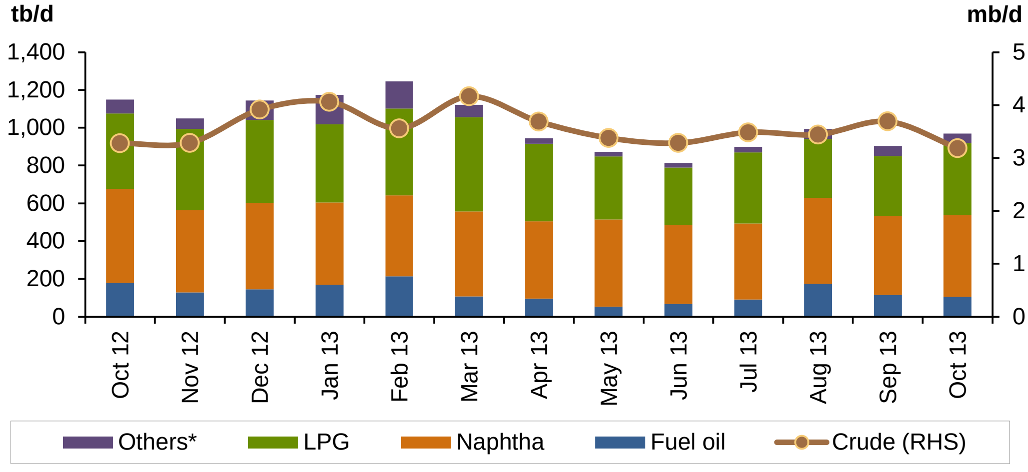
In October, Japan's crude imports dropped by 503 tb/d, to average 3.2 mb/d

Japan crude oil imports dropped in October by 503 tb/d or 14% to average 3.2 mb/d, the lowest levels seen since January 2011. On an annual basis, crude imports dropped in October by 3%.

Saudi Arabia was the biggest crude supplier to Japan, as it was last month, holding a 31% share of total crude imported by Japan, up by 50 tb/d or 5% over last month. These volumes were found to be less than the previous year by 42 tb/d or 4%. The UAE was the second largest supplier to Japan with a 23% share of total crude imports, while Qatar came third in the rankings, holding 12%. UAE and Qatar crude exports were lower than last month by a notable 183 tb/d from the UAE and a slight 5 tb/d or 1% from Qatar.

Japan's product imports were stable in October, averaging 590 tb/d. Y-o-y, product imports were lower by 159 tb/d or 21%. as a result of lower fuel oil and gasoline imports, which declined slightly by 10 tb/d and 3 tb/d, respectively. At the same time**,** Japanese product sales were 2.4% lower in October.

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

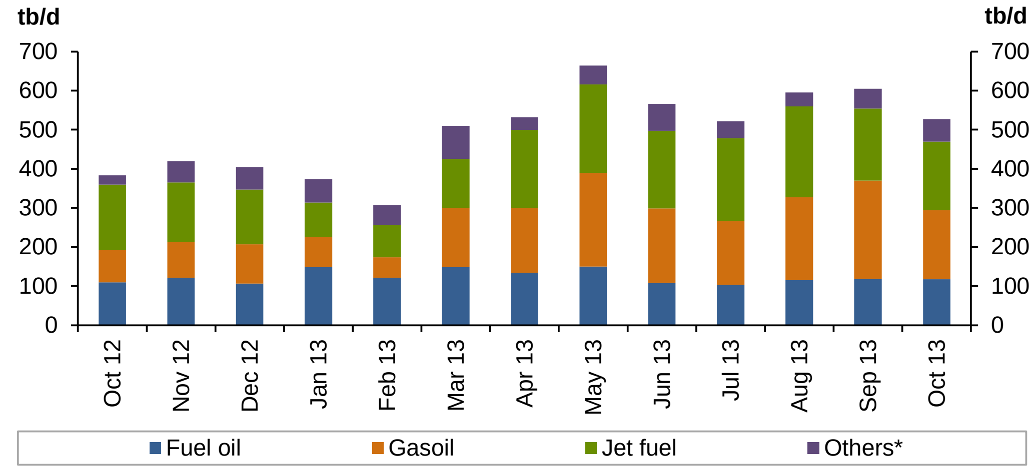


**Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.*

Japanese product exports saw a drop of 74 tb/d or1 2% in October to average 523 tb/d. Exports were higher in gasoline, while kerosene, gasoil and jet fuel exports dropped by 25%, 30% and 5%, respectively, from last month. Annually, all product exports showed an increase.

Accordingly, Japan's net imports dropped in October by 426 tb/d to average 3.3 mb/d, reflecting a monthly drop of 12% and an annual drop of 11%.

Graph 8.4: Japan's exports of petroleum products



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

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

	Aug 13	Sep 13	Oct 13	*Change* Oct/Sep
Crude oil	3,442	3,689	3,186	-503
Total products	98	-10	67	77
Total crude and products	**3,539**	**3,679**	**3,253**	**-426**

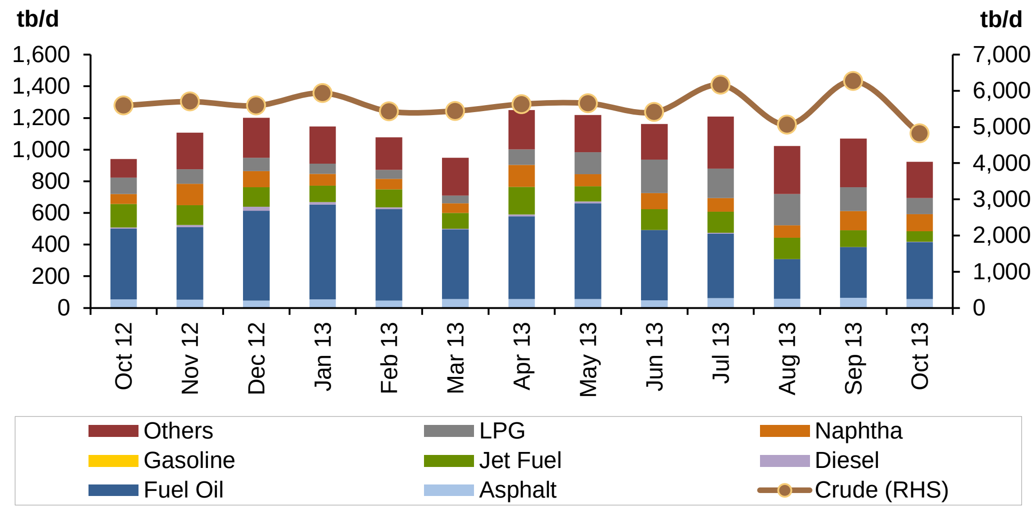
China

In October, China's crude oil imports dropped by 1.4 mb/d to average 4.8 mb/d

Chinese crude oil imports dropped in October by 1.4 mb/d or 23% from the previous month to average 4.8 mb/d, the lowest level since August 2012. This decline came after Chinese crude imports reached a record high the previous month for stock building purposes. Annually, Chinese crude imports were lower by 771 tb/d or 14%. A year-to-date analysis of the figures reflects an increase of 203 tb/d or 4%.

Crude imports came mainly from the following top suppliers: Saudi Arabia, Angola, Oman and Russia, with shares of 22% 16%, 11% and 10%, respectively. Quantities from Saudi Arabia and Angola were down by 9% and 22%, respectively. Meanwhile, Chinese product imports were lower in October by 147 tb/d from the previous month and 18 tb/d from one year earlier to average 924 tb/d.

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



Chinese crude exports declined in October by 9 tb/d to average 25 tb/d. However, product exports increased over last month's level by 28 tb/d to average 664 tb/d.

As a result, China's net oil imports dropped by 1,629 tb/d or 24% from the previous month and 15% from a year earlier.

Graph 8.6: China's exports of crude and products

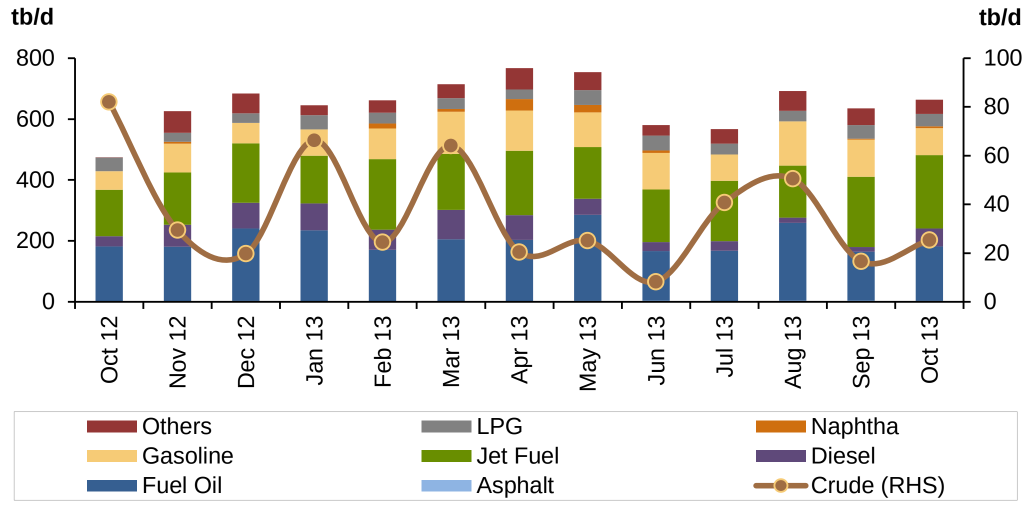


Table 8.3: China's crude and product net imports, tb/d

	Aug 13	Sep 13	Oct 13	*Change* Oct/Sep
Crude oil	5,010	6,250	4,795	-1,455
Total products	330	434	260	-174
Total crude and products	**5,341**	**6,684**	**5,055**	**-1,629**

