OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:

Japan: one year after

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Oil Market Highlights

- The **OPEC Reference Basket** continued to move higher in February, settling at $117.48/b, representing an increase of $5.72/b or 5.1% over the previous month. The increase was supported by geopolitical factors that were further amplified by a surge in speculative activities in the crude oil future markets. The improvement in US economic data and some positive developments in the Greek financial bailout were also supportive. In February, crude futures also moved higher with Nymex WTI increasing by $1.94 to average $102.26/b and ICE Brent gaining $7.61 to average $119.06/b. Crude oil prices have remained strong in recent days with the OPEC Reference Basket standing at $124.13/b on 8 March.
- **World economic growth** remains unchanged at 3.4% for 2012 and 3.6% for 2011. The US continues recovering and is expected to grow by 2.2% in 2012, unchanged from the previous month. Japan's stimulus along with expected reconstruction efforts by the private sector are expected to drive 2012 growth to 1.8%, unchanged from last month The Euro-zone's deceleration has flattened out and growth expectations for 2012 remain at minus 0.2%. Emerging markets seem to continue expanding at high levels. China's forecast has been kept at 8.2% for 2012, while growth in India's economy has slowed and the 2012 forecast has been revised down to 7.1% from 7.2%. While global output activity has recovered to some extent in the past weeks, downside risks prevail.
- **World oil demand** is forecast to grow by 0.9 mb/d in 2012, unchanged from the previous report, following marginally decreased growth of 0.8 mb/d in 2011. The weak pace of growth in the OECD economies is negatively affecting oil demand and imposing a high range of uncertainty on potential consumption growth. Although US economic data points toward a better performance, the situation in Europe along with higher oil prices has resulted in considerable uncertainties on the future oil demand for the remainder of the year.
- **Non-OPEC oil supply** is expected to increase by 0.6 mb/d in 2012, following only minor growth of 30 tb/d in the previous year. The 2012 figure represents a downward adjustment of 0.1 mb/d from the previous month, mainly due to revisions in forecasts for Syria, the former Sudan, and Yemen, as well as changes in the supply profile of some countries, in addition to updates to historical data. OPEC NGLs and non-conventional oils are expected to average 5.7 mb/d in 2012, an increase of 0.4 mb/d over the previous year and unchanged from the previous report. In February, total OPEC crude oil production, according to secondary sources, increased by 140 tb/d to average 30.97 mb/d.
- **Product market** sentiment turned bearish in February, following disappointing demand for middle distillates due to the weak economy and the mild winter in the Northern Hemisphere. The temporary cold spell in Europe was unable to lift product markets. A continued recovery at the top of the barrel was outweighed by crude price gains, causing the refinery margins to decline worldwide.
- **OPEC spot fixtures** were higher in February compared to the previous month, averaging 12.3 mb/d. OPEC sailings also increased, but destinations in different regions were mixed. Tonnage availability on many key routes, as well as the holiday period in the Far East continued to pressure tanker spot freight rates in February, leading to a decline in both dirty and clean rates of 6% and 8% respectively.
- In February, **US commercial oil stocks** increased by 4.0 mb, widening the surplus with the five-year average to 37.0 mb and stood at 12.6 mb above a year ago. The build was attributable to crude, which increased by 5.9 mb, while products fell 1.9 mb. In Japan, the most recent monthly data for January shows that commercial oil inventories declined for the fourth consecutive month by 0.9 mb. With this draw, inventories were 1.4 mb below a year ago, while the deficit with the five-year average remained at 9.8 mb. All of the stockdraw came from crude, which declined by 1.2 mb, while products rose 0.3 mb.
- **Demand for OPEC crude** in 2011 remained unchanged from the previous assessment at 30.1 mb/d, representing a gain of 0.4 mb/d over the 2010 level. In 2012, demand for OPEC crude is projected to average 30.0 mb/d, in line with the previous report and about 0.1 mb/d lower than last year.

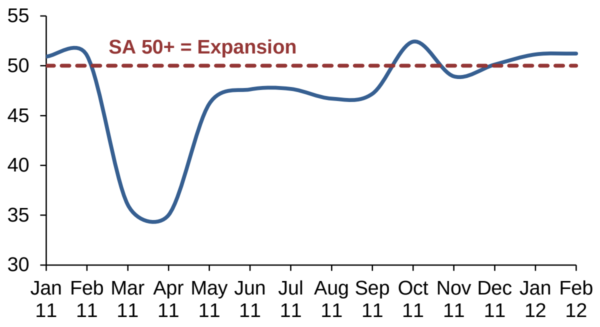
Japan: One year after

A year after Japan was hit by the tragic events in March 2011, the consequences are still being felt. The most recent data from 4Q11 shows a contraction of 0.7%, resulting in a yearly GDP drop of 0.7%. This compares to growth of 4.4% in the previous year. The impact has been so dramatic that the initial comparison to the 1995 Kobe earthquake – when the economy recovered swiftly – has turned out to be overly optimistic. The deceleration in the global economy in 2011 was an additional factor delaying the recovery in Japan.

So far this year, there have been signs of an economic improvement which are rooted in three areas. The global recovery appears to have gained some traction in recent months, helping Japanese exports to limit their decline. Domestic demand also has begun to improve. Retail trade growth, which was negative for most of last year, has picked up by 2.5% y-o-y in December and by 1.9% in January. In addition, the broad stimulus efforts undertaken by the government starting last year have enabled not only the reconstruction of the devastated areas, but also helped to revive the ailing economy in general. The total stimulus initiated in 2011 amounts to ¥16.1 trillion ($200 bn). The latest stimulus package approved by the Diet in November was ¥12 trillion ($150 bn) and is expected to support the economic recovery this year.

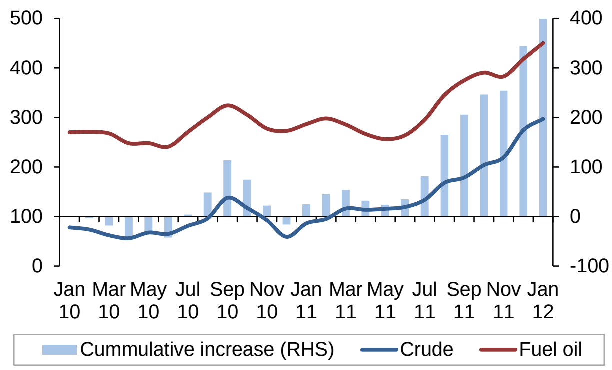
These supporting factors have already led to an increase in the composite output purchasing managers' index (PMI) for Japan, as provided by Markit. The index rose from a record low of 35.0 in April last year to the February level of 51.2, pointing to an expansion at a level above 50 (see ***Graph 1***). In 2012, Japan's economy is projected to grow by 1.8%.

Graph 1: Composite Purchasing Managers' Index (PMI)



Source: Markit and Haver Analytics

Graph 2: Electricity generating fuel demand, tb/d



The tragic events in Japan have changed the country's energy map not only for the year 2011, but also over the medium term. In the wake of Fukushima, Japan has shut down 52 out of a total of 54 of its nuclear reactors for an undetermined period. Only 4.6% of Japan's total installed nuclear capacity is currently operational. Given the capability of dual fuel power plants, the country has switched to other forms of fuel – LNG, fuel oil, and crude oil for direct burning – in order to generate electricity (see ***Graph 2***). Given the tight supply of low sulfur crude oil for most of last year, the dominant alternative fuel has been LNG with import volumes jumping by about 25%. Fuel switching has resulted in positive growth in the country's oil consumption, in contrast to the negative trend seen over the past few years, when Japan total oil consumption lost nearly 900,000 b/d between 2005 and 2010. The country's oil use in 2011 was up by 0.6% y-o-y to average 4.5 mb/d and growth is expected to be more this year at around 2%. However, this growth could go lower if the country is able to bring some of its nuclear power plants back online within the current year.

The natural disaster in Japan also damaged some refineries and caused throughputs to fall below 66% during 2Q11. However, most of the refineries have been back on line since July, except for Cosmo-Chiba, with a capacity of 220 tb/d, and JX-Sendai with a capacity of 145 tb/d. Japan has compensated for this loss by boosting runs elsewhere. However, as economic activities have been severely affected, the demand for some products has been low for most of last year. As a result, overall refinery utilization has not been dramatically increased, even in the northern part of the country, where demand for kerosene during the heating season has been met with higher imports in 4Q11. Refinery utilization currently stands at around 80%, the same level as in the period prior to the disaster.

Last year, Japan experienced a negative trade balance for the first time in 32 years. This has been mainly due to three factors: the decline in manufacturing exports due to the disaster; the strengthening of the yen to multi-year highs against the US dollar and euro; and higher bills for energy imports due to the disruption in nuclear power generation. Looking ahead, the direction Japan takes in solving its nuclear dilemma, along with the effectiveness of efforts to stimulate domestic consumption and combat the strong yen while promoting exports, will have an important impact, not only on the outlook of the world's third largest economy, but also the global economic recovery as well.

Crude Oil Price Movements

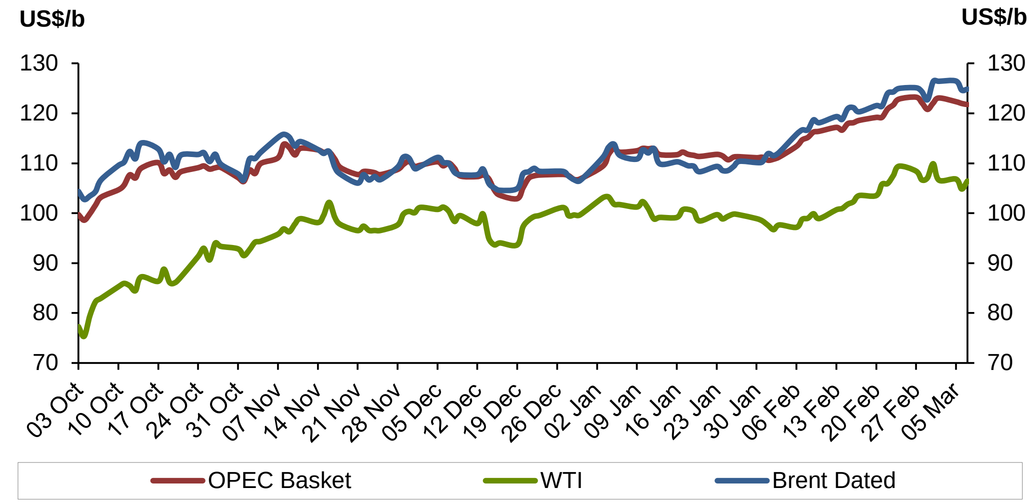
OPEC Reference Basket

OPEC Reference Basket settled at a ten-month high

The OPEC Reference Basket continued to move higher in February to settle at $117.48/b, the highest monthly average since April of last year. The upward trend in the Basket price, which began two months ago, was supported by a widening geopolitical risk premium amid fears of supply disruptions inflated by a surge of speculative activities in the crude oil future markets. Bullish US economic data and the positive outcome of the Greek financial bailout were also supportive all throughout the month. The increase comes despite concerns over the impact of high oil prices on oil demand, weak economic data out of Europe, repeated downward revisions in global oil demand growth and the start of a seasonally weaker second quarter.

On a monthly basis, the OPEC Reference Basket improved significantly to average $117.48/b in February, capturing a hefty increase of $5.72 or 5.1% above the previous month. Year-to-date, the Basket averaged $114.62/b compared to last year's average of $96.56/b for the same period, an increase of $20.92 or 22%.

Graph 1.1: Crude oil price movement, 2011-2012



All Basket components increased in the month of February. Brent-related grades showed significant gains as they improved by over 8% during the month, the largest month-to-month percentage gain since the 9% reached in April 2011. On average, Saharan Blend, Es Sider and Bonny Light increased by a hefty $9 to $120.99/b, compared to the $126.07/b of April 2011. Middle Eastern crudes Murban, Arab Light and Qatar Marine moved up to $118.10/b, higher by $5.94/b or more than 5%. On the other hand, Ecuador's Oriente showed a significant increase of $8.30/b or 8%, translating into a monthly average of $112.44/b. Moreover, Girassol, Basrah Light, Kuwait Export and Iran Heavy improved by $7.50, $6.00, $4.80 and $4.75, respectively. Contrary to the previous month, Venezuelan Merey showed the least increase, affected by developments in the fuel oil market, which went from roaring along a month ago to near collapse. Merey increased by only $1.47/b or 1.4% over the month.

The improvement in North/East African crudes was supported by Dated Brent as it outperformed other regional crude oil benchmarks amid widespread geopolitical concerns surrounding the European markets. Turbulence in North Sea crude oil output and a small increase in arbitrage cargoes to Asia and North America also supported Dated Brent, despite falling refining margins and an ongoing weak economic environment in the region. At the same time, even with the strong decline in the fuel oil crack over the month amid record inflows from the West that placed the sour market in Asia under strong pressure, Middle Eastern Basket components managed to achieve sizable gains over the month. Toward the end of the month, sour crude market sentiment improved, as seen by the widening backwardation of the Dubai market, as refiners wrap up seasonal turnarounds.

In March, the OPEC Reference Basket remained strong, averaging above $120/b, to settle at $124.13/b on 8 March.

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

	Jan 12	Feb 12	Change Feb/Jan	Year-to-date 2011	Year-to-date 2012
OPEC Reference Basket	**111.76**	**117.48**	**5.72**	**96.47**	**114.62**
Arab Light	112.82	118.01	5.19	97.31	115.41
Basrah Light	110.21	116.21	6.00	95.83	113.21
Bonny Light	113.08	122.36	9.28	101.79	117.72
Es Sider	111.28	120.26	8.98	99.72	115.77
Girassol	113.01	120.51	7.50	100.20	116.76
Iran Heavy	111.77	116.51	4.74	95.67	114.14
Kuwait Export	112.00	116.79	4.79	95.01	114.39
Marine	110.65	116.99	6.34	96.34	113.82
Merey	107.77	109.26	1.49	83.71	108.52
Murban	113.03	119.31	6.28	98.80	116.17
Oriente	104.11	112.44	8.33	87.41	108.28
Saharan Blend	111.43	120.36	8.93	101.17	115.89
Other Crudes					
Minas	120.41	126.31	5.90	102.45	123.36
Dubai	109.86	116.17	6.31	96.03	113.01
Isthmus	110.02	114.42	4.40	92.46	112.22
T.J. Light	108.04	112.36	4.32	90.56	110.20
Brent	110.58	119.56	8.98	99.97	115.07
West Texas Intermediate	100.30	102.35	2.05	89.44	101.33
Urals	109.91	118.50	8.59	97.43	114.20
Differentials					
WTI/Brent	-10.28	-17.21	-6.93	-10.52	-13.74
Brent/Dubai	0.72	3.39	2.67	3.93	2.06

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

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

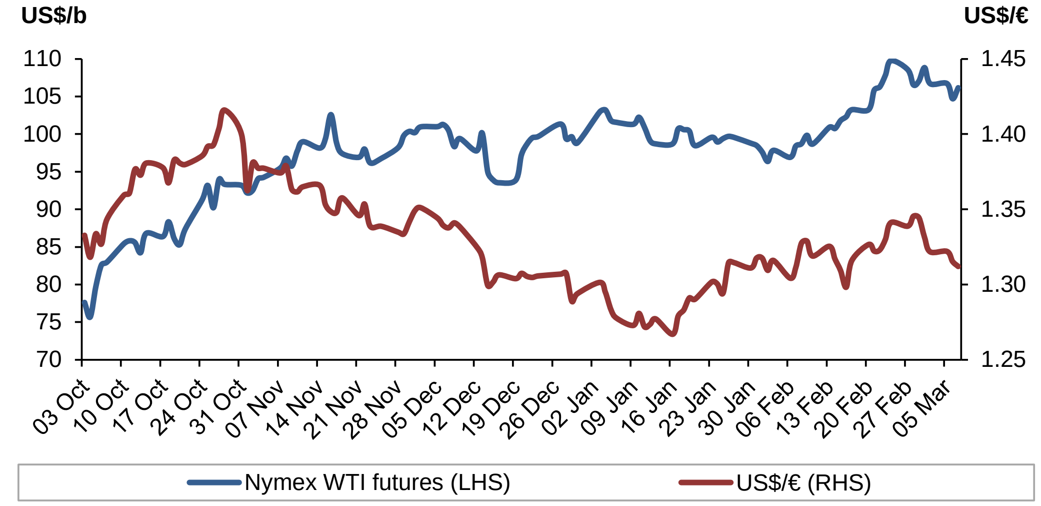
The oil futures market

Crude futures were up significantly in February with ICE Brent increasing by $7.61 and Nymex WTI by $1.94

Crude oil futures markets were up significantly again in February, registering at least one new all-time high with the ICE Brent front-month striking a record high in euros of €92.80/b on 22 February. Besides a risk premium associated with supply concerns, which was inflated by a surge in speculative dealings, numerous other factors have caused crude oil future prices to surge to record highs, including widespread geopolitical concerns, increasing economic optimism in the US and progress in the Euro-zone debt crisis. In the meantime, concerns over high oil prices curbing economic growth, recessionary economic data out of Europe, repeated downward adjustments in global oil demand growth, the start of a seasonally weaker second quarter and significant increases in crude oil inventories in the US could not change a resilient upward momentum in crude oil prices. Continuing from the previous month's gains, ICE Brent front-month prices improved by a hefty $7.61 or almost 7% in February to settle at an average of $119.06/b. This was an impressive performance that has not been seen since the $8.42 rise in April to the average of $123.09/b, on the back of the Libyan supply disruption. On the other hand, the WTI front-month improved by $1.94 to average $102.26/b in February, also the highest monthly average in ten months. Compared to February of last year, ICE Brent was higher by a hefty $15.03 or 14.50%, while WTI was up significantly by $12.52 or almost 14%.

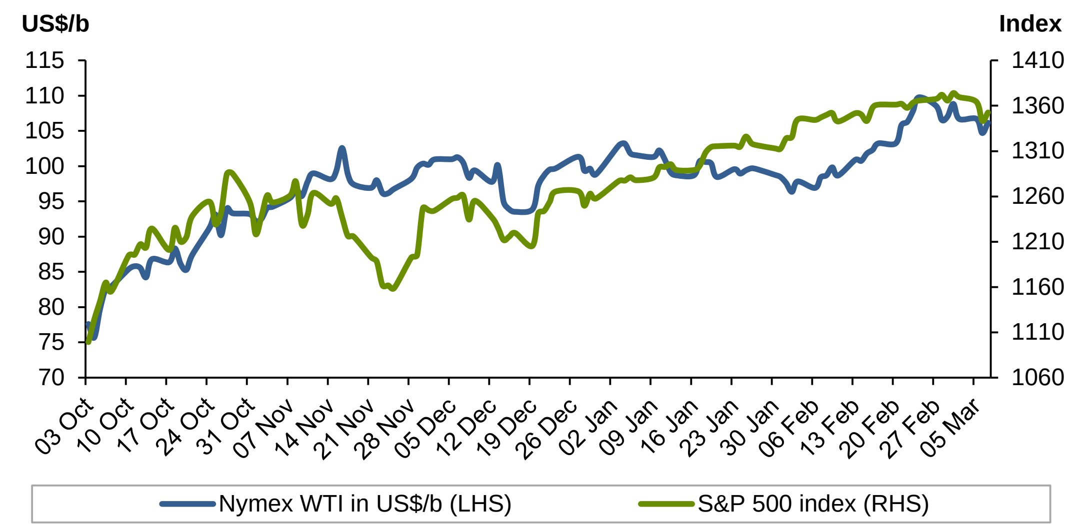
Unlike the previous month, the WTI front-month was volatile in February, trading in a very wide range of $13.45/b, implying increasing speculative activity. The trading range, the widest since October, has almost tripled compared to that of the previous month's range of $4.75/b. The WTI front-month traded at around $98/b in the first ten days of the month, before increasing above the key $100/b in the month's second ten-day period. In the last third of the month, prices rocketed to near $110/b to average around $107/b. ICE Brent trade also changed course to become volatile, reaching a daily settlement of as high as $125.47/b on 24 February compared to $111.56/b at the beginning of the month.

Graph 1.2: Nymex WTI futures and US$ exchange rate, 2011-2012



Crude oil futures prices kept their upward momentum in the first week of March when Nymex WTI settled above $105/b and ICE Brent moved up above $120/b. On 8 March, ICE Brent stood at $125.44/b and Nymex WTI at $106.58/b.

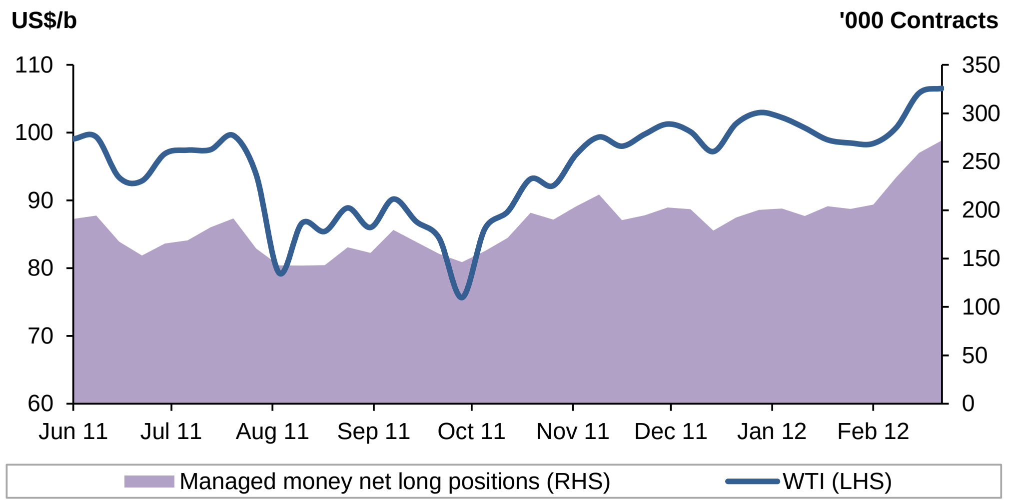
Graph 1.3: Nymex WTI futures vs. S&P 500 index, 2011-2012



Data from the US Commodity Futures Trading Commission (CFTC) showed that speculators substantially raised their net long positions in US crude oil futures and options positions in the month of February. Hedge funds and other large investors increased their net long positions on the New York Mercantile Exchange by 42,447 contracts to 242,698, the highest since May 2011, indicating that hedge funds and money managers remained bullish on the contract. This also represents an increase of over 21%, a record m-o-m change. The data showed that much of the rise was due to the establishment of outright new long positions, a reflection of bullish market sentiment that suggests prices are heading higher. Outright longs were up by 30,000 contracts, while shorts were cut by 12,440, indicating that as prices rose, bullish traders were backing the move. During this period, US crude oil prices rose from $97.61/b to $109.77/b. Furthermore, in ICE Brent crude oil futures, speculative activities also mirrored that of the US futures market, where net long futures and option positions increased to 126,802 lots during the last week of February.

The average daily volume of traded futures during February for WTI Nymex contracts increased by a hefty 130,375 lots to 736,932 contracts or above 735 mb/d. For ICE Brent, the volume also increased by a substantial 11% to 573,277 contracts, while open interest increased sharply by over 8.5% to reach the key 1 million lots, again supporting bullish sentiments among investors in the paper market.

Graph 1.4: Nymex WTI price vs. speculative activity

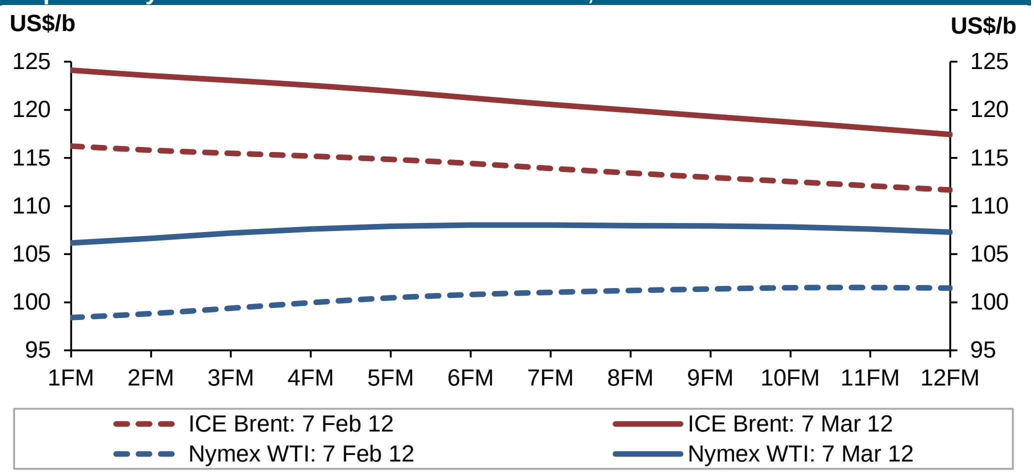


Nymex widened its contango and ICE Brent steepened its backwardation

The futures market structure

Nymex WTI market structure widened its contango, with the first vs. second month spread increasing by 20¢ and moving from minus 20¢ in January to an average of minus 40¢. This came as crude oil stocks at the Nymex WTI delivery point at Cushing kept building earlier in the month and climbed to the highest levels since September, according to the EIA. Furthermore, the low regional refinery utilisation rate, coupled with an inflow of Canadian crudes and near record-high production of shale crude, supported the widening contango structure. Meanwhile, ICE Brent backwardation steepened considerably over the month as geopolitical tensions, a tight loading programme, weather-related delays and production issues continued to provide support. The spread between the second and the first month of the ICE Brent contract widened by 50¢, averaging around 70¢/b in February compared to 20¢/b in the previous month.

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



FM = future month

The transatlantic (Brent vs. WTI) spread widened sharply again in February amid growing pressure in the WTI market as supply distribution and geopolitical tensions continued to promote the Brent market. On average, the front-month ICE Brent/WTI spread on Nymex was $16.80/b, which was $5.67 wider than the previous month.

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

Nymex WTI

	1st FM	2nd FM	3rd FM	6th FM	12th FM
07 Feb 12	98.41	98.82	99.38	100.80	101.47
07 Mar 12	106.16	106.65	107.18	108.01	107.28

ICE Brent

	1st FM	2nd FM	3rd FM	6th FM	12th FM
07 Feb 12	116.23	115.80	115.48	114.43	111.67
07 Mar 12	124.12	123.55	123.06	121.24	117.44

FM = future month

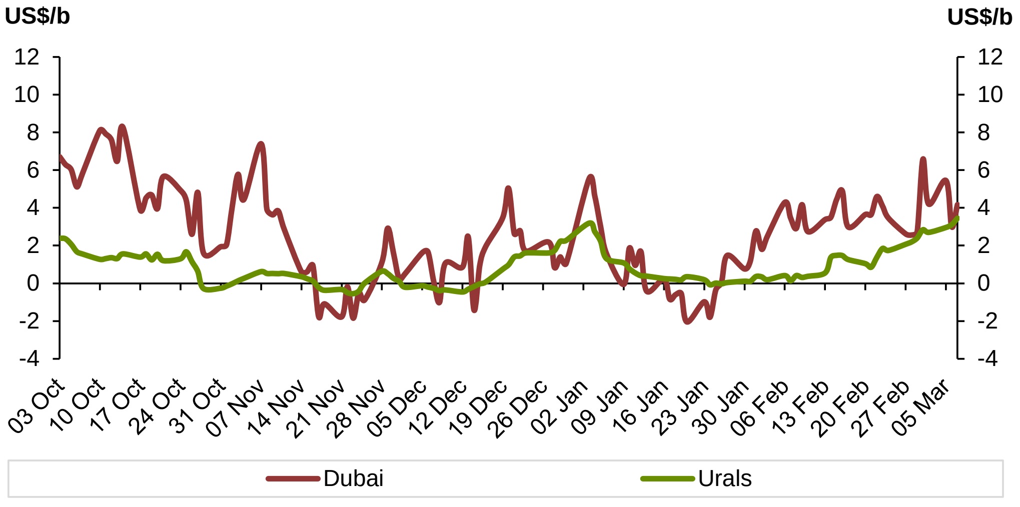
The sweet/sour crude spread

Light-sweet/heavy-sour spreads widened globally

Light-sweet/heavy-sour differentials widened globally in February, supported by improving light-refined product cracks, particularly naphtha/gasoline, tight supply of light sweet crude due to production glitches, weakening fuel oil cracks and increasing regional imports of heavy/sour crudes.

In Europe, particularly in the Mediterranean, the spread between Urals and Dated Brent widened by 40¢ m-o-m in favour of Brent. The light/sweet spread was supported by tight supply in the North Sea on the back of declining output and a marginal increase in arbitrage cargoes to Asia. Meanwhile, despite its suitability as a replacement for Iranian crudes, Urals was under pressure by weaker fuel oil cracks. In Asia, light-sweet/heavy-sour differentials, represented by the Tapis/Dubai spread, widened by $1.20 during the month of February. Tapis benefitted strongly from the rising naphtha crack on the back of lower West of Suez inflows as well as a healthy gasoline market. At the same time, similar to Urals, Dubai came under heavy pressure from a strongly weakening fuel oil crack. The US Gulf Coast (USGC) sweet and sour grade spread, represented by the LLS/Mars spread, widened by $1.90 over the month of February. A large increase in US imports of sour crude from the Middle East, particularly from Saudi Arabia due to the expansion of its Motiva's Port Arthur refinery, weighed on domestic sour grades, such as Mars. A weakening fuel oil crack further pressured Mars. Meanwhile, the light/sweet grade LLS is being supported by record flows of West African crude to Asia.

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



Commodity Markets

Continued recovery in precious metals and agriculture prices but slower price growth in base metals

Trends in selected commodity markets

In February 2012, the World Bank (WB) **energy commodity price indices** rose by 4.4% m-o-m in February, supported by booming crude oil prices while **non-energy prices** were up 2.6% compared to 2.9% a month earlier, driven by food and precious metals as base metals posted weaker growth. Commodity prices continue to be supported by a stream of consistently improving macroeconomic data as well as geopolitical tensions. The Chinese economy seems to have managed to achieve a soft landing with the Purchasing Managers' Index (PMI) increasing in February. Similarly, lower Chinese base metal imports and supply-side factors have been playing a key role, particularly in the case of base metals.

Table 2.1: Commodity price data, 2011-2012

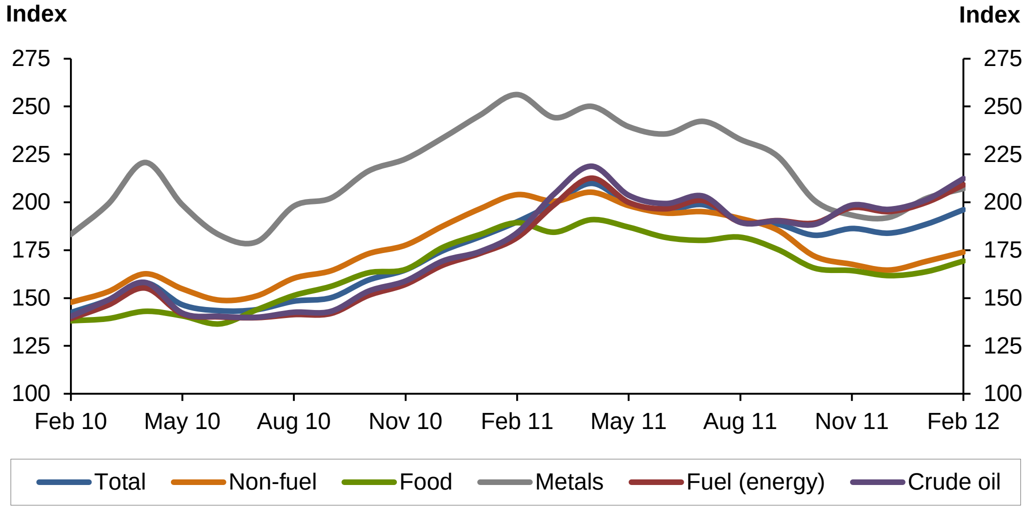
Commodity	Unit	Monthly averages			% Change		
		Dec 11	Jan 12	Feb 12	Dec/Nov	Jan/Dec	Feb/Jan
World Bank commodity price indices for low and middle income countries (2005 = 100)							
Energy		187.6	192.5	201.0	-1.2	2.6	4.4
Coal, Australia	$/mt	109.7	115.9	115.2	-3.6	5.7	-0.6
Crude oil, average	$/bbl	104.2	107.1	112.7	-1.1	2.7	5.2
Natural gas, US	$/mmbtu	3.2	2.7	2.5	-2.4	-15.3	-6.0
Non Energy		183.7	188.9	193.8	-2.7	2.9	2.6
Agriculture		184.9	188.7	193.1	-3.1	2.1	2.3
Food		193.4	197.6	203.4	-2.9	2.2	3.0
Soybean meal	$/mt	342.0	367.0	387.0	-3.4	7.3	5.4
Soybean oil	$/mt	1204.0	1218.0	1255.0	-1.1	1.2	3.0
Soybeans	$/mt	474.0	498.0	512.0	-2.5	5.1	2.8
Grains		221.7	223.9	226.7	-5.0	1.0	1.3
Maize	$/mt	258.6	272.8	279.5	-5.7	5.5	2.4
Sorghum	$/mt	256.4	265.7	269.2	-3.4	3.6	1.3
Wheat, US, HRW	$/mt	269.0	274.9	277.8	-4.3	2.2	1.0
Sugar World	¢/kg	50.8	51.9	53.2	-4.1	2.3	2.4
Base Metal		163.0	173.5	181.5	-1.0	6.4	4.6
Aluminum	$/mt	2022.3	2144.2	2207.9	-2.8	6.0	3.0
Copper	$/mt	7565.5	8040.5	8441.5	-0.2	6.3	5.0
Iron ore, spot, cfr China	¢/dmtu	136.4	140.3	140.4	0.6	2.8	0.1
Lead	¢/kg	202.2	209.6	212.1	1.4	3.6	1.2
Nickel	$/mt	18266.8	19854.8	20393.7	2.2	8.7	2.7
Steel products index	2005=100	141.7	138.7	137.4	-0.9	-2.1	-0.9
Tin	¢/kg	1937.5	2143.9	2429.3	-9.0	10.7	13.3
Zinc	¢/kg	190.5	198.2	205.8	-1.6	4.0	3.8
Precious Metals							
Gold	$/toz	1641.8	1652.2	1742.1	-5.5	0.6	5.4
Silver	¢/toz	3013.3	3076.9	3416.6	-9.4	2.1	11.0

Source: World Bank, Commodity price data

The **Henry Hub (HH) natural gas price** was down 6% m-o-m in February compared to the drop of 15.3% a month earlier, which may be related to some news at the end of the month of North American gas producers cutting drilling budgets. Nevertheless, these measures are not likely to clear a long-lasting oversupplied market in 2012. Even if a sharp cut in drilling takes place later this year, this will only reflect in the 2013 gas balance. Although there was some revival in HH natural gas prices, the market is characterized by high storage levels and milder winter weather.

