OPEC

Monthly Oil Market Report

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Feature article:

Assessment of the global economy

Organization of the Petroleum Exporting Countries

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Oil market highlights

Crude Oil Price Movements

The OPEC Reference Basket edged up 70¢ to settle slightly above $105/b in February, as cold weather, supply disruptions and geopolitical factors helped to push oil markets higher. The Nymex WTI front-month gained a hefty $5.82 to average $100.68/b and ICE Brent futures rose $1.72 to $108.84/b. The Brent-WTI spread narrowed sharply to $8.15/b.

World Economy

World economic growth for 2013 and 2014 remains at 2.9% and 3.5%, respectively. The 2014 forecast for the OECD is unchanged at 2.0%, compared to 1.3% in 2013. In contrast, China's growth for 2014 has been revised down slightly to 7.6%, just below estimated 2013 growth of 7.7%. India's forecast remains at 5.6% for 2014 and 4.7% for 2013. The ongoing trend of accelerating economic growth in the OECD amid a slowdown in emerging economies has been confirmed by the latest data.

World Oil Demand

World oil demand growth for 2013 was revised up by 70 tb/d to stand at 1.05 mb/d. Upward revisions were seen in OECD Americas and Europe, reflecting stronger-than-expected seasonal demand for 4Q13. Africa was also higher due to baseline effects. For 2014, global oil demand is seen rising by 1.14 mb/d, following an upward revision of 50 tb/d.

World Oil Supply

Non-OPEC oil supply is expected to increase by 1.31 mb/d in 2014, following estimated growth of 1.33 mb/d in 2013. Growth is seen mainly coming from the US, Canada, and Brazil, while Norway, UK and Mexico are seen declining. In February, OPEC crude production, according to secondary sources, averaged 30.12 mb/d, up 259 tb/d from a month ago.

Product Markets and Refining Operations

Product markets in the Atlantic Basin received support in February from re-opened gasoline arbitrage to the US East Coast, which allowed European margins to rebound sharply. In the US, refining margins weakened as the decline in middle distillates and fuel oil cracks offset gains in gasoline. In Asia, refinery margins recovered further as markets temporarily tightened due to refinery disruptions and the start of seasonal maintenance.

Tanker Market

Dirty tanker spot freight rates declined in February by an average of 39% from the previous month. The drop was mainly due to the start of the refinery maintenance season, surplus tonnage supply, improved weather conditions in the Turkish Straits, and lower tonnage demand. Clean tanker spot freight rates dropped on average by 6% in February.

Stock Movements

OECD commercial oil stocks continued to fall in January after a sizeable decline in 4Q13. Crude and products showed a deficit of 19 mb and 123 mb, respectively, compared to the five-year average. In February, US total commercial oil stocks increased, but remained 32.0 mb below the five-year average, with crude some 8.0 mb above the seasonal norm.

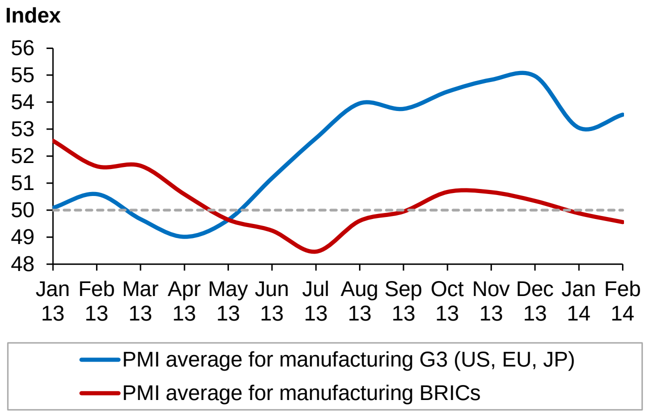
Balance of Supply and Demand

Demand for OPEC crude for 2013 and 2014 was revised up by 0.1 mb/d to stand at 30.0 mb/d and 29.7 mb/d, respectively. Compared to the previous year, demand for OPEC crude is expected to decline by 0.3 mb/d in 2014, following an estimated drop of 0.5 mb/d in 2013.

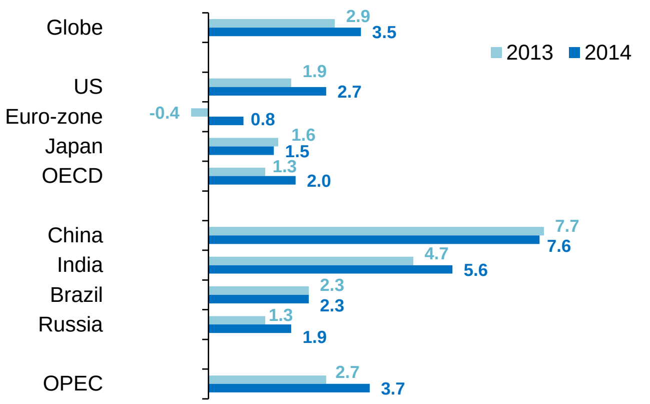
Assessment of the global economy

The assumption that the global economy will see a gradual recovery in 2014, led by growth acceleration in the major OECD economies, remains valid ***(Graph 1)***. This is despite softening economic indicators at the beginning of the year, particularly in the US and China, which have highlighted some fragility in the on-going momentum. However, some of this might be explained by temporary factors such as the extremely cold weather in the US and reduced economic activity due to the Chinese New Year holiday. Additionally, anticipation of a sales tax increase in Japan, the on-going challenges in domestic consumption in Brazil, and recent developments in Ukraine have added to this year's growth risk. On the positive side, the recovery in the Euro-zone, although gradual, seems to be on track and India's economy also appears to continue recovering from the low growth levels seen in the past year.

Graph 1: Manufacturing PMI G3 vs. BRICs



Graph 2: GDP growth forecast, %



The global economy is expected to rebound from last year's GDP growth of 2.9% to 3.5% in 2014 (***Graph 2***), unchanged from the initial forecast. OECD economies will contribute most of the increase, with growth improving from 1.3% in 2013 to 2.0% in 2014. As the underlying growth dynamic gained traction in the US in the second half of 2013 and an agreement on fiscal issues has been achieved, US GDP growth is now forecast at 2.7% this year, compared to 1.9% in 2013. Equally important for the OECD's recovery is the rebound in the Euro-zone. The most pressing sovereign debt issues in the peripheral economies have been overcome and supportive measures for some vulnerable parts of the banking system make it more likely that the region will reach growth of 0.8% this year, following last year's contraction of 0.4%. In Japan, stimulus efforts had a positive impact on GDP growth in 2013 and some of this momentum is expected to continue into the current year, although the effect of the April sales tax increase remains uncertain. Growth is expected at 1.5%, slightly lower than the 1.6% seen in the previous year.

China is now forecast to expand at 7.6% in 2014, almost at the same level as in the past year. China recently announced its growth target of 7.5%. Achieving this target will depend on balancing growth requirements with efforts to enact planned reforms, particularly in the financial sector. India is on the path of recovery from relatively low growth in 2013 and is forecast to grow by 5.6% in the current year, with most recent indicators confirming this forecast. The Russian economy is expected to see 1.9% growth this year, although recent developments have highlighted several uncertainties.