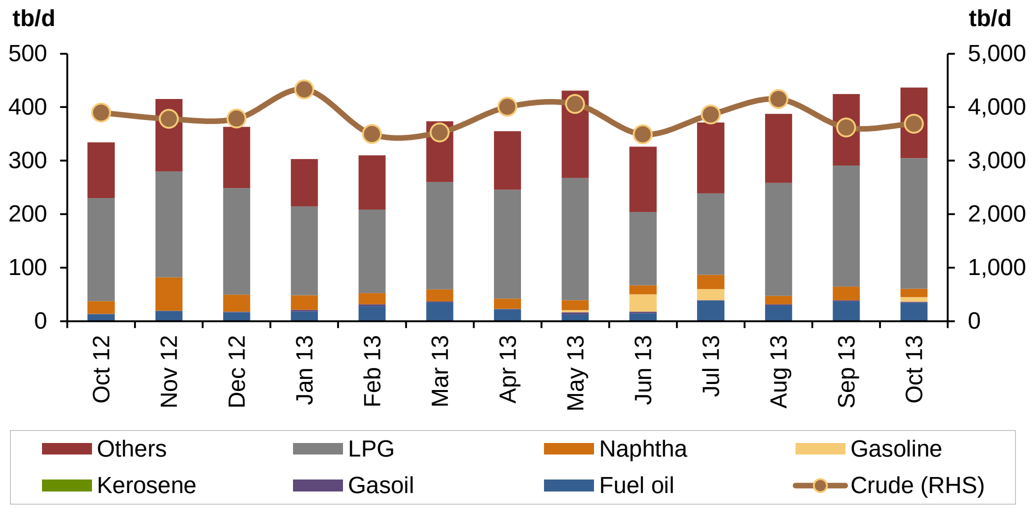
India

In October, India's crude imports rose slightly by 72 tb/d to average 3.7 mb/d

In October, Indian crude imports averaged 3.7 mb/d, 72 tb/d or 2% higher than levels seen last month. On an annual basis, they dropped by 207 tb/d or 5%.

Product imports saw a slight increase of 12 tb/d or 3% from one month ago to average 436 tb/d, the highest level seen since August of 2012. However, the y-o-y gain amounts to 102 tb/d or 31%. Monthly product imports experienced a drop, mainly in naptha; imports of LPG were higher. Diesel imports remained stable from last month. In October, Indian product sales rose 1.6% over a year ago after experiencing a four-month decline.

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



India's product exports were lower in October by 168 tb/d or 10% from the previous month to average 1.5 mb/d; this represents a drop of 60 tb/d or4% from one year ago. Monthly exports of diesel dropped by 19% from the previous month, though still remaining 2% higher than the previous year. Other product exports such as naphtha and petrol were up by 3% and 10% from a month earlier.

Consequentially, India's net imports increased by 252 tb/d to average 2.6 mb/d, a rise of 11% over last month, yet lower by 2% from a year ago.

Graph 8.8: India's exports of petroleum products

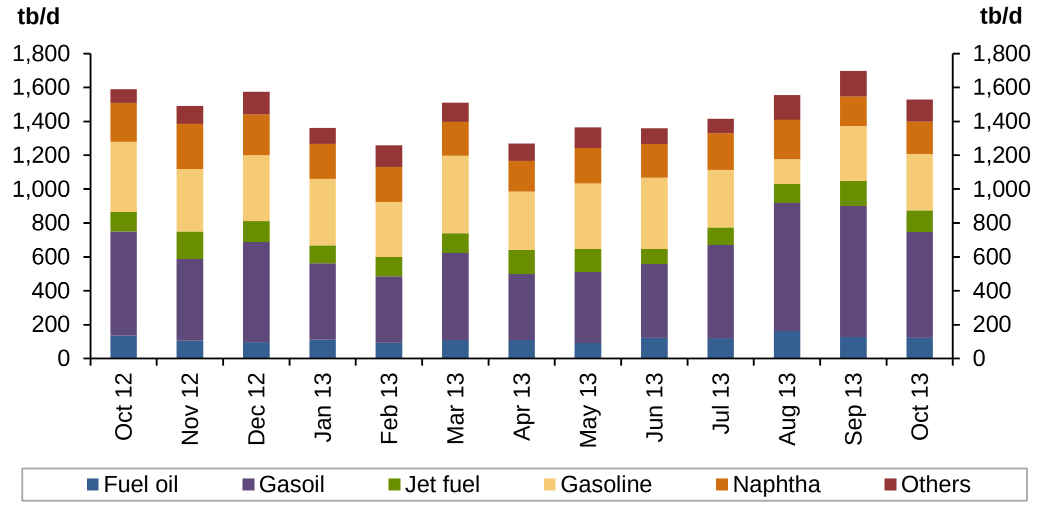


Table 8.4: India's crude and product net imports, tb/d

	Aug 13	Sep 13	Oct 13	*Change* Oct/Sep
Crude oil	4,150	3,618	3,690	72
Total products	-1,168	-1,273	-1,093	180
Total crude and products	**2,982**	**2,345**	**2,597**	**252**

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

FSU

In October, FSU crude exports rose by 142 tb/d to average 6.6 mb/d

In October, total crude oil exports from the former Soviet Union increased by 142 tb/d or 2% to average 6.6 mb/d. Crude exports through Russian pipelines dropped from a month ago by 41 tb/d or 1% to average 4.2 mb/d.

Shipments from Druzhba pipeline to central and eastern Europe dropped by 36 tb/d or 3% to average 1.0 mb/d. Exports through Kozmino also dropped by 38 tb/d to average 408 tb/d. Black Sea exports declined by 55 tb/d or 7% to average 736 tb/d. Conversely, exports from the Baltics increased by 93 tb/d or 6% to average 1.7 mb/d in October. Loadings from both CPC and BTC pipelines increased from last month by 127 tb/d and a slight 6 tb/d, respectively.

FSU total product exports dropped by 7% from a month earlier to average 2.7 mb/d. The decline in monthly product exports came as a result of lower exported volumes in all products except jet fuel, which increased by 9 tb/d in October, while gasoline, fuel oil, gasoil and naphtha all dropped from one month earlier.

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

	2011	2012	1Q 13	2Q 13	3Q 13	Sep 13	Oct 13*
Crude							
Russian pipeline							
Black Sea	934	858	769	752	738	791	736
Baltic	1,462	1,644	1,574	1,647	1,409	1,618	1,711
Druzhba	1,169	1,079	991	1,020	1,063	1,067	1,031
Kozmino	306	330	439	433	437	446	408
Total	**4,177**	**4,218**	**4,086**	**4,152**	**3,984**	**4,263**	**4,222**
Other routes							
Russian rail**	15	15	12	9	9	8	8
Russian-Far East	158	131	183	169	194	190	221
Kazakh rail	279	260	243	261	252	263	257
Vadandey	88	62	103	109	120	123	119
Kaliningrad	23	20	18	21	18	16	11
CPC	679	654	672	703	707	648	775
BTC	701	655	580	714	636	574	580
Kenkiyak-Alashankou	222	214	240	236	222	239	293
Caspian	164	174	176	182	124	122	102
Total crude exports	**6,679**	**6,403**	**6,313**	**6,555**	**6,265**	**6,446**	**6,588**
Products							
Gasoline	163	130	141	123	109	77	122
Naphtha	260	311	339	355	433	429	368
Jet	11	7	14	16	8	2	11
Gasoil	772	784	977	875	822	754	679
Fuel oil	1,299	1,336	1,339	1,557	1,463	1,366	1,270
VGO	208	242	219	288	311	287	263
Total	**2,711**	**2,810**	**3,029**	**3,214**	**3,145**	**2,915**	**2,713**
Total oil exports	**9,390**	**9,213**	**9,342**	**9,769**	**9,410**	**9,361**	**9,301**

** Preliminary*

*** Does not including Kazakh rail.*

Totals may not add due to independent rounding.

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

Stock Movements

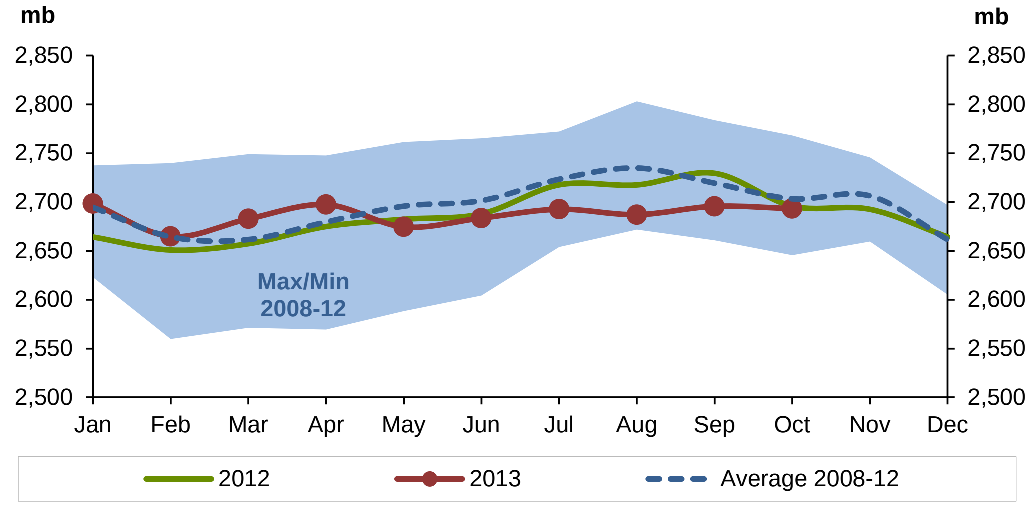
Total OECD commercial oil stocks declined by 2.5 mb in October, reversing the build of the last month

OECD

Preliminary data for October shows that **total OECD commercial oil stocks** declined by 2.5 mb to stand at 2,693 mb, reversing the build of the last month. At this level, inventories were around 10.1 mb below the five-year average and showed a slight deficit of 2.6 mb compared with the same period a year ago.