The **agricultural** price index rose 2.3% in February compared to 2.1% in the previous month. Despite some bullish weather factors, grain prices felt the pressure of bearish news, which revealed higher-than-expected crops for this spring, especially in corn. Soybeans posted big gains within the grain complex in February on US export demand and concerns related to dry weather in Brazil. A bearish factor was weak imports from China. Except for corn, China trade data for January reveals an ease in agricultural imports.

Graph 2.1: Major commodity price indexes, 2010-2012



Commodity price index, 2005 = 100

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

Source: IMF

The WB **base metal price index rose by 4.6% m-o-m in February vs. an increase of 6.4%** the previous month. There was a diverse performance across the complex with aluminium and nickel undertaking weaker growth while copper prices were less affected. Tin was the only base metal price which reported stronger growth in February. The slower growth pace of base metal prices in February was mainly influenced by a decline in Chinese imports. Chinese import data for commodities and base metals does not show a clear pattern in January which points to the fact that differences in stocking cycles are still having a significant effect on commodity trade flows. Although most commodity imports from China declined on a monthly basis, this seems to be mainly associated with the Chinese New Year holiday which exerts a negative impact on import demand at this time of the year.

The m-o-m decline in copper imports supports the view that inventories rose toward the end of last year, reducing the need for imports in early 2012. Nevertheless, the annual data gives a more mixed picture. Within the base metal complex, copper and zinc posted important growth y-o-y, but nickel declined sharply. Additionally, nickel, lead and tin posted a rise in stocks at the London Metal Exchange (LME). Although copper stocks at the LME dropped sharply, there was an increase in the Shanghai Exchange (SHFE). It seems that the negative impact of weaker Chinese imports partly outpaced other positive factors such as improvements on the macroeconomic front, consistent evidence of global industrial sector growth since the beginning of the year and expected supply constraints in several base metals.

As has been noted previously, there is evidence from the Chinese domestic metal markets suggesting a temporary surplus in several cases. This is explained by strong imports in 4Q11 and points to some moderation in base metal imports at the beginning of 2012, as well as a softening of international market conditions. Assuming a soft landing for the Chinese economy, any period of weak demand will be limited by a revival of end-demand.

Copper prices rose by 5% m-o-m in February compared to 6.3% in January, pressured by lower Chinese imports. Copper scrap imports from China declined by 49% m-o-m to 229 kt in January owing to a recession in European manufacturing. Refined copper imports fell 18% m-o-m to 335 kt but were up 37% on a yearly basis. Copper concentrate imports increased by 6.9% m-o-m to 602 kt in January.

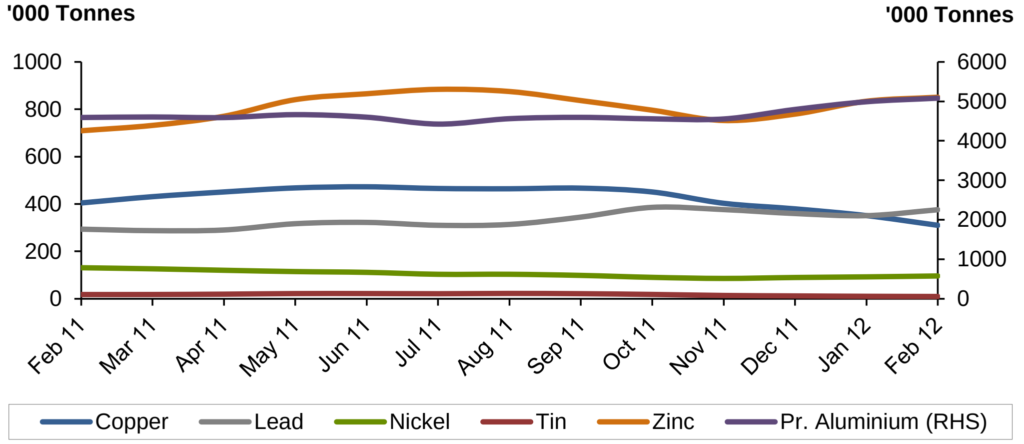
Aluminium prices increased by 3% m-o-m in February compared to 6% in January. This was partly due to the fact that Chinese primary aluminium imports also fell to 41 kt, while scrap imports plummeted by 40% y-o-y to 138 kt. This fall was partly caused by difficulty in clearing scrap at ports owing to administrative requirements. There was a build in SHFE inventories which have increased more than 134 kt since the beginning of December.

Nickel prices rose by only 2.7% m-o-m in February compared to 8.7% in January, affected by lower Chinese imports. Refined nickel net imports dropped by 33% m-o-m to 12 kt in January. As in the case of other base metals, it seems that high imports in December 2011 led to important stockbuilds. It is expected that inventories are run down and buyers will scale back imports in early 2012; but the duration of this process will depend on the magnitude of demand and the drawdown of inventories. Likewise, SHFE/LME is unfavourable to imports.

The **tin** price has been the best performer within the base metals complex, rising by 13% m-o-m in February compared to 10.7% in the previous month. This is essentially related to tight fundamentals. A decline in refined tin shipments from Indonesia, the world's largest exporter, is expected in the first quarter as monsoon rains disrupt mining. Exports plunged 64% in January from a month earlier to 5,380 tons due to the rains and a depletion of stockpiles after traders boosted shipments in December, the Indonesian trade ministry said, citing surveyors' data.

Gold prices rose by 5.4% in February compared to 0.6% the previous month, supported by the physical market and the Fed's choice to defer the planned first hike in the federal fund rate. The investment flow is positive but softer. The gold price is also expected to reach new highs due to uncertainties in the financial markets, sovereign debt concerns and inflationary pressures. Finally, China is expected to become the largest consumer of gold in 2012.

Graph 2.2: Inventories at the LME



Source: LME

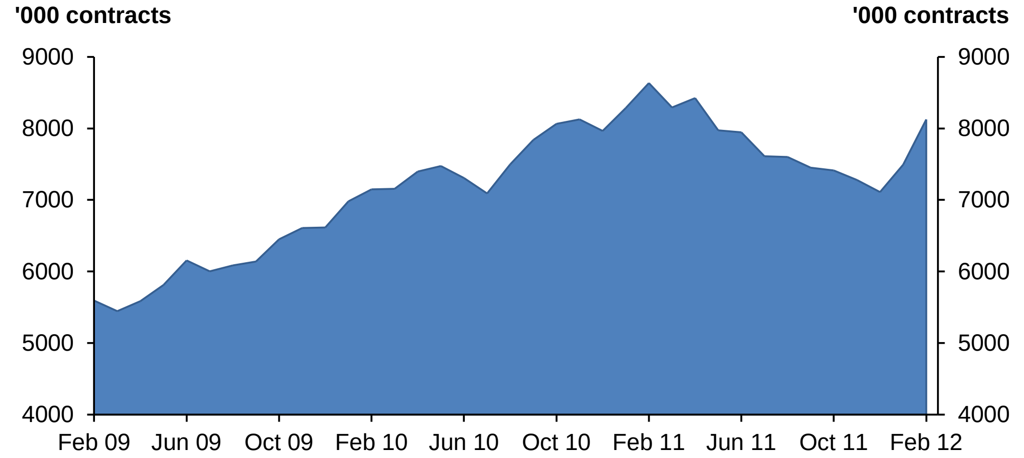
Investment flows into commodities

Tactical investors are still optimistic on major commodity markets given an improvement in the macro outlook.

Investment in commodities kept recovering in February encouraged by better macroeconomic news such as indications of stabilization in the global industrial sector in 2012, better-than-expected performance of the US economy and constructive developments in the EU.

Total open interest volume (OIV) in major commodity markets in the US increased by 8% m-o-m to 8,234 contracts in February, compared with a rise 4% in the previous month. Total net length speculative positions increased by 47% m-o-m to 817,784 contracts on a 16% m-o-m rise in longs and a 4% decrease in shorts. Crude oil, gold and copper benefited the most from the tactical investor interest.

Graph 2.3: Total open interest volume

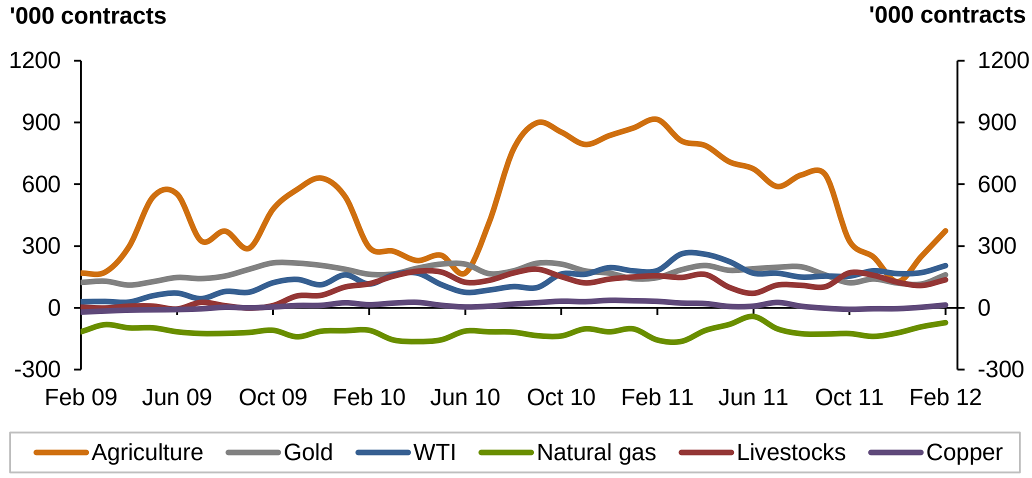


Source: CFTC

Agricultural open interest volume (OIV) rose further by 7.9% m-o-m to 4,113,342 contracts in February compared to an increase of 2.7% January. Following the 88% m-o-m boom in January, money managers' net long positions in agricultural markets rose by 49% to 373,829 contracts in February following a 16% increase m-o-m in longs and a 3% reduction in shorts.

HH natural gas OIV rose by 11% to 1,243,892 contracts in February compared to a 14% increase in January. Tactical net length positions rose by 22% in February on a rise of 12% in longs combined with a 1% increase in shorts.

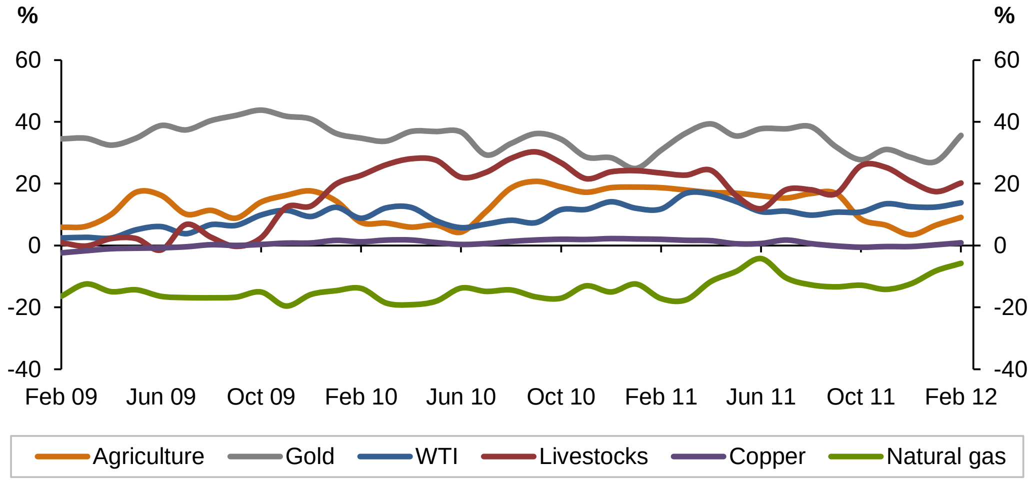
Graph 2.4: Speculative activity in key commodities, net length



Source: CFTC

Copper OIV rose further by 18.7% m-o-m to 160,090 contracts in February compared to a 13% hike in January. The net-length of money manager' positions rose further by more than 350% m-o-m to 13,962 contracts compared to 178% in January. While strategic longs increased by 33%, short positions declined by 9%.

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



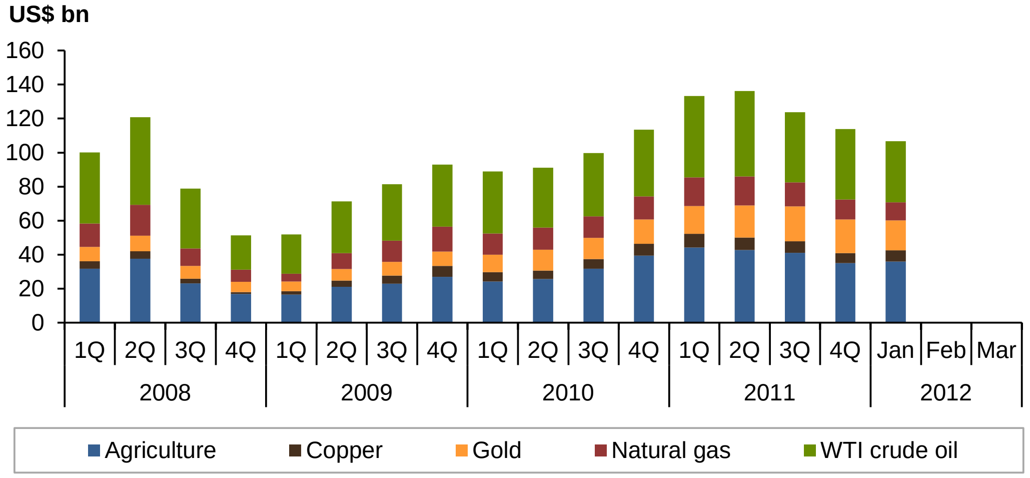
Source: CFTC

Gold OIV rose by 5.9% m-o-m to 450,736 contracts in February compared to a 0.5% rise in the previous month. Strategic investments in gold jumped by 39% m-o-m to 160,509 contracts in February compared to a 4% drop in January. Speculative longs posted a rise of 32% m-o-m in February, while shorts declined by 37%. Gold was one of the favored commodities by investors.

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

	Open interest		*Net length*			
	Jan 12	**Feb 12**	**Jan 12**	**% OIV**	**Feb 12**	**% OIV**
Crude Oil	1377	1483	171	12	205	14
Natural Gas	1121	1244	-92	-8	-72	-6
Agriculture	3811	4113	251	7	374	9
Precious Metals	529	560	128	24	186	33
Copper	135	160	3	2	14	9
Livestock	624	674	109	17	136	20
Total	**7,597**	**8,234**	**570**	**8**	**843**	**10**

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



Source: CFTC

World Economy

Table 3.1: Economic growth rates 2011-2012, %

	World	OECD	US	Japan	Euro-zone	China	India
2011	3.6	1.7	1.7	-0.7	1.5	9.2	7.0
2012	3.4	1.5	2.2	1.8	-0.2	8.2	7.1

Industrialised countries

US

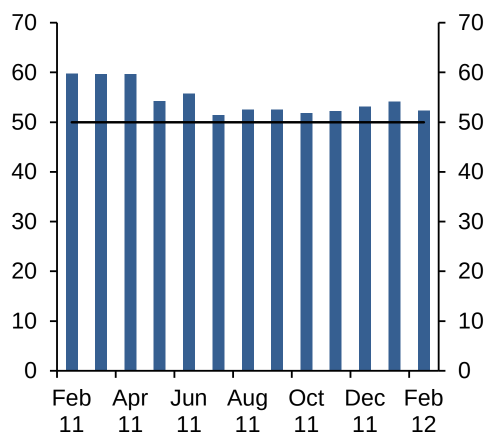
US recovery continues with 4Q11 GDP pegged at 3.0%; other indicators show slight softening, while industrial production remained flat

The recovery in the US continues. The recently announced second release of the 4Q11 GDP number was revised up to 3.0% and 2.8% on an annualized basis. This marks the highest level of quarterly growth of the previous six quarters after three quarters of continuous outperformance of the previous quarter. Private inventories, unchanged from the first estimate, were the main driver for this 4Q11 number and contributed 1.9 percentage points (pp) to the 3.0%. However, this build-up in inventories might also have occurred in anticipation of improving consumer patterns.

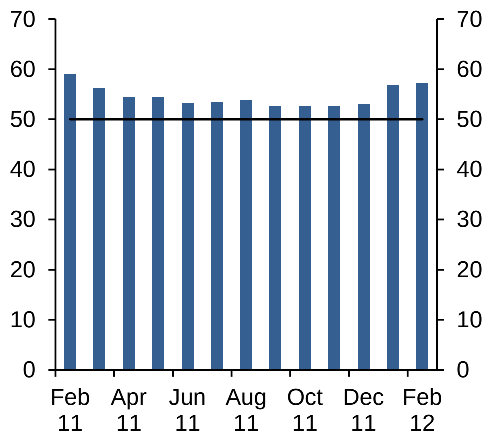
The labour market has shown sufficient improvement in the past months to support a positive development in domestic private consumption. The unemployment rate of 8.3% in January is expected to remain at this level for February. This compares to 8.5% in December and an average of 9.0% for 2011. Consumer confidence stood at 70.8 in February compared to 61.5 in January, a significant increase, according to the Conference Board. This current level compared to an average of 58.1 in 2011, almost the same level as in February 2011 when it stood at 72.0. While following a different methodology, the consumer sentiment index of the University of Michigan is also only slightly below last year's February level of 75.3, confirming a positive trend at 75.3, after 75.0 in January. Additions to consumer credit were $19.4 bn in December, almost unchanged from November when they grew by $20.4 bn. This could be a supportive factor, particularly with personal income growing by 0.3% m-o-m in January.

The housing sector, a major source for wealth creation and economic activity in the US, has very recently seen a slightly negative development after solid improvements in the second half of 2011, highlighting the continuing fragile situation. Existing home sales have seen double-digit growth since July 2011, while growth in December moved back to 2.6% y-o-y and stood at only 0.7% in January. House prices are still in decline on a yearly basis according to the federal housing finance agency (FHFA) at a rate of –0.8% y-o-y in December, which is better than –2.3% in November. Prices have improved in 2H11 on a monthly basis and were up by 0.7% in November and December, the highest rise since January 2009. Thus, signals remain mixed and have to be closely monitored in the coming months.

Graph 3.1: ISM manufacturing index



Graph 3.2: ISM non-manufacturing index



Source: Institute for Supply Management

Output related indicators softened slightly recently. Monthly growth in industrial production was flat in January, after an increase of 1.0% m-o-m in December. The ISM number for the manufacturing sector was lower as well, while still indicating a solid expansion, at 52.4 in February after 54.1 in January. The ISM for the services sector increased to 57.3 from 56.8 in January.

Taking the most recent softening of the recovery in consideration, while at the same time acknowledging a continued improvement in the labour market and consumption levels, the GDP growth forecast for 2012 remains unchanged at 2.2%.

Japan

2012 growth expected to improve over 2011, despite decline in private machinery orders and exports

A year after the tragic triple disaster that hit the country, the consequences can still be felt. The impact has obviously been severe but it has been more serious than initially thought. After the tsunami of 11 March that culminated in the nuclear accident and in many other problems in the country's energy supply, many observers have kept their growth numbers for 2011 at more than 1%. This was only based on the assumption that the consequences would play out with the same magnitude as they did during the Kobe earthquake of 1995, after which the economy recovered relatively swiftly. This time, however, the consequences obviously have been on a much bigger scale with three major events hitting the country. The impact of the third disaster — the nuclear accident at the Fukushima plant and problems at other nuclear facilities — following the Tsunami and earthquake have had the unforeseen consequence that the power supply disruptions had longer lasting effects, not only in the affected areas but also via electricity shortages and supply disruptions nation-wide.

In addition, even without these external factors, the economy was hit in March when a slow-down was already evident. It should be noted that already in 4Q10 growth was declining at 0.6%. Subsequent reconstruction efforts, and the fiscal and monetary stimulus announced shortly after the triple disaster, then helped to support growth in the 3Q11 by 7.0%, after two consecutive negative quarters of –6.8% and –1.5%, respectively. However, only in 4Q11 was growth recorded at negative levels again, standing at –2.7%. This quarterly pattern shows the volatility and current challenges that the economy faces. Growth in 2012 is now expected to be significantly better, when compared to the previous year for several reasons: Firstly, the Diet has approved a stimulus package in November of ¥12.1 trn. Its considerable size of around 3.5% of GDP means that it should have an effect, even with a multiplier of below 1. Secondly, there will be continued reconstruction efforts by the private sector, which will be leveraged by this stimulus package, although a considerable amount will be taken from current income and private reserves as well. These efforts are expected to rebuild areas affected by the triple disaster; in addition, consumer confidence should come back over the course of the current year. Thirdly, exports are expected to improve due to positive developments in Japan's major trading partners, mainly the United States and China and, to some extent, Europe. This should have a positive impact on domestic income and consumption through a second-round effect. This expected positive development is anticipated in the current 2012 growth forecast. Some of the most recent indicators already mirror this trend as well, while remaining volatile. Therefore, the economic situation still needs close monitoring.

Private machinery orders have seen a severe decline of 7.2% m-o-m in December after a strong uptick in November when they grew by 14.7%, after 3.3% growth in October. While it was domestic orders, which increased 18.4% m-o-m, which supported November's strong increase, domestic orders were also the main reason for pushing down orders in December, falling by 11.7% m-o-m. Foreign orders were volatile as well, increasing by 20.3% m-o-m in November and then by just 5.6% in December. This supports the observation that Japan's main trading partners, China and the US, seem to be reversing the trend of a global slow-down, which had been observed at the end of 2011. The support from the order side already had a read-through to the output numbers for December. Although industrial production was still negative on a yearly base in January at –0.9%, the trend was positive with December at –2.9% y-o-y and a decline of 4.2% m-o-m in November.

Exports again declined in January and at a slightly higher rate than in December.

They fell by 8.0% y-o-y after a decline of 7.7% in December, which caused the first calendar year trade deficit for Japan since 1980. While the triple disaster of 1H11, a strong yen and a weakening global economy, as well as the floods in Thailand causing further supply disruptions all took their toll last year, developments in 2012 should provide improvements, particularly on a yearly base. In addition, the yen has recently weakened from around ¥77/$ to around ¥81/$, which should allow a further improvement in the competitiveness of Japanese products

Encouragingly, the domestic side of the economy has also improved. Seasonally adjusted retail trade numbers have risen by 2.7% m-o-m in January, after an increase in December 1.2%. The slightly positive trend of the economy had a correspondingly positive effect on the Purchasing Managers Index (PMI), which stayed at almost the same level of 51.2 in February, compared to 51.1 in January. The PMI for manufacturing in January moved to 50.5 from 50.7, according to Markit. More importantly, especially when it comes to its contribution to GDP, the services sector PMI increased to 51.2 in February, after 51.0 in January.

So taking the most recent developments together, it should be concluded that while some areas are still in decline on a yearly comparison, particularly exports and industrial activity, there are signs of a bottoming out. Manufacturing output also seems to be supported by improving consumption. Taking the continuing deceleration into consideration, while also acknowledging an improvement in the underlying economy and the expected support of the stimulus package, growth expectations for 2012 remain unchanged and the GDP forecast for 2012 remains 1.8%.

Euro-zone

Euro-zone seems to stabilize but many economic and political uncertainties remain in 2012

While the Euro-zone was fighting a substantial crisis at the end of the last year, triggered by those members with weak public finances, the situation is now perceived by many observers as having improved over the course of the past weeks. Greece had announced in November that it would pursue a referendum, causing a political crisis in the country. The cabinet then stepped down to make place for an interim-government. The weakening situation triggered a government change in Italy as well, which as the world-third biggest debt market was at the center of worries at the end of 2011. As part of this mélange, Spain also felt the heat of its high deficit in combination with the softening of its economy. Only at the beginning of January, after a short period of relief following the December Euro-zone summit, did the Euro weaken again to a level below $1.30/€. An important step towards improving the Euro-zone's situation was shoring up the banking system in the Euro-zone through expanded monetary supply from the European Central Bank in the form of a second three-year long-term refinancing operation (LTRO). About 800 banks participated in this €530 bn operation, which not only helped to support their balance sheets but provided incentives for them to buy sovereign debt bonds and, most crucially, bring down their yields. This facility comes after an LTRO already had been injected into the market at the end of the last year in order to dispel fears about the stability of the Euro-zone system. This brings the total amount of funds which have been injected into the monetary system to more than €1 trn. Since January, some confidence in the Euro-zone has re-emerged and yields for ailing Euro-zone countries have fallen to more sustainable levels. The euro has been trading again at comfortable levels above $1.30.

Despite this revived confidence, there are many uncertainties about this year's development, which are on one side economically rooted but which have potentially greater influence coming from the political side. First, there most probably will be elections in Greece in April; after this event, it will be seen how the structure of the recently agreed bail-out package will continue. It cannot be ruled out that there will be probably some changes demanded by a newly elected government, but this remains to be seen. Moreover, there are presidential elections in France in April and May, which will probably also bring some changes to the political landscape of the Euro-zone, given that the current presidency is ranked second in the current polls. Taking the ideas of the current leading candidate into consideration, an implementation of these should be expected to have an impact on the future structure of the emergency bail-out mechanism, taxes and financial market regulation. Furthermore, Ireland has announced that it will hold a referendum on the fiscal union of the European Union (EU) that was agreed upon in December. This probably will be followed by other EU members, which could have an impact on the recently implemented sovereign bail-out facilities.

One very important aspect to the financial market in the Euro-zone should be mentioned here as well: the decision that Greece will probably have to make on how to deal with its outstanding debt, if its offer to private sector bond-holders is not agreed to by enough participants. If they choose to opt for a default, then this could have severe consequences. According to the Institute of International Finance (IIF), the body representing the majority of private debt holders, a recent estimate put the cost of a default at €1 trn.

The real economy has witnessed some improvements since the beginning of the year. While most indicators remain volatile, the major positive development has certainly been that the Euro-zone leaders were able to convince the market about its ability to fight sovereign debt issues. Nevertheless, the real economy is still suffering from austerity measures, even though this has certainly been one important factor that has helped to calm the markets. In addition, the high debt service in many economies in combination with soft tax revenues, record levels of unemployment and muted domestic consumption all have to be considered. The latest available data for industrial production data in December shows a decline of 1.2% m-o-m, lower than November at –0.4%. So the negative momentum has continued. Manufacturing orders as a lead indicator point to some improvements amid volatility, as they have increased by a better-than-expected 3.3% in December, after a decline of 1.8% m-o-m in November and a rise of 1.4% m-o-m in October. This volatile development with modest improvements is also reflected in the PMI numbers provided by Markit. The manufacturing PMI stood at 49.0 in February, compared to 48.8 in January, while the services sector, with its much higher weight in the economy, was 48.9, once again below the growth-indicating level of 50. Weak 4Q11 GDP development was confirmed by Eurostat, the EU's official statistical office, with a 0.3% quarterly decline. It now seems very likely that such negative growth will continue in 1Q12. The labour market in particular is not performing well, with the unemployment rate hitting new highs of 10.7% in January. Despite this, retail trade in the Euro-zone increased by 0.3% m-o-m in January, the first expansion in five months.

With the now confirmed decline in 4Q11 and its expected continuation in 1Q12, in addition to so many other uncertainties remaining for the near-term future, the GDP growth forecast for 2012 remains unchanged at –0.2%.

Emerging markets

Developing countries are affected by the reduced demand for their exports from OECD countries as well as less investment capital from the developed world. The recession in Europe and below-trend growth in the US are all affecting emerging markets (EMs) in Asia, Africa and Latin America. On the other hand, the monetary tightening cycle, pursued rather rigorously in 1H11 in many EMs to prevent overheating, has either come to a halt or gone into reverse as central banks have started to lower interest rates. Since late August 2011, apart from many OECD countries, countries such as Brazil, Chile, Russia, Serbia, Indonesia, Georgia, Pakistan, the Philippines, Thailand and Turkey, among others, have all lowered their interest rates. Even China, whose economy grew by 9.2% in 2011, lowered the reserve ratio for banks in November, the first step in a concerted monetary easing cycle. Although the impact of weak growth in OECD countries is beginning to make an appearance in EMs, the pattern is by no means uniform. According to the Economist Intelligence Unit (March 2012), industrial production fell in exporting EMs of Southeast Asia in December and GDP was weak in the final quarter of last year. Industrial production was almost flat in India in December and fell in Poland. Most noticeably, exports were fading in key Asian economies such as Taiwan and South Korea. The decline in trade has been apparent in the sharp declines in global shipping rates, especially in the Baltic Dry Index, which plunged in December and January.

In mid-February developing economies in Asia were slowing in the face of global economic troubles and earlier domestic efforts to contain inflationary pressures. Credit conditions also tightened in Asia as Europe's banks came under severe pressure and responded by cutting foreign lending. Policymakers are already abandoning steps to cool domestic demand: overheating is no longer the greatest threat facing economies. In fact, renewed weakness in export markets and tighter external financing conditions are already persuading some policymakers to turn their attention back to stimulating their economies. There is still scope for renewed fiscal stimulus in most countries, although it is more limited than it was before the financial crisis. There is also room in most economies for monetary loosening.

The short-term economic outlook between developing countries is diverging, based on economic data released for the last quarter of 2011 and the first two months of 2012. Most export-driven economies, including Singapore, Hong Kong, Malaysia, Taiwan and, to a lesser extent, Sri Lanka, have been affected by poor demand conditions in the EU and US. Some EMs that were hit by natural disasters, notably Thailand, are now expected to see stronger expansion in 2012 as reconstruction efforts gather momentum and as output returns to normal levels. Pakistan also falls into this category as the economy will continue to be buoyed this year by a recovery from the flooding of 2010. A third group comprises countries where domestic dynamics this year will take priority over external ones; these include China, Indonesia, South Korea, the Philippines and India. Although these countries will be hit by weakening export expansion, and most will experience slower growth, many will see an offsetting rise in domestic demand that will prove sufficient to render the downturn very mild. In South Korea's case, the forecast recovery of consumption and investment from their relatively depressed levels in 2011 will actually be sufficient to drive acceleration in GDP growth (EIU, March 2012).

Early in 2011, Latin American economies faced accelerating inflation and currency appreciation. The policymakers in these countries responded by tightening monetary policy and by putting in place an array of measures to prevent their currencies from appreciating in order to support the competitiveness of their export sectors. These included "macro-prudential" measures (including tightening reserve and capital requirements, and reducing company and bank borrowing overseas through taxation measures) in some countries and/or direct intervention in the foreign exchange market in others. A further slowdown is expected in the first half of 2012 before economic growth in Latin America accelerates. We forecast economic expansion in the region of around 3.4% in 2012.

Economic growth slowed in the Middle East and North Africa (MENA) region in 2011 as a result of political upheaval and civil unrest. Although uncertainty about social stability remains high in this region, a recovery is expected to gather pace in 2012, supported by still-high global oil prices and assuming no further serious outbreaks of political upheaval. However, weaker EU demand will constrain North Africa's exports. Growth prospects in Egypt will also be hampered by domestic political instability. Offsetting this, regional growth in 2012 will be supported by massive infrastructure and industrial development in Saudi Arabia, expansionary fiscal policy across the Gulf Co-operation Council (GCC) states and a bounce-back in Libyan growth. A relatively strong recovery in 2012 is perceived for those countries most affected by the unrest, notably Libya, Egypt and Tunisia. However, if the interim leaders in these countries are unable to restore social stability and achieve public acceptance of the new political order, widespread unrest may begin again, which in turn would undermine the economic recovery in these countries. A further risk to the region's economic forecast is escalating tensions between Iran and the West. The ratcheting up of sanctions on Iran, including the EU's decision to gradually introduce an embargo on Iranian oil imports, has led to growing concern over the security of the Straits of Hormuz, a vital artery in the global oil trade. Heightened security concerns and possible disruptions to oil output could exert destabilizing effects on oil markets and increase oil price volatility. Ironically, these developments might actually be positive for regional growth as they are likely to lead to higher international oil prices, boosting the fortunes of the GCC and even Iran.

Despite the overall weakness of the global economy, fundamentals have been improving in many EMs in recent weeks. According to JP Morgan, (March 2, 2012), there are signs of strong gains in EMs in Asia and in Latin America. The underlying pace is captured by global PMI which according to JP Morgan is tracking close to a 2% of global IP growth of around 5 percent. According to this report Global Manufacturing PMI was 51.1 in February, which indicates expansion of manufacturing activities, compared to January's 51.9 reading. Rates of expansion of new orders and employment, more or less, remained the same while input prices rose faster than previous month at 56.6 in February compared to 52.6 in January this year indicating a sharp rise in cost inflationary pressures in February. The rate of increase in cost inflation has now reached a five-month peak (*see* ***Table 3.2***)

Table 3.2: Global manufacturing PMI summary (50 = no change on previous month)

	January	February	Change	Summary	Rate of change
Global PMI	51.3	51.1	-	Expanding	Slower rate
Output	51.9	52.5	+	Expanding	Faster rate
New orders	51.7	51.3	-	Expanding	Slower rate
Input prices	52.6	56.6	+	Rising	Faster rate
Employment	51.0	51.1	+	Rising	Faster rate

Source: JP Morgan, 1 March 2012

China was among the larger manufacturing nations that saw its manufacturing activities grow while the periphery of the Euro-zone had the weakest performance. Apart from the large developed manufacturing nations that were generally more exposed to cost pressures, the rates of increase in production costs in India, where the core measure of inflation remains uncomfortably high, have also been significant. However, the seasonally adjusted HSBC Services Business Activity Index for India was 56.5 at the end of February, down from 58.0 in January, indicating a strong monthly rise in output, with expansion now sustained for four months. Manufacturing production growth also eased but remained firm. Following the expansion of manufacturing activities, international trade flows also posted an improvement. This is expected to have a positive impact on the manufacturing sector of export-oriented EMs of Southeast Asia. In fact, economic growth in Asia appears to be accelerating although China's economy might slow down in the coming months, to some extent, consistent with its housing market adjustment. Inflation is also decelerating in China as estimations show CPI to have subsided to 3.6% in February. This will pave the way for more accommodating monetary policy in the country. Activity is gaining speed elsewhere in Asia, with PMIs in Korea and Taiwan reaching thresholds above 50 in February for the first time since mid-2011. The labour market was reported to be improving last month in many EMs, as payroll numbers increased in the major developed and developing countries. However, the overall rate of jobs growth remains below the average for the current sequence of increase.

Although manufacturing output is expected to rise in India following its low rate of growth in 4Q11, the Indian government has indicated that GDP will slow down to a three-year low after the Central Statistical Organization of India noted that the economy will probably average 6.9% in the current fiscal year. This latest forecast is in line with our estimate of 7.1% GDP growth in 2012. As tight monetary policy is believed to have affected economic activities in India, the Indian central bank (RBI) has come under pressure to ease its monetary policy. While it is expected that the RBI will release more liquidity to alleviate excessively tight inter-bank liquidity conditions, a cut in policy interest rates may be delayed until April when the government is due to consolidate the country's annual budget. A combination of fiscal restraints and monetary easing seem more consistent with India's economic growth in the medium-term.