This rising risk of a slowdown in growth in the emerging economies has been mirrored in the foreign exchange markets in recent months. This has been partly triggered by the US Fed's tapering of monetary stimulus, leading to a reassessment of emerging market fundamentals, which resulted in an outflow of foreign investment. With expectation of a further reduction of US monetary stimulus and a more accommodative approach by central banks in Europe and Japan, a likely appreciation in the US dollar may impact commodity markets globally.

While many challenges remain, the expected improvement in the global economy is also resulting in higher oil demand as growth in global oil consumption is forecast at 1.1 mb/d in the current year compared to 1.0 mb/d in 2013. In light of the prevailing uncertainties, a key determinant for this increase in world oil demand will be the pace of growth in the emerging economies.

Crude Oil Price Movements

The OPEC Reference Basket (ORB) edged up by around 70¢ to settle slightly above $105/b in February as cold weather, production cuts and geopolitical factors helped to push many oil markets higher. Crude oil futures on both sides of the Atlantic made strong gains over the month, particularly Nymex WTI, supported by the depletion of crude stocks at Cushing, Oklahoma, and severe winter weather in the US.

The Nymex WTI front-month gained a hefty $5.82, to average $100.68/b in February, the highest since October 2013. ICE Brent futures rose $1.72 to $108.84/b. Data from the US CFTC showed that speculators raised net long US crude futures and options positions to the highest level on record during February, accompanying a surge in the WTI price.

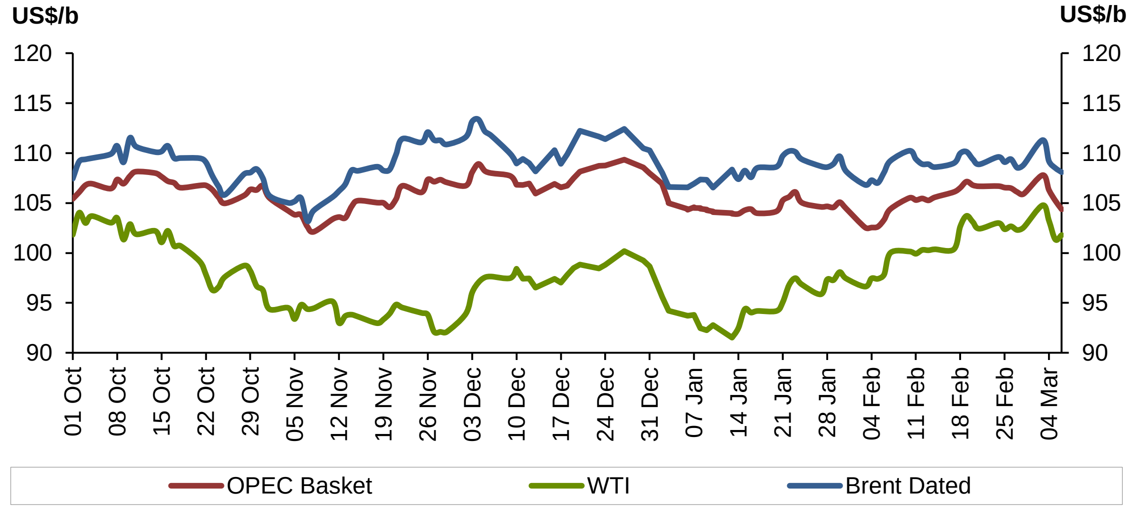
The stronger gains for WTI squeezed the transatlantic spread to a fresh five-month low. This came as the startup of the 700 tb/d southern leg of the Keystone XL pipeline reduced crude stocks at the Nymex delivery hub of Cushing, Oklahoma, lending upside support to WTI, while Brent remained subdued. The Brent-WTI spread narrowed by $4.10 to an average of $8.16/b in February, from $12.26/b in January.

OPEC Reference Basket

The ORB rebounded in February, inching above $105/b as cold weather, supply disruptions, and geopolitical tensions helped to push many oil markets higher. Atlantic Basin Brent crude rose as Libyan supply was disrupted and North Sea production became tighter, while strong Chinese demand and reduced production of competing grades pushed Dubai crude higher. Nymex WTI also strengthened, buoyed by increased pipeline capacity to move crude from Cushing, Oklahoma, to the US Gulf Coast (USGC).

Medium and heavy sour crude output fell in most regions, supporting prices. Latin American sour grades made gains as severe weather delayed loading in Colombia and Mexico. Reduced March loading programmes for Middle East crude buoyed Dubai-related crude prices, particularly Basrah Light and Qatar Marine.

Graph 1.1: Crude oil price movement, 2013-14



Crude Oil Price Movements

Sweet middle distillate-rich crude prices also rose as production fell in the Atlantic Basin. Heating oil demand and Asia-Pacific buying interest propped up prices further for middle distillate-rich grades, such as those in Nigeria.

Reduced Libyan supply also supported regional light sweet crudes. Production fell by more than 200 tb/d after the close of a pipeline from the El Sharara field. Meanwhile, weather has been an important factor in oil price movements so far this year.

On a monthly basis, the ORB averaged $105.38/b in February, an increase of 67¢ or 0.6% over the previous month. On a year-to-date basis, the Basket was lower compared to the same period last year, settling at $105.03/b in February compared to $110.93/b in the same month last year.

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

	Jan 14	Feb 14	Change Feb/Jan	Year-to-date 2013	Year-to-date 2014
OPEC Reference Basket	**104.71**	**105.38**	**0.67**	**110.93**	**105.03**
Arab Light	105.74	106.30	0.56	112.21	106.01
Basrah Light	102.70	103.38	0.68	108.92	103.02
Bonny Light	110.26	110.77	0.51	116.97	110.50
Es Sider	107.86	108.47	0.61	114.57	108.15
Girassol	107.96	109.54	1.58	114.14	108.71
Iran Heavy	104.89	104.96	0.07	110.29	104.92
Kuwait Export	103.79	104.17	0.38	109.97	103.97
Marine	103.95	104.91	0.96	109.33	104.41
Merey	93.72	94.00	0.28	99.35	93.85
Murban	107.66	108.69	1.03	112.07	108.15
Oriente	93.44	97.44	4.00	102.35	95.34
Saharan Blend	109.96	110.52	0.56	115.53	110.22
Other Crudes					
Brent	108.26	108.87	0.61	114.57	108.55
Dubai	104.01	105.04	1.03	109.52	104.50
Isthmus	96.35	100.47	4.12	109.80	98.31
LLS	102.79	106.36	3.57	114.38	104.49
Mars	99.58	103.02	3.44	109.47	101.21
Minas	110.60	108.46	-2.14	118.20	109.58
Urals	106.40	107.43	1.03	112.99	106.89
WTI	94.90	100.78	5.88	95.02	97.70
Differentials					
Brent/WTI	13.36	8.09	-5.27	19.55	10.85
Brent/LLS	5.47	2.51	-2.96	0.19	4.06
Brent/Dubai	4.25	3.83	-0.42	5.06	4.05

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

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

All Basket component values improved in February, particularly Ecuador's Oriente, which gained over 4%. Latin American Basket components, Venezuela's Merey and Oriente, were generally supported by WTI market gains and tight supplies due to loading delays caused by severe weather in Colombia and Mexico. The WTI's general movement during February was in line with expectations that a drawdown of Cushing stocks would follow the startup of the 700 tb/d southern leg of the Keystone XL pipeline at the end of January. Inventory levels at the hub sank to the lowest level since the beginning of October. This has contributed to a $4 or 4.3% gain in Oriente value over the month of February. Venezuela's Merey edged up slightly by around 30¢ or less than 1% compared to the previous month.

