OPEC

Monthly Oil Market Report

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Feature article:

Monetary stimulus and its impact on the global economy

Organization of the Petroleum Exporting Countries

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Oil market highlights

Crude Oil Price Movements
The OPEC Reference Basket rebounded by $2.70 in December to settle at $107.67/b. In annual terms, the Basket price averaged around $106/b in 2013, a decline of around $3.50 compared to the previous year. In 2013, WTI futures gained nearly $4 to average about $98/b and North Sea Brent futures fell $3 to average around $109/b. Overall, price volatility in crude markets remained low in 2013.

World Economy
World economic growth for 2013 and 2014 remains at 2.9% and 3.5% respectively. The OECD economies are recovering and are expected to grow in 2014 at 1.9%, compared to 1.2% in 2013, unchanged from previous month's forecast. China's growth remains unchanged at 7.8% for both 2013 and 2014, while India's forecast remains at 4.7% and 5.6%.

World Oil Demand
World oil demand growth for 2013 was revised up by 70 tb/d to stand at 0.9 mb/d. The upward revisions in OECD Americas and Europe reflect the most recent data. For 2014, growth is expected to increase to around 1.0 mb/d, unchanged from the previous month.

World Oil Supply
Non-OPEC oil supply growth in 2013 is estimated at 1.2 mb/d, up by 50 tb/d from the previous month's report. The forecast for the current year was also revised higher, up 70 tb/d to 1.3 mb/d. Growth is seen coming mainly from the US, Canada, Brazil and the Sudans, while Norway, UK and Mexico are seen declining in 2014. OPEC NGLs are expected to increase by 150 tb/d in 2014. OPEC crude production averaged 29.44 mb/d in December, according to secondary sources, indicating a drop of 20 tb/d.

Product Markets and Refining Operations
Product markets saw a mixed performance with the top of the barrel strengthening as naphtha continues to be strong on the back of higher petrochemical demand. However this was outweighed by fuel oil losses, which caused margins to drop in the Atlantic Basin. In Asia, refinery margins showed some recovery on the back of stronger seasonal demand.

Tanker Market
Spot freight rates saw a significant increase in December in both dirty and clean tanker fixtures, due to high market activities, tight vessel availability and weather delays.

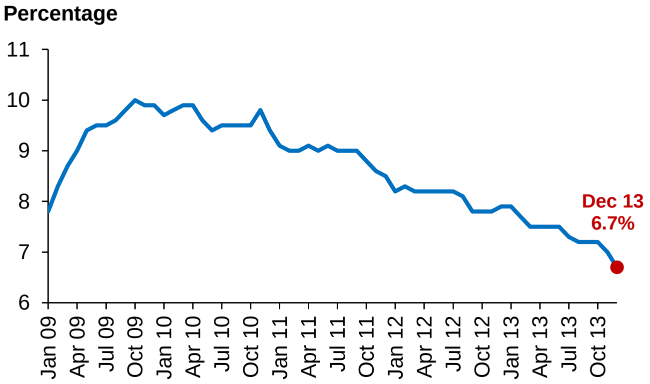
Stock Movements
OECD commercial stocks fell in November driven by a decline in both crude and products. Crude showed a surplus of 56 mb over the five-year average, while products indicated a deficit of 87 mb. OECD commercial stocks stood at 58.1 days of forward cover. Preliminary data for December indicates a seasonal drop in US commercial stocks for both crude and products.

Balance of Supply and Demand
Demand for OPEC crude remains unchanged in 2013 and 2014. Required OPEC crude for 2013 is estimated at 29.9 mb/d, representing a decrease of 0.5 mb/d from the previous year. In 2014, demand for OPEC crude is forecast at 29.6 mb/d, a drop of 0.4 mb/d from last year.

Monetary stimulus and its impact on the global economy

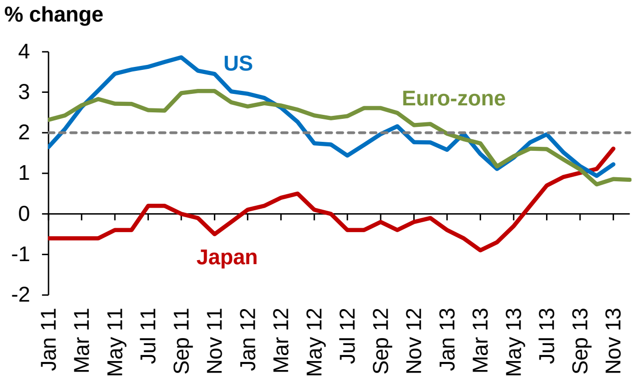
Monetary stimulus has been an important factor in reviving economic growth worldwide following global economic recession in 2009. These efforts began in 2009 in the form of fiscal and monetary stimulus. Due to the stretched sovereign debt situation in most of the OECD economies, fiscal stimulus ended around 2010, with the exception of Japan, and monetary stimulus became the main anchor for reviving economic growth in these economies. While monetary stimulus has mainly been implemented by low key interest rates, additional tools were introduced including facilitating funding to the banking industry and implementing quantitative easing at different magnitude and different stages. These efforts combined with low interest rates helped industries to benefit from low cost financing.

Graph 1: US unemployment rate



Source: Bureau of Labor Statistics and Haver Analytics.

Graph 2: Inflation, y-o-y



Source: Haver Analytics.

Monetary stimulus efforts have differed across the various regions. In the US, it played an important role in reviving the economy. The most recent round of quantitative easing particularly targeted the mortgage market. This in combination with low interest rates supported the housing market and, as result, allowed consumers to increase spending while adding to their wealth. In addition, the improvement in the equity and bond markets also provided another wealth factor for consumers, giving them the confidence to spend more. This increased spending facilitated job creation, bringing down the unemployment rate from historical high levels immediately after the crisis to stand at 6.7% in December (***Graph 1***). This provided a solid basis for the recovery in the US economy, which is expected to grow by 2.5% this year.

In the Euro-zone, the effectiveness of monetary stimulus was hampered by the diverse structure of the economies. Due to the high level of sovereign debts, low cost loans could not reach the intended targets – small and medium sized enterprise – to a sufficient degree. This was because of risk aversions by commercial banks in the region as well as the need to build their balance sheets in light of expected regulatory requirements. As a result, the recovery in the Euro-zone remains uneven.

The recent ambitious monetary stimulus measures taken in Japan have been successful in helping the economy to recover from the lingering impact of the Fukushima triple disaster in 2011. These efforts included a sharp devaluation of the yen, which boosted exports. Increasing consumer spending also helped to reverse the long-standing deflationary trend in the economy. An improvement in the housing market, although still in the early stages, should provide further support.

In the emerging markets, the large monetary stimulus in the developed economies has generally helped to support the inflow of foreign investment to these markets, although with different paces. The stimulus has enabled investors borrowing at low cost in the advanced economies to seek higher returns in the emerging markets. These increased investments, in turn, triggered a sharp rise in demand for commodities in the developing and emerging economies.

Looking ahead, monetary stimulus is expected to continue, although at a reduced pace compared to previous years. As long as economic growth remains modest compared to potential and inflation persists at low levels of below 2% (***Graph 2***), efforts to strengthen growth in the major OECD countries will be on-going, providing an important contribution to the global economic recovery.

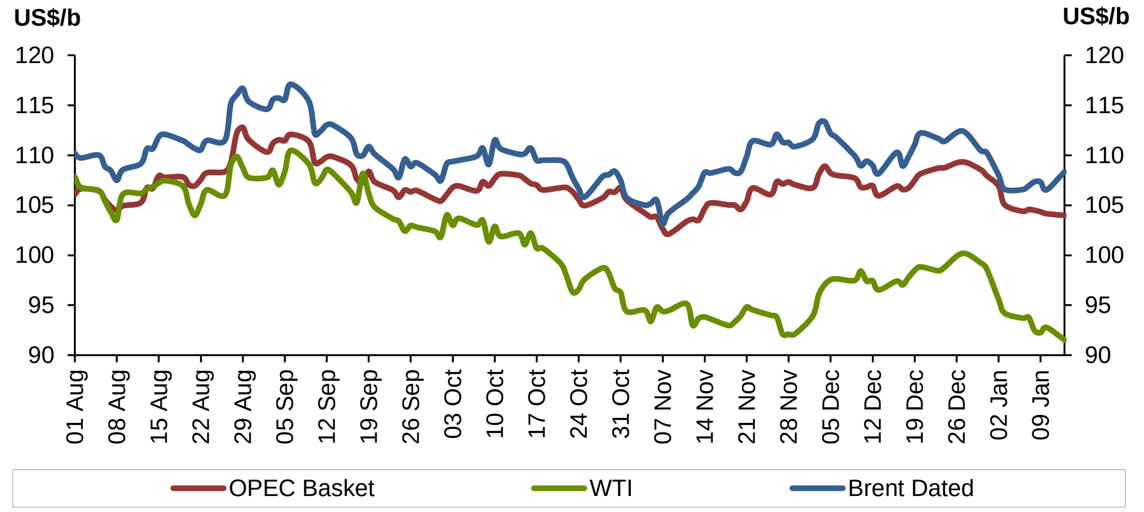
Crude Oil Price Movements

The OPEC Reference Basket rebounded in December after two months of losses as all component values moved up amid support from tight Libyan supply, open arbitrage to Asia, strong naphtha and gasoil margins in Asia, as well as the recovery in the US Gulf Coast (USGC) market. Crude futures prices ended December higher, following 3 months of losses, as Brent reacted to tight Libyan supply, while WTI was up sharply, underpinned by returning seasonal demand and inventory drawdowns. On a yearly basis, US WTI futures gained nearly $4 to average around $98/b, as more pipeline connections to USGC refineries drained inland crude supplies. North Sea Brent futures averaged about $3 lower than in 2012. Meanwhile, despite various supply outages, the transatlantic spread narrowed slightly in December. However, on a yearly basis, the Brent-WTI spread fell sharply from $17.50/b in 2012 to an average of $10.80/b in 2013.

OPEC Reference Basket

In December, the value of the OPEC Reference Basket rebounded by $2.70 after two months of losses to settle at $107.67/b. Looking at its annual performance, the Basket averaged near $106/b in 2013. The Basket also showed its first y-o-y losses, after three consecutive yearly gains.

Graph 1.1: Crude oil price movement, 2013-14



In 2013, the Basket slipped $3.58 y-o-y, or 3.27%, below the previous all-time high year of 2012. Prices remained supported despite increased shale oil production and the financial crises that have overtaken several countries in the Euro-zone, the world's second largest oil consumer after the United States. In 2013, prices were sustained by a variety of factors including growth in world oil demand, positive economic data from the US and China, political tensions in several MENA region countries, and prolonged maintenance in the North Sea. In 2013, the overall pattern of the Basket value consisted of consecutive quarterly waves, with high prices early on, which turning downward in March, before bottoming out in the 2Q. Prices picked up in the 3Q, but then fell back again in the 4Q before rallying in December. The upward movement of the Basket in December was driven by ongoing supply shortages from Libya, weather-related shipping delays, year-end inventory drawdowns and better refined product margins that supported the demand for crude, particularly in Asia.

Crude Oil Price Movements

On a monthly basis, the OPEC Reference Basket increased to an average of $107.67/b in December, representing an improvement of $2.70/b, or 2.57%, over the previous month. However, for the year 2013, the Basket averaged $105.87/b, compared to the previous year's average of $109.45/b, down $3.58/b or 3.27%.

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

	Nov 13	Dec 13	Change Dec/Nov	Year-to-date 2012	Year-to-date 2013
OPEC Reference Basket	**104.97**	**107.67**	**2.70**	**109.45**	**105.87**
Arab Light	104.84	108.07	3.23	110.22	106.53
Basrah Light	101.63	105.12	3.49	107.96	103.60
Bonny Light	111.47	113.11	1.64	113.66	111.36
Es Sider	107.57	110.41	2.84	111.86	108.51
Girassol	108.83	111.31	2.48	112.21	109.14
Iran Heavy	106.87	108.96	2.09	109.06	105.73
Kuwait Export	104.73	107.30	2.57	108.93	105.04
Marine	105.83	107.76	1.93	109.26	105.32
Merey	94.83	96.61	1.78	100.06	96.66
Murban	109.36	111.22	1.86	111.76	108.21
Oriente	89.72	96.56	6.84	102.76	97.74
Saharan Blend	109.27	112.66	3.39	111.49	109.38
Other Crudes					
Brent	107.97	110.81	2.84	111.62	108.62
Dubai	105.95	107.80	1.85	109.07	105.45
Isthmus	93.83	98.39	4.56	106.55	105.16
LLS	97.18	102.73	5.55	111.70	107.33
Mars	91.65	97.86	6.21	106.79	102.24
Minas	104.28	106.38	2.10	116.60	107.41
Urals	107.73	110.44	2.71	110.49	108.00
WTI	93.76	97.72	3.96	94.10	97.96
Differentials					
Brent/WTI	14.21	13.09	-1.12	17.52	10.67
Brent/LLS	10.79	8.08	-2.71	-0.08	1.30
Brent/Dubai	2.02	3.01	0.99	2.55	3.17

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

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

All Basket component values moved up in December. Brent-related crudes were supported by tight Libyan supply and an uplift in demand amid open arbitrage to Asia, as the Brent-Dubai spread was at its narrowest in two months. Meanwhile, strong naphtha and gasoil margins supported Dubai-related Middle Eastern crudes. Asian refiners paid higher prices for middle distillate-rich grades to take advantage of strong middle distillate margins. Refiners also maximized naphtha output, driven by strong petrochemical demand for steam cracking.

Ecuador's Oriente and, to some extent, Iraq's Basrah and Saudi Arabia's Arab Light were underpinned as the USGC market recovered from months of weakness amid supply tightness and stocks were drawn down due to bad weather, pipeline filling and year-end storage management. Freezing temperatures in North Dakota reduced shale production and affected transport to the USGC. Fog at several USGC ports stalled barge shipments of light sweet crude from the Eagle Ford shale formation and from West Texas. The filling of TransCanada pushed back the start-up of refineries on the US Gulf Coast, reducing supply expectations and supporting prices. Oriente improved by a hefty $6.84, while Basrah light and Arab light improved by $3.49 and $3.23, respectively.

Brent-related crudes, Saharan Blend, Es Sider, Girassol and Bonny Light improved by almost $3.60, on average. Middle Eastern spot components and multi-destination grades rose by around $1.90 and $2.85, respectively. The value of Venezuela's Merey edged up about $1.78.

For the year, the average of Brent-related grades, Middle Eastern spot components and multi-destination grades were above $105/b, while Latin American grades averaged slightly below $100/b.

On 15 January, the OPEC Reference Basket stood at $104.35/b.

The oil futures market

The crude oil futures markets ended December higher, following quarter-long losses, with little volatility seen throughout the year. US WTI futures gained nearly $4 in 2013 to average around $98/b, as more pipeline connections to USGC refineries began to drain inland crude supply. North Sea Brent futures averaged around $109/b in 2013, some $3 lower than a year ago, to register their first y-o-y loss in three years.

Meanwhile, prices in 2013 remained remarkably stable for a second year, with volatility in crude markets remaining limited. The CBOE's Crude Oil Volatility Index, which measures the market's expectation of 30-day volatility, repeatedly touched its lowest point in history in recent weeks and has been well below the average of the last two years throughout 2013. While various supply outages and missed expectations would suggest volatile crude markets, the tight oil boom in the US capped volatility, somewhat softening the impact of disruptions in other parts of the world. Moreover, strong trading activity by shale oil producers (sellers) and banks (buyers) at the back-end of the curve acted as an anchor on front-end crude prices, effectively limiting volatility on the upside.

Meanwhile, in December, market fundamentals and crude oil futures prices were aligned as both ICE Brent and Nymex WTI reflected their respective market conditions. The loss of some 1 mb/d of Libyan crude from global markets is beginning to take a stronger role in the global benchmark's differentials with the backwardation in the Dated Brent vs. 3rd month market structure widening towards the end of the month. WTI was seen the strongest it has been since mid-October and in December averaged some 4% up from the previous month. This was in line with returning CDU capacity as the maintenance season wrapped up, with the subsequent jump in refinery utilisation rates helping to draw down stocks. A year-end inventory drawdown and weather related shipping delays also supported prices. The Nymex WTI front month managed a hefty 4.2% increase, or $3.90, ending the month at an average of $97.83/b. ICE Brent also increased by $2.74 to average $110.64/b, almost 2.5% higher than in November.

Compared to the previous year, front-month WTI average in 2013 was also up by almost 4% at $97.96/b, while ICE Brent was down by 2.6% or $2.95 at $108.76/b.

Crude oil futures prices kept their momentum in the first week of January. On 15 January, ICE Brent stood at $107.13/b and Nymex WTI at $94.17/b.

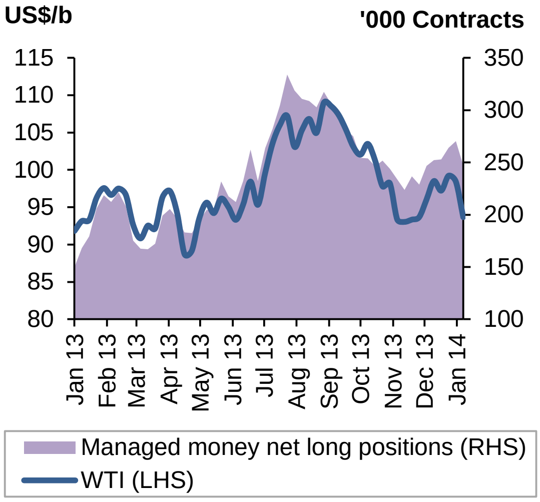
Data from the US Commodity Futures Trading Commission (CFTC) showed that, on average, speculators increased their net long positions in US crude oil futures and options during the month of December. Compared to the previous month, hedge funds and other large investors increased their net long positions on Nymex by 41,567 contracts to 270,386 lots, a rise of almost 18%. WTI prices held steady near

$100/b that same period but have contracted sharply in the New Year, indicating that bullish trader sentiment has softened further in recent trading.

On the other hand, managed money net long positions for ICE Brent in December increased by 6,850 lots to 136,611 contracts. At the same time, Brent prices held relatively steady near $111/b providing further indication that traders remained slightly bullish.

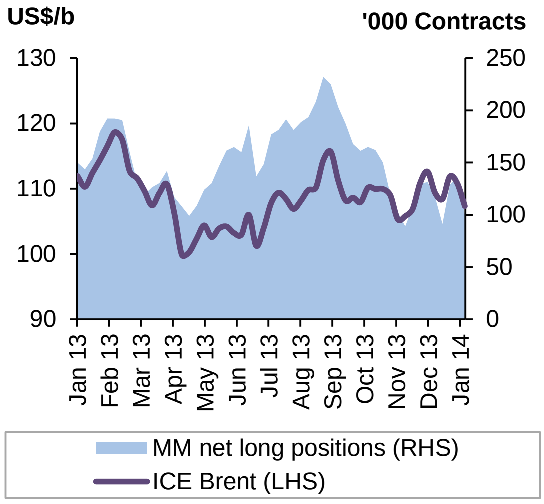
However, as with WTI, Brent prices have contracted significantly early in the New Year, suggesting that trader sentiment is less bullish now. The total open interest volume in the two markets decreased in December by 119,344 contracts to 3.85 million contracts.

Graph 1.2: Nymex WTI price vs. speculative activity, 2013-14



Source: CFTC.

Graph 1.3: ICE Brent price vs. speculative activity, 2013-14



Source: IntercontinentalExchange, Inc.

The daily average traded volume during December for WTI Nymex contracts decreased by 75,145 lots to average 467,411 contracts. ICE Brent volume also dropped by 138,103 to 479,137 contracts. In 2013, the average daily trading volumes of ICE Brent have been constantly above those of Nymex WTI. In the January-December period, the daily average of ICE Brent trades was 29,611 lots or 5% above Nymex WTI. For the second year in a row, ICE Brent trading volumes overtook those of Nymex WTI by more than 11.2 million contracts. In 2013, Nymex WTI total traded volume was 149 million contracts, compared to 141 million lots a year earlier, a gain of 5.3% y-o-y. ICE Brent traded volume was 160 million lots versus 148 million contracts the previous year, an 8% increase y-o-y.

The futures market structure

The Nymex WTI market structure narrowed its contango in December, with the first month vs. second month time spread averaging around 20¢/b, a narrowing of 20¢ from the previous month amid 6 consecutive weeks of stock drawdowns in the US. Meanwhile, on an annual basis, WTI's average contango narrowed again to its lowest since 2008, as increased transportation capacity drained the crude surplus in the US Midwest. As a result, the prompt-month Nymex WTI futures contract saw its discount vs. the second month contract shrink to 8¢/b from 40¢/b.

The ICE Brent market structure widened its backwardation as a result of the disruption in Libyan production and ongoing arbitrage of North Sea grades to East of Suez and the Mediterranean, where regional sweet crudes have traded at consistently strong premiums to Dated Brent amid tight supply. The spread between the second and the first month of the ICE Brent contract averaged around 40¢/b in December compared to 30¢/b in the previous month. On an annual basis, ICE Brent's backwardated market structure remained flat as it continues to be affected by MENA regional geopolitics and supply disruptions. As a result, the prompt-month ICE Brent futures stayed around the 65¢/b average for the year 2013.

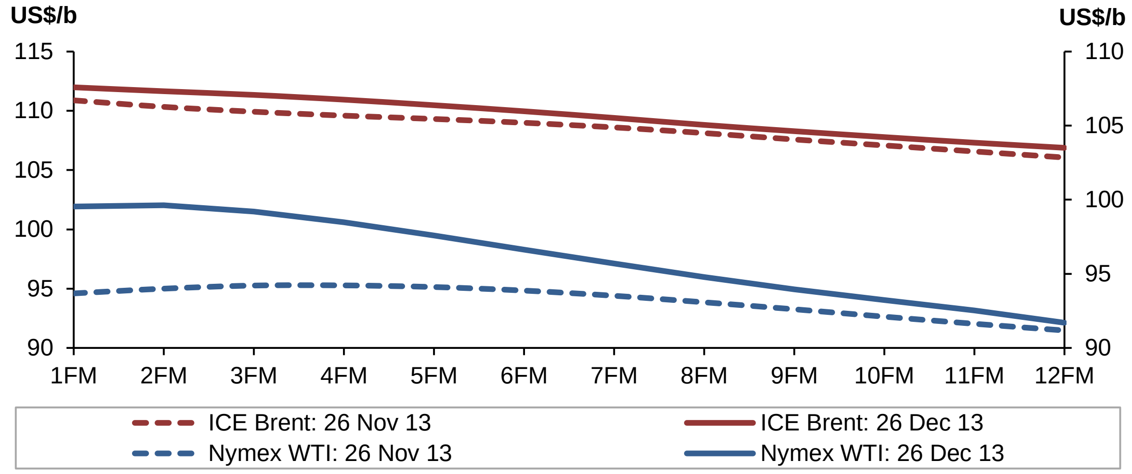
Table 1.2: Nymex WTI and ICE Brent forward curves, US$/b

	1st FM	2nd FM	3rd FM	6th FM	12th FM
Nymex WTI					
26 Nov 13	93.68	94.00	94.21	93.87	91.18
26 Dec 13	99.55	99.62	99.21	96.64	91.71
ICE Brent					
26 Nov 13	110.88	110.33	109.92	108.99	106.06
26 Dec 13	111.98	111.65	111.34	109.96	106.88

FM = future month.

The transatlantic (Brent-WTI) spread in December narrowed slightly by about $1.20 to a monthly average of $12.80/b, still far from the single digit values reached earlier. Nevertheless, on a yearly basis the spread collapsed from $17.50/b in 2012 to an average of $10.80/b in 2013. This is mainly due to the substantial infrastructure built to drain storage in Cushing, Oklahoma, by moving and redirecting inland crudes to the refining centers on the USGC and US East Coast.

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



FM = future month.

The light sweet/medium sour crude spread

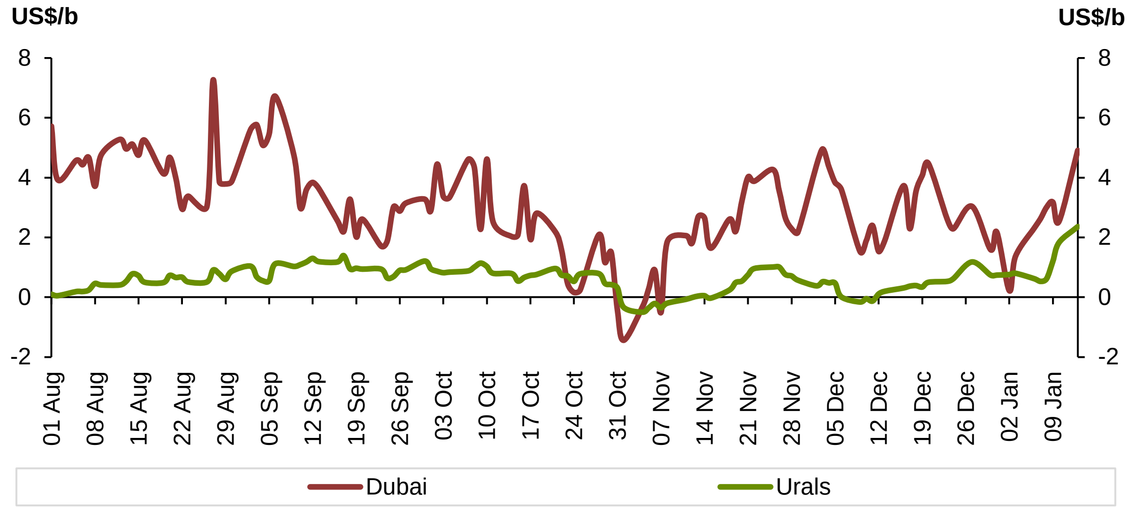
The global sweet/sour differentials were mixed, widening in Europe and Asia while narrowing slightly in the USGC.

In **Asia**, the Tapis- Dubai crude widened slightly over the month. Product markets were supportive for the lighter grade, as the naphtha crack was heading towards its highest level since March. Gasoline and middle distillate cracks also strengthened while fuel oil remained weak. The spread was capped from widening further as Tapis came under pressure from mass inflows of West African grades, estimated at more than 2 mb/d in November and December. Inflows of December-loading North Sea crude were also elevated, at close to 200 tb/d. In December, the Tapis-Dubai spread widened to average $8.10/b, compared to $7.35/b in the previous month, an increase of 75¢.

In **Europe**, although sweet grades in the Mediterranean were well supported by Libyan outages and open arbitrage to Asia, the sweet/sour differential was reversed for some part of the month with Dated Brent trading below Urals Med. The sour grade continued to be propped up by tight regional supplies as Iranian crude remains unobtainable for most European refiners, while supplies of Iraqi Kirkuk suffered from disruptions due to pipeline issues. Russia, meanwhile, continues to direct crude away from Europe towards Asia. Transneft has already outlined a new Asian export route and is set to begin shipping 140 tb/d of Russian crude to China via pipeline through Kazakhstan in 1Q14. Nevertheless, on average, the spread widened by 15¢ to 40¢/b.

In the **US**, the LLS/Mars spread narrowed on average despite widening strongly towards the end of the month as bad weather in the USGC delayed coastal barge movements of light sweet Eagle Ford and WTI crudes. Mars came under strong pressure from a tumbling fuel oil crack, which was partly the result of strengthening crude prices. Nevertheless, LLS is expected to come under pressure from the increased availability of light-sweet crude along the USGC following the successful reversal of the Ho-Ho pipeline. According to Shell, capacity along the Louisiana segments will increase to 375 tb/d in early 2014. The premium of LLS over Mars averaged $4.90 in December compared to $5.55 in November.

Graph 1.5: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2013-14



Commodity Markets

While the commodity market recovered in December, it started to decline once again after the beginning of the current year, led by retracting energy prices, while other commodity sector groups have been relatively resilient on average. Although the past year has been impacted by a larger-than-expected drag in commodity demand from emerging markets, it remains to be seen if this weakness from 2013 will continue.

Trends in selected commodity markets

What has become obvious so far is a shift from commodities demand in emerging and developing economies to industrialised economies. This is forecast to continue, at least to some extent. In addition, emerging market exports are expected to benefit from the recovery in OECD economies over the coming months and should also see some rise in demand in 2014, compared with last year. In particular, a pick-up in China's economy since the first half of the last year should lift demand for industrial metals. This, along with falling copper inventories, should support prices well in 2014. Moreover, the current overhang of short positions in the copper paper market could lead to a short squeeze in such an environment. Within the energy sector, coal is expected to be supported by this positive economic trend in China.

A major upside risk for certain metals, however, is stemming plans on behalf of the Indonesian government to impose a temporary export ban on nickel and aluminium, which could have an important effect on price developments in the metals market. If such an export ban were to remain in place until after this year's parliamentary elections in April and presidential elections in July, prices could rise later this year and into 2015, as consumers will likely eat into metal stockpiles.

The most recent decision of the Federal Reserve Board (Fed) to start tapering the quantitative easing programme — leading to rising yields — in combination with the current low likelihood of significantly rising inflation, has led to less investment into precious metals already, a trend expected to continue in 2014. 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 targeted by the major central banks. Advanced economies' average inflation stood at only 1.2% y-o-y in September. Hence, the fear of rising inflation has receded and therefore the necessity of hedging inflation via investments in the commodities market to protect against inflation has declined. This has been felt in not only the energy sector's paper trading activity, but mainly in precious metals. The price of gold declined significantly in the past months, falling by around 16% last year and 4.1% m-o-m in December; a trend that has so far stabilised in January, but which is expected to continue.

Given ample supply and reasonably healthy inventory levels and due to sufficient crops in the past year, agricultural and food-related commodities have also declined in 2013. This price pressure — certainly depending on harvest and weather conditions — might also continue this year, when taking into consideration that stock levels are healthy and that China is starting to directly subsidise farm products and move away from its policy of stockpiling.

Price behaviour over the last months has been different among the various commodities, a trend that after the general decline in November continued in December. It could be observed that commodities have benefitted from the global economic recovery in December, while decline was seen in other areas. Energy, non-energy commodities and industrial metals all rose, while agricultural commodities were almost unchanged. Food and grains declined and precious metals also showed negative price development, with both gold and silver falling out of fashion. While some downside is currently apparent, continued recovery in the major developing economies, a stabilisation of the economy in China and an expected rebound in India should support demand for major commodities and continue to be supportive in the near future. However, close monitoring of the supply side will be necessary in the near future as well.

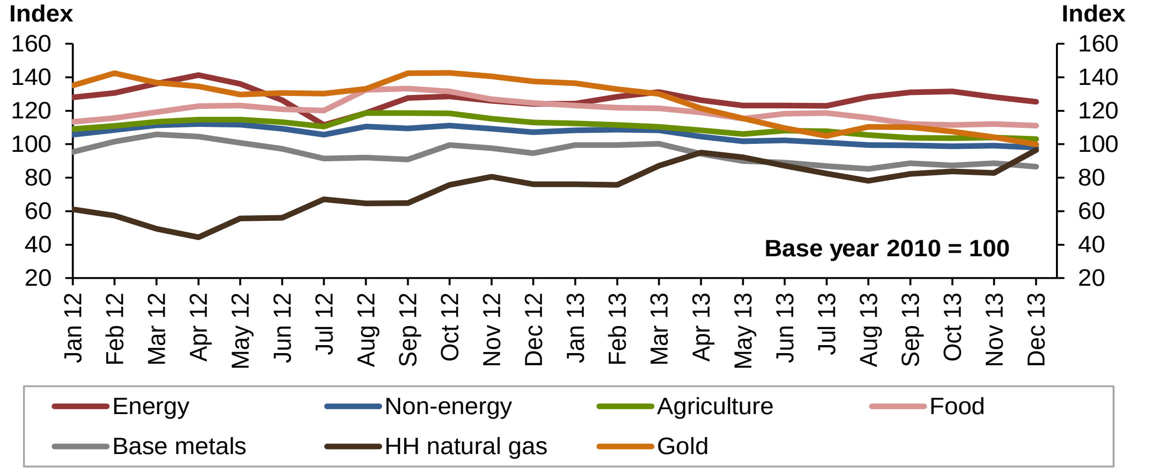
Table 2.1: Commodity price data, 2013

Commodity	Unit	*Monthly averages*			*% Change*		
		Oct 13	Nov 13	Dec 13	Oct/Sep	Nov/Oct	Dec/Nov
World Bank commodity price indices for low and middle income countries (2010 = 100)							
Energy		128.3	125.5	129.5	-2.5	-2.2	3.2
Coal, Australia	$/mt	79.4	82.3	84.3	2.3	3.6	2.5
Crude oil, average	$/bbl	105.4	102.6	105.5	-3.1	-2.7	2.8
Natural gas, US	$/mmbtu	3.7	3.6	4.2	1.7	-1.1	16.6
Non Energy		99.1	98.0	98.5	0.4	-1.1	0.5
Agriculture		104.0	103.1	103.3	0.4	-0.9	0.2
Food		112.0	111.2	110.5	0.5	-0.7	-0.6
Soybean meal	$/mt	580.0	566.0	564.0	2.5	-2.4	-0.4
Soybean oil	$/mt	987.0	996.0	989.0	-3.6	0.9	-0.7
Soybeans	$/mt	544.0	553.0	568.0	-2.2	1.7	2.7
Grains		111.7	109.0	107.6	0.0	-2.5	-1.2
Maize	$/mt	201.7	199.1	197.4	-2.7	-1.3	-0.9
Wheat, US, HRW	$/mt	325.7	306.8	291.6	5.9	-5.8	-5.0
Sugar World	$/kg	0.4	0.4	0.4	7.3	-5.4	-6.3
Base Metal		88.7	86.5	87.7	1.6	-2.4	1.4
Aluminum	$/mt	1,814.6	1,748.0	1,739.2	3.0	-3.7	-0.5
Copper	$/mt	7,203.0	7,070.7	7,213.5	0.6	-1.8	2.0
Iron ore, cfr spot	$/dmtu	132.6	136.3	135.8	-1.2	2.8	-0.4
Lead	$/mt	2,115.4	2,089.6	2,135.9	1.5	-1.2	2.2
Nickel	$/mt	14,117.7	13,684.0	13,925.7	2.3	-3.1	1.8
Tin	$/mt	23,101.6	22,826.9	22,802.8	1.6	-1.2	-0.1
Zinc	$/mt	1,884.8	1,866.4	1,973.3	2.1	-1.0	5.7
Precious Metals							
Gold	$/toz	1,316.6	1,275.9	1,224.4	-2.4	-3.1	-4.0
Silver	$/toz	21.9	20.8	19.6	-2.9	-5.3	-5.6

Source: World Bank, Commodity price data.

Energy prices have risen by 3.2% m-o-m in November on average, with the highest increase seen in natural gas, which rose by 16.6% m-o-m. This has also been supported by the exceptionally cold weather in the US. The agricultural sector was flat, while food fell by 0.6% m-o-m in December, following a decline of 0.7% m-o-m in November. Base metal prices rose by 1.4% m-o-m in December in general, after a decline of 2.4% m-o-m in November. A strong increase came from copper, which rose by 2.0% m-o-m, also supported by China’s positive momentum. Lead rose the most within the group, increasing by 2.2%. Nickel was also up by 1.8% in anticipation of a potential price rise due to an export ban in Indonesia. The precious metals group continued to be in decline. Gold fell by 4.0% m-o-m in December after a decline of 3.1% in November, while silver fell by 5.6% m-o-m in December, compared to a decline of 5.3% in November.

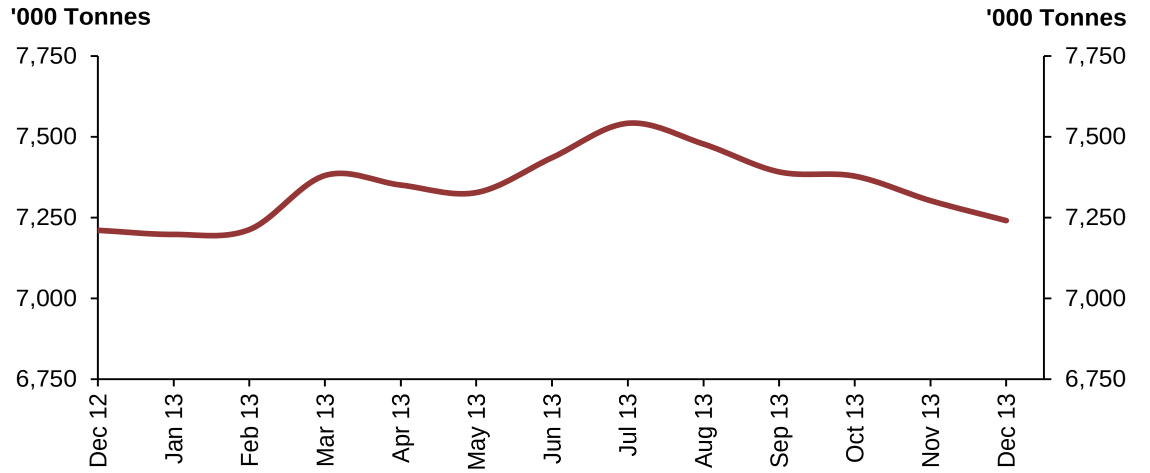
Graph 2.1: Major commodity price indices, 2012-13



Source: World Bank, Commodity price data.