Within the components, reduced crude throughputs left refiners with a strong crude stock build of 26.8 mb, the largest m-o-m build since the beginning of 2012. At 1,304 mb, OECD crude commercial inventories stood at 26.4 mb above the seasonal norm, which is in line with the same period last year. In contrast, product stocks fell by 29.3 mb in October for the second consecutive month to stand at 1,390 mb. At this level, OECD product commercial stocks stood at 36.5 mb below the five-year average, and around 1.6 mb above the same time a year ago.

Graph 9.1: OECD's commercial oil stocks



In terms of **days of forward cover**, OECD commercial stocks rose 0.5 days in October to stand at 58.5 days. This represents around 0.7 days above the five-year average, but around 0.1 days below the same month last year. OECD Americas was 1.5 days above the historical average at 57.7 days in October; OECD Europe stood at 1.4 days above the seasonal average to finish the month at 68.4 days; and OECD Asia-Pacific indicated a deficit of 1.3 days, averaging 46.4 days.

In October, **commercial stocks** in **OECD Americas** fell by 14.4 mb to stand at 1,374 mb. Despite this drop, inventories were 4.9 mb above a year ago at the same time and 33.5 mb above the seasonal norm.

At the end of October, **crude oil stocks** in **OECD Americas** rose by 26.8 mb versus the previous month, following a build of 14.3 mb in September. The build in October came mainly from lower crude runs in the US, which fell by nearly 700,000 b/d to just less than 15.0 mb/d. This corresponds to a refinery utilisation rate of around 86.4%, 4.7 percentage points less than the September rate. Higher domestic production also contributed to the build in US commercial crude stocks. At 690 mb, OECD Americas' crude commercial stocks stood at 3.4 mb above last year during the same period, but showed a surplus of 37.5 mb over the five-year average.

In contrast to the build in crude stocks, **OECD Americas' product stocks** fell by 29.3 mb in October for the second consecutive month to finish at 684 mb. This represents a deficit of 4.0 mb below the seasonal norm, but a 1.5 mb surplus compared to the same time a year ago. Distillate stocks remained tight in OECD Americas, indicating a deficit of 28 mb below the five-year-average, while gasoline stocks stood at a comfortable level as they showed a surplus of 8 mb. The strong fall in

OECD Americas' commercial products in October came on the back of the drop in refinery outputs combined with some improvement in OECD refined products demand.

In October, **OECD Europe commercial stocks** rose by 6.7 mb versus the previous month to stand at 901 mb but still showing a deficit of 44.2 mb below the seasonal norm, while they were 1.6 mb above a year ago at the same time.

OECD Europe crude oil stocks rose in October by 9.6 mb to finish the month at 382 mb. This build came mainly from lower crude runs as supply outages still weighed on crude oil flows. OECD Europe crude oil stocks indicated a deficit of 9.9 mb below the seasonal norm, while they stood at 4.4 mb above a year ago at the same time.

In contrast, **OECD Europe commercial product stocks** fell by 2.9 mb in October to end the month at 519 mb. This drop came mainly due to some improvement in demand. OECD Europe commercial product inventories showed a deficit of 34.3 mb below the seasonal norm but stood at 2.3 mb above a year ago at the same time.

Commercial inventories in **OECD Asia-Pacific** rose by 5.2 mb in October, reversing the fall of the last two months to stand at 418 mb. At this level, they were 9.2 mb below the same period a year ago and almost in line with the five-year average.

Within the components, the total build was divided between crude and products as they increased by 2.9 mb and 2.3 mb, respectively. **Crude inventories** stood at 8.4 mb below a year ago and 1.2 mb lower than the seasonal norm. OECD Asia-Pacific's total **product inventories** indicated a deficit of 0.8 mb below a year ago but 1.7 mb above the seasonal norm.

Table 9.1: OECD commercial stocks, mb

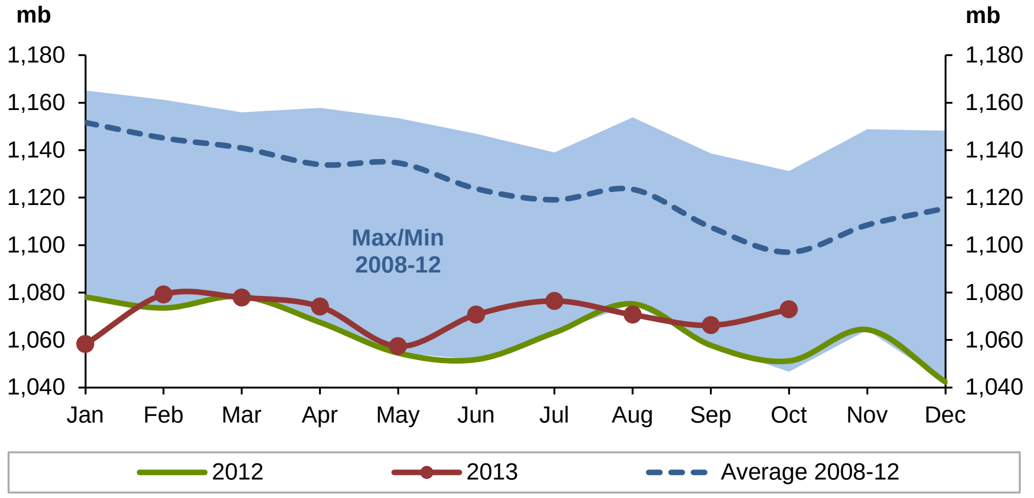
	Aug 13	Sep 13	Oct 13	*Change* Oct 13/Sep 13	Oct 12
Crude oil	1,263	1,277	1,304	26.8	1,305
Products	1,425	1,419	1,390	-29.3	1,391
Total	**2,687**	**2,696**	**2,693**	**-2.5**	**2,696**
Days of forward cover	**58.6**	**58.0**	**58.5**	**0.5**	**58.6**

EU plus Norway

European stocks rose by 6.7 mb in October

Preliminary data for October shows that **European stocks** rose by 6.7 mb versus the previous month, reversing the drop of the last two months. At 1,073 mb, European stocks stood at 21.7 mb or 2.1% higher than the same time a year ago but 15.3 mb or 1.4% below the five-year average. Crude saw a stock-build of 9.6 mb in October, while products declined by 2.9 mb.

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



European crude inventories rose in October, reversing the drop of the previous two months to stand at 465.8 mb, the highest level since the end of last year. At this level, European crude inventories stood at 3.4 mb or 0.8% above the same period last year and 4.8 mb or 1.0% over the latest five-year average. This build came on the back of lower crude runs amid a period of maintenance and poor margins that pressed refineries to cut throughput. European crude runs fell by 860,000 b/d in October to stand around 8.9 mb/d. The autumn turnarounds reduced the average utilisation rate to just 71%.

OECD Europe's product stocks fell by 2.9 mb in October for the third consecutive month to stand at 607.1 mb. Seasonally, low refinery runs amid poor margins were the main reasons behind the drop in product inventories. Despite this fall, European stocks remained at 18.4 mb or 3.1% above the same level a year ago yet 20.1 mb or 3.2% below the seasonal norm. All products except naphtha experienced a drop.

Gasoline stocks fell by 0.8 mb in October, reversing the build of the last two months, to stand at 110.4 mb, a surplus of 3.7 mb or 3.4% over a year ago but 1.2 mb or 1.1% less than the five-year average. The drop in gasoline stocks in October came on the back of some improvement in gasoline demand in the region. Lower refinery output limited a further drop in gasoline inventories.

Distillate stocks also fell by 2.6 mb in October for the second consecutive month to stand at 386.3 mb. Despite this fall, distillate stocks represented a surplus of 18.5 mb or 5.0% over the previous year yet 3.5 mb or 0.9% below the seasonal norm. Lower distillate production in October and higher demand for heating oil were behind the drop in distillate stocks.

Residual fuel oil stocks fell by 0.3 mb for the fourth consecutive month, ending October at 83.1 mb. At this level, they were 3.7 mb or 4.2% below the same time last year and 19.1 mb or 18.7% less than the seasonal average. Lower residual fuel output and higher imports mainly to Singapore contributed to the fall in residual fuel stocks in October.

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

	Aug 13	Sep 13	Oct 13	*Change* Oct 13/Sep 13	Oct 12
Crude oil	**458.0**	**456.2**	**465.8**	**9.6**	**462.4**
Gasoline	110.0	111.3	110.4	-0.8	106.8
Naphtha	26.4	26.4	27.3	0.9	27.4
Middle distillates	391.5	388.9	386.3	-2.6	367.8
Fuel oils	84.8	83.5	83.1	-0.3	86.8
Total products	612.7	610.0	607.1	-2.9	588.7
Total	**1,070.7**	**1,066.2**	**1,072.9**	**6.7**	**1,051.2**

Source: Argus and Euroilstock.