The Brent-related Basket component prices rose as production from Libya and the North Sea slipped. Atlantic Basin seasonal heating oil demand and Asia-Pacific buying interest also underpinned some of the middle distillate-rich crudes such as the Nigerian grades. Most of the other regional sweet crudes, including those from Algeria and Angola, were also supported by the renewed Libyan outages. Libya's oil production fell to above 300 tb/d due to a halt in production at the El Sharara field. Brent-related crudes, Saharan Blend, Es Sider, Girassol and Bonny Light increased by 82¢ on average.

Meanwhile, reduced March loading programmes for some Middle East grades such as Iraq’s Basrah Light and Qatar’s Al Shaheen maintained their prices. Nevertheless, the Asian crude market remained pressured by fairly depressed prompt buying interest. This falls in line with the start of the maintenance season in the Asia-Pacific region combined with the Brent/Dubai spread narrowing to levels below $4/b, thereby enabling a steady inflow of arbitrage crudes into the region. Middle Eastern spot components and multi-destination grades improved slightly by around $1 and 40¢, respectively.

On 11 March, the ORB stood to $104.38/b, $1 below the February average.

The oil futures market

Crude oil futures on both sides of the Atlantic made strong gains over the month of February, particularly US crude oil futures. Nymex WTI firmed significantly, supported by the depletion of crude stocks at Cushing, Oklahoma, the pricing hub for the North American marker crude, following the startup of TransCanada's 700 tb/d USGC pipeline in late January. Almost 300 tb/d of crude oil has been flowing from Cushing to the US Gulf Coast (USGS), helping inventories at the WTI pricing point to decline to the lowest level since the beginning of October of last year. The US was also hammered by frigid temperatures in February, continuing a winter-long trend that has boosted heating oil and propane consumption. The expectation for tight diesel and heating oil supplies sent prices soaring as persistently cold weather across the US reduced heating fuel stocks. Spiking natural gas prices in the US Northeast also prompted utilities to turn to fuel oil for electricity generation in the region. Furthermore, US crude oil rose earlier in the month, following a rally in the equity markets, triggered by the US unemployment rate falling to a five-year low.

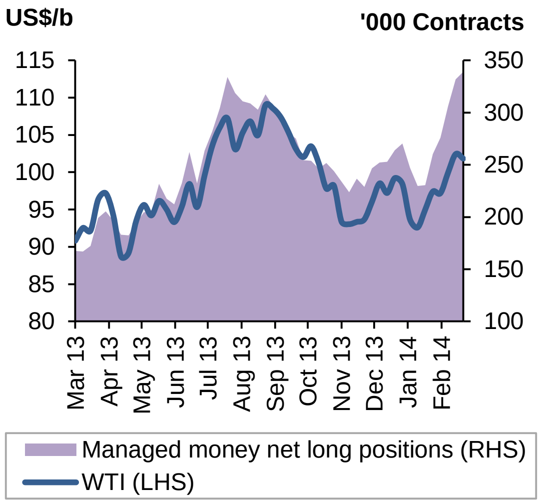
Meanwhile, geopolitical events in the Ukraine as well as ongoing tensions in other regions supported crude prices in general, and ICE Brent in particular. ICE Brent drew support over the month from continued unrest in Libya and South Sudan. South Sudan's oil production has fallen to about a third of its capacity at 170 tb/d. Oil also found support from Chinese data showing that in January, banks disbursed the highest number of loans of any month in four years. This surge suggests that China’s economy may not be losing as much momentum as some have feared. Brent also gained as EU economic growth data strengthened, boosting the euro against the US dollar. Brent market sentiment was also bullish on a stronger 2014 oil demand forecasts and Chinese data showing oil imports reached record highs.

The Nymex WTI front-month gained $5.82 to average $100.68/b in February, its highest level since October. Compared to the same year-to-date period in 2013, the WTI value is higher by $2.56 or 2.7% at $97.62/b. On the ICE exchange, the Brent front month improved by $1.72 to average $108.84/b. ICE Brent was lower in value year-to-date compared to the same period last year, weakening by $6.18 or 5.4% to $107.93/b from $114.11/b.

On 11 March, ICE Brent stood at $108.55/b and Nymex WTI at $100.03/b.
Data from the CFTC showed that speculators raised net long US crude futures and options positions to the highest on record during February, accompanying a surge in the WTI price. The speculator group raised its combined futures and options positions in US crude oil contracts by 78,770 lots to 339,052 contracts over the month. This is equivalent to 80 mb, or roughly $8 billion, over the month, one of the most rapid run-ups in bullish bets since 2011. The run-up came as oil prices extended a month-long rally to above the $100/b level.

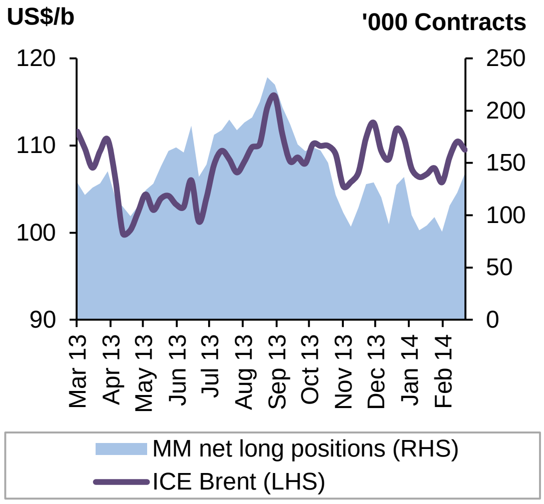
Meanwhile, speculative net-length for ICE Brent rose to the highest level for 2014 in February and was last seen to close at 140,000 contracts. Hedge funds and other large investors raised their bets on higher Brent crude oil prices for the last two weeks in February, data from the ICE showed, rebounding further from the lowest level in a year seen in early February. The money manager group increased its net long positions over the month by 41,650 contracts to 139,921 lots. Total futures and options open interest volume in the two markets increased in February by 85,821 contracts to 4.0 million contracts.

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



Source: CFTC.

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



Source: IntercontinentalExchange, Inc.

The daily average traded volume during February for Nymex WTI contracts decreased by 12,404 lots to average 519,010 contracts. ICE Brent volume also moved lower by 58,916 lots to 533,442 contracts. The daily aggregate traded volume in both crude oil futures markets decreased by 71,320 lots in February to around 1.05 million contracts, equivalent to 1.05 billion b/d. The total traded volume in Nymex WTI and ICE Brent contracts in February was 9.86 million and 10.67 million contracts, respectively.

The futures market structure

The depletion of crude stocks at the WTI delivery hub pushed the Nymex WTI front-month contract up higher relative to future months' contracts. The Cushing stock draws came in at a combined 6 mb over the first three weeks since the startup of the Keystone southern leg. High demand and cold weather also drove the prompt-month contract value higher compared to forward ones. As a result, the prompt-month Nymex WTI futures contract saw its premium vs. the second month contract move from around 5¢/b to 55¢/b. Meanwhile, on a related matter, as money managers positioned themselves on the long side, the forward curve of WTI became steeper. Compared to mid-December, the liquid front-month contracts have gained about $10 whereas the back end of the curve has moved only marginally. This back end anchoring could turn out badly for US shale producers who struggle to hedge their production forward.