Brazil, on the other hand, is feeling the effects of capital inflows from major OECD economies with an appreciation of the Brazilian real damping its exports. In response to persistent currency appreciation, the country has taken measures to impose restrictions on corporate issuance of external debt and on the anticipation of export payments, which have been among the most important spot market inflows this year (JP Morgan, 2 March 2012). In Russia, a landslide victory for Mr. Putin in the presidential election on Sunday, 4 March, might help to reduce uncertainties affecting economic activities in the country. However, it is believed that under Mr. Putin efforts to improve the investment climate and privatization will be pursued with less vigor. Despite a surge in spending in December, the federal budget recorded a small surplus of 0.8% of GDP in 2011 mainly because of high revenues from oil and gas which increased by 47% compared with 2010 (EIU, February 2012).

Brazil's economic slowdown, which brought about a slight contraction of GDP in 3Q11, led policymakers to begin to reverse the tightening cycle adopted since January 2011. In the context of solid fiscal results and spending restraints, the Banco Central do Brasil (BCB, the Central Bank) has eased monetary policy, cutting the policy rate by 200 basis points between August 2011 and 18 January 2012. To boost credit, the BCB also reversed the credit curbs, introduced in late 2010 when Brazil was at risk of overheating, and adopted a package of measures in December to make credit cheaper and stimulate growth. There are prospects for further stimulus measures in 2012. As fiscal policy turns more expansionary this year, there will be less room for policy interest rate cuts than there might be if fiscal and quasi-fiscal policies were more disciplined than envisaged.

We discuss the performance of the four major emerging economies, i.e., the BRIC economies in more detail below. ***Table 3.3*** below summarizes our estimate and forecast of macroeconomic variables of the BRICs for 2011 and 2012.

Table 3.3: Summary of macroeconomic performance of the BRIC countries

	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP	
	2011	2012	2011	2012	2011	2012	2011	2012
Brazil	2.7	3.0	6.5	5.3	-54.4	-66.0	3.1*	2.9*
China	9.2	8.2	5.4	3.3	3.5	219.3	-1.1	-2.7
India	7.0	7.1	8.4	7.3	-58.9	-62.7	-5.3	-5.8
Russia	4.3	3.7	7.1	6.6	88.6	71.5	0.8	-1.0

Source: Data Services Department, OPEC Secretariat for GDP growth rates; Consensuses Forecast, February 2012, for prices and current account; Economist Intelligence Unit, March 2012, for government fiscal balance

Figures for India are from the fiscal year 2011-2012 and 2012-2013

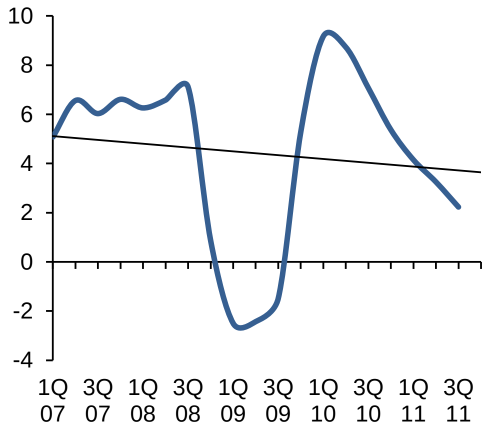
** Brazil's fiscal balance figures are public sector primary balance*

Brazil

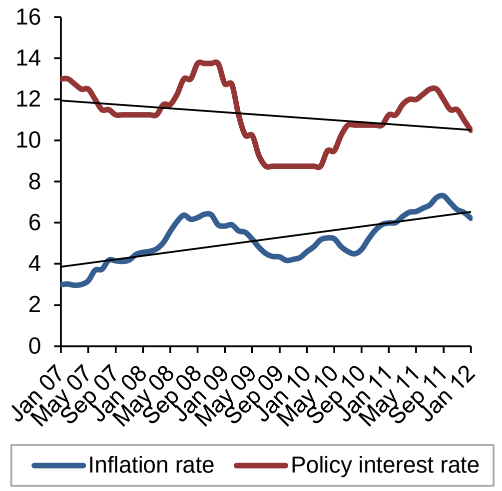
Economic growth is expected to remain moderate but recovery is confirmed by recent data

As was expected, Brazil's central bank cut its policy interest rate, the Selic, on its Wednesday, 7 March meeting by 75 basis points (bp), more than the expected 50 bp. This is the fifth cut in a row of interest rates in Brazil since last August. This decision brings Brazil's policy rate to 9.75%, only the second time on record that it has been below 10%. The country has the highest real interest rates in the world for a large economy because of its past history of runaway inflation and bloated government spending. The BCB has justified its move by citing its concern over lackluster economic growth. Official figures released last week show that industrial production in January fell 2.1% compared with December and 3.4% compared with a year earlier. Brazil's GDP grew by only 2.7% in 2011, about a third of the previous year's increase and the second-lowest level of growth since 2003. This weak performance is partly due to the strong Brazilian real, which has encouraged a flood of cheap imports, undercutting domestic industries. High inflation has also reduced the competitiveness of the economy.

Graph 3.3: Brazil GDP growth trend



Graph 3.4: Brazil inflation & interest rate



The latest policy move comes as inflationary expectations remain above target. According to the BCB's February 2012 Bulletin, "Focus", inflationary expectations are running at 5.3%. In January, the CPI increased by 0.56% compared to December. While this has eased annual inflation to 6.22% from 6.5% in December, the service sector's price inflation remains high.

The government has raised about $14 bn through the sale of licenses to operate three business airports in an auction that was aimed at accelerating investment ahead of the 2014 World Cup and the 2016 Olympics. Investments in Brazil's ageing airports have struggled to keep pace with the growth in air travel, which has doubled in the past decade as household incomes have increased significantly (EIU, March 2012). The state operator of airports will keep a 49% share in the privatized airports and part of revenue is intended for upgrading other airports which are still managed by the state.

The monetary easing cycle seems to have begun to have an impact on economic activities. According to the BCB's publications, output expanded by 1.3% m-o-m in November, followed by a further expansion of 0.6% in December, reversing a three-month contraction. Brazil's recovery is reflected in trends in industrial output, (comprising manufacturing and the extractive industries), as well as retail sales. Industrial production increased by 0.9% on a m-o-m basis in December. Production of most manufacturing categories recovered with the production of durable goods showing a significant rise of 7%. According to the EIU (March 2012), the business confidence index has been improving in recent months and reached close to 58 at the end of January.

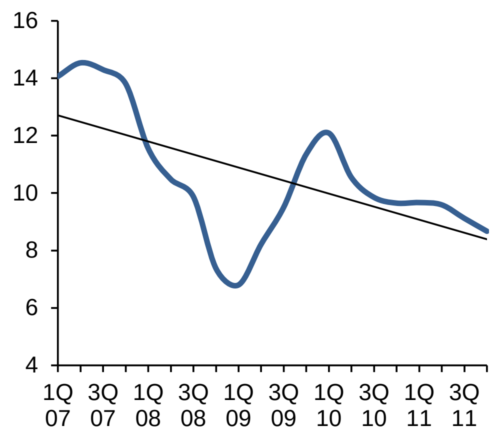
The trade deficit in January widened for the first time since January 2011. While a strong currency and the recovery of the economy have fueled demand for imports, Brazil's exports have also been on the rise. However, it is expected that the trade surplus will decline in 2012 as the domestic economy grows faster than Brazil's main trade partners in the OECD.

China

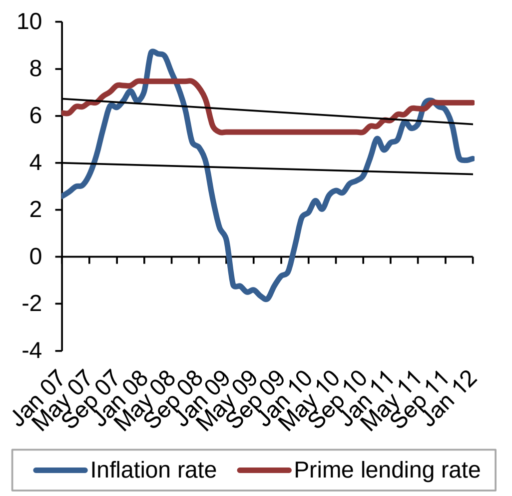
Chinese economy is expected to expand around 8.2% despite lowering of GDP target to 7.5%

Chinese premier Wen Jiabao, in his statement to the country's National People's Congress (Chinese Parliament), indicated that China's target for GDP growth in 2012 was 7.5%. He has been quoted as saying that the government prefers balanced economic growth over higher growth rates that might cause imbalances, social unrest and environmental concerns. However, many observers believe that this statement should not be taken as a strict target but rather as a general guideline and perhaps even a minimum acceptable growth rate. Our forecast is that China's economy will grow around 8.2% (*see* ***Table 3.3***) in 2012. This is in line with most forecasts of Chinese economic growth. This is, of course, less than last year's 9.2% growth but there are signs that fixed asset investments and manufacturing activities are moderating.

Graph 3.5: China GDP growth trend



Graph 3.6: China inflation & interest rate



According to "China Confidential" (Financial Times, March 2012), fixed asset investments recorded a significant decline in February. There are also reports of a decline in China's daily iron and steel output of as much as 5.5% in the first ten days of February compared to the first ten days of January. Imports of rolled steel, generally seen as an indicator of market demand, fell 44.1% y-o-y in January. The annual growth of fixed asset investments may be less than 20% in February, compared to an average growth rate of 23.8% in 2011. It is worth noting that fixed asset investments accounted for 46% of GDP last year. Inflation is also moderating, reflecting a muted economic reality. The cost of living index has now dropped to below 4% on a y-o-y basis for the first time since September 2010.

Consumer spending has been resilient in February and, according to the same Financial Times report, has increased by 0.6% compared to January. Car sales in February rebounded from January's sharp decline. Car sales grew by 25% in February compared to February 2011. According to the China Passenger Car Association, around 2.5 million cars were delivered in the two first months of 2011. It is expected that retail car sales will increase in March as there are signs of a rebound in sales after the Chinese New Year.

Following the Chinese Premier's report to the National People Congress this week, in which he advocated a more "pro-active fiscal policy", some tax cuts are expected to be initiated to boost consumer spending. It is believed that tax cuts rather than expenditure increases are favored by the government in the current circumstances. Also, high-yielding bonds are to be launched by banks to finance lending to small and medium enterprises. Another important point in China's economic policy is its determination to reform its financial system and to make the renminbi an internationally convertible currency under capital accounts and expand its use in cross-border trade and investment.

Data from the State Administration of Foreign Exchange shows that the country's current account surplus plunged in 2011 to $201.1 bn from $303 bn in 2010. The fall in the current account surplus from the equivalent of 5.2% of GDP in 2010 to 2.9% (EIU, March 2012) implies faster growth of domestic demand compared to external demand for Chinese goods and services. It also implies that the renminbi is not as undervalued as it once was. In parallel with foreign trade, foreign direct investment (FDI) in China fell in y-o-y terms in three successive months from November 2011 to January 2012, although FDI in 2011 was $116 bn slightly more than $105.7 bn in 2010. As China has begun to diversify its outbound investments, its sovereign wealth funds have begun to include more investments in infrastructure abroad. China's long-running outbound expansion in the energy sector has also continued. Chinese companies in the energy sector have been involved in investments in many countries and regions including Canada, East and West Africa and the Middle East.

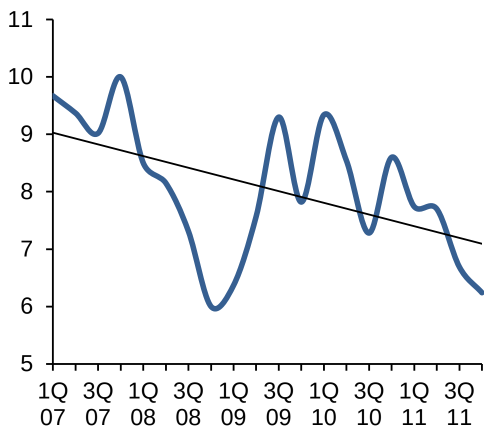
Private consumption expected to rise, boosting economic activities and GDP growth

India

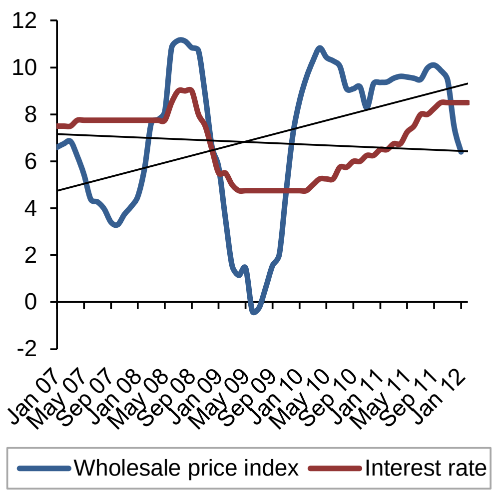
The Indian government has set a target to reduce their budget deficit from 4.8% of GDP in fiscal year 2010/2011 to 3.7% in 2016/2017. The official deficit for 2011/2012 was 4.6% of GDP but the deficit increased beyond what was expected and reached around 5.3% of GDP in 2011 (*see* ***Table 3.3***). This tightens the government's capacity to use fiscal stimuli to boost economic growth amid decelerating rates of growth. On the monetary policy front, the Indian central bank (RBI) has been reluctant to reduce its policy rates to curb inflationary pressures. There have been 13 increases in the repurchase (repo) rate (the interest rate at which the RBI supplies funds to the banking system) since January 2010 and the rate now stands at 8.5%. By these increases, India has managed to control inflation and the wholesale price index (the Indian benchmark price index) has fallen to 6.6% in January, its lowest level since November 2009. This has obviously come at a cost and GDP growth declined to around 7% in 2011 from 9.6% in 2010. For this reason, Indian policymakers have had no choice but to consider easing monetary policies to prevent a further deterioration in economic growth. At its recent meeting, the RBI cut the cash reserve ratio, although it left the repo rate unchanged.

Economic expansion in India has been slowing since early 2011. We forecast an economic growth around 7% for 2012 for India. Although there are signs of weakness in different sectors of the economy, private consumption is expected to begin to pick up in 2Q12 encouraging more investment and output expansion. The services sector is the main driver of economic growth in India and it is expected to growth by 9% in 2012 down from around 10% in 2010. The constraint to economic expansion is believed to be infrastructure bottlenecks, a shortage of skilled labour and lower productivity in more traditional sectors of the economy.

Graph 3.7: India GDP growth trend



Graph 3.8: India inflation & interest rate



The rupee is expected to depreciate in the short-term as a widening trade deficit and public sector borrowing requirements put pressure on the currency. However, if economic growth turns out to be higher than expected in 2H12, there is room for a modest appreciation of the rupee considering the lower economic growth of India's economic partners in the OECD. The current account deficit is forecast to widen in the short term to around 2.8% of GDP in 2012 (EIU, March 2012). It is expected that manufacturing export growth will decline while service sector exports will remain strong, albeit with decreasing growth rates as information technology and business processes continue to attract foreign investments. According to the EIU (March 2012), capital inflows have been financing India's persistent current account deficit. The deepening sovereign debt crisis in the Euro-zone and low economic growth in the US and other OECD countries pose the risk of downside trend of FDI in India, which could further deteriorate its growth prospects.

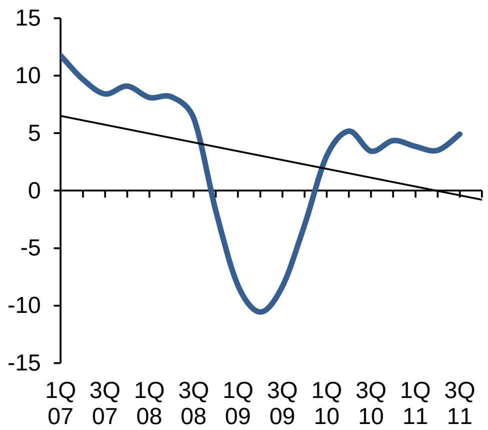
Russia

Russia's growing net capital flight could affect economic growth in 2012

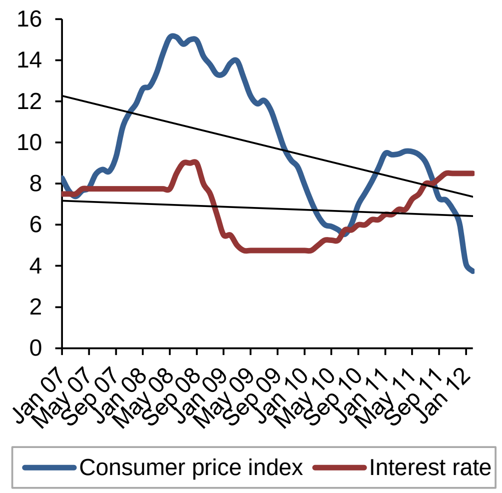
Russia managed to maintain a small fiscal surplus of about 0.8% of GDP at the end of 2011 despite the traditional surge in government spending in the last quarter of the year, thanks mainly to higher revenues from oil and gas. However, lower budget revenues are projected for 2012, consistent with a decline in the government's planned oil and gas revenues that are supposed to be RB 700 bn (about $22 bn) less in 2012 compared to 2011. The government may consider a tax reform in line with Mr. Putin's promises in December 2011 to improve the tax structure in favour of the business community.

Economic growth is expected to continue to remain close to the 3.5-4% range in 2012 compared to 4.3% in 2011. A strong harvest in 2011 helped to bring inflation down and to increase real wages and disposable income. Demand was strong in 2011 and is expected to grow at a similar pace in 2012, supporting a more demand-driven economic growth. The agriculture sector expanded by 16.1% in 2011 while construction rose by 4.8%, although growth in manufacturing slowed down in 4Q11. In 2011, Russia's oil output rose by 1.2% while crude exports continued to decline. Natural gas production increased by more than 3% in 2011 mainly due to production increases by independent producers.

Graph 3.9: Russia GDP growth trend



Graph 3.10: Russia inflation & interest rate



Consumer prices rose by 0.4% on a m-o-m basis in December. Annual inflation at the end of 2011 was 6.1%. There was a moderate food price increase, which was a significant contributor to the moderation of inflationary pressures in the Russian economy. According to preliminary estimates from the Russian central bank (RCB), net capital outflows reached $84.2 bn in 2011, the second highest outflow after the financial crisis of 2008. According to the EIU (March 2012), around $30 bn of the capital outflows in 2011 have been labeled "fictitious transactions" by the RCB — representing capital flight. If uncertainty surrounding the economic policies of the new administration does not subside in the coming months, capital flight in 2012 could continue at the same pace or even increase, affecting the country's overall economic growth.

OPEC Member Countries

Saudi Arabian inflation was flat at 5.3% in January

Annual inflation in Saudi Arabia was flat at 5.3% in January, similar to that in December, the country's Central Department of Statistics and Information said in a report. The government's cost of living index was almost unchanged at 139.1 points in January, compared with 139.0 points in December 2011, according to the Statistics Department. Inflation in the Kingdom is expected to moderate to an annual average of 4.4% in 2012, due to negligible external price pressures, resulting from lower commodity prices, a strong dollar; subdued inflation in its trading partners will underpin the decline.

Venezuelan central bank reported 4Q economic expansion of 4.9%

Venezuela's economy expanded at the fastest pace since 2008 in the 4Q11 as record oil revenues allowed the government to boost fiscal spending. The economy expanded by 4.9% in the 4Q11 from a year earlier, according to the Venezuelan central bank. The average oil export price of $101.06/b last year compared with $71.97 in 2010. The oil sector expanded 1.8% in the 4Q from a year earlier, the non-oil sector rose 5.1% and private consumption rose 5.3%, the bank said in a report. Manufacturing grew 5% in the 4Q. Financial institutions and insurance grew the most, rising 18.8%. Investment rose 11.6%, the central bank said. The government had a current account surplus of $4.58 bn in the quarter, while FDI was $1.5 bn.

Oil prices, US dollar and inflation

The US dollar gained 1.8% against the yen but lost 2.5% vs the euro, 2.6% vs the Swiss franc and 1.8% vs pound sterling

The US dollar weakened in February against all major currencies with the exception of the Japanese yen. Compared to the yen, the US dollar managed a gain of 1.8%, while it lost 2.5% versus the euro and 2.6% compared to the Swiss franc. Compared to the pound sterling, the US dollar lost 1.8%. The average exchange rate of the US dollar compared to the euro stood at $1.3221/€ in February, in contrast to a January rate of $1.2913/€.

The euro's strength followed a brief phase of weakness in January, after concerns regarding the development of the Euro-zone sovereign debt crisis at the beginning of the year re-emerged. Since then, the positive sentiment, driven by the major support from the European Central Bank (ECB) along with Euro-zone leaders, has again strengthened the currency, pushing it back up again above the $1.30/€ level. For most of February, the euro traded within the band of $1.32/€ to $1.34/€. The economy is still suffering from the high sovereign debt yields and the potential political events of Greece's upcoming elections in combination with the French elections in April and May, and the Irish referendum on the EU fiscal union. These will certainly be major political elements influencing the euro's near-term development. At the same time, most recent indications have pointed at a continued slow-down in the Euro-zone. On the other hand, the US economy continues to recover, but there are signs that it might again decelerate somewhat in the coming months, a trend that is currently slightly weakening the US dollar. So it seems that as long the Euro-zone is managing to contain the issues of its sovereign debt sphere, the exchange rate will not change dramatically. Compared to the Japanese yen, the US dollar development has been more dramatic, since for the first time in many months it has managed a considerable gain of around 5%. This has pushed the exchange rate above the ¥80/$ level for the first time since mid-2011 to around ¥81/$ at the beginning of March. This comes at a time of increasing external demand on energy in Japan, as well as its highest monthly account balance deficit in January since 1985.

The OPEC Reference Basket gained $5.72/b or 5.1% to $117.48/b in February.

In nominal terms, the OPEC Reference Basket price gained $5.72/b or 5.1% from $111.76/b in January to $117.48/b in February. In real terms, after accounting for inflation and currency fluctuations, the Basket price rose by 3.9% or $2.69/b to $72.32/b from $69.63/b (base June 2001=100). Over the same period, the US dollar fell by 1.2% against the import-weighted modified Geneva I + US dollar basket while inflation remained flat. *

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

World Oil Demand

World oil demand growth forecast at 0.9 mb/d in 2012, following growth of 0.8 mb/d in 2011

World oil demand

Given the dimmer world economic picture this year in comparison with last year, total oil demand growth is expected to remain at around the same level. However, risks remain on the downside as the economic outlook for the remainder of the year is still uncertain and retail oil prices are in the upper band.

In the OECD, recent data, especially from Europe, has not been encouraging; hence, the OECD oil demand forecast has been revised down slightly for 2012. Some non-OECD regions are expected to see slower growth. Given the fact that China's GDP is estimated to be 1 percentage point lower than that of last year, along with the current high oil prices, the country's oil demand is not expected to meet expectations. Other Non-OECD regions are also seeing minor reductions in oil usage. Brazil's agricultural issues, which started last year, are still affecting its consumption of alcohol transport fuel. Furthermore, the slowdown in Iran's gasoline consumption has slightly suppressed oil demand in the Middle East.

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

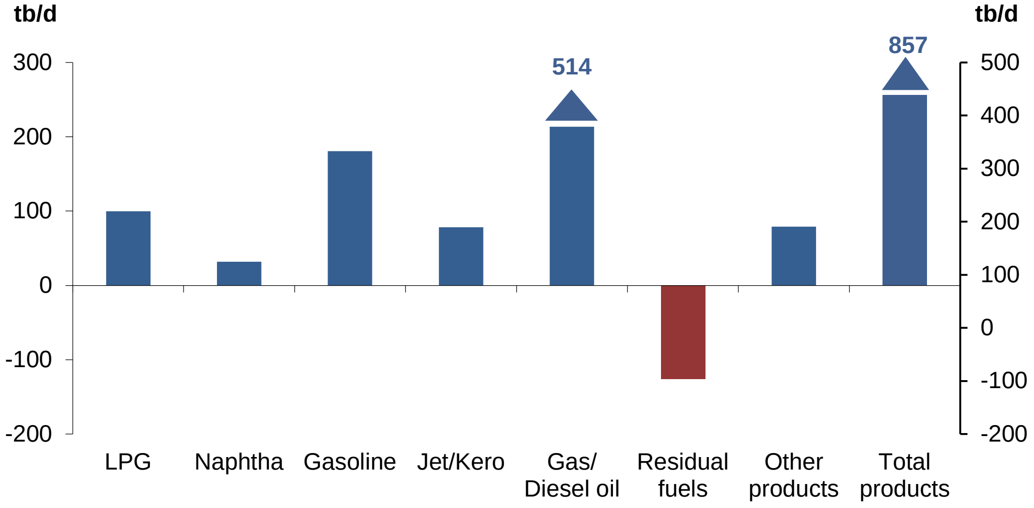


Table 4.1: World oil demand forecast for 2011, mb/d

	2010	1Q11	2Q11	3Q11	4Q11	2011	Change 2011/10 Growth	%
North America	23.76	23.81	23.35	23.61	23.43	23.55	-0.21	-0.90
Western Europe	14.58	14.18	14.11	14.78	14.30	14.34	-0.24	-1.65
OECD Pacific	7.82	8.35	7.12	7.73	8.35	7.89	0.07	0.91
Total OECD	**46.16**	**46.34**	**44.58**	**46.12**	**46.08**	**45.78**	**-0.38**	**-0.83**
Other Asia	10.18	10.33	10.52	10.37	10.64	10.47	0.28	2.78
Latin America	6.18	6.16	6.34	6.51	6.42	6.36	0.18	2.96
Middle East	7.28	7.32	7.38	7.71	7.41	7.46	0.18	2.43
Africa	3.36	3.42	3.39	3.25	3.42	3.37	0.01	0.40
Total DCs	**27.00**	**27.24**	**27.62**	**27.84**	**27.91**	**27.65**	**0.66**	**2.43**
FSU	4.14	4.13	3.97	4.39	4.45	4.24	0.09	2.24
Other Europe	0.69	0.69	0.65	0.69	0.76	0.69	0.00	0.29
China	8.95	9.13	9.54	9.37	9.60	9.41	0.46	5.13
Total "Other regions"	**13.79**	**13.95**	**14.15**	**14.44**	**14.81**	**14.34**	**0.55**	**4.02**
Total world	**86.95**	**87.52**	**86.35**	**88.40**	**88.80**	**87.77**	**0.83**	**0.95**
Previous estimate	86.94	87.52	86.33	88.38	89.00	87.82	0.88	1.01
Revision	0.01	0.00	0.02	0.02	-0.20	-0.04	-0.05	-0.06

Totals may not add up due to independent rounding

In summary, the weakness in the OECD economies is negatively affecting the oil market and creating a high range of uncertainty for the rest of the year.

World oil demand growth is forecast at 0.9 mb/d for 2012, following growth of 0.8 mb/d in 2011.

Although US economic indicators are pointing towards a better performance, the situation in Europe, along with the higher oil prices, has put uncertainty on the oil demand estimate for the remainder of the year.

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

			Change 2011/10				Change 2011/10	
	1Q10	1Q11	Volume	%	2Q10	2Q11	Volume	%
North America	23.41	23.81	0.40	1.71	23.69	23.35	-0.34	-1.43
Western Europe	14.32	14.18	-0.14	-0.96	14.26	14.11	-0.14	-1.01
OECD Pacific	8.23	8.35	0.12	1.46	7.34	7.12	-0.23	-3.10
Total OECD	**45.95**	**46.34**	**0.38**	**0.83**	**45.29**	**44.58**	**-0.71**	**-1.57**
Other Asia	10.11	10.33	0.23	2.26	10.23	10.52	0.29	2.81
Latin America	5.94	6.16	0.22	3.78	6.15	6.34	0.19	3.04
Middle East	7.18	7.32	0.14	1.96	7.17	7.38	0.21	2.86
Africa	3.38	3.42	0.04	1.10	3.37	3.39	0.01	0.44
Total DCs	**26.61**	**27.24**	**0.63**	**2.37**	**26.93**	**27.62**	**0.69**	**2.58**
FSU	4.02	4.13	0.11	2.67	3.86	3.97	0.11	2.72
Other Europe	0.69	0.69	0.00	0.46	0.64	0.65	0.00	0.76
China	8.37	9.13	0.76	9.06	9.09	9.54	0.44	4.87
Total "Other regions"	**13.08**	**13.95**	**0.87**	**6.65**	**13.60**	**14.15**	**0.55**	**4.06**
Total world	**85.64**	**87.52**	**1.88**	**2.20**	**85.81**	**86.35**	**0.54**	**0.62**

Totals may not add up due to independent rounding

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

			Change 2011/10				Change 2011/10	
	3Q10	3Q11	Volume	%	4Q10	4Q11	Volume	%
North America	24.10	23.61	-0.49	-2.02	23.85	23.43	-0.42	-1.76
Western Europe	14.93	14.78	-0.15	-0.99	14.83	14.30	-0.53	-3.56
OECD Pacific	7.62	7.73	0.11	1.42	8.07	8.35	0.28	3.50
Total OECD	**46.65**	**46.12**	**-0.53**	**-1.13**	**46.75**	**46.08**	**-0.67**	**-1.42**
Other Asia	10.10	10.37	0.27	2.69	10.30	10.64	0.34	3.34
Latin America	6.34	6.51	0.17	2.65	6.27	6.42	0.15	2.42
Middle East	7.50	7.71	0.21	2.82	7.26	7.41	0.15	2.06
Africa	3.24	3.25	0.01	0.24	3.43	3.42	0.00	-0.15
Total DCs	**27.18**	**27.84**	**0.66**	**2.43**	**27.27**	**27.91**	**0.64**	**2.35**
FSU	4.30	4.39	0.09	1.98	4.38	4.45	0.07	1.70
Other Europe	0.68	0.69	0.00	0.57	0.76	0.76	0.00	-0.53
China	9.23	9.37	0.14	1.52	9.10	9.60	0.50	5.53
Total "Other regions"	**14.21**	**14.44**	**0.23**	**1.61**	**14.24**	**14.81**	**0.57**	**4.03**
Total world	**88.04**	**88.40**	**0.36**	**0.41**	**88.25**	**88.80**	**0.55**	**0.62**

Totals may not add up due to independent rounding

OECD — North America

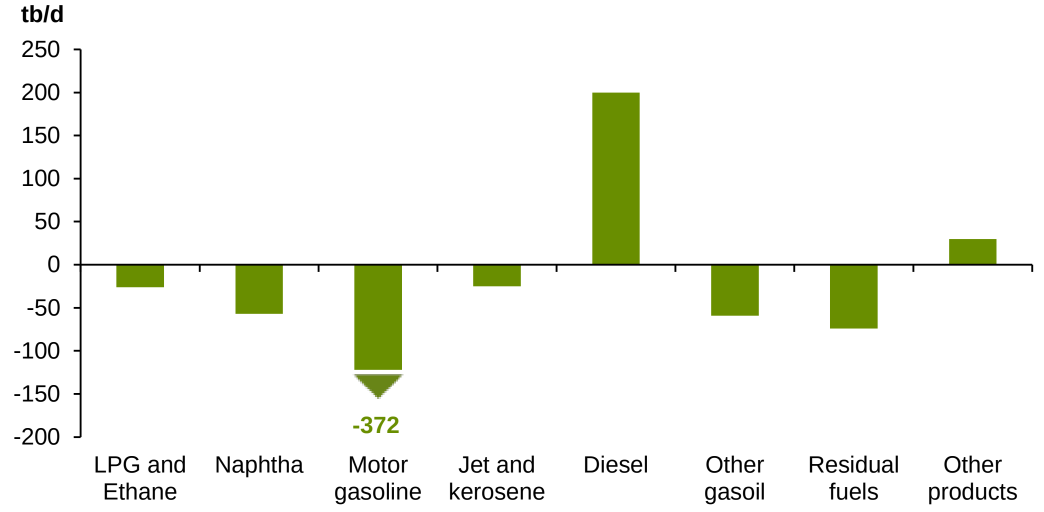
For 2012, North America's oil demand is projected to decrease slightly, by 0.06 mb/d

Recently published data about the US economy is raising optimism. This year's estimated GDP of 2.3% is larger than what was seen last year. Of course, this will be reflected in the country's oil usage; however, the current prices will play an adverse role. The first quarter is showing a huge decline in the country's petroleum product consumption; nevertheless, the rest of the year is estimated to be a bit better, with positive growth. The signs for US oil consumption for 2012 remain rather pessimistic and dependent on the development of the economy. Should US oil demand show any further decline in the next three quarters, then this would change the picture for the global oil demand growth forecast.

The latest monthly US oil consumption data for December showed a 4.6% y-o-y contraction, the worst observed since July 2009. The usage of industrial and transportation fuels, especially distillates, propane/propylene and gasoline, accounted for the bulk of this contraction. The year 2011 was, in general, a disappointing one for US oil consumption, showing a strong contraction in transport and industrial fuels. In addition to the mild winter, the main factors influencing consumption were economic setbacks and relatively high fuel prices, which resulted in a very weak driving season.

Preliminary weekly data for January and February 2012 has displayed similar contractions in consumption. Transportation and industrial fuels are the product categories most affected. The slow economy, along with high fuel prices, are the main reason behind these contractions.

Graph 4.2: OECD product demand changes, 2011



The latest reported figure for January Mexican oil consumption showed a strong increase of around 6%, compared with the same month last year. Consumption grew for all product categories, but increases were particularly noticeable for industrial and transportation fuels, especially gasoline. Data for December 2011 indicates that Canadian oil demand contracted by 3.2%, mainly due to the transportation sector.

For all of 2011, North American oil demand shrank by 0.21 mb/d. For 2012, it is projected to decrease slightly, by 0.06 mb/d.