US

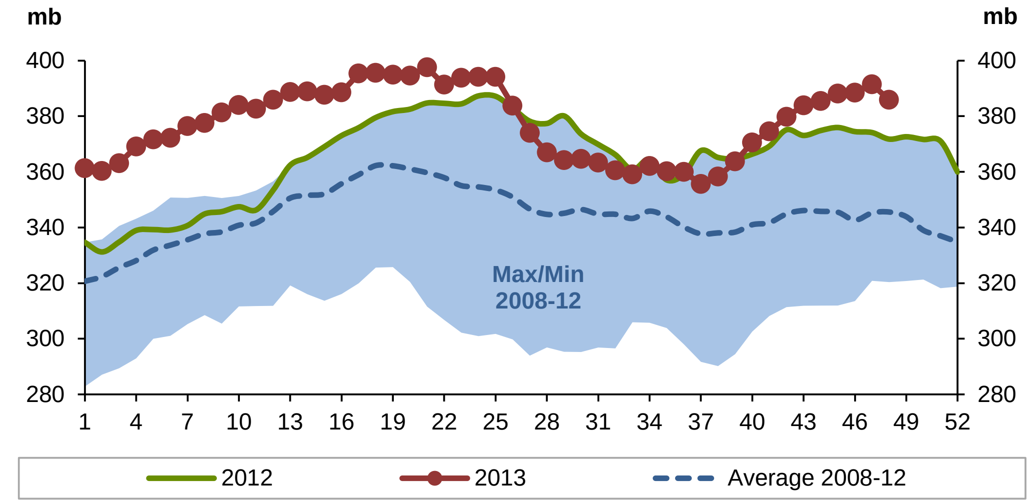
US total commercial oil stocks fell by 26.4 mb in November

Preliminary data for November shows that **US total commercial oil stocks** fell by 26.4 mb for the second consecutive month to stand at 1,090.5 mb. Despite this drop, inventories stood at 9.2 mb or 0.9% above the five-year average but indicated a deficit of 23.1 mb or 2.1% from last year at the same time. This stock-draw was attributed to products as they fell by 26.8 mb, while crude stocks rose slightly by 0.4 mb.

After ten weeks of builds, **US commercial crude stocks** fell by 5.6 mb in the week ending 29 November to stand at 385.8 mb. Despite this drop, they are 40.8 mb or 11.8% above the five-year average and 7.2 mb or 1.9% higher than a year ago at the same time.

The stock-draw in crude during the last week of November came on the back of higher crude runs, which rose by nearly 555,000 b/d to stand at around 16.1 mb/d from a week earlier. Refineries operated at 92.4% of capacity from 89.4% a week earlier. The rise of crude oil imports limited a further build in US commercial crude oil stocks. Indeed, US crude oil imports rose by 91,000 b/d during the week ending 29 November, averaging 7.8 mb/d, but are about 1.1 mb/d below the five-year average.

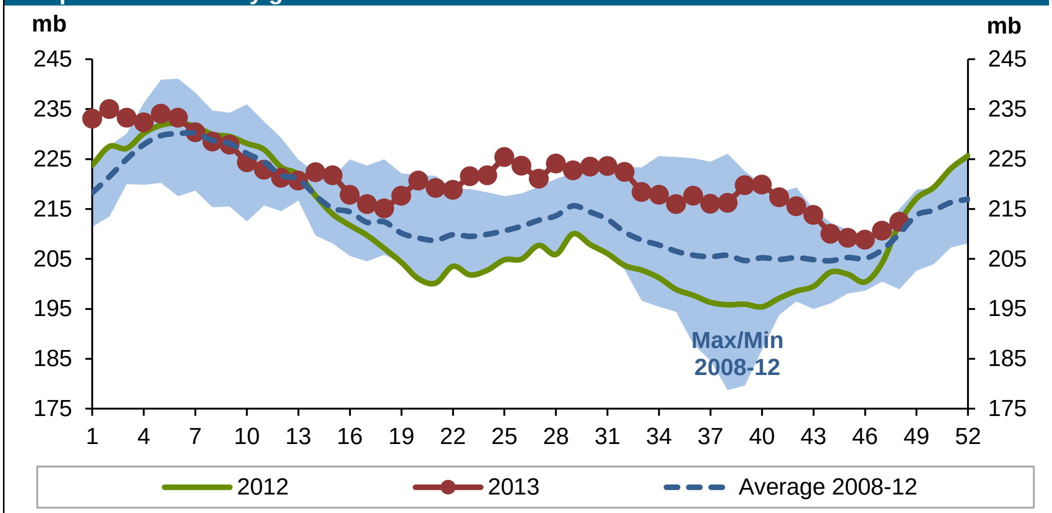
Graph 9.3: US weekly commercial crude oil stocks



Inventories in **Cushing** saw a build of around 4.0 mb for the second consecutive month, ending November at 40.6 mb. Looking forward, the announcement by TransCanada that the southern leg of its Keystone pipeline will begin deliveries from Cushing Oklahoma to Port Arthur, Texas, on 3 January could lead to a reduction in Cushing inventories in the coming months.

Total product stocks fell by 26.8 mb in November, following a drop of 33.0 mb in October, ending the month at 704.7 mb. With this fall, US product stocks stood at 23.1 mb or 2.1% below a year ago at the same time, and represented a deficit of 31.6 mb or 4.3% below the seasonal norm. This drop is mainly attributed to the increase by around 600,000 b/d in petroleum product demand to average 20.1 mb/d. The drop in refinery output also contributed to the fall in US commercial product stocks. Within products, the bulk of the decline came from other unfinished products and distillates.

Graph 9.4: US weekly gasoline stocks



Distillate stocks fell by 4.3 mb for the second consecutive month, ending November at 113.5 mb. At this level, distillate stocks stood at 4.3 mb or 3.7% below a year ago and remained 32.6 mb or 22.3% lower than the seasonal average. The fall in middle distillate stocks came mainly due to lower output, which declined by 120,000 b/d to average 4.9 mb/d. A slight improvement in apparent demand also impacted the decline in distillate stocks.

Gasoline stocks rose by 2.4 mb, reversing the drop of the last month and ending November at 212.4 mb. Despite this build, they saw a deficit of 2.4 mb or 1.1% over a year earlier and 2.0 mb or 0.9% below the latest five-year average. A drop of around 90,000 b/d in apparent demand was behind the stock-build in gasoline inventories.

Residual fuel oil stocks rose by 0.5 mb to finish the month of November at 34.8 mb, 2.8 mb or 7.4% lower than a year ago and 3.7 mb or 9.6% below the seasonal norm. In contrast, jet fuel stocks fell by 3.2 mb in October to stand at 36.3 mb, remaining 2.8 mb or 7.4% lower than the same month a year ago and 3.7 mb or 9.6% below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

	Sep 13	Oct 13	Nov 13	*Change* Nov 13/Oct 13	Nov 12
Crude oil	371.2	385.4	385.8	0.4	379.4
Gasoline	219.3	210.0	212.4	2.4	215.3
Distillate fuel	128.6	117.8	113.5	-4.3	118.0
Residual fuel oil	35.7	34.3	34.8	0.5	37.0
Jet fuel	41.1	39.5	36.3	-3.2	41.0
Total	**1,135.7**	**1,116.9**	**1,090.5**	**-26.4**	**1,115.5**
SPR	696.0	696.0	696.0	0.0	695.0

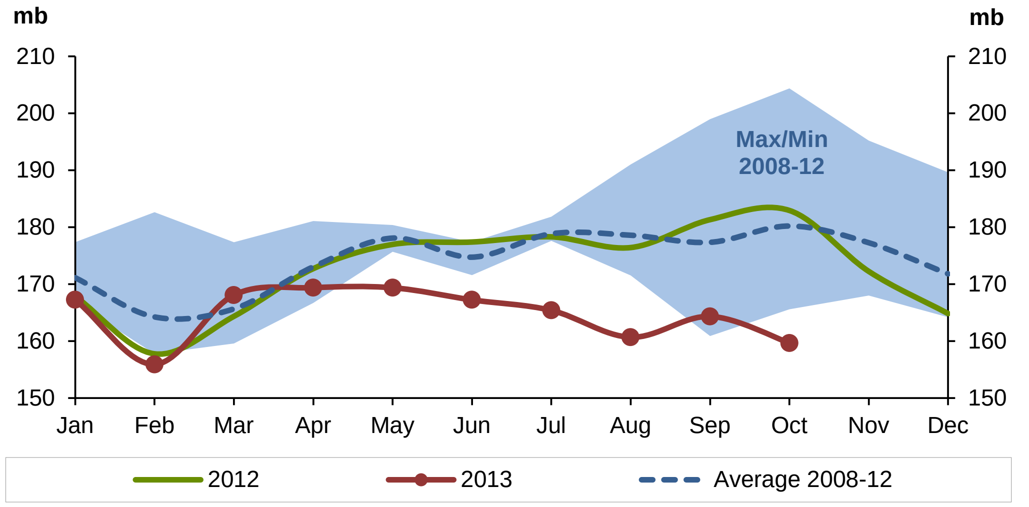
Source: US Department of Energy's Energy Information Administration.

Japan

In October, total commercial oil stocks in Japan fell by 4.7 mb

In October, total **commercial oil stocks** in Japan fell by 4.7 mb, reversing the build of last month, to stand at 159.7 mb. As this level, Japanese oil inventories are 23.3 mb or 12.7% below a year ago and 20.5 mb or 11.4% lower than the five-year average. Within components, crude and products saw a stock-draw of 0.5 mb and 4.5 mb, respectively.