The backwardation in the Brent market structure remained elevated over the first half of February, buoyed by brief Buzzard production outages coupled with the ongoing disruption in Libyan exports and strong Asian demand for Forties crude, the typical price-setter of Dated Brent. Over 50% of available cargoes headed to South Korea and China. However, this supportive factor faded mid-month onward as buying interest among Asian players slackened as they moved closer to turnarounds and higher maintenance was seen in Europe. The backwardation in Dated Brent slumped from almost $3/b in late January to less than 80¢/b towards the end of February. The spread between the second and the first month of the ICE Brent contract averaged around 45¢/b in February compared to 60¢/b in the previous month.

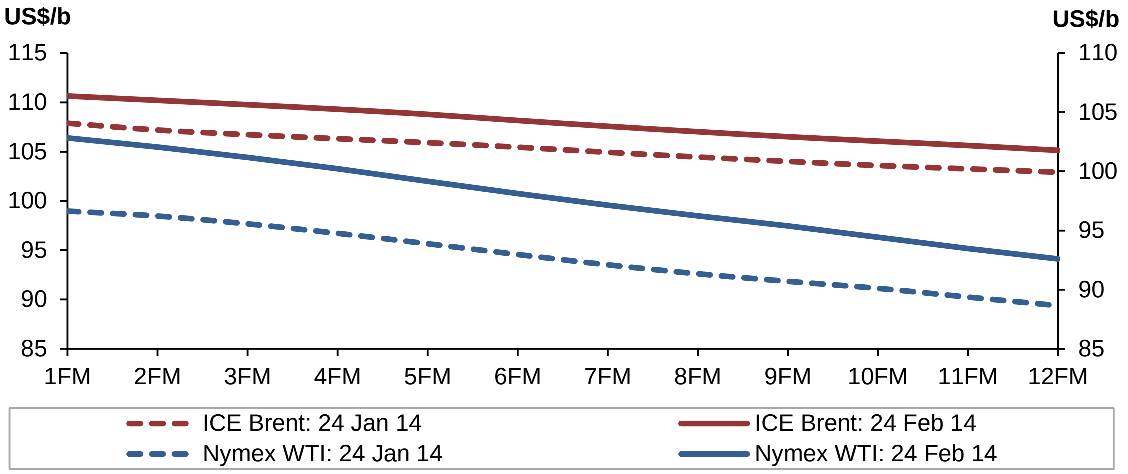
Table 1.2: Nymex WTI and ICE Brent forward curves, US$/b

Nymex WTI	**1st FM**	**2nd FM**	**3rd FM**	**6th FM**	**12th FM**
24 Jan 14	96.64	96.22	95.56	92.97	88.65
24 Feb 14	102.82	102.06	101.17	98.11	92.59
ICE Brent	**1st FM**	**2nd FM**	**3rd FM**	**6th FM**	**12th FM**
24 Jan 14	107.88	107.19	106.72	105.45	102.91
24 Feb 14	110.64	110.20	109.76	108.16	105.13

FM = future month.

The stronger gains for WTI have continued to squeeze the transatlantic spread with the front-month Brent-WTI spread averaging at a new fresh five-month low as steady drawdowns in crude stocks at the Cushing, Oklahoma, delivery hub have lent upside support to WTI, while Brent remains subdued. Many traders and analysts expect the spread to continue to narrow as TransCanada's southern Gulf pipeline ramps up capacity and transports more and more oil from the inland storage hub to coastal refineries. The spread between ICE Brent and Nymex WTI narrowed by a hefty $4.10/b to settle at an average of $8.15/b in February, from $12.25/b in January.

Graph 1.4: Nymex WTI and ICE Brent forward curves, 2013-14



FM = future month.

The light sweet/medium sour crude spread

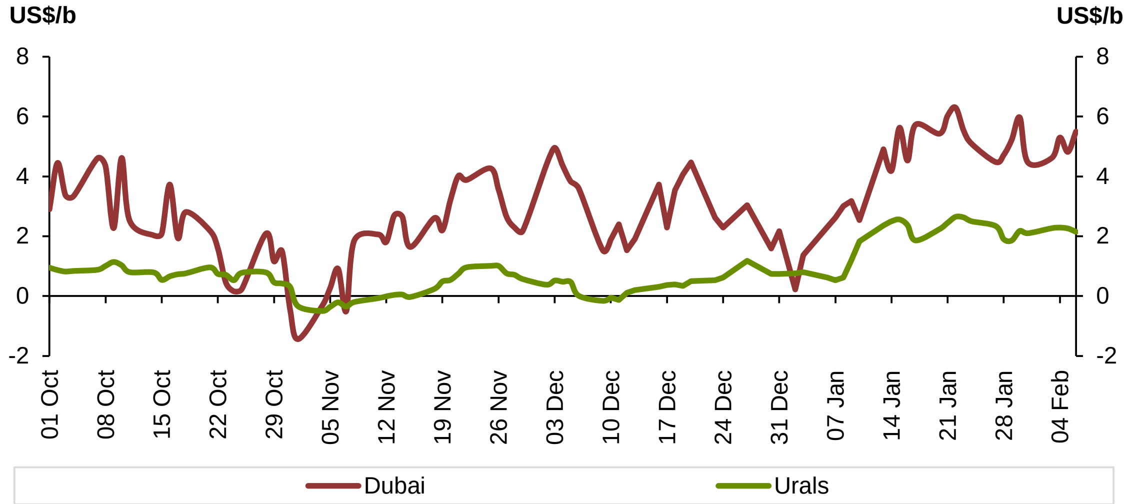
Global sweet/sour differentials were mixed over the month, slightly narrowing in Europe and barely widening in the USGC, while remaining almost unchanged in Asia.

The **Asian** crude market has remained pressured by fairly depressed prompt buying interest. This falls in line with the start of the maintenance season in the Asia-Pacific combined with the narrowing Brent/Dubai spread. Due perhaps in part to these factors, key sour crude differentials saw little support over the month. Meanwhile, values for regional sweet crudes – naphtha-rich grades – took a tumble amid a relatively unsupportive Singapore naphtha crack, regional maintenance and considerable arbitrage inflows from West of Suez. The overall feedstock picture looks bearish as some 1.8 mb/d of crude distillation unit (CDU) capacity is coming offline for maintenance in April and another 2.1 mb/d is scheduled in May. In February, the Tapis-Dubai spread narrowed to average \$8.65/b, compared to \$8.70/b in the previous month, a minor drop of 5¢.

In **Europe**, Urals managed to reduce its differential to Dated Brent on average amid supportive market developments late in the month. Urals prices firmed during the second half of the month despite the approaching refinery maintenance season, supported by a shorter-than-expected loading programme and stronger refining margins. Earlier in the month, the strength seen in Urals differentials over the latter half of January that stemmed from the initial news of shorter February loadings rapidly evaporated as spring maintenance took hold of regional buying interest with at least 670 tb/d of CDU capacity going offline over the month. On average, the Dated Brent/Urals spread in February narrowed by 42¢ to \$1.44/b.