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

							Change 2012/11	
	2011	1Q12	2Q12	3Q12	4Q12	2012	Growth	%
North America	23.55	23.33	23.43	23.70	23.51	23.49	-0.06	-0.25
Western Europe	14.34	13.91	13.89	14.50	14.09	14.10	-0.24	-1.70
OECD Pacific	7.89	8.46	7.22	7.81	8.40	7.97	0.09	1.10
Total OECD	**45.78**	**45.70**	**44.53**	**46.01**	**46.00**	**45.56**	**-0.22**	**-0.47**
Other Asia	10.47	10.55	10.71	10.59	10.84	10.67	0.20	1.94
Latin America	6.36	6.31	6.50	6.68	6.59	6.52	0.17	2.60
Middle East	7.46	7.48	7.54	7.92	7.59	7.63	0.18	2.35
Africa	3.37	3.45	3.41	3.29	3.45	3.40	0.03	0.86
Total DCs	**27.65**	**27.78**	**28.17**	**28.48**	**28.46**	**28.23**	**0.57**	**2.07**
FSU	4.24	4.24	4.08	4.50	4.54	4.34	0.10	2.47
Other Europe	0.69	0.69	0.65	0.69	0.76	0.70	0.00	0.66
China	9.41	9.43	9.98	9.81	9.98	9.80	0.39	4.15
Total "Other regions"	**14.34**	**14.36**	**14.71**	**15.00**	**15.28**	**14.84**	**0.50**	**3.49**
Total world	**87.77**	**87.84**	**87.41**	**89.50**	**89.74**	**88.63**	**0.86**	**0.98**
Previous estimate	87.82	88.10	87.42	89.54	89.95	88.76	0.94	1.07
Revision	-0.04	-0.26	-0.01	-0.04	-0.21	-0.13	-0.09	-0.10

Totals may not add up due to independent rounding

As an indicator of an improving overall US economic outlook, auto sales continued to accelerate sharply in February, despite the high fuel prices. February sales rose by 15.7% from a year earlier, while the pace of sales hit its highest level since February 2008. Higher demand for cars, as a result of the improving economy, in combination with the replacement of aging vehicles, was the main reason behind this large growth. As before, the bulk of vehicles sold were trucks and SUVs, as a result of their relatively low prices, in comparison with smaller cars. Canadian data showed strong growth of 11.2% in vehicle sales in February y-o-y. This was the fifth consecutive month of growth, with some consumers replacing their vehicles with revamped or fuel-efficient cars and trucks. According to the Mexican Automobile Industry Association, this country's auto production and sales grew by 1.2% and 9.5% respectively y-o-y in January, while exports fell by 4.1% y-o-y.

OECD — Europe

OECD Europe's oil demand forecast to shrink by 0.24 mb/d in 2012

The Euro-zone's troubled economy is still affecting the region's energy demand. OECD Europe oil demand contracted in January, the fifth monthly decline in a row. Further information indicates a continued decline in the continent's oil demand, resulting from the slowing economy, high retail prices and a late winter. This has led to a downward revision of 0.1 mb/d in the figure for the fourth quarter of 2011. During that entire year, OECD Europe oil consumption shrank by 0.24 mb/d. The outlook for this year is not going to be that much different. January oil consumption in Germany, France, Italy and the UK fell as a result of decreasing demand in industrial fuels, reflecting weak industrial activity. Oil demand in the European 'Big Four' decreased by 0.27 mb/d in January, compared with January 2011. The Big Four's oil consumption growth of industrial fuels continued to be negative during January, while transportation fuels were flat. The short- and medium-term development of European oil consumption will be determined mainly by the continuing debt problems in several of the region's economies. OECD Europe oil demand is forecast to shrink by 0.24 mb/d in 2012, as a result of the economic turbulence in several regions' economies.

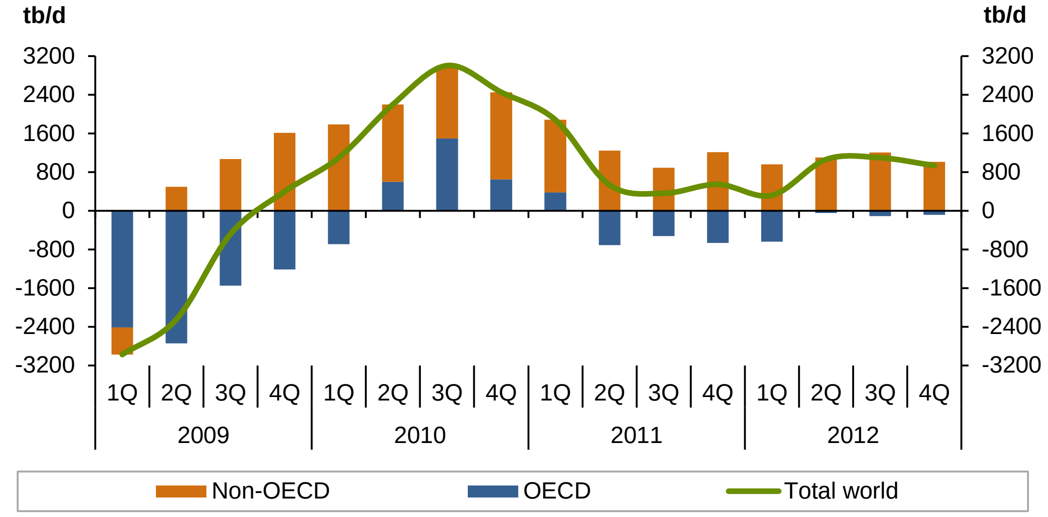
Table 4.5: Europe Big 4* oil demand, mb/d

	Jan 12	Jan 11	Change from Jan 11	Change from Jan 11, %
LPG	453	496	-43	-8.6
Gasoline	1,102	1,104	-3	-0.2
Jet/Kerosene	699	737	-38	-5.1
Gas/Diesel oil	2,960	2,962	-3	-0.1
Fuel oil	377	426	-50	-11.7
Other products	940	1,070	-130	-12.1
Total	**6,530**	**6,796**	**-265**	**-3.9**

** Germany, France, Italy and the UK*

According to the European Automobile Manufacturer's Association, European new passenger car registrations continued to decrease in January y-o-y, by 7.1%. This was seen in all major markets. French auto sales declined by 20.7% and Italian sales by 16.9%; however, the Spanish market posted 2.5% growth. In Germany and the UK, auto sales were reasonably stable, with minor changes. The biggest contraction was noted in Portugal (–47.4%) and the largest increase in Romania (+86.4%).

Graph 4.3: Quarterly world oil demand growth



During 2012, the European auto market is likely to be dominated by economic concern and austerity measures in several countries influencing future trends for smaller, more fuel-efficient cars. The expectations are for a decreasing market, by as much as 6%

y-o-y, depending on the magnitude of the sovereign debt crisis in the region.

OECD — Pacific

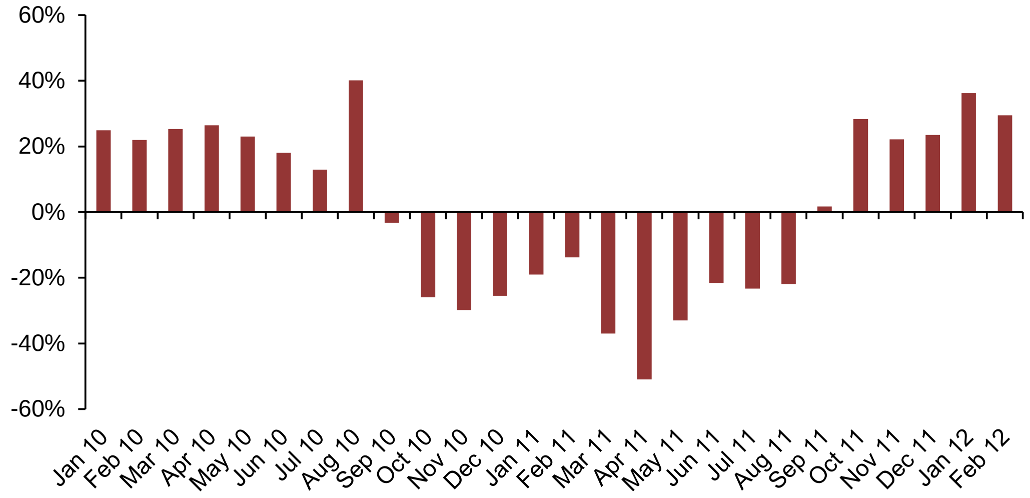
As a result of strong Japanese oil demand, OECD Pacific's oil demand to grow by 0.1 mb/d in 2012

In Japan, January monthly data indicated a strong increase in crude and residual fuel oil direct use, as a result of nuclear power plants being shut down. Power plants were using crude (and only those crudes with a low sulphur content), fuel oil and LNG for electricity generation. Moreover, driven by an increased number of vehicles, as a result of government incentives, transportation fuel consumption increased, while all other product categories were on the decline.

In South Korea, first-quarter oil demand is forecast to show minor y-o-y growth. This trend is expected to continue until year-end 2012. The country's oil demand in December 2011 showed no change; strong declines in residual fuel oil and jet fuel were offset by increasing naphtha and gasoline requirements.

As a result of strong Japanese oil demand, OECD Pacific oil consumption is forecast to grow by 0.1 mb/d during 2012.

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



As happened in January, strong tax incentives and subsidies, as well as a low baseline, hiked Japanese auto sales strongly in February, by 29.5%. This trend was first seen in the fourth quarter of last year. Auto demand is expected to rise strongly during 2012, partly due to higher sales in tsunami-hit areas, where thousands of cars were destroyed. Also, government efforts to stimulate auto demand with incentives — especially favouring hybrids, pure electric cars and other vehicles that employ advanced technology, such as clean diesel engines — have been playing a major role in auto sales this year.

Similarly, South Korean car sales during February posted double-digit growth of 28.3% y-o-y. This was supported by more working days last month than in the previous year and the launch of some new models (such as Kia's Ray City Car and GM Korea's Alpheon and Captiva, as well as hybrid cars).

Table 4.6: First and second quarter world oil demand comparison for 2012, mb/d

			Change 2012/11				Change 2012/11	
	1Q11	1Q12	Volume	%	2Q11	2Q12	Volume	%
North America	23.81	23.33	-0.48	-2.01	23.35	23.43	0.07	0.32
Western Europe	14.18	13.91	-0.27	-1.92	14.11	13.89	-0.22	-1.56
OECD Pacific	8.35	8.46	0.11	1.33	7.12	7.22	0.10	1.46
Total OECD	**46.34**	**45.70**	**-0.64**	**-1.38**	**44.58**	**44.53**	**-0.04**	**-0.10**
Other Asia	10.33	10.55	0.21	2.04	10.52	10.71	0.19	1.80
Latin America	6.16	6.31	0.15	2.50	6.34	6.50	0.17	2.63
Middle East	7.32	7.48	0.15	2.11	7.38	7.54	0.16	2.21
Africa	3.42	3.45	0.03	0.84	3.39	3.41	0.03	0.75
Total DCs	**27.24**	**27.78**	**0.55**	**2.01**	**27.62**	**28.17**	**0.54**	**1.97**
FSU	4.13	4.24	0.11	2.67	3.97	4.08	0.11	2.81
Other Europe	0.69	0.69	0.00	-0.19	0.65	0.65	0.01	0.78
China	9.13	9.43	0.30	3.31	9.54	9.98	0.45	4.67
Total "Other regions"	**13.95**	**14.36**	**0.41**	**2.95**	**14.15**	**14.71**	**0.56**	**3.97**
Total world	**87.52**	**87.84**	**0.32**	**0.37**	**86.35**	**87.41**	**1.06**	**1.23**

Totals may not add up due to independent rounding

Table 4.7: Third and fourth quarter world oil demand comparison for 2012, mb/d

			Change 2012/11				Change 2012/11	
	3Q11	3Q12	Volume	%	4Q11	4Q12	Volume	%
North America	23.61	23.70	0.08	0.35	23.43	23.51	0.08	0.34
Western Europe	14.78	14.50	-0.27	-1.85	14.30	14.09	-0.21	-1.48
OECD Pacific	7.73	7.81	0.08	1.06	8.35	8.40	0.05	0.60
Total OECD	**46.12**	**46.01**	**-0.11**	**-0.24**	**46.08**	**46.00**	**-0.08**	**-0.18**
Other Asia	10.37	10.59	0.22	2.15	10.64	10.84	0.19	1.79
Latin America	6.51	6.68	0.18	2.72	6.42	6.59	0.16	2.53
Middle East	7.71	7.92	0.21	2.70	7.41	7.59	0.18	2.37
Africa	3.25	3.29	0.04	1.16	3.42	3.45	0.02	0.69
Total DCs	**27.84**	**28.48**	**0.65**	**2.32**	**27.91**	**28.46**	**0.55**	**1.98**
FSU	4.39	4.50	0.11	2.58	4.45	4.54	0.08	1.91
Other Europe	0.69	0.69	0.01	1.15	0.76	0.76	0.01	0.88
China	9.37	9.81	0.44	4.70	9.60	9.98	0.37	3.87
Total "Other regions"	**14.44**	**15.00**	**0.56**	**3.88**	**14.81**	**15.28**	**0.46**	**3.13**
Total world	**88.40**	**89.50**	**1.10**	**1.24**	**88.80**	**89.74**	**0.94**	**1.05**

Totals may not add up due to independent rounding

Developing countries

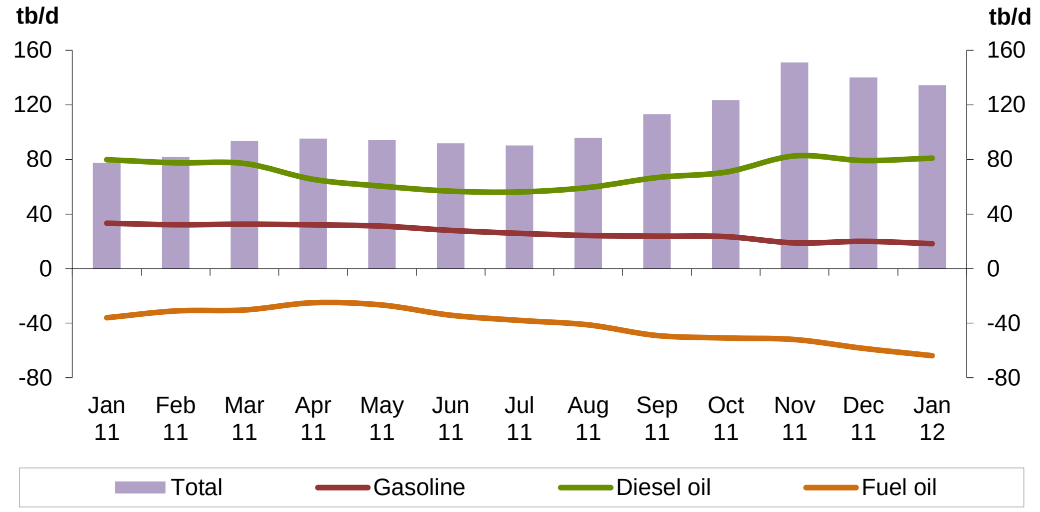
DC oil demand growth forecast at 0.6 mb/d to average 28.2 mb/d in 2012

Indian oil demand this year will be slightly lower than last year, as some economic indicators point to slower industrial use of oil. Furthermore, the deregulation of gasoline and diesel prices is expected to pass price increases to end-users. This, of course, will reflect on consumer behaviour in all sectors. The agricultural sector is expected to slightly ease its use of diesel this season; however, gasoline use will most likely stay the same.

For 2012, India's oil demand expected to grow by 0.12 mb/d

Recent data from India indicated weaker-than-anticipated oil demand in January. Although the country used more oil than in January 2011, growth was half of what was previously forecast. Demand grew by 0.08 mb/d in January y-o-y, versus the 0.16 mb/d of the earlier forecast. Most of the weakness was attributed to both gasoline and fuel oil use. Gasoline demand was affected slightly by higher retail prices, and the use of fuel oil was influenced by fuel switching to gas, among power plants. Despite January having lower-than-expected oil demand, the total Indian figure for the year is not likely to be affected and is expected to see growth of 0.12 mb/d.

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



According to the Society of Indian Automobile Manufacturers, domestic passenger car sales increased by 7.2% during January 2012 y-o-y. Discounts, new car launches and improved demand for diesel vehicles helped demand for car sales bounce back, after this had slowed in the second half of last year, due largely to high borrowing costs and relatively high motor fuel prices.

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

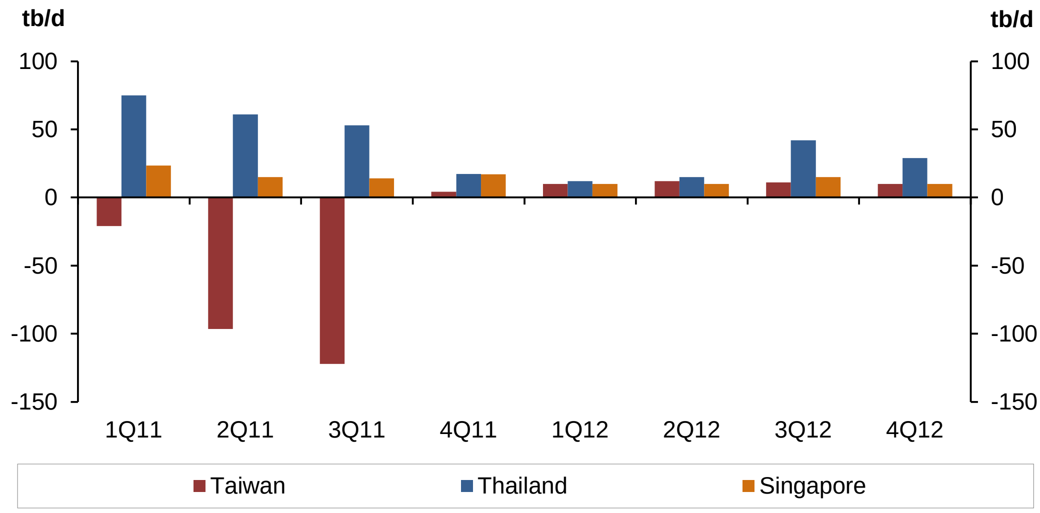


Table 4.8: Consumption of petroleum products in Indonesia, tb/d

	Dec 11	Dec 10	Change	Change, %
LPG	162	139	23	16.2
Gasoline	477	430	47	10.9
Jet/Kerosene	93	106	-13	-12.3
Gas/Diesel Oil	514	469	44	9.4
Fuel Oil	53	64	-11	-17.6
Other Products	34	63	-28	-45.3
Total	**1,332**	**1,271**	**61**	**4.8**

Source: JODI

Given healthy economic outlook in most of Other Asia, oil demand growth estimated at 0.2 mb/d in 2012

Indonesia is the second-largest oil consumer in Other Asia, after India. The country is estimated to consume 1.4 mb/d by the end of 2012, an increase of 0.03 mb/d from 2011. Taking into account the partial removal of price subsidies within the country this year, annual y-o-y growth in oil demand is expected to be lower than in 2011.

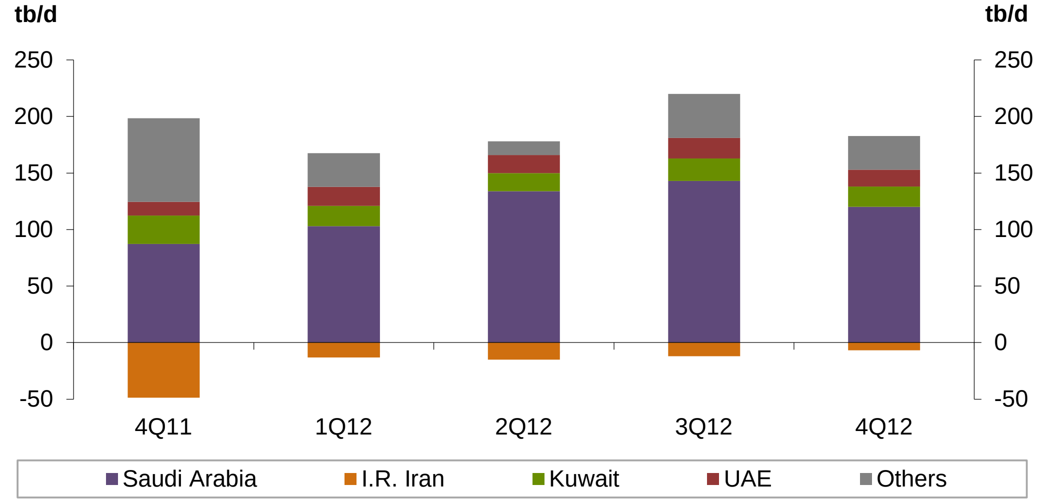
Given the healthy economic outlook in most of the Other Asia region, oil demand growth is estimated at 0.2 mb/d y-o-y.

Middle East oil demand forecast to grow by 2.4% in 2012

Saudi Arabia is the largest oil-consuming country in the region and also has the highest annual growth in the Middle East. Given its energy-intensive projects, Saudi oil demand is expected to grow by 0.12 mb/d in 2012, to average 2.7 mb/d. Iran's oil demand is not expected to grow this year; however, January's decline in consumption was less than estimated. But it will drop slightly this year, losing 0.01 mb/d. Overall, Middle East oil demand is forecast to grow by 2.4% in 2012.

The seasonality that plays a major role in oil consumption in the Middle East is the summer season, pushing third-quarter oil demand higher than any other quarter.

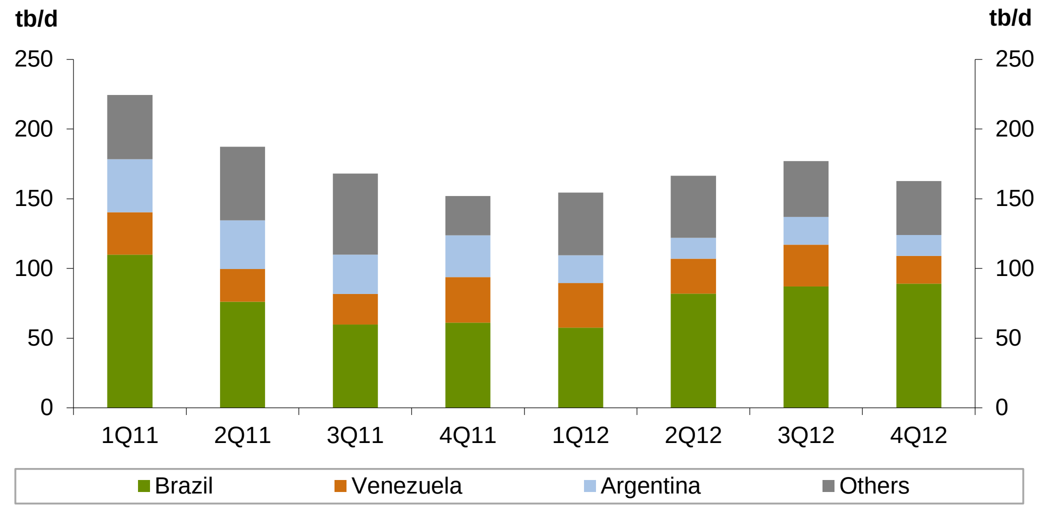
Graph 4.7: Yearly oil demand growth in the Middle East



Despite weaker-than-expected growth in Brazilian oil demand in January, the total year's oil demand forecast will be unaffected. The country's use of transport fuel alcohol saw a noticeable decline, resulting from last year's drought. The other largest oil consumers within Latin America – Venezuela, Ecuador and Argentina – are expected to consume 0.07 mb/d more oil in 2012 than last year.

DC oil demand growth is forecast at 0.6 mb/d y-o-y, averaging 28.2 mb/d in 2012.

Graph 4.8: Yearly oil demand growth in the Latin America

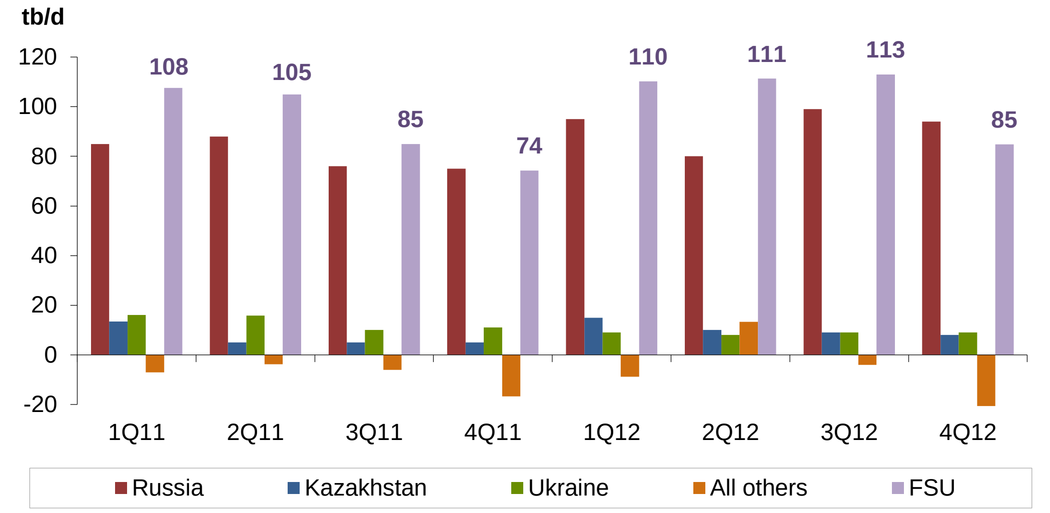


Other regions

FSU oil demand growth is forecast at 2.5% y-o-y

Economic growth within the FSU will be less than last year; hence, the region's oil demand will not be largely affected. Cold winter has pushed the heating oil price up. This increase will more than offset the minor loss in transport fuel usage. FSU oil demand growth is forecast at 2.5% y-o-y. The risk is leaning towards the upper side, which easily pushes the growth estimate up by another 0.5%.

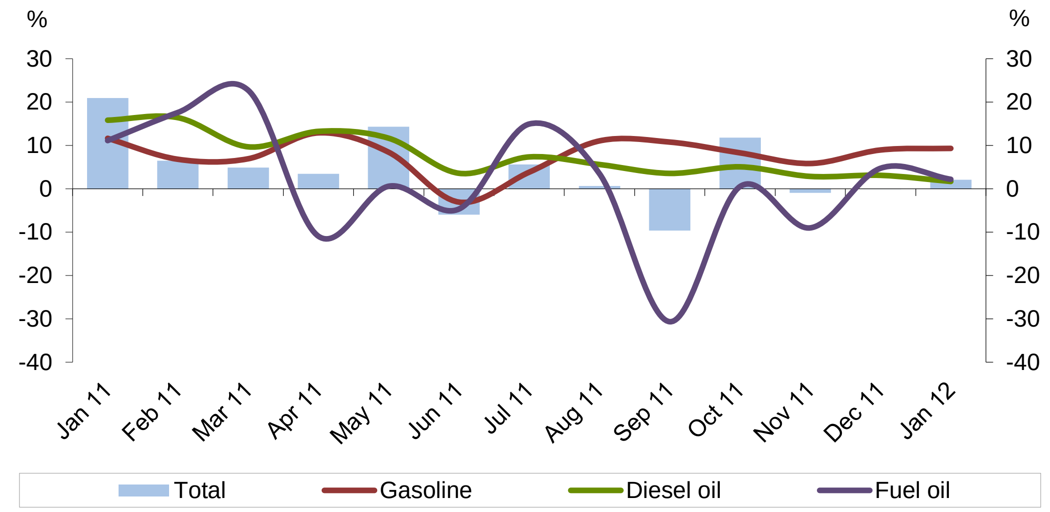
Graph 4.9: FSU oil demand, tb/d



China's oil demand for 2012 to grow by 0.4 mb/d, or 4.2%, in a similar trend to past few years

China is gearing up to filling some of its ready-to-use strategic storage with petroleum products and crude oil. It has been embarking upon building and filling its energy reserve for the past few years. Although some of the stock filling data has been only partially available, experts estimate oil stock builds or draws of the commercial and strategic petroleum reserve on a monthly basis. According to the best available information, China added 0.8 mb/d of crude and products to its commercial and strategic storage in January. Although this move affected the international oil market, it has not been included in the country's oil demand estimate. This affected overall oil demand for January. China's oil demand growth for the first quarter is estimated at 0.3 mb/d y-o-y, down by 0.1 mb/d from the previous estimate. Its economic sectors (transportation, industrial and agriculture) will show healthy activity during the year, leading to more consumption of oil products.

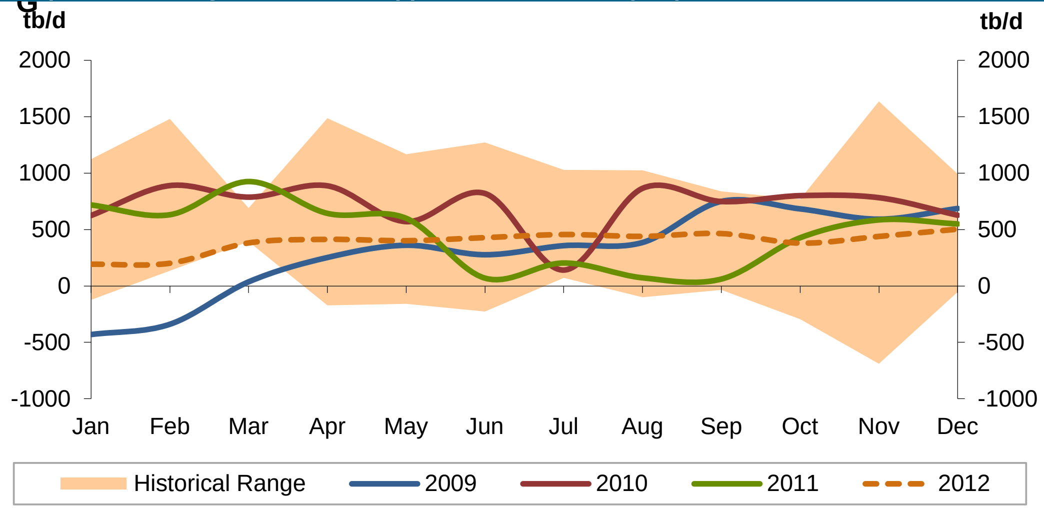
Graph 4.10: Changes in Chinese main oil products apparent consumption, y-o-y



China's oil demand for the year is forecast to grow by 0.4 mb/d, or 4.2%. This trend is similar to that of the past few years.

Data from the China Association of Automobile Manufacturers shows that the country's automobile sales decreased strongly, by 24%, in January. This decline resulted from recent government moves to curb the use of cars by officials, and it was also a result of the country's weeklong Lunar New Year holiday, which started in mid-January this year. Such factors can play havoc with year-on-year comparisons of data. Furthermore, the country's once-booming auto market has been losing steam, as the economy has slowed, fuel prices have increased and the government's traffic restrictions to help reduce emissions have negatively influenced auto sales.

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



World Oil Supply

Non-OPEC

Estimate for 2011

Non-OPEC supply remained almost steady in 2011

Non-OPEC oil supply is estimated to have increased slightly by 30 tb/d in 2011 from the previous year to average 52.34 mb/d, representing a downward revision of 60 tb/d from the last *Monthly Oil Market Report* (MOMR). The downward revision affected the first, third and fourth quarters' supply estimates. There was an equal number of upward and downward revisions that affected a few countries' supply estimates in 2011. As the downward ones had higher volumes, this led to the overall downward revision. Non-OPEC supply experienced growth of 0.50 mb/d in the first quarter, compared with the same period a year ago, and this supported an early anticipation of healthy growth. However, the declines in the second and fourth quarters brought down supply for the year to a steady state from the previous one. The incorporated revisions in this issue of the MOMR have come from updated production data, as well as some historical revisions. On a quarterly basis, non-OPEC supply in 2011 is estimated at 52.70 mb/d, 51.96 mb/d, 52.07 mb/d and 52.61 mb/d respectively.

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

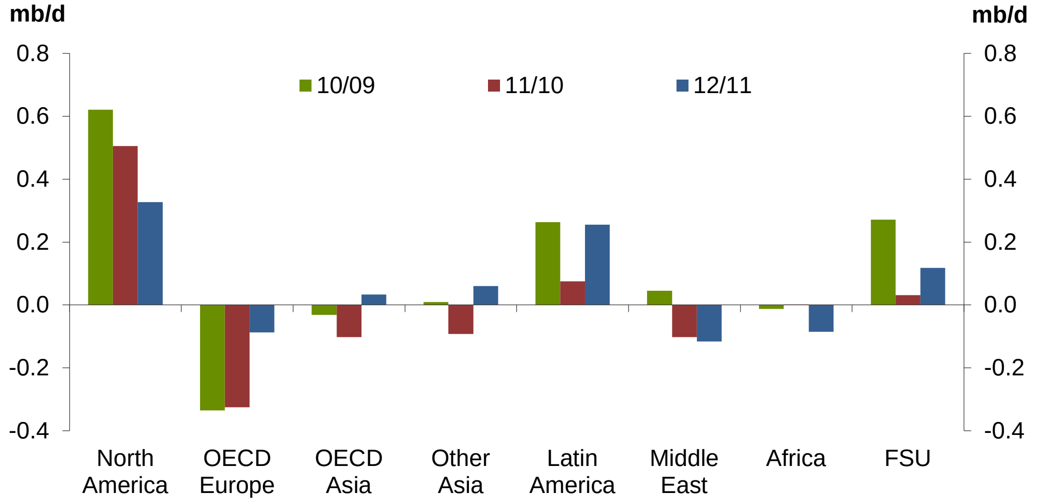


Table 5.1: Non-OPEC oil supply in 2011, mb/d

	2010	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10
North America	14.99	15.29	15.20	15.53	15.95	15.50	0.51
Western Europe	4.39	4.31	4.06	3.85	4.06	4.07	-0.33
OECD Pacific	0.60	0.49	0.49	0.50	0.53	0.50	-0.10
Total OECD	**19.99**	**20.09**	**19.75**	**19.88**	**20.54**	**20.07**	**0.08**
Other Asia	3.70	3.69	3.54	3.58	3.61	3.61	-0.09
Latin America	4.67	4.70	4.68	4.73	4.86	4.74	0.08
Middle East	1.78	1.80	1.68	1.70	1.53	1.68	-0.10
Africa	2.59	2.61	2.60	2.60	2.54	2.59	0.00
Total DCs	**12.73**	**12.81**	**12.49**	**12.62**	**12.54**	**12.61**	**-0.12**
FSU	13.22	13.32	13.25	13.23	13.23	13.26	0.03
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.12	4.22	4.19	4.08	4.04	4.13	0.01
Total "Other regions"	**17.48**	**17.68**	**17.58**	**17.44**	**17.40**	**17.53**	**0.04**
Total Non-OPEC production	**50.20**	**50.57**	**49.83**	**49.94**	**50.48**	**50.21**	**0.00**
Processing gains	2.10	2.13	2.13	2.13	2.13	2.13	0.03
Total Non-OPEC supply	**52.30**	**52.70**	**51.96**	**52.07**	**52.61**	**52.34**	**0.03**
Previous estimate	52.30	52.77	51.96	52.08	52.77	52.40	0.10
Revision	0.01	-0.07	0.00	-0.01	-0.16	-0.06	-0.07

Revisions to the 2011 estimate

Supply estimates for the US, Canada, Norway, Yemen and former Sudan in 2011 have undergone minor upward revisions, while the output figures for Australia, Brazil, Syria, Azerbaijan and China have experienced downward revisions from the previous MOMR. These revisions have been due to updated production data. US oil supply has been revised up, due to healthy production data, supported by strong tight oil output. Brazil's oil supply has experienced the largest downward revision of 50 tb/d on the back of updated ethanol supply, where the data has indicated a decline of 90 tb/d in 2011 from the previous year. Unfavourable weather conditions that reduced the sugar cane harvest, as well as lower ethanol content and better economics for sugar production, all affected Brazil's ethanol output. Azerbaijan's oil supply has experienced a further downward revision for the fourth quarter, due to the effect of maintenance on output. Similarly, the shutdown of the Peng Lai field in China put further pressure on production in the fourth quarter and necessitated a revision.