In December the **Henry Hub (HH) natural gas price index** ended sharply higher, breaking the $4 level for the first time since May. The index ended up 61¢, or 16.6%, at $4.24 per million British thermal units (mmbtu), after trading at an average of $3.63 in the previous month. Chilly early winter weather and inventory drawdowns helped to drive the front month up more than 25 per cent since 1 November, with the contract posting a 2½-year high of $4.5 on 23 December. Meanwhile, natural gas was the best-performing commodity in 2013 — up by nearly 27 per cent — and also the commodity which saw the biggest gains last year, due largely to a cold start to winter. Meanwhile, large drawdowns of natural gas, as reported by the US Energy Information Administration in December, signaled that power plants using natural gas have yet to replace the fuel with alternative sources as heating demand rises. Cold temperatures combined with the unchanging fuel mix led to a surge in demand and a very large withdrawal.

Graph 2.2: Inventories at the LME

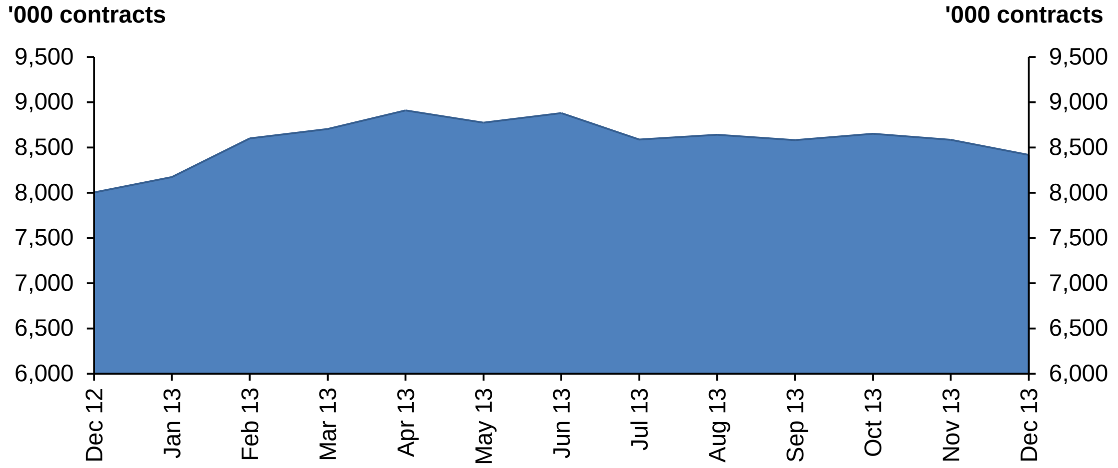


Sources: London Metal Exchange and Haver Analytics.

Investment flows into commodities

The total open interest volume (OIV) in major commodity markets in the US decreased sharply by almost 2% m-o-m to 8.5 million contracts in December as most commodities' OIVs slipped. Crude oil, livestock, agriculture and precious metal OIVs dropped by 3.2%, 2.8%, 2.5% and 1.9%, respectively. However, natural gas and copper OIV's increased by 2.2% and 0.8%, respectively. Gold's OIV increased again this month by 3.3%.

Graph 2.3: Total open interest volume

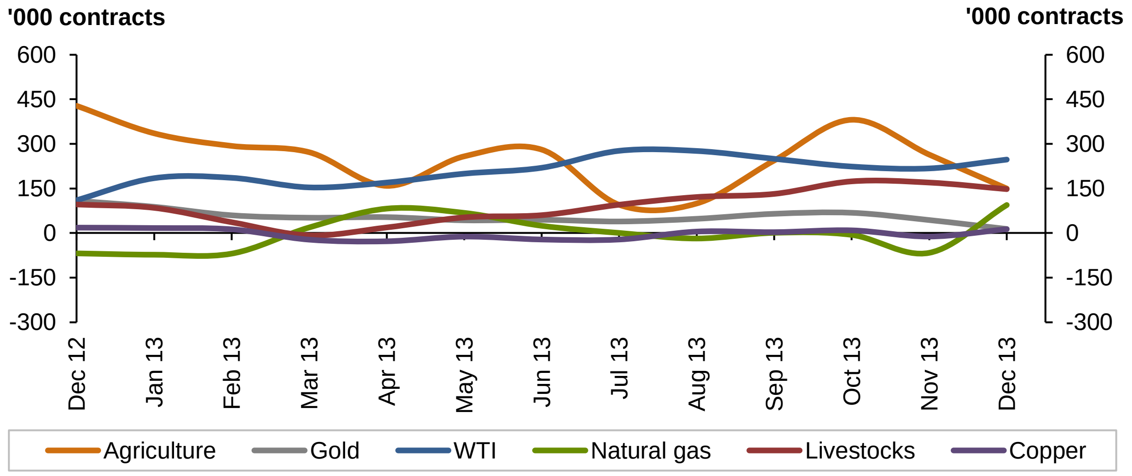


Source: US Commodity Futures Trading Commission.

Total net length speculative positions in commodities increased by more than 6.9% m-o-m to 667,996 contracts in December, mainly attributable to an almost three-fold increase in the natural gas market's managed money net length. Money managers' activities in the remaining commodities reflected deep bearish sentiments again this month as the US eased back slightly on its economic stimulus programme.

Agricultural OIV was down 2.5% m-o-m to 4,307,699 contracts in December. Meanwhile, money managers' net long positions in agricultural retreated sharply for a second month in a row, already tumbling by over 43% to 149,661 lots in November.

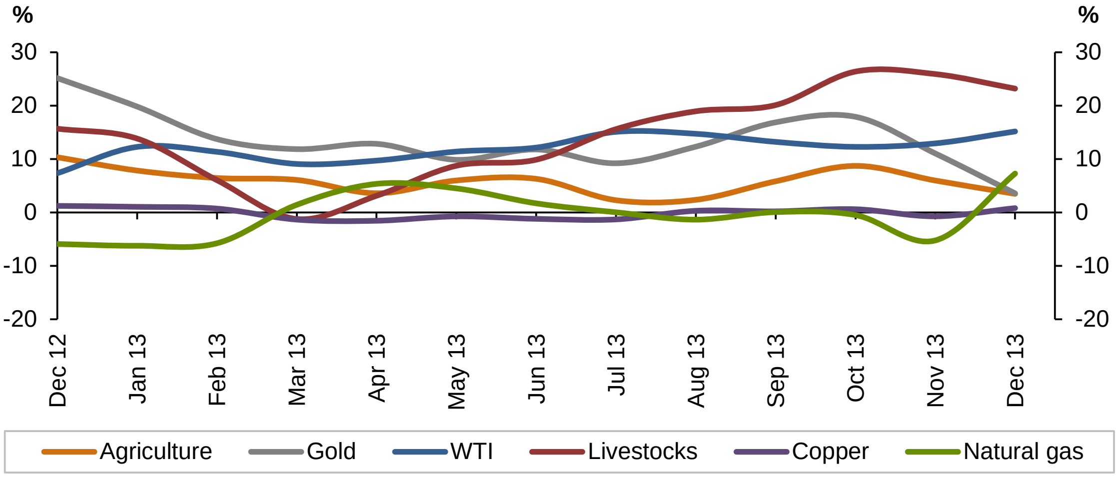
Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

The OIV for Henry Hub natural gas increased by 2.2 % m-o-m to 1,296,719 contracts in December. Money managers flipped their net short positions to a net length, increasing them by 160,852 lots to stand at net long positions of 94,326 lots. This was driven by higher demand amid unusually early cold weather in the US, which led to extreme inventory drawdowns.

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



Source: US Commodity Futures Trading Commission.

Copper's OIV increased again 0.8% m-o-m, to 162,286 contracts in December. However, the group of investors flipped their net length positions into 13,034 net long contracts. Speculative investors increased their net copper long to its highest level in at least a year, after the US Federal Reserve announced plans to trim its big monthly bond purchases. The Fed's decision, coming after a string of upbeat economic data, has fueled hopes that the continued recovery of the world's biggest economy will spur demand for industrial raw materials.

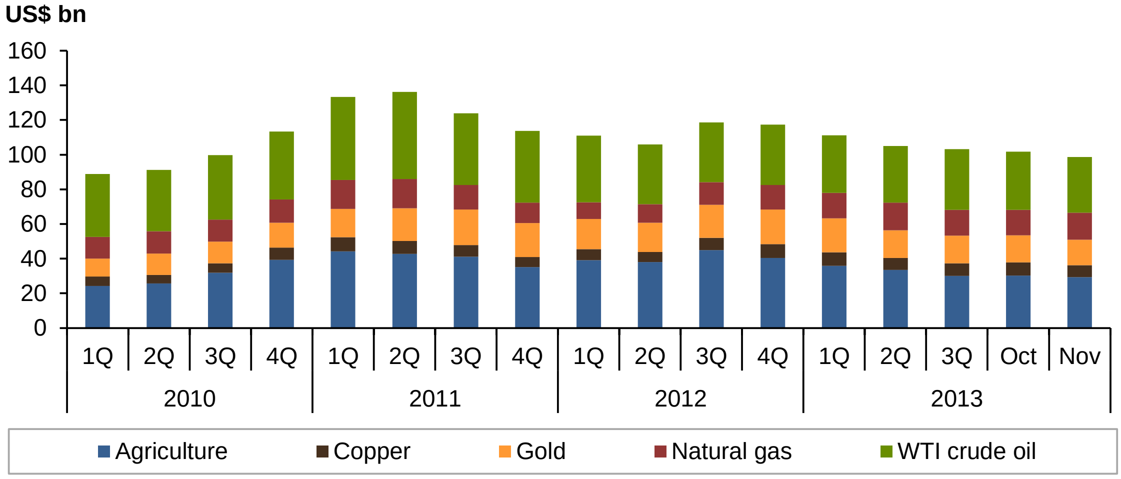
Table 2.2: CFTC data on non-commercial positions, '000 contracts

	Open interest		***Net length***			
	Nov 13	**Dec 13**	**Nov 13**	**% OIV**	**Dec 13**	**% OIV**
Crude oil	1,682	1,630	217	13	247	15
Natural gas	1,269	1,297	-67	-5	94	7
Agriculture	4,419	4,308	264	6	150	3
Precious metals	526	516	52	10	16	3
Copper	161	162	-12	-7	13	8
Livestock	656	637	170	26	148	23
Total	**8,714**	**8,550**	**625**	**7**	**668**	**8**

Source: US Commodity Futures Trading Commission.

Gold's OIV decreased by near 3.3% m-o-m to 382,741 contracts in December. Hedge funds and money managers also cut bullish bets in US gold by a hefty 69% m-o-m to 13,684 lots, as the move by the US central bank to end its years-long stimulus programme further tarnished bullion's appeal as a hedge against inflation and a safe-haven asset.

Graph 2.6: Inflow of investment into commodities, 2010 - 2013



Source: US Commodity Futures Trading Commission.

World Economy

Recent signs point at a continued acceleration in the OECD economies, driven by improvements in North America as well as the UK, while the Euro-zone continues its fragile recovery and Japan is starting to adjust its stretched fiscal situation. As a result, growth in the OECD is forecast to improve from 1.2% in 2013 to 1.9% in 2014. Recent developments in China indicate growth remaining stable at 7.8% in 2014, the same level as in the previous year. For India, the economy is seen benefiting from the global momentum and re-emerging investments, which may lift growth to 5.6% this year from 4.7% in 2013. Global growth remains unchanged at 3.5% in 2014 compared to 2.9% in 2013. Further advances throughout the year could be possible, but some downside risk remains. The main challenges to global economic growth in 2014 come from the risk of unexpected monetary tightening in key economies, the ongoing fragility of the Euro-zone's recovery, the degree to which Japan is able to stimulate its economy given its sovereign debt situation, emerging economies ability to overcome structural issues, the risk of deflation in selected OECD economies and potentially re-emerging geopolitical tensions in various regions.

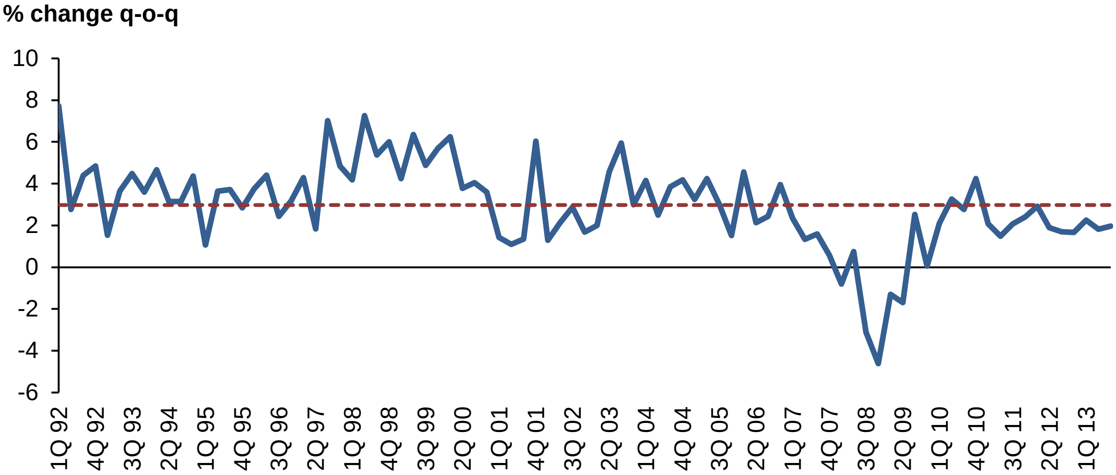
OECD

OECD Americas

The **United States** growth momentum continued to accelerate in the second half of the last year, held back mainly by the fiscal uncertainties that led to the government shut-down at the beginning of the 4Q and the likelihood of a default on US sovereign debt at that time. While this development is estimated to have slightly negatively impacted growth in the 4Q, the most recent indicators point at a continuation of the positive development. With improvements in the labour market and once again rising consumer attitude, the Federal Reserve Board (Fed) took this positive trend into consideration when it announced at its December meeting the start of a tapering of its quantitative easing (QE) in the amount of $85 billion to $75 billion per month.

US GDP in the 3Q13 expanded by 4.1% q-o-q, seasonally adjusted annualized rate in its third and final revision, a higher than expected rate. Moreover, this comes after a second reading of an already unexpected high level of 3.6%, which was again higher than the first advance estimate of 2.8% q-o-q, seasonally adjusted annualized rate. This is a sharp increase from 2.5% q-o-q in the 2Q13. However, a large contribution from inventory building could also provide some risk to the downside for the 4Q13 number, which is now expected to be lower. In addition, private household consumption was on the lower side with an expansion of only 2.0% and a contribution of only 1.4 percentage points (pp) to the 4.1% total growth level. This has been the lowest growth contribution from private household consumption since 4Q11. It is also worthwhile to highlight that private consumption has not exceeded the 1.5 pp contribution level since 2Q12 and that, given its share in the US economy of more than two-thirds, it will need more support from this angle to push growth significantly higher. The current 2.0% q-o-q level compares to a 22-year average of 3.0%.

Graph 3.1: Private household expenditure, seasonally adjusted annualized rate (saar)



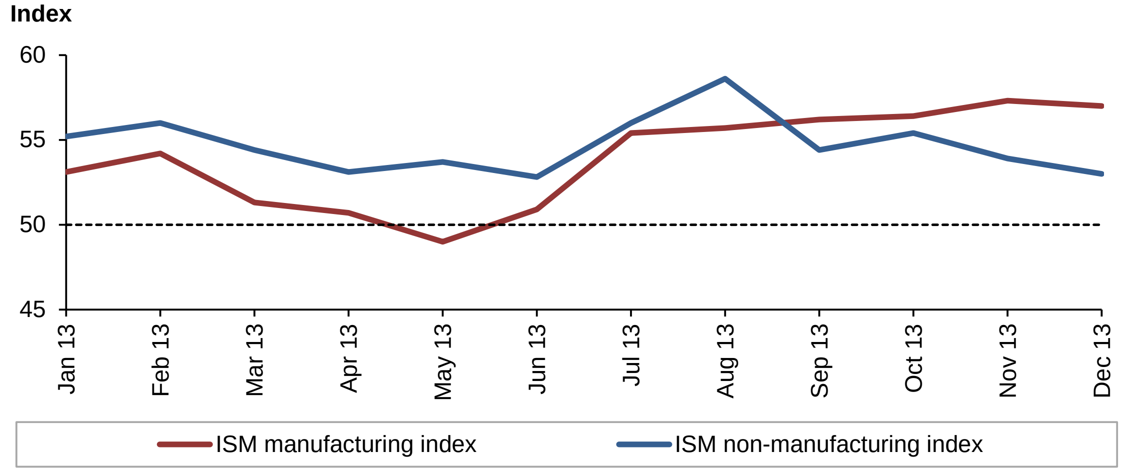
Sources: Bureau of Economic Analysis and Haver Analytics.

The **improving labour market** should provide some support, although some areas of the labour market remain weak. Job creation was less than expected at only 74,000 and the participation rate has also declined again to 62.8% in December from 63.0% in November.

The positive trend of the labour market in most of 2013, in combination with general improvements in the economy and a thriving stock market, seem to have been major factors for the **Fed to consider a reduction of its QE programme,** which decided to reduce its current bond buying program by $10 billion per month. It has been indicated that this size of monthly reduction may continue as long as these improvements remain visible but with the latest mixed labour market data, this remains to be seen. It seems that the Fed will shy away from reductions that are too aggressive or from considering an interest rate increase – as long as the improvements in the economy remain unbalanced, the unemployment rate remains high (particularly above the 6.5% threshold) and inflation stays clearly below the 2% level. Moreover, the risk of hitting the **government debt ceiling** still remains with no agreement on the issue so far. The debt ceiling will need to be re-negotiated by 7 February. Given the past year's nervousness of markets, when approaching debt ceiling deadlines, this issue will again warrant attention.

The **purchasing manager's index** (PMI) for the manufacturing sector in December, as provided by the Institute of Supply Management (ISM), remained at an elevated level of 57.0, almost the same level as in November. Industrial production rose by a healthy 3.0% y-o-y in November, at around the same level as in October and September. Also, the ISM for the services sector – which constitutes more than two-thirds of the economy – fell only slightly to 53.0 in December from 53.9 in November.

Graph 3.2: ISM manufacturing and non-ISM manufacturing indices



Source: Institute for Supply Management.

The most recent developments in the 3Q13 led to an upward revision of the 2013 US growth forecast to 1.8% from 1.6%. Considering the still elevated (while at the same time improving) level of unemployment and the continued uncertainty of private household consumption developments, in combination with upcoming debt ceiling negotiations, the forecast for 2014 remains unchanged at 2.5%

In **Canada**, improvements of the economic situation have become apparent. Industrial production in October rose by 2.9% y-o-y, its highest level since June 2012. The fact that the majority of this improvement is coming from the manufacturing sector, which expanded by 2.6% y-o-y after having been in decline since September 2012, is raising hopes that the economy might gain further traction. Also, manufacturing orders (new orders) have risen by 4.9% y-o-y, again the highest level since 2012. This has led to an upward revision of the 2014 growth forecast from 2.2% to 2.3%, while the 2013 growth estimate remains at 1.7%.

OECD Asia-Pacific

While the most recently published 3Q13 GDP numbers show a deceleration, the recovery in **Japan** seems to still enjoy solid momentum. While growth in the 1Q13 stood at 4.5% q-o-q, seasonally adjusted annualized rate, it stood at 3.6% in 2Q13 and has been reported to have fallen to 1.1% q-o-q in the 3Q13. With the ongoing momentum in manufacturing, however, which has been driven by both rising domestic demand and growing exports, growth in the 4Q13 should be expected to be above the 3% q-o-q level again. This is, indeed, very high growth for an economy that had average GDP growth of around 1% in the past 20 years.

While 2013 had been substantially driven by the bold measures the newly elected government had implemented in an concerted effort with the Bank of Japan (BoJ), 2014 is forecast to experience lower support as the government has decided to balance the short-term need for growth with the medium- to long-term goal of reducing the record-high debt pile and increase the consumer sales tax from the current 5% to 8%. It seems the dynamic of the current calendar quarter will also benefit from increased consumer activity, before growth is forecast to slow-down significantly in the 2Q and remain flat. This remains to be seen since, given the current global growth dynamic in combination with an already announced counter-balancing, fiscal stimulus efforts could not only neutralize the negative effect from lower consumption but also lift growth. Uncertainties on the downside also remain as examples from past experiences with sales tax increases in Japan have shown that such a measure could have severe negative implications on consumption and, hence, GDP growth.

Within the stimulus efforts, the government had announced an inflation target of around 2% by the end of 2014. In the meantime, local stimulus efforts, in combination with the ongoing weakness of the yen, have pushed inflation to almost this level already by November. Inflation in November stood at 1.6%, against a sharp increase from October, when consumer prices rose by 1.1% after 1.0% in September. This is a partially successful achievement that has been supported by the monetary supply measures that were introduced in April. So it remains to be seen how the BoJ will react if it becomes apparent that the 2% might be achieved sooner. However, when considering inflation without the volatile components of food and energy, which have been the main driving components for the general price rise, it stood at only 0.5% y-o-y. Another issue that has been discussed lately in connection with the quickly rising inflation is the fact that average monthly earnings by employees have not grown at the same rate, which would be a prerequisite to make such inflation affordable to average households and support consumption. Indeed, household earnings have lacked momentum in the recent past but have managed to also move higher now in November at around the same level as inflation. Earnings rose by only 1.5% y-o-y in November, compared with an increase of only 0.4% in October, but this also needs to be monitored in the near future.

Industrial production increased by an impressive 5.0% y-o-y in November, after 5.4% y-o-y in October. This has been, to some extent, been fuelled by rising exports, which increased by 18.4% in November, at about the same level as in September. In addition to rising exports, the second important leg has certainly been improving domestic demand. Retail sales in November rose by 4.1% y-o-y, after October's rise of 2.5% y-o-y. Lead indicators point at a continuation of the current growth momentum. The latest numbers from the PMI, as provided by Markit, shows an increase for the manufacturing sector from 55.1 in November to 55.2 in December, while the services sector also recovered some ground in December, registering a level of 52.1, after falling from 55.3 in October to 51.8 in November.

By taking into account the latest trend, the 2013 GDP growth forecast has been slightly adjusted to 1.7% from 1.9%. For this year, 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 the 1Q14 ahead of the tax increase. Taking into consideration this negative impact and its continued drag for the remainder of the year, as well as some slower underlying momentum in 2014 due to reduced public spending, the economy's growth forecast for 2014 remains at 1.5%, below the growth level of 2013.

Growth in **South Korea** has been strong again for most of 2013 and stood at 4.3% q-o-q, seasonally adjusted annualized rate in the 3Q13, after 4.5% q-o-q growth in 2Q13. Particularly the domestic market showed resilience with private household consumption growing by 4.0% q-o-q in the 3Q13, the highest level since 3Q10. This strong momentum also compensated for declining export values of 2.3% q-o-q. The positive trend in the economy is expected to continue, with the composite leading index of the National Statistical Office having reached a new record high of 116.7 in November. Therefore, the growth forecast in 2013 and 2014 remains unchanged at 2.4% and 3.0% respectively.

OECD Europe

The economy of the **Euro-zone** is set for a slight recovery in 2014 from last year's recession, although it seems that the turnaround will be small and uneven. While some of the economies will remain at negative or only minor growth in 2014, it is expected that Germany, in particular, will post the most significant contribution to the larger economic expansion in 2014. While France is also forecast to contribute a substantial share to this year's recovery, the economy was showing some relatively weak performance in recent months and some uncertainties about the performance of the second largest Euro-zone economy remain and need closer monitoring. Some of the relatively weaker peripheral economies, however, have started to recover from very low levels as could be seen in Spain, which posted positive growth of 0.3% q-o-q in the 4Q13, which was better than expected and represented the second consecutive month of growth as reported by the Spanish Ministry of Economy. Moreover, the European Central Bank (ECB) is currently undertaking a thorough review of Euro-zone banks. Some more weaknesses in the banking system might be unveiled in the coming weeks but on a positive note, the Euro-zone has already established a support mechanism for ailing banks and is continuing with the integration and harmonization of the European Banking System.

So, while the Euro-zone's economy continues to recover, the dynamic of this rebound seems to be relatively modest. Lead indicators point at a continued but fragile pattern. 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 ECB, which have been maintained at its latest rate-setting meeting at the beginning of December when it once again highlighted that it strongly supported low interest rates and is willing to intervene in the market in case of a rise.

A positive sign is that industrial production in November has recovered, with even France experiencing growth of 1.5% y-o-y, the first time in 5 months. Industrial production in Germany also expanded by a substantial rate of 3.9% y-o-y and in Spain by 3.1% y-o-y, while Italy also expanded its industrial production by 0.9%, the first positive number since August 2011. Lead indicators confirm the unevenness of the Euro-zone's growth pattern. The latest PMI for manufacturing, as provided by Markit, stood at 52.7 in December, higher than the 51.6 in November. It reached 54.3 in Germany but stood at only 47.0 in France, the lowest level since May 2013. In Italy it reached 50.8 after November's number of 48.6. So, while the economy is on average gently improving, the main issues of the Euro-zone remain: patchy and uneven growth, record unemployment and the impaired monetary transition channel – now exaggerated by inflation levels of only 0.8% y-o-y in December, which are very low especially when compared to the ECB target of below but close to 2%.

In contrast to the above, the lagging indicators of the labour market have not improved, based on the latest data release. The unemployment rate stood at 12.1% in November, the same level as in October. Youth unemployment stood at 24.3% in November, the highest level on record. Among the larger economies, Spain recorded again the highest unemployment rate with 26.7% general unemployment and 57.7% youth unemployment, both unsustainable for the long-term. Taking into consideration that these numbers are harmonized and taking into account that they do not consider the unemployed that have moved out of the social security system or are in education, 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 base in November, when it rose by 1.5% y-o-y, after flat growth in October and a modest rise of 0.1% 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 has been revised down from -0.3% to -0.5%. The 2014 GDP growth forecast stays unchanged at 0.7%. It remains to be seen to which 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 France to improve with the other peripheral economies supporting growth, too.

The **United Kingdom**'s most recent economic performance has been stronger than in most of its fellow EU countries. After a relatively soft start of the year, growth in 2013 accelerated considerably and in 3Q13 moved to 3.1% q-o-q, seasonally adjusted annualized rate, after a 3.2% q-o-q, seasonally adjusted annualized rate in 2Q13. The momentum was broad-based and industrial production rose by 2.5% y-o-y in November, only slightly lower than in October. Also, the PMI for manufacturing stood at a significantly positive level of 57.3 in December, pointing at a continued expansion of the sector. The important services PMI also stood at an elevated 58.8. Therefore, the current positive situation of the UK needs close monitoring as the risk is currently skewed to the upside. The forecast has been already adjusted this month for 2013 to 1.1% from 1.0% and to 1.8% from 1.6% for 2014.

Emerging and Developing Economies

The output growth rate in the 3Q has put downward pressure on Brazil's GDP growth in 2013. Recent indications on manufacturing and inflation, despite being positive, still need to be supported by a sustained trend in the coming months. The forecasts have not changed this month for Brazil's GDP in 2013 and 2014, which remain at 2.5% and 2.8%, respectively.

As for **Russia**'s economy, it continued to experience sluggish investment, slowing manufacturing sector and over-targeted inflation amid an expanding services sector. Russia's GDP is now seen growing by 1.5% in 2013, down from last month's figure of 1.7%. For 2014, the absence of apparent efforts towards reviving the economy through reforms, together with incentives and assurances to investors, leads to a forecast of 2.2% for 2014, down from 2.4%.

Despite a modest improvement in the July–September quarter, **India's** economic momentum remains fragile with many industry sectors still contracting. Meanwhile, previously resilient consumer demand has also been losing momentum, with consumer durables, and car sales, in particular, suffering. Inflation is rising, reaching 7.5% in November. To balance this, the central bank left interest rates on hold as expected and the repo rate could remain at 7.75% until the end of 2014.

In **China**, the domestic economy continues to grow fairly strongly. Industrial production, retail sales and new orders all showed steady growth in November. Exports also picked up considerably in November, which is positive for the long-awaited recovery in world trade, though this appears mostly to be driven by stronger exports to the US and the Eurozone rather than to the rest of Asia. There is a danger that growth in China will slip back to heavy industry and investment-led expansion into the western provinces without enough emphasis on developing the service sector. The Chinese economy may face various positive and negative risks in coming months - the banking crisis could lead to a sharp slowing in growth but with low inflationary pressures, export growth should pick up with global recovery. The government deficit is expected to remain below 3% of GDP and with over $3.5trn in reserves, China has a large cushion.

Table 3.1: Summary of macroeconomics 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	5.7	6.0	-79.6	-84.6	-2.9	-3.4	59.4	60.6
Russia	1.5	2.2	6.3	5.2	50.8	40.0	-0.5	-0.5	8.1	8.3
India	4.7	5.6	9.5	8.0	-57.8	-60.7	-5.1	-5.0	51.4	50.9
China	7.8	7.8	2.7	3.1	179.6	183.1	-2.0	-2.1	16.3	17.0

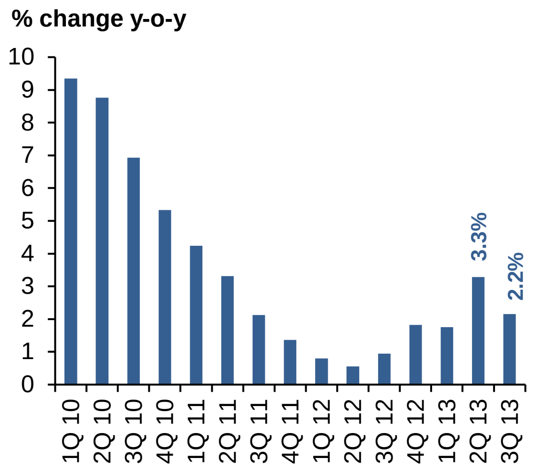
Source: OPEC Secretariat, Economic Intelligence Unit and Financial Times.

Brazil

The Central Bank of Brazil is extending its **currency intervention programme** into 2014. The programme aimed at taming the deterioration of the Brazilian real against the US dollar. This came after the poor performance of the real since late May of last year on the back of speculation that the US Fed would moderate its monetary stimulus. The central bank also reported a better-than-market expectation reading for October's **economic activity index**. The index, which is considered a proxy for GDP, registered 153.03, its highest since April 2013. It also marks a 2.74% increase over October 2012. This could be read as an early indicator that the 4Q will witness a faster pace of economic growth.

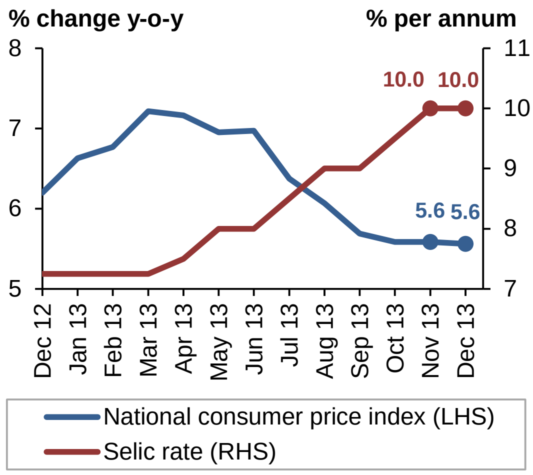
Since April 2013, the central bank increased its **benchmark Selic rate** to 10.0% or 275 basis points. The central bank kept this rate intact in December. **Inflation** has slightly improved, staying below 6% for the three months through November. The recent slowing path of improvement in the **consumer confidence index** of Brazil proved telling, with the index starting to fall in the last month from 114.7 to 113.8. This moderation, if continued, would certainly hurt the growth of private consumption, a major source of GDP growth in Brazil. In November, the **unemployment rate** markedly fell in Brazil to its lowest level since December 2012 to 4.6% from 5.2% in October. Since this development came in line with the seasonal pattern experienced since late 2011, it remains to be seen how the labour market will perform in the coming months. Nevertheless, a drastic change in the level of labour market slack is not expected in the near future.

Graph 3.3: Brazilian quarterly GDP growth, NSA



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

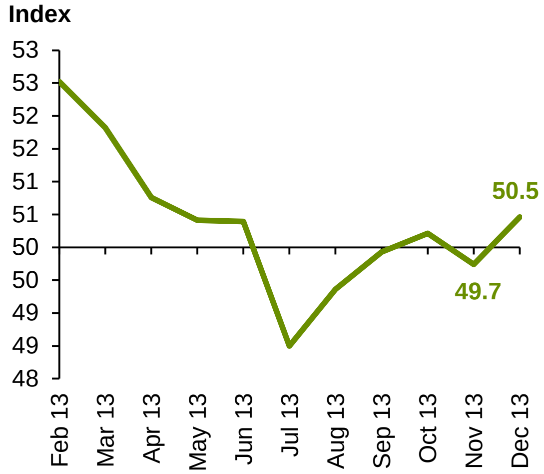
Graph 3.4: Brazilian inflation and interest rates



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

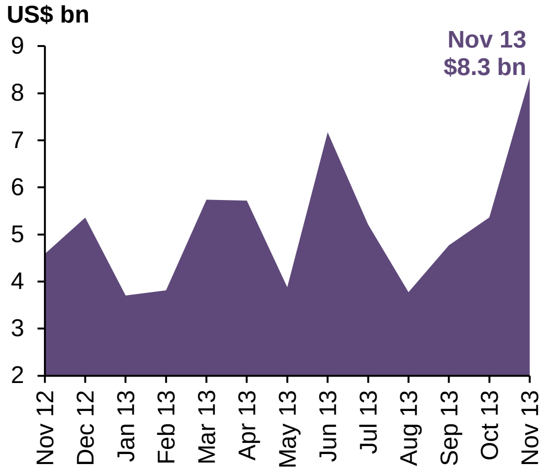
Brazil's **manufacturing sector** showed a mild sign of acceleration in December, with the manufacturing PMI back to its expansion territory at 50.5. November's reading stood at 49.7. Growth in manufacturing output quickened in December following the recovery in new orders for the first time since June. However, the survey highlighted stagnation in the sector's export demand along with mounting competition from abroad. Moreover, surveyed manufacturers pointed to a weaker currency that has led to higher import costs for raw materials. Improvements in the nation's manufacturing economy are still a fragile basis for making conclusions and developments of the sector in the 1Q of this year remain to be seen. Brazil's **current account deficit** posted $5.1 billion in November, keeping the 12-month sum at 3.7% of GDP (or $81.1 billion, down from $82.2 billion in October). November's **foreign direct investment (FDI)** inflows registered $8.3 billion, boosted by $4.1 billion in oil investments related to the new Libra field that was recently auctioned. This took the 12-month reading to $62.8 billion, or 2.8% of GDP, from 2.7% in October. The forecasts have not changed this month for Brazil's GDP for 2013 and 2014 at 2.5% and 2.8%, respectively.

Graph 3.5: HSBC Brazil manufacturing PMI



Sources: HSBC, Markit and Haver Analytics.

Graph 3.6: Foreign direct investment in Brazil

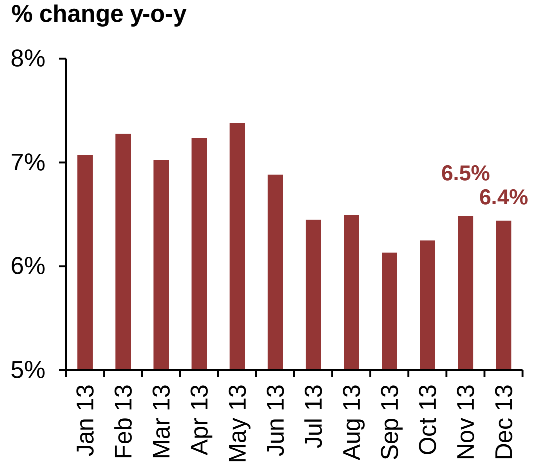


Sources: Banco Central do Brasil and Haver Analytics.

Russia

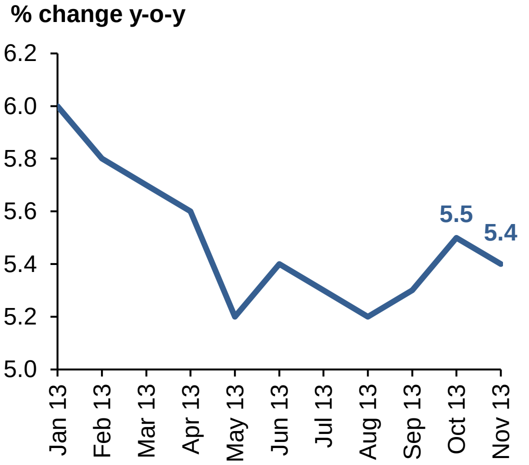
Last month, Russia's central bank kept its benchmark **lending rate** unchanged at 5.5%. The rate was kept on hold for the past 15 months. The latest **inflation** growth figures of the previous two months – 6.5% and 6.4% y-o-y in November and December, respectively – have limited the chances of reducing borrowing costs to support the sluggish economic growth. Since September 2012, the monthly growth in inflation has breached the upper bound of the official target of 5-6%. The central bank expects that inflation will ease towards the official target of 5% only in the second half of 2014. Growth in **retail sales** increased to 4.5% y-o-y in November, up from 3.5% a month earlier. However, it is still slightly slower than the pace of November 2012. The **unemployment rate** moderated to 5.4% y-o-y in November, compared to October's 5.5%. Since June of last year, the monthly readings of the unemployment rate stood higher than 2012's corresponding months.