In the **US**, the LLS/Mars spread widened slightly as both moved in tandem during February, albeit at a very narrow level. This is considering that the light grade is coming under pressure from higher inflows of sweet crude into the USGC via the Seaway and Keystone XL pipelines, the latter of which came into operation on 22 January. Meanwhile, some pressure on the sour side came from higher production of Mars following the startup of Shell's Mars B Olympus platform in early February. Meanwhile, hefty maintenance work for February to the tune of 2.3 mb/d did not have much impact on differentials. The premium of LLS over Mars averaged \$3.35 in February compared to \$3.20 in January.

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



Commodity Markets

Commodity markets have experienced accentuated and different trading patterns since the beginning of the year. In the past years, during the commodity super-cycle, prices have been driven by strong emerging market demand and increasing speculative activity. The price-trend has been relatively aligned across the various commodities, and the main differences in commodity trading patterns have been only the magnitude at which the various commodity subgroups have appreciated. Nowadays, the trend in the various commodity subgroups is again being driven by more individual and different parameters. Most recently, on a monthly basis and until the end of February, commodity prices on average have appreciated in line with mostly energy-related commodities - particularly natural gas - and precious metals, but also agricultural products, experiencing a rising trend. However, industrial metals rose less on average, being hit by the slow-down in emerging economies.

Trends in selected commodity markets

While the underlying trend in the commodities market has been significantly influenced by the current economic growth pattern — appreciation in the OECD and slow-down in the emerging economies — volatile geopolitical developments have played an important role as well. Developments in Eastern Europe, in particular, may lead to a further impact on prices, especially in the energy and the agricultural sectors. On the energy side, the impact of this situation might mainly be felt in the gas market with around 15% of the EU's gas supply arriving via the Ukraine from Russia. However, storage levels are currently very high in the EU after an unusually mild winter and with the winter period and the heating season coming to an end, this makes the gas input less vital for the moment.

Another important impact was seen in the agricultural markets given the importance of the Ukraine in the corn and wheat markets. The Ukraine ranks among the top three exporters of corn and the sixth largest exporter of wheat. Hence, prices in these two agricultural commodities have reacted strongly. So far, physical disruptions in the market have been negligible, but it remains to be seen how the situation will evolve. The current supply side may be affected, and new plantings could be influenced as the most recent depreciation in the Ukrainian currency is leading towards higher input costs from imports for new plantings. This could potentially affect the upcoming harvest season.

Coincidently, current heavy rain in Mato Grosso, Brazil, might also negatively affect Brazilian output. Brazil is the second largest corn exporter. At the end of February, some parts of the state were flooded by 225.9 millimetres of rain, double the historical average, according to the Mato Grosso Institute for Agribusiness, or Imea. According to Imea, this will not only significantly impact the corn harvest but will also lead to half the expected yearly output of soybeans, which was initially forecast at almost 27 million tonnes this year. In general, the volatile weather in Brazil this year with extremely hot weather in the central south and extreme rain in the central west has already caused serious damage to expected output this year, impacting agricultural prices positively.

The slow-down in emerging economies, which mainly impacted industrial metals and, to some extent, precious metals over the past months has also been mirrored in various emerging market currency developments, lifting the US dollar and potentially leading to declining US dollar denominated commodity prices. China's apparent deceleration could lead to a further negative impact for those commodities, which are crucial for the economy's growth development. Consequently, the Shanghai Composite Index (SCI) reached a seven-week low recently. In this respect, it is important to highlight the unexpected albeit modest decline in the Chinese yuan in February. While this could make commodity imports more expensive for China, the decline in prices of some of the imported commodities might offset this effect. Therefore, declining commodity input prices are an opportunity for the Chinese economy to develop a more flexible currency regime. Sufficient stockpiles of industrial metals in China might be another factor for their current weakness.

The expected continuation of tapering monetary stimulus in the US is forecast to put some weight on commodity prices due to less investment in the emerging economies and a slow-down in speculative activity. The continuation of the strategy of the US Federal Reserve Board to further reduce its quantitative easing by $10 billion has become more likely after the relatively supportive labour market developments.

While in general, base metals were under pressure, some support for certain metals, particularly nickel, tin and, to some extent, copper, came from the fact that the Indonesian government has initiated an export ban on unprocessed minerals, which could continue to have an important effect on metals market price developments in the near future.

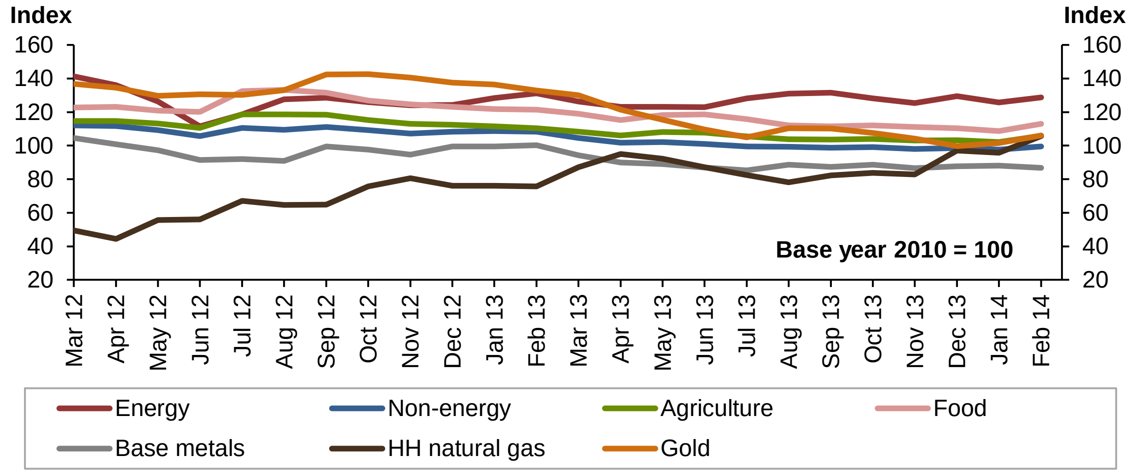
Table 2.1: Commodity price data, 2013-14