Graph 9.5: Japan's commercial oil stocks



Japanese commercial **crude oil stocks** fell slightly by 0.5 mb in October, reversing the build of the last month, to stand at 89.1 mb. At this level, they are 13.5 mb or 13.2% below a year ago at the same time and 9.9 mb or 10.0% below the five-year average. The fall in crude oil stocks was driven by lower crude imports, which declined by around 503 tb/d or 13.6%, to average 3.2 mb/d. At this level, crude oil imports were also 2.9% below last year at the same time. Lower crude runs in October limited a further drop in Japanese inventories. Indeed, crude throughput fell by around 337,000 b/d or 9.9% from the previous month and 1.5% below last year at the same period. Japanese refiners were running at 70.6% of capacity in October, around 7.7 pp lower than in the previous month, but 1.2 pp more than in the same period last year. Direct crude burning in power plants saw a significant increase of almost 46% in October compared to September, yet 19.6% lower than over the same period last year.

On the product side, **Japan's total product inventories** saw a drop of 4.2 mb in October for the second consecutive month to stand at 70.6 mb. At this level, product stocks showed a deficit of 9.7 mb or 12.1%, remaining below the five-year average with a deficit of 10.7 mb or 13.2%. Lower refinery output, which declined by 7.4% in October from a month earlier was behind the drop in product inventories. At 3.2 mb/d, Japanese refinery output was almost at the same level as the same period last year.

The increase in total domestic sales of oil products by 0.6% from a month earlier to an average of 3.1 mb/d also contributed to the drop in product stocks. All products witnessed a draw, with the bulk coming from distillates.

Distillate stocks fell by 1.9 mb in October for the second consecutive month to finish at 34.1 mb, which is 3.4 mb or 9.2% below the same period a year ago and 4.3 mb or 11.1 % below the seasonal average. Within distillate components, jet fuel stocks rose, while kerosene and gasoil stocks dropped. In October, jet fuel inventories rose by 6.0% on the back of lower domestic sales, while kerosene and gasoil stocks fell by 5.8% and 12.1%, respectively. The drop in both products was driven by higher domestic sales.

Gasoline stocks fell by 0.5 mb in October, ending the month at 11.8 mb, which is 2.3 mb or 16.4% less than the same time last year and 1.7 mb or 12.4% below the five-year average. Declines of 1.5% in gasoline output combined with a decrease in imports of 3.3% were behind this stock-draw. Lower domestic sales limited a further drop in gasoline stocks.

Total residual **fuel oil stocks** also went down by 0.5 mb to end the month of October at 15.0 mb, which is 2.1 mb or 12.3% less than a year ago and 2.3 mb or 13.1% lower than the five-year average. Within the fuel oil components, fuel oil A and fuel oil B.C stocks fell by 11.6% and 7.9%, respectively, driven by lower fuel oil output.

Naphtha stocks fell by 1.3 mb, finishing the month of October at 9.8 mb, indicating a deficit of 1.9 mb or 13.5% compared with a year ago and 2.5 mb or 20.5% below the seasonal norm. This stock-draw came mainly from higher domestic sales, which increased by 3.9%. Lower production also contributed to the fall.

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

	Aug 13	Sep 13	Oct 13	*Change* Oct 13/Sep 13	Oct 12
Crude oil	**84.8**	**89.5**	**89.1**	**-0.5**	**102.6**
Gasoline	13.4	12.3	11.8	-0.5	14.1
Naphtha	10.7	11.1	9.8	-1.3	11.6
Middle distillates	36.0	35.9	34.1	-1.9	37.5
Residual fuel oil	15.8	15.5	15.0	-0.5	17.1
Total products	**75.9**	**74.8**	**70.6**	**-4.2**	**80.3**
Total**	**160.7**	**164.4**	**159.7**	**-4.7**	**183.0**

* *At end of month.*

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

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

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At end-October, product stocks in Singapore declined by 4.0 mb, following a slight drop in September

At the end of October, **product stocks in Singapore** declined by 4.0 mb, following a slight drop in September. At 38.4 mb, product stocks in Singapore represented a deficit of 3.0 mb or 7.3% lower than last year at the same period. All the products saw a drop, with the bulk coming from residual fuel oil.

Residual fuel oil fell by 3.0 mb in October for the second consecutive month to stand at 18.9 mb. With this stock-draw, fuel oil stocks switched the surplus of 3.7 mb with a year ago last month to a deficit of 2.1 mb or 9.8%. This drop was driven by higher exports outpacing imports, which declined by 12.6% for the fifth straight week.

Light distillate stocks fell by 0.5 mb in October, reversing the build of the last two months to stand at 10.5 mb. At this level, light distillate stocks stood at 1.4 mb or 14.8% higher than a year ago in the same period. Strong gasoline demand in the region was behind the decline in light distillate stocks.

Middle distillate stocks also declined by 0.4 mb in October versus September, ending the month at 9.0 mb, which is 2.3 mb or 20.6% less than the same period last year. Higher diesel exports to Australia and Malaysia pushed middle distillate stocks lower.

ARA product stocks fell by 2.5 mb in October

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) fell by 2.5 mb in October, reversing the build of the last two months. At 28.0 mb, product stocks in ARA stood at 1.2 mb or 4.2% below a year ago at the same time. All products experienced a fall, except naphtha.

Gasoline stocks fell by 1.5 mb, reversing the build of the last two months and ending October at 5.0 mb, which is 0.1 mb or 2.5% lower than the same period last year. This build mainly reflects higher demand combined with higher exports, predominantly to South Africa. **Jet fuel** stocks also saw a drop of 0.5 mb to end the month of October at 3.0 mb. **Gasoil stocks** fell by 0.2 mb in October for the second consecutive month to stand at 14.7 mb. Despite this draw, gasoil inventories are 0.3 mb or 2.2% higher than a year ago at the same time. This drop came on the back of high demand for winter-grade products.

Residual fuel oil stocks also saw a drop of 0.6 mb for the second consecutive month, ending October at 4.0 mb. With this stock-draw, ARA fuel oil stocks stood 2.6 mb or nearly 40% lower than a year ago at the same time. Lower imports were the main driver behind the fall in fuel oil stocks. In contrast, **naphtha stocks** rose by 0.2 mb for the second consecutive month to finish the month of October at 1.2 mb, which is 0.2 mb or nearly 30% higher than at the same time last year.

Balance of Supply and Demand

Demand for OPEC crude in 2013 estimated at 29.9 mb/d

Estimate for 2013

Demand for OPEC crude in 2013 remained unchanged from the previous report as world oil demand and non-OPEC supply saw only a minor adjustment.

All quarters remained broadly unchanged from the previous month. Demand for OPEC crude stood at 29.9 mb/d in 2013, representing a decline of 0.6 mb/d from last year's level. The first and second quarters are estimated to fall by 0.2 mb/d and 0.4 mb/d, respectively, versus the same quarters last year; while the third and fourth quarters are expected to experience negative growth of 1.1 mb/d and 0.5 mb/d respectively.

Table 10.1: Summarized supply/demand balance for 2013, mb/d

	2012	1Q13	2Q13	3Q13	4Q13	2013
(a) World oil demand	**88.92**	**88.89**	**89.04**	**90.29**	**90.92**	**89.79**
Non-OPEC supply	52.92	53.82	53.70	54.25	54.67	54.11
OPEC NGLs and non-conventionals	5.57	5.76	5.78	5.81	5.85	5.80
(b) Total supply excluding OPEC crude	**58.48**	**59.58**	**59.48**	**60.06**	**60.52**	**59.91**
Difference (a-b)	**30.44**	**29.31**	**29.56**	**30.23**	**30.40**	**29.88**
OPEC crude oil production	31.13	30.21	30.57	30.36		
Balance	0.69	0.90	1.01	0.13		

Totals may not add up due to independent rounding.

Demand for OPEC crude in 2014 to decline by 0.3 mb/d to 29.6 mb/d

Forecast for 2014

Demand for OPEC crude in 2014 remained unchanged from the previous report with a forecast of 29.6 mb/d. This represents a decline of 0.3 mb/d compared to the estimate for the current year.

All the quarters remained unchanged from the previous report. The first and second quarters are projected to show declines of 0.1 mb/d and 0.3 mb/d, respectively, versus the same period last year. The third quarter is expected to see positive growth of 0.1 mb/d, while the fourth is forecast to decline by 0.8 mb/d versus the same quarter last year.

Table 10.2: Summarized supply/demand balance for 2014, mb/d

	2013	1Q14	2Q14	3Q14	4Q14	2014
(a) World oil demand	**89.79**	**89.94**	**89.96**	**91.47**	**91.94**	**90.84**
Non-OPEC supply	54.11	54.90	54.81	55.22	56.32	55.32
OPEC NGLs and non-conventionals	5.80	5.88	5.93	5.97	6.01	5.95
(b) Total supply excluding OPEC crude	**59.91**	**60.78**	**60.74**	**61.19**	**62.34**	**61.27**
Difference (a-b)	**29.88**	**29.16**	**29.22**	**30.28**	**29.61**	**29.57**