Graph 3.7: Russian consumer price index



Sources: Federal State Statistics Service and Haver Analytics.

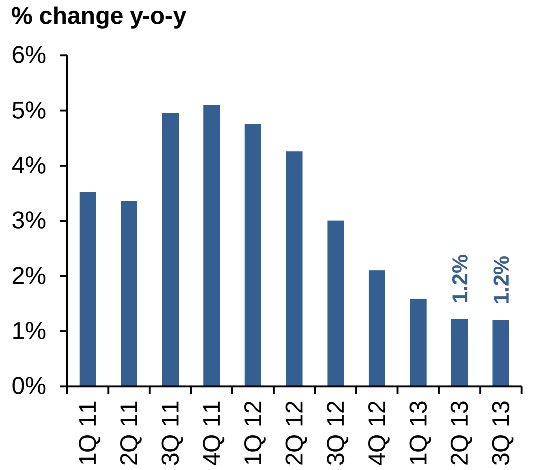
Graph 3.8: Russian unemployment rate



Sources: Central Bank od the Russian Federation and Haver Analytics.

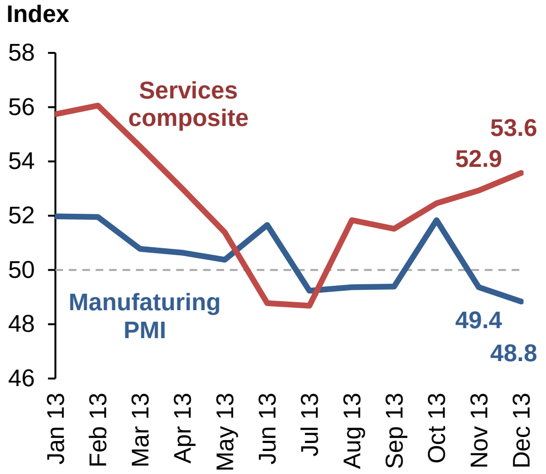
The headline index for the **manufacturing sector** reached a four-year low in December as it dropped for the fifth time in six months from 49.4 to 48.8. The downturn was led by a fall in new orders, which, while only marginal, still left the index at its lowest reading in 28 months. Weakness in new orders was concentrated in exports. The rate of output rose only slightly while backlogs of work declined very sharply. Orders for inputs plummeted from the November 2013 reading and the indicator for employment was at its lowest level since August 2009. In contrast, the PMI headline index for the **services sector** improved in December, rising to 53.6 from 52.9 in November 2013, reaching the strongest reading since March 2013. Nevertheless, this was well below the long-term average for that indicator – 56.1. The volume of new orders was up m-o-m but the longer term outlook according to managers is less rosy. Only one-third of respondents believed their workload will increase over the next 12 months and the overall level of optimism about future business conditions for the services sector was the lowest since December 2008. The composite index, which is compiled from the results of the surveys of both sectors, produced a headline index of 52.5 in December, compared with 52.2 a month earlier.

Graph 3.9: Russian GDP growth, NSA



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

Graph 3.10: Russian manufacturing PMI and services composite



Sources: HSBC, Markit and Haver Analytics.

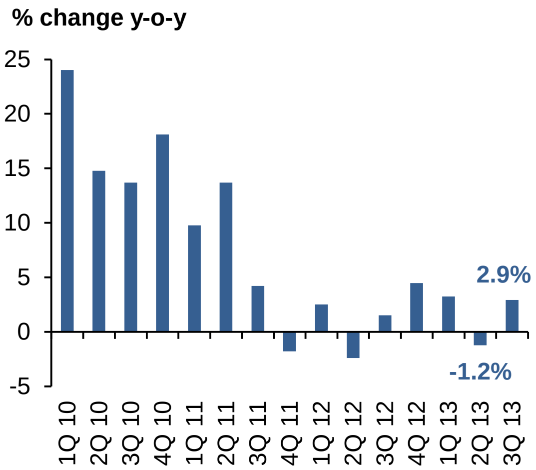
In December 2012, the official forecast for Russia's **GDP growth** stood at 3.6% y-o-y. Since then, revisions brought the forecast down by more than 50% to 1.4% y-o-y. The Economy Ministry anticipates growth at 2.5% in 2014. In addition, the IMF has sharply cut its 2014 GDP growth figure last month to 2.0% from the previous 3.0%. As pointed out in last month's report, stagnation in the Russian economy seems to have continued into the 4Q13, following a declining trend in output growth in the first three quarters of the year. Russia's GDP is now seen as growing by 1.5% in 2013. Despite the anticipation of the continuation of globally positive growth sentiment seen in the end of 2013, the absence of apparent efforts towards reviving the economy through reforms, together with incentives and assurances to investors, is holding the forecast for 2014 at 2.2%.

India

Despite a modest improvement in the 3Q13, India's economic momentum remains fragile. Many industry sectors are still contracting. Meanwhile, previously resilient consumer demand has also been losing momentum, with consumer durables, and car sales in particular, taking a hit. With inflation re-emerged rapidly, the monetary policy cycle is now again on a tightening stance, circumscribing credit and investment.

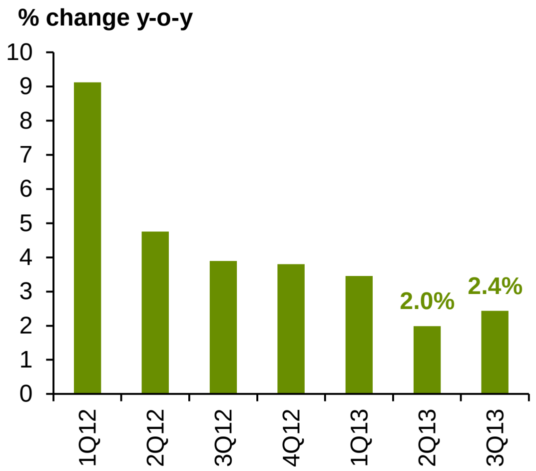
India's GDP increased by 4.8% on the year in the 3Q, up from 4.3% in the 2Q. Although low by comparison with a few years ago, this outcome was much better than expected. The expenditure breakdown was also encouraging. Consumer spending picked up, while investment growth returned to positive territory after falling in the 2Q. Export volumes benefited from a weaker currency, rising more than 16% on a year earlier, and government spending fell back after increasing by more than 10% in the 2Q.

Graph 3.11: Indian gross fixed capital formation (GFCF)



Sources: Central Statistical Organization and Haver Analytics.

Graph 3.12: Indian private consumption expenditure



Sources: Central Statistical Organization and Haver Analytics.

The current account improved sharply in July-September and, following the US Fed's September announcement to postpone the tapering of its QE programme, the rupee has largely stabilised. However, given that imports may recover once administrative restrictions are removed, and considering additional capital outflows are still possible, the exchange rate will remain volatile over the near term.

Inflation is also rising, however. Wholesale price inflation (WPI) reached 7% in October, up from 6.5% in September, driven by a weaker currency and high food prices. This may put pressure on the Reserve Bank of India (RBI) to raise interest rates again at its next meeting, but recent comments by the RBI governor suggest he is comfortable with the current monetary policy stance. As the economy is still sluggish, the repo rate is expected to stay at 7.75% in the coming months. But it seems the possibility that the RBI could raise rates at its next review would be based on several other factors:

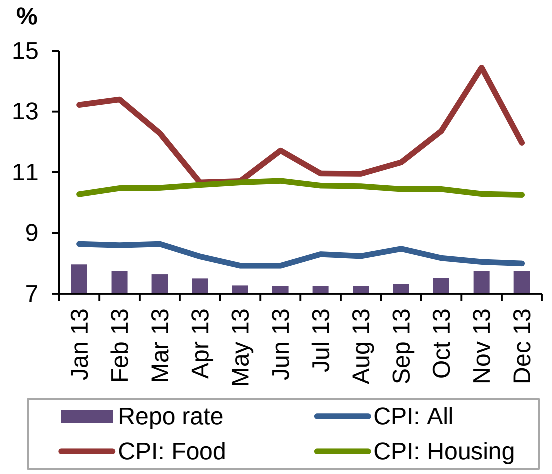
- Despite the sharp expected moderation in vegetable prices in December (with December CPI expected to dip below 10%), CPI inflation remains on course to stay well above 9% in the coming months;
- Non-food inflation pressures remain elevated: Core CPI inflation has remained close to or above 8% for the last five months and the annualized quarterly momentum of WPI core inflation has been above 6% for the last three months;
- Rural wages re-accelerating and input price pressures are still strong, while the persistence of food shocks runs the risk of getting more generalized.

All these factors were acknowledged in a hawkish policy statement by the RBI. With price pressures having returned rapidly, the monetary policy focus is again firmly on controlling inflation.

Down slightly from 51.3 in November to 50.7 in December, the seasonally adjusted manufacturing PMI signalled a second consecutive monthly improvement in business conditions. Although weaker than its long-run trend, the manufacturing PMI average for the 4Q (50.5) was greater than that seen for 3Q (49.4).

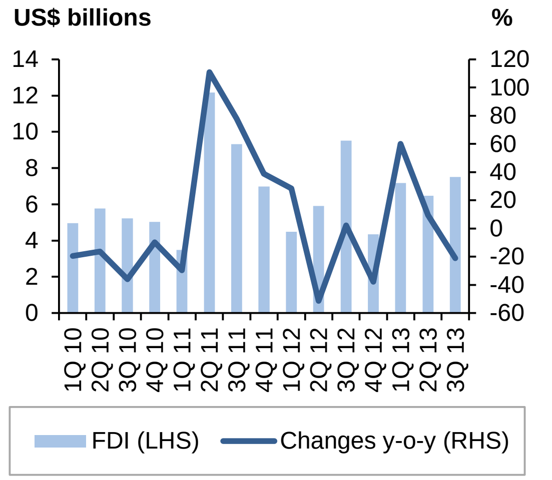
Regarding India's industrial production index, manufacturing activity decelerated slightly in December as a slowdown in domestic order flows led to slower output growth. By sector, however, the consumer goods segment held up. Despite the deceleration in order flows, backlogs of work picked up due to raw material shortages and power outages. Inflation gauges were broadly steady, although they declined marginally.

Graph 3.13: Indian inflation, NSA



Sources: Ministry of Statistics and programme implementation and Haver Analytics.

Graph 3.14: Indian foreign direct investment (FDI)



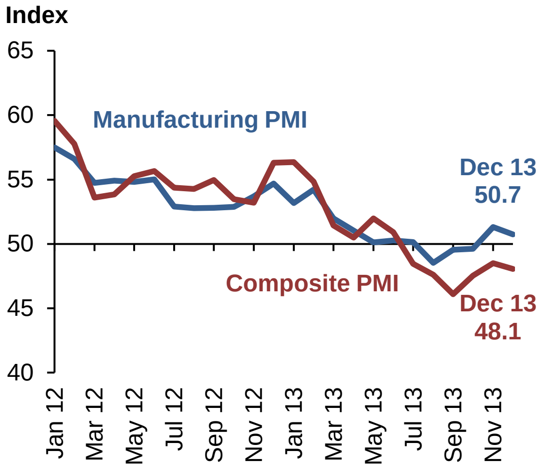
Sources: Reserve Bank of India and Haver Analytics.

Today's numbers show that growth remains moderate and is struggling to take off due to lingering structural constraints. Even so, inflationary pressures remain firm and are proving sticky. The RBI may yet again have to flex its muscles and tighten monetary policy to bring down the elevated level of inflation. The conclusion is that the PMI drops slightly from 51.3 in November to 50.7 in December, output increases as new orders expand and job creation is sustained.

It seems that India still represents one of the world's most promising emerging markets despite recent economic weakness and deteriorating investor sentiment. Even as the near-term outlook points to a shallow and protracted recovery, over the longer term the economy still has tremendous potential to attract business and investor interest. The Indian government generally adopts a welcoming attitude towards FDI and is seeking to push a series of economic reform measures. It seems ceilings on foreign investment in individual sectors are gradually being raised; but there is often a wide gap between the commitments made by governments and the measures that the fractious Indian legislature and bureaucracy can implement. Limits on foreign ownership tend to remain the rule rather than the exception and legislation is also complex and often outdated, while its implementation is frequently inefficient and delayed. GDP growth is expected at 4.7% in 2013 and 5.6% in 2014.

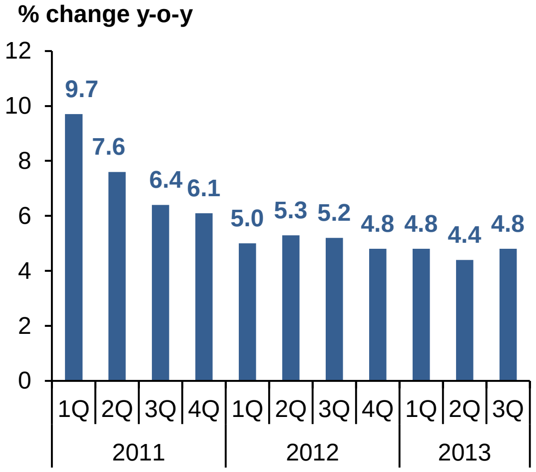
Although India’s current economic situation is not as bad as had been expected, this is a result of temporary factors. High inflation, tight monetary policy and structural efficiencies mean that the underlying economy is still weak. Growth is not expected to return to the 7-9% rates seen in the 2003-11 period.

Graph 3.15: Indian PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.16: Indian GDP growth



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

Slow growth is, thus, expected to continue but will likely pick-up in mid-2014. The budget deficit will also benefit from gradual government reforms. Furthermore, there is a downward risk from inflation, which seems likely to stay worryingly high due to a weaker rupee and despite some recent improvements.

A supportive issue is related to government debt and external debt. It seems government debt may be reduced over the forecast horizon and external debt will remain at a manageable level.

China

China's overall conditions remain relatively unchanged, although marginal shifts in nominal growth rates could be interpreted as sending mixed signals on the overall health of the economy. The data are still supportive of a stable or very modest improvement during the first two months of the 4Q. Industrial value added (IVA) output growth decelerated by 0.3 pp to 10.0% y-o-y growth in November, the lowest reading in four months.

There are some concerns regarding headline growth as fixed asset investment decelerated by 0.2 percentage points to 19.9% y-o-y, the lowest such monthly reading in at least a decade.

Investment growth in both secondary sectors (including mining and quarrying, manufacturing, production and supply of electricity, water and gas) and tertiary sectors (including all other industries not included in primary and secondary industries) slowed to 17.3% y-o-y and 21.5% y-o-y, respectively, while the less significant primary sector saw growth speed up to 31.7% y-o-y.

Chinese manufacturers signalled a further expansion of output in December, though the rate of growth eased from the previous month. New orders also rose at a fractionally slower pace, with foreign sales posting a slight decline for the first time in four months. Staffing levels fell for the second month in a row, while backlogs of work increased at a moderate pace.

Despite many principles about structural rebalancing, investment will remain one of the key backstops for the economy in the near term, making its slowdown of some concern.

Over the coming year, more specific moves on reform will need to be seen to ensure that the economic agenda set out in the 3rd Plenum will be adhered to. There is a danger that growth in China will slip back into the more comfortable mode of heavy industry and investment-led expansion into the western provinces without enough of a focus on developing the service sector and moving up the value-added chain.

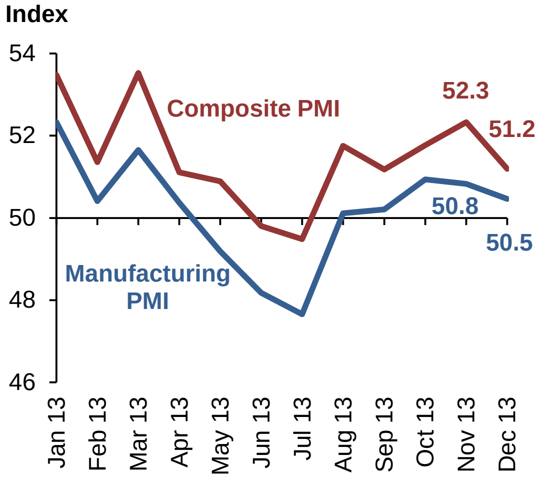
Based on the latest data published by China's General Administration of Customs, export growth accelerated significantly in November, growing 12.7% y-o-y and doubling over the previous month. This was driven by demand in Europe and US. That improvement was brought about by improving economic conditions in major partners such as the European Union, the United States, South Korea and Japan, which collectively account for nearly half of demand for Chinese exports.

In recent quarters, net trade has played a negligible or even negative role in total economic growth, given volatile external demand and persistent import growth.

After hitting a low point in early 2013, China's recovery re-accelerated due to the government's "mini stimulus" policy. Much stronger stimulus will be forthcoming if growth falls below 7.0%. The bigger growth challenge for China will be over the medium-term, as the country deals with the daunting problems of an aging population and the consequences of rapid credit growth, including a new housing bubble and rising debt levels. Whether China can avoid the "middle-income trap" is one of the larger uncertainties facing the global economy in the coming decade.

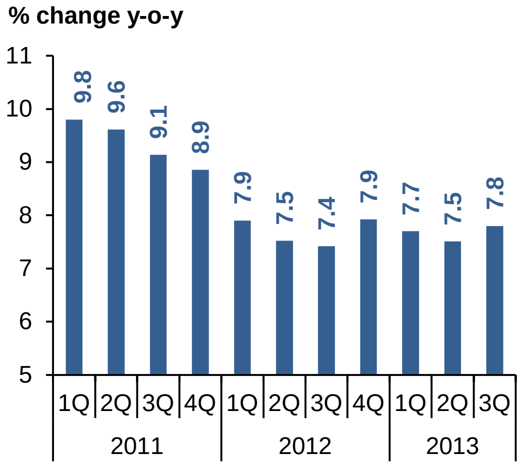
The manufacturing PMI posted at 50.5 in December, unchanged from the earlier flash reading but up slightly from 50.8 in November. Operating conditions faced by Chinese manufacturers have now improved for five consecutive months. Chinese manufacturers reported an increased amount of output for the fifth successive month in December. However, the rate of growth eased from November's eight-month high and remained modest overall. Growth was supported by a further expansion of total new work.

Graph 3.17: Chinese PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.18: Chinese GDP growth, saar



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

The degree to which new business increased was moderate, despite easing fractionally from November. Meanwhile, new business from abroad decreased for the first time in four months, albeit marginally.

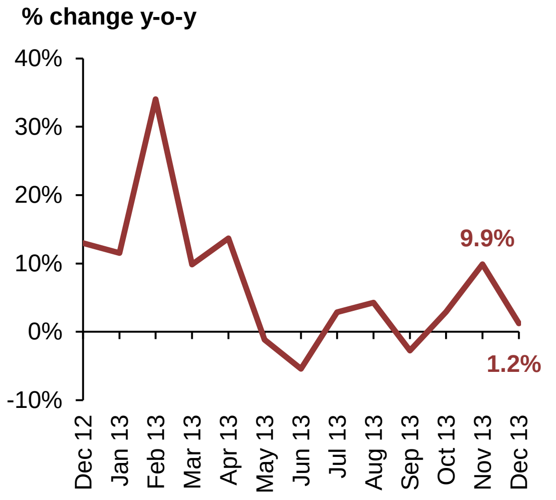
Greater volumes of total new orders led to an increased amount of outstanding business across the sector. However, the rate of backlog accumulation eased to a three-month low. Meanwhile, payroll numbers declined for the second month running in December and at a modest rate. According to anecdotal evidence, employment levels fell due to the non-replacement of voluntary leavers.

Purchasing activity rose for the fifth consecutive month in December and at a moderate pace. Higher production requirements were cited by a number of panellists. In contrast, stocks of pre-production goods declined for the second month in a row. That said, the rate of depletion was unchanged and marginal from the previous month. Average input costs faced by Chinese manufacturers increased for the fifth month running in December.

However, the final PMI sustained the fifth above-50 reading in a row thanks to a steady increase of new orders. The recovering momentum since August 2013 seems to be continuing into 2014. With inflation still benign, the current monetary and fiscal policy is expected to remain in place to support growth.

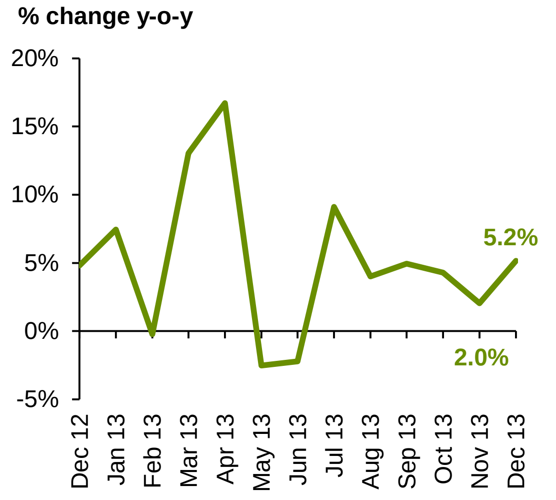
With regard to the above-mentioned, output and new orders increased at weaker rates, while new export orders declined for the first time since August and staffing levels decreased for the second month running.

Graph 3.19: Chinese merchandise exports, fob



Sources: China Customs and Haver Analytics.

Graph 3.20: China's merchandise imports, cif



Sources: China Customs and Haver Analytics.

China's National Audit Office released its country-wide survey of government liabilities of 2014, assuaging concerns and stoking fears at the same time. The results have shown an explosive increase in local government debt, averaging 19.97% growth for the last three years. The collective debt of local governments increased nearly 3.9 trillion yuan to 10.6 trillion yuan by June 2013. It seems that China's total debt level is manageable at the moment and is still below the internationally accepted "red line" of a 60% debt-to-GDP ratio.

The GDP growth forecast for China remains unchanged. It is 7.8% for 2014 and 2013 reflecting the moderate improvement in external demand. The industrial output growth forecast in December remains at 9.7% for 2013 and was raised modestly by 0.1 pp to 10.3% for 2014. The consumer price inflation forecast in December remains at 2.7% for 2013 and was lowered by 0.2% to 3.3% for 2014 due to the easing vegetable price inflation.

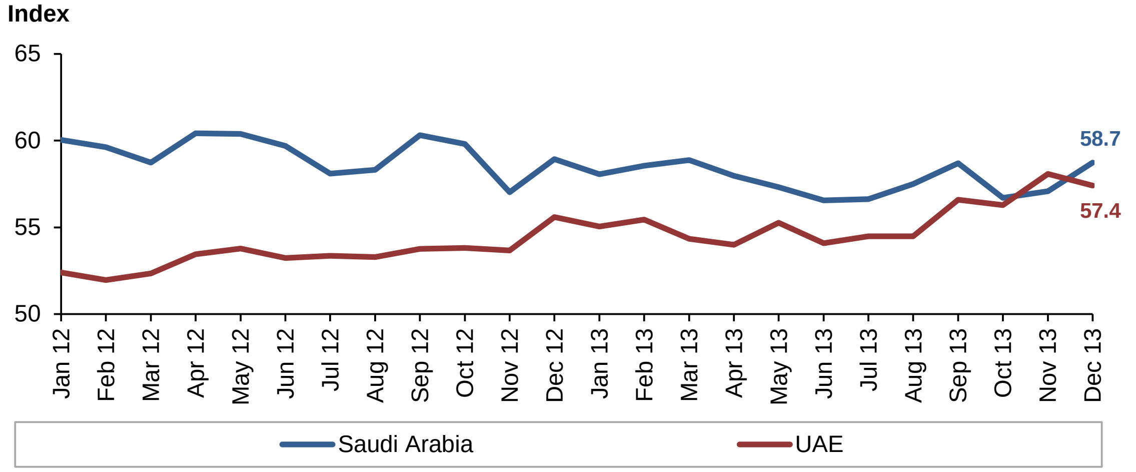
It seems that domestic economy continues to grow fairly strongly. Industrial production, retail sales and new orders all showed steady growth in November. And exports picked up considerably in November, which is positive for the long-awaited recovery in world trade, though this appears mostly to be driven by stronger exports to the US and the Euro-zone rather than to the rest of Asia.

In conclusion, it seems that the banking crisis could lead to sharp slowing in growth. But low inflationary pressures, continued export growth, a government deficit and high external debt ($3.5 trillion) will support China's economy in 2013.

OPEC Member Countries

Saudi Arabia announced last month a 4.3% spending increase in 2014 state budget. The SABB HSBC Saudi Arabia PMI rose to 58.7 in December to its highest level in three months and up from 57.1 in November. December's data signalled a sharp rise in activity at the country's non-oil producing private sector firms. Demand from markets abroad strengthened at a slower pace than in previous months. New orders increased at a quicker pace, with companies mentioning greater construction activity, better infrastructure developments and decent marketing work.

Graph 3.21: Saudi Arabia and UAE: manufacturing PMIs



Source: SAAB, HSBC, Markit and Haver Analytics.

The **Venezuelan** central bank announced consumer inflation figures for November and December which showed a steep slowdown in the inflation rate. The CPI increased by 4.8% and 2.2% m-o-m in November and December, respectively.

The Statistical Center of **Iran** announced that the jobless rate in Iran fell to 10.3% in autumn 2013 from 10.4% in summer, with the government's plans underway to decrease the unemployment rate to 7% in 2015, according to the Labour Ministry. Data released by the Customs Administration showed that Iran conducted $62.5 billion in trade of non-oil goods with 171 countries in the nine months from 21 March 2013. The country's petrochemical exports exceeded $8.1 billion over the same period.

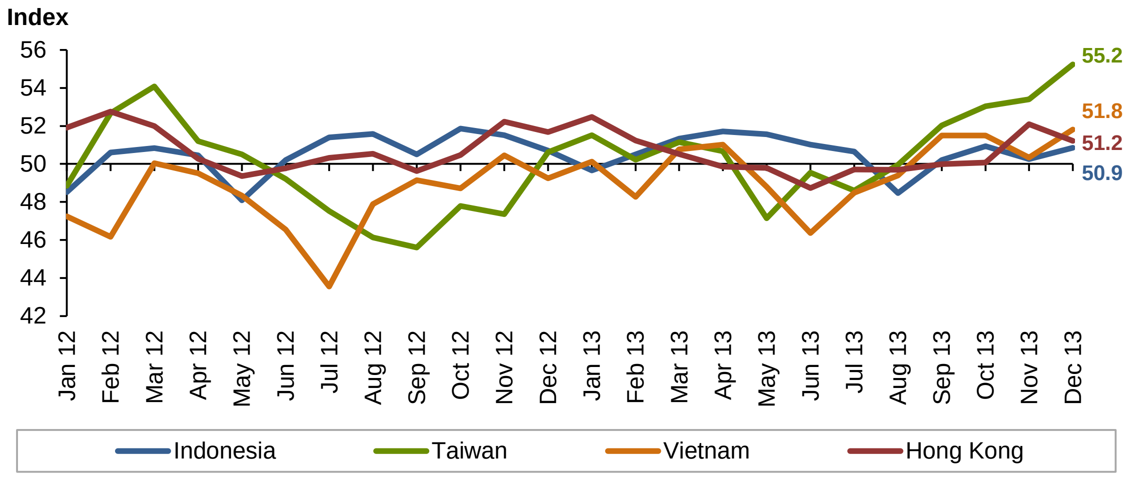
The **UAE**'s PMI stayed well above the neutral 50-point level despite a slight fall in December. The PMI posted 57.4, down from 58.1 in the previous month. The index data showed that output in the country's non-oil producing private sector was at a record high due to the acceleration in new business. Furthermore, the pace of growth of new export orders' increased, supported by positive economic conditions. As a result of the expansion in output and new orders, hiring increased but with lower momentum when compared to November's survey data.

The 2014 forecast for the economies of OPEC Member Countries is revised up from 3.9% to 4.1% on the back of a positive outlook for the economies of Libya and Iran.

Other Asia

Supported by climbing exports and foreign investment, GDP growth in **Vietnam** registered 6.0% y-o-y in the 4Q13, raising the year's growth rate to 5.4%. Vietnam last year capitalized on its improving competitiveness in terms of lower wages and land prices, especially when compared to China. Several major electronic brands are building planets in Vietnam. The General Statistics Office announced that the total approved FDI projects amount to nearly $13.8 last year through 20 November, a 73% increase from the same period of 2012. As for the structural reforms of the country's financial system, Vietnam is easing the limits imposed on foreign investors' shares of domestic banks seeking to support its banking system that is suffering from high rate of bad debts. Vietnam's manufacturing PMI of December marked an output rise at its fastest pace since April 2011. With the headline PMI increasing to 51.8, up from 50.3, the country's manufacturing economy sustained its expansion for the third month running. The survey showed that new orders increased during December for the third time in the past four months. Furthermore, news business rose at a pace that was only slightly slower than October's series record. On the other hand, new export orders decreased for a second consecutive month.

Graph 3.22: Manufacturing PMIs in Other Asia



Source: HSBC, Markit and Haver Analytics.

Inflation in the **Philippines** accelerated in November by 3.3%. The interest rate, however, held by the central bank was 3.5%, which marks an unchanged record-low rate for nine consecutive months. Furthermore, the bank lowered its inflation forecast to 2.0% for 2013, while raising the estimate for 2014 to 4.5%.

The HSBC **Taiwan** manufacturing PMI of December of 55.2 was up from 53.4 in November and highlighted the strongest improvement of operating conditions since April 2011. New orders growth hit a 35-month high last month, as the increase in orders from abroad was the fastest in 32 months. Production levels increased for the fourth consecutive month in December and payroll numbers rose for the seventh month in a row.

The Bank of **Indonesia** left its benchmark interest rate unchanged last month at 7.5%. Aiming at restoring investor confidence, which has been impacted by the currency depreciation and a widening current account deficit, the bank announced that it will keep its policy stance tight this year. Since June of last year, the bank implemented a clear tight monetary policy by raising the interest rate five times in eight months through December. The operating conditions in Indonesia's manufacturing sector maintained an expansionary performance last month with the PMI reading 50.9, marginally better than November's 50.3. The survey showed evidence of higher levels of incoming new work along with a stabilisation in export orders, whereas the domestic market remained the key source of new business growth. Output and new orders rose last month at a faster rate compared to the historical average.

The **Hong Kong** PMI of December posted 51.2, signalling a modest improvement in the business conditions of the country's private sector. Despite that, it reflects a fall from the previous month. December's reading is actually the second-highest in the past ten months. Moreover, the survey showed encouraging signs of new business from China.

Africa

The Bank of **Sierra Leone** decreased its interest rate last September to 12%, three percentage points lower than its previous rate. Inflation in the country eased in October for the seventh consecutive month to register 9.4%. The benchmark lending rate was at 20% at the beginning of last year. The government anticipates the economy to grow by 13.3% in 2013 and 14% in 2014 on the back of increasing output of iron ore.

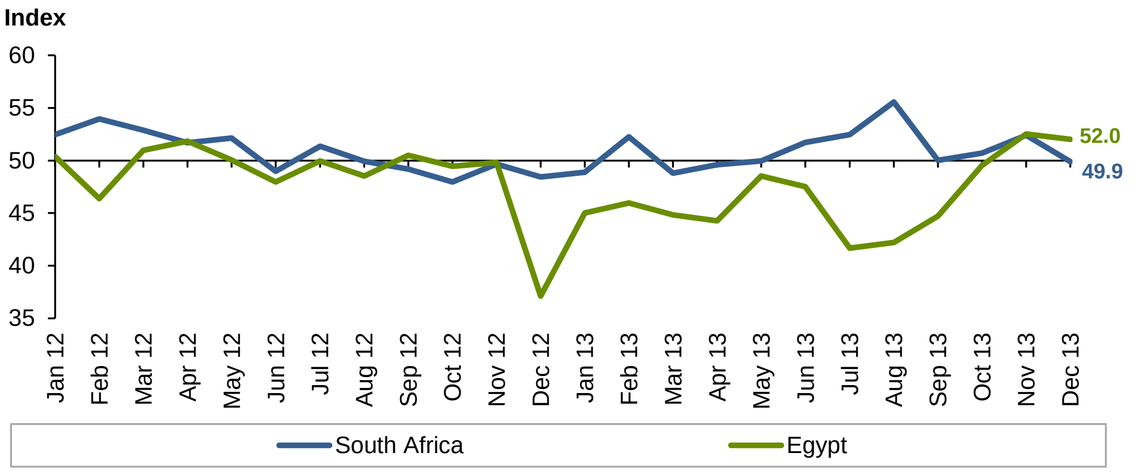
Inflation in **Botswana** is seen remaining within the official range of 3-6% over the short term. Sluggish household consumption is seen as preventing a fast climb in inflation. The Bank of Botswana last month reduced its policy rate by 50 basis points to 7.5%.

In its latest forecast figures published last month, the Central Bank of **Congo** estimated GDP in 2013 at 8.1%. In October 2013, it raised the reserve requirement ratio on current account deposits to 8%, up from 7%, in an attempt to manage surplus liquidity in the banking system.

In **Tunisia**, industrial production showed a fractional improvement by 0.3% y-o-y in August 2013, as shown by the most recent data by the National Institute of Statistics. Local political issues are putting an obvious drag on the economic recovery of Tunisia. The average percentage change in the monthly industrial production posted 1.5% over January-August 2013, compared to 8.3% over the same period of 2010.

In November 2013, inflation in **South Africa** registered 5.3% y-o-y, compared to 5.5% y-o-y in October 2013. Lower fuel prices were the main driver behind that easing of inflation. In 2014, the upside risk to inflation stems mainly from Fed's tapering plan which would weaken the currency against the dollar and hence increase inflationary pressure. Labour market data show that the greatest increase in employment is taking place in the governmental sector of South Africa. The net increase of employed persons in the formal non-agricultural sector in the 3Q13 stood at around 16,000 q-o-q. The government hired 15,000 persons in the same period. This situation raises the salary burden on the government. Moreover, it does not expect to bring along a proportional contribution to the nation's output considering that more material production sectors like manufacturing, mining and construction are losing jobs. The country's PMI remained in the expansion territory last month at 50.5. On a quarterly basis, 4Q was the strongest quarter in 2013. The survey showed an increase in new orders for the third consecutive month.

Graph 3.23: Manufacturing PMIs in South Africa and Egypt



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

In **Egypt**, the decline in imports has led the country's trade deficit to narrow by almost 30% y-o-y over the first ten months of last year. Imports dipped by more than 17%, whereas exports remained largely flat. As a result, the deficit-to-GDP ratio fell from 12.9% during January-October 2012 to 9.3% during the same period of last year. According to recent data from the Central Agency for Public Mobilisation and Statistics, tourist arrivals fell by almost 15% y-o-y during the first 10 months of 2013. The number of tourists fell by nearly 70% and 52% y-o-y in the months of September and October, respectively. Subsequent to the fast rate of expansion in Egypt's non-oil producing private sector in November, December's PMI was slightly down to 52.0, from 52.5 a month earlier. The two consecutive months of expansion represent an encouraging end of a difficult year in which the index spent the first ten months below the neutral 50-point level. The survey showed a further increase in new businesses, acceleration in input prices and the sharpest rise in output growth in the survey's history.

Latin America

Improving governmental debt dynamics in **Colombia,** as well as the country's consistent economic policies and a sustained accumulation of international reserves, have led to a rise in the economy's credit rating. Last month, Fitch Ratings raised its rating for Colombia's long-term local currency debt from BBB to BBB+, while the rating of foreign currency debt was upgraded one step to BBB with a stable outlook, a similar rating to that of Brazil. The GDP growth rate quickened in Colombia by 5.1% y-o-y in the 3Q13, up from 3.9% y-o-y in the 2Q13. This improvement is attributed to higher construction activity and agricultural production. The unemployment rate dropped in October to 7.8%, its lowest reading since 1995 on the back of increasing hiring in the country's services industries. Food and housing costs eased in November, leading consumer prices to show a slower increase by only 1.76%.

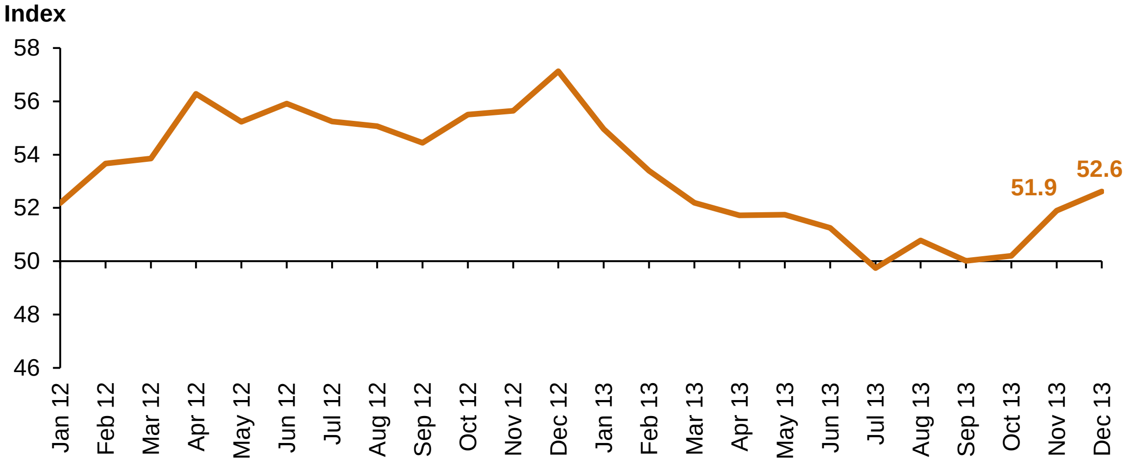
In **Chile**, retail sales bounded by 13.4% y-o-y in October, while manufacturing shrank 3.2%. In November, inflation quickened at its fastest pace in 13 months by 2.4%. The central bank held borrowing cost intact last month at 4.5% after easing it in the previous two months. This came on the back of signs towards improvements in investment and household spending.