Commodity	**Unit**	***Monthly averages***			***% Change***		
		Dec 13	**Jan 14**	**Feb 14**	**Dec/Nov**	**Jan/Dec**	**Feb/Jan**
World Bank commodity price indices for low and middle income countries (2010 = 100)							
Energy		129.5	125.7	128.8	3.3	-2.9	2.5
Coal, Australia	$/mt	84.3	81.6	76.3	2.5	-3.2	-6.5
Crude oil, average	$/bbl	105.5	102.1	104.8	2.8	-3.2	2.7
Natural gas, US	$/mmbtu	4.3	4.6	5.2	17.2	6.9	13.4
Non Energy		98.5	97.7	99.6	0.5	-0.8	1.9
Agriculture		103.3	102.2	105.9	0.3	-1.1	3.6
Food		110.5	108.7	113.0	-0.6	-1.6	3.9
Soybean meal	$/mt	564.0	567.0	592.0	-0.4	0.5	4.4
Soybean oil	$/mt	989.0	943.0	983.0	-0.7	-4.7	4.2
Soybeans	$/mt	568.0	566.0	590.0	2.7	-0.4	4.2
Grains		107.6	105.5	110.3	-1.2	-1.9	4.5
Maize	$/mt	197.4	198.1	209.3	-0.9	0.3	5.7
Wheat, US, HRW	$/mt	291.6	275.5	292.3	-5.0	-5.5	6.1
Sugar World	$/kg	0.4	0.3	0.4	-6.3	-5.6	6.3
Base Metal		87.7	88.1	86.9	1.4	0.5	-1.5
Aluminum	$/mt	1,739.8	1,727.4	1,695.2	-0.5	-0.7	-1.9
Copper	$/mt	7,214.9	7,291.5	7,149.2	2.0	1.1	-2.0
Iron ore, cfr spot	$/dmtu	135.8	128.1	121.4	-0.4	-5.6	-5.3
Lead	$/mt	2,136.7	2,143.2	2,108.0	2.3	0.3	-1.6
Nickel	$/mt	13,924.6	14,101.3	14,203.6	1.8	1.3	0.7
Tin	$/mt	22,762.1	22,063.9	22,820.7	-0.3	-3.1	3.4
Zinc	$/mt	1,975.0	2,036.9	2,034.5	5.8	3.1	-0.1
Precious Metals							
Gold	$/toz	1,221.5	1,244.3	1,299.6	-4.3	1.9	4.4
Silver	$/toz	19.7	19.9	20.8	-5.2	1.0	4.9

Source: World Bank, Commodity price data.

Energy prices rose by 2.5% m-o-m in February, almost entirely compensating for the January decline. However, within this group, natural gas experienced support by the unusually cold weather in the US. Natural gas rose by 10.4% m-o-m. Agricultural sector and food prices were largely supported by the political uncertainties in Eastern Europe in combination with the extreme weather conditions in Brazil. Agricultural products rose by 3.6% m-o-m, while food prices increased by 3.9% on a monthly average. Base metal prices fell by 1.5% m-o-m in February. A solid increase came from nickel, which increased by 0.7% m-o-m amid the Indonesian export ban. Tin increased by 3.4% m-o-m, while iron ore and copper were negatively influenced by China's slow-down, falling by 5.3% m-o-m and 2.0% m-o-m, respectively. In precious metals, rising demand seems to have turned out to be supportive with gold rising for a second consecutive month by 4.4% m-o-m and silver rising by 4.9% m-o-m in February.

Graph 2.1: Major commodity price indices, 2012-14

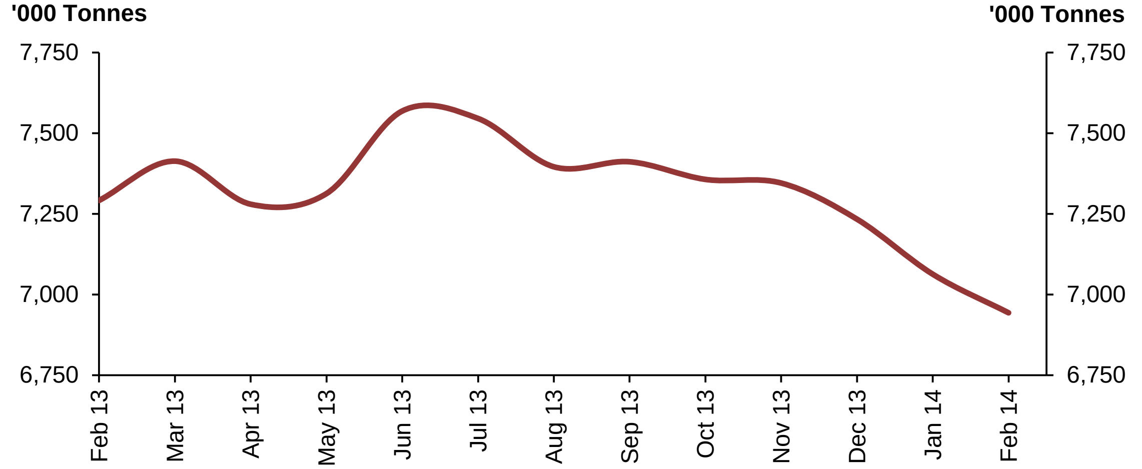


Source: World Bank, Commodity price data.

In February the **Henry Hub (HH) natural gas price index** ended at its highest level since January 2010 with an average above $5 per million British thermal units (mbtu). The index settled 60¢ higher, or a hefty 13.4%, at $5.2/mbtu after trading at an average of $4.6/mbtu in the previous month.

Natural gas prices in February were extremely volatile after a wild monthly ride that included marking the highest price in five years and the biggest three-day fall in eight years. Earlier in the month, US natural gas futures rose nearly 18% as a severely depleted storage level and freezing weather boosted prices. A historically cold winter has eaten into gas supplies amid extraordinary heating demand, driving prices up by as much as 50% this year from $4.20/mbtu to $6.40/mbtu, the highest since late 2008. Storage levels of natural gas were drawn down by 237 billion cubic feet over the week ended 7 February, a report from the US Energy Information Administration (EIA) showed. The withdrawal was over 50% more than in the same week last year and well above the five-year average, as extremely cold weather plagued the US Midwest and Northeast. Nuclear plant outages, which create a draw on natural gas as a substitute power source, also supported the rally in prices. Prices then plummeted as milder weather tempered heating demand after a prolonged cold spell. The dramatic slide also came after the market failed to break the $6.50/mbtu technical resistance point and as investors took profits.

Graph 2.2: Inventories at the LME



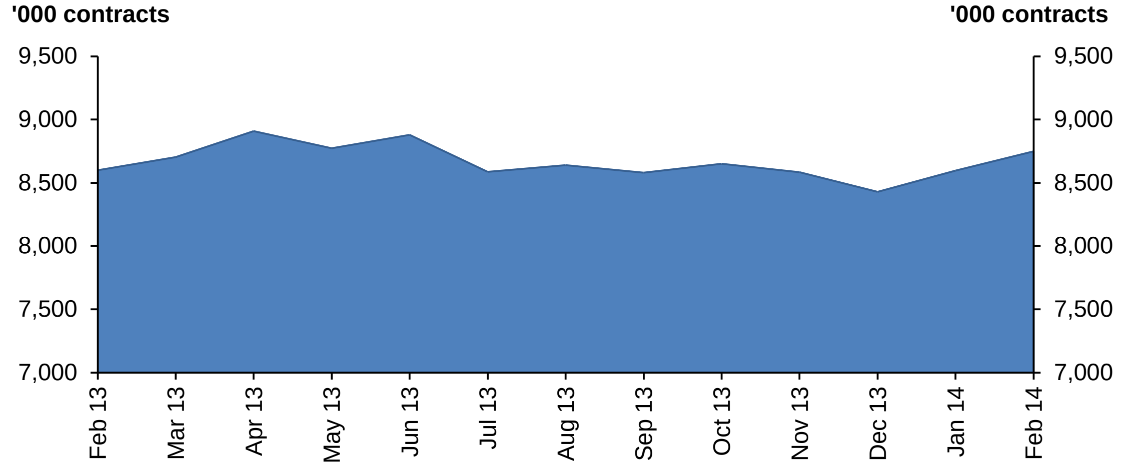
Sources: London Metal Exchange and Haver Analytics.