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

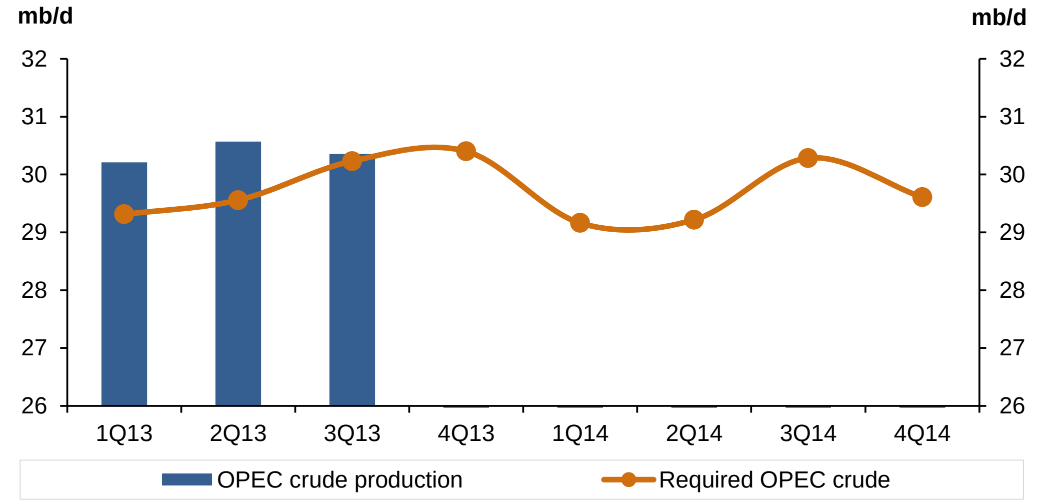


Table 10.3: World oil demand/supply balance, mb/d

	2008	2009	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
World demand															
OECD	48.4	46.4	47.0	46.5	46.0	45.8	45.3	45.8	45.9	45.7	45.6	45.1	45.6	45.7	45.5
Americas	24.5	23.7	24.1	24.0	23.6	23.7	23.7	23.8	23.9	23.8	23.8	23.8	24.0	24.0	23.9
Europe	15.5	14.7	14.7	14.3	13.7	13.2	13.7	13.8	13.4	13.5	13.0	13.4	13.7	13.3	13.4
Asia Pacific	8.4	8.0	8.2	8.2	8.6	8.9	7.9	8.1	8.7	8.4	8.8	7.8	8.0	8.5	8.3
DCs	25.0	25.5	26.5	27.3	28.2	28.3	28.8	29.4	29.0	28.9	29.2	29.5	30.3	29.9	29.7
FSU	4.1	4.0	4.2	4.3	4.4	4.3	4.2	4.6	4.8	4.5	4.4	4.3	4.7	4.9	4.6
Other Europe	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.6
China	8.0	8.3	9.0	9.4	9.7	9.8	10.2	9.9	10.4	10.1	10.1	10.5	10.3	10.7	10.4
(a) Total world demand	86.1	84.8	87.3	88.1	88.9	88.9	89.0	90.3	90.9	89.8	89.9	90.0	91.5	91.9	90.8
Non-OPEC supply															
OECD	19.6	19.8	20.0	20.2	21.1	21.7	21.7	22.3	22.5	22.1	22.5	22.4	22.6	23.3	22.7
Americas	14.0	14.4	15.0	15.5	16.8	17.6	17.6	18.3	18.4	18.0	18.5	18.5	18.9	19.3	18.8
Europe	4.9	4.7	4.4	4.1	3.8	3.6	3.6	3.5	3.6	3.6	3.5	3.3	3.2	3.5	3.4
Asia Pacific	0.6	0.6	0.7	0.6	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
DCs	12.2	12.4	12.7	12.6	12.1	12.1	12.1	12.1	12.1	12.1	12.3	12.3	12.4	12.5	12.4
FSU	12.6	13.0	13.2	13.2	13.3	13.4	13.4	13.4	13.5	13.4	13.6	13.5	13.6	13.9	13.6
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.8	4.1	4.1	4.2	4.2	4.3	4.1	4.3	4.2	4.3	4.3	4.3	4.3	4.3
Processing gains	2.0	2.0	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	50.4	51.1	52.3	52.4	52.9	53.8	53.7	54.2	54.7	54.1	54.9	54.8	55.2	56.3	55.3
OPEC NGLs + non-conventional oils	4.1	4.3	5.0	5.4	5.6	5.8	5.8	5.8	5.9	5.8	5.9	5.9	6.0	6.0	5.9
(b) Total non-OPEC supply and OPEC NGLs	54.5	55.4	57.3	57.8	58.5	59.6	59.5	60.1	60.5	59.9	60.8	60.7	61.2	62.3	61.3
OPEC crude oil production (secondary sources)	31.3	28.8	29.2	29.8	31.1	30.2	30.6	30.4							
Total supply	85.8	84.2	86.5	87.6	89.6	89.8	90.1	90.4							
Balance (stock change and miscellaneous)	-0.4	-0.6	-0.7	-0.5	0.7	0.9	1.0	0.1							
OECD closing stock levels (mb)															
Commercial	2,697	2,662	2,679	2,605	2,664	2,683	2,684	2,696							
SPR	1,530	1,568	1,565	1,536	1,547	1,559	1,555	1,555							
Total	4,227	4,231	4,244	4,141	4,211	4,241	4,238	4,251							
Oil-on-water	969	919	871	825	801	895	871	878							
Days of forward consumption in OECD															
Commercial onland stocks	58	57	58	57	58	59	59	59							
SPR	33	33	34	33	34	34	34	34							
Total	91	90	91	90	92	94	93	93							
Memo items															
FSU net exports	8.5	9.0	9.1	9.0	8.9	9.1	9.2	8.8	8.7	9.0	9.2	9.2	8.9	8.9	9.1
(a) - (b)	31.6	29.4	30.0	30.3	30.4	29.3	29.6	30.2	30.4	29.9	29.2	29.2	30.3	29.6	29.6

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

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

	2008	2009	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
World demand															
OECD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-
Asia Pacific	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-0.1	-0.1	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
World demand growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-OPEC supply															
OECD	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-
Americas	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-0.2	-	-0.1	-0.1	-0.1	-0.1	-0.1
FSU	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-							
Total supply	-	-	-	-	-	-	-	0.1							
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-	-							
OECD closing stock levels (*mb*)															
Commercial	-	-	-	-	1	1	1	9							
SPR	-	-	-	-	-	-	-	1							
Total	-	-	-	-	1	1	1	10							
Oil-on-water	-	-	-	-	-	-	-	21							
Days of forward consumption in OECD															
Commercial onland stocks	-	-	-	-	-	-	-	-							
SPR	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-	-							
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

** This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the November 2013 issue.*
This table shows only where changes have occurred.

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

	2008	2009	2010	2011	2012	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
Closing stock levels, mb																						
OECD onland commercial	2,697	2,662	2,679	2,605	2,664	2,784	2,662	2,684	2,765	2,753	2,679	2,646	2,685	2,670	2,605	2,657	2,688	2,729	2,664	2,683	2,684	2,696
Americas	1,278	1,285	1,329	1,308	1,365	1,369	1,285	1,312	1,367	1,396	1,329	1,298	1,338	1,341	1,308	1,335	1,362	1,385	1,365	1,348	1,377	1,388
Europe	1,012	995	959	905	902	996	995	986	994	957	959	961	940	914	905	943	913	917	902	922	897	894
Asia Pacific	406	383	391	392	397	419	383	386	404	400	391	388	407	415	392	379	413	428	397	413	409	413
OECD SPR	1,530	1,568	1,565	1,536	1,547	1,568	1,568	1,571	1,566	1,553	1,565	1,562	1,565	1,529	1,536	1,536	1,539	1,542	1,547	1,559	1,555	1,555
Americas	704	729	729	697	696	727	729	729	729	728	729	727	727	696	697	697	697	696	696	697	697	697
Europe	420	431	427	426	436	433	431	433	426	423	427	424	427	424	426	426	429	433	436	451	451	452
Asia Pacific	406	409	410	414	414	408	409	409	411	402	410	411	411	409	414	414	413	414	414	411	407	406
OECD total	4,227	4,231	4,244	4,141	4,211	4,352	4,231	4,255	4,330	4,306	4,244	4,208	4,250	4,199	4,141	4,194	4,227	4,272	4,211	4,241	4,238	4,251
Oil-on-water	969	919	871	825	801	869	919	919	897	926	871	891	853	835	825	787	812	844	801	895	871	878
Days of forward consumption in OECD																						
OECD onland commercial	58	57	58	57	58	59	57	58	58	58	57	58	57	57	56	58	59	59	58	59	59	59
Americas	54	53	55	55	57	57	54	54	56	58	55	55	55	56	56	57	57	58	58	57	58	58
Europe	69	68	67	66	67	68	69	69	66	64	67	68	64	65	66	68	66	67	68	67	66	67
Asia Pacific	51	47	47	46	47	50	44	50	51	48	45	52	50	48	43	47	50	49	44	52	50	47
OECD SPR	33	33	34	33	34	33	33	34	33	33	33	34	33	33	33	34	34	33	34	34	34	34
Americas	30	30	30	29	29	30	31	30	30	30	30	31	30	29	30	30	29	29	29	29	29	29
Europe	29	29	30	31	32	30	30	30	28	28	30	30	29	30	31	31	31	32	33	33	33	34
Asia Pacific	51	50	50	48	49	49	47	53	51	48	47	55	51	47	45	51	50	47	46	52	49	46
OECD total	91	90	91	90	92	93	90	92	91	91	90	93	91	90	90	92	92	92	92	94	94	93