The central bank of **Peru** last month kept its benchmark interest rate – the overnight rate – at 4%. This came on the back of some recovery signals that emerged during November with more companies reporting improving output compared with October. The bank also preferred to evaluate the effects of last month's rate cut before moving further into more cuts. Inflation fell by 0.22% in November y-o-y, highlighting the sharpest ease in inflation since 2009. GDP slowed in the 3Q to 4.2% from 5.6% in a previous quarter. The deceleration is mainly because of decreased exports of copper, which led to slower investment flow into the industry. Peru is the third largest copper producer in the world. Exports from Peru declined in October by 12% from a year earlier. The central bank expects inflation to ease to 2% in 2014, right in the middle of its target range of between 1% and 3%.

Standard & Poor's has lifted **Mexico**'s rating from BBB to BBB+ on the back of making constitutional amendments to the nation's oil investment rules. The economy of Mexico grew in the 3Q13 by 1.3% y-o-y from 1.6% in the 2Q. The growth of gross fixed capital formation (GFCF) returned to the negative after posting a mild expansion in the 2Q, while government consumption had a notable pick-up by 1.75% y-o-y in the same period following six months of nearly zero growth. The country's manufacturing PMI reading for December signalled the strongest improvement in business conditions since February of last year, with the index posting 52.6, up from 51.9 a month earlier.

The survey showed that higher rates of production are supported by solid growth in new orders. Employment in the nation's manufacturing economy showed a marginal improvement in the last month.

Graph 3.24: Mexico's manufacturing PMI



Sources: Markit and Haver Analytics.

The economy of **Uruguay** decelerated during the 3Q13 as a result of moderation in the pace of private consumption and export growth. According to the Central Bank of Uruguay, GDP expanded by 3.3% y-o-y in the 3Q, down from 6.0% in the previous three months. Growth in private consumption retreated to 5.3% y-o-y in the same period, from 6.3% in the 3Q12.

Transition region

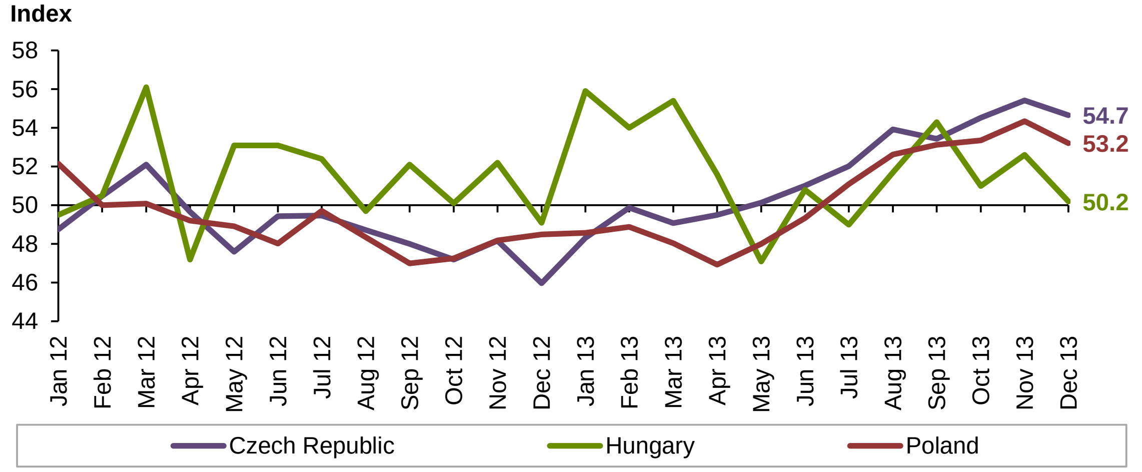
In **Ukraine**, the CPI entered positive territory last November for the first time since November 2012. Consumer inflation increase by 0.2% y-o-y in November, up from declines of 0.1%, 0.5% and 0.4% in October, September and August, respectively.

In the **Czech Republic**, the benchmark interest rate (the two-week repurchase rate) has been put on hold last month at a technical zero (0.05%) by the central bank for the ninth month running. The central bank also pledged to prevent the currency from overly strengthening and to maintain the current exchange rate at least through early 2014. Manufacturing activity expanded once again in December despite the manufacturing PMI falling to 54.7, the first moderation since September. The latest figure is the second strongest reading in 2013. It is also higher than the long-run average score of 52.4. The survey showed that export orders are the main driver behind growth in new business. It also showed that manufacturing output increased in December. Declining demand from Euro-area trading partners together with the governmental austerity measures have led to seven consecutive quarters of contraction. In the 3Q13, GDP decelerated by 1.3% y-o-y on the back of a drop in both exports and investment.

In **Hungary**, industrial output showed its first acceleration in the 3Q13 leading to a 1.3% rise y-o-y in the GDP growth figure. In October, Hungary's exports expanded, leading to a trade surplus of 759 million euros. This followed subsequent improvement in the 3Q as registered by a record high current account surplus.

In **Serbia**, real GDP grew by a revised 3.7% y-o-y in the 3Q13, bringing the economic expansion in the first nine months of 2013 to 2.4% y-o-y. The strong performance in the 3Q is due, in part, to the continued strength of agriculture and is further underpinned by exports, which have surged thanks to the economic rebound in key European trading partners.

Graph 3.25: Manufacturing PMIs in transition region



Sources: HALPIM, HSBC, Markit and Haver Analytics

Poland's latest PMI survey showed that the composite single-figure indicator remained in positive territory in December at 53.21 points, but dropped marginally from 54.35 points in November. A closer look at the sub-components of the overall indicator demonstrates that declines in new orders, new export orders and output were the main drags on the overall index. Nonetheless, all three sub-categories remained within positive territory.

In **Bulgaria**, retail sales rose by 6.9% y-o-y in October and output rose 4.1% y-o-y. The Bulgarian economy grew by 0.7% in the 3Q13. Last month, ratings agency S&P revised down its outlook for Bulgaria from stable to economic stagnation.

Oil prices, US dollar and inflation

After the US dollar had broadly appreciated in November, it again started to decline in December, with the exception of its pairing against the Japanese yen. Compared to the euro, the US dollar fell by 1.6% in December and stood at a monthly average of \$1.3699/€, its lowest monthly average since October 2011. Versus the Japanese yen, it rose by 3.6% to ¥103.412/\$. Contrary to its value against the euro, the US dollar reached its highest monthly average since August 2008. Compared to the pound sterling, it fell by 1.8%, while compared to the Swiss franc it declined by 2.1%.

After the US Congress reached an agreement on budgetary issues and the Fed signalled continued tightening of its monetary stimulus, further appreciation of the US dollar seems likely. This certainly will also depend upon the negotiations regarding the US debt ceiling, which is expiring at 7 February. The Fed's future policy on its QE measures will provide another important guideline for the US dollar's development as it seems more likely now that the Fed will continue to slowly taper its extraordinary monetary stimulus. The momentum of the recovery in the Euro-zone and the progress in Japan will also play an important role to the dollar's value in the near future.

In nominal terms, the price of the OPEC Reference Basket rose by a monthly average of \$2.7/b, or 2.6%, from \$104.97/b in November to \$107.67/b in December. In real terms, after accounting for inflation and currency fluctuations, the Basket price rose by 1.8%, or \$1.18/b, to \$65.03/b from \$63.85/b (base June 2001=100). Over the same period, the US dollar declined by 0.6% against the import-weighted modified Geneva I + US dollar basket[*] while inflation increased by 0.2%.

[*] *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 averaged 89.86 mb/d in 2013, an increase of 0.94 mb/d over a year earlier, reflecting actual data and indicating a significant improvement in demand in OECD Americas. For 2014, growth is expected to be around 1.05 mb/d, up by a marginal 10 tb/d, to reach 90.91 mb/d.

On a regional basis, the most recent data for 2013 indicates strong growth in OECD Americas, while other regions witnessed small downward revisions. The overall upward revision of around 0.11 mb/d was divided between OECD Americas and OECD Europe, while OECD Asia Pacific was revised lower by 40 tb/d. Non-OECD regions also faced minor declines of 20 tb/d divided almost equally between Other Asia, Latin America, and China. On a quarterly basis, all quarters were revised higher, with the exception of 2Q13. 1Q, 3Q and 4Q of last year were revised upward by 40 tb/d, 25 tb/d and 10 tb/d, respectively. 2Q was revised lower by 10 tb/d.

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

							Change 2013/12	
	2012	1Q13	2Q13	3Q13	4Q13	2013	Growth	%
Americas	23.62	23.73	23.78	24.10	23.89	23.87	0.25	1.05
Europe	13.74	13.19	13.74	13.82	13.46	13.55	-0.19	-1.36
Asia Pacific	8.59	8.94	7.81	8.05	8.65	8.36	-0.23	-2.63
Total OECD	**45.95**	**45.85**	**45.33**	**45.97**	**45.99**	**45.79**	**-0.16**	**-0.36**
Other Asia	10.86	10.91	11.08	11.11	11.13	11.06	0.20	1.84
Latin America	6.27	6.21	6.47	6.74	6.58	6.50	0.23	3.62
Middle East	7.59	7.79	7.76	8.19	7.75	7.87	0.29	3.76
Africa	3.45	3.42	3.45	3.38	3.56	3.45	0.00	0.11
Total DCs	**28.17**	**28.33**	**28.76**	**29.42**	**29.02**	**28.89**	**0.72**	**2.54**
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	10.38	10.07	0.33	3.38
Total "Other regions"	**14.80**	**14.75**	**14.95**	**15.12**	**15.92**	**15.19**	**0.39**	**2.64**
Total world	**88.92**	**88.93**	**89.03**	**90.50**	**90.93**	**89.86**	**0.94**	**1.06**
Previous estimate	88.92	88.89	89.04	90.29	90.92	89.79	0.87	0.98
Revision	0.00	0.04	0.00	0.21	0.01	0.07	0.07	0.08

Totals may not add up due to independent rounding.

In **OECD Americas**, US oil demand was on an ascending path from early 2013 with industrial and transportation fuels leading the gains during October 2013, very much in line with country's overall economic improvement. Preliminary weekly data for November and December 2013 support the optimistic sentiment, as oil demand grew by more than 1 mb/d in both months.

In **OECD Europe**, with 3Q13 being the first quarter since the end of 2010 to show positive signs for oil demand, encouraging oil demand figures continued through November 2013 with the contraction easing further. The decline in oil demand for most of the countries with debt issues seems to have stabilized, whereas the majority of the big oil consumers show signs of improvement. Industrial and transportation fuels are underlining the positive stabilization trend for the region.

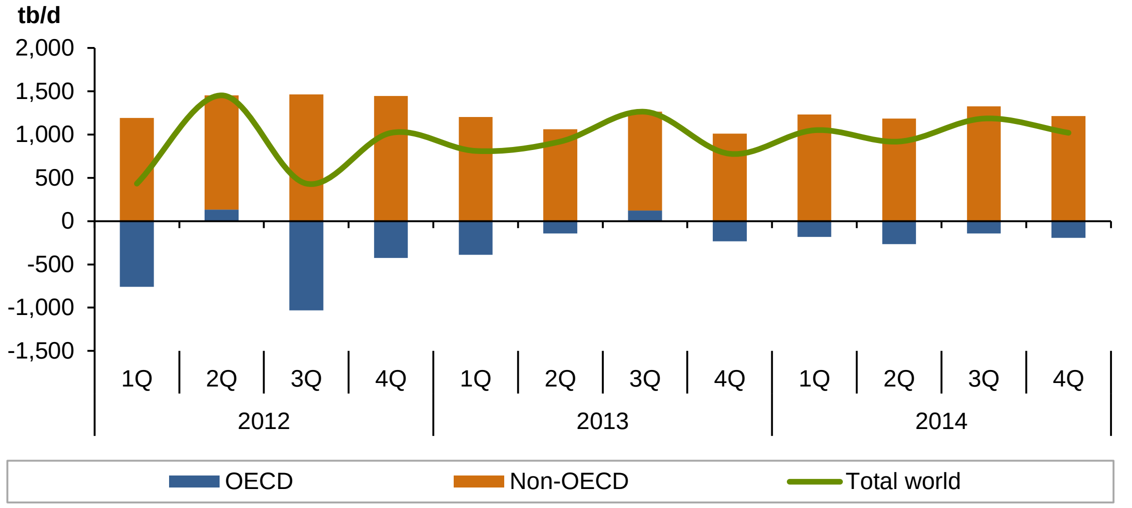
In **OECD Asia**, Japanese oil demand in November 2013 increased despite reduced requirements for crude and fuel oil for direct burning and electricity generation, with natural gas and coal increasing their demand share during the month of November.

The latest oil demand growth data for Japan highlights the positive rise in Japanese industrial production, especially in the petrochemical sector.

In **Other Asia**, India's oil demand in November 2013 was almost flat compared to the same period last year. However, lower retail prices, an increase in two-wheeler vehicle sales and seasonal activities supported the gasoline demand during the month. On the other hand, improvements in the power generation sector and some shifts in new car purchases towards smaller gasoline-operated cars resulted in lower diesel fuel requirements.

In **China**, oil demand was weaker in November 2013 with modest growth compared to the annual consumption average of the country. However, gasoline demand was supported by sharp increases in the sales of passenger vehicles.

Graph 4.1: Quarterly world oil demand growth



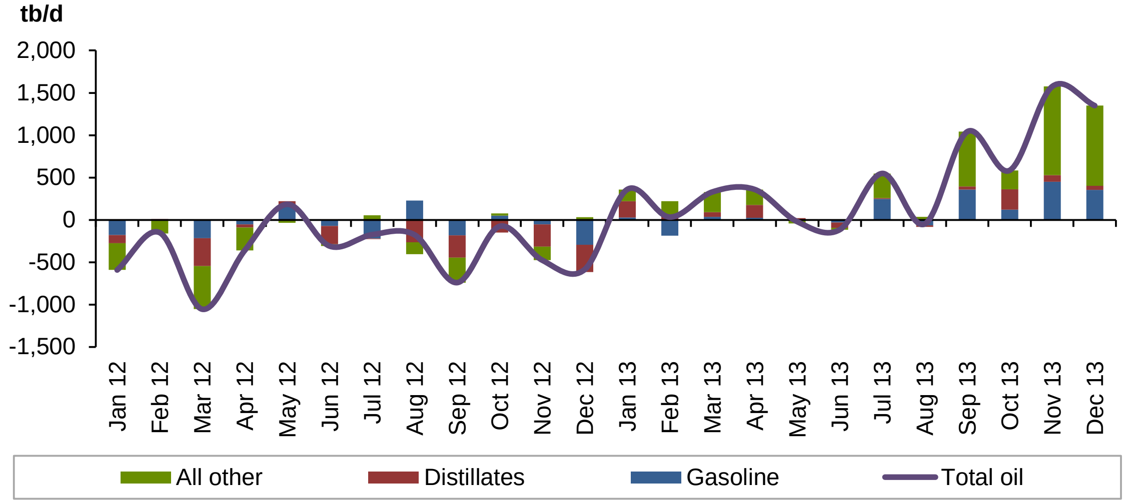
OECD Americas

The latest monthly **US oil demand** data implies y-o-y gains in oil requirements of around 3% in October 2013, after an increase in the previous month and an overall strong 3Q13, following marginal increases in 1Q13 and 2Q13.

US oil demand has been on an upward trend since the beginning of 2013. The greater part of the rise October 2013 came from industrial fuels, notably propane/propylene and distillates, followed by solid gains in road and aviation fuels as a result of a continuously improving economy, which triggered rising industrial production. In addition, increases in road and aviation fuel demand were in line with higher auto sales which rose by around 10%. Residual fuel oil is the only product on a declining trend since the beginning of the year as a result of substitution with natural gas in the industrial sector.

Oil demand in the first ten months in 2013 follows the general economic recovery in the country with increased requirements in the industrial and transportation sectors. Preliminary weekly data for November and December 2013 support this trend with all main product categories rising, except residual fuel oil. While the development of 2014 US oil demand remains strongly dependent on the further recovery of the US economy, it is skewed more to the upside as compared with last month, although some downside risks, most importantly the pending fiscal issues, still persist.

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



In **Mexico**, November 2013 saw falling oil demand for all product categories as a result of lower industrial production, with the largest decrease in residual fuel oil. Although Mexican oil demand is expected to grow slightly in 2014, risks are skewed to the downside, compared with last month. The latest **Canadian** data from October 2013 showed gains in gasoline and gas/diesel oil requirements. 2014 projections for Canadian oil demand remain unchanged from those in the previous month.

In 2013, **OECD Americas** oil demand grew by 0.25 mb/d compared to 2012. OECD Americas oil demand in 2014 is projected to grow once more by 0.11 mb/d compared to 2013.

OECD Europe

The improvement of **European oil demand** since the beginning of the year continued in November with 3Q13 being the first quarter since the end of 2010 with a non-shrinking oil demand growth, y-o-y. The extremely low baseline is a substantial underlying factor, but the declines in oil demand for most of the countries with debt issues seemed to have stabilised, while at the same time, there are also strong signs of improvements for the majority of the big oil consumers in the region.

The fundamental factors implying these developments are increasing industrial production for the whole region and an auto market that is slowly but consistently turning to the positive from a very long negative history. European Big Four oil demand was flat compared to the same month last year, with growing oil requirements for Germany, UK and France being more or less offset by declining oil demand in Italy. Product-wise, diesel oil, aviation fuels and gasoline marked increases, but have been offset by declines in other product categories. As in previous months, October 2013 oil demand fell in some **Southern European countries** — Portugal denotes the exception with growing oil demand — with the largest decreases observed in Spain and Greece.

In addition, the European **auto market** grew strongly for the third consecutive month in November, y-o-y, for the first time since September 2011. The UK and Spanish auto markets also grew strongly for the same month, while demand for new cars fell slightly in Germany, France and Italy, y-o-y. Nevertheless, the European auto market shrank compared with the same period in 2012 and is likely expected to finish with negative growth for the whole year.

The general expectations for the region's oil demand during 2014 have improved again since the last month's projections as the economies of some countries seemed to continue their stabilisation pattern. These expectations are in line with the improved 2013 figures and projections for 2014, which are forecasting a contraction in oil requirements, yet with a lower magnitude than in 2013.

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

	Nov 13	Nov 12	Change from Nov 12	Change from Nov 12, %
LPG	362	365	-3	-0.8
Gasoline	1,121	1,112	9	0.8
Jet/Kerosene	735	716	19	2.6
Gas/Diesel oil	3,402	3,390	12	0.3
Fuel oil	352	359	-7	-1.9
Other products	887	955	-68	-7.2
Total	**6,859**	**6,898**	**-39**	**-0.6**

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

In 2013, **European oil demand** shrank by 0.19 mb/d as a result of the deep economic crisis in several of the regions' countries, while oil demand in 2014 is projected to decrease again, but to a lesser extent, by 0.17 mb/d.

OECD Asia Pacific

Japanese oil demand in November 2013 increased by 0.1 mb/d y-o-y with varied developments in the main product categories. Oil requirements in crude and fuel oil for direct burning and electricity generation were stagnant and falling, respectively. This came as a result of increasing substitution with natural gas and notably coal, whose usage for electricity generation in November 2013 increased by more than 20% y-o-y. Similar to the previous month, demand for naphtha, LPG, jet fuel and gas/diesel oil rose and more than offset the declines, leading to overall monthly growth. Oil demand increases correlate positively with rising Japanese industrial production, especially in the petrochemical sector.

The outlook risks for 2014 Japanese oil demand remain unchanged from last month's forecasts and are determined by the degree of coal and gas usage for electricity generation as well as by the probability of some of the country's nuclear plants returning to operation during 2014.

Table 4.3: Japanese domestic sales, tb/d

	Nov 13	Change from Nov 12	Change from Nov 12, %
LPG	491	30	6.6
Gasoline	970	5	0.5
Naphtha	859	95	12.4
Jet fuel	64	7	13.0
Kerosene	406	-16	-3.9
Gas oil	628	39	6.6
Fuel oil	608	-69	-10.2
Other products	79	8	10.9
Direct crude burning	223	3	1.4
Total	**4,329**	**102**	**2.4**

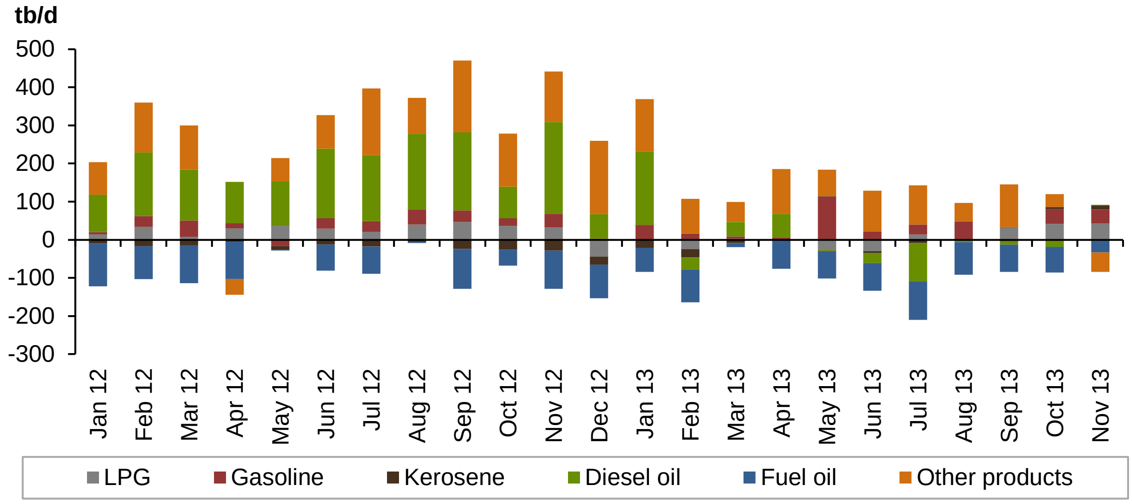
In **South Korea**, November came up flat, y-o-y. Improved petrochemical activities, which called for increasing LPG requirements as well as strong marine bunker fuel and rising diesel demand, dominated the positive developments, while all other product categories' supplies declined, y-o-y. The outlook for South Korean oil consumption during 2014 remained unchanged compared to last month's projections.

In 2013, **OECD Asia Pacific** oil consumption shrank by 0.23 mb/d. The downward trend will continue also in 2014 but to a smaller degree, by 0.13 mb/d.

Other Asia

In **India**, demand for oil in November 2013 was roughly at the same level of the same month a year earlier, and results were varied as far as the main product categories are concerned.

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



Gasoline requirements grew sharply as a result of lower retail prices and expansion in the auto industry, especially the sector of two-wheeled vehicles. Increases in gasoline demand could also be attributed to holidays during the month. Demand for diesel was flat y-o-y, mainly as a result of improvements in the power generation sector offsetting some shifts in new car purchases towards smaller, gasoline-operating cars. In addition, healthy expansions in the petrochemical industry have called for more LPG and naphtha usage, the latter being more than offset by substitution with natural gas in the fertiliser sector. Residual fuel also continued its declining trend, resulting mainly from substitution with natural gas in the agricultural sector. The picture in the Indian automobile industry did not show any improvement during November 2013 with declines in car sales, the only exception being two-wheelers.

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

	Nov 13	Oct 13	Jan-Nov 13	*Difference to* Jan-Nov 12	%
LPG	578	541	508	5	0.9
Motor gasoline	388	413	401	32	8.6
Jet Kero	325	313	286	-5	-1.6
Gas diesel oil	1,600	1,264	1,458	9	0.6
Residual fuel oil	240	283	270	-67	-19.9
Other products	598	688	753	75	11.0
Total oil demand	**3,729**	**3,503**	**3,675**	**49**	**1.3**

The overall forecast for India's oil demand in 2014 remains unchanged from the previous report, as a result of the country's fiscal issues, which remain unsolved.

In **Indonesia**, the latest data from October 2013 shows a small decline of around 0.3% y-o-y; rising requirements for LPG and residual fuel oil have been more than offset by declining demand for gasoline, gas/diesel oil and jet/kerosene. Indonesia, similar to other countries in the region, is confronted by dilemmas as far as the existing fuel subsidies are concerned, with caught between the need to address budget deficits pm the one hand and the unpopularity of implementing such decisions on the other hand.

The unpopularity of subsidy reduction has also delayed similar plans in **Thailand**, whose oil demand in October 2013 grew by 2% y-o-y, the transportation fuels taking the bulk of these increases. Finally, **Taiwan**'s oil demand grew by a solid 4% y-o-y in October 2013 with industrial fuels, notably gas/diesel oil and LPG taking the bulk of the increase. The risks for the development of 2014 oil demand in the region are balanced towards the up- and downside.

Other Asia's oil demand grew 0.20 mb/d y-o-y in 2013. As for 2014, oil demand is forecasted to be 0.24 mb/d higher than 2013.

Latin America

In **Brazil**, October 2013 data showed more demand for diesel and residual fuel oil, which was in line with expanding industrial production, while automobile production and sales declined y-o-y, the latter implying smaller growth in gasoline requirement than in previous months. Nevertheless, October 2013 demand for ethanol was higher for another month compared with the same month in 2012.

Table 4.5: Brazilian inland deliveries, tb/d

	Jan-Oct 13	Jan-Oct 12	Change	Change, %
LPG	229	223	6	2.8
Gasoline	704	674	30	4.4
Jet/Kerosene	124	126	-2	-1.7
Diesel	1,012	957	56	5.8
Fuel oil	86	61	24	39.3
Alcohol	180	166	13	8.1
Total	**2,335**	**2,207**	**127**	**5.8**

In **Argentina**, October 2013 was another month for strong oil demand, in which oil requirements grew by almost 6% with all product categories rising, particularly transportation fuels and gasoline. The latest **Ecuadorian data** from November 2013 show higher oil requirements compared to the same month last year by around 6%. Gasoline and diesel requirements rose, while fuel oil demand shrank.

The risks for 2014 oil demand in the region are skewed rather to the upside and relate partially to the evolution of Brazilian oil demand, especially to the construction activities for the international events that will take place in the country during 2014.

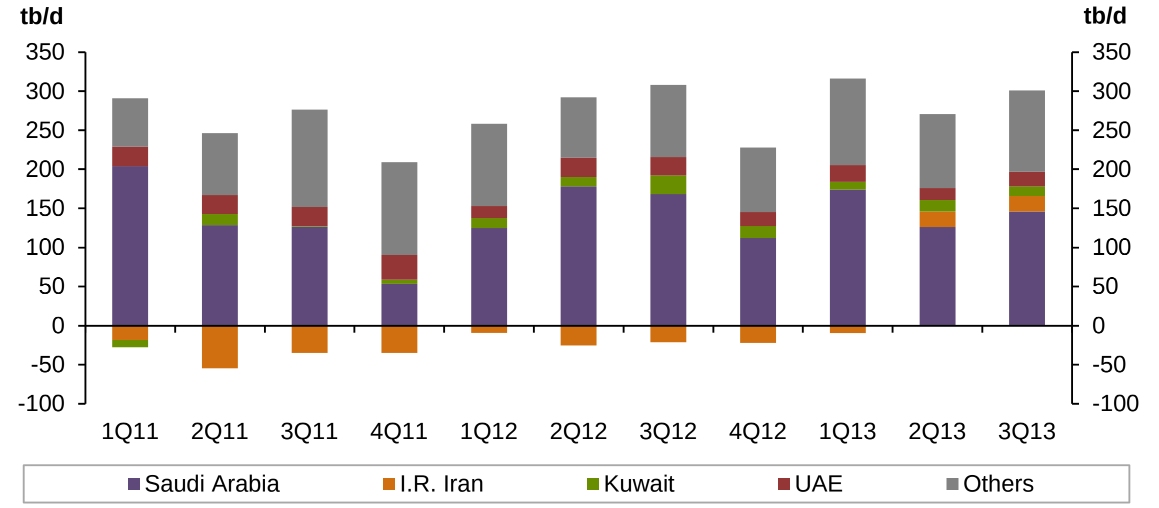
Latin American oil demand grew in 2013 by 0.23 mb/d. During 2014, Latin American oil demand is forecast to increase slightly higher by 0.24 mb/d.

Middle East

In **Saudi Arabia**, November 2013 oil demand was characterised by increases in gasoline, gas/diesel oil and residual fuel oil demand, which were partly offset by declines in other product categories, notably direct crude burning for electricity generation. The strong growth in the road transportation sector is also supported by gains in auto sales.

Oil demand grew steadily in **Iraq** during October 2013 as a result of continued increasing direct crude burning for electricity generation, which more than offset declining demand in all the other main product categories with the exception of LPG and residual fuel oil demand, the latter two staying flat as compared to the same month last year. October data for **Qatar** shows oil demand sharply increasing y-o-y, with diesel jet fuel and LPG accounting for the bulk of the increases.

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

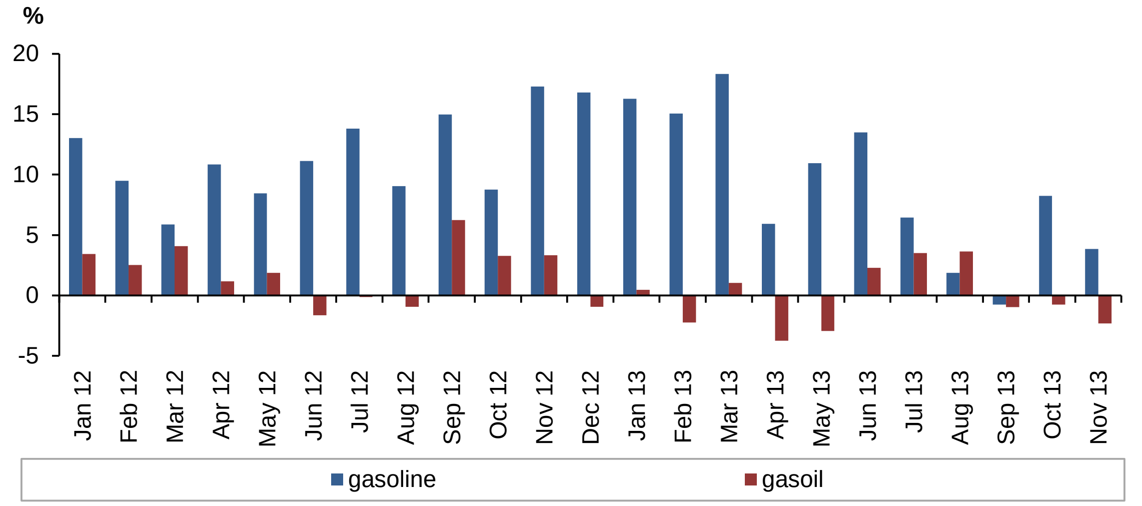


Middle East oil demand grew by 0.29 mb/d in 2013. Oil demand in 2014 is projected to increase by 0.31 mb/d. The outlook for Middle East oil demand in 2014 remained unchanged since the last report, with growth forecast at 0.31 mb/d and risks seen equally distributed both to the up- and downside.

China

Following strong growth in October, **Chinese oil demand** became slightly weaker in November 2013, increasing just 3.0% y-o-y, marginally lower than the average historical levels. Chinese oil demand in November 2013 was mostly determined by increasing LPG usage in the petrochemical industry and gasoline in the transportation sector, while jet fuel/kerosene, gas/diesel oil and fuel oil requirements declined compared to the same month in 2012. Strong industrial production was not in line with weaker demand for diesel and residual fuel oil but rather with the demand for coal and natural gas. Additionally, positive gasoline figures are supported by sharp increases in the sales of passenger vehicles.

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



For 2013, **Chinese oil demand** is estimated to have grown 0.33 mb/d. The overall 2014 outlook remains relatively unchanged since last month with a projected increase of 0.34 mb/d. Downside risks include an economic slowdown and the implementation of measures to curb transportation fuel demand and reduce emissions, especially in the big cities. Moreover, existing tax exemptions on imported natural gas and their planned extensions in combination with intentions to introduce additional taxation on imported biodiesel are also factors that could lower future oil demand in the country.

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

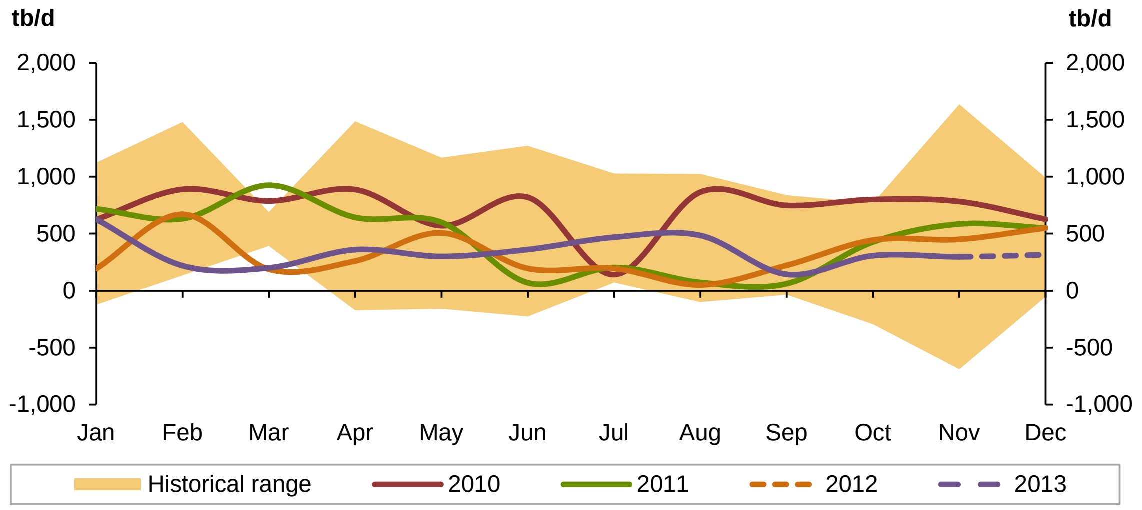


Table 4.6: World oil demand in 2014, mb/d

							Change 2014/13	
	2013	1Q14	2Q14	3Q14	4Q14	2014	Growth	%
Americas	23.87	23.86	23.87	24.21	23.99	23.98	0.11	0.47
Europe	13.55	13.02	13.46	13.70	13.35	13.38	-0.17	-1.27
Asia Pacific	8.36	8.81	7.74	7.92	8.47	8.23	-0.13	-1.55
Total OECD	**45.79**	**45.68**	**45.07**	**45.83**	**45.80**	**45.60**	**-0.19**	**-0.41**
Other Asia	11.06	11.16	11.28	11.37	11.39	11.30	0.24	2.18
Latin America	6.50	6.44	6.70	6.99	6.82	6.74	0.24	3.65
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	3.59	3.49	0.03	0.96
Total DCs	**28.89**	**29.16**	**29.52**	**30.29**	**29.83**	**29.70**	**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	10.70	10.40	0.34	3.34
Total "Other regions"	**15.19**	**15.15**	**15.37**	**15.57**	**16.33**	**15.61**	**0.42**	**2.78**
Total world	**89.86**	**90.00**	**89.96**	**91.69**	**91.95**	**90.91**	**1.05**	**1.17**
Previous estimate	89.79	89.94	89.96	91.47	91.94	90.84	1.04	1.16
Revision	0.07	0.05	0.00	0.21	0.01	0.07	0.01	0.01

Totals may not add up due to independent rounding.

World Oil Supply

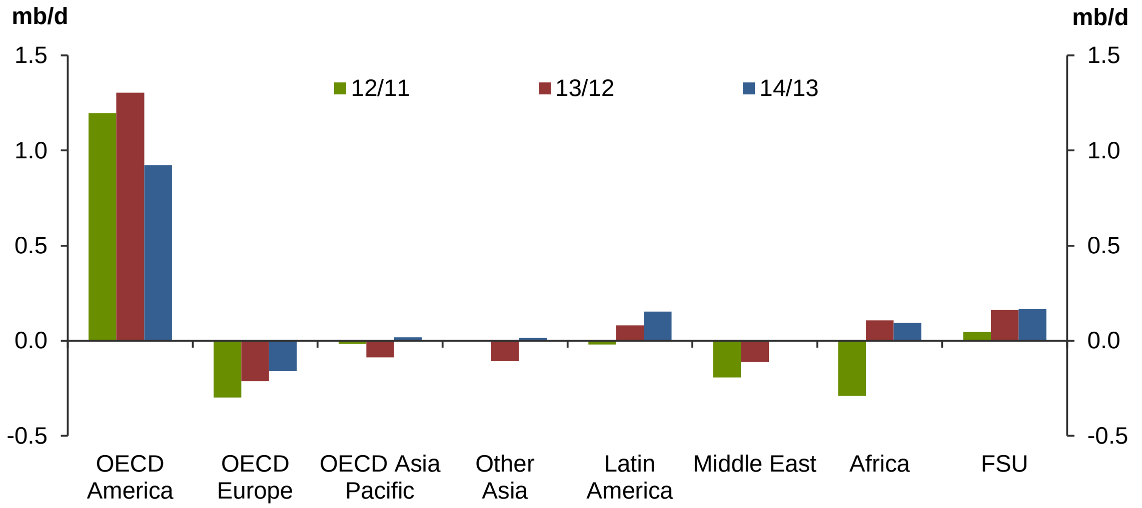
Non-OPEC oil supply is estimated to have averaged 54.11 mb/d in 2013, an increase of 1.24 mb/d over 2012, up by 50 tb/d from the previous MOMR report, driven by strong growth from OECD Americas. In 2014, non-OPEC oil supply is projected to grow by 1.27 mb/d, up by 70 tb/d from the previous assessment, to average 55.38 mb/d. Growth is seen coming mainly from the US, Canada, Brazil and the Sudans, while Norway, UK and Mexico are seen declining in 2014.