Forecast for 2012

Non-OPEC supply forecast to increase by 0.61 mb/d in 2012

Non-OPEC supply is forecast to grow by 0.61 mb/d in 2012 to average 52.95 mb/d, representing a downward revision of 0.13 mb/d from the previous month. A few upward revisions have largely offset numerous downward revisions that have had an impact on countries' supply outlooks. Compared with the previous MOMR, the OECD's supply expectations have had the major upward revisions, while those of the DCs have experienced the bulk of the downward ones. Some of the revisions introduced to the 2011 supply estimates have been carried over to 2012. Non-OPEC supply growth in 2012 is seen to be heading for a rough ride, due to the continued downward revisions so far. These have been driven mainly by political issues, as well as some technical difficulties. Middle East oil supply is now forecast to decline in 2012, due to the recent adjustments. North America is expected to have the largest growth in supply in 2012, followed by Latin America and the FSU, while growth in the Middle East, Africa and OECD Western Europe is forecast to decline. The majority of the downward revision relates to the first half of the year, while the second half supply outlook remains relatively steady. On a quarterly basis, non-OPEC supply is expected to average 52.74 mb/d, 52.71 mb/d, 52.96 mb/d and 53.37 respectively.

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

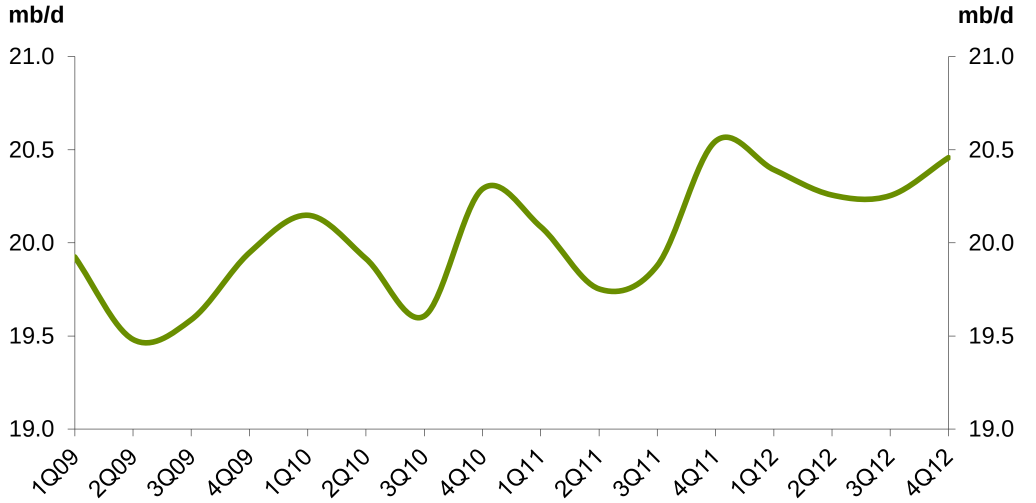
	2011	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11
North America	15.50	15.76	15.76	15.84	15.93	15.82	0.33
Western Europe	4.07	4.12	3.94	3.86	4.00	3.98	-0.09
OECD Pacific	0.50	0.51	0.56	0.55	0.52	0.54	0.03
Total OECD	**20.07**	**20.39**	**20.26**	**20.25**	**20.46**	**20.34**	**0.27**
Other Asia	3.61	3.65	3.66	3.67	3.69	3.67	0.06
Latin America	4.74	4.95	4.97	5.02	5.06	5.00	0.26
Middle East	1.68	1.52	1.56	1.58	1.58	1.56	-0.12
Africa	2.59	2.41	2.48	2.57	2.56	2.50	-0.09
Total DCs	**12.61**	**12.52**	**12.66**	**12.84**	**12.88**	**12.73**	**0.11**
FSU	13.26	13.37	13.33	13.36	13.44	13.37	0.12
Other Europe	0.14	0.14	0.15	0.15	0.15	0.15	0.01
China	4.13	4.12	4.13	4.17	4.25	4.17	0.04
Total "Other regions"	**17.53**	**17.64**	**17.60**	**17.68**	**17.84**	**17.69**	**0.16**
Total Non-OPEC production	**50.21**	**50.55**	**50.52**	**50.77**	**51.18**	**50.76**	**0.55**
Processing gains	2.13	2.19	2.19	2.19	2.19	2.19	0.06
Total Non-OPEC supply	**52.34**	**52.74**	**52.71**	**52.96**	**53.37**	**52.95**	**0.61**
Previous estimate	52.40	53.05	52.92	52.98	53.34	53.07	0.68
Revision	-0.06	-0.31	-0.21	-0.02	0.03	-0.13	-0.07

OECD

OECD supply to increase by 0.27 mb/d in 2012

Total OECD oil production is anticipated to increase by 0.27 mb/d in 2012 to average 20.34 mb/d, representing an upward revision of 80 tb/d from the previous MOMR. The upward revision is a result of changes to the supply forecasts of the US and Norway, on the back of updated historical data, as well as other factors. There have been a few other downward and upward revisions that have changed the quarterly outlook for other countries in the OECD group, and yet the quarterly revisions offset each other and only the US's and Norway's supply projections have experienced annual revisions, compared with last month. In the OECD, North America's supply forecast is seen to lead growth among all non-OPEC regions, in addition to minor growth from OECD Pacific, while Western Europe supply is seen to decline in 2012. The decline in OECD Western Europe supply is expected to slow down in 2012, compared with the previous year, when output experienced a heavy decline. Supply growth from the US and Canada outpacing the decline in Mexico supply is expected to drive OECD's supply growth in 2012. Risk and uncertainty associated with the OECD forecast relate mainly to weather, technical and decline rate factors. On a quarterly basis, OECD oil supply is seen to average 20.39 mb/d, 20.26 mb/d, 20.25 mb/d and 20.46 mb/d respectively.

Graph 5.2: OECD's quarterly production



North America

North America's oil supply is expected to increase by 0.33 mb/d in 2012 to average 15.82 mb/d, representing an upward revision of 85 tb/d from last month. Oil production forecasts for the US have experienced a significant upward revision and Canada's supply projection has encountered a quarterly revision that has not affected the annual figure. The overall supply position remains unchanged, with strong growth in the US and Canada and a decline in Mexico. On a quarterly basis, North America's oil supply in 2012 is expected to stand at 15.76 mb/d, 15.76 mb/d, 15.84 mb/d and 15.93 mb/d respectively.

US

US oil supply to increase by 0.25 mb/d in 2012

Oil supply from the US is projected to increase by 0.25 mb/d over the previous year to average 9.26 mb/d in 2012, indicating an upward revision of 90 tb/d from the previous MOMR. The revision has been guided by the strong production data in the fourth quarter of 2011 and experienced in all quarters, with the largest share coming to the second half of 2012. In addition to the healthy production level, further developments with natural gas liquids and the fractioning capacity at the Eagle Ford area have supported the upward revision and are expected to advance the growth of tight oil production, the main driver of the US supply growth. Moreover, a strong output increase is foreseen in North Dakota, which has also supported the revision, as reports suggest that around 212 wells were drilled in January, compared with 181 wells in December, due to better weather conditions. Early this year, a report noted that 1245 rigs were drilling in the US onshore plays, compared with 777 in early 2011, which again has contributed to the revision. Moreover, the report imparted that more deepwater rig contracts were concluded for the Gulf of Mexico, which is seen to support the offshore production outlook in 2012. The start-up of the 80 tb/d Cascade and Chinook by the end of February is seen to foster the growth in 2012. On a quarterly basis, US oil supply is expected to stand at 9.21 mb/d 9.22 mb/d, 9.26 mb/d and 9.34 mb/d respectively.

The strong growth in US onshore oil supply in 2011, which is estimated at 380 tb/d, offset the decline from offshore and Alaska production. In 2012, US oil supply is seen to continue to gain from onshore shale oil developments, in addition to some growth from offshore Gulf of Mexico. The undertaken upward revision has come about despite the two-day shutdown of around 60 tb/d from Prudhoe Bay gathering centre 2, due to a fire incident. Despite the significant upward revision, the US oil supply forecast remains associated with a high degree of risk, mainly from weather, technical, price and environmental factors.

Canada and Mexico

Shutdown of Horizon oil sand plant for unplanned maintenance has affected Canada supply

Canadian oil production is anticipated to average 3.68 mb/d in 2012, an increase of 0.14 mb/d from the previous year, relatively unchanged from the previous month's assessment. Despite the steady state, Canada's oil supply forecast has been revised down for the first half of 2012. However, an upward revision to the second half outlook, together with a historical upward revision, has offset the first half revision. The downward revision during the first half of 2012 has come on the back of the shutdown of the Horizon oil sand plant, due to unplanned maintenance, where reports suggest that the plant will return to full operations by mid-to-late March. During the second quarter, expected maintenance work at the White Rose and Terra Nova offshore fields have required a further minor downward revision. However, Canadian oil supply continues to be expected to add healthy volumes from oil sand and tight oil developments. The risk level linked to Canada oil supply forecast is high on technical and environmental factors. On a quarterly basis, Canada's production is seen to average 3.64 mb/d, 3.67 mb/d, 3.70 mb/d and 3.73 mb/d respectively.

Mexico

Mexico's supply to drop 60 tb/d in 2012

Mexico's oil supply is forecast to drop 60 tb/d in 2012 to average 2.88 mb/d, flat from the previous month. The output drop is anticipated on the back of a mature area production decline and limited new developments. A recent announcement from Mexico's national oil producer suggested that crude oil production would increase slightly in 2012 from the previous year. On the other hand, updated production data indicated that oil Mexico oil supply encountered a minor decline in January from the previous month. A moderate level of risk is coupled with Mexico's supply forecast, mainly on weather and decline rate factors. On a quarterly basis, its oil supply is seen to average 2.91 mb/d, 2.87 mb/d, 2.88 mb/d and 2.86 mb/d respectively. According to preliminary data, this averaged 2.90 mb/d in January, a drop of 30 tb/d from the previous month.

Western Europe

OECD Western Europe's oil production is likely to decline by 90 tb/d in 2012 over the previous year to average 3.98 mb/d, unchanged from the previous month. A decline is expected from all the region's major producers. The region's supply decline is seen to slow in 2012, compared with the previous year, as some of the heavily affected production in 2011 is expected to return in 2012. On a quarterly basis, OECD Western Europe's supply in 2012 is seen to stand at 4.12 mb/d, 3.94 mb/d, 3.86 mb/d and 4.00 mb/d respectively.

Norway's supply to decline by 70 tb/d in 2012

Oil supply from Norway is projected to decline by 70 tb/d in 2012 to average 1.97 mb/d, representing a minor upward revision of 10 tb/d from the previous MOMR. The upward revision has come from updated historical data for 2011, while minor negative changes to 2012 have offset some of this. Reports suggesting that the Yme field startup has moved beyond 2012 have required a minor downward revision. Furthermore, technical difficulties affecting some offshore fields have required a further downward revision. However, the expected increase in investment in 2012, to reach a record level, has supported the undertaken upward revision. Technical and decline rate issues are the main risk factors surrounding Norway's supply forecast of 2012. On a quarterly basis, Norway's supply is expected to average 2.06 mb/d, 1.93 mb/d, 1.89 mb/d and 1.98 mb/d respectively. This averaged 2.04 mb/d in January, relatively steady from the previous month, as per the preliminary data.

Technical difficulties could bring downward revision to UK supply forecast

The UK's oil production is expected to experience a minor decline of 20 tb/d in 2012 to average 1.10 mb/d, flat from last month. Despite the expected increase in capital investment in 2012, output is forecast to decline. The underproduction of the Buzzard field so far in early 2012, which has required some deferment of the loading programme, supports the anticipated decline. The gas leak in the Gannet development might bring a downward revision in the coming period. In 2012, the UK's oil supply decline is expected to slow, compared with the previous year, yet the ability of operators to avoid shutdowns on technical issues will be the main risk factor. On a quarterly basis, the UK oil supply is seen to stand at 1.16 mb/d, 1.10 mb/d, 1.04 mb/d and 1.10 mb/d respectively.

Asia Pacific

The OECD Asia Pacific's oil supply is predicted to average 0.54 mb/d in 2012, representing a minor increase of 30 tb/d, compared with the previous year, steady from the previous month. The anticipated growth is seen as coming from Australia, while New Zealand's supply is likely to remain unchanged. On a quarterly basis, OECD Asia Pacific supply is seen to average 0.51 mb/d, 0.56 mb/d, 0.55 mb/d and 0.52 mb/d respectively.

Output return after Cyclone Iggy in Australia

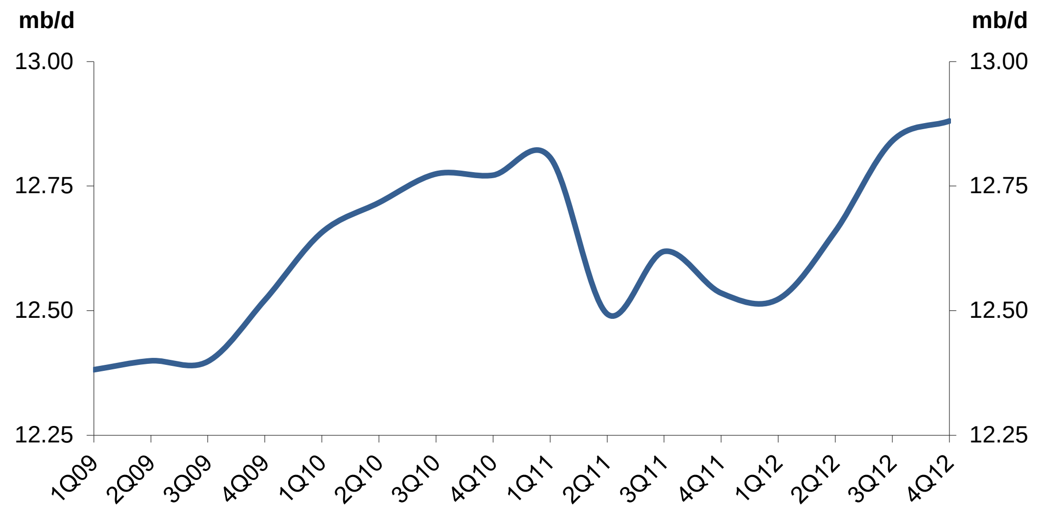
Australia's oil output is estimated to increase by 30 tb/d in 2012 to average 0.45 mb/d, steady from a month earlier. First-quarter oil production is expected to be the lowest among all the year's quarters, due to weather-related shutdowns. After Cyclone Iggy, production restarted at the Enfield oil field, as well as at the Cossack, Wanaea, Lambert and Hermes fields. Output from the Vincent field remains shut. After the heavy decline experienced in 2011, Australia's oil supply is expected to increase slightly in 2012, yet operators' ability to ramp-up output and resolve technical problems will be a main factor in achieving the expected growth. On a quarterly basis, Australian supply is expected to average 0.42 mb/d, 0.46 mb/d, 0.46 mb/d and 0.43 mb/d respectively.

Developing Countries

DC supply to increase by 0.11 mb/d in 2012

Total DC oil supply is forecast to average 12.73 mb/d in 2012, indicating a significant downward revision of 170 tb/d from the previous month, and showing an increase of 0.11 mb/d over the previous year. This downward revision has been introduced on the back of historical adjustments, as well as changes to 2012 supply projects. Latin America and Other Asia oil supply is expected to grow in 2012, while that from the Middle East and Africa is seen to decline. The introduced downward revision from the previous MOMR has affected the supply forecasts of Latin America, the Middle East and Africa. Despite the downward revision, Latin America's supply is expected to lead the growth among DC countries in 2012. Various political and technical difficulties have required the undertaken revisions, leaving the supply forecast with a high risk level. On a quarterly basis, DC's total oil supply is seen to stand at 12.52 mb/d, 12.66 mb/d, 12.84 mb/d and 12.88 mb/d respectively.

Graph 5.3: Developing Countries' quarterly production



Indonesia's oil supply showed monthly decline in early 2012

Other Asia's oil supply is predicted to average 3.67 mb/d in 2012, an increase of 60 tb/d over the previous year, flat from a month earlier. Despite the steady state, minor revisions have been carried out, compared with the previous MOMR, but these offset each other. India, Indonesia and Thailand's oil supply projections have been revised. India's oil supply is forecast to increase by 20 tb/d in 2012 and average 0.91 mb/d, representing a minor downward revision of 5 tb/d. This has been the result of historical data updates, where output during the fourth quarter of 2011 was slightly below expectations. However, India's oil supply is expected to increase slightly on new volumes from the Mangala projects. Thailand's oil production outlook in 2012 has met with a minor downward revision of 7 tb/d. This is now expected to remain steady in 2012, with a minor decline of 10 tb/d, and average 0.33 mb/d. The revision has come on the back of updated historical data; however, the startup of the Bangkok South gas field is expected to support output in 2012, as new liquid volumes will be added. On a quarterly basis, Other Asia supply is expected to stand at 3.65 mb/d, 3.66 mb/d, 3.67 mb/d and 3.69 mb/d respectively.

Indonesia's oil supply is seen to average 0.99 mb/d in 2011, a drop of 10 tb/d from the previous year, indicating an upward revision of 10 tb/d, compared with the last month. The upward revision in the fourth quarter of 2011 has supported the outlook in 2012. Despite the upward revision, Indonesia's oil supply showed a minor monthly decline in both January and February, which could lead to further adjustments in coming months. It is worth highlighting that Indonesia's output in the first two months of 2012 was below the government's production guideline. Malaysia's oil supply is expected to average 0.63 mb/d, a decline of 10 tb/d from the previous year and flat from the previous assessment. The anticipated supply drop will come from natural declines and limited new developments.

Expected supply growth in Brazil and Colombia to lead Latin America increase

Latin America's oil production is seen to increase by 0.26 mb/d in 2012, the second-largest level of non-OPEC regional growth after North America, to average 5.00 mb/d, representing a downward revision of 60 tb/d, compared with the previous MOMR. Brazil's oil supply has been responsible for the downward revision, while the supply outlook for other producers in the region has remained steady from the previous month. Colombia's oil supply is expected to increase by 0.10 mb/d in 2012 to average 1.02 mb/d, flat from the last month. Healthy supply growth is expected to continue from Colombia, following four years of relatively strong growth. The anticipated supply increase in 2012 is supported by the continuous ramp-ups of the Rubiales and Castilla developments, among others. Reports indicated that the Cano Limon pipeline experienced further attacks in February, yet it did not affect the supply forecast for 2012. On a quarterly basis, Latin American supply is seen to stand at 4.95 mb/d, 4.97 mb/d, 5.02 mb/d and 5.06 mb/d respectively.

Brazil's oil production is projected to increase by 0.16 mb/d in 2012, the second-highest among all non-OPEC countries, to average 2.80 mb/d, indicating a downward revision of 60 tb/d, compared with the previous MOMR. The expected growth is supported by increases in both biofuels and crude oil. The downward revision has been the result of historical adjustments to the 2011 supply estimate and has not had an impact on expected growth in 2012. The historical downward revision has come on the back of adjustments to ethanol production in 2011. This showed a decline of 17%, compared with the previous year, as sugar cane production fell on the back of unfavourable weather conditions and an ageing cane crop. According to preliminary data, Brazil's oil supply increased in January, compared with the previous month, supported by new wells at the Jubarte P-57 and Marlim Sul P-56 offshore fields, as well as the Extended Well Test (EWT) at the Aruana field. The growth in supply in January offset the impact of the oil leak at offshore Barracuda P-43 that cut output by 15 tb/d. The anticipated growth in ethanol production is supported by the government's plans, through subsidized credit, to encourage investment. On a quarterly basis, Brazil oil supply is expected to average 2.76 mb/d, 2.77 mb/d, 2.82 mb/d and 2.84 mb/d respectively.

Syria and Yemen downward revisions put pressure on Middle East 2012 supply forecast

Middle East oil supply is estimated to decrease by 0.12 mb/d in 2012, the biggest decline among all the non-OPEC regions, to average 1.56 mb/d, indicating a downward revision of 50 tb/d from last month. The downward revisions have been experienced in Syria's and Yemen's oil supply forecasts. Oman's oil supply is expected to increase by 50 tb/d in 2012 to average 0.93 mb/d, flat from the previous assessment. The anticipated oil supply growth from Oman is supported by enhanced oil recovery projects, such as the Harweel gas injection one, which is expected to start in the second quarter. Syria's oil supply is anticipated to decrease by 0.15 mb/d in 2012 to average 0.22 mb/d, representing a downward revision of 40 tb/d, compared with the previous MOMR. The ongoing political situation is behind the downward revision, as more operators exit the country on security concern. Furthermore, more attacks have been reported on oil installations. The unavailability of production data increases the risk of further large adjustments, once supply data is obtained. Yemen's oil production is forecast to drop by 20 tb/d in 2012 to average 0.19 mb/d, indicating a downward revision of 10 tb/d from last month. The workers' strike affected the already curtailed output and has led to the undertaken revision. Yemen's oil supply has lost around 100 tb/d since September of 2011, due to pipeline bombing, out of 260 tb/d capacity. It is not clear when output will recover, as the country continues to face political tensions. On a quarterly basis, Middle East supply is seen to stand at 1.52 mb/d, 1.56 mb/d, 1.58 mb/d and 1.58 mb/d respectively.

Former Sudan 2012 supply forecast revised down

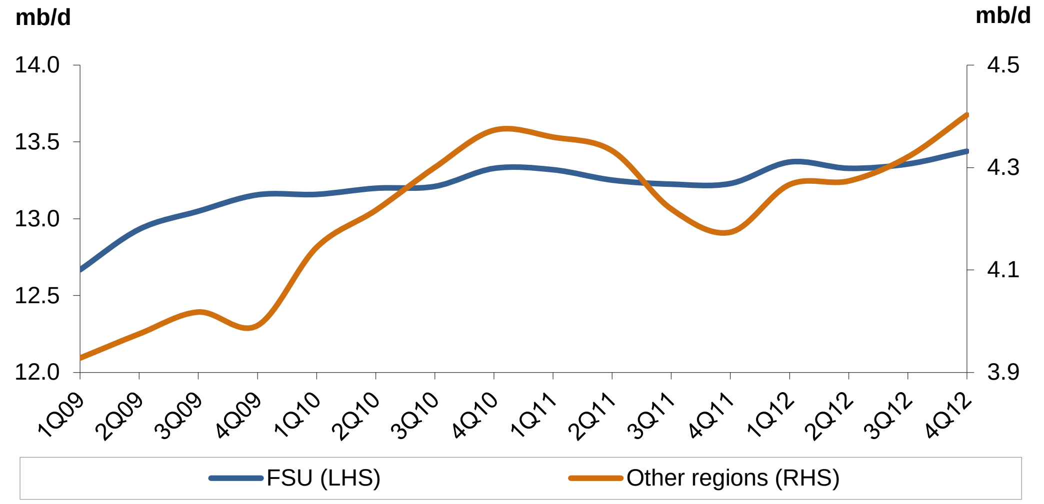
Africa's oil supply is forecast to decline by 90 tb/d in 2012 to average 2.50 mb/d, indicating a downward revision of 60 tb/d from the previous MOMR. This revision has affected former Sudan's and Ghana's oil supply forecasts. Former Sudan's oil production outlook, which includes both Sudan and South Sudan, is forecast to decline by 0.12 mb/d in 2012 to average 0.31 mb/d, representing a downward revision of 40 tb/d from the previous MOMR. This revision has been driven by South Sudan's production shutdown. Limited production data and uncertainty regarding the restart of its production point to a high risk level for the supply projection for 2012. For the time being, a partial return to production is assumed for the second quarter, which might need an adjustment to the figure as the year progress. The expulsion of the President of South Sudan's leading oil producer company, as well as the bombing of some wells, could have a further negative impact on production in the coming months. On the other hand, the resumption of negotiations on transit fees in early March could bring an end to the situation. Ghana's oil supply forecast has experienced a minor downward revision, due to further delays being seen as affecting the Jubilee field's growth in 2012. On a quarterly basis, Africa supply is expected to stand at 2.41 mb/d, 2.48 mb/d, 2.57 mb/d and 2.56 mb/d respectively.

FSU, Other Regions

FSU supply is expected to increase by 120 tb/d in 2012

Total **FSU** oil supply is forecast to grow by 0.12 mb/d in 2012 to average 13.37 mb/d in 2012, indicating a downward revision of 35 tb/d from the previous month. The downward revision has had an impact on Azerbaijan's and Kazakhstan's production outlooks in 2012. The FSU's expected supply growth in 2012 is supported by an anticipated increase in Russia's oil production, while Azerbaijan's and Kazakhstan's supply is seen to remain relatively steady. The risk and uncertainty associated with the FSU supply forecast are high, with regard to the share of total non-OPEC supply, on technical, political, decline and price related issues. On a quarterly basis, total oil supply from the FSU is expected to stand at 13.37 mb/d, 13.33 mb/d, 13.36 mb/d and 13.44 mb/d respectively. Other Europe's oil output is expected to experience minor growth of 10 tb/d in 2012 and average 0.15 mb/d. China's oil supply is forecast to increase by 40 tb/d in 2012 and average 4.17 mb/d.

Graph 5.4: FSU and other region's quarterly production



Russia

Russia's oil supply to increase by 70 tb/d in 2012

Russian oil production is projected to increase by 70 tb/d in 2012 to average 10.34 mb/d in 2012, unchanged from the previous MOMR. There are limited major new developments in Russia that will come on stream in 2012. The Prirazlom oil project is anticipated to be the only major project that will start up during the year and support output. Russia's oil supply will depend largely on operators' ability to maintain output at mature producing areas. Capex is anticipated to remain strong in 2012 and support operators' efforts to stabilize production. Furthermore, the ramp-ups of recently started projects are seen to support Russia's oil supply in 2012. The Vankor, Verkhnechonskoye, and Korchagina oil fields are expected to add healthy volumes in 2012. According to preliminary data, Russia's oil supply remained at a record high of 10.35 mb/d in February, indicating an increase of 125 tb/d over the same month a year ago. The risk to the forecast remains on the high side on technical, political, geological, economical and taxation issues. On a quarterly basis, Russian oil supply is seen to average 10.33 mb/d, 10.32 mb/d, 10.35 mb/d and 10.37 mb/d respectively.

Caspian

Bad weather limits Uzen output in early 2012 in Kazakhstan

Kazakhstan's oil supply is believed to increase by 20 tb/d in 2012 to average 1.63 mb/d, representing a minor downward revision of 15 tb/d from last month. The revision has come on the back of Uzen field output coming below expectations on the back of bad weather during the first two months of 2012, as per preliminary data. The field's supply is expected to increase by 15% in 2012 from the previous year, when output was curtailed due to strike action and power outages. The Tengiz project is anticipated to add new volumes in 2012 and support the country's production. According to preliminary estimates, Kazakhstan's oil supply increased by 60 tb/d from the previous month, supported by an increase of around 30 tb/d from the Tengiz development. On a quarterly basis, Kazakhstan's supply is expected to stand at 1.64 mb/d, 1.61 mb/d, 1.61 mb/d and 1.64 mb/d respectively.

Azerbaijan output expected to remain steady in 2012

Azerbaijan's oil supply is anticipated to remain steady in 2012, with a minor increase of 10 tb/d to average 0.97 mb/d, representing a downward revision of 20 tb/d from the previous MOMR. This revision has come on the back of updated production data from the fourth quarter of 2011. Production is expected to increase in the first quarter, compared with the fourth, when output was affected by maintenance. A malfunction during the maintenance caused a short shutdown of the Shah Deniz gas field platform in February. On a quarterly basis, Azerbaijan oil supply is estimated to average 0.97 mb/d, 0.95 mb/d, 0.96 mb/d and 0.98 mb/d respectively.

China's supply to average 4.17 mb/d in 2012

China

China's oil supply is expected to increase by 40 tb/d in 2012 to average 4.17 mb/d in 2012, indicating a minor downward revision of around 5 tb/d from the previous assessment. This revision has come about due to a historical adjustment that has affected the fourth quarter of 2011's supply figures. The restart of the offshore Peng Lai field, which is unclear yet, will largely influence China's oil supply, depending on when output will resume. On a quarterly basis, China's oil supply is seen to average 4.12 mb/d, 4.13 mb/d, 4.17 mb/d and 4.25 mb/d respectively. According to the preliminary estimate, this averaged 4.15 mb/d in January, a decline of 0.10 mb/d, compared with the same month of 2011.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are estimated to have averaged 5.29 mb/d in 2011, representing growth of 0.39 mb/d over the previous year. In 2012, OPEC NGLs and non-conventional oils are forecast to increase by 0.36 mb/d over the previous year to average 5.65 mb/d.

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

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

OPEC crude production averaged 30.97 mb/d in February 2012

OPEC crude oil production

Total OPEC crude oil production averaged 30.97 mb/d in February, a rise of 144 tb/d, according to secondary sources. Libya, Angola, and Iraq crude oil production indicated increases in February, from the previous month, while crude output from Kuwait, Saudi Arabia, and Iran encountered a decrease. OPEC production, not including Iraq, averaged 28.27 mb/d, up by 120 tb/d from January.

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

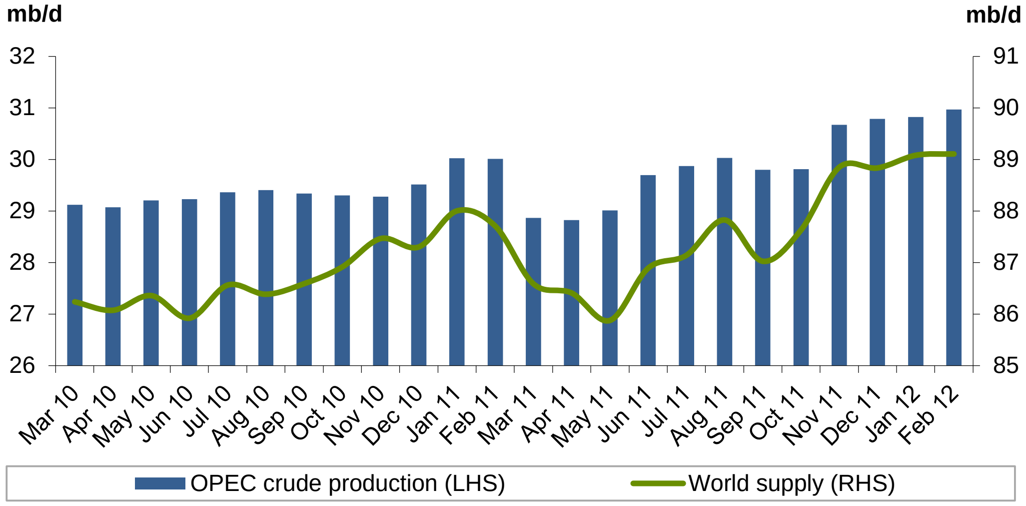
	2010	2011	2Q11	3Q11	4Q11	Dec 11	Jan 12	Feb 12	Feb/Jan
Algeria	1,258	1,256	1,255	1,258	1,252	1,244	1,241	1,241	*0.0*
Angola	1,783	1,663	1,548	1,675	1,763	1,768	1,744	1,820	*76.5*
Ecuador	475	490	490	486	494	492	493	493	*1.0*
Iran, I.R.	3,706	3,621	3,658	3,607	3,563	3,533	3,461	3,424	*-37.0*
Iraq	2,401	2,667	2,665	2,682	2,669	2,703	2,670	2,694	*23.7*
Kuwait	2,297	2,532	2,483	2,592	2,675	2,683	2,694	2,651	*-43.6*
Libya	1,559	462	153	47	562	782	1,007	1,188	*180.4*
Nigeria	2,061	2,111	2,144	2,183	2,029	2,023	2,054	2,040	*-14.3*
Qatar	801	808	807	808	810	811	810	812	*1.3*
Saudi Arabia	8,284	9,272	9,081	9,629	9,655	9,763	9,703	9,662	*-41.8*
UAE	2,304	2,517	2,519	2,551	2,557	2,591	2,568	2,569	*1.7*
Venezuela	2,338	2,384	2,375	2,385	2,392	2,390	2,380	2,376	*-3.8*
Total OPEC	**29,267**	**29,782**	**29,176**	**29,902**	**30,419**	**30,784**	**30,824**	**30,968**	***144.1***
OPEC excl. Iraq	**26,866**	**27,114**	**26,511**	**27,220**	**27,751**	**28,081**	**28,154**	**28,274**	***120.4***

Totals may not add up due to independent rounding

World Oil Supply

Preliminary figures for the month of February indicate that world oil supply averaged 89.11 mb/d, a minor increase of 31 tb/d over the January figure, with OPEC's crude share at around 35%. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 5.5: OPEC and world oil supply

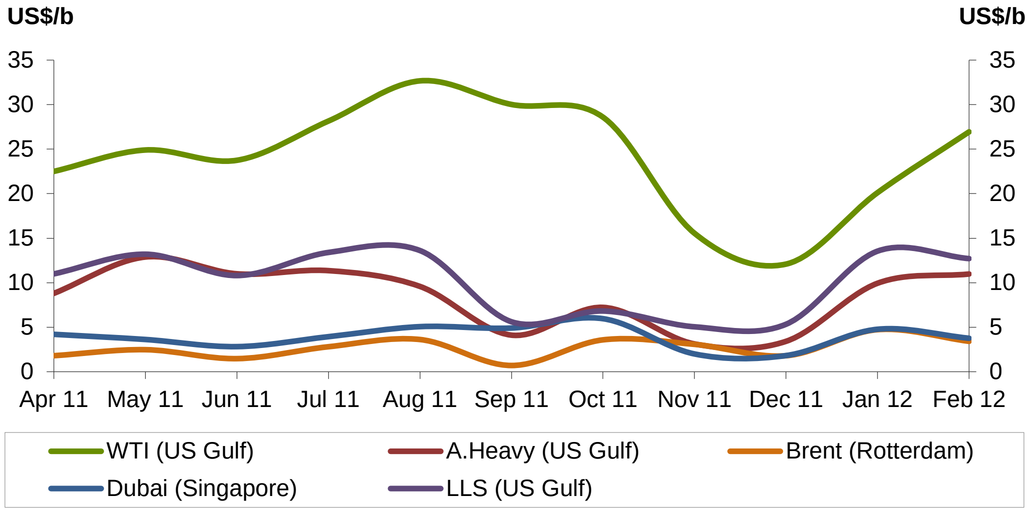


Product Markets and Refinery Operations

Refinery margins hit by lacklustre demand and more expensive crudes

Product market sentiment turned bearish in February, following disappointing demand for middle distillates due to the weak economy and the mild winter in the Northern Hemisphere. Additionally, the continued recovery at the top of the barrel was outweighed by the increase in crude prices, causing refinery margins to fall worldwide.

Graph 6.1: Refining margins, 2011-2012



The margin for WTI crude on the US Gulf Coast continued to recover from the previous month, showing a rise of $7 to stand at around $27/b in February, on the back of gains across all parts of the barrel. The most interesting development was seen at the top of the barrel, with the gasoline crack climbing by more than $5/b.