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

	2008	2009	2010	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12	1Q14	2Q14	3Q14	4Q14	2014	Change 14/13
US	7.57	8.17	8.63	9.04	0.40	9.80	9.83	9.93	10.62	10.04	1.01	10.63	10.95	11.44	11.46	11.12	1.08	11.47	11.59	11.82	12.18	11.77	0.65
Canada	3.25	3.23	3.36	3.54	0.19	3.81	3.65	3.67	3.96	3.77	0.23	4.08	3.78	4.02	4.08	3.99	0.22	4.14	4.13	4.19	4.30	4.19	0.20
Mexico	3.17	2.98	2.96	2.95	-0.02	2.92	2.94	2.93	2.90	2.92	-0.02	2.91	2.87	2.88	2.86	2.88	-0.04	2.85	2.82	2.84	2.83	2.83	-0.05
OECD Americas*	14.01	14.39	14.97	15.54	0.57	16.55	16.42	16.54	17.49	16.75	1.21	17.64	17.62	18.35	18.40	18.00	1.25	18.46	18.54	18.86	19.32	18.80	0.80
Norway	2.47	2.35	2.14	2.04	-0.10	2.08	1.98	1.75	1.85	1.91	-0.13	1.84	1.84	1.82	1.85	1.84	-0.08	1.83	1.72	1.66	1.81	1.76	-0.08
UK	1.57	1.48	1.37	1.12	-0.24	1.09	1.02	0.83	0.89	0.96	-0.17	0.92	0.89	0.78	0.86	0.86	-0.09	0.84	0.78	0.73	0.83	0.80	-0.07
Denmark	0.28	0.26	0.25	0.22	-0.02	0.21	0.21	0.19	0.20	0.20	-0.02	0.19	0.18	0.17	0.17	0.18	-0.02	0.17	0.16	0.16	0.15	0.16	-0.02
Other OECD Europe	0.62	0.63	0.64	0.69	0.04	0.69	0.70	0.70	0.69	0.70	0.01	0.67	0.66	0.71	0.68	0.68	-0.01	0.68	0.68	0.69	0.69	0.69	0.00
OECD Europe	4.94	4.73	4.39	4.07	-0.32	4.07	3.92	3.47	3.63	3.77	-0.30	3.63	3.57	3.47	3.57	3.56	-0.21	3.52	3.35	3.24	3.48	3.40	-0.16
Australia	0.53	0.54	0.56	0.49	-0.07	0.47	0.49	0.50	0.45	0.48	-0.01	0.37	0.41	0.43	0.44	0.41	-0.06	0.44	0.46	0.47	0.45	0.46	0.04
Other Asia Pacific	0.10	0.10	0.10	0.09	-0.01	0.09	0.09	0.08	0.08	0.08	0.00	0.08	0.08	0.07	0.07	0.07	-0.01	0.07	0.07	0.06	0.06	0.06	-0.01
OECD Asia Pacific	0.63	0.64	0.66	0.58	-0.08	0.55	0.57	0.59	0.52	0.56	-0.02	0.45	0.49	0.51	0.51	0.49	-0.07	0.51	0.53	0.53	0.51	0.52	0.03
Total OECD	19.58	19.76	20.01	20.19	0.17	21.17	20.91	20.60	21.64	21.08	0.90	21.71	21.68	22.33	22.48	22.05	0.97	22.49	22.42	22.63	23.32	22.72	0.67
Brunei	0.17	0.16	0.17	0.17	0.00	0.17	0.14	0.15	0.17	0.16	-0.01	0.17	0.13	0.12	0.13	0.14	-0.02	0.14	0.13	0.13	0.13	0.13	0.00
India	0.80	0.78	0.86	0.89	0.03	0.88	0.88	0.88	0.88	0.88	-0.01	0.87	0.87	0.87	0.86	0.87	-0.01	0.85	0.86	0.86	0.86	0.86	-0.01
Indonesia	1.05	1.03	1.04	1.02	-0.02	1.01	0.99	0.97	0.96	0.98	-0.04	0.96	0.95	0.91	0.90	0.93	-0.05	0.93	0.96	0.96	0.95	0.95	0.02
Malaysia	0.76	0.73	0.70	0.64	-0.06	0.69	0.63	0.63	0.69	0.66	0.02	0.68	0.64	0.64	0.67	0.66	0.00	0.70	0.70	0.69	0.68	0.69	0.04
Thailand	0.36	0.37	0.34	0.33	-0.01	0.35	0.35	0.36	0.36	0.35	0.02	0.37	0.36	0.35	0.34	0.35	0.00	0.35	0.35	0.35	0.35	0.35	-0.01
Vietnam	0.33	0.37	0.35	0.35	0.00	0.37	0.37	0.39	0.39	0.38	0.03	0.39	0.39	0.37	0.38	0.38	0.00	0.38	0.38	0.39	0.39	0.39	0.00
Asia others	0.26	0.25	0.23	0.23	0.00	0.22	0.22	0.22	0.22	0.22	-0.01	0.21	0.22	0.22	0.22	0.22	0.00	0.22	0.22	0.22	0.22	0.22	0.00
Other Asia	3.73	3.69	3.71	3.64	-0.07	3.68	3.59	3.61	3.67	3.64	0.00	3.65	3.57	3.48	3.49	3.55	-0.09	3.57	3.59	3.60	3.58	3.59	0.04
Argentina	0.78	0.73	0.72	0.69	-0.03	0.70	0.69	0.69	0.68	0.69	0.00	0.66	0.66	0.67	0.65	0.66	-0.03	0.64	0.64	0.65	0.65	0.65	-0.01
Brazil	2.38	2.51	2.66	2.64	-0.03	2.71	2.57	2.53	2.60	2.60	-0.03	2.57	2.61	2.63	2.65	2.61	0.01	2.69	2.71	2.81	2.87	2.77	0.16
Colombia	0.60	0.68	0.80	0.93	0.13	0.93	0.96	0.95	0.99	0.96	0.03	1.02	1.02	1.04	1.02	1.02	0.07	1.04	1.06	1.02	1.09	1.05	0.03
Trinidad & Tobago	0.16	0.15	0.15	0.14	-0.01	0.12	0.12	0.12	0.11	0.12	-0.02	0.12	0.11	0.12	0.11	0.11	0.00	0.10	0.10	0.09	0.09	0.09	-0.02
L. America others	0.28	0.30	0.31	0.30	-0.01	0.30	0.30	0.31	0.33	0.31	0.01	0.34	0.33	0.33	0.32	0.33	0.02	0.34	0.34	0.34	0.34	0.34	0.01
Latin America	4.20	4.36	4.63	4.69	0.06	4.75	4.63	4.60	4.71	4.67	-0.02	4.71	4.73	4.78	4.75	4.74	0.07	4.81	4.85	4.92	5.04	4.91	0.16
Bahrain	0.21	0.21	0.20	0.21	0.01	0.20	0.18	0.20	0.21	0.20	-0.02	0.21	0.21	0.22	0.22	0.21	0.02	0.22	0.22	0.22	0.22	0.22	0.01
Oman	0.76	0.81	0.86	0.89	0.02	0.89	0.92	0.93	0.94	0.92	0.03	0.94	0.93	0.95	0.94	0.94	0.02	0.95	0.96	0.96	0.97	0.96	0.02
Syria	0.41	0.41	0.42	0.37	-0.05	0.22	0.24	0.19	0.18	0.21	-0.16	0.16	0.09	0.06	0.04	0.09	-0.12	0.04	0.04	0.04	0.04	0.04	-0.05
Yemen	0.30	0.30	0.29	0.23	-0.06	0.14	0.18	0.21	0.19	0.18	-0.05	0.18	0.12	0.14	0.14	0.14	-0.04	0.16	0.16	0.16	0.16	0.16	0.02
Middle East	1.68	1.73	1.78	1.69	-0.09	1.44	1.51	1.53	1.52	1.50	-0.19	1.48	1.35	1.36	1.34	1.38	-0.12	1.37	1.38	1.38	1.39	1.38	-0.01
Chad	0.15	0.14	0.15	0.14	0.00	0.14	0.14	0.13	0.13	0.13	-0.01	0.13	0.13	0.13	0.14	0.13	0.00	0.13	0.13	0.12	0.12	0.13	-0.01
Congo	0.26	0.27	0.30	0.30	0.00	0.29	0.28	0.27	0.26	0.28	-0.02	0.27	0.27	0.27	0.27	0.27	-0.01	0.26	0.25	0.25	0.24	0.25	-0.02
Egypt	0.69	0.69	0.71	0.70	-0.01	0.71	0.71	0.71	0.71	0.71	0.01	0.71	0.72	0.72	0.70	0.71	0.00	0.69	0.68	0.68	0.67	0.68	-0.03
Equatorial Guinea	0.38	0.36	0.32	0.30	-0.02	0.32	0.31	0.31	0.31	0.32	0.01	0.32	0.32	0.32	0.31	0.32	0.00	0.32	0.33	0.33	0.32	0.32	0.01
Gabon	0.24	0.24	0.25	0.25	0.00	0.25	0.24	0.24	0.24	0.24	-0.01	0.23	0.23	0.24	0.24	0.23	-0.01	0.23	0.22	0.22	0.22	0.22	-0.01
South Africa	0.18	0.17	0.18	0.18	0.00	0.19	0.19	0.19	0.19	0.19	0.01	0.19	0.19	0.18	0.17	0.18	-0.01	0.18	0.18	0.18	0.18	0.18	-0.01
Sudans	0.46	0.48	0.46	0.43	-0.03	0.19	0.09	0.10	0.10	0.12	-0.31	0.11	0.22	0.26	0.32	0.23	0.11	0.33	0.34	0.35	0.36	0.35	0.12
Africa other	0.27	0.26	0.24	0.30	0.06	0.31	0.31	0.31	0.33	0.31	0.01	0.34	0.34	0.34	0.34	0.34	0.03	0.37	0.37	0.38	0.39	0.38	0.04
Africa	2.62	2.60	2.61	2.60	-0.01	2.40	2.27	2.27	2.28	2.30	-0.30	2.30	2.42	2.45	2.49	2.41	0.11	2.50	2.51	2.51	2.51	2.51	0.09
Total DCs	12.22	12.39	12.72	12.62	-0.10	12.28	12.01	12.00	12.18	12.12	-0.51	12.14	12.07	12.06	12.08	12.09	-0.03	12.26	12.33	12.40	12.52	12.38	0.29
FSU	12.60	12.95	13.21	13.24	0.03	13.37	13.25	13.23	13.37	13.30	0.06	13.45	13.39	13.42	13.53	13.45	0.14	13.57	13.49	13.60	13.85	13.63	0.18
Russia	9.78	9.92	10.14	10.27	0.12	10.34	10.32	10.36	10.47	10.37	0.11	10.45	10.47	10.49	10.58	10.50	0.13	10.56	10.49	10.55	10.69	10.57	0.07
Kazakhstan	1.41	1.54	1.60	1.60	0.01	1.62	1.57	1.52	1.63	1.59	-0.02	1.68	1.60	1.61	1.68	1.64	0.05	1.69	1.68	1.73	1.81	1.73	0.09
Azerbaijan	0.94	1.06	1.07	0.95	-0.12	0.96	0.91	0.91	0.82	0.90	-0.05	0.87	0.87	0.88	0.83	0.86	-0.03	0.85	0.84	0.85	0.88	0.86	-0.01
FSU others	0.46	0.44	0.41	0.42	0.02	0.45	0.44	0.44	0.44	0.44	0.02	0.45	0.45	0.44	0.44	0.44	0.00	0.47	0.48	0.47	0.47	0.47	0.03
Other Europe	0.15	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00
China	3.84	3.84	4.12	4.11	-0.01	4.08	4.09	4.15	4.30	4.16	0.04	4.24	4.27	4.15	4.29	4.24	0.08	4.27	4.25	4.27	4.32	4.28	0.04
Non-OPEC production	48.38	49.08	50.21	50.31	0.09	51.04	50.40	50.11	51.63	50.80	0.49	51.67	51.55	52.09	52.52	51.96	1.16	52.72	52.63	53.04	54.15	53.14	1.18
Processing gains	1.97	2.00	2.11	2.11	0.00	2.12	2.12	2.12	2.12	2.12	0.01	2.15	2.15	2.15	2.15	2.15	0.04	2.18	2.18	2.18	2.18	2.18	0.02
Non-OPEC supply	50.35	51.08	52.33	52.42	0.09	53.16	52.52	52.23	53.75	52.92	0.50	53.82	53.70	54.25	54.67	54.11	1.20	54.90	54.81	55.22	56.32	55.32	1.20
OPEC NGL	4.04	4.24	4.87	5.23	0.36	5.27	5.43	5.48	5.29	5.37	0.13	5.52	5.54	5.56	5.58	5.55	0.19	5.60	5.64	5.68	5.72	5.66	0.11
OPEC Non-conventional	0.11	0.11	0.11	0.13	0.02	0.19	0.20	0.19	0.23	0.20	0.07	0.24	0.24	0.25	0.27	0.25	0.05	0.28	0.29	0.29	0.29	0.29	0.04
OPEC (NGL+NCF)	4.14	4.35	4.98	5.37	0.39	5.46	5.62	5.67	5.52	5.57	0.20	5.76	5.78	5.81	5.85	5.80	0.24	5.88	5.93	5.97	6.01	5.95	0.15
Non-OPEC & OPEC (NGL+NCF)	54.49	55.43	57.31	57.78	0.48	58.62	58.14	57.90	59.27	58.48	0.70	59.58	59.48	60.06	60.52	59.91	1.43	60.78	60.74	61.19	62.34	61.27	1.35