OPEC NGL production is forecast to average 5.95 mb/d in 2014, following growth of 5.80 mb/d in 2013. In December, OPEC production decreased by 20 tb/d to average 29.44 mb/d, according to secondary sources. As a result, preliminary data indicates that global oil supply increased 0.14 mb/d in December to average 90.40 mb/d.

Non-OPEC supply

Non-OPEC oil supply is estimated to have averaged 54.11 mb/d in 2013, an increase of 1.24 mb/d over 2012, thus showing no change from the previous *MOMR*. However, within the quarters, non-OPEC oil supply encountered downward revisions in the first to third quarters, although this was partially offset by an upward revision of 217 tb/d to the fourth quarter supply estimate. Updated production data for the fourth quarter led to this adjustment, as December production indicated a higher level than previously expected.

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



Non-OPEC supply in **2013** saw two contrary developments. Strong growth from OECD America, FSU, Africa and Latin America on the one hand and unexpected declines from all other regions — except China — on the other. OECD America's oil supply growth estimate of 1.30 mb/d in 2013 was the highest on record, while declines of 0.21 mb/d in OECD Europe, and 0.11 mb/d in both the Middle East and Other Asia, represented the largest contractions. Non-OPEC oil supply increased by 0.16 mb/d in December compared with the previous month. On a quarterly basis, non-OPEC supply in 2013 is estimated at 53.78 mb/d, 53.64 mb/d, 54.12 mb/d and 54.89 mb/d, respectively.

The non-OPEC supply revision in the fourth quarter of the year was due to higher-than-expected production, although it was partially offset by downward revisions to first, second and third quarter oil supply estimates. The supply profiles of the US, Mexico, Brazil and the Sudans were revised up, while downward revisions were made to Canada, Australia, Malaysia and FSU. Strong growth in OECD America was supported by tight oil formation developments, while declines in the other regions were driven mainly by political, technical and weather-related factors. Disruptions mainly affected output from Mexico, Syria, the UK, Norway, Australia, Indonesia, Yemen and Azerbaijan.

According to preliminary and estimated data, total non-OPEC supply in the fourth quarter of 2013 increased by 1.20 mb/d over the same period a year earlier. During the second half of 2013, non-OPEC supply increased by 1.57 mb/d compared with the same period of the previous year.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013	*Change* 13/12
Americas	16.74	17.63	17.59	18.32	18.60	18.04	1.30
Europe	3.77	3.63	3.57	3.45	3.58	3.56	-0.21
Asia Pacific	0.56	0.45	0.49	0.51	0.44	0.47	-0.09
Total OECD	**21.07**	**21.71**	**21.66**	**22.28**	**22.62**	**22.07**	**1.00**
Other Asia	3.64	3.65	3.57	3.46	3.46	3.53	-0.11
Latin America	4.67	4.71	4.73	4.78	4.79	4.75	0.08
Middle East	1.50	1.48	1.35	1.36	1.36	1.39	-0.11
Africa	2.31	2.30	2.40	2.44	2.52	2.42	0.11
Total DCs	**12.12**	**12.13**	**12.05**	**12.04**	**12.13**	**12.09**	**-0.03**
FSU	13.26	13.41	13.37	13.37	13.53	13.42	0.16
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.16	4.23	4.26	4.14	4.31	4.24	0.08
Total "Other regions"	**17.56**	**17.78**	**17.77**	**17.65**	**17.98**	**17.80**	**0.24**
Total Non-OPEC production	**50.75**	**51.63**	**51.48**	**51.96**	**52.73**	**51.95**	**1.21**
Processing gains	2.12	2.15	2.15	2.15	2.15	2.15	0.04
Total Non-OPEC supply	**52.86**	**53.78**	**53.64**	**54.12**	**54.89**	**54.11**	**1.24**
Previous estimate	52.92	53.82	53.70	54.25	54.67	54.11	1.20
Revision	-0.05	-0.04	-0.06	-0.13	0.22	0.00	0.05

In **2014**, non-OPEC supply is forecast to increase by 1.27 mb/d over the previous year to average 55.38 mb/d. The current supply expectation indicates an upward revision of 65 tb/d to total non-OPEC supply, while anticipated growth was revised up 60 tb/d from one month earlier. The upward change to total non-OPEC supply was due to the carryover of some revisions introduced to 2013 supply estimates, particularly preliminary output in December, as well as to various updates to individual supply profiles. On a quarterly basis, non-OPEC supply in 2014 is expected to average 54.96 mb/d, 54.87 mb/d, 55.28 mb/d and 56.39 mb/d, respectively.

In addition to historical revisions, there were a few offsetting adjustments to the 2014 non-OPEC supply forecast. The total US oil supply forecast in 2014 was revised up by 0.22 mb/d, compared with the last *MOMR*. Oman was also revised up by 10 tb/d, while projections for Canada, Australia, Malaysia, Other Asia and FSU were revised down.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014	*Change* 14/13
Americas	18.04	18.62	18.71	19.02	19.48	18.96	0.92
Europe	3.56	3.52	3.35	3.24	3.48	3.40	-0.16
Asia Pacific	0.47	0.48	0.50	0.50	0.48	0.49	0.02
Total OECD	**22.07**	**22.62**	**22.56**	**22.77**	**23.45**	**22.85**	**0.78**
Other Asia	3.53	3.53	3.55	3.56	3.54	3.55	0.02
Latin America	4.75	4.81	4.85	4.92	5.04	4.91	0.15
Middle East	1.39	1.38	1.39	1.39	1.40	1.39	0.00
Africa	2.42	2.51	2.51	2.51	2.51	2.51	0.09
Total DCs	**12.09**	**12.23**	**12.30**	**12.38**	**12.49**	**12.35**	**0.26**
FSU	13.42	13.52	13.45	13.56	13.81	13.59	0.17
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.24	4.27	4.25	4.26	4.32	4.27	0.04
Total "Other regions"	**17.80**	**17.93**	**17.83**	**17.96**	**18.27**	**18.00**	**0.21**
Total Non-OPEC production	**51.95**	**52.79**	**52.69**	**53.11**	**54.21**	**53.20**	**1.25**
Processing gains	2.15	2.18	2.18	2.18	2.18	2.18	0.02
Total Non-OPEC supply	**54.11**	**54.96**	**54.87**	**55.28**	**56.39**	**55.38**	**1.27**
Previous estimate	54.11	54.90	54.81	55.22	56.32	55.32	1.20
Revision	0.00	0.06	0.06	0.06	0.06	0.06	0.07

OECD

Total OECD oil supply in 2013 is estimated to grow by 1 mb/d to average 22.07 mb/d, indicating an upward revision of 20 tb/d from the previous report. Output in the fourth quarter reached 22.62 mb/d, with an increase of exactly 1 mb/d compared with the same quarter in 2012. The upward revision came from OECD America, while OECD Asia Pacific experienced a downward revision and OECD Europe registered unchanged data compared to the last *MOMR*. On a quarterly basis, total OECD supply is estimated to average 21.71 mb/d, 21.66 mb/d, 22.28 mb/d and 22.62 mb/d, respectively.

Graph 5.2: OECD's quarterly production

Total OECD output in 2014 is expected to average 22.85 mb/d, the highest level since 2003, indicating an increase of 0.78 mb/d over 2013 and an upward revision of 0.13 mb/d from the previous report. The upward revision came from OECD America and OECD Asia Pacific, while the OECD Europe forecast experienced a minor downward revision. Within the OECD, supplies from America and Asia Pacific are forecast to show growth in 2014, while those from Europe are expected to decline. On a quarterly basis, total OECD supply is seen to stand at 22.62 mb/d, 22.56 mb/d, 22.77 mb/d and 23.45 mb/d, respectively.

OECD Americas

OECD America's oil supply is estimated to average 18.04 mb/d, showing growth of 1.30 mb/d compared with last year. It is projected to increase by 0.92 mb/d in 2014 over the previous year — lower than 2013 growth but the highest among all non-OPEC regions — to average 18.96 mb/d, representing an upward revision of 0.16 mb/d from the previous month. The US and Canada's supply are both expected to grow in 2014, while that of Mexico is estimated to decline by approximately 60 tb/d. On a quarterly basis, OECD America's oil supply is forecast to average 18.62 mb/d, 18.71 mb/d, 19.02 mb/d and 19.48 mb/d, respectively.

US

US total oil supply is estimated to increase by 1.13 mb/d to average 11.16 mb/d in 2013, representing an upward revision of 40 tb/d from the last monthly report. This revision affected the 2nd to 4th quarters, though revision of the fourth quarter was much higher than for the other two quarters, as updated production data was stronger than previously expected. Production gains were driven by tight oil developments in Texas, North Dakota, and other locations, helped by increased drilling efficiency and well productivity. Actual data for liquids production in October 2013 show an increase by 30 tb/d to average 11.67 mb/d, compared with updated September production, supported by tight oil production in Texas and North Dakota. However, US crude oil production in October dropped by 40 tb/d to average 7.75 mb/d.

US oil supply is projected to increase by 0.83 mb/d in 2014 — the highest growth among all non-OPEC countries — to average 11.99 mb/d, representing an upward revision of 0.22 mb/d from the previous *MOMR*. This revision was supported by a higher baseline in 2013. In addition, both an increase in capital expenditure (CAPEX) in 2013 and 2014, as well as vast drilling developments, support this growth. The forecast supply growth is backed by an expected strong increase in tight oil from the Bakken, Barnett, Haynesville, Permian and Eagle Ford formations and NGLs from gas plant projects. In addition, offshore projects in the Gulf of Mexico are predicted to support US production in 2014.

The recent increased percentage of oil rigs versus gas rigs is seen as a positive factor for supply in 2014. Furthermore, improvements in permit issuing for Gulf of Mexico drilling is expected to increase the output of that region in 2014. On the other hand, Alaska's oil supply is expected to continue its mature decline, though this is likely to be offset by supply growth in other areas. Nonetheless, a high level of uncertainty continues to surround US oil output in 2014, on the back of weather conditions, decline rates, and environmental and price factors. On a quarterly basis, US oil supply is expected to stand at 11.69 mb/d, 11.81 mb/d, 12.05 mb/d and 12.40 mb/d, respectively.

Canada and Mexico

Oil supply in **Canada** registered growth of 0.20 mb/d in 2013 to average 3.98 mb/d, indicating a downward revision by 15 tb/d compared to the previous month. Fourth quarter supply saw growth of 50 tb/d, compared with the same quarter a year earlier.

On a quarterly basis, Canada's supply in 2013 is estimated to average 4.08 mb/d, 3.78 mb/d, 4.03 mb/d and 4.01 mb/d, respectively.

Canada's oil output is forecast to average 4.13 mb/d in 2014, growth of 0.15 mb/d over the previous year, but with a downward revision of 60 tb/d compared with the previous *MOMR*. This revision comes on the back of weak production figures late in the fourth quarter of 2013, which carried over to 2014. Despite the downward revision that had an impact on 2013 supply estimates, Canada's oil production outlook in 2014 remains steady on expected healthy oil sands growth, as well as oil from shale developments. The increase in shale oil output from Alberta is expected to continue in 2014. However, the risk to the forecast is on the high side due to logistics and economic concerns, as well as unplanned shutdowns, which had a negative impact on growth in 2013. On a quarterly basis, Canada's supply in 2014 is expected to average 4.08 mb/d, 4.07 mb/d, 4.13 mb/d and 4.24 mb/d, respectively.

Mexico's oil supply reached an average of 2.89 mb/d in 2013, showing a decline of 30 tb/d. On a quarterly basis, Mexico's supply is seen to average 2.91 mb/d, 2.87 mb/d, 2.88 mb/d and 2.89 mb/d, respectively. Mexican oil output is expected to decline by 60 tb/d in 2014 from 2013 to average 2.83 mb/d, unchanged from the last report. Despite relatively steady output in 2013, when supply remained smooth on the back of output-stabilization efforts, Mexico's production in 2014 is expected to decline. A lack of significant new developments is the main factor behind this expected fall. Output from Mexico's main producing field, the Ku-Maloop-Zaap (KMZ), has reached a peak and is expected to remain more or less at the same level in 2014. In 2013, Mexico's crude oil supply seems to be steadier, supported by a return from maintenance and the start-up of new projects. However, an output decline is still forecast for 2014, despite an expected increase in CAPEX. Nonetheless, uncertainty surrounding the 2014 forecast remains on both sides, especially related to the decline rate and new volume. On a quarterly basis, Mexico's supply is seen to average 2.85 mb/d, 2.82 mb/d, 2.84 mb/d and 2.83 mb/d, respectively.

OECD Europe

Total **OECD Europe oil supply,** which averaged 3.56 mb/d with a decline of 0.20 mb/d in 2013, declined by a further 0.16 mb/d from the previous year to average 3.40 mb/d in 2014, unchanged from the previous *MOMR*. Output from the region is expected to continue on a downward trend in 2014, yet at a lower rate than in 2013, when unplanned shutdowns affected output. OECD Europe is expected to see quarterly supply of 3.52 mb/d, 3.35 mb/d, 3.24 mb/d and 3.48 mb/d, respectively.

Norway's oil supply dropped by 0.08 mb/d from the previous year to average 1.83 mb/d in 2013, unchanged from the previous *MOMR*. The third quarter was revised down by 25 tb/d and the fourth quarter revised up by 15 tb/d to update annual production. On a quarterly basis, Norway's production is seen to average 1.84 mb/d, 1.84 mb/d, 1.80 mb/d and 1.86 mb/d, respectively. A decrease in 2014 is expected on the back of a natural decline in mature fields, coupled with limited new developments and expected shutdowns and maintenance. Despite the plan by operators to fast-track some fields, mostly small and satellite projects, new volumes are not expected to be enough to offset anticipated natural decline. The startup of new fields in the fourth quarter of 2014 is seen to strongly support Norway's oil supply in 2014. However, maintenance and decline are seen to have a heavier impact on output in 2014. The risk to the forecast lies in the ability of producers to reduce their production shutdowns in 2014. Norway's output in 2014 is predicted to decline by 80 tb/d to average 1.76 mb/d, unchanged from the last monthly report. On a quarterly basis, Norway's production is seen to average 1.83 mb/d, 1.72 mb/d, 1.66 mb/d and 1.81 mb/d, respectively.

The **UK**'s oil supply registered an average 0.86 mb/d in 2013, the lowest level since 1977, representing a decline of 90 tb/d or approximately 10% from the previous year, flat from the previous *MOMR*. The recovery of Elgin-Franklin production has been delayed from March 2013 to early October, and the West Franklin Phase II development project is ongoing, with production startup scheduled for 2014. This is seen to support output in the current year. According to Wood Mac, capital investment continued to increase, however, this was set against a backdrop of project delays, production underperformance and poor exploration success. Spiraling costs put pressure on project economics and caused some developments, such as Bressay and Rosebank, to be put on hold. Despite high activity levels, only 13 new fields were brought on stream in 2013, lower than the 21 expected at the start of the year. The UK government last month cut its estimates for oil and natural gas production from the North Sea through to the end of the decade, following another year of fast-declining output from the mature offshore basin. The UK's oil production has fallen from a peak of close to 2.82 mb/d in 1999, when the country's net exports were 972,000 b/d. Until recently, the UK's mature North Sea fields have seen decline rates averaging around 6% a year. However, oil output slumped by more than 17% in 2011 and 14% in 2012 to less than 1 mb/d, exacerbated by heavy maintenance and unplanned outages.

Projected production in 2014 could be lower than actual production in 2013 by 70 tb/d to average 0.80 mb/d, since supply is likely to experience fewer unplanned shutdowns in 2014 compared with 2013. On a quarterly basis, UK oil output in 2014 is expected to average 0.84 mb/d, 0.78 mb/d, 0.73 mb/d and 0.83 mb/d, respectively.

OECD Asia Pacific

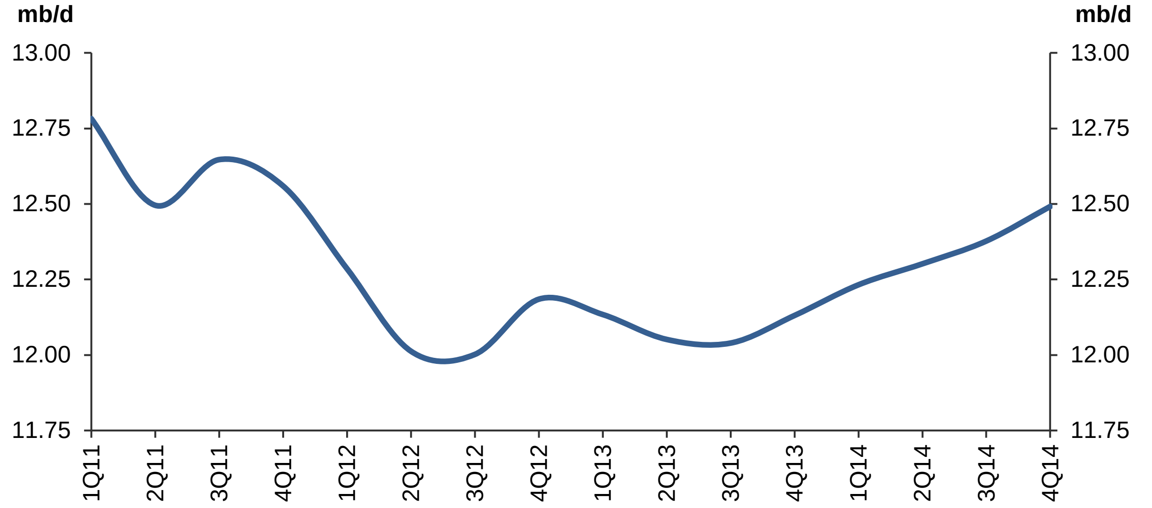
OECD Asia Pacific's oil supply is expected to increase by 20 tb/d in 2014 to average 0.49 mb/d, representing a downward revision of 30 tb/d from the previous month. Australia's oil supply is likely to decline in 2014, while New Zealand's production is forecast to remain unchanged from a year earlier. On a quarterly basis, total OECD Asia Pacific oil supply is expected to average 0.48 mb/d, 0.50 mb/d, 0.50 mb/d and 0.48 mb/d, respectively.

Australia's oil supply declined by 80 tb/d to an average output of 0.40 mb/d in 2013, indicating a downward revision by 15 tb/d compared with the last *MOMR*. The updated production data was also revised downward in the fourth quarter. Australia's output in 2014 is forecast to increase by 30 tb/d to average 0.43 mb/d, indicating a downward revision of 30 tb/d from the last *MOMR*. This revision comes on the back of weak production figures in the fourth quarter of 2013, which carried over to 2014. Despite a downward revision — which had an impact on 2013 supply estimates — Australia's oil production outlook for 2014 remains steady on expected healthy oil from new start-up projects. Probable growth in 2014 is also expected to come from a return to normal output levels, which suffered due to the cyclone season in 2013. However, the forecast risk is on the high side regarding logistics as well as unplanned shutdowns due to the weather. On a quarterly basis, Australia's oil supply is seen to stand at 0.41 mb/d, 0.43 mb/d, 0.44 mb/d and 0.42 mb/d, respectively.

Developing countries

Total **developing countries' (DCs')** oil output reached 12.09 mb/d in 2013, showing a decline of 30 tb/d, unchanged from the last *MOMR*. On a quarterly basis, total oil supply in DCs is estimated to average 12.13 mb/d, 12.05 mb/d, 12.04 mb/d and 12.13 mb/d, respectively. Total DCs' oil supply is projected to grow by 0.26 mb/d to average 12.35 mb/d in 2014, representing a downward revision of 24 tb/d from the previous month. This growth is supported mainly by Latin America, Africa and Other Asia, while Middle East supply is seen to drop during the year. DCs' oil production is estimated to decrease by 30 tb/d in 2013, despite of an upward revision of 56 tb/d in the fourth quarter. Growth in 2014 is expected after a significant decline in 2013, due mainly to political, technical and weather factors. On a quarterly basis, total oil supply in the DCs is projected to average 12.23 mb/d, 12.30 mb/d, 12.38 mb/d and 12.49 mb/d, respectively. According to preliminary data, it averaged 12.13 mb/d in the fourth quarter of 2013, a decline of 50 tb/d from the same period a year earlier.

Graph 5.3: Developing Countries' quarterly production



Other Asia

Other Asia's oil production is expected to increase by 20 tb/d in 2014 to average 3.55 mb/d, representing a downward revision of 39 tb/d from the previous *MOMR*. There was also a downward revision of 13 tb/d to the average 2013 output. Other Asia's supply was revised down during the fourth quarter of 2013 by 32 tb/d and this was partly carried over to 2014. India's oil supply is expected to decrease by 10 tb/d in 2014 to average 0.86 mb/d, unchanged from the previous month. Thailand's production is expected to average 0.35 mb/d in 2014, a minor decline of 10 tb/d from the previous year. The revision comes on the back of updated production figures in the fourth quarter of 2013. On a quarterly basis, Other Asia's supply in 2014 is forecast to average 3.53 mb/d, 3.56 mb/d, 3.54 mb/d and 3.55 mb/d, respectively.

Indonesia's oil production is expected to increase by 20 tb/d in 2014 to average 0.95 mb/d, flat from the previous *MOMR*. As government officials predicted in 2012, the country's production fell in 2013 due to natural declines and limited upstream developments in deepwater aspects; Indonesia's output declined 20 tb/d from the year before to average 0.93 mb/d.

Malaysia's supply is projected to experience an increase in 2014 of 20 tb/d to average 0.66 mb/d, constituting a downward revision of 31 tb/d from the last *MOMR*. Due to weak production in the fourth quarter of 2013, there was a downward revision of 13 tb/d to the average supply of Malaysia, but this decline will be compensated by expected growth from new projects in 2014.

Vietnam and Brunei's oil supply is forecast to be steady in 2014, averaging 0.39 mb/d and 0.13 mb/d, respectively. **India, Thailand** and **Other Asia**'s oil supply is forecast to decline by 10 tb/d for each in 2014.

Latin America

Latin America's oil supply is estimated to grow by 80 tb/d to average 4.75 mb/d in 2013 and is forecast to grow by 0.15 mb/d to average 4.91 mb/d in 2014. Representing the third-highest growth level among all the non-OPEC regions, Latin America's total oil supply in 2013 saw a minor upward revision of 11 tb/d compared with the last monthly report, mainly from Brazil and Argentina on the back of updated production data in the fourth quarter. Expected growth is supported by Brazil and Colombia, while output from Argentina is likely to experience a decline of 20 tb/d in 2014 to average 0.65 mb/d. Colombia's supply is forecast to grow by 30 tb/d in 2014 to average 1.05 mb/d. Oil supply growth for 2013 is estimated to be 70 tb/d, averaging 1.02 mb/d. On a quarterly basis, Latin America's supply in 2014 is expected to stand at 4.81 mb/d, 4.85 mb/d, 4.92 mb/d and 5.04 mb/d, respectively.

Brazil's supply is estimated to average 2.62 mb/d in 2013, indicating an increase of 20 tb/d over the previous year, with an upward revision of 8 tb/d from the previous *MOMR*, mainly on the back of updated production data from the fourth quarter of 2013. Oil output exclusively from Petrobras's fields in Brazil averaged 1.967 mb/d, remaining within the range of October's output of 1.96 mb/d. The new monthly and daily pre-salt output records of 339,100 b/d and 362,300 b/d, respectively, contributed to stable oil output in November, as did the 11 November startup of platform P-63 in the Campos Basin Papa-Terra field. It is also important to highlight the startup of new wells in Marlim Leste, also in the Campos Basin, as part of the complementary development of these fields. Platform P-55 in Roncador field, in the same basin, has a daily processing capacity up to 180,000 b of oil, and is in final preparations for production startup. Brazil's output is expected to increase by 0.15 mb/d to average 2.77 mb/d in 2014.

Middle East

Middle East oil supply is estimated to decrease by 0.11 mb/d in 2013 from the previous year to average 1.39 mb/d, unchanged from the previous *MOMR*. **Oman's** supply is estimated to increase by 20 tb/d in 2013 to average 0.94 mb/d. Growth is supported by the ramp-up of several projects under development. Oman's output is also expected to increase by 30 tb/d to average 0.97 mb/d in 2014. **Syria's** output is expected to drop by 0.12 mb/d in 2013 to average 90 tb/d. This downward movement is due to the country's current political situation, which is associated with a high level of risk. Thus, Syrian oil production is expected to drop by 50 tb/d in 2014. **Yemen's** production is expected to average 0.14 mb/d in 2013, a decrease of 40 tb/d from a year earlier, but its output is expected to increase by 20 tb/d in 2014; however, continued attacks on infrastructure place the supply forecast at a high risk.

The Middle East supply forecast is associated with a very high level of risk — mainly due to political factors — which could dramatically change the outlook in either direction. Middle East oil output is forecast to remain unchanged in 2014 compared with the previous year, and no changes are seen from the last MOMR. On a quarterly basis, Middle East supply in 2014 is seen to average 1.38 mb/d, 1.39 mb/d, 1.39 mb/d and 1.40 mb/d, respectively.

Africa

Africa's oil supply is projected to average 2.42 mb/d in 2013, an increase of 0.11 mb/d from the previous year, with an upward revision of 32 tb/d in the fourth quarter from the previous *MOMR*. It is estimated that oil production in the Sudans and South Africa will increase and the oil output of other African countries will remain steady or see a minor declined in 2013. Oil supply in 2014 is expected to average 2.51 mb/d, an increase of 90 tb/d from the previous year, unchanged from the previous *MOMR*.

The expected growth from **South Sudan** and **Sudan** is associated with a high level of risk, as South Sudan had earlier raised its overall oil output to 245 tb/d, close to its end-2013 target of 250 tb/d, but volumes dropped to 150 tb/d in December as a result of recent violence causing the shutdown of several blocks.

Ghana joined the roster of African oil producing countries when it began production from the Jubilee field in December of 2010. The country's supply is expected to increase in 2014 on the back of full production. The field is on track to reach its target production rate of 120 tb/d by the end of 2013, but according to the operational update, output was averaging 110 tb/d and remained on track to reach a plateau rate in 2014.

Chad's oil production in 2013 was more or less steady compared with 2012, as "technical issues" disrupted drilling operations causing a minor decline. Crude output is expected to continue declining — despite the probable production startup of a new oil field located near Lake Chad next year — due to financial uncertainty. The oil supply from Congo, Egypt, Gabon and South Africa is expected to experience a minor decrease in 2014 due to natural declines and limited new developments.

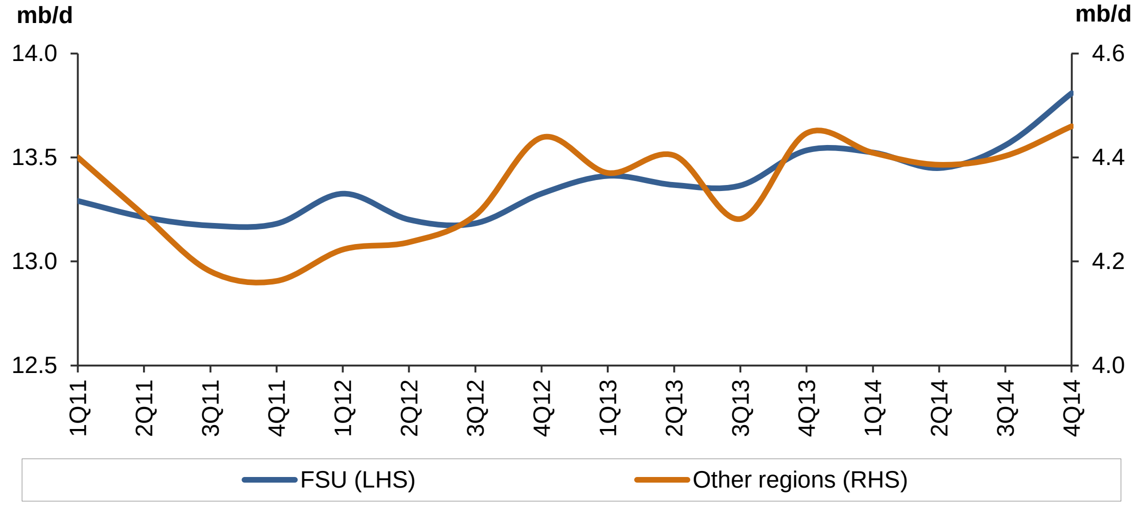
On a quarterly basis, Africa's oil supply in 2014 is expected to average 2.51 mb/d, the same in each quarter.

FSU, other regions

Total FSU oil supply is estimated to increase by 0.16 mb/d in 2013 to average 13.42 mb/d, a downward revision of 30 tb/d from the previous month. This revision was due mainly to updated production figures from the first to third quarters of 2013. However, Russia, Kazakhstan and Azerbaijan encountered upward revisions in the fourth quarter of 2013 that partly carried over to 2014. A downward revision of 40 tb/d in FSU and Other Regions output was due mainly to declines from mature producing areas, limited new developments and updated production figures. All major producers in the FSU are expected to show supply growth in 2013, except for Azerbaijan. On a quarterly basis, total supply from the FSU in 2013 is seen to average 13.41 mb/d, 13.37 mb/d, 13.37 mb/d and 13.53 mb/d, respectively.

FSU's major oil producers — with the exception of Azerbaijan — are expected to increase oil supplies in 2014. FSU's oil output is forecast to grow by 0.17 mb/d to average 13.59 mb/d; some of the expected growth comes from the assumption that output will return to normal levels from the maintenance- and shutdown-inflicted output in 2013 in the Caspian. On a quarterly basis, FSU total oil output in 2014 is anticipated to average 13.52 mb/d, 13.45 mb/d, 13.56 mb/d and 13.81 mb/d, respectively.

Graph 5.4: FSU and other region's quarterly production



Russia

Russia's oil supply is estimated to increase by 0.13 mb/d in 2013 to average 10.50 mb/d, representing a minor upward revision of 10 tb/d from the previous *MOMR*. The forecast increase is supported by new volumes from new field developments. The rise has served to combat predictions that new fields in East Siberia and the Arctic will be unable to compensate for declines from mature oil fields in West Siberia. Keeping oil output high has been a priority for the government, while Russian companies have been increasing their oil production to benefit from global crude prices. The Vankor project, which was mainly responsible for the growth achieved in previous years, didn't reach its peak of 0.5 mb/d in 2013, but is expected to reach an average of 0.46 mb/d in 2016. Eastern Siberian fields have been a key source of incremental growth in output. Development of natural declines at mature fields played an important role in the outcome of the 2013 Russian oil supply, as new expected volumes are seen to offset anticipated declines in mature fields. According to preliminary data, Russia's supply averaged 10.59 mb/d in the fourth quarter of 2013, an increase of 0.12 mb/d from the same period in 2012. On a quarterly basis, Russia's 2013 supply is estimated to average 10.45 mb/d, 10.47 mb/d, 10.49 mb/d and 10.59, mb/d, respectively. Russia's supply forecast in 2014 has uncertainty, mainly based on decline, price, taxation and delay issues. The country's total output will average 10.57 mb/d, 0.17 mb/d up from 2013. Quarterly predictions for 2014 will be: 10.56 mb/d, 10.49 mb/d, 10.55 mb/d and 10.69 mb/d, respectively.

Caspian

Kazakhstan's oil supply increased by 60 tb/d over the previous year to average 1.64 mb/d in 2013, unchanged from the previous *MOMR*, despite an upward revision of 10 tb/d in the fourth quarter. Last year was meant to be the year of Kashagan, when the supergiant field in the northern Caspian Sea off Kazakhstan finally came on stream after nearly a decade of disappointments. But the 13 billion barrel development has endured yet another false start, and ended the year being overshadowed by progress on Azerbaijan's massive Shah Deniz field on the other side of the Caspian Sea. Technical problems have delayed the start of commercial production at Kashagan until spring this year. Kazakhstan produced its highest historical level of oil output at 1.69 mb/d in the fourth quarter. Kazakhstan's Tengiz field expansion is expected to boost crude production to around 800,000 b/d by 2019 from just less than 550,000 b/d last year.

Beyond Kashagan and Tengiz, Kazakhstan is also trying to drum up interest in plans to exploit ultra-deep oil resources both on and offshore in the vast northern Caspian region, which would involve drilling the world's deepest-ever well. In 2013, on a quarterly basis, Kazakhstan's supply came to an average of 1.68 mb/d, 1.60 mb/d, 1.61 mb/d, and 1.69 mb/d, respectively. The Kazakh oil supply will register a 90 tb/d production growth, to average 1.73 mb/d this year. On a quarterly basis in 2014, it will average 1.69 mb/d, 1.68 mb/d, and 1.73 mb/d and 1.81 mb/d, respectively.

Azerbaijan's oil supply is estimated to decrease by 30 tb/d over the previous year to average 0.87 mb/d in 2013, unchanged from the previous *MOMR*. Falling oil production at the Azeri-Chirag-Guneshli (ACG) oilfields, which account for most of Azerbaijan's output, has raised concern about oil output in the country. The ACG declined slightly to 0.66 mb/d from 0.68 mb/d in the same period last year. The oil supply of all quarters, except the 3rd quarter, saw upward revisions due to updated production data. Fourth quarter supply increased by 20 tb/d compared with the same quarter a year earlier. Azerbaijan's 2014 oil supply is seen to stand at 0.86 mb/d, with a decline of 10 tb/d. On a quarterly basis, it is forecast to average 0.85 mb/d, 0.84 mb/d, 0.85 and 0.88 mb/d, respectively.

Other Europe's oil supply is estimated to remain flat from 2012 to average 0.14 mb/d and continue at this level in 2014.

China

China's supply is estimated to grow by 80 tb/d over the previous year to average 4.24 mb/d in 2013, unchanged from the previous month. A revision in the fourth quarter was introduced to adjust for updated production. Fourth quarter output, which was at its highest level in 2013 at 4.32 mb/d, increased by 10 tb/d compared with same quarter in 2012. On a quarterly basis, China's supply in 2013 is seen to average 4.23 mb/d, 4.26 mb/d, 4.14 mb/d and 4.31 mb/d, respectively. As was mentioned in the November report, the startup of Wenchang 19-1, Weizhou 12-8, and the second phase of Suizhong 36-1, as well as new volumes from Tarim and Liuhua supported output in the fourth quarter. Growth for 2014 is expected to reach 40 tb/d to average 4.27 mb/d. On a quarterly basis, China's supply in 2014 is forecast to average 4.27 mb/d, 4.25 mb/d, 4.26 mb/d and 4.32 mb/d, respectively.

OPEC natural gas liquids and non-conventional oils

OPEC natural gas liquids (NGLs) and non-conventional oils were estimated to average 5.80 mb/d in 2013, representing growth of 0.24 mb/d over the previous year. In 2014, OPEC NGLs and non-conventional oil are projected to average 5.95 mb/d, an increase of 0.15 mb/d over the previous year. There are no changes in the 2013 estimation and 2014 predictions for OPEC NGLs and non-conventional production compared with the last *MOMR*.

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

			Change						*Change*		*Change*
	2011	**2012**	12/11	1Q13	2Q13	3Q13	4Q13	**2013**	13/12	**2014**	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

According to secondary sources, total OPEC crude oil production averaged 29.44 mb/d in December, a decline of 20 tb/d over the previous month. Crude oil output increased from Algeria, Iran, Nigeria, the UAE, Angola and Ecuador, while production fell in other Member Countries.

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

	2012	2013	2Q13	3Q13	4Q13	Oct 13	Nov 13	Dec 13	Dec/Nov
Algeria	1,210	1,160	1,166	1,154	1,150	1,160	1,131	1,158	*26.8*
Angola	1,738	1,736	1,752	1,720	1,718	1,719	1,716	1,721	*4.7*
Ecuador	499	514	511	520	525	523	523	528	*4.8*
Iran, I.R.	2,973	2,693	2,678	2,678	2,706	2,679	2,710	2,730	*20.0*
Iraq	2,979	3,031	3,101	2,998	2,995	2,964	3,038	2,983	*-55.0*
Kuwait	2,793	2,818	2,837	2,837	2,810	2,813	2,806	2,811	*4.8*
Libya	1,393	931	1,342	653	345	512	261	261	*0.3*
Nigeria	2,073	1,906	1,889	1,906	1,849	1,893	1,818	1,837	*19.3*
Qatar	753	732	729	731	731	731	731	732	*1.3*
Saudi Arabia	9,737	9,572	9,482	10,024	9,664	9,714	9,655	9,624	*-31.4*
UAE	2,624	2,733	2,728	2,772	2,743	2,776	2,719	2,733	*14.3*
Venezuela	2,359	2,353	2,355	2,361	2,349	2,365	2,357	2,327	*-30.4*
Total OPEC	**31,132**	**30,179**	**30,569**	**30,353**	**29,586**	**29,848**	**29,463**	**29,443**	***-20.6***
OPEC excl. Iraq	**28,152**	**27,148**	**27,469**	**27,356**	**26,592**	**26,884**	**26,425**	**26,460**	***34.4***

Totals may not add up due to independent rounding.