Market sentiment continued to be supported by export opportunities to Latin America and Europe, despite weaker domestic demand. However, the main factor at the higher level of the margins was the distortion in the WTI price, which again had become cheaper, in relative terms, than the other benchmarks.

The refinery margins for Light Louisiana Sweet (LLS) crude on the US Gulf Coast showed a drop of 80¢/b to around $12.7/b. This slight fall was representative of the refinery margin performance worldwide during February.

Disappointing demand for middle distillates during the winter season in the Northern Hemisphere, despite temporary colder temperatures and a rise in crude prices, mainly in Europe, caused refining margins in the region to reverse the recovery seen last month, with support from the tight market. However, the loss was capped by light distillates receiving respite from the tight environment, which partially offset the plummeting middle distillate crack spread.

The refinery margin for Brent crude at Rotterdam dropped by more than $1 in February to around $3.4/b.

Asian cracking margins reversed the recovery trend and displayed a mixed performance during February, with light distillates gaining more than $1, reflecting strong regional demand in a tight market, while the bottom of the barrel became weaker due to over-supply. The drop in the margin was mostly on the back of increasing crude prices, with Dubai crude climbing during the month and causing Singapore refinery margins to fall by $1 to around $3.8/b.

Refinery operations

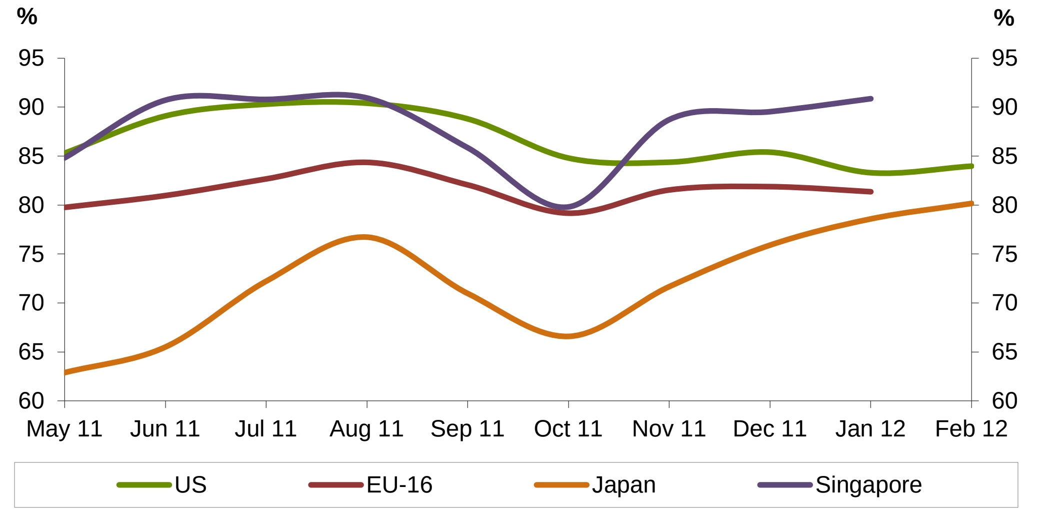
Refining industry in US supported by export markets

Despite weak domestic demand, as export opportunities continued to lend support, US refineries continued the upward trend in February, which, along with the weakening in crude prices, encouraged refiners to keep run levels high.

US refinery runs averaged 84% of capacity in February, 0.7% higher than in the previous month, despite the shutdown of some refineries due to the economic situation as well as maintenance on the West Coast.

Despite the higher refinery runs amid weaker domestic demand, distillate inventories did not see a build, due to the high export levels from the US to markets worldwide.

Graph 6.2: Refinery utilization rates, 2011-2012



European refiners continued to run at moderate throughputs in response to deteriorating refining margins, the weak economy and more expensive crudes. Refinery runs remained at around 82% recently with margins having recovered the previous month, as a consequence of the tight situation in the market after the closure of several refineries in the region. However, in February, the increase in crude prices again exerted pressure on margins. This bearish situation in the refinery business could encourage revising runs ahead of the maintenance season.

Asian refinery runs had remained at high levels to face the rising demand for power generation, mainly in China, India and Japan. However, as demand growth slowed in the region amid higher inflows from the west, refineries have to reduce runs during the maintenance season. Japanese throughput remained at around 80% of capacity in February.

US market

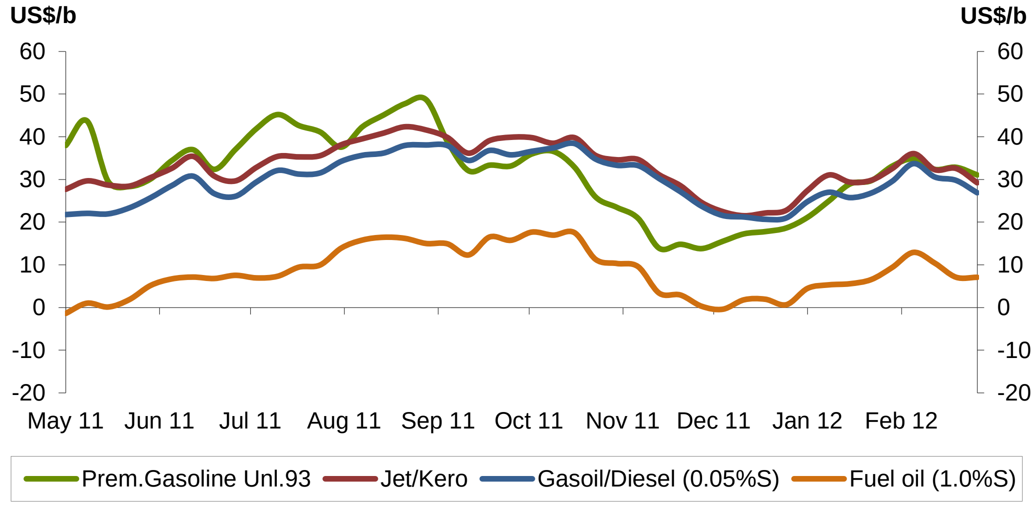
US product cracks continued to be supported by stronger export opportunities

US gasoline demand continued to be sluggish, standing at 8.3 mb/d in February for a decline of 350 tb/d from the same month a year earlier, but recovering more than 200 tb/d over the previous month.

Weak US gasoline demand stood 4% below the year-ago level; however, despite poor domestic demand and an above-average stock-build, the gasoline crack spread continued to rise, on the back of stronger export opportunities to Latin America, mainly to Mexico.

The gasoline crack averaged $32.8/b in February, increasing by more than $5 over the previous month. The bullish sentiment was fuelled by a tight supply environment, as a result of expected refinery closures affecting the supply balance on the East Coast, as well as some refineries and cracker units shutting down on the West Coast, due to maintenance and operational problems. Another bullish factor was the need to switch to summer grade specifications.

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



Middle distillate demand remained around 3.6 mb/d in February, falling by 70 tb/d from the previous month and showing a decline of 310 tb/d from the same month a year earlier.

Distillate demand remained 8% below year-ago levels, as heating oil and diesel requirements failed to pick up, while US refiners also reduced distillate yields, which, along with the steady strong import requirements from South America and arbitrage opportunities to Europe, caused inventories to continue falling. This supported the market, and the gasoil crack on the US Gulf Coast showed a rise of $3.5 to average $30/b in February.

Despite the weak domestic demand, the fuel oil cracks remained healthy, at a time of stronger demand from Latin America, mainly Costa Rica and Peru. Another supportive factor came from the arbitrage opportunities to ship volumes to Asia, although this was limited at the end of the month. The fuel oil crack rose by $3 in February to around $9.4/b.

European market

Middle distillate cracks plummeted on disappointing winter demand in Europe

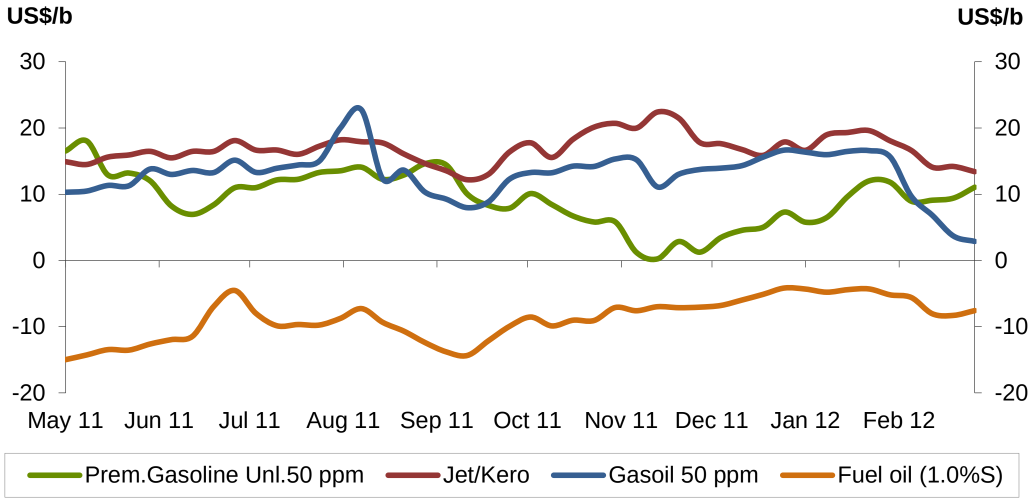
Product market sentiment turned bearish in Europe following disappointing demand for middle distillates during the winter season and the uptick in crude prices, causing the gasoil crack spread to hit a record-low level for nearly two years.

Naphtha cracks maintained the recovery seen last month, continuing to benefit from the fact that the petrochemical sector still favoured naphtha over propane as an alternative, cheaper feedstock. However, despite the strength of the Asian naphtha market, limited product availability in the region made arbitrage from Europe difficult. In this respect, news of a delay in the planned turnaround at an Algerian refinery, a key naphtha exporter to Europe, eased supply tightness. On the other hand, Asian demand was expected to decline in line with the upcoming naphtha cracker maintenance and seasonally lower petrochemical activity, further easing the situation in the region.

The European gasoline market continued to improve, on the back of healthy export opportunities to South America — mainly to Brazil — and increasing arbitrage to the US, due to the tight environment created by the announced refinery shutdowns across the Atlantic Basin, which offered support to market sentiment to some extent, since it was limited by the upcoming seasonal quality switch.

Additional support came from increasing demand in Africa and the Middle East — mainly from Saudi Arabia, Libya and Egypt — amid regional supplies that were temporarily tight, due to maintenance on reformer units in Italy. This fuelled bullish sentiment in the market and allowed European gasoline cracks to continue to recover.
The gasoline crack spread against Brent crude managed to increase by almost $1, despite the jump in the crude price by an average of $10/b in February.

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



Bearish factors in the European gasoil market caused the crack spread to plummet to levels not seen for two years, and a further impact was made by the jump in the Brent price.

The environment of a tight market, generated by the closures of some European refineries, was outweighed by disappointing winter demand, and the middle distillate cracks failed to recover during the month and kept falling sharply.

Ample supplies weighed on market sentiment, due to the open arbitrage window from the US to Europe, rising Russian product exports and ARA gasoil stocks standing above the five-year average.

Milder temperatures in Europe weighed on middle distillates, and demand in the continent´s largest heating oil market was disappointing this winter season. This was despite the recent cold spell across the region, which also affected diesel exports from the ARA hub, as ice problems on the inland waterways temporarily limited shipping traffic.

Jet fuel cracks over the past month suffered from persistently low regional aviation demand, amid higher inflows to the region, with cargoes coming from Colombia and Venezuela.

The gasoil crack spread against Brent crude at Rotterdam showed a sharp drop of $8.6, to stand around $7.7/b, the lowest level for two years.

At the bottom of the barrel, fuel oil cracks lost the ground gained last month, as a result of weaker sentiment coming from Singapore, with slowing bunker fuel sales, as well as thinner Chinese demand cutting arbitrage possibilities from Europe. Another bearish factor could be found in the expectation of higher Russian exports.

The Northwest European fuel oil crack spread against Brent showed a drop of $2.4 this month, to stand at minus $6.9/b.

Asian market

Tight market allowed light distillate cracks to continue to rise in Asia

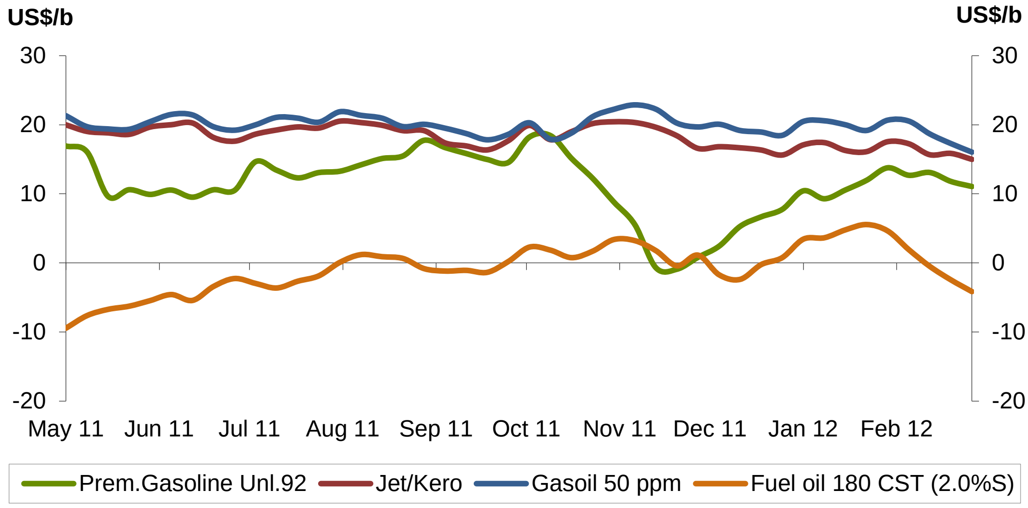
Asian cracking margins displayed a mixed performance, with the top of the barrel continuing to recover on the back of strong regional demand in a tight market, while the bottom of the barrel weakened, due to over-supply in the region.

Despite a rise in crude prices, the gasoline crack continued the upward trend started last month, when sentiment was fuelled by stronger regional demand — mainly from Indonesia, Vietnam and Pakistan — amid tightening supplies on the back of refinery turnarounds in the region.
The naphtha crack also continued to recover, as fundamentals remained supportive on

the back of improved demand from the North-East Asian petrochemical sector and the limited arbitrage movement from Europe, where naphtha became the preferred petrochemical feedstock, due to higher propane prices.

Additional support came from the supply side, notably the lower export levels from India and the Middle East, maintaining the tight environment in the region.

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



The gasoline crack spread against Dubai crude in Singapore rose by $1.3 to average around $12.5/b in February.

The middle distillate market remained relatively well balanced, as the supply side supported the market. Refinery maintenance continued to keep gasoil supplies tight, while regional demand remained healthy, especially from Sri Lanka and Indonesia. In addition, kerosene demand was healthy, due to colder weather in North-East Asia, which also contributed to the fall in Japanese kerosene stocks.

The gasoil crack spread in Singapore against Dubai decreased by $1.6 to average around $19/b in February. This fall was attributed mainly to higher crude prices.

The Singapore fuel oil crack lost the ground gained last month, as sentiment soared amid heavy western inflows and massive selling activity in the physical and swap markets. On top of this, support from China´s bunker market was likely to have waned, while buying from independent refiners slowed after the Lunar New Year holiday.

The fuel oil crack spread in Singapore against Dubai fell by $4.6 to average around minus $0.1/b in February.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			*Refinery utilization, %*		
	Jan12	Feb12	Feb/Jan	Jan12	Feb12	Feb/Jan
US	14.51	14.65	0.14	83.30	83.98	0.67
France	1.14	*n.a.*	-	66.44	*n.a.*	-
Germany	1.88	*n.a.*	-	79.87	*n.a.*	-
Italy	1.54	*n.a.*	-	65.98	*n.a.*	-
UK	1.48	*n.a.*	-	83.97	*n.a.*	-
Euro-16	10.68	*n.a.*	-	81.36	*n.a.*	-
Japan	3.72	3.79	0.07	78.59	80.16	1.58

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

Table 6.2: Refined product prices, US$/b

		Dec 11	Jan 12	Feb 12	*Change* Feb/Jan
US Gulf (Cargoes):					
Naphtha		107.57	115.69	123.01	7.32
Premium gasoline	*(unleaded 93)*	115.62	127.28	135.20	7.92
Regular gasoline	*(unleaded 87)*	107.83	117.31	127.35	10.04
Jet/Kerosene		120.86	130.01	135.17	5.16
Gasoil	*(0.05% S)*	119.79	126.72	132.79	6.07
Fuel oil	*(1.0% S)*	99.40	106.01	112.11	6.10
Fuel oil	*(3.0% S)*	95.25	102.88	109.07	6.19
Rotterdam (Barges FoB):					
Naphtha		96.97	105.18	113.65	8.47
Premium gasoline	*(unleaded 10 ppm)*	112.46	119.56	129.29	9.73
Premium gasoline	*(unleaded 95)*	110.10	117.05	126.58	9.53
Jet/Kerosene		124.89	129.31	134.66	5.35
Gasoil/Diesel	*(10 ppm)*	128.16	136.45	142.59	6.13
Fuel oil	*(1.0% S)*	102.11	106.12	112.44	6.32
Fuel oil	*(3.5% S)*	97.12	105.87	109.08	3.21
Mediterranean					
Naphtha		94.06	102.08	111.13	9.05
Premium gasoline	*(50 ppm)*	112.63	119.74	128.88	9.15
Jet/Kerosene		119.05	123.26	129.30	6.04
Gasoil/Diesel	*(50 ppm)*	107.39	114.33	120.31	5.97
Fuel oil	*(1.0% S)*	102.06	107.13	113.94	6.81
Fuel oil	*(3.5% S)*	95.22	102.77	107.60	4.83
Singapore (Cargoes):					
Naphtha		98.61	104.82	114.29	9.47
Premium gasoline	*(unleaded 95)*	113.86	123.99	130.70	6.71
Regular gasoline	*(unleaded 92)*	111.50	120.69	128.63	7.94
Jet/Kerosene		122.87	126.70	132.46	5.76
Gasoil/Diesel	*(50 ppm)*	125.71	130.08	134.85	4.77
Fuel oil	*(180 cst 2.0% S)*	105.72	114.36	115.93	1.57
Fuel oil	*(380 cst 3.5% S)*	102.52	110.79	112.87	2.08

Tanker Market

OPEC spot fixtures increased by 1.3 mb/d in February

Following the upward trend in January, OPEC spot fixtures continued to increase in February, by 1.31 mb/d, to average 12.27 mb/d. This increase was supported by both eastbound and westbound sailings, as a result of higher requirements. Compared with the same month last year, OPEC spot fixtures were 6% higher in February.

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

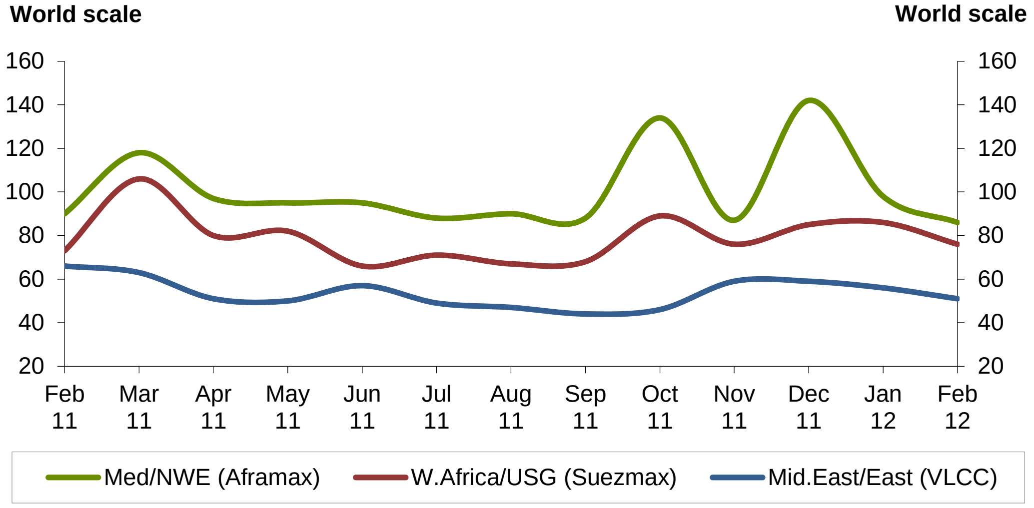
	Dec 11	Jan 12	Feb 12	*Change Feb/Jan*
Spot Chartering				
All areas	18.22	19.03	19.66	0.63
OPEC	10.70	10.95	12.27	1.31
Middle East/East	6.63	5.67	5.76	0.09
Middle East/West	1.18	1.35	2.47	1.11
Outside Middle East	2.90	3.94	4.04	0.10
Sailings				
OPEC	23.38	23.26	23.40	0.15
Middle East	17.70	17.45	17.46	0.00
Arrivals				
North America	8.71	8.65	8.57	-0.08
Europe	12.07	12.00	11.78	-0.22
Far East	8.63	8.62	8.09	-0.53
West Asia	4.36	4.41	4.77	0.36

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

According to preliminary data, OPEC sailings rose by 65 tb/d in February to average 23.32 mb/d, supported by increased production. However, compared with the same month last year, they decreased by 3%.

According to preliminary estimates, arrivals in the US, Europe and the Far East showed slight declines of 8 tb/d, 22 tb/d, and 53 tb/d respectively, to close at 8.57 mb/d, 11.78 mb/d and 8.09 mb/d, as a result of seasonal activity. However, arrivals in West Asia increased by 36 tb/d, to close at 4.77 mb/d in February.

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



Dirty tanker market bearish in February, with declines in VLCC and Suezmax spot freight rates

Crude oil tanker market sentiment continued to weaken in February across all vessel categories, especially VLCC and Suezmax. Dirty spot freight rates on all reported routes were down in February from a month earlier, except on the Indonesia-to-East and Caribbean-to-the US routes. Clean spot freight rates also experienced declines on all reported routes, except on the Middle East-to-East and Northwest Europe-to-the US. Persistent tonnage over-supply, the holiday season, shifts on trade routes and tanker market dynamics put pressure on overall spot freight rates and weakened market sentiment. Moreover, increasing bunker fuel oil prices further weighed on ship-owner margins, as rising operating-costs left ship-owners in difficulty over breaking even.

In the dirty tanker market, average spot freight rates for **VLCCs** declined by 8% in February from the previous month to average WS47 points. The decline was driven mainly by the drop in VLCC spot freight rates operating on the Middle East-to-East and West Africa-to-East routes. Ample tonnage supply in the Middle East area put pressure on these rates, despite higher fixtures. Improved Asian demand, as well as the substitution of East African crude resulting from lower exports from Sudan, supported Middle East fixtures. The drop in loadings from East Africa negatively influenced VLCC rates for tankers operating on the West Africa-to-East route, as some vessels relocated to West Africa and increased availability. Rates for tankers operating on the West Africa-to-East route declined by 9% in February from the previous month to average WS54 points. For VLCCs operating on the Middle East-to-West route, the rates followed the same trend and dropped by 4% to settle at WS37 points, on the back of lower activity and higher tonnage availability.

Suezmax spot freight rates followed the same trend as VLCCs in February. Rates for tankers operating on the West Africa-to-the US route decreased by 12% to average WS76 points. Rates on the Northwest Europe-to-the US route fell by 6% in February from the previous month to average WS69 points. Higher US oil production, supported by shale developments, weighed down on transatlantic trade, in addition to oil price differentials. Moreover, refinery shutdowns on the US East Coast, as well as shifts in seasonal demand, further affected rates. Improved weather conditions, that reduced delays in the Turkish straits, further influenced Suezmax availability and put pressure on rates in February. Compared with a year earlier, average Suezmax spot freight rates showed a minor increase of 2% in February.

The **Aframax** sector also came under pressure in February, except on the Caribbean-to-the US and Indonesia-to-East routes. Average Aframax spot freight rates for February stood at WS98 points, a decline of WS2 points from the previous month. Rates for tankers operating on the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes declined by 13% and 12 % respectively in February. Tonnage over-supply and fewer delays in the Turkish straits were behind the drop. An exceptional gain of 11% in February in the Caribbean-to-the US rate was supported mainly by improved fixtures, higher trade activity and weather disruptions from fog that caused a port-closure.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size 1,000 DWT	Dec 11	Jan 12	Feb 12	Change Feb/Jan
Crude					
Middle East/East	230-280	59	56	51	-5
Middle East/West	270-285	39	37	35	-2
West Africa/East	260	61	59	54	-5
West Africa/US Gulf Coast	130-135	85	86	76	-10
NW Europe/USEC-USGC	130-135	77	73	69	-4
Indonesia/US West Coast	80-85	105	91	92	1
Caribbean/US East Coast	80-85	116	116	129	13
Mediterranean/Mediterranean	80-85	141	96	84	-12
Mediterranean/North-West Europe	80-85	142	98	86	-12

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

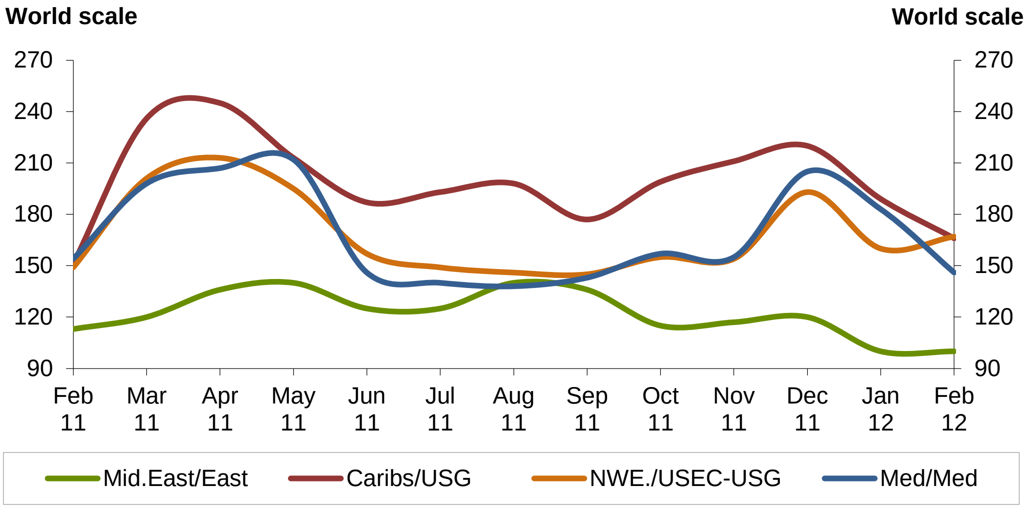
Clean spot rates decreased West of Suez

Product tanker market sentiment followed the same bearish trend, as the dirty market and spot freight rates declined on all routes, except the Northwest Europe-to-the US route in February. East of Suez average clean spot freight rates edged down slightly, by 1%, in February from the previous month, while West of Suez clean rates dropped by 12%. The declines in both East and West clean spot freight rates came on the back of ample tonnage availability and a shutdown of petrochemical plants.

In East of Suez, clean spot freight rates for tankers operating on the Middle East-to-East route remained flat in February from last month, while rates declined on the Singapore-to-East route. Balanced activity for product trade, mainly naphtha, left Middle

East-to-East rates flat in February. Meanwhile, the refinery maintenance period, especially in South Korea and Taiwan, and holidays were partially behind the decline of 3% in rates on Singapore-to-East.

Graph 7.2: Monthly averages of clean spot freight rates



In West of Suez, clean spot freight rates experienced the biggest drop in February, compared with the previous month, for vessels operating on the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes. Compared with the previous month, Mediterranean-to-Mediterranean rates declined by 20% and Mediterranean-to-Northwest Europe by 18%. Tonnage over-supply and improved weather conditions, that reduced delays in the Turkish straits, were partially behind the decreases. However, transatlantic open arbitrage continued to support Northwest Europe-to-the US rates, where they increased by 4% in February from the previous month. Clean spot freight rates for the Caribbean-to-the US route dropped by 12% in February, partially on the back of high tonnage supply.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	**Dec 11**	**Jan 12**	**Feb 12**	**Change Feb/Jan**
Products					
Middle East/East	30-35	120	100	100	0
Singapore/East	30-35	152	121	118	-3
Caribbean/US Gulf Coast	38-40	220	189	166	-23
NW Europe/USEC-USGC	33-37	193	160	167	7
Mediterranean/Mediterranean	30-35	205	183	146	-37
Mediterranean/North-West Europe	30-35	213	191	156	-35

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

Oil Trade

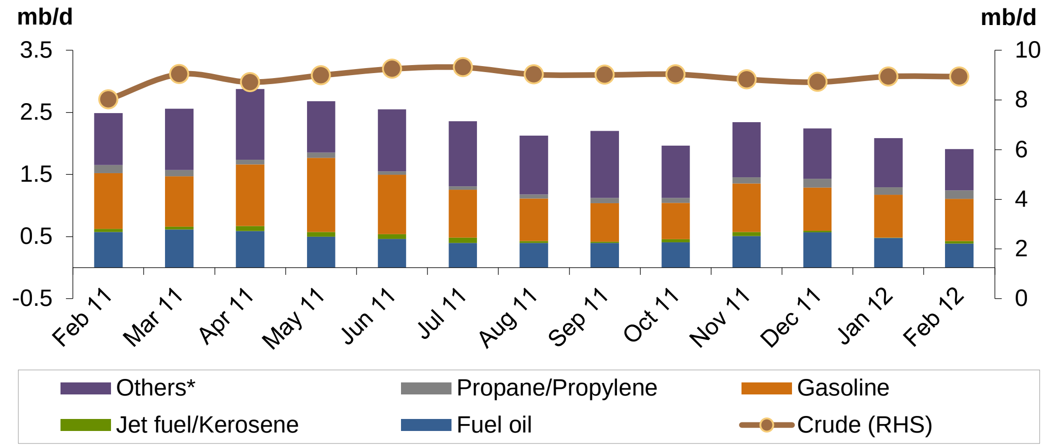
US crude oil imports declined slightly in February by 0.34% to 8.91 mb/d.

US

Preliminary data indicates that US crude oil imports slightly declined by 30.19 tb/d or 0.34% to average 8.91 mb/d in February m-o-m. Imports on y-o-y basis in February were 899 tb/d or 11.2% higher, having stood at 8.0 mb/d last year.

Product imports decreased for the third consecutive month since November and have currently reached a level of 1.89 mb/d. Compared to the month before, the decrease is 192 tb/d or 9.2%. For the y-o-y comparison, a drop of around 596 tb/d or 23.9% in February 2012 is registered. On the other hand, product exports increased in February, by 202 tb/d or 7.0% m-o-m and by 532 tb/d or 20.9% y-o-y, to 3.07 mb/d.

Graph 8.1: US imports of crude and petroleum products

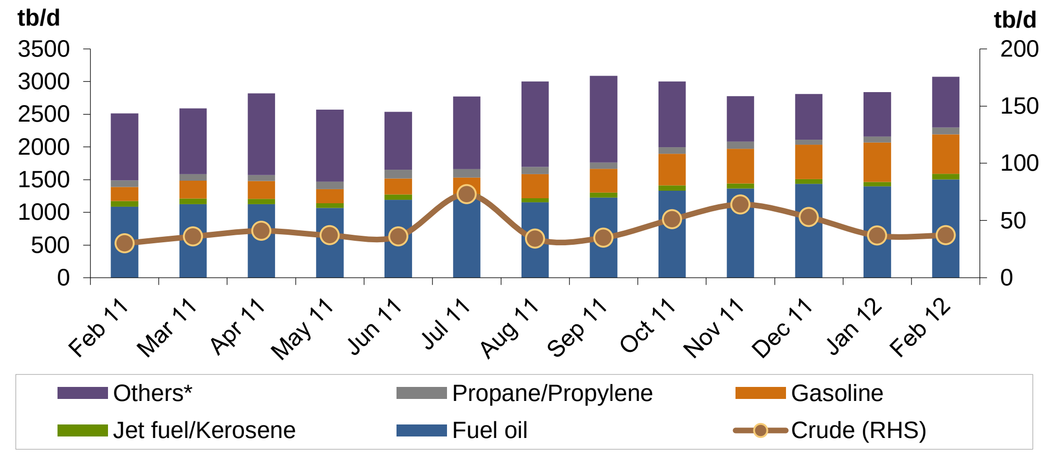


**Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene*

As a result, **US net oil imports declined in February to 7.69 mb/d, down 425 tb/d or 5.2% m-o-m**. On a y-o-y basis, net oil imports are almost 3% lower.

The US imported around 3.82 mb/d crude oil from OPEC members in December, representing a share of 43.78%. On a m-o-m comparison, a slight decrease of 62 tb/d or 1.60% was seen. Canada remained the main supplier with 2.44 mb/d or 28.0%, followed by Saudi Arabia with 1.29 mb/d or 14.83%, Mexico with 0.95 mb/d or 10.48%, Venezuela with 0.81 mb/d or 9.29%, and Nigeria with 0.48 mb/d or 5.71%.

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*

On the product side, US imports from OPEC members have decreased by 72 tb/d or 21.1% to an average of around 269 tb/d in December, where OPEC holds a share of 12.0%. Canada and Russia remained the main suppliers to the US market accounting for 496 tb/d or 22.13% and 387 tb/d or 17.27%, respectively, followed by the Virgin Islands with 214 tb/d or 9.60%, Algeria with 156 tb/d or 6.96% and Mexico with 118 tb/d. or 5.27%.

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

	Dec 11	Jan 12	Feb 12	*Change* Feb/Jan
Crude oil	8,663	8,905	8,875	-30
Total products	-1,255	-789	-1,183	-394
Total crude and products	**7,408**	**8,116**	**7,691**	**-425**

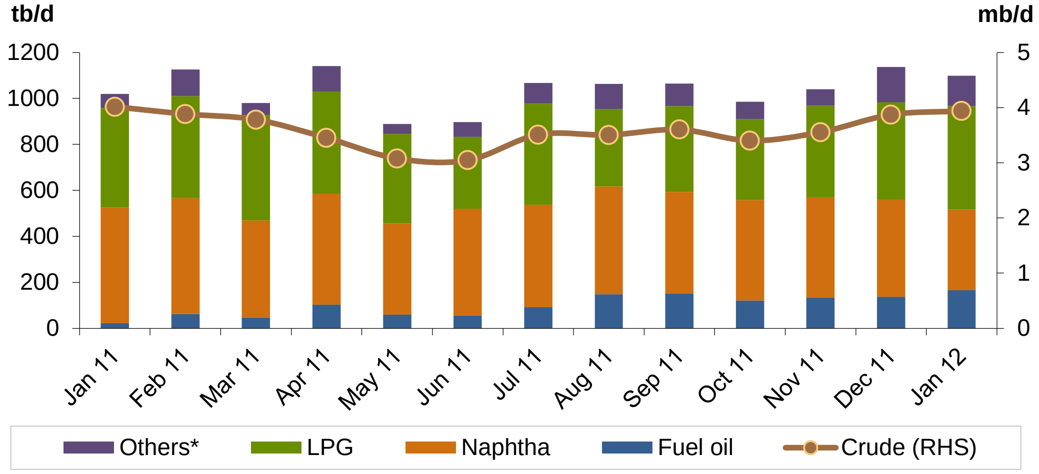
Japan

Japan crude oil imports increase 1.7% to 3.94 mb/d in January

Japan's crude oil imports increased for the second consecutive month in January, after a stable period of crude imports, which stood around an average of 3.5 mb/d during the second half of the year.