Investment flows into commodities

The total open interest volume (OIV) in major commodity markets in the US increased slightly by almost 1.9% m-o-m to 8.9 million contracts in February as agriculture, livestock and crude oil commodity OIVs improved. Livestock, agriculture and crude oil OIVs were up by 4.4%, 3.6% and 0.8%, respectively. On the other hand, natural gas, precious metal and copper OIVs decreased moderately by 2.5%, 1.5% and 3.1%, respectively. Gold OIV decreased this month by 4.3%.

Total net length speculative positions in commodities increased by a hefty 60.3% m-o-m to 1,115,793 contracts in February, mainly attributed to a sharp increase in the managed money net length of agriculture, precious metal and crude oil. Money managers' activities in copper reflected deep bearish sentiments.

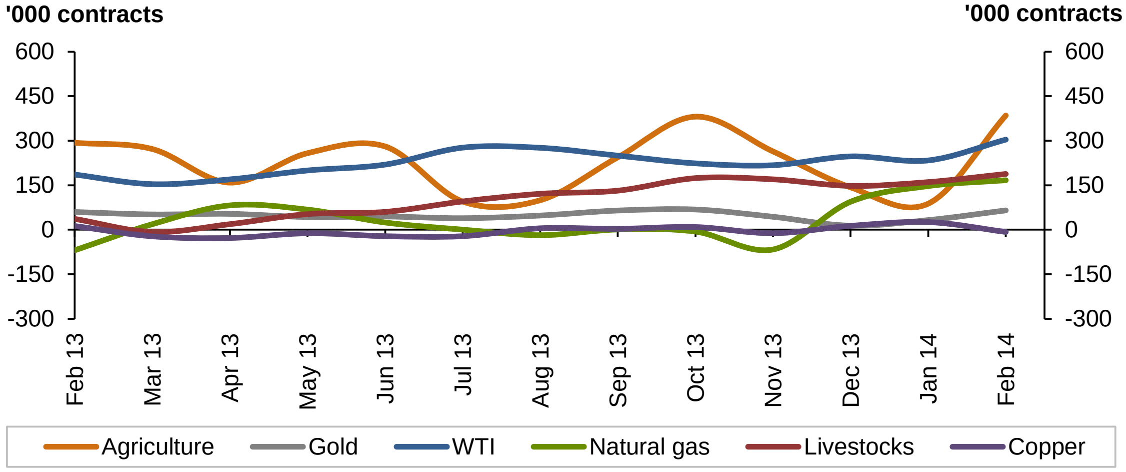
Graph 2.3: Total open interest volume



Source: US Commodity Futures Trading Commission.

Agricultural OIV was up 3.6% m-o-m to 4,629,209 contracts in February. Meanwhile, money managers' net long positions in agricultural commodities rebounded sharply after three consecutive months of retreat by threefold to 384,971 lots in November.

Graph 2.4: Speculative activity in key commodities, net length

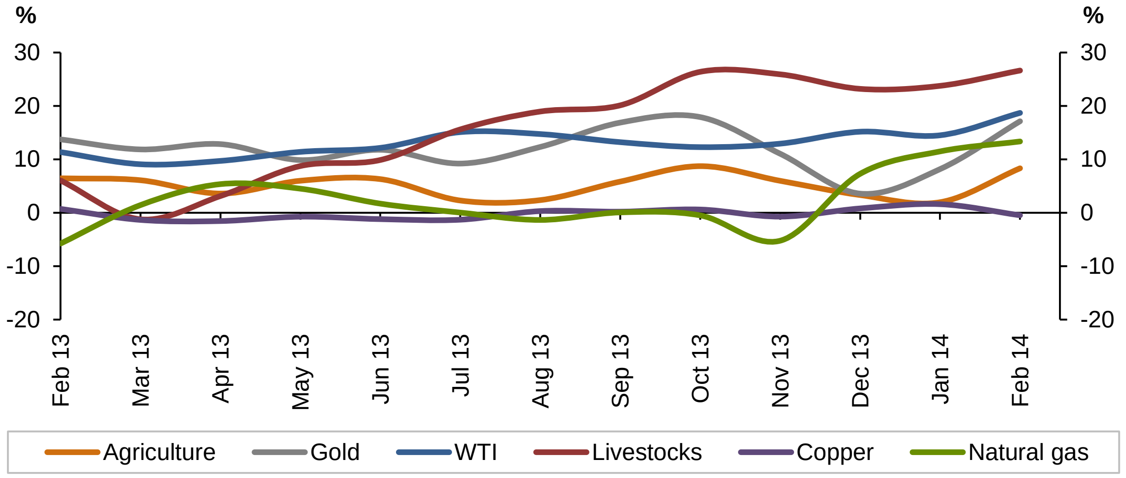


Source: US Commodity Futures Trading Commission.

Henry Hub natural gas OIV decreased by 2.5% m-o-m to 1,250,686 contracts in February. Money managers increased their net length positions by 13.4% to stand at net long positions of 166,775 lots. As in the previous month, this was driven by higher demand amid unusually cold weather in the US that led to extreme inventory drawdowns.

Copper's OIV slipped again by 3.1% m-o-m to 156,505 contracts in February. The group of investors sharply turned their net length positions to a net short of 7,500 contracts as copper prices continue to trend lower after a surprise fall in China's exports heightened fears of an economic slow-down.

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



Source: US Commodity Futures Trading Commission.

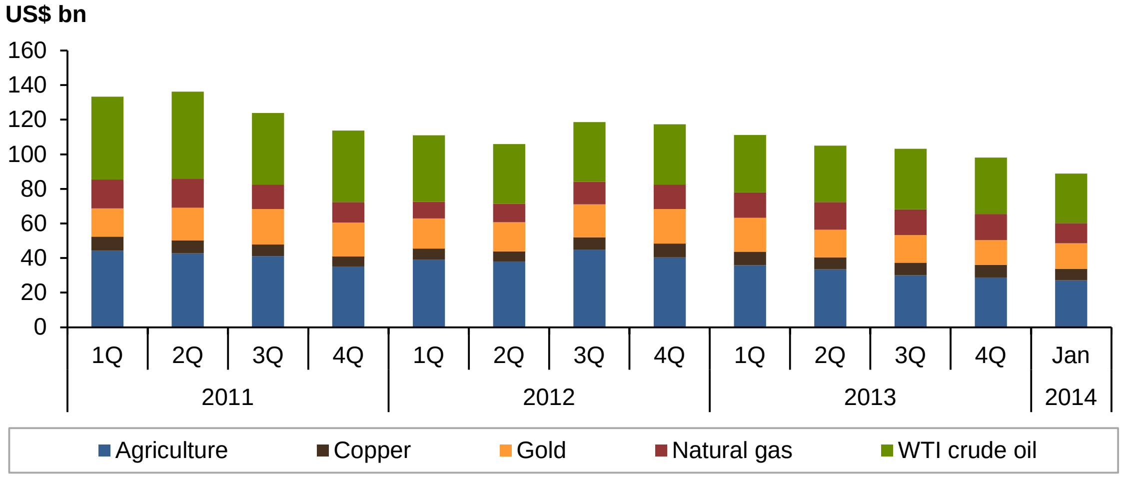
Gold's OIV decreased by 4.3% m-o-m to 380,822 contracts in February. Hedge funds and money managers continue to be very bullish on US gold, doubling their net length position to stand at 65,191 from 32,491 lots in the previous month. Gold prices improved on violence in Ukraine, fueling some safe haven support for the precious metal. During the month, gold also rallied to a more than three-month high after a series of disappointing US economic indicators, including weak manufacturing data, sparked speculation that the US Federal Reserve would slow the tapering of its monthly bond-purchasing programme.