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

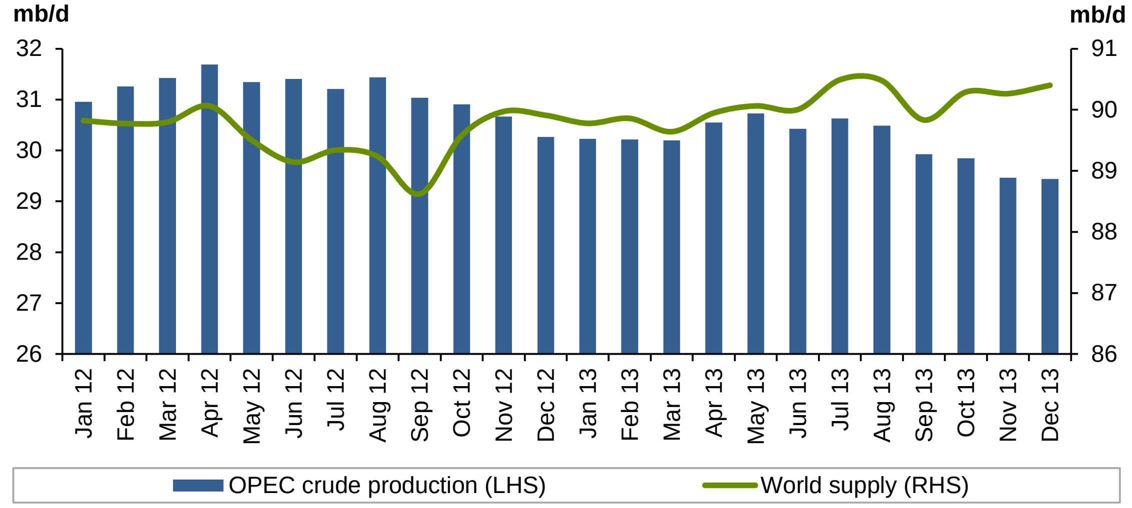
	2012	2013	2Q13	3Q13	4Q13	Oct 13	Nov 13	Dec 13	Dec/Nov
Algeria	1,203	1,203	1,202	1,202	1,208	1,203	1,213	1,207	*-6.0*
Angola	1,704	1,697	1,730	1,701	1,625	1,679	1,568	1,626	*58.0*
Ecuador	504	526	520	534	544	540	545	548	*3.2*
Iran, I.R.	3,740	3,576	3,711	3,653	3,239	3,200	3,300	3,220	*-80.0*
Iraq	2,944	2,980	3,042	3,006	2,915	2,964	2,773	3,002	*229.0*
Kuwait	2,977	2,922	2,970	2,992	2,912	2,873	2,922	2,940	*18.1*
Libya	1,450	993	1,415	752	332	539	226	228	*1.9*
Nigeria	1,954	1,769	1,649	1,824	1,784	1,758	1,655	1,937	*281.7*
Qatar	734	724	724	719	725	723	719	733	*14.5*
Saudi Arabia	9,763	9,637	9,538	10,115	9,773	9,753	9,746	9,819	*73.3*
UAE	2,652	2,797	2,792	2,859	2,714	2,827	2,572	2,739	*167.3*
Venezuela	2,804	2,784	2,762	2,773	2,858	2,826	2,854	2,894	*40.4*
Total OPEC	**32,429**	**31,609**	**32,055**	**32,131**	**30,629**	**30,884**	**30,092**	**30,893**	**801**
OPEC excl. Iraq	**29,485**	**28,629**	**29,013**	**29,125**	**27,715**	**27,920**	**27,319**	**27,891**	**572**

Totals may not add up due to independent rounding.

World oil supply

Preliminary data indicates that global oil supply increased by 0.14 mb/d to average 90.40 mb/d in December 2013 compared with the previous month. The growth of non-OPEC supply in December increased global oil output, which was partially offset by a decrease in OPEC production. The share of OPEC crude oil in total global production declined slightly to 32.6% in December compared with the previous month. Estimates are based on preliminary data for non-OPEC supply, while estimates for OPEC NGLs and OPEC crude production come from secondary sources.

Graph 5.5: OPEC and world oil supply

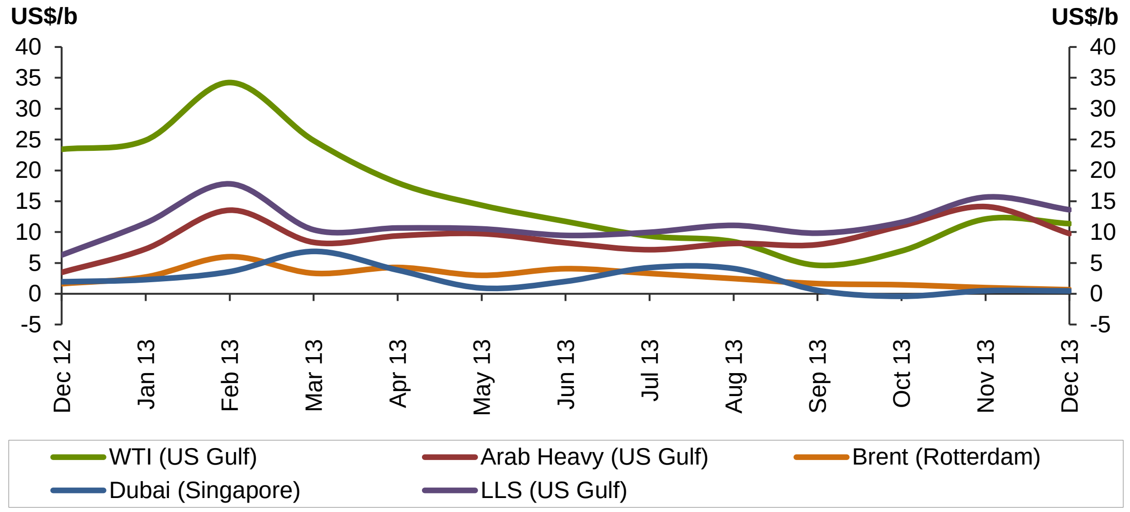


Product Markets and Refinery Operations

Product markets saw a mixed performance in December, with the top of the barrel slightly strengthening, as naphtha continues strong on the back of higher petrochemical demand; however, this improvement was outweighed by the losses caused by oversupply at the bottom of the barrel, which, along with the increase in crude prices, caused the margins to drop in the Atlantic Basin.

The lower margins made refineries in Europe continue at moderated levels while in the US, refineries continued on the rise, taking advantage of relatively cheaper crude and increasing export opportunities to Latin America. In Asia, refinery margins showed some recovery on the back of stronger seasonal demand amid a temporarily tightening environment due to some refinery outages.

Graph 6.1: Refinery margins, 2012-13



US product markets strengthened slightly during December, with gasoline and gasoil being supported by the continued recovery in domestic demand amid increasing export opportunities to Latin America and Europe.

Despite the improvement in the top and middle of the barrel, US refining margins lost some ground in December due to the losses seen at the bottom of the barrel as the higher-sulphur fuel supply was plentiful towards the end of the year with refiners selling off inventories for tax purposes amid lower demand for bunker fuel.

The refinery margin for WTI crude on the US Gulf Coast (USGC) lost 70¢ to average $11.4/b in December, while the margin for Light Louisiana Sweet (LLS) crude on the USGC fell almost $2 to average $13.6/b.

Product markets in Europe remained relatively balanced on the back of run cuts in the region, with the French refineries' strike helping to balance the market. Meanwhile, on the demand side, the picture remained bearish, and the export of gasoline to the US East Coast (USEC) was limited due to rising inventories in that area, causing the margins in Europe to continue losing ground.

The refinery margin for Brent crude in Northwest Europe suffered a slight decline of 30¢, to average 70¢/b in December.

Asian refining margins recovered, with Asian products showing a mixed performance during December. Light and middle distillate crack spreads continued recovering on the back of some refinery disruptions, generating a temporarily tight environment amid the continued strengthening of naphtha. This is in line with the strong petrochemical demand seen throughout the region, while increasing supplies weighed on the fuel oil market.

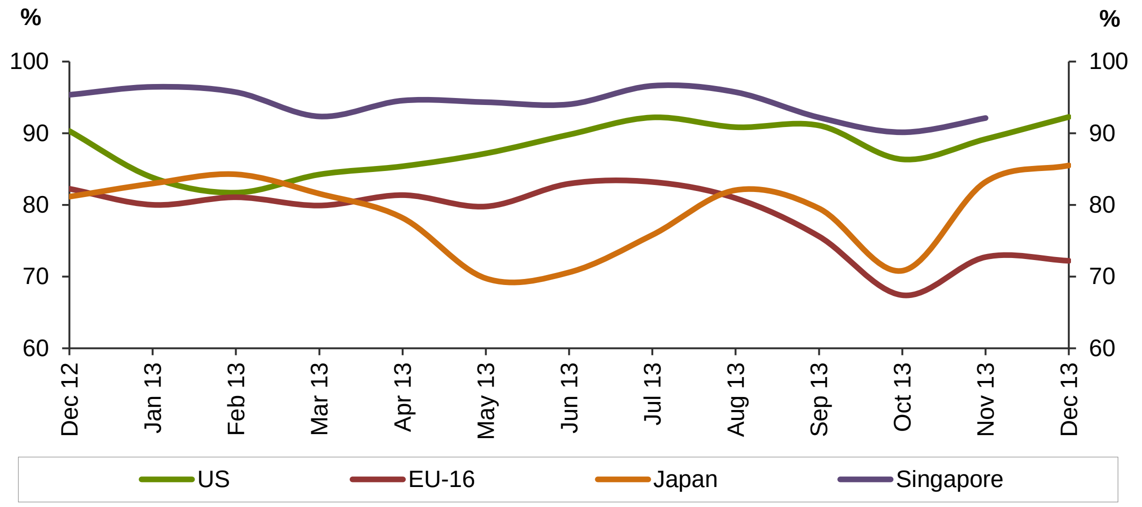
Refinery margins in Singapore gained 90¢ in December to average $1.4/b.

Refinery operations

Refiners in the **US** continued to ramp-up run rates during December following the end of the autumn refinery maintenance season and to take advantage of the relatively lower crude prices and higher export opportunities with seasonally increasing demand from Latin America.

Refinery utilisation rates were on the rise to average 92.3% during December, increasing 3 percentage points (pp) versus the previous month, with several refineries returning from maintenance and despite operational limitations in some ports due to bad weather conditions.

Graph 6.2: Refinery utilisation rates, 2012-13



In **Europe**, the refinery utilisation rate averaged around 72% in November and December, 6 pp higher than in October, with the peak autumn maintenance season winding down.

Even though peak refinery maintenance in Northwest Europe ended last month, weak margins in concert with seasonally low demand resulted in European refiners continuing at moderated crude intake levels.

In addition, the end of the peak autumn maintenance season offset any potential impact of the strikes at several of Total´s refineries in France on the refinery runs in Europe.

In **Asia**, the refinery maintenance season moderated refinery runs amid several outages, affecting some countries and thus contributing to a tightening in the market. Refinery runs in Singapore during November averaged around 92%, more than 2 pp higher than the previous month, while Japanese throughputs averaged 86% of capacity in December, rising 2 pp after refinery maintenance was finished.

US market

US gasoline demand stood at around 8.9 mb/d in December, around 80 tb/d lower than the previous month, and up by more than 450 tb/d from the same month a year earlier.

The US gasoline crack increased during December on the back of strong demand - above last year's level - amid export opportunities. This offset the increase seen in inventories.

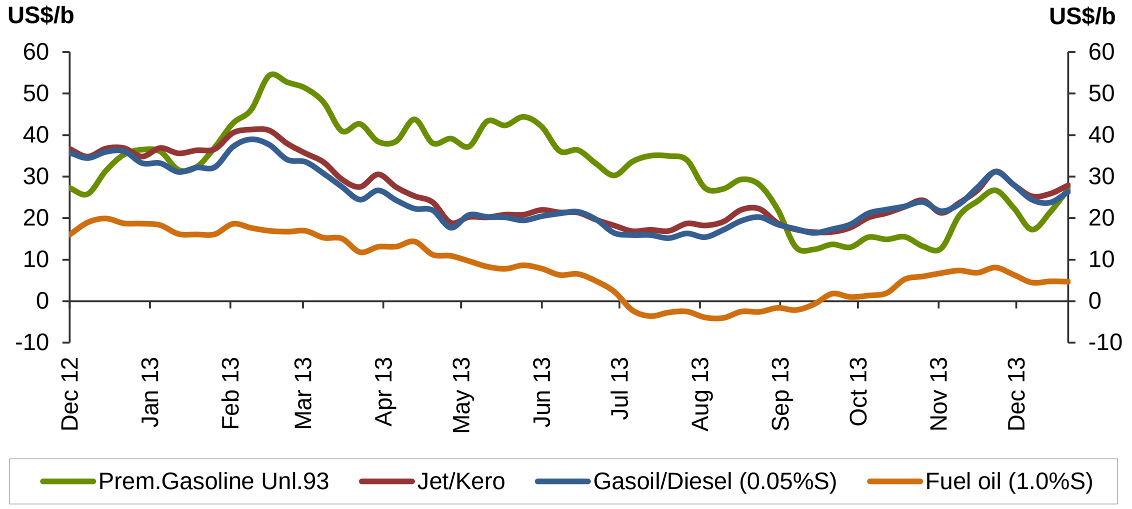
On the East Coast, stocks grew substantially due to the arrival of European cargoes that moved when the arbitrage window opened in mid-November, thus weighing on the New York market, however imports have been decreasing during the last weeks.

On the other hand, gasoline exports continued to rise from the USGC, thus supporting the market and allowing the crack spread to strengthen.

Latin America's demand also boosted US West Coast (USWC) exports, with more than 1 mb of gasoline leaving San Francisco for South America.

Healthy domestic demand and elevated exports allowed the gasoline crack to gain more than $2 to average $22/b in December.

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



Middle distillate demand stood at around 3.7 mb/d in December, some 200 tb/d lower than the previous month and 190 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 increasing export volumes.

Middle distillates saw strengthening cracks as domestic demand remained strong with the latest ATA Trucking Index showing an uptick of 2.7% m-o-m in November. An upward trend was expected to continue, predominantly driven by construction, a shale oil-related economic boost and auto manufacturing.

Additionally, middle distillates were supported by US refiners having significantly boosted product exports, especially diesel, in recent weeks as players looked to benefit from the current feedstock price advantage as well as increasing seasonal demand from Latin America.

This, along with higher exports to Europe, allowed the USGC gasoil crack to strengthen, gaining 60¢ to stand at around $25.6/b in December.

At the **bottom of the barrel**, the fuel oil crack lost the ground gained last month, with high-sulphur fuel supply being plentiful towards the end of the year as refiners sold off inventories for tax purposes amid spot trading in the USGC fuel oil market slowing in line with lower demand for bunker fuel.

The fuel oil crack showed a loss of $2 to average $5/b during December.

European market

Product markets in Europe remained relatively balanced on the back of run cuts in the region with the French refinery strike helping to balance the market. Meanwhile, on the demand side, the picture remained bearish, causing margins to continue losing ground.

In **light distillates**, the gasoline crack continued under pressure from seasonally lower domestic demand and oversupply, while naphtha continued to recover.

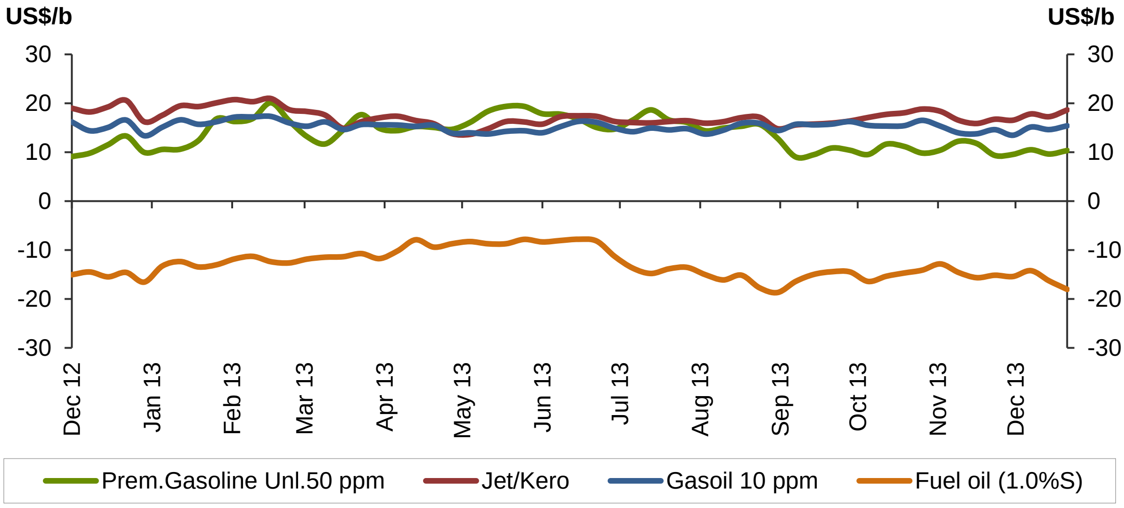
Lower demand and thin export bookings weighed on gasoline crack spreads.

Gasoline cracks remained pressured with fundamentals steady as a workable arbitrage to West Africa was counterbalanced by scarce export opportunities to the USEC, where refineries were on the rise on the back of ongoing feedstock advantages causing inventories to increase.

Some support came from the supply side with the shutdowns at several of Total´s refineries in France because of strikes and technical problems; however, they were not enough to reduce the supply overhang, and the gasoline crack spread against Brent crude fell 70¢ versus the previous month to stand at an average of $10/b in December.

European naphtha demand for the petrochemical sector continued to recover as producers switched feedstock from more expensive propane amid the restart of crackers in Germany and Scotland also lending support to domestic demand, which allowed the naphtha crack to show the best performance among all products.

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



The **middle of the barrel** continued balanced, and cracks were relatively healthy as the market remained supported by the supply side in Europe. However, the rise in the crack was offset by slow demand amid expectations of higher inflows.

At the middle of the barrel, activity in the gasoil market remained firm. While there were some pockets of heating oil demand, these were largely met by ample stocks built up in autumn.

European diesel found some support from refinery cuts and restart delays after planned maintenance. The supply side support was boosted by strikes at several Total refineries in France, which supported diesel premiums.

However, lower domestic supply was offset by increasing imports from the US, where refineries were on the rise, increasing availability for exports. Meanwhile, higher Russian exports also likely weighed with ULSD exports from Primorsk rebounding after falling in October, mostly in line with turnarounds.

The gasoil crack spread against Brent crude at Rotterdam in December remained around the previous month’s level average of $14.8/b.

At the bottom of the barrel, fuel oil cracks fell last month due to lower export opportunities amid increasing inflows to the region, while demand was also poor.

High-sulphur fuel showed a relatively steady development, although pressure stemmed from scarcer export opportunities to Asia, while higher Russian inflows also pressured the market as refineries there resumed production.

The Northwest European fuel oil crack spread against Brent exhibited a loss of $1.5 in December to stand at minus $16/b.

Asian market

The Asian market showed a mixed performance during December as the light and middle distillate crack spreads continued recovering on the back of a temporarily tightening environment while increasing supplies weighed on the fuel oil market.

At the **top of the barrel**, the Singapore gasoline crack recovered some ground on the back of a temporarily tightening environment amid stronger regional demand.

The Singapore gasoline crack trended up, supported by a supply disruption at Formosa´s Taiwanese refinery, which has been forced to shut its gasoline production unit for one month, thus deferring some volumes of gasoline exports.

Additionally, reduced volumes arrived in Singapore from South Korea, China and India, thus keeping the Singapore light distillate inventories falling and further supporting the cracks.

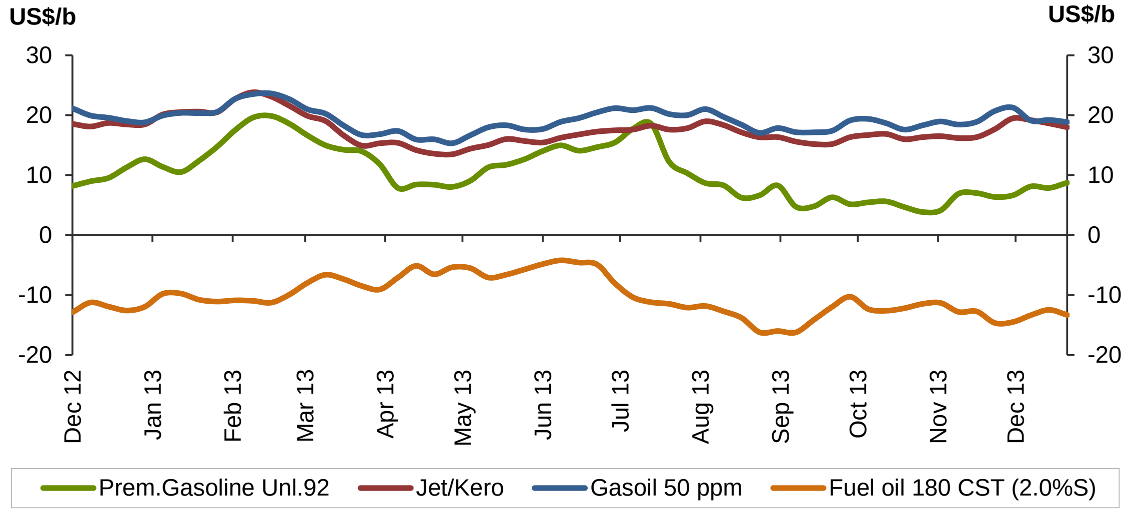
Additional support came from demand developments in Indonesia, China, Pakistan and Vietnam.

The gasoline crack spread against Dubai crude in Singapore gained more than $2 to average $7.8/b in December.

Asian naphtha continued strengthening in line with seasonal demand throughout the region, thus allowing the Singapore naphtha crack to continue its upward trend as the strong petrochemical demand from China, Japan and Taiwan continued to support the naphtha market.

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

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



At the **middle of the barrel**, the gasoil crack continued healthy on the back of a tight environment amid stronger regional demand.

The gasoil crack continued to be supported by supply developments, with the tightening of volumes supporting the prompt gasoil market, as a relative lull in gasoil inflows into Singapore have kept stocks in check at the main Asian trading hub due to volumes being diverted from India and the Middle East to Europe and East Africa at the expense of the regional trading hub.

In addition, lower exports were reported from South Korea where refinery runs have been reduced, thus lifting gasoil´s premium to Dubai crude.

On the demand side, support continued to stem from East Africa, China, Sri Lanka and Vietnam.

The gasoil crack spread in Singapore against Dubai showed a gain of 60¢ to average around $19.6/b in December.

Looking ahead, the gasoil market sentiment could be relatively subdued given the announced hefty term availabilities from the Yambu refinery.

The fuel oil crack continued to be weaker due to increasing supplies, with sellers trying to clear products held in storage before the end of the year and weakening bunker and refinery demand in the region.

The fuel oil crack spread in Singapore against Dubai lost 80¢ to average minus $13.4/b in December.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	Oct 13	**Nov 13**	**Dec 13**	***Change* Dec/Nov**	**Oct 13**	**Nov 13**	**Dec 13**	***Change* Dec/Nov**
US	14.91	15.52	16.10	0.58	86.35	89.18	92.27	3.09
France	0.92	1.13	0.95	-0.18	52.53	64.78	54.59	-10.19
Germany	1.92	1.90	1.85	-0.05	85.39	84.46	82.28	-2.18
Italy	1.25	1.29	1.24	-0.05	56.85	58.76	56.30	-2.46
UK	0.94	1.00	1.18	0.18	53.30	56.47	66.60	10.13
Euro-16	8.93	9.63	9.56	-0.07	67.39	72.71	72.19	-0.52
Japan	3.06	3.50	3.72	0.22	70.80	83.20	85.50	2.30

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

Table 6.2: Refined product prices, US$/b

		Oct 13	Nov 13	Dec 13	*Change* Dec/Nov
US Gulf (Cargoes FOB):					
Naphtha		106.79	105.50	115.27	9.77
Premium gasoline	*(unleaded 93)*	114.71	114.06	119.83	5.77
Regular gasoline	*(unleaded 87)*	106.28	104.36	107.61	3.25
Jet/Kerosene		121.81	118.85	124.45	5.60
Gasoil	*(0.2% S)*	122.20	119.07	123.21	4.14
Fuel oil	*(1.0% S)*	98.74	97.82	99.54	1.72
Fuel oil	*(3.0% S)*	92.11	89.62	91.83	2.21
Rotterdam (Barges FoB):					
Naphtha		99.76	102.81	105.86	3.05
Premium gasoline	*(unleaded 98)*	119.49	118.89	120.87	1.98
Jet/Kerosene		126.65	124.93	128.43	3.50
Gasoil/Diesel	*(10 ppm)*	124.77	122.47	125.54	3.07
Fuel oil	*(1.0% S)*	93.89	93.49	94.96	1.47
Fuel oil	*(3.5% S)*	92.58	90.63	91.72	1.09
Mediterranean (Cargoes CIF):					
Naphtha		100.24	103.23	105.94	2.71
Premium gasoline		114.49	112.43	115.53	3.10
Jet/Kerosene*		123.98	122.15	124.56	2.42
Gasoil/Diesel		125.15	123.29	126.27	2.98
Fuel oil	*(1.0% S)*	96.47	96.11	98.91	2.79
Fuel oil	*(3.5% S)*	90.57	88.68	89.73	1.05
Singapore (Cargoes FOB):					
Naphtha		100.20	103.69	107.53	3.84
Premium gasoline	*(unleaded 95)*	114.36	114.89	118.66	3.77
Regular gasoline	*(unleaded 92)*	111.60	111.94	115.81	3.87
Jet/Kerosene		123.08	122.63	126.68	4.05
Gasoil/Diesel	*(50 ppm)*	125.24	125.18	127.47	2.29
Fuel oil	*(180 cst 2.0% S)*	96.88	96.32	97.02	0.70
Fuel oil	*(380 cst 3.5% S)*	95.69	93.88	94.92	1.04

**Free on Board (FOB).*
Source: Platts and Argus Media.

Tanker Market

After several months of bearish momentum, spot freight rates recovered in December across all tanker sectors. December was the only month exhibiting positive performance on all reported routes and in various tanker segments. Dirty tanker spot freight rates registered high gains, particularly for Suezmax and Aframax tankers, while VLCC gains remained limited. On average, VLCC spot freight rates increased by 4.5%, while spot freight rates for both Suezmax and Aframax were up by a remarkable 73% and 45%, respectively, compared with the previous month. The clean market showed higher monthly freight rates on all reported routes, but remained below those registered a year ago.

Spot fixtures

In December, OPEC spot fixtures increased by 9% from the previous month to average13.16 mb/d, according to preliminary data. The increase came on the back of higher spot fixtures from the Middle East-to-East and Middle East-to-West destinations, which increased by 0.5 and 0.47 mb/d respectively in December to average 6.42 mb/d and 2.79 mb/d. Winter season demand supported the fixture increase in December. Spot fixtures from outside the Middle East registered a smaller gain of 0.18 mb/d or 4% in December compared with last month.

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

	Oct 13	Nov 13	Dec 13	*Change* Dec/Nov
Spot Chartering				
All areas	18.72	17.56	19.47	1.90
OPEC	13.19	12.10	13.16	1.06
Middle East/East	6.37	5.92	6.42	0.50
Middle East/West	2.86	2.32	2.79	0.47
Outside Middle East	3.96	3.86	4.04	0.18
Sailings				
OPEC	23.88	23.51	24.08	0.57
Middle East	17.58	17.20	17.63	0.43
Arrivals				
North America	9.10	9.93	8.92	-1.01
Europe	12.06	12.03	12.05	0.02
Far East	8.17	8.41	8.45	0.04
West Asia	4.67	4.31	4.50	0.19

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

Sailings and arrivals

OPEC sailings increased by 0.57 mb/d or 2% in December to stand at 24.08 mb/d, supported by an increase in Middle East sailings. In December, Middle East sailings gained 0.43 mb/d or 4% from the previous month to stand at 17.63 mb/d. Crude oil arrivals increased in December in Europe, the Far East and West Asia by 0.2%, 0.5% and 4.5%, respectively, compared with the previous month, while North America arrivals declined by 10.2%.

Spot freight rates

VLCC

For the very large crude carrier (VLCC) sector, spot freight rates for tankers operating on the Middle East-to-East and West Africa-to-East routes registered the largest increase among all reported routes. Middle East-to-East VLCC spot freight rates increased by 3WS or 5% in December, while the West Africa-to-East route showed similar gains, compared with the previous month. The increase in both routes was supported mainly by requirements from Asia. VLCC spot freights on the long-haul route from the Middle East-to-West also increased in December to average 39WS, up by 3% from the previous month. As was the case one month earlier, increased freight rates were mainly driven by seasonal demand. In December, the VLCC class registered its lowest gains in comparison with other dirty tanker segments. The tonnage list was often balanced and vessel availability was sufficient, despite some occasional delays in the East.

Graph 7.1: Monthly averages of crude oil spot freight rates

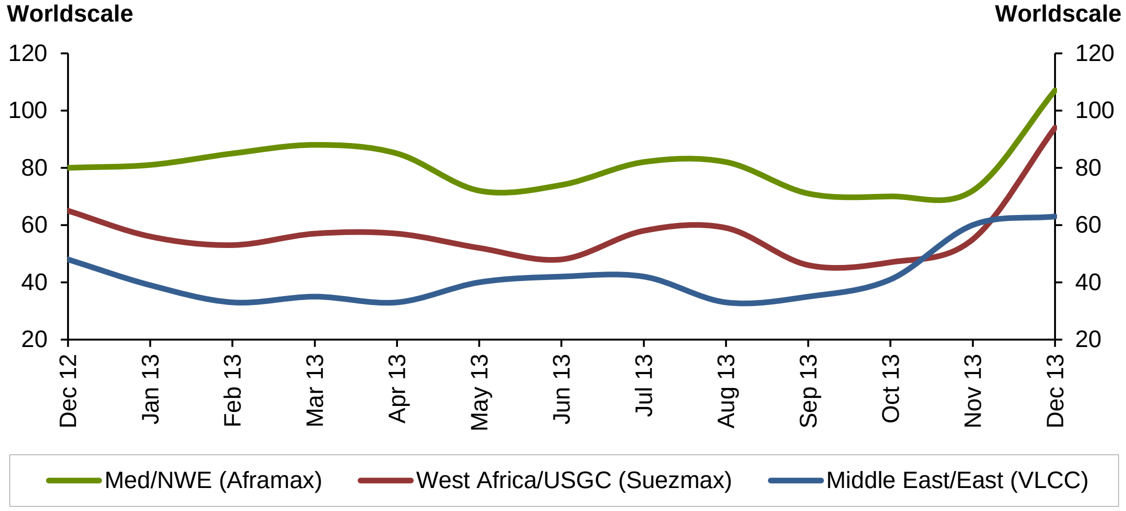


Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	Oct 13	Nov 13	Dec 13	*Change* Dec/Nov
Crude					
Middle East/East	230-280	41	60	63	3
Middle East/West	270-285	28	38	39	1
West Africa/East	260	42	58	61	3
West Africa/US Gulf Coast	130-135	47	55	94	39
NW Europe/USEC-USGC	130-135	43	51	89	38
Indonesia/US West Coast	80-85	79	82	109	27
Caribbean/US East Coast	80-85	93	102	146	44
Mediterranean/Mediterranean	80-85	70	72	107	35
Mediterranean/North-West Europe	80-85	63	64	102	38

Source: Galbraith's tanker market report and Platts.

Suezmax

In December, Suezmax spot freight rates registered a remarkable increase, on average edging up by 73% compared with one month earlier. Long-awaited gains have been detected on all reported routes. The West African Suezmax market remains active as seen last month, while tonnage availability thinned, particularly for certain dates. As a result, spot freight rates for tankers operating on the West Africa-to-US route increased by WS 39 points in December to average WS 94 points. On the Northwest Europe-to-US route, Suezmax spot freight rates increased by 74% compared with a month earlier, to average WS 89 points. Additionally, higher Suezmax spot freight rates have been reported in several regions, including the Caribbean, the Mediterranean and the Black Sea. This has been driven by tight availability, steady demand, and some prompt replacements, as well as delays at the Turkish straits, thus increasing the total transit period from the Black Sea to the Mediterranean, providing further support to freight rates.

Aframax

Aframax spot freight rates were no exception in December, experiencing large increases during the month, as seen in other dirty tankers. The Caribbean Aframax market was active as the pre-holiday rush materialized, and ship owners pushed for higher freight rates, in part because Suezmax freight rates increased. As a result, US–Caribbean spot freight rates gained 43% in December to average WS146+ points, also supported by delays and a thinning tonnage list.

The North Sea and the Baltic reflected higher freight rates mainly due to bad weather in the region, which caused loading delays and created the need for prompt replacements in an already tight market. Freight rates in the Mediterranean and the Black Sea also increased, following the rise seen in the North Sea. Tankers operating the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes saw a worthy increase in spot freight rates during December, with increases of 49% and 59%, respectively, compared with the previous month. Aframax freight rates in the East reported an increase as well, with spot freight rates for tankers operating on the Indonesia-to-East route showing an increase of 33% from the previous month to average WS 109 points.

Clean spot freight rates

Clean tanker spot freight rates shared the tanker market's upward momentum and gained some ground in December, supported by winter demand and bad weather conditions.

In the East, clean tanker spot freight rates from the Middle East-to-East experienced an increase of 11% compared with the previous month. Clean spot freight rates for tankers moving between the Middle East-to-East and the Singapore-to-East routes increased by 11% and 5%, respectively.

The transatlantic clean tanker market firmed as a result of tight availability of medium range vessels, bad weather and gasoline trade. Spot freight rates for tanker operation on the NWE-to-US East Coast and US Gulf Coast increased by a remarkable 62% to average WS 125 points in December.

In the Mediterranean, clean spot freight rates increased in December compared with the previous month, supported by bad weather conditions as well as delays in the Turkish Straits. Clean spot freight rates for tankers trading in the Mediterranean-to-Mediterranean route rose by 32% in December compared with the previous month, to average WS 167 points, while clean spot freight rates for tankers operating on the Mediterranean-to-Northwest Europe route gained 30% to stand at WS 177 points. It is worth highlighting that freight rates registered on all routes in both East and West of Suez showed an annual drop of between 11%–29%.

Graph 7.2: Monthly average of clean spot freight rates

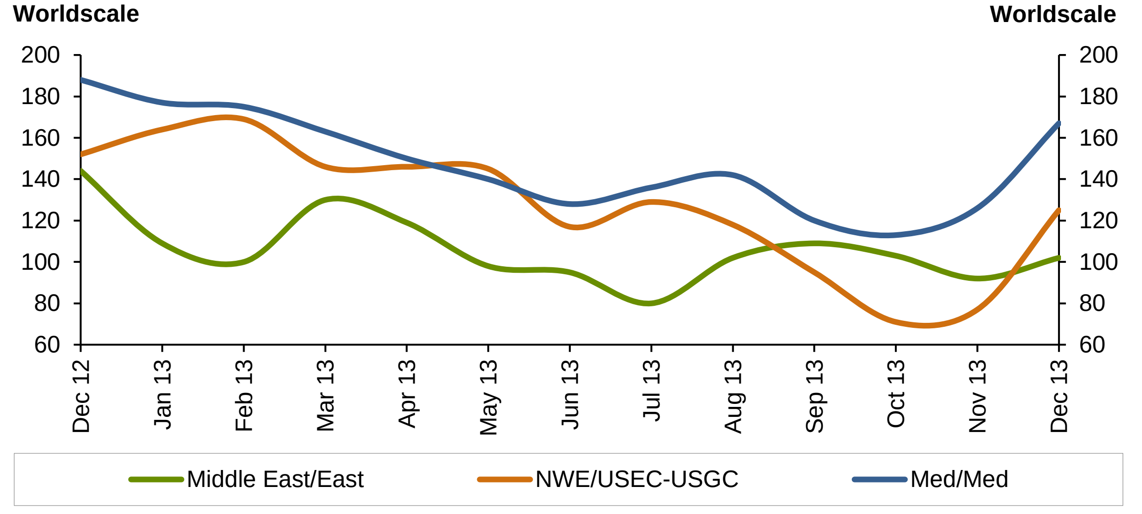


Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	**Oct 13**	**Nov 13**	**Dec 13**	***Change*** **Dec/Nov**
Products					
Middle East/East	30-35	103	92	102	10
Singapore/East	30-35	119	109	115	6
NW Europe/USEC-USGC	33-37	71	77	125	48
Mediterranean/Mediterranean	30-35	113	126	167	41
Mediterranean/North-West Europe	30-35	123	136	177	41

Source: Galbraith's tanker market report and Platts.