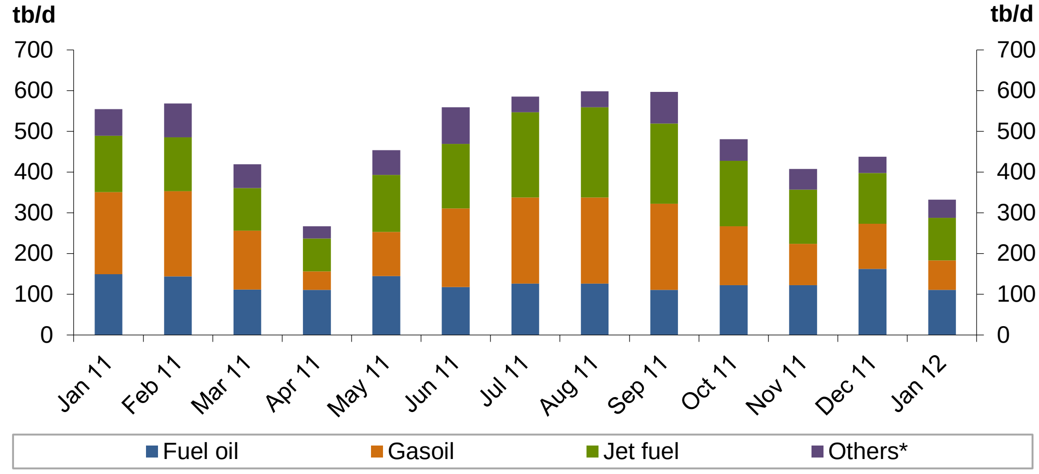
January crude imports increased m-o-m to 3.94 mb/d representing an increase of 65 tb/d or 1.7% compared to December's level. On y-o-y, January's level represents a decline of 78 tb/d or 1.9%.

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



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

Graph 8.4: Japan's exports of petroleum products



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

Product imports, including LPG, decreased to 1.1 mb/d, which represents a decrease of 39 tb/d or 3.4% compared to the month before and an increase of 79 tb/d or 7.7% on a y-o-y basis.

Product exports, including LPG, decreased in January by 106 tb/d or 24.2%, averaging 0.33 mb/d. On a y-o-y basis, a decrease of 222 tb/d or 40.1% was registered.

As a result, **Japan's net oil imports in January 2012 increased by 133 tb/d or 2.9% m-o-m to 4.7 mb/d.** On a y-o-y basis, an increase of 223 tb/d or 5.0% was seen. The increase can be attributed mainly to the net trade in products which was 67 tb/d or 9.6% on a m-o-m basis.

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

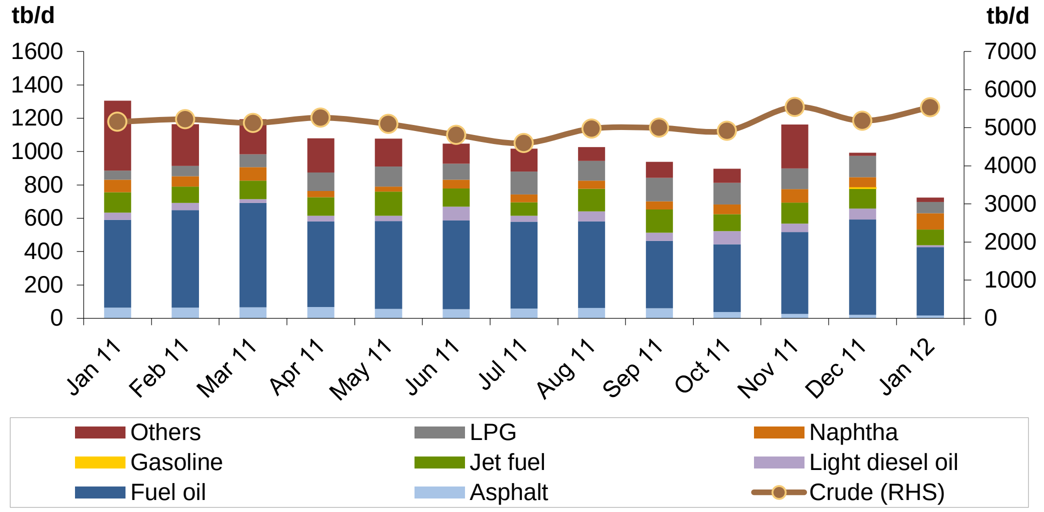
	Nov 11	Dec 11	Jan 12	*Change* Jan/Dec
Crude oil	3,555	3,872	3,937	65
Total products	633	700	767	67
Total crude and products	**4,188**	**4,571**	**4,704**	**133**

China

China's crude oil imports rose in January to 5.5 mb/d

China's crude oil imports stood at 5.53 mb/d or 21.92 million tonnes in January 2012, up by 380 tb/d y-o-y. Crude oil imports have been driven by continuously rising refining activities.

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

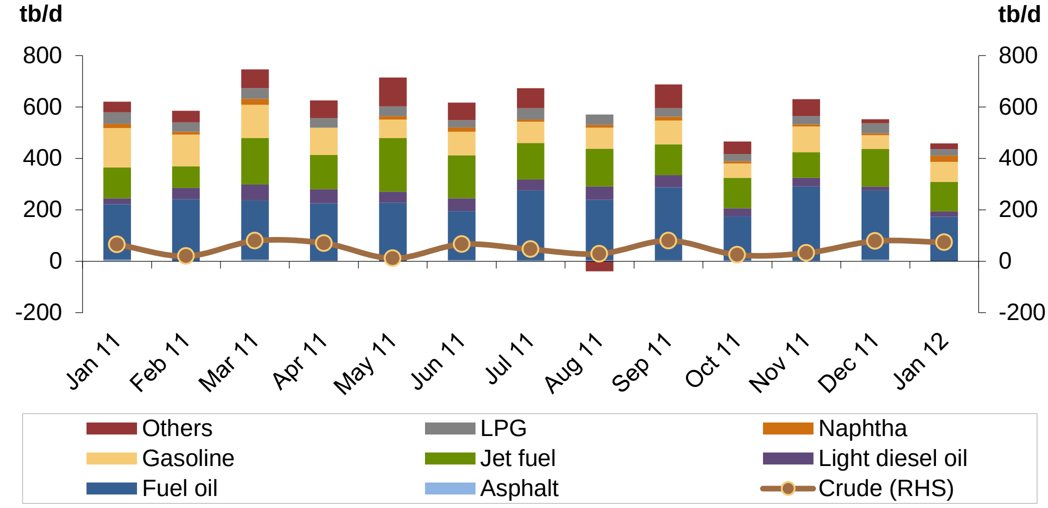


The oil products supply by imports in January registered a decline of 268 tb/d or 27% in a m-o-m comparison. On a y-o-y comparison for the month, a decrease of 581 tb/d or 44.5% is seen.

China's crude oil exports showed a decrease in January of around 5 tb/d or 6.4% to a current level of 74 tb/d from the level of 79 tb/d, m-o-m. Comparing crude exports on a y-o-y basis, a decline of around 8 tb/d or 11.7% is seen.

Oil product exports also showed a decline in January of around 95 tb/d or 17.1% m-o-m. On a y-o-y basis, the decrease is 163.0 tb/d or 26.2%.

Graph 8.6: China's exports of crude and products



As a result, **China's total net oil imports in January increased by 183 tb/d or 3.3% m-o-m to stand at 5.72 mb/d.** The increase could be attributed to crude net imports which increased by 356 tb/d to a level of 5.46 mb/d in an m-o-m comparison in January.

The top 5 suppliers to the Chinese market were ranked as Saudi Arabia with 1.14 mb/d (22.0%), followed by Angola with 0.66 mb/d (12.7%), Russia with 0.58 mb/d (11.3%), Iran with 0.49 mb/d (9.5%) and Iraq with 0.38 mb/d (7.3%).

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

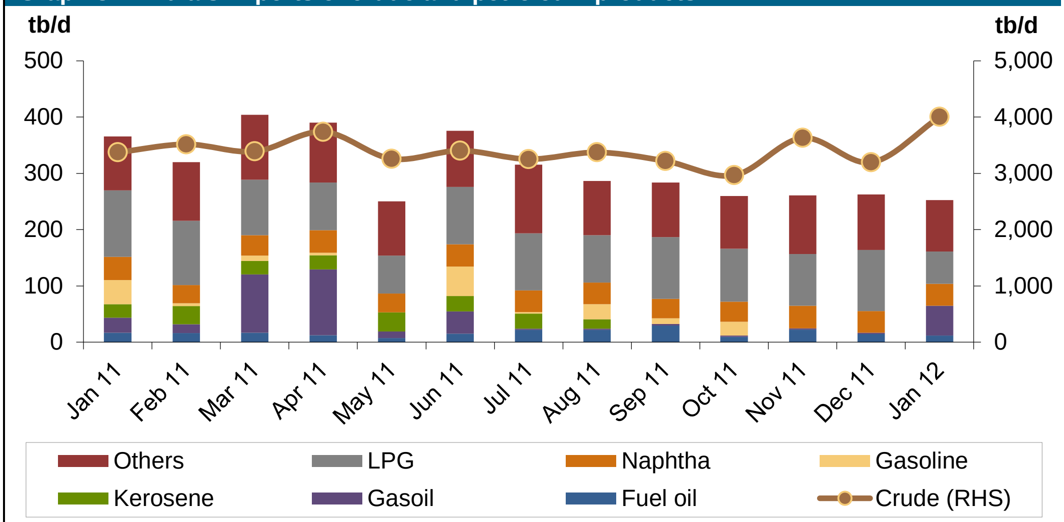
	Nov 11	Dec 11	Jan 12	*Change Jan/Dec*
Crude oil	5,513	5,104	5,461	356
Total products	532	440	267	-173
Total crude and products	**6,045**	**5,544**	**5,727**	**183**

India

India's crude oil imports rose sharply 25.2% in January to 4.0 mb/d

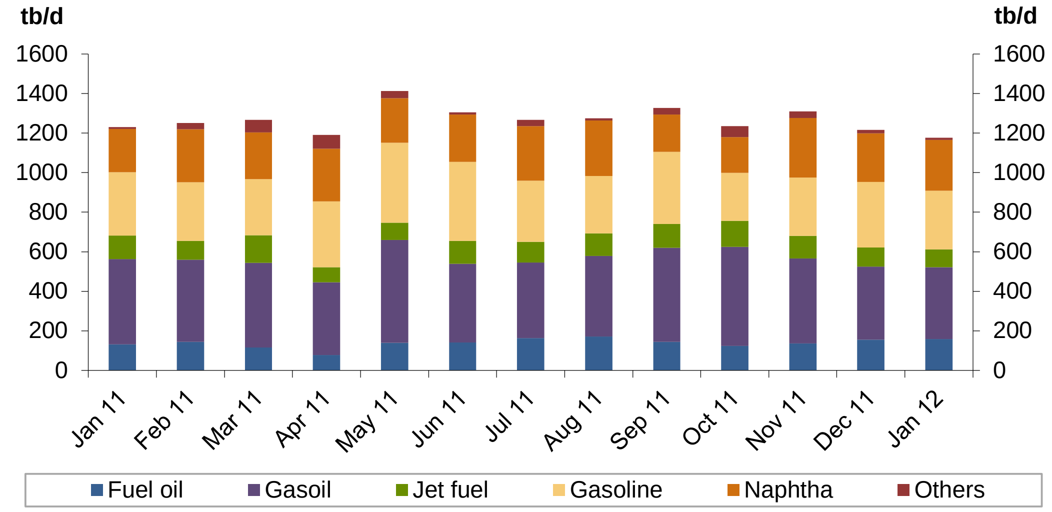
India's crude oil imports rose sharply in January 2012, by 806 tb/d or 25.2% m-o-m, standing at a level of 4.0 mb/d. In a y-o-y comparison, India's crude oil imports in January 2011 were at 3.37 mb/d, which represents an increase of 629 tb/d or 18.7% compared to 2012 levels.

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



Product imports in January decreased by 10.0 tb/d or 3.7% compared to December to an average of around 253 tb/d. Despite the increase of Diesel imports in January, the overall descent of certain product imports continued at a slower pace in January as well. However, India's product imports in January 2012 still remained above the 250 tb/d level, the lowest since May 2011. Compared to a year ago, January's product imports were 32.3% lower this year. LPG and fuel oil contributed to the product import decrease in January 2012, despite the fact that there were no deliveries for Gasoline for three months and Kerosene for five months. Diesel increased around 50.5 tb/d m-o-m and 26.5 tb/d y-o-y.

Graph 8.8: India's exports of petroleum products



On the export side, products decreased by 39.3 tb/d or 3.2% in January 2012 m-o-m standing at 1.18 mb/d. The decrease was partially softened by the moderate increase from Naphtha and Fuel Oil, which represented 11.3 tb/d or 4.6% and 4.2 tb/d or 2.7%, respectively. On a y-o-y basis, product exports decreased 54.0 tb/d or 4.4% in January 2012.

As a result**, India's net oil imports increased 836 tb/d or 37.3% to average 3.08 mb/d**. On a y-o-y comparison, an increase of 562 tb/d or 22.4% was seen.

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

	Nov 11	Dec 11	Jan 12	*Change* Jan/Dec
Crude oil	3,628	3,194	4,001	806
Total products	-1,049	-954	-924	30
Total crude and products	**2,580**	**2,241**	**3,077**	**836**

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

FSU

FSU exports stable at around 6.41 mb/d, while products gain by 18.1% to 2.83 mb/d compared to the previous month.

Total FSU crude exports remained stable in January at 6.41 mb/d or 0.2% m-o-m. The slight drop in the exports of the Transneft system in January was offset by exports from the Caspian region and Russia's Far East, but overall the shipments were almost unchanged at 6.41 mb/d for the month.

Crude exports through the Transneft pipeline system in January were down by 25 tb/d or 0.6% to 4.21 mb/d m-o-m. This mainly reflected a drop in supplies to Poland, which reduced Urals imports through the northern leg of the Druzhba pipeline.

Seaborne Urals exports rose by 46 tb/d or 3.2% to 1.5 mb/d as Russian producers increased shipments to Primorsk after pipeline maintenance in December.

Supplies to Novorossiyk rose modestly by 17 tb/d or 2.0% to 855 tb/d, reflecting increased transit from Kazakhstan. Kazakh producers increased their crude suppliers through the Russian Black sea port.

Exports of Azeri crude through the Baku-Tbilisi-Ceyhan (BTC) pipeline have risen by 50 tb/d or 7.8% to a level of 689 tb/d m-o-m due to the completion of field maintenance in Azerbaijan. The export of the CPC Blend increased 37 tb/d or 6.0% to the level of 652 tb/d in January.

Exports of Vityaz crude from the Prigorodnoye terminal on Sakhalin Island edged up by 26 tb/d or 10.5% to 273 tb/d.

FSU total product exports rose sharply in January compared to December 2011, with overall shipments up by 18.1%. Milder weather dampened domestic demand for fuel oil as well as a seasonal dip in domestic buying of motor fuel.

January also brought a rise of almost 17.2% in gasoline exports, reflecting reduced domestic demand. The raise was not as big as in previous years because the gasoline export duty is still 90% of the crude oil duty rate.

Gasoil exports surged by 23% in January. The jump from December follows the stockpiling of gasoil in 4Q11, which resulted in reduced exports towards the end of last year.

Fuel oil exports rose by nearly 12% in January, driven by Black Sea exports.

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

	2010	2011	2Q11	3Q11	4Q11	Dec 11	Jan 12*
Crude							
Russian pipeline							
Black Sea	994	935	886	951	930	838	855
Baltic	1,564	1,461	1,534	1,342	1,526	1,453	1,499
Druzhba	1,126	1,170	1,118	1,178	1,241	1,277	1,233
Kozmino	309	306	315	319	295	332	308
Total	**4,005**	**4,178**	**4,157**	**4,087**	**4,310**	**4,230**	**4,205**
Other routes							
Russian rail	330	173	145	137	213	242	146
Russian-Far East	276	279	286	260	272	247	273
Kazakh rail	123	157	128	126	198	232	137
Vadandey	152	82	92	67	81	51	51
Kaliningrad	24	23	21	22	26	19	23
CPC	743	679	671	668	640	615	652
BTC	775	695	761	691	643	639	689
Kenkiyak-Alashankou	204	222	239	240	180	191	191
Caspian	239	170	175	123	146	167	183
Total crude exports	**6,750**	**6,500**	**6,546**	**6,295**	**6,511**	**6,403**	**6,413**
Products							
Gasoline	141	149	220	101	124	151	177
Naphtha	253	243	302	246	204	191	269
Jet	18	10	17	16	2	1	1
Gasoil	809	716	793	711	688	672	826
Fuel oil	1,129	1,201	1,448	1,330	1,239	1,229	1,374
VGO	228	198	294	189	168	152	181
Total	**2,578**	**2,518**	**3,074**	**2,594**	**2,426**	**2,396**	**2,829**
Total oil exports	**9,328**	**9,018**	**9,621**	**8,889**	**8,937**	**8,799**	**9,242**

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

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

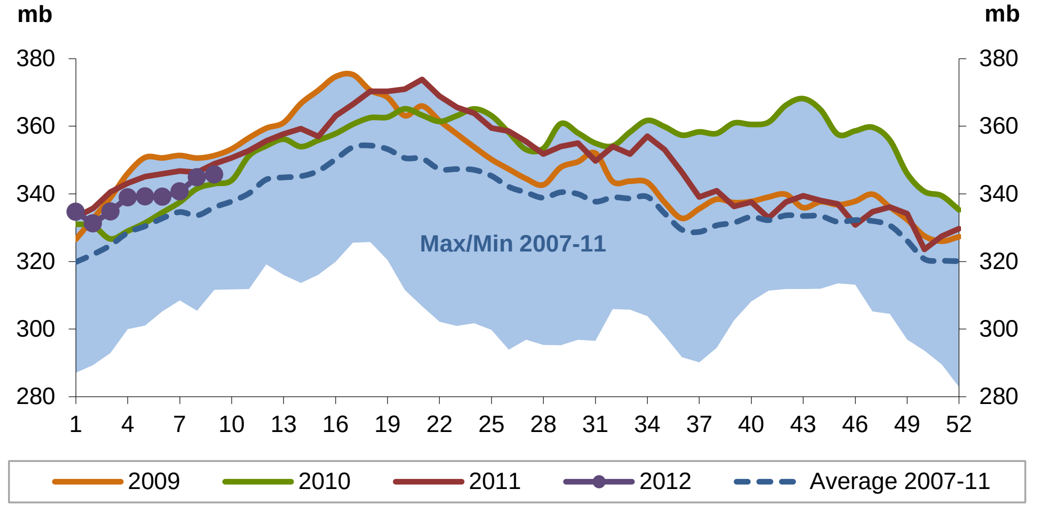
Stock Movements

US commercial oil stocks rose by 4.0 mb in February, driven by the build in crude

US

US commercial oil stocks reversed the slight fall of the last month and increased by 4.0 mb to end the month of February at 1059.5 mb. With this build, they switched last month's deficit with a year ago to a surplus of 12.6 mb or 1.2%. However, inventories remained above the five-year average, indicating a gain of 37.0 mb or 3.6%. This build was attributed to crude which increased by 5.9 mb, while products abated this build, falling by 1.9 mb.

Graph 9.1: US weekly commercial crude oil inventories

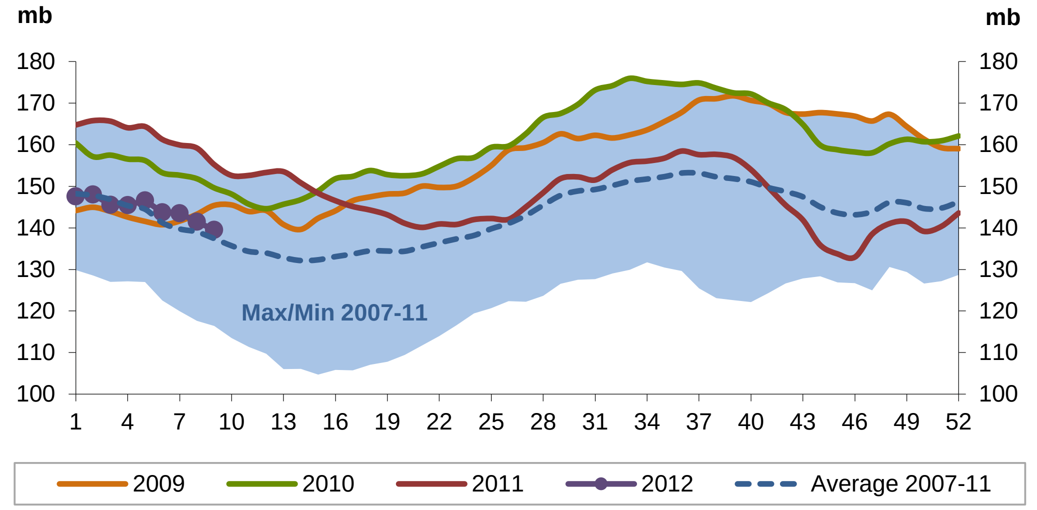


US commercial crude stocks continued their upward trend of the last two months and increased by 5.9 mb, accumulating a build of 14 mb since the beginning of this year. At 344.9 mb, US commercial stocks stood at their highest level since August 2011 and widened the surplus with the five-year average to 11.3 mb from 8.3 mb a month earlier. However despite this build, they remained 5.4 mb or 1.5% below last year at the same period. This build came mainly from higher crude oil imports, which reached 8.9 mb/d, nearly 900,000 b/d more than in the previous year at the same period.

The build in US commercial stocks came despite the rise in crude oil refinery input averaging 14.6 mb/d, which was about 770,000 b/d higher than a year ago over the same time. In February, US refineries operated at 84.0%, which was 1.4 percentage points (pp) higher than in the previous month and 2.4 pp more than in the same month last year.

It should be noted that during the week ending 24 February, US crude stocks rose strongly, by over 4 mb, driven by higher crude oil imports reaching 9.2 mb/d. During the same week, as warmer weather helped to limit crude runs, the fall in refinery runs also contributed to the build in US crude inventories. Adding to the bearish crude sentiment, Cushing inventories rose in February by more than 3.0 mb to reach 33.8 mb. This build was attributed to the rise in Canadian exports and strong production at the Bakken field.

Graph 9.2: US weekly distillate stocks



US product stocks continued their decline of the last two months and dropped by 1.9 mb in February to end the month at 714.6 mb. At this level, they stood at the lowest level since May 2011. Despite this draw, US product stocks indicated a surplus of 18.0 mb or 2.6% with the same time last year, and 25.7 mb or 3.7% higher than the five-year average.

Within products, the picture was mixed. Distillates, gasoline and propylene stocks saw a fall, while residual fuel oil, jet fuel and other unfinished products experienced a build in February. The bulk of the drop was in distillate stocks, which fell by 4.0 mb for the second consecutive month and ended the month at 141.4 mb. At this level, distillate stocks remained at 12.4 mb or 8.1% below the previous year's level for the same period. However, despite this drop, they switched last month's deficit with the seasonal norm to a surplus of 1.8 mb or 1.3%. The fall in distillate stocks came on the back of lower production, which decreased by 100,000 b/d to average 4.37 mb/d. Higher exports — with preliminary data for February indicating a figure of around 1.1 mb/d — also contributed to the fall in distillate stocks. The overall decline in distillate demand, driven by weak natural gas prices and warm weather, limited stockdraws in distillates. Indeed, US distillate demand averaged 3.56 mb/d in February, about 110,000 b/d less than the previous month and around 200,000 b/d lower than the previous year at the same period. Expected improvements in the US economic outlook combined with stronger distillate exports to Europe and Latin America will likely lead to more stock draws in the coming weeks.

Gasoline stocks fell slightly by 0.2 mb, reversing the build of the last three consecutive months. At 229.9 mb, they stood almost in line with the previous year's level, but showed a surplus of 4.1 mb or 1.8% with the seasonal norm. The stock-draw in gasoline came from higher demand averaging 8.3 mb/d, 200,000 b/d more than a month ago but much lower than during the same period last year when demand was nearly at 9.0 mb/d. Gasoline exports remained stronger, above 600,000 b/d, and could also be seen as a factor driving inventories lower. Higher gasoline output averaging 8.8 mb/d has limited the fall in gasoline stocks. In the coming weeks, retail prices reaching almost $4.00/gallon in some parts of the country will keep pressure on demand and consequently could limit the fall in gasoline stocks.

Jet fuel oil stocks rose 0.3 mb for the second consecutive month to end February at 42.5 mb, up 3.2 mb or 8.1% from the same month the year before and 1.6 mb or 3.8% above the last five-year average. Residual fuel oil stocks also rose by 0.5 mb, reversing the fall of last two months to stand at 34.1 mb. At this level, they stood 0.9 mb or 2.6% below last year and 3.9 mb or 10.2% below the seasonal norm.

Table 9.1: US onland commercial petroleum stocks, mb

	Dec 11	Jan 12	Feb 12	Change Feb 12/Jan 12	Feb 11
Crude oil	330.9	338.9	344.9	5.9	350.3
Gasoline	224.3	230.1	229.9	-0.2	229.5
Distillate fuel	149.7	145.4	141.4	-4.0	153.8
Residual fuel oil	34.1	33.6	34.1	0.5	35.0
Jet fuel	41.7	42.2	42.5	0.3	39.3
Total	**1055.5**	**1055.5**	**1059.5**	**4.0**	**1046.9**
SPR	696.0	696.0	696.0	0.0	726.5

** Latest available data at time of report's release*
Source: US Department of Energy's Energy Information Administration

Japan

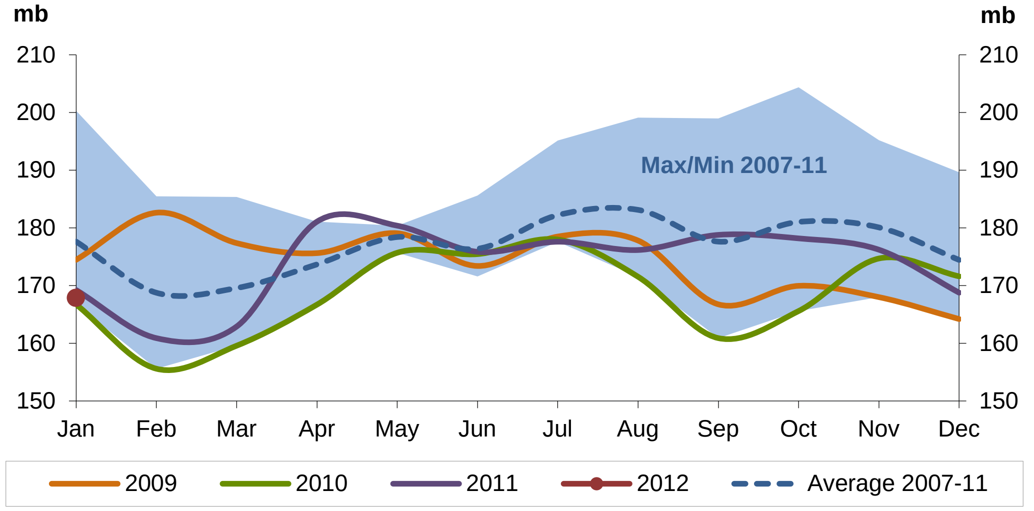
In January, Japanese commercial stocks fell by 0.9 mb for the fourth consecutive month.

In January, **commercial oil stocks** in Japan fell for the fourth consecutive month, by 0.9 mb to 167.9 mb, the lowest level since April. With this draw, they stood at 1.4 mb or 0.8% below a year ago at the same period, while the deficit with the five-year average remained at 9.8 mb or 5.5%. The total stock-draw came from crude, which declined by 1.2 mb, while products abated this drop as they increased by 0.3 mb.

Japanese **commercial crude oil stocks** declined for the third consecutive month to end January at 96.8 mb, the lowest level since February 2011. With this draw, they were 1.7 mb below a year ago over the same period, while they stood at 3.9% less than the seasonal norm. The drop in crude oil came from higher crude throughput, which increased in January by around 136,000 b/d or 3.5% from the previous month, to average 3.72 mb/d. However, this level was still 6.9% below that of the same period the year before and corresponded to a refinery utilization rate of 82.5%, which was 2.8 percentage points (pp) higher than the previous month, but still 5.7 pp less than the same period the year before.

It should be noted that since the triple disaster in Japan, direct crude burning fell in January from the previous month, averaging about 296,000 b/d, but the volume was more than double from a year ago over the same period as Japan continued to use low-sulfur crude as feedstock for direct burning and to make low-sulfur fuel oil for thermal power generation. So far, only two of Japan's 54 reactors are in operation following the new government safety standards, which prevents the restart of some reactors. The increase in Japanese crude oil imports for the third consecutive month limited the fall in crude oil stocks. In fact, crude oil imports rose by around 66,000 b/d or 1.7% from the month before to average 3.9 mb/d, although they were down by 1.9% from the previous year.

Graph 9.3: Japan's commercial oil stocks



In Japan, total product inventories rose slightly in January, reversing the drop of the previous month to stand at 71.1 mb. With this build, the deficit with the last five-year average narrowed to 7.6% from 9.8% a month earlier, while the surplus with the same period the year before widened to 0.5% from 0.4% a month ago. The build in total product stocks in January came despite the decrease in oil product sales from a month earlier. Total oil product sales averaged 3.7 mb/d, around 240,000 b/d or 6.1% less than a month ago, but rose 2% from a year ago showing a second consecutive month of y-o-y gains. This increase was driven by the rise in fuel oil products used for electricity utilities to compensate for the loss of nuclear power. Within products, the picture was mixed: gasoline and residual fuel oil went up, while distillates and naphtha saw a drop in inventories. Gasoline stocks rose 2.2 mb, reversing the drop of last month and ending January at 13.8 mb. Despite this build, they showed a deficit of 0.7 mb or 4.7% over the same period the year before, while narrowing the deficit with the five-year average to 2.1% from 7.2% a month earlier. The build in gasoline stocks in January came mainly from lower gasoline sales, which decreased by 14.5% from the previous month, averaging 0.9 mb/d, but they remained 2.0% higher than a year ago at the same period.

Residual fuel oil also rose by 0.8 mb to finish the end of the month at 16.3 mb. At this level, they stood at 2.0 mb or 14% above a year ago at the same period. However, they remained 0.9 mb or 5.1% below the five-year average. Regarding the components of fuel oil, fuel oil A and fuel oil B.C stocks saw a build of 6.3% and 4.8%, respectively. The build in fuel oil A could be attributed to higher production, increasing by 7.9%. Healthy imports also contributed to the build in fuel oil A stocks. The rise in imports was the main reason behind the build in fuel oil B.C stocks as the increase in consumption abated some build in fuel oil B.C stocks. In contrast, distillate stocks continued to fall for the second month, declining by 1.6 mb to stand at 31.3 mb, the lowest level since April 2011. Despite this fall, they showed a surplus of 1.6 mb or 5.5% over the same period the year before, while widening the deficit with the five-year average to 10.3% from 9.1% a month earlier.

Regarding the components of distillates, the picture was mixed. Kerosene stocks saw the largest drop, declining by 10.0%, followed by 0.7% drop in jet fuel stocks, while gasoil inventories experienced a build of 15.5%. The drop in kerosene stocks could be attributed to higher demand reflecting cold weather. Lower imports also contributed to the fall in kerosene stocks. Jet fuel stocks also fell as domestic sales rose by 0.3% and production saw a decline of 9.6%. The build in gasoil stocks was mainly due to lower domestic sales which declined by 14.4%. Naphtha stocks saw a drop of 1.1 mb to end the month at 9.7 mb, indicating a deficit of 21% with the same period a year ago and 9.9% below the seasonal average. Higher domestic sales combined with reduced imports were the main drivers behind the fall in naphtha stocks in January.

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

	Nov 11	Dec 11	Jan 12	Change Jan 12/Dec 11	Jan 11
Crude oil	98.4	98.0	96.8	-1.2	98.5
Gasoline	12.9	11.6	13.8	2.2	14.4
Naphtha	10.5	10.8	9.7	-1.1	12.3
Middle distillates	38.2	32.9	31.3	-1.6	29.6
Residual fuel oil	16.2	15.5	16.3	0.8	14.3
Total products	77.8	70.8	71.1	0.3	70.8
Total**	**176.2**	**168.8**	**167.9**	**-0.9**	**169.2**

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

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

Singapore stocks in January reversed the downward trend over previous months and increased by 1.7 mb

At the end of January, **product stocks in Singapore** reversed the downward trend of six consecutive months and increased by 1.9 mb to end the month at 38.6 mb. With this build, they narrowed the deficit with the same time the year before to 1.7 mb from 6.9 mb a month earlier.

Within products, the picture was mixed. Light distillates and middle distillates declined by 0.3 mb and 0.6 mb, respectively, while fuel oil rose significantly by 2.8 mb. Indeed, Singapore fuel oil rose sharply to end the month of January at 19.5 mb after dropping to as low as 15.3 mb in mid-January. At this level, they stood at 0.4 mb or 2.0% higher than a year ago at the same period. This build was in line with higher inflows during the second half of the month. However, increased Japanese inland fuel oil demand and stronger demand from Singapore fuel oil marine bunkers will keep the fuel oil market persistently at firm levels. Light distillates fell slightly by 0.3 mb to end the month at 10.1 mb, indicating a surplus of 0.7 mb or 7.8% with a year ago. Strong gasoline demand from Indonesia, as Pertamina prepares to shut-in its Balongan refinery for maintenance, was seen as the key reason for lower gasoline stocks. Middle distillate stocks also went down to stand at 8.9 mb, the lowest monthly level since July 2008. At the end of January, middle distillate stocks stood at 2.8 mb or 14.0% below a year ago at the same period. Higher exports from Singapore were behind the stock draw in middle distillates.

ARA stocks in January rose sharply by 6.5 mb

Product stocks in ARA reversed the stock draw of the previous month and rose sharply by 6.5 mb to end the month of January at 35.8 mb, the highest level since June 2011. Despite this build, they stood at 2.7 mb or 7.0% less than a year ago at same period.