** Chile has been included in OECD Americas.*

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

Table 10.7: World Rig Count

	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	1Q13	2Q13	3Q13	Oct 13	Nov 13	Change Nov/Oct
US	1,622	1,687	1,541	459	1,717	1,829	1,945	2,031	1,881	340	1,990	1,971	1,906	1,809	1,919	39	1,757	1,761	1,769	1,744	1,756	12
Canada	364	389	347	129	587	188	443	474	423	76	599	172	326	367	366	-57	536	154	348	378	386	8
Mexico	84	80	97	-31	83	87	103	104	94	-3	98	110	108	108	106	12	114	107	100	106	100	-6
Americas	2,070	2,156	1,985	557	2,386	2,104	2,492	2,609	2,398	413	2,688	2,253	2,340	2,285	2,391	-6	2,407	2,023	2,217	2,228	2,242	14
Norway	13	20	18	-2	21	17	16	16	17	-1	17	18	14	20	17	0	21	19	21	19	20	1
UK	21	21	19	1	18	17	15	15	16	-3	14	19	18	21	18	2	21	17	16	15	15	0
Europe	92	100	94	11	118	112	123	119	118	24	112	117	117	129	119	1	134	133	140	136	137	1
Asia Pacific	23	22	21	-4	17	17	17	18	17	-4	19	25	25	27	24	7	30	28	24	24	24	0
Total OECD	2,185	2,278	2,100	543	2,521	2,232	2,632	2,745	2,532	433	2,819	2,395	2,483	2,441	2,534	2	2,571	2,184	2,382	2,388	2,403	15
Other Asia	253	255	248	31	257	234	232	233	239	-9	231	216	205	215	217	-22	215	224	216	221	216	-5
Latin America	220	213	205	48	191	192	196	201	195	-10	191	190	172	165	180	-15	167	170	159	163	166	3
Middle East	163	159	156	6	101	107	102	107	104	-52	116	112	110	100	110	6	72	78	69	84	84	0
Africa	19	18	19	9	1	2	0	5	2	-17	3	3	9	11	7	5	9	15	15	19	26	7
Total DCs	655	645	628	93	549	535	530	546	540	-88	542	522	496	491	513	-27	463	487	459	487	492	5
Non-OPEC rig count	2,840	2,924	2,727	636	3,070	2,768	3,161	3,291	3,072	345	3,361	2,916	2,979	2,931	3,047	-26	3,034	2,670	2,841	2,875	2,895	20
Algeria	24	24	25	-2	29	33	30	33	31	6	31	31	44	38	36	5	44	48	48	47	44	-3
Angola	9	9	9	5	11	11	11	8	10	1	10	12	7	7	9	-1	9	10	12	14	13	-1
Ecuador	11	11	11	1	11	11	11	15	12	1	17	17	22	25	20	8	25	26	27	26	27	1
Iran**	52	52	52	0	54	54	54	54	54	2	54	54	36	54	54	0	54	54	54	54	54	0
Iraq**	36	36	36	0	36	36	36	36	36	0	36	50	76	69	58	22	66	80	93	92	92	0
Kuwait**	21	23	20	8	56	56	57	60	57	37	56	56	58	58	57	0	59	58	58	57	57	0
Libya**	14	15	16	1	10	3	8	9	8	-8	12	11	11	14	12	4	16	15	14	15	16	1
Nigeria	18	17	15	8	35	35	36	36	36	21	37	35	37	33	36	0	36	40	34	36	36	0
Qatar	9	9	9	0	10	8	7	7	8	-1	8	7	8	7	8	0	9	8	10	7	7	0
Saudi Arabia	67	65	67	-1	98	98	98	105	100	33	106	114	111	115	112	12	116	114	111	111	113	2
UAE	13	13	13	1	17	21	24	22	21	8	22	24	23	26	24	3	28	27	28	29	31	2
Venezuela	70	80	70	10	125	125	125	113	122	52	126	122	112	110	117	-5	119	122	121	125	118	-7
OPEC rig count	344	355	342	31	493	490	495	498	494	152	515	534	546	556	542	48	582	601	611	613	608	-5
Worldwide rig count*	3,184	3,278	3,069	667	3,563	3,258	3,656	3,789	3,566	497	3,876	3,451	3,524	3,487	3,589	23	3,616	3,271	3,452	3,488	3,503	15
of which:																						
Oil	1,783	1,896	1,701	479	2,197	2,023	2,354	2,453	2,257	556	2,709	2,528	2,677	2,682	2,654	397	2,781	2,544	2,649	2,667	2,690	23
Gas	1,356	1,337	1,325	200	1,319	1,187	1,257	1,286	1,262	-63	1,116	879	799	749	886	-376	795	672	747	761	760	-1
Others	42	46	43	8	48	49	47	52	49	6	54	46	51	59	52	3	44	58	60	63	57	-6

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

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

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Data Summary December 2013

OPEC Basket average price

US$ per barrel

down 1.72 in November

November 2013	**104.97**
October 2013	**106.69**
Year-to-date	**105.72**

November OPEC crude production

in million barrels per day, according to secondary sources

down 0.19 in November

November 2013	**29.63**
October 2013	29.83

World economy

Global growth forecasts remain unchanged at 2.9% for 2013 and 3.5% for 2014. The OECD forecasts continue to stand at 1.2% for 2013 and 1.9% for 2014. Growth expectations for China also remain at 7.8% for both 2013 and 2014, and India at 4.7% for this year and 5.6% for 2014.

Supply and demand

in million barrels per day

2013		12/13
World demand	89.8	**0.9**
Non-OPEC supply	54.1	**1.2**
OPEC NGLs	5.8	**0.2**
Difference	**29.9**	**–0.6**

2014		13/14
World demand	90.8	**1.0**
Non-OPEC supply	55.3	**1.2**
OPEC NGLs	5.9	**0.1**
Difference	**29.6**	**–0.3**

Totals may not add due to independent rounding.

Stocks

Preliminary data shows total OECD commercial oil stocks declined by 2.5 mb in October, a deficit of 10.1 mb with the five-year average. In terms of days of forward cover, OECD commercial stocks stood at around 58.5 days, 0.7 days more than the five-year average. Preliminary data for the US shows that total commercial oil stocks fell by 26.4 mb in November, indicating a surplus of 9.2 mb with the five-year average.

Issued 10 December 2013

Next report to be issued on 16 January 2014

Data covered up to the end of November 2013 unless otherwise stated.