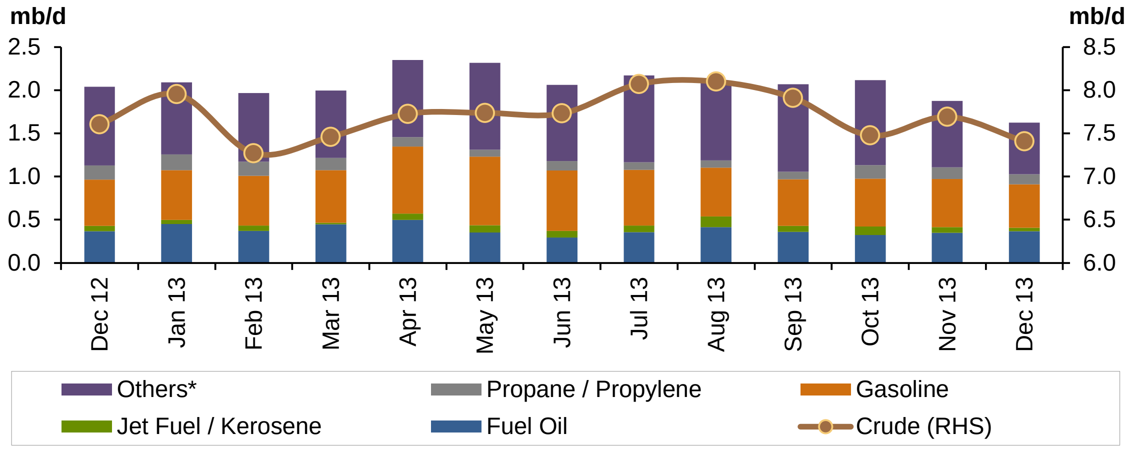
Oil trade

In December, US crude oil imports averaged 7.4 mb/d, a drop of 285 tb/d, from the previous month and a decline of 198 tb/d from the same month last year. For Japan, crude oil imports in November rose by 535 tb/d, to average 3.7 mb/d m-o-m, with refinery throughput up by 13%. Y-o-y, crude imports were up by 436 tb/d or 13%. Meanwhile, China's crude oil imports rose in November by 928 tb/d, to average 5.74 mb/d. Y-o-y, crude imports dropped marginally by 46 tb/d. India's crude oil imports dropped in November by 106 tb/d on a monthly, and on an annual basis, to the lowest levels seen since June 2013, to average 3.6 mb/d. Also in November, total crude oil exports from the FSU declined by a slight 18 tb/d to average 6.5 mb/d.

US

US crude oil imports averaged 7.4 mb/d in December, according to preliminary data. This represents a decline of 285 tb/d, or 4%, from November and a drop of 198 tb/d, or 3%, from the same month last year. Year-to-date, US crude oil imports averaged 8.5 mb/d, reflecting a decline of 817 tb/d, or 10%, from the same period last year. US product imports declined by 251 tb/d, or 13%, since last month and decreased by 417 tb/d, or 20%, compared to a year ago. In contrast, US product exports increased by 136 tb/d, or 4%, m-o-m, yet registered a decline of 80 tb/d, or 2%, y-o-y. Consequently, **US net imports decreased in December to average 5.4 mb/d, reflecting a monthly and annual drop of 11% and 9%, respectively**.

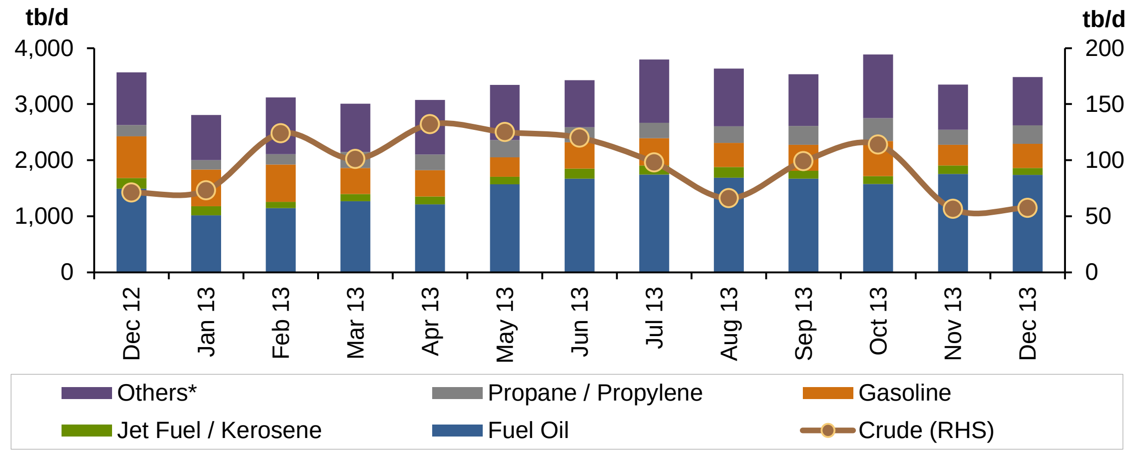
Graph 8.1: US imports of crude and petroleum products



**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.*

As per the latest government release, in October crude oil imports declined to average 7.5 mb/d. Canada continued to be the top supplier of crude to the US in October, averaging 2.6 mb/d, which is 91 tb/d, or 4%, higher than the previous month. Canada accounted for 35% of US total crude imports in October. Imports from Saudi Arabia, the second largest supplier to the US, were lower than last month's level, accounting for 18% of total US crude imports with monthly imports in October 12% lower m-o-m. In the third position was Mexico with an 11% share as it increased its monthly exports to the US by 6%. Venezuela came in as fourth supplier in October to average 721 tb/d, which is 7% lower m-o-m. On an annual basis, imports from Canada and Saudi Arabia were higher by 17% and 8% from a year ago while imports from Mexico and Venezuela were lower by 18% and 22%, respectively.

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.*

Crude imports from OPEC Member Countries declined as well on a monthly and annual basis by 12% and 19%, respectively. OPEC Member Countries accounted for 43% of total crude imports in October. US product imports from OPEC Member Countries decreased by 53 tb/d, or 23%, from the previous month to average 178 tb/d. Member Countries accounted for 8% of total US product imports. As to product supplier share, Canada and Russia maintained their position as top suppliers to the US holding a share of 28% and 23%, respectively, as both countries increased their exports to the US on a monthly comparison by 9% and 11%, respectively. The United Kingdom came as the third largest product supplier to the US in October with increased monthly product volumes to the US of 14 tb/d, or 11%, from the previous month.

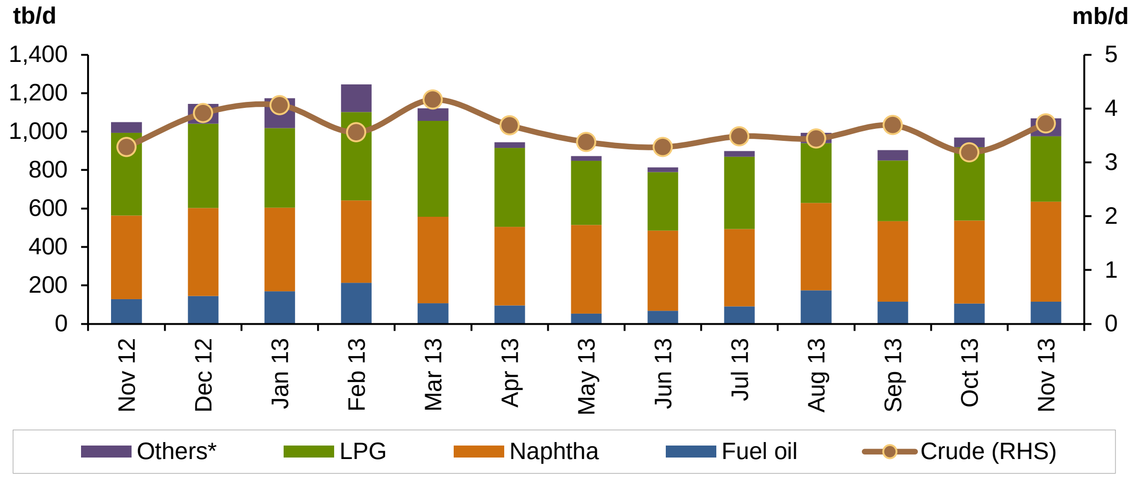
Table 8.1: US crude and product net imports, tb/d

	Oct 13	Nov 13	Dec 13	*Change* Dec/Nov
Crude oil	7,361	7,635	7,349	-287
Total products	-1,767	-1,474	-1,862	-388
Total crude and products	**5,594**	**6,161**	**5,487**	**-674**

Japan

In November, Japan saw an increase in its crude oil imports of 535 tb/d, or 17%, to average 3.7 mb/d m-o-m, at the same time, Japan's refinery throughput was up by 13%. On an annual comparison, crude imports were up by 436 tb/d or 13%. As to crude supplier share, Saudi Arabia and United Arab Emirates maintained their position as top crude suppliers to Japan from the previous month, accounting for 34% and 26%, respectively. Qatar came in the third position with a share of 12% of total crude oil imports However, in terms of quantity, it was higher by 59 tb/d, or 15%, m-o-m and 180 tb/d, or 67%, y-o-y.

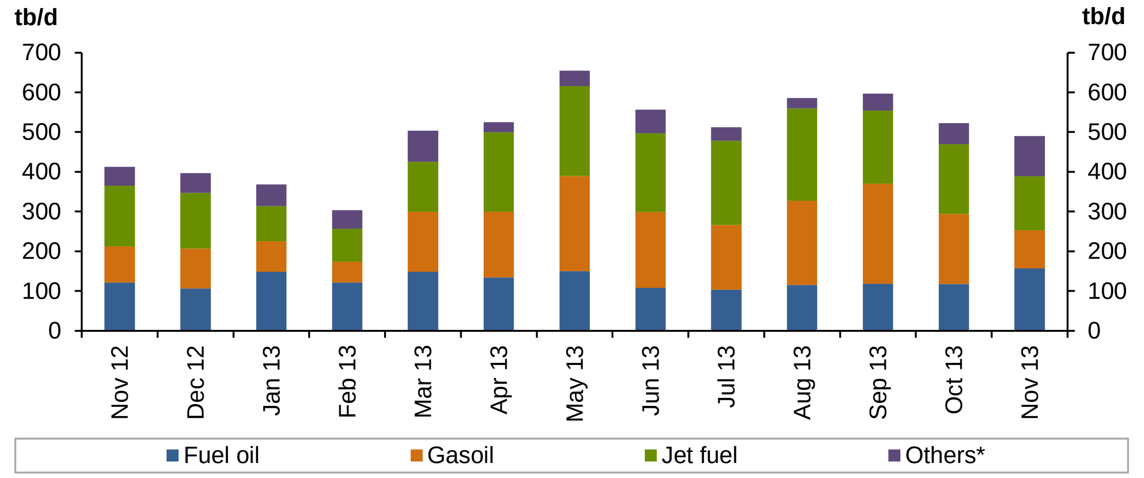
Graph 8.3: Japan's imports of crude and petroleum products



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

Product imports increased in November both on a monthly and an annual basis. Gains m-o-m were equal to 138 tb/d, or 23%, while on a yearly comparison they amounted to 110 tb/d or 18%. The product imports increase was seen on all products but mainly naphtha, kerosene and gasoil.

Graph 8.4: Japan's exports of petroleum products



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

Product exports dropped in November by 32 tb/d, or 6%, m-o-m and increased by 78 tb/d, or 19%, y-o-y. On a year-to-date comparison, product exports were 74 tb/d, or 17%, higher. **As a result, Japan net trade imports increased by 706 tb/d, or 12%, to average 39.6 mb/d,** the highest level of net imports seen since March 2013. This reflects a gain of 13% on an annual basis.

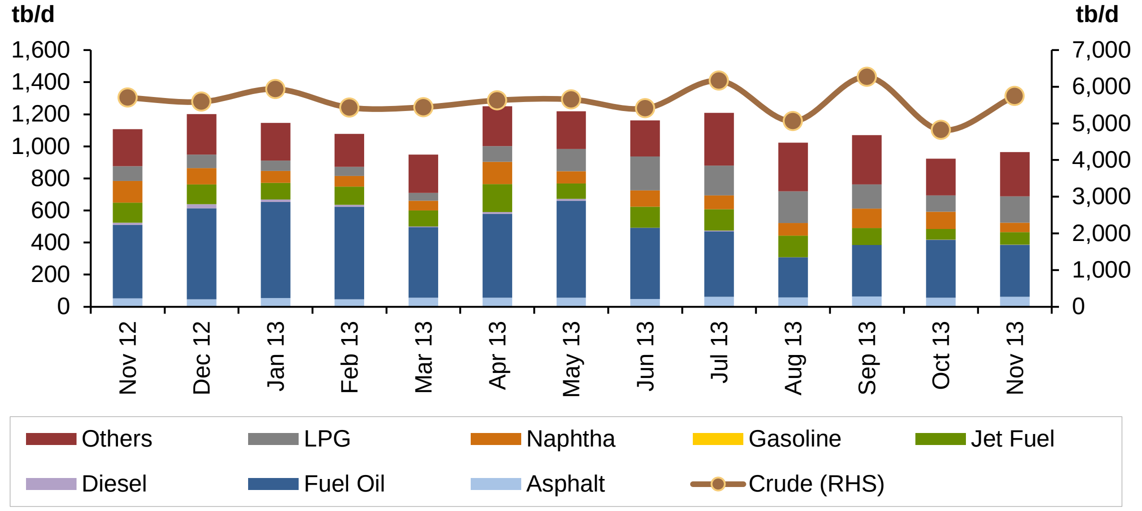
Table 8.2: Japan's crude and product net imports, tb/d

	Sep 13	Oct 13	Nov 13	*Change* Nov/Oct
Crude oil	3,689	3,186	3,721	535
Total products	-10	67	238	171
Total crude and products	**3,679**	**3,253**	**3,959**	**706**

China

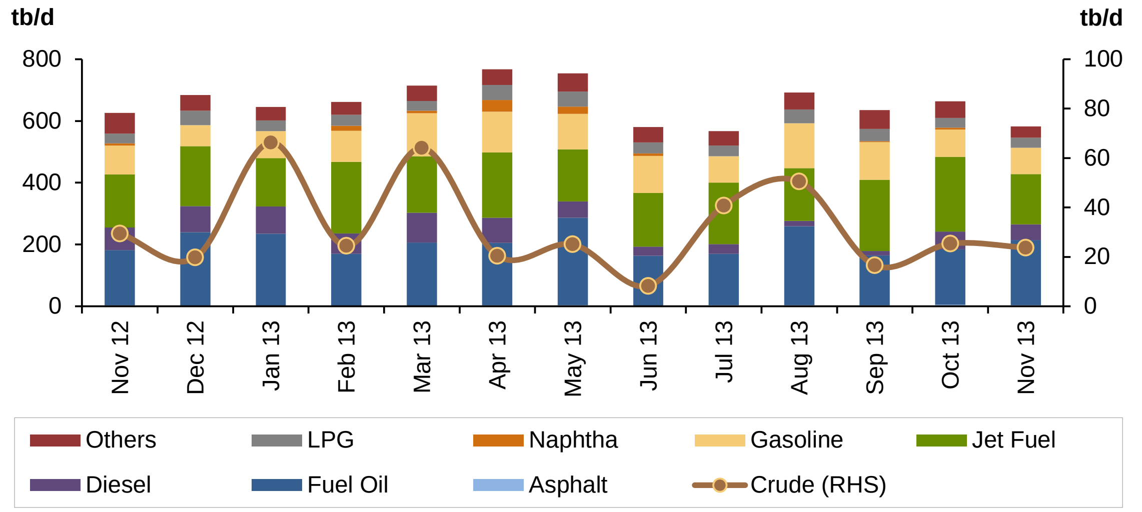
Following the drop they experienced a month ago, China crude oil imports rose in November by 928 tb/d, or 19%, to average 5.74 mb/d. In an annual comparison, crude imports dropped slightly by 46 tb/d, or 0.8%, from last year's level. On a year-to-date basis, the numbers dictate an increase of 277 tb/d or 4%.

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



China crude imports increased in November as the crude refining volumes increased to a record high level as refineries increased their stocks in a preparation for the Chinese New Year holiday in February. Regarding crude imports sources, in November all top suppliers to China maintained their position as seen in the previous month. Saudi Arabia, Oman and Iran came as first, second and third suppliers to China, respectively accounting for 18%, 10% and 9% of total Chinese imports. In a monthly comparison, Chinese imports from Saudi Arabia dropped by 5%, while those from Oman and Iran were higher by 6% and 115%, respectively. Iraq and Angola came in as fourth and fifth suppliers to China each accounting for 9% of imports.

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



China's products imports increased from the previous month to average 965 tb/d, higher by 42 tb/d, or 5%, m-o-m while they dropped by 141 tb/d, or 13%, y-o-y. China's product exports saw a monthly loss of 81 tb/d, or 13%, while they decreased by 44 tb/d, or 7%, from the previous year's level. Accordingly, **China's net oil trade**

increased by 1,053 tb/d, or 21%, on a monthly basis while it declined by 45 tb/d, or 0.7%, from a year ago.

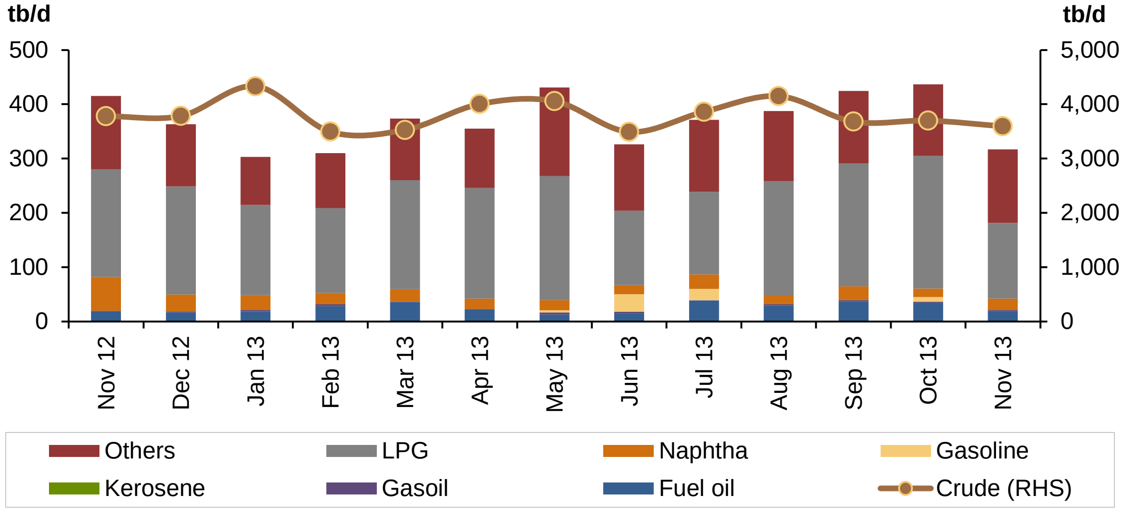
Table 8.3: China's crude and product net imports, tb/d

	Sep 13	Oct 13	Nov 13	*Change* Nov/Oct
Crude oil	6,250	4,795	5,725	930
Total products	434	260	383	123
Total crude and products	**6,684**	**5,055**	**6,107**	**1,053**

India

India's crude oil imports dropped In November both on a monthly and annual basis to the lowest levels seen since June 2013. The drop is equal to 106 tb/d, or 3%, m-o-m while representing a 5% drop y-o-y to average 3.6 mb/d.

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



India's product imports declined as well in November by 119 tb/d, or 27%, to average 317 tb/d. This also reflects a drop by 98 tb/d, or 23%, from last year. The product imports monthly drop came as a result of lower imported volumes of fuel oil and LPG while no imports of petrol were registered. With regards to India's product exports, the figures reflect a drop both on a monthly and annual comparison. In November, Indian product exports declined by 8.5% to average 14.2 mb/d, which is considered the lowest level since July 2013, while from a year earlier the drop is equal to 69 tb/d or 5%. The monthly drop in product exports came as a result of lower exported volumes of diesel which declined 98 tb/d, or 16%, from a month earlier. As a result, **India's net trade imports declined by 93 tb/d, or 4%, m-o-m while they declined by 216 tb/d, or 8%, y-o-y in November to average 24.9 mb/d**.

Graph 8.8: India's exports of petroleum products

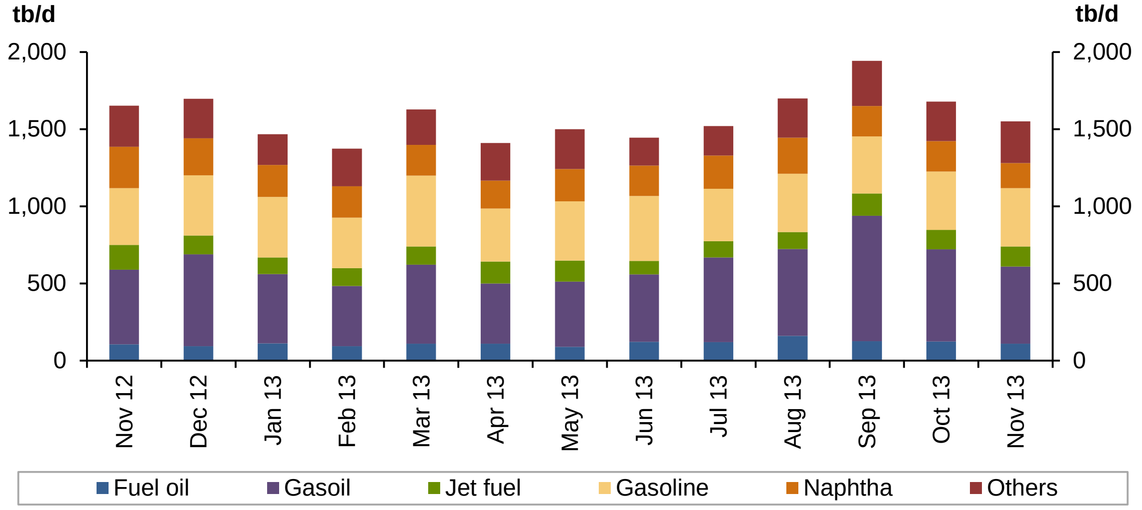


Table 8.4: India's crude and product net imports, tb/d

	Sep 13	Oct 13	Nov 13	*Change* Nov/Oct
Crude oil	3,680	3,700	3,594	-106
Total products	-1,374	-1,117	-1,104	13
Total crude and products	**2,306**	**2,582**	**2,489**	**-93**

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

FSU

In November, total crude oil exports from the FSU declined by a slight 18 tb/d to average 6.5 mb/d. Crude exports through the Russian pipeline declined by 82 tb/d, or 2%, to average 4.1 mb/d. Crude exports from the Black Sea and the Baltics declined in November by 2% and 7%, respectively. While exports from Druzhba and Kozmino increased by 2% and 9%. Flows from Russian rail were almost stable from last month, while Kazakh rail supplies decreased by 7 tb/d, or 15%, in November. The Caspian and Russian Far East blend increased by 12%, 60%, respectively.

On the other hand, total product exports dropped in November by a slight 30 tb/d, or 1%, to average 2,683 tb/d from the previous month. Product exports mainly declined in VGO and fuel oil, and increased for naphtha and gasoil. The only exception was seen in jet fuel and VGO, which fell by 74% and 6% from a month earlier.

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

	2011	2012	1Q13	2Q13	3Q13	Oct 13	Nov 13*
Crude							
Russian pipeline							
Black Sea	934	858	769	752	738	736	720
Baltic	1,462	1,644	1,574	1,647	1,409	1,711	1,593
Druzhba	1,169	1,079	991	1,020	1,063	1,031	1,051
Kozmino	306	330	439	433	437	408	446
Total	**4,177**	**4,218**	**4,086**	**4,152**	**3,984**	**4,222**	**4,140**
Other routes							
Russian rail**	15	15	12	9	9	8	9
Kazakh rail	158	131	183	169	194	221	206
Russian - Far East	279	260	243	261	252	257	287
Varandey	88	62	103	109	120	119	105
Kaliningrad	23	20	18	21	18	11	20
CPC	679	654	672	703	707	775	709
BTC	701	655	580	714	636	580	672
Kenkiyak-Alashankou	222	214	240	236	222	293	259
Caspian	164	174	176	182	124	102	163
Total crude exports	**6,679**	**6,403**	**6,313**	**6,555**	**6,265**	**6,588**	**6,570**
Products							
Gasoline	163	130	141	123	109	122	115
Naphtha	260	311	339	355	433	368	396
Jet	11	7	14	16	8	11	8
Gasoil	772	784	977	875	822	679	734
Fuel oil	1,299	1,336	1,339	1,557	1,463	1,270	1,210
VGO	208	242	219	288	311	263	220
Total	**2,711**	**2,810**	**3,029**	**3,214**	**3,145**	**2,713**	**2,683**
Total oil exports	**9,390**	**9,213**	**9,342**	**9,769**	**9,410**	**9,301**	**9,253**

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

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

Stock Movements

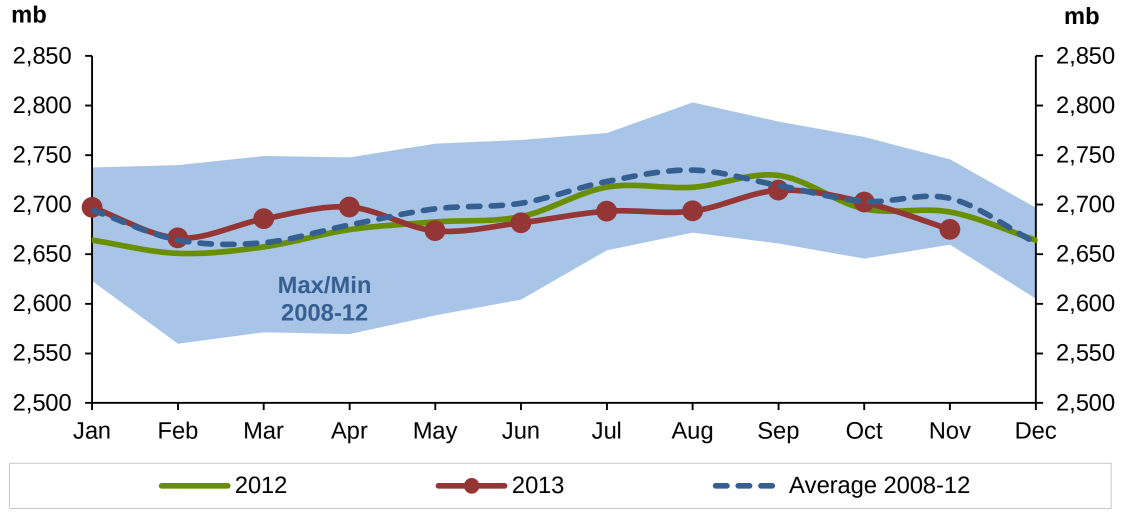
OECD commercial stocks fell in November as refiners increased runs and demand improved during the winter season. Commercial stocks stood at 31.4 mb below the five-year average. However, the picture differed between crude and products, as crude showed a surplus of 55.8 mb, while products experienced a deficit of 87.3 mb. In terms of days of forward cover, OECD commercial stocks fell 0.7 days in November to stand at 58.1. This represents around 0.5 days above the five-year average. Preliminary data for December indicates a seasonal drop in US commercial stocks for both crude and products, driven by year-end tax considerations, along with higher refinery runs. With this drop, US commercial inventories in December stood 6.5 mb below the five-year average. China's total commercial inventories declined by 10.3 mb in November as some refineries drew crude from stocks following a pipeline blast in eastern China.

OECD

Preliminary data for November shows that **total OECD commercial oil stocks** declined by 27.5 mb for the second consecutive month to stand at 2,675 mb. At this level, inventories were around 18 mb below the same period last year and showed a deficit of 31.4 mb compared with the latest five-year average.

Within the components, increasing crude runs and end-year tax considerations left refiners with a crude stock draw of 7.2 mb, while improving demand partially due to colder winter weather has led to a strong product stock draw of 20.3 mb. At 1,332 mb, OECD crude commercial inventories stood at 55.8 mb above the seasonal norm and 18.8 mb higher than the same period last year. In contrast, product stocks stood at 1,343 mb, indicating a deficit of 87.3 mb with the five-year average and around 36.5 mb lower than the same time a year ago.

Graph 9.1: OECD's commercial oil stocks



In terms of **days of forward cover**, OECD commercial stocks fell by 0.7 days in November to stand at 58.1 days. This represents around 0.4 days above the five-year average but around 0.5 days below the same month last year. OECD Americas was 1.5 days above the historical average at 57.5 days in November; OECD Europe stood at 0.4 days above the seasonal average to finish the month at 68.2 days; and OECD Asia-Pacific indicated a deficit of 1.1 days, averaging 44.9 days.

Table 9.1: OECD's commercial stocks, mb

	Sep 13	Oct 13	Nov 13	*Change* Nov 13/Oct 13	Nov 12
Crude oil	1,301	1,339	1,332	-7.2	1,313
Products	1,414	1,363	1,343	-20.3	1,379
Total	**2,714**	**2,702**	**2,675**	**-27.5**	**2,693**
Days of forward cover	**58.4**	**58.7**	**58.1**	**-0.7**	**58.5**

In November, **commercial stocks** in **OECD Americas** fell by 15.6 mb for the second consecutive months to stand at 1,374 mb. Despite this drop, inventories were 6.2 mb above a year ago at the same time and 38.8 mb above the seasonal norm.

At the end of November, **crude oil stocks** in **OECD Americas** rose slightly by 2.0 mb versus the previous month, following a build of 27.3 mb in October. The build in November came mainly from higher domestic production reaching 8 mb/d, the highest level in 25 years. This build in crude oil stocks came despite a reduction in crude oil imports, averaging just 7.7 mb/d compared to nearly 9.0 mb/d a year and a half earlier. At 712 mb, OECD Americas' crude commercial stocks stood at 25 mb above last year during the same period and showed a surplus of 66.6 mb over the five-year average.

In contrast to the build in crude stocks, **OECD Americas' product stocks** fell by 17.6 mb in November for the third consecutive month to finish at 662 mb. This represents a deficit of 27.8 mb below the seasonal norm and 18.8 mb below the same time a year ago. Distillate stocks remained tight in OECD Americas, indicating a deficit of 32 mb below the five-year-average, while gasoline stocks stood at only 6 mb below the five-year average. The strong fall in OECD Americas' commercial products in November came on the back of higher demand with an increase of almost 600,000 b/d for a total average of more than 20.0 mb/d.

In November, **OECD Europe commercial stocks** fell by 11.9 mb over the previous month for the second consecutive month to stand at 892 mb, showing a deficit of 65.1 mb with the seasonal norm and 20.9 mb below a year ago at the same time.

OECD Europe crude oil stocks fell by 9.7 mb in November, reversing the build of the last two months to stand at 391 mb. This drop came mainly from the recovery in throughputs as refiners emerged from maintenance. OECD Europe crude oil stocks indicated a deficit of 5.1 mb below the seasonal norm, while they stood at 1.0 mb above a year ago at the same time.

OECD Europe commercial product stocks also fell by 2.2 mb in November to end the month at 501 mb. This drop came mainly due to higher domestic heating oil demand. OECD Europe commercial product inventories showed a deficit of 60.0 mb below the seasonal norm and stood at 21.9 mb below a year ago at the same time.

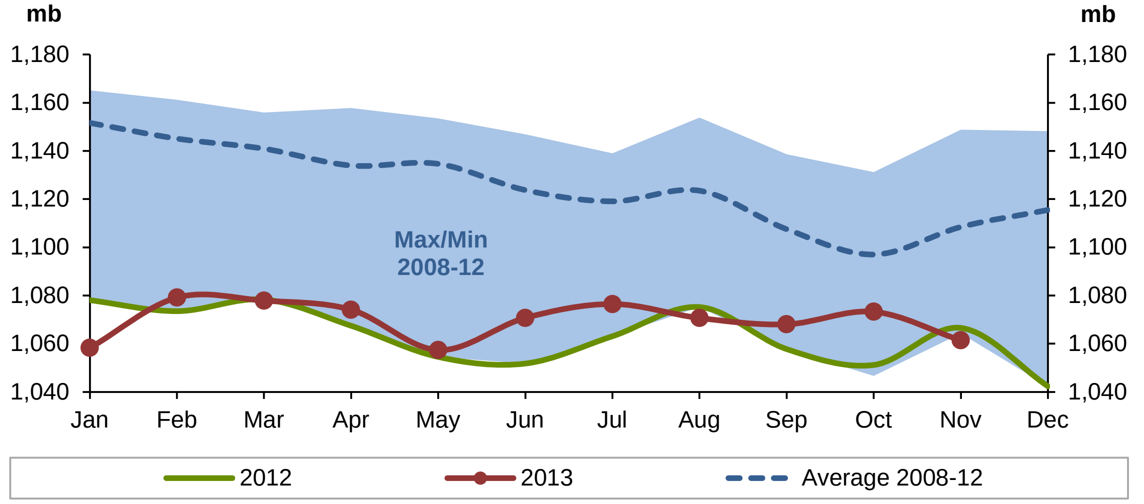
Commercial inventories in **OECD Asia-Pacific** remained unchanged in November, after declining in October. At 409 mb, they were 3.0 mb below the same period a year ago and 5.1 mb lower than the five-year average.

Within the components, crude and products saw an opposite picture as crude went up by 0.5 mb, while products fell by the same amount. **Crude inventories** stood at 7.1 mb below a year ago and 5.6 mb lower than the seasonal norm. OECD Asia-Pacific's total **product inventories** indicated a surplus of 4.1 mb above a year ago and 0.5 mb higher than the seasonal norm.

EU plus Norway

Preliminary data for November shows that **European stocks** fell by 11.9 mb versus the previous month, reversing the build of the earlier month. At 1,061.4 mb, European stocks stood at 5.2 mb, or 0.5%, lower than the same time a year ago and 40.1 mb, or 3.6%, below the five-year average. Crude and products saw a stock-draw of 9.7 mb and 2.2 mb, respectively.

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



European crude inventories fell in November, reversing the build of the previous two months to stand at 463.6 mb. At this level, European crude inventories stood at 10.7 mb, or 2.3%, below the same period last year and 1.3 mb, or 0.3%, less than the latest five-year average. This fall in crude oil stocks came on the back of higher crude runs as the maintenance period came to an end. Indeed, in November European refinery crude runs rose by 740 tb/d to average 9.7 mb/d but remained below the same period last year. This corresponds to a refinery utilization rate of 72%, almost 4.0 percentage points lower than the same time a year ago.

OECD Europe's product stocks fell by 2.2 mb in November for the fourth consecutive month to stand at 597.8 mb. An improvement in domestic consumption, especially heating oil, was the main reason behind the drop in product inventories. Despite this fall, European stocks remained at 5.5 mb, or 0.9%, above the same level a year ago yet 38.8 mb, or 6.1%, below the seasonal norm. Within products, the picture was mixed: Distillate and residual oil saw a build, while gasoline and naphtha experienced a drop.

Gasoline stocks fell by 2.7 mb in November to stand at 107.8 mb, a surplus of 0.7 mb over a year ago but 6.3 mb, or 5.5%, less than the five-year average. The drop in gasoline stocks in November came mainly from higher gasoline exports to West Africa, while higher refinery output limited a further drop in inventories.

Distillate stocks rose slightly by 0.4 mb ending November at 385.1 mb. At this level, distillate stocks represented a surplus of 16.1 mb, or 4.3%, over the previous year, yet 5.0 mb, or 20.2%, below the seasonal norm. Higher distillate output in November contributed to the build in distillate stocks, but higher demand for heating oil limited a further build.

Residual fuel oil stocks also rose by 1.0 mb, reversing the build of the last four consecutive months, ending November 81.6 mb. At this level, they were 4.3 mb, or

5.0%, below the same time last year and 20.2 mb, or 19.8%, less than the seasonal average. Higher residual fuel output was the main reason behind the build in residual fuel inventories.