Within products, all products saw a build with the exception of naphtha. The bulk of the build was attributed to gasoil which increased by 4.0 mb, ending the month of January at 18.3 mb. Despite this build, gasoil stocks stood at 0.9 mb or 4.8% below a year ago over the same time. However, this deficit has considerably narrowed from a month earlier when they stood at 30.2%. The closure of the Petroplus refinery has encouraged traders to increase stocks in anticipation of replenishing stocks. The contango market structure of ICE gasoil futures also acted as an incentive to build stocks. Gasoline stocks also increased by 1.0 mb to stand at 7.0 mb, slightly lower than the level of last year over the same period. Higher imports from Russia, France and the UK, which outpaced the outflows to Singapore, were behind the build in gasoline stocks. Fuel oil stocks rose by 1.3 mb to end the month of January at 5.1 mb, but this was still 0.3 mb or 5.6% less than a year earlier at the same period. Strong imports, especially from Russia, contributed to the build in fuel oil stocks. However, cold weather in Europe has been supportive of inland consumption and could be seen as a bullish factor strengthening fuel oil stocks in the ARA region. Jet fuel oil stocks rose by 0.6 mb to stand at 4.9 mb, remaining at 1.3 mb or 21.4% below a year ago at the same period. Naphtha stocks saw a drop of 0.4 mb for the second consecutive month, ending January at 0.5 mb, the lowest level since July 2011. Thus, naphtha stocks remained almost at the same level as a year earlier.

Balance of Supply and Demand

Estimate for 2011

Required OPEC crude for 2011 estimated at 30.1 mb/d, 0.4 mb/d higher than the previous year

Demand for OPEC crude for 2011 remained unchanged from the previous assessment, as both non-OPEC supply and demand saw a similar downward adjustment, leaving the demand for OPEC crude unchanged. At 30.1 mb/d, the demand for OPEC crude stood at 0.4 mb/d above the 2010 level.

In 1Q11 and 2Q11, demand for OPEC crude showed growth of 0.9 mb/d and 0.3 mb/d, respectively, while 3Q11 saw slight growth of 0.1 mb/d. The 4Q11 is seen increasing 0.4 mb/d compared to the same quarter a year ago.

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

	2010	1Q11	2Q11	3Q11	4Q11	2011
(a) World oil demand	**86.95**	**87.52**	**86.35**	**88.40**	**88.80**	**87.77**
Non-OPEC supply	52.30	52.70	51.96	52.07	52.61	52.34
OPEC NGLs and non-conventionals	4.90	5.12	5.26	5.37	5.42	5.29
(b) Total supply excluding OPEC crude	**57.21**	**57.82**	**57.22**	**57.44**	**58.03**	**57.63**
Difference (a-b)	**29.74**	**29.70**	**29.13**	**30.96**	**30.77**	**30.15**
OPEC crude oil production	29.27	29.62	29.18	29.90	30.42	29.78
Balance	-0.47	-0.08	0.04	-1.06	-0.35	-0.37

Totals may not add up due to independent rounding

Forecast for 2012

Demand for OPEC crude in 2012 forecast at 30.0 mb/d, around 0.1 mb/d lower than last year

The demand for OPEC crude for 2012 is projected to average 30.0 mb/d, unchanged from the last report, as the downward revision in world oil demand offset the downward adjustment in non-OPEC supply. Within quarters, the revision was mixed as 1Q12 and 2Q12 saw an upward adjustment of 0.1 mb/d and 0.2 mb/d, respectively, while 4Q12 was revised down by 0.2 mb/d. The 3Q12 remained unchanged from the previous assessment.

Required OPEC crude is forecast to show a decline of 0.1 mb/d from the previous year. Estimates for 1Q12 and 3Q12 expect negative growth of 0.1 mb/d for both quarters, while 2Q12 is expected to remain unchanged. 4Q12 is projected to see negative growth of 0.2 mb/d compared to the same quarter last year.

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

	2011	1Q12	2Q12	3Q12	4Q12	2012
(a) World oil demand	**87.77**	**87.84**	**87.41**	**89.50**	**89.74**	**88.63**
Non-OPEC supply	52.34	52.74	52.71	52.96	53.37	52.95
OPEC NGLs and non-conventionals	5.29	5.50	5.61	5.71	5.79	5.65
(b) Total supply excluding OPEC crude	**57.63**	**58.24**	**58.32**	**58.67**	**59.16**	**58.60**
Difference (a-b)	**30.15**	**29.60**	**29.10**	**30.83**	**30.58**	**30.03**

Totals may not add up due to independent rounding

Graph 10.1: Balance of supply and demand

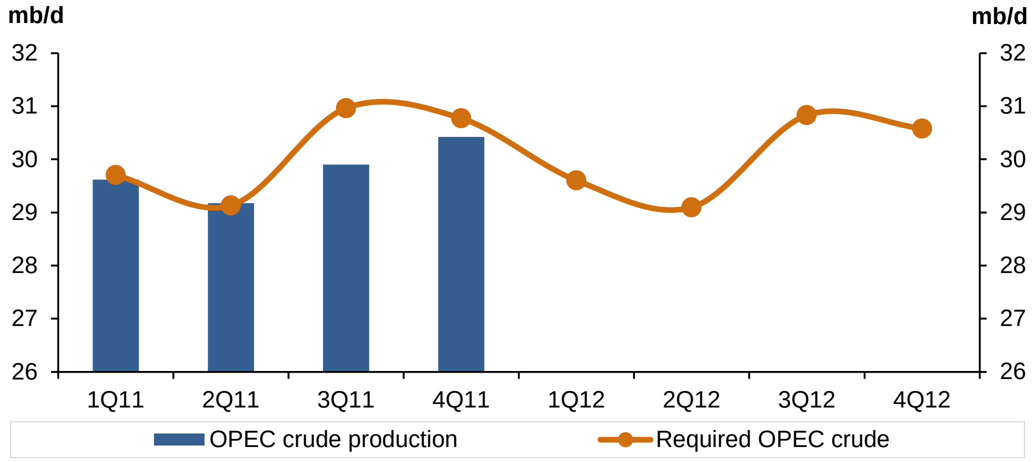


Table 10.3: World oil demand/supply balance, mb/d

	2006	2007	2008	2009	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
World demand															
OECD	49.5	49.3	47.6	45.6	46.2	46.3	44.6	46.1	46.1	45.8	45.7	44.5	46.0	46.0	45.6
North America	25.4	25.5	24.2	23.3	23.8	23.8	23.4	23.6	23.4	23.6	23.3	23.4	23.7	23.5	23.5
Western Europe	15.7	15.5	15.4	14.7	14.6	14.2	14.1	14.8	14.3	14.3	13.9	13.9	14.5	14.1	14.1
Pacific	8.5	8.4	8.0	7.7	7.8	8.3	7.1	7.7	8.4	7.9	8.5	7.2	7.8	8.4	8.0
DCs	23.6	24.8	25.6	26.2	27.0	27.2	27.6	27.8	27.9	27.7	27.8	28.2	28.5	28.5	28.2
FSU	4.0	4.0	4.1	4.0	4.1	4.1	4.0	4.4	4.5	4.2	4.2	4.1	4.5	4.5	4.3
Other Europe	0.9	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7
China	7.2	7.6	8.0	8.3	9.0	9.1	9.5	9.4	9.6	9.4	9.4	10.0	9.8	10.0	9.8
(a) Total world demand	85.2	86.5	86.1	84.7	86.9	87.5	86.4	88.4	88.8	87.8	87.8	87.4	89.5	89.7	88.6
Non-OPEC supply															
OECD	20.1	20.0	19.5	19.7	20.0	20.1	19.8	19.9	20.5	20.1	20.4	20.3	20.3	20.5	20.3
North America	14.2	14.3	13.9	14.4	15.0	15.3	15.2	15.5	16.0	15.5	15.8	15.8	15.8	15.9	15.8
Western Europe	5.3	5.2	4.9	4.7	4.4	4.3	4.1	3.8	4.1	4.1	4.1	3.9	3.9	4.0	4.0
Pacific	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.5
DCs	11.9	11.9	12.2	12.4	12.7	12.8	12.5	12.6	12.5	12.6	12.5	12.7	12.8	12.9	12.7
FSU	12.0	12.5	12.6	13.0	13.2	13.3	13.3	13.2	13.2	13.3	13.4	13.3	13.4	13.4	13.4
Other Europe	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.7	3.8	3.8	3.8	4.1	4.2	4.2	4.1	4.0	4.1	4.1	4.1	4.2	4.3	4.2
Processing gains	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	49.9	50.4	50.3	51.1	52.3	52.7	52.0	52.1	52.6	52.3	52.7	52.7	53.0	53.4	52.9
OPEC NGLs + non-conventional oils	3.9	3.9	4.1	4.3	4.9	5.1	5.3	5.4	5.4	5.3	5.5	5.6	5.7	5.8	5.7
(b) Total non-OPEC supply and OPEC NGLs	53.8	54.4	54.4	55.4	57.2	57.8	57.2	57.4	58.0	57.6	58.2	58.3	58.7	59.2	58.6
OPEC crude oil production (secondary sources)	30.6	30.2	31.3	28.8	29.3	29.6	29.2	29.9	30.4	29.8					
Total supply	84.4	84.6	85.7	84.2	86.5	87.4	86.4	87.3	88.5	87.4					
Balance (stock change and miscellaneous)	-0.9	-2.0	-0.4	-0.5	-0.5	-0.1	0.0	-1.1	-0.4	-0.4					
OECD closing stock levels (mb)															
Commercial	2655	2554	2679	2641	2670	2631	2676	2665	2611	2611					
SPR	1499	1524	1527	1564	1561	1558	1561	1526	1531	1531					
Total	4154	4079	4206	4205	4230	4188	4237	4190	4142	4142					
Oil-on-water	919	948	969	919	871	891	853	835	807	807					
Days of forward consumption in OECD															
Commercial onland stocks	54	54	59	57	58	59	58	58	57	57					
SPR	30	32	33	34	34	35	34	33	33	34					
Total	84	86	92	91	92	94	92	91	90	90					
Memo items															
FSU net exports	8.1	8.5	8.5	9.0	9.1	9.2	9.3	8.8	8.8	9.0	9.1	9.2	8.9	8.9	9.0
(a) - (b)	31.4	32.2	31.6	29.3	29.7	29.7	29.1	31.0	30.8	30.1	29.6	29.1	30.8	30.6	30.0

Note: Totals may not add up due to independent rounding

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

	2006	2007	2008	2009	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
World demand															
OECD	-	-	-	-	-	-	-	-	-0.2	-	-0.1	-	-	-0.2	-0.1
North America	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-0.1	-
Western Europe	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-0.1	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-	0.1
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	-	-	-0.2	-	-0.3	-	-	-0.2	-0.1
World demand growth	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-0.20*	*-*	*-0.25*	*-*	*-0.06*	*-*	*-0.09*
Non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
North America	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-0.1	-	-0.3	-0.2	-0.1	-0.1	-0.2
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-0.1	-	-	-0.2	-0.1	-0.3	-0.2	-	-	-0.1
Total non-OPEC supply growth	*-*	*-*	*-*	*-*	*-*	*-0.06*	*-*	*-*	*-0.14*	*-0.07*	*-0.24*	*-0.21*	*-*	*0.19*	*-0.07*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-0.1	-	-	-0.2	-0.1	-0.3	-0.2	-	-	-0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-							
Total supply	-	-	-	-	-	-0.1	-	-							
Balance (stock change and miscellaneous)	-	-	-	-	-	-0.1	-	-							
OECD closing stock levels (*mb*)															
Commercial	-	-	-	-	-	-	-	1	-	-					
SPR	-	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	1	-	-					
Oil-on-water	-	-	-	-	-	-	-	-	-	-					
Days of forward consumption in OECD	-	-	-	-	-	-	-	-	-	-					
Commercial onland stocks	-	-	-	-	-	-	-	-	-	-					
SPR	-	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-	-	-					
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	0.1	-	-	-	-	-	0.2	-	-0.2	-

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

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

	2006	2007	2008	2009	2010	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11
Closing stock levels *mb*																									
OECD onland commercial	2,655	2,554	2,679	2,641	2,670	2,582	2,643	2,629	2,554	2,553	2,584	2,641	2,679	2,731	2,745	2,763	2,641	2,675	2,757	2,747	2,670	2,631	2,676	2,665	2,611
North America	1,264	1,211	1,282	1,286	1,331	1,219	1,275	1,267	1,211	1,197	1,221	1,259	1,282	1,332	1,367	1,373	1,286	1,314	1,370	1,398	1,331	1,295	1,339	1,342	1,326
Western Europe	963	937	991	972	949	944	940	929	937	961	954	952	991	991	976	971	972	975	982	947	949	954	932	911	896
OECD Pacific	429	407	407	383	390	420	428	432	407	394	409	431	407	408	401	419	383	386	405	402	390	382	405	411	389
OECD SPR	1,499	1,524	1,527	1,564	1,561	1,507	1,506	1,520	1,524	1,529	1,526	1,522	1,527	1,547	1,561	1,564	1,564	1,567	1,562	1,549	1,561	1,558	1,561	1,526	1,531
North America	691	699	704	729	729	691	692	695	699	702	708	704	704	715	726	727	729	729	729	728	729	727	727	696	697
Western Europe	412	421	416	426	423	415	413	423	421	423	414	414	416	424	427	429	426	429	422	419	423	420	423	420	421
OECD Pacific	396	404	406	409	410	401	401	403	404	404	404	403	406	408	408	408	409	409	411	402	410	411	411	409	414
OECD total	4,154	4,079	4,206	4,205	4,230	4,089	4,149	4,149	4,079	4,082	4,110	4,164	4,206	4,278	4,306	4,327	4,205	4,241	4,319	4,296	4,230	4,188	4,237	4,190	4,142
Oil-on-water	919	948	969	919	871	916	891	917	948	935	925	885	969	899	899	869	919	919	897	926	871	891	853	835	807
Days of forward consumption in OECD																									
OECD onland commercial	54	54	59	57	58	53	54	53	52	54	55	56	57	61	61	60	57	59	59	59	58	59	58	58	57
North America	50	50	55	54	56	48	50	50	49	49	52	53	55	58	59	58	55	55	57	59	56	55	57	57	57
Western Europe	62	61	68	67	66	62	60	59	61	63	61	62	66	69	67	67	68	68	66	64	67	68	63	63	64
OECD Pacific	51	51	53	49	50	53	54	49	46	50	54	54	50	56	55	52	47	53	53	50	47	54	52	49	46
OECD SPR	30	32	33	34	34	31	31	30	31	32	33	32	33	35	35	34	34	35	34	33	34	35	34	33	33
North America	27	29	30	31	31	27	27	27	28	29	30	29	30	31	31	31	31	31	30	31	31	31	31	30	30
Western Europe	27	27	28	29	29	27	26	27	27	28	27	27	28	29	29	30	30	30	28	28	30	30	29	29	30
OECD Pacific	47	50	53	52	52	51	51	46	45	51	54	51	50	56	56	51	50	56	54	50	49	58	53	49	49
OECD total	84	86	92	91	92	84	85	83	83	86	88	88	90	96	95	94	92	94	93	92	91	94	92	91	90

n.a. not available

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

	2006	2007	2008	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11
US	7.36	7.47	7.50	8.14	0.64	8.55	8.52	8.63	8.84	8.64	0.49	8.76	8.94	9.00	9.31	9.00	0.37	9.21	9.22	9.26	9.34	9.26	0.25
Canada	3.20	3.31	3.27	3.25	-0.02	3.28	3.37	3.38	3.54	3.39	0.15	3.55	3.30	3.61	3.72	3.55	0.15	3.64	3.67	3.70	3.73	3.68	0.14
Mexico	3.69	3.49	3.17	2.98	-0.19	2.99	2.97	2.95	2.93	2.96	-0.02	2.97	2.96	2.92	2.93	2.94	-0.02	2.91	2.87	2.88	2.86	2.88	-0.06
North America	14.24	14.26	13.94	14.37	0.43	14.82	14.86	14.96	15.31	14.99	0.62	15.29	15.20	15.53	15.95	15.50	0.51	15.76	15.76	15.84	15.93	15.82	0.33
Norway	2.78	2.55	2.47	2.36	-0.11	2.32	2.12	1.93	2.17	2.14	-0.22	2.14	1.98	1.99	2.05	2.04	-0.10	2.06	1.93	1.89	1.98	1.97	-0.07
UK	1.71	1.69	1.57	1.48	-0.10	1.52	1.40	1.20	1.35	1.37	-0.11	1.27	1.17	0.93	1.12	1.12	-0.24	1.16	1.10	1.04	1.10	1.10	-0.02
Denmark	0.34	0.31	0.28	0.26	-0.02	0.25	0.25	0.23	0.26	0.25	-0.02	0.23	0.25	0.23	0.21	0.23	-0.02	0.21	0.22	0.22	0.21	0.22	-0.01
Other Western Europe	0.51	0.62	0.62	0.63	0.01	0.63	0.65	0.66	0.64	0.64	0.01	0.67	0.66	0.70	0.68	0.68	0.03	0.69	0.70	0.70	0.70	0.70	0.02
Western Europe	5.34	5.17	4.94	4.73	-0.21	4.72	4.42	4.03	4.42	4.39	-0.33	4.31	4.06	3.85	4.06	4.07	-0.33	4.12	3.94	3.86	4.00	3.98	-0.09
Australia	0.51	0.53	0.53	0.54	0.01	0.51	0.53	0.52	0.46	0.51	-0.03	0.40	0.41	0.41	0.44	0.41	-0.09	0.42	0.46	0.46	0.43	0.45	0.03
Other Pacific	0.05	0.08	0.10	0.10	0.00	0.10	0.10	0.10	0.09	0.10	0.00	0.09	0.09	0.09	0.09	0.09	-0.01	0.09	0.09	0.09	0.09	0.09	0.00
OECD Pacific	0.56	0.60	0.63	0.64	0.01	0.61	0.63	0.62	0.55	0.60	-0.03	0.49	0.49	0.50	0.53	0.50	-0.10	0.51	0.56	0.55	0.52	0.54	0.03
Total OECD	20.14	20.03	19.51	19.73	0.23	20.15	19.91	19.61	20.29	19.99	0.25	20.09	19.75	19.88	20.54	20.07	0.08	20.39	20.26	20.25	20.46	20.34	0.27
Brunei	0.22	0.19	0.17	0.16	-0.01	0.17	0.15	0.17	0.17	0.17	0.00	0.17	0.16	0.17	0.17	0.17	0.00	0.18	0.18	0.18	0.18	0.18	0.01
India	0.78	0.80	0.80	0.78	-0.02	0.82	0.83	0.88	0.90	0.86	0.08	0.90	0.89	0.88	0.88	0.89	0.03	0.90	0.91	0.91	0.92	0.91	0.02
Indonesia	1.07	1.02	1.05	1.03	-0.02	1.05	1.06	1.04	1.02	1.04	0.02	1.01	1.00	1.00	0.98	1.00	-0.04	1.00	0.99	0.99	0.99	0.99	-0.01
Malaysia	0.76	0.76	0.76	0.73	-0.03	0.72	0.70	0.68	0.69	0.70	-0.03	0.68	0.60	0.63	0.65	0.64	-0.06	0.64	0.63	0.62	0.61	0.63	-0.01
Thailand	0.32	0.33	0.36	0.37	0.01	0.34	0.35	0.36	0.33	0.35	-0.02	0.34	0.33	0.33	0.33	0.34	-0.01	0.32	0.32	0.33	0.33	0.33	-0.01
Vietnam	0.37	0.35	0.33	0.37	0.04	0.35	0.35	0.36	0.37	0.35	-0.02	0.34	0.33	0.34	0.38	0.35	-0.01	0.37	0.38	0.39	0.40	0.39	0.04
Asia others	0.26	0.26	0.26	0.25	-0.01	0.22	0.24	0.24	0.23	0.23	-0.02	0.23	0.23	0.23	0.23	0.23	0.00	0.24	0.25	0.26	0.26	0.25	0.02
Other Asia	3.78	3.70	3.73	3.69	-0.04	3.68	3.68	3.72	3.72	3.70	0.01	3.69	3.54	3.58	3.61	3.61	-0.09	3.65	3.66	3.67	3.69	3.67	0.06
Argentina	0.77	0.77	0.78	0.76	-0.02	0.76	0.76	0.76	0.71	0.75	-0.01	0.76	0.68	0.74	0.75	0.73	-0.02	0.73	0.72	0.72	0.71	0.72	-0.01
Brazil	2.11	2.22	2.38	2.51	0.12	2.61	2.67	2.66	2.70	2.66	0.16	2.61	2.62	2.61	2.70	2.63	-0.03	2.76	2.77	2.82	2.84	2.80	0.16
Colombia	0.54	0.54	0.60	0.68	0.09	0.77	0.79	0.80	0.83	0.80	0.12	0.88	0.94	0.94	0.96	0.93	0.13	1.00	1.02	1.03	1.05	1.02	0.10
Trinidad & Tobago	0.18	0.16	0.16	0.15	0.00	0.15	0.15	0.15	0.13	0.15	-0.01	0.14	0.14	0.14	0.13	0.14	-0.01	0.14	0.14	0.14	0.14	0.14	0.00
L. America others	0.26	0.28	0.28	0.30	0.02	0.31	0.31	0.32	0.32	0.32	0.01	0.31	0.31	0.31	0.31	0.31	-0.01	0.31	0.31	0.31	0.31	0.31	0.00
Latin America	3.87	3.97	4.20	4.40	0.20	4.61	4.69	4.68	4.70	4.67	0.26	4.70	4.68	4.73	4.86	4.74	0.08	4.95	4.97	5.02	5.06	5.00	0.26
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.20	0.20	0.21	0.20	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.22	0.22	0.21	0.01
Oman	0.75	0.71	0.76	0.81	0.06	0.86	0.86	0.87	0.88	0.86	0.05	0.89	0.87	0.89	0.89	0.89	0.02	0.92	0.93	0.93	0.94	0.93	0.05
Syria	0.44	0.42	0.41	0.41	0.00	0.42	0.43	0.42	0.42	0.42	0.01	0.42	0.42	0.37	0.27	0.37	-0.05	0.23	0.22	0.22	0.21	0.22	-0.15
Yemen	0.37	0.33	0.30	0.30	0.00	0.30	0.29	0.29	0.28	0.29	-0.01	0.29	0.18	0.23	0.17	0.21	-0.07	0.16	0.20	0.21	0.21	0.19	-0.02
Middle East	1.76	1.66	1.68	1.73	0.05	1.78	1.77	1.78	1.78	1.78	0.05	1.80	1.68	1.70	1.53	1.68	-0.10	1.52	1.56	1.58	1.58	1.56	-0.12
Chad	0.15	0.15	0.15	0.14	-0.01	0.15	0.15	0.15	0.15	0.15	0.01	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.13	0.13	0.13	0.13	-0.01
Congo	0.25	0.24	0.26	0.27	0.02	0.30	0.30	0.29	0.29	0.30	0.02	0.29	0.29	0.30	0.30	0.29	0.00	0.31	0.31	0.31	0.30	0.31	0.01
Egypt	0.66	0.66	0.69	0.69	0.00	0.69	0.71	0.72	0.71	0.71	0.01	0.71	0.71	0.71	0.71	0.71	0.00	0.70	0.70	0.70	0.69	0.70	-0.01
Equatorial Guinea	0.37	0.37	0.38	0.36	-0.02	0.33	0.33	0.32	0.31	0.32	-0.03	0.31	0.31	0.30	0.30	0.30	-0.02	0.31	0.31	0.32	0.33	0.32	0.01
Gabon	0.25	0.25	0.24	0.24	0.00	0.25	0.23	0.25	0.25	0.25	0.01	0.26	0.24	0.24	0.25	0.25	0.00	0.25	0.25	0.25	0.24	0.25	0.00
South Africa	0.19	0.18	0.18	0.17	-0.01	0.18	0.18	0.18	0.18	0.18	0.01	0.18	0.18	0.18	0.18	0.18	0.00	0.17	0.17	0.17	0.17	0.17	-0.01
Former Sudan*	0.36	0.48	0.46	0.48	0.02	0.46	0.46	0.47	0.47	0.46	-0.01	0.46	0.45	0.43	0.38	0.43	-0.03	0.23	0.30	0.36	0.35	0.31	-0.12
Africa other	0.29	0.28	0.27	0.25	-0.01	0.24	0.23	0.23	0.22	0.23	-0.02	0.27	0.29	0.30	0.29	0.29	0.06	0.31	0.31	0.34	0.34	0.32	0.03
Africa	2.51	2.60	2.62	2.60	-0.02	2.59	2.57	2.60	2.58	2.59	-0.01	2.61	2.60	2.60	2.54	2.59	0.00	2.41	2.48	2.57	2.56	2.50	-0.09
Total DCs	11.92	11.94	12.23	12.43	0.20	12.66	12.72	12.77	12.77	12.73	0.31	12.81	12.49	12.62	12.54	12.61	-0.12	12.52	12.66	12.84	12.88	12.73	0.11
FSU	12.03	12.54	12.60	12.95	0.35	13.16	13.20	13.21	13.33	13.22	0.27	13.32	13.25	13.23	13.23	13.26	0.03	13.37	13.33	13.36	13.44	13.37	0.12
Russia	9.65	9.87	9.78	9.92	0.14	10.09	10.12	10.13	10.22	10.14	0.22	10.21	10.23	10.28	10.34	10.27	0.12	10.33	10.32	10.35	10.37	10.34	0.07
Kazakhstan	1.30	1.35	1.41	1.54	0.12	1.60	1.56	1.57	1.65	1.60	0.06	1.66	1.60	1.54	1.61	1.60	0.01	1.64	1.61	1.61	1.64	1.63	0.02
Azerbaijan	0.65	0.87	0.94	1.06	0.12	1.05	1.10	1.10	1.03	1.07	0.01	1.02	0.99	0.96	0.84	0.95	-0.11	0.97	0.95	0.96	0.98	0.97	0.01
FSU others	0.43	0.45	0.46	0.44	-0.02	0.42	0.42	0.41	0.42	0.42	-0.02	0.43	0.43	0.44	0.44	0.43	0.02	0.44	0.44	0.44	0.45	0.44	0.01
Other Europe	0.15	0.15	0.15	0.14	-0.01	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.15	0.15	0.15	0.15	0.01
China	3.69	3.77	3.84	3.84	0.00	4.01	4.08	4.16	4.24	4.12	0.28	4.22	4.19	4.08	4.04	4.13	0.01	4.12	4.13	4.17	4.25	4.17	0.04
Non-OPEC production	47.94	48.43	48.32	49.09	0.77	50.11	50.05	49.89	50.76	50.20	1.11	50.57	49.83	49.94	50.48	50.21	0.00	50.55	50.52	50.77	51.18	50.76	0.55
Processing gains	1.96	1.99	1.97	2.00	0.03	2.10	2.10	2.10	2.10	2.10	0.10	2.13	2.13	2.13	2.13	2.13	0.03	2.19	2.19	2.19	2.19	2.19	0.06
Non-OPEC supply	49.90	50.42	50.29	51.09	0.80	52.21	52.15	51.99	52.86	52.30	1.21	52.70	51.96	52.07	52.61	52.34	0.03	52.74	52.71	52.96	53.37	52.95	0.61
OPEC NGL	3.76	3.86	4.04	4.24	0.21	4.55	4.70	5.04	4.89	4.79	0.55	4.99	5.10	5.19	5.24	5.13	0.34	5.28	5.36	5.41	5.44	5.38	0.25
OPEC Non-conventional	0.14	0.08	0.11	0.11	0.00	0.11	0.11	0.11	0.11	0.11	0.00	0.13	0.16	0.18	0.18	0.16	0.05	0.21	0.24	0.29	0.34	0.27	0.11
OPEC (NGL+NCF)	3.89	3.95	4.14	4.35	0.21	4.66	4.81	5.15	5.00	4.90	0.55	5.12	5.26	5.37	5.42	5.29	0.39	5.50	5.61	5.71	5.79	5.65	0.36
Non-OPEC & OPEC (NGL+NCF)	53.79	54.36	54.43	55.44	1.01	56.86	56.95	57.14	57.86	57.21	1.77	57.82	57.22	57.44	58.03	57.63	0.42	58.24	58.32	58.67	59.16	58.60	0.97

Note: Totals may not add up due to independent rounding

** Former Sudan included Sudan and South Sudan*

Table 10.7: World Rig Count

	2007	Change 07/06	1Q08	2Q08	3Q08	4Q08	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	Jan	Feb	Feb/Jan
US	1,767	119	1,770	1,864	1,978	1,898	1,877	111	1,326	936	956	1,108	1,081	-796	1345	1508	1622	1687	1541	459	1717	1829	1945	2031	2003	1990	-13
Canada	344	-126	507	169	432	408	379	35	328	91	177	277	218	-161	470	166	364	389	347	129	587	188	443	474	577	729	152
Mexico	92	9	96	106	103	106	103	11	128	128	135	123	128	26	118	106	84	80	97	-31	83	87	103	104	99	97	-2
North America	2,202	2	2,373	2,139	2,513	2,411	2,359	157	1,782	1,154	1,267	1,508	1,428	-931	1933	1780	2070	2156	1985	557	2386	2104	2492	2609	2679	2816	137
Norway	18	1	17	21	21	21	20	2	25	18	18	20	20	0	21	18	13	20	18	-2	21	17	16	16	14	20	6
UK	26	-1	19	21	24	24	22	-4	22	19	16	15	18	-4	15	20	21	21	19	1	18	17	15	15	13	15	2
Western Europe	78	0	91	97	101	103	98	20	90	82	76	85	83	-15	87	96	92	100	94	11	118	112	123	119	108	120	12
OECD Pacific	29	2	32	39	39	34	36	7	27	25	26	23	25	-11	22	18	23	22	21	-4	17	17	17	18	17	20	3
Total OECD	2,352	4	2,532	2,317	2,698	2,593	2,535	183	1,945	1,299	1,368	1,616	1,557	-978	2042	1893	2185	2278	2100	543	2521	2232	2632	2745	2804	2956	152
Other Asia	212	10	213	220	218	212	216	4	212	212	213	233	217	1	235	249	253	255	248	31	257	234	232	233	237	233	-4
Latin America	175	27	187	184	195	197	191	16	164	147	149	169	157	-34	183	203	220	213	205	48	191	192	196	201	184	198	14
Middle East	149	18	158	165	175	171	167	18	162	151	139	147	150	-18	152	150	163	159	156	6	101	107	102	107	113	116	3
Africa	14	4	10	13	14	11	12	-2	8	11	9	12	10	-2	20	19	19	18	19	9	1	2	0	5	4	2	-2
Total DCs	551	58	569	583	602	591	586	36	546	520	510	561	534	-52	589	621	655	645	628	93	549	535	530	546	538	549	11
Non-OPEC rig count	2,903	62	3,101	2,900	3,300	3,183	3,121	219	2,491	1,819	1,878	2,177	2,091	-1,030	2632	2514	2840	2924	2727	636	3070	2768	3161	3291	3342	3505	163
																											0
Algeria	27	2	26	27	24	26	26	-1	24	30	27	27	27	1	23	28	24	24	25	-2	29	33	30	33	28	32	4
Angola	4	1	5	6	5	5	5	1	5	3	3	4	4	-1	10	8	9	9	9	5	11	11	11	8	8	10	2
Ecuador	11	-1	7	9	12	13	10	-1	10	10	10	10	10	0	11	11	11	11	11	1	11	11	11	15	18	16	-2
Iran**	50	6	50	50	50	51	50	0	51	52	52	52	52	2	52	52	52	52	52	0	54	54	54	54	54	54	0
Iraq**	0	0	29	29	29	29	29	29	36	36	36	36	36	7	36	36	36	36	36	0	36	36	36	36	36	36	0
Kuwait**	12	-1	12	11	12	12	12	0	12	11	14	13	13	0	19	18	21	23	20	8	56	56	57	60	58	57	-1
Libya**	13	3	14	15	15	15	15	2	15	13	14	15	14	-1	17	17	14	15	16	1	10	3	8	9	12	12	0
Nigeria	8	-1	9	8	6	6	7	-1	7	6	6	7	6	-1	11	13	18	17	15	8	35	35	36	36	38	37	-1
Qatar	13	2	11	12	11	11	11	-1	9	9	9	9	9	-2	8	8	9	9	9	0	10	8	7	7	8	8	0
Saudi Arabia	77	11	78	77	76	76	77	0	72	67	67	66	68	-9	68	67	67	65	67	-1	98	98	98	105	108	105	-3
UAE	15	-2	12	12	13	12	12	-2	13	12	13	12	12	0	13	13	13	13	13	1	17	21	24	22	21	22	1
Venezuela	76	-5	82	81	77	81	80	4	69	64	54	54	60	-20	66	64	70	80	70	10	125	125	125	113	119	128	9
OPEC rig count	305	16	336	337	330	336	335	29	322	314	302	305	311	-24	334	335	344	355	342	31	493	490	495	498	508	517	9
																											0
Worldwide rig count*	3,208	78	3,438	3,237	3,630	3,519	3,456	248	2,813	2,133	2,180	2,483	2,402	-1,054	2965	2849	3184	3278	3069	667	3563	3258	3656	3789	3850	4022	172
of which:																											0
Oil	1,242	119	1,408	1,351	1479	1490	1,432	190	1283	1069	1182	1,356	1,222	-210	1590	1534	1783	1896	1701	479	2197	2023	2354	2453	2610	2844	234
Gas	1,903	-44	1,969	1,814	2070	1948	1,950	47	1450	993	965	1,092	1,125	-825	1333	1276	1356	1337	1325	200	1319	1187	1257	1286	1193	1131	-62
Others	20	4	26	32	36	37	33	12	35	35	34	37	35	3	43	40	42	46	43	8	48	49	47	52	50	50	0

Note: *Totals may not add up due to independent rounding*
na: *Not available*

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

Source: Baker Hughes Incorporated & Secretariat's estimates

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Data Summary March 2012

OPEC Basket average price

US$ per barrel

⬆ *up $5.72 in February*

February 2012	***117.48***
January 2012	*111.76*
Year-to-date	*114.62*

February OPEC production

in million barrels per day, according to secondary sources

⬆ *up 0.14 in February*

February 2012	***30.97***
January 2012	*30.82*

World economy

Global growth expectations for 2012 and 2011 remained unchanged at 3.4% and 3.6% respectively. OECD growth stayed at 1.5% for 2012 and at 1.7% for 2011. The 2012 growth expectation for China is unchanged at 8.2%, while India's forecast was lowered marginally to 7.1% from 7.2%.

Supply and demand

in million barrels per day

2011		*10/11*
World demand	*87.8*	***0.8***
Non-OPEC supply	*52.3*	***0.0***
OPEC NGLs	*5.3*	***0.4***
Difference	***30.1***	***0.4***

2012		*11/12*
World demand	*88.6*	***0.9***
Non-OPEC supply	*52.9*	***0.6***
OPEC NGLs	*5.7*	***0.4***
Difference	***30.0***	***–0.1***

Totals may not add due to independent rounding

Stocks

In February, US commercial oil stocks increased by 4.0 mb, widening the surplus with the five-year average to 37.0 mb, to stand at 12.6 mb above a year ago at the same time. This build was attributed to crude which increased by 5.9 mb, while products abated the increase, falling by 1.9 mb. The most recent monthly data for January shows that commercial oil inventories in Japan fell for the fourth consecutive month by 0.9 mb.

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Next report to be issued on 12 April 2012

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