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

	Sep 13	Oct 13	Nov 13	*Change* Nov 13/Oct 13	Nov 12
Crude oil	**461.1**	**473.3**	**463.6**	**-9.7**	**474.3**
Gasoline	111.4	110.5	107.8	-2.7	107.1
Naphtha	23.3	24.2	23.3	-0.9	30.2
Middle distillates	390.4	384.8	385.1	0.4	369.1
Fuel oils	81.8	80.5	81.6	1.0	85.9
Total products	607.0	600.0	597.8	-2.2	592.3
Total	**1,068.1**	**1,073.3**	**1,061.4**	**-11.9**	**1,066.6**

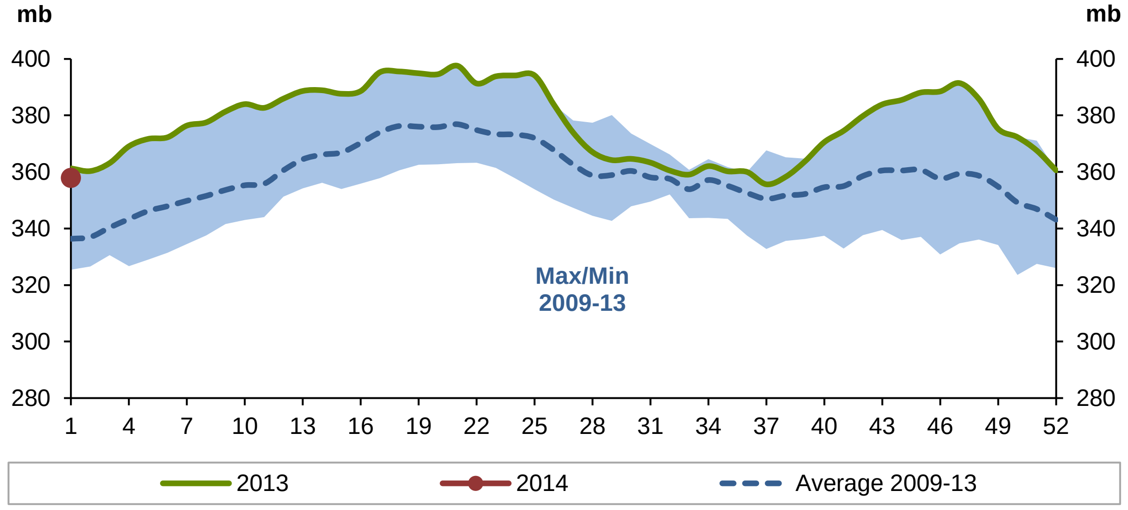
Source: Argus and Euroilstock.

US

Preliminary data for December shows that **US total commercial oil stocks** fell by 33.6 mb for the third consecutive month to stand at 1,056.9 mb. With this drop, inventories stood at 6.5 mb, or 0.6%, below the five-year average and indicated a deficit of 54.6 mb, or 4.9%, from last year at the same time. This stock-draw was attributed to both crude and products.

US commercial crude stocks fell by 27.9 mb reversing the build of the last four months to end December at 357.9 mb. Despite this drop, US commercial crude stocks finished the month at 22.2 mb, or 6.6%, above the five-year average, while they were 7.1 mb, or 1.9%, lower than the same time a year ago.

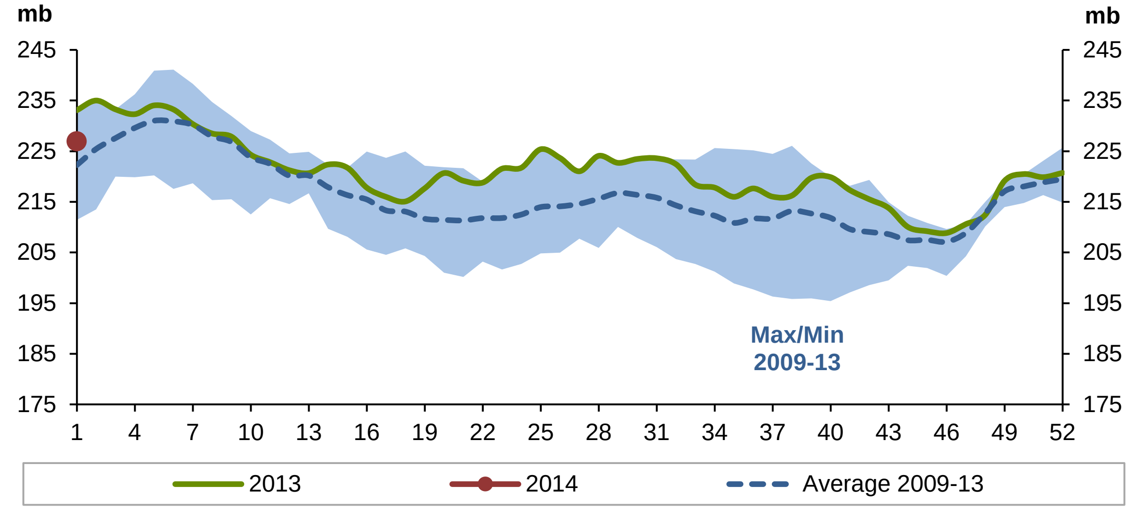
Graph 9.3: US weekly commercial crude oil stocks



The drop in **US commercial crude oil stocks** came from higher refinery crude runs as they increased by nearly 510,000 b/d to stand at around 16.1 mb/d from a month earlier. Refineries operated at 92.3% of capacity versus 89.2% last month. The fall of almost 300,000 b/d in crude oil imports averaging 7.4 mb/d also contributed to the stock-draw in US commercial crude oil stocks. It should be highlighted that by the end of each year, refineries withdraw stocks in order to optimize tax liabilities on their inventory positions. In contrast to US total crude stock-draws, inventories in **Cushing** saw a build of around 0.2 mb, ending December at 40.7 mb. The last week of the month saw a higher build of 1.1 mb versus a weak earlier.

Total product stocks fell by 5.6 mb in December for the third consecutive month, ending the month at 699.0 mb. With this fall, US product stocks stood at 47.5 mb, or 6.4%, below the same time a year ago and represented a deficit of 28.7 mb, or 3.9%, below the seasonal norm. Within products, the bulk of the decline came from other unfinished products, while gasoline and distillates saw builds.

Graph 9.4: US weekly gasoline stocks



Gasoline stocks rose by 14.5 mb, reversing the drop of the last two months and ending December at 227.0 mb. Despite this build, they saw a deficit of 3.9 mb, or 1.7%, over a year earlier. However, they remained 4.9 mb, or 2.2%, above the latest five-year average. A drop of around 100,000 b/d in apparent demand was behind the stock-build in gasoline inventories. Higher gasoline output also contributed to the build in gasoline stocks.

Distillate stocks also rose by 14.5 mb in December, reversing the drop of the last two months. At 125.0 mb, distillate stocks stood at 9.8 mb, or 7.3%, below a year ago and remained 27.1 mb, or 17.8%, lower than the seasonal average. The build in middle distillate stocks came mainly during the last two weeks, increasing by 11 mb. Lower apparent demand impacted the build in distillate stocks. However, heating oil inventories could expect a strong drop in the coming weeks following the record low temperatures observed.

Residual fuel oil stocks rose by 2.8 mb to finish the month of December at 37.7 mb, which is 3.7 mb, or 10.9%, higher than a year ago and 1.1 mb, or 3.1%, above the seasonal norm. Jet fuel stocks also rose by 1.1 mb in December to stand at 37.4 mb, remaining 2.0 mb, or 5.2%, lower than the same month a year ago and 3.5 mb, or 9.0%, below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

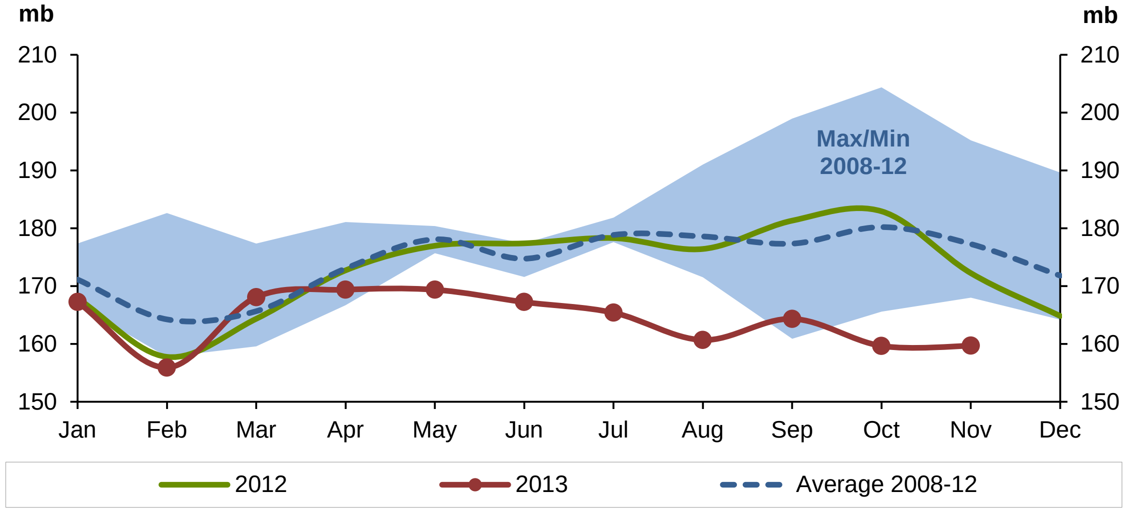
	Oct 13	Nov 13	Dec 13	*Change* Dec 13/Nov 13	Dec 12
Crude oil	383.9	385.8	357.9	-27.9	365.5
Gasoline	213.9	212.4	227.0	14.5	230.9
Distillate fuel	117.3	113.5	125.0	11.4	134.8
Residual fuel oil	36.4	34.8	37.7	2.8	34.0
Jet fuel	39.0	36.3	37.4	1.1	39.6
Total	**1,116.5**	**1,090.5**	**1,056.9**	**-33.6**	**1,112.5**
SPR	696.0	696.0	696.0	0.0	695.3

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

Japan

In November, total **commercial oil stocks** remained unchanged, standing at 159.7 mb. As this level, Japanese oil inventories were 12.6 mb, or 7.3%, below a year ago and 17.6 mb, or 9.9%, lower than the five-year average. Within the components, crude and products saw an opposite picture as crude went up by 0.5 mb, while products fell by the same amount.

Graph 9.5: Japan's commercial oil stocks



Japanese commercial **crude oil stocks** rose slightly by 0.5 mb in November, reversing the drop of the last month, to stand at 89.6 mb. At this level, they were 9.3 mb, or 9.4%, below the same time a year ago and 8.8 mb, or 9.0%, below the five-year average. The build in crude oil stocks was driven by higher crude imports, which rose by around 535 tb/d, or 16.8%, to average 3.7 mb/d. At this level, crude oil imports were also 13.3% higher than the same time last year. Higher crude runs in November limited a further build in Japanese inventories. Indeed, crude throughput rose by around 444 tb/d, or 14.5%, from the previous month and 9.9% above the same period last year. Japanese refiners were running at 80.9% of capacity in November, around 10.3 percentage points (pp) higher than in the previous month and 9.1 pp more than in the same period last year. Direct crude burning in power plants saw an increase of 10.1% in November compared to October; they were also 5.6% higher than the same period last year.

On the product side, **Japan's total product inventories** saw a drop of 0.5 mb in November for the third consecutive month to stand at 70.1 mb. At this level, product stocks showed a deficit of 3.2 mb, or 4.4%, remaining below the five-year average with a deficit of 8.8 mb or 11.1%. Higher domestic sales, which rose by 409 tb/d, or 13.1%, in November averaging 3.5 mb/d were behind the drop in product inventories. With the exception of naphtha, all products witnessed a draw, with the bulk coming from residual fuel oil.

Distillate stocks fell by 0.2 mb in November for the third consecutive month to finish at 33.8 mb, which is 0.6 mb or 1.8%, below the same period a year ago and 3.6 mb, or 9.7%, below the seasonal average. Within distillate components, gasoil stocks rose, while kerosene and jet fuel stocks dropped. In November, gasoil inventories fell by 9% on the back of lower output. Kerosene stocks also fell by 1.0% driven by higher domestic sales. In contrast, gasoil stocks rose by 5.0%, driven by strong imports.

Gasoline stocks fell by 0.2 mb in November, ending the month at 11.5 mb, which is 1.2 mb, or 9.6%, less than the same time last year and 1.8 mb, or 3.6%, below the five-year average. An increase of 3.7% in domestic sales combined with a robust increase in exports was behind this stock-draw. Higher gasoline output limited a further drop in gasoline stocks.

Total residual **fuel oil stocks** also went down by 0.7 mb to end the month of November at 14.3 mb, which is 1.2 mb, or 7.6%, less than a year ago and 2.6 mb, or 15.3%, lower than the five-year average. Within the fuel oil components, fuel oil A and fuel oil B.C stocks fell by 4.0% and 5.2%, respectively, driven by higher domestic sales.

Naphtha stocks rose by 0.7 mb, finishing the month of November at 10.4 mb, indicating a deficit of 0.2 mb, or 2.3%, compared with a year ago and 0.7 mb, or 6.5%, below the seasonal norm. This stock-build came mainly from higher production, which increased by 12.5%. Lower domestic sales also contributed to the build.

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

	Sep 13	Oct 13	Nov 13	*Change* Nov 13/Oct 13	Nov 12
Crude oil	**89.5**	**89.1**	**89.6**	**0.5**	**98.9**
Gasoline	12.3	11.8	11.5	-0.2	12.7
Naphtha	11.1	9.8	10.4	0.7	10.7
Middle distillates	35.9	34.1	33.8	-0.2	34.4
Residual fuel oil	15.5	15.0	14.3	-0.7	15.5
Total products	**74.8**	**70.6**	**70.1**	**-0.5**	**73.3**
Total**	**164.4**	**159.7**	**159.7**	**0.0**	**172.3**

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

China

The latest information showed **Chinese total oil commercial inventories** declined by 10.3 mb in November. This drop was divided between crude and products as they declined by 6.8 mb 3.5 mb, respectively. Some refineries were drawing crude from stocks following a pipeline blast in eastern China. Lower crude oil production also contributed to the fall in commercial crude in November. However, higher crude imports, which increased by around 19% versus a month earlier limited further stock-draw in crude commercial inventories.

Total product stocks in **China** also went down in November, with the bulk of the fall coming from kerosene and diesel stocks as they declined by 1.1 mb and 2.3 mb, respectively. The drop in product stocks could be attributed to higher Chinese apparent demand, which rose by 1.5% in November from the previous month to reach a five-month high.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of November, **product stocks in Singapore** declined by 0.3 mb, following a drop of 4.0 mb in October. At 38.1 mb, product stocks in Singapore represented a deficit of 4.5 mb, or 10.6%, over the same period last year. Within the products, the picture was mixed, light and middle distillates saw a drop, while residual fuel oil experienced a build.

Residual fuel oil rose by 1.7 mb in November, reversing the drop of the last month to stand at 20.5 mb. Despite this stock-build, fuel oil stocks remained at 2.1 mb, or 9.4%, below a year ago last month. This drop was driven by lower exports outpacing imports.

Light distillate stocks fell by 0.2 mb in November for the second consecutive month to stand at 10.4 mb. At this level, light distillate stocks stood at 0.8 mb, or 7.9%, higher than a year ago in the same period. Lower gasoline exports from China and South Korea to Singapore contributed to this stock-draw. **Middle distillate** stocks also declined by 1.8 mb in November versus October, ending the month at 7.2 mb, which is 3.1 mb, or 30.2%, less than the same period last year.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) fell by 2.6 mb in November, for the second consecutive month. At 25.4 mb, product stocks in ARA stood at 1.9 mb, or 7.0%, below the same time a year ago. Within the products, the picture was mixed, gasoline and fuel oil saw a build, while residual fuel oil, and naphtha and jet oil experienced a drop.

Gasoline stocks rose by 0.1 mb, reversing the drop of the last month and ending November at 5.1 mb, which is in line with the same period last year. **Fuel oil** stocks also saw a build of 1.0 mb to end the month of November at 4.9 mb. Despite this build, fuel oil inventories remained 0.1 mb, or 1.2%, lower than the same time a year ago. This build was driven mainly by higher imports as exports remained almost unchanged.

Gasoil stocks experienced the largest drop falling by 2.3 mb in November to stand at 12.5 mb. With this draw, gasoil inventories are 1.2 mb, or 8.6%, lower than the same time a year ago. Seasonal demand in the region was behind this drop. N**aphtha stocks** also went down by 0.7 mb, reversing the build of last two months to finish November at 0.6 mb, which is 0.7 mb, or nearly 55%, lower than at the same time last year.

Balance of Supply and Demand

The demand for OPEC crude in 2013 is estimated at 29.9 mb/d in 2013, representing a decrease of 0.5 mb/d from a year earlier and unchanged from the previous report. In 2014, required OPEC crude is forecast at 29.6 mb/d, a decline of close to 0.4 mb/d from the previous year and in line with last month's forecast.

Estimate for 2013

Demand for OPEC crude for 2013 was unchanged from the previous report. 1Q13 and 2Q13 were revised up by 0.1 mb/d and 3Q13 up by 0.3 mb/d, while 4Q13 was revised down by 0.2 mb/d. The demand for OPEC crude stood at 29.9 mb/d in 2013, a decrease of 0.5 mb/d from a year ago.

The first quarter is estimated to fall by 0.2 mb/d versus the same quarter last year; while second and third quarters are expected to see negative growth of 0.4 mb/d and 0.9 mb/d respectively. The fourth quarter is estimated to drop by 0.7 mb/d.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013
(a) World oil demand	**88.92**	**88.93**	**89.03**	**90.50**	**90.93**	**89.86**
Non-OPEC supply	52.86	53.78	53.64	54.12	54.89	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	**58.43**	**59.54**	**59.42**	**59.93**	**60.74**	**59.91**
Difference (a-b)	**30.48**	**29.39**	**29.61**	**30.57**	**30.19**	**29.95**
OPEC crude oil production	31.13	30.21	30.57	30.35	29.59	30.18
Balance	0.65	0.82	0.95	-0.22	-0.61	0.23

Forecast for 2014

Demand for OPEC crude for 2014 remained unchanged from the previous report to stand at 29.6 mb/d. 1Q14 remained unchanged, while 2Q14 and 4Q14 were revised down by 0.1 mb/d. In contrast, 3Q14 was revised up by 0.1 mb/d. The demand for OPEC crude is forecast at 29.6 mb/d in 2014, a decrease of 0.4 mb/d from a year ago.

The first and second quarters are estimated to decline by 0.2 mb/d and 0.5 mb/d respectively versus the same period last year. The third quarter is expected to see negative growth of 0.1 mb/d and the fourth to fall by 0.6 mb/d.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014
(a) World oil demand	**89.86**	**90.00**	**89.96**	**91.69**	**91.95**	**90.91**
Non-OPEC supply	54.11	54.96	54.87	55.28	56.39	55.38
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**	**60.84**	**60.80**	**61.25**	**62.40**	**61.33**
Difference (a-b)	**29.95**	**29.15**	**29.16**	**30.43**	**29.55**	**29.58**
OPEC crude oil production	30.18					
Balance	0.23					

Graph 10.1: Balance of supply and demand

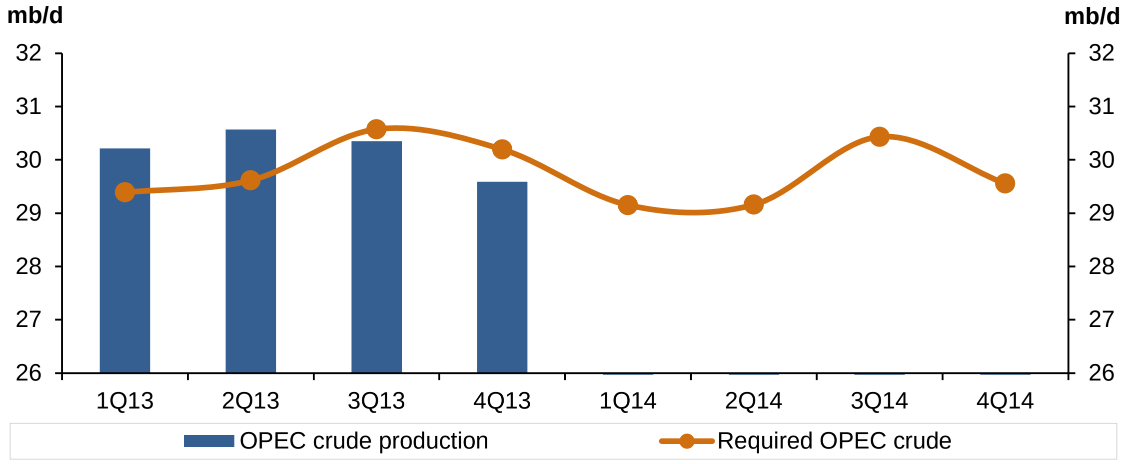


Table 10.3: World oil demand and supply balance, mb/d

	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
World demand													
OECD	47.0	46.5	46.0	45.9	45.3	46.0	46.0	45.8	45.7	45.1	45.8	45.8	45.6
Americas	24.1	24.0	23.6	23.7	23.8	24.1	23.9	23.9	23.9	23.9	24.2	24.0	24.0
Europe	14.7	14.3	13.7	13.2	13.7	13.8	13.5	13.6	13.0	13.5	13.7	13.3	13.4
Asia Pacific	8.2	8.2	8.6	8.9	7.8	8.1	8.6	8.4	8.8	7.7	7.9	8.5	8.2
DCs	26.5	27.3	28.2	28.3	28.8	29.4	29.0	28.9	29.2	29.5	30.3	29.8	29.7
FSU	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	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.6
China	9.0	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	**87.3**	**88.1**	**88.9**	**88.9**	**89.0**	**90.5**	**90.9**	**89.9**	**90.0**	**90.0**	**91.7**	**92.0**	**90.9**
Non-OPEC supply													
OECD	20.0	20.2	21.1	21.7	21.7	22.3	22.6	22.1	22.6	22.6	22.8	23.5	22.9
Americas	15.0	15.5	16.7	17.6	17.6	18.3	18.6	18.0	18.6	18.7	19.0	19.5	19.0
Europe	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	0.7	0.6	0.6	0.4	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5
DCs	12.7	12.6	12.1	12.1	12.1	12.0	12.1	12.1	12.2	12.3	12.4	12.5	12.4
FSU	13.2	13.2	13.3	13.4	13.4	13.4	13.5	13.4	13.5	13.4	13.6	13.8	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
China	4.1	4.1	4.2	4.2	4.3	4.1	4.3	4.2	4.3	4.2	4.3	4.3	4.3
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	52.3	52.4	52.9	53.8	53.6	54.1	54.9	54.1	55.0	54.9	55.3	56.4	55.4
OPEC NGLs + non-conventional oils	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	**57.3**	**57.8**	**58.4**	**59.5**	**59.4**	**59.9**	**60.7**	**59.9**	**60.8**	**60.8**	**61.3**	**62.4**	**61.3**
OPEC crude oil production (secondary sources)	29.2	29.8	31.1	30.2	30.6	30.4	29.6	30.2					
Total supply	86.5	87.5	89.6	89.8	90.0	90.3	90.3	90.1					
Balance (stock change and miscellaneous)	-0.7	-0.5	0.6	0.8	1.0	-0.2	-0.6	0.2					
OECD closing stock levels (mb)													
Commercial	2,679	2,605	2,664	2,686	2,682	2,714							
SPR	1,565	1,536	1,547	1,562	1,558	1,564							
Total	4,244	4,141	4,212	4,247	4,240	4,278							
Oil-on-water	871	825	801	895	871	878							
Days of forward consumption in OECD													
Commercial onland stocks	58	57	58	59	58	59							
SPR	34	33	34	34	34	34							
Total	91	90	92	94	92	93							
Memo items													
FSU net exports	9.1	8.9	8.8	9.1	9.2	8.8	8.7	8.9	9.1	9.2	8.9	8.9	9.0
(a) - (b)	**30.0**	**30.3**	**30.5**	**29.4**	**29.6**	**30.6**	**30.2**	**29.9**	**29.2**	**29.2**	**30.4**	**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

	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
World demand													
OECD	-	-	-	-	-	0.2	0.1	0.1	-	-	0.2	0.1	0.1
Americas	-	-	-	-	-	0.3	-	0.1	-	-	0.3	-	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-0.1	-0.1	-	-	-	-0.1	-0.1	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	0.2	-	0.1	-	-	0.2	-	0.1
World demand growth	-	-	-	-	-	0.2	-	0.1	-	-	-	-	-
Non-OPEC supply													
OECD	-	-	-	-	-	-	0.1	-	0.1	0.1	0.1	0.1	0.1
Americas	-	-	-	-	-	-	0.2	-	0.2	0.2	0.2	0.2	0.2
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
DCs	-	-	-	-	-	-	0.1	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-0.1	-0.1	0.2	-	0.1	0.1	0.1	0.1	0.1
Total non-OPEC supply growth	-	-	-	-	-	-0.1	0.3	-	0.1	0.1	0.2	-0.2	0.1
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-0.1	-0.1	0.2	-	0.1	0.1	0.1	0.1	0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-					
Total supply	-	-	-	-	-0.1	-0.1	-	-					
Balance (stock change and miscellaneous)	-	-	-	-0.1	-0.1	-0.3	-	-					
OECD closing stock levels (mb)													
Commercial	-	-	-	3	-2	19							
SPR	-	-	1	3	3	8							
Total	-	-	1	6	1	27							
Oil-on-water	-	-	-	-	-	-							
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-	-	-							
SPR	-	-	-	-	-	-							
Total	-	-	-	-	-	-							
Memo items													
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	0.1	0.1	0.3	-0.2	0.1	-	-0.1	0.1	-	-

* *This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the December 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

	2010	2011	2012	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
Closing stock levels, mb												
OECD onland commercial	**2,679**	**2,605**	**2,664**	**2,670**	**2,605**	**2,657**	**2,688**	**2,729**	**2,664**	**2,686**	**2,682**	**2,714**
Americas	1,329	1,308	1,365	1,341	1,308	1,335	1,362	1,385	1,365	1,349	1,377	1,397
Europe	959	905	902	914	905	943	913	917	902	924	895	904
Asia Pacific	391	392	397	415	392	379	413	428	397	413	409	413
OECD SPR	**1,565**	**1,536**	**1,547**	**1,529**	**1,536**	**1,536**	**1,539**	**1,542**	**1,547**	**1,562**	**1,558**	**1,564**
Americas	729	697	696	696	697	697	697	696	696	697	697	697
Europe	427	426	436	424	426	426	429	433	436	452	452	453
Asia Pacific	410	414	414	409	414	414	413	414	415	413	409	413
OECD total	**4,244**	**4,141**	**4,211**	**4,199**	**4,141**	**4,194**	**4,227**	**4,272**	**4,212**	**4,247**	**4,240**	**4,278**
Oil-on-water	**871**	**825**	**801**	**835**	**825**	**787**	**812**	**844**	**801**	**895**	**871**	**878**
Days of forward consumption in OECD												
OECD onland commercial	**58**	**57**	**58**	**57**	**56**	**58**	**59**	**59**	**58**	**59**	**58**	**59**
Americas	55	55	57	56	56	57	57	58	58	57	57	58
Europe	67	66	67	65	66	68	66	67	68	67	65	67
Asia Pacific	47	46	47	48	43	47	50	49	44	53	51	48
OECD SPR	**34**	**33**	**34**	**33**	**33**	**34**	**34**	**33**	**34**	**34**	**34**	**34**
Americas	30	29	29	29	30	30	29	29	29	29	29	29
Europe	30	31	32	30	31	31	31	32	33	33	33	34
Asia Pacific	50	48	49	47	45	51	50	47	46	53	51	48
OECD total	**91**	**90**	**92**	**90**	**90**	**92**	**92**	**92**	**92**	**94**	**92**	**93**

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

	2010	2011	2012	3Q13	4Q13	2013	Change 13/12	1Q14	2Q14	3Q14	4Q14	2014	Change 14/13
US	8.6	9.0	10.0	11.4	11.7	11.2	1.1	11.7	11.8	12.0	12.4	12.0	0.8
Canada	3.4	3.5	3.8	4.0	4.0	4.0	0.2	4.1	4.1	4.1	4.2	4.1	0.2
Mexico	3.0	2.9	2.9	2.9	2.9	2.9	0.0	2.8	2.8	2.8	2.8	2.8	-0.1
OECD Americas*	**15.0**	**15.5**	**16.7**	**18.3**	**18.6**	**18.0**	**1.3**	**18.6**	**18.7**	**19.0**	**19.5**	**19.0**	**0.9**
Norway	2.1	2.0	1.9	1.8	1.9	1.8	-0.1	1.8	1.7	1.7	1.8	1.8	-0.1
UK	1.4	1.1	1.0	0.8	0.9	0.9	-0.1	0.8	0.8	0.7	0.8	0.8	-0.1
Denmark	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Other OECD Europe	0.6	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
OECD Europe	**4.4**	**4.1**	**3.8**	**3.5**	**3.6**	**3.6**	**-0.2**	**3.5**	**3.3**	**3.2**	**3.5**	**3.4**	**-0.2**
Australia	0.6	0.5	0.5	0.4	0.4	0.4	-0.1	0.4	0.4	0.4	0.4	0.4	0.0
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OECD Asia Pacific	**0.7**	**0.6**	**0.6**	**0.5**	**0.4**	**0.5**	**-0.1**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**
Total OECD	**20.0**	**20.2**	**21.1**	**22.3**	**22.6**	**22.1**	**1.0**	**22.6**	**22.6**	**22.8**	**23.5**	**22.9**	**0.8**
Brunei	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Indonesia	1.0	1.0	1.0	0.9	0.9	0.9	-0.1	0.9	1.0	1.0	1.0	0.9	0.0
Malaysia	0.7	0.6	0.7	0.6	0.6	0.6	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Thailand	0.3	0.3	0.4	0.3	0.3	0.4	0.0	0.4	0.4	0.4	0.3	0.3	0.0
Vietnam	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Other Asia	**3.7**	**3.6**	**3.6**	**3.5**	**3.5**	**3.5**	**-0.1**	**3.5**	**3.6**	**3.6**	**3.5**	**3.5**	**0.0**
Argentina	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.6	0.6	0.6	0.6	0.6	0.0
Brazil	2.7	2.6	2.6	2.6	2.7	2.6	0.0	2.7	2.7	2.8	2.9	2.8	0.1
Colombia	0.8	0.9	1.0	1.0	1.0	1.0	0.1	1.0	1.1	1.0	1.1	1.1	0.0
Trinidad & Tobago	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
L. America others	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Latin America	**4.6**	**4.7**	**4.7**	**4.8**	**4.8**	**4.8**	**0.1**	**4.8**	**4.9**	**4.9**	**5.0**	**4.9**	**0.2**
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	0.9	0.9	0.9	0.9	1.0	0.9	0.0	1.0	1.0	1.0	1.0	1.0	0.0
Syria	0.4	0.4	0.2	0.1	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1
Yemen	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Middle East	**1.8**	**1.7**	**1.5**	**1.4**	**1.4**	**1.4**	**-0.1**	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**	**0.0**
Chad	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Congo	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.2	0.2	0.2	0.0
Egypt	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Equatorial Guinea	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Gabon	0.3	0.3	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Sudans	0.5	0.4	0.1	0.3	0.3	0.2	0.1	0.3	0.3	0.4	0.4	0.3	0.1
Africa other	0.2	0.3	0.3	0.3	0.3	0.3	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Africa	**2.6**	**2.6**	**2.3**	**2.4**	**2.5**	**2.4**	**0.1**	**2.5**	**2.5**	**2.5**	**2.5**	**2.5**	**0.1**
Total DCs	**12.7**	**12.6**	**12.1**	**12.0**	**12.1**	**12.1**	**0.0**	**12.2**	**12.3**	**12.4**	**12.5**	**12.4**	**0.3**
FSU	**13.2**	**13.2**	**13.3**	**13.4**	**13.5**	**13.4**	**0.2**	**13.5**	**13.4**	**13.6**	**13.8**	**13.6**	**0.2**
Russia	10.1	10.3	10.4	10.5	10.6	10.5	0.1	10.6	10.5	10.5	10.7	10.6	0.1
Kazakhstan	1.6	1.6	1.6	1.6	1.7	1.6	0.1	1.7	1.7	1.7	1.8	1.7	0.1
Azerbaijan	1.1	1.0	0.9	0.9	0.8	0.9	0.0	0.9	0.8	0.9	0.9	0.9	0.0
FSU others	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
China	4.1	4.1	4.2	4.1	4.3	4.2	0.1	4.3	4.2	4.3	4.3	4.3	0.0
Non-OPEC production	**50.2**	**50.3**	**50.7**	**52.0**	**52.7**	**52.0**	**1.2**	**52.8**	**52.7**	**53.1**	**54.2**	**53.2**	**1.2**
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	0.0	2.2	2.2	2.2	2.2	2.2	0.0
Non-OPEC supply	**52.3**	**52.4**	**52.9**	**54.1**	**54.9**	**54.1**	**1.2**	**55.0**	**54.9**	**55.3**	**56.4**	**55.4**	**1.3**
OPEC NGL	4.9	5.2	5.4	5.6	5.6	5.6	0.2	5.6	5.6	5.7	5.7	5.7	0.1
OPEC non-conventional	0.1	0.1	0.2	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
OPEC (NGL+NCF)	**5.0**	**5.4**	**5.6**	**5.8**	**5.9**	**5.8**	**0.2**	**5.9**	**5.9**	**6.0**	**6.0**	**5.9**	**0.1**
Non-OPEC & OPEC (NGL+NCF)	**57.3**	**57.8**	**58.4**	**59.9**	**60.7**	**59.9**	**1.5**	**60.8**	**60.8**	**61.3**	**62.4**	**61.3**	**1.4**

** Chile has been included in OECD Americas.*

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

Table 10.7: World Rig Count

	2010	2011	2012	2013	*Change* 13/12	1Q13	2Q13	3Q13	4Q13	Nov	Dec	Change Dec/Nov
US	1,541	1,881	1,919	1,761	-158	1,757	1,761	1,769	1,758	1,756	1,774	18
Canada	347	423	366	354	-12	536	154	348	379	386	372	-14
Mexico	97	94	106	106	0	114	107	100	101	100	98	-2
Americas	1,985	2,398	2,391	2,221	-170	2,407	2,023	2,217	2,238	2,242	2,244	2
Norway	18	17	17	20	2	21	19	21	18	20	14	-6
UK	19	16	18	17	-1	21	17	16	14	15	12	-3
Europe	94	118	119	135	16	134	133	140	133	137	126	-11
Asia Pacific	21	17	24	27	3	30	28	24	25	24	28	4
Total OECD	2,100	2,532	2,534	2,383	-151	2,571	2,184	2,382	2,396	2,403	2,398	-5
Other Asia	248	239	217	219	2	215	224	216	219	216	221	5
Latin America	205	195	180	166	-14	167	170	159	168	166	174	8
Middle East	156	104	110	76	-33	72	78	69	86	84	91	7
Africa	19	2	7	16	9	9	15	15	24	26	27	1
Total DCs	628	540	513	477	-36	463	487	459	497	492	513	21
Non-OPEC rig count	**2,727**	**3,072**	**3,047**	**2,860**	**-187**	**3,034**	**2,670**	**2,841**	**2,894**	**2,895**	**2,911**	**16**
Algeria	25	31	36	47	11	44	48	48	47	44	49	5
Angola	9	10	9	11	2	9	10	12	14	13	14	1
Ecuador	11	12	20	26	6	25	26	27	26	27	26	-1
Iran**	52	54	54	54	0	54	54	54	54	54	54	0
Iraq**	36	36	58	83	25	66	80	93	92	92	93	1
Kuwait**	20	57	57	58	1	59	58	58	57	57	57	0
Libya**	16	8	12	15	3	16	15	14	14	16	12	-4
Nigeria	15	36	36	37	1	36	40	34	36	36	36	0
Qatar	9	8	8	9	1	9	8	10	8	7	11	4
Saudi Arabia	67	100	112	114	3	116	114	111	115	113	120	7
UAE	13	21	24	28	4	28	27	28	30	31	30	-1
Venezuela	70	122	117	121	3	119	122	121	121	118	119	1
OPEC rig count	**342**	**494**	**542**	**602**	**60**	**582**	**601**	**611**	**614**	**608**	**621**	**13**
Worldwide rig count*	**3,069**	**3,566**	**3,589**	**3,462**	**-127**	**3,616**	**3,271**	**3,452**	**3,508**	**3,503**	**3,532**	**29**
of which:												
Oil	1,701	2,257	2,654	2,665	11	2,781	2,544	2,649	2,684	2,690	2,696	6
Gas	1,325	1,262	886	746	-140	795	672	747	769	760	786	26
Others	43	49	52	55	2	44	58	60	56	57	49	-8

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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Disclaimer

OPEC Basket average price

US$/b

up 2.70 in December	December 2013	107.67
	November 2013	104.97
	Year 2013	**105.87**

December OPEC crude production

mb/d, according to secondary sources

down 0.02 in December	December 2013	29.44
	November 2013	29.46

Economic growth rate

per cent

	World	OECD	US	Japan	Euro-zone	China	India
2013	2.9	1.2	1.8	1.7	–0.5	7.8	4.7
2014	3.5	1.9	2.5	1.5	0.7	7.8	5.6

Supply and demand

mb/d

2013		**12/13**	**2014**		**13/14**
World demand	89.9	0.9	World demand	90.9	1.0
Non-OPEC supply	54.1	1.2	Non-OPEC supply	55.4	1.3
OPEC NGLs	5.8	0.2	OPEC NGLs	5.9	0.1
Difference	**29.9**	**–0.5**	**Difference**	**29.6**	**–0.4**

OECD commercial stocks

mb

	Sep 13	Oct 13	Nov 13	Nov 13/Oct 13	Nov 12
Crude oil	1,301	1,339	1,332	–7.2	1,313
Products	1,414	1,363	1,343	–20.3	1,379
Total	**2,714**	**2,702**	**2,675**	**–27.5**	**2,693**
Days of forward cover	58.4	58.7	58.1	–0.7	58.5

Next report to be issued on 12 February 2014.