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

	Open interest		*Net length*			
	Jan 14	**Feb 14**	**Jan 14**	**% OIV**	**Feb 14**	**% OIV**
Crude oil	1,612	1,625	234	14	304	19
Natural gas	1,282	1,251	147	11	167	13
Agriculture	4,467	4,629	88	2	385	8
Precious metals	536	528	41	8	80	15
Copper	161	157	26	16	-8	-5
Livestock	676	706	161	24	188	27
Total	**8,734**	**8,896**	**696**	**8**	**1,116**	**13**

Source: US Commodity Futures Trading Commission.

Graph 2.6: Inflow of investment into commodities, 2011-14



Source: US Commodity Futures Trading Commission.

World Economy

Recent developments in the global economy confirm the trend of an ongoing recovery in the OECD and a slow-down in emerging markets, leaving the global growth forecast unchanged at 3.5% for 2014. The forecast for the OECD remains at 2.0% for the current year. The recent sluggish performance of emerging markets, however, confirmed that the slow-down there is ongoing. While some weakness in China's data might have been distorted by inactivity after the Chinese New Year, the decelerating trend has been obvious for many months. India seems to be recovering from its low growth level of 2013, but some uncertainties prevail over the direction of its fiscal policy after the upcoming general elections in May. Russia may be impacted by the latest developments in Eastern Europe, a situation which needs close monitoring in the coming weeks as it will probably negatively impact the current growth estimate. Brazil is forecast to reach the same level of growth as in 2013. However, recent economic gauges in Brazil have indicated that this year's growth probably might be lower than last year's. Due to the obvious challenges in the major emerging markets the global growth risk is currently slightly tilted to the downside.

Table 3.1: Economic growth rate and revision, 2013-14, %

	World	OECD	US	Japan	Euro-zone	China	India	Brazil	Russia
2013E*	**2.9**	**1.3**	**1.9**	**1.6**	**-0.4**	**7.7**	**4.7**	**2.3**	**1.3**
Change from previous month	0.0	0.1	0.0	-0.1	0.0	0.0	0.0	-0.2	0.0
2014F*	**3.5**	**2.0**	**2.7**	**1.5**	**0.8**	**7.6**	**5.6**	**2.3**	**1.9**
Change from previous month	0.0	0.0	0.0	0.0	0.1	-0.1	0.0	-0.4	0.0

** E = estimate and F = forecast.*

OECD

OECD Americas

US

The United States recovery remains robust, but a slight moderation at the beginning of the year became apparent. Also, the recently announced 4Q13 GDP of 2.4% q-o-q at a seasonally adjusted annualized rate has been lower than initially estimated. The first estimate stood at 3.2%. In the 3Q13, GDP grew by 4.1% q-o-q. While the 3Q numbers have also confirmed a significant recovery form the sluggish 1H13, they have been largely driven by inventory building and, to a lesser extent, by consumption of private households, which constitute the main factor for US GDP growth. The 4Q13 numbers, however, showed an improvement in the composition of GDP supporting factors. Consumption increased by 2.6%. While this compares to a 22-year average of 3.0% growth in consumption growth, the trend is showing clear upside. It is also the highest increase since the 1Q12. As consumption (i.e. private household expenditures) account for around 70% of GDP, this development is important to note.

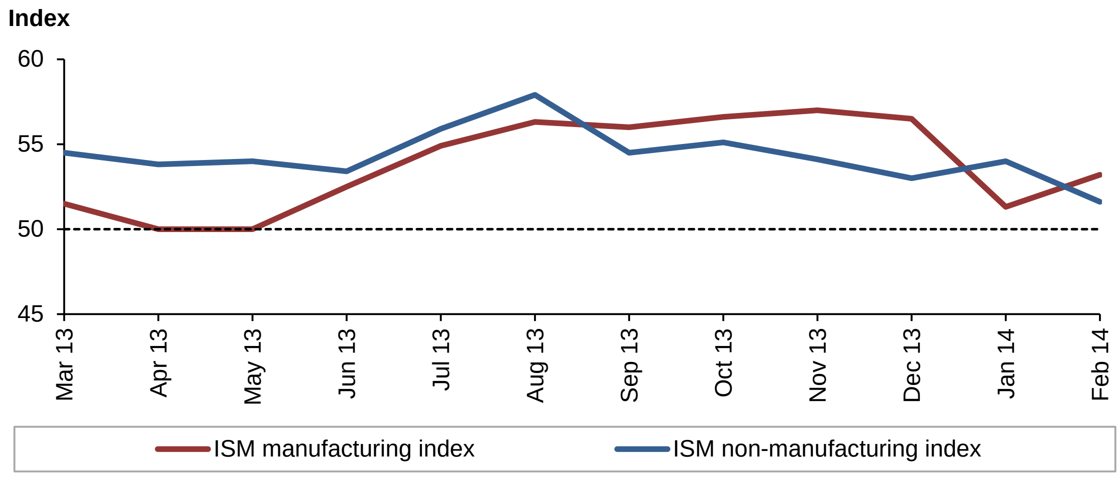
It remains to be seen if the moderation in the underlying **growth trend** is ongoing, but it seems that temporary effects have been the main reason for the slightly weaker growth pattern recently. While at the beginning of the year the extremely cold weather was causing inactivity in the economy, the slight slowdown in the 4Q14 (compared to the 3Q13) was due to the fiscal uncertainties in October of last year, when the government shut-down, in combination with the debt ceiling negotiations, was impacting economic activity. Also, the agreement that later on has been found on the most important fiscal issues for the current year, has removed a key uncertainty that was impacting the economy over the last few years.

While the **US Federal Reserve Board (Fed)** has kept all options open regarding monetary stimulus, it is expected that the tapering of the extraordinary stimulus measures will continue, while key interest rates will remain at the current low level and not rise. The continuation of this strategy is supported both by the slowly improving labour market, which has seen ongoing job additions, and inflation which has been rising again. It stood at 1.5% y-o-y, only slightly below the general 2% level the Fed is aiming for. Excluding food and energy, inflation stood even at 1.6% y-o-y in January.

While the **labour market** has continued improving, the dynamic is still mixed. The unemployment rate moved from 6.6% to 6.7%, while on the other side, non-farm payroll additions were growing by 175,000 in February – more than expected – and January numbers were revised up to 129,000 from 115,000 previously. The participation rate has remained at a relatively low 63%.The share of long-term unemployed has again risen to 37% from 35.8% in January.

The **purchasing manager's index** (PMI) for the manufacturing sector, as provided by the Institute of Supply Management (ISM), has posted a rising trend in most of the past months, with the exception of January, when it fell to 51.3. In February, the important lead-indicator improved again, confirming the view that the January dip might have been temporary and influenced by the extraordinary cold weather. Industrial production rose by a healthy 2.9% y-o-y in January, slightly lower than in December. Manufacturing orders also pointed at a pick-up in the coming months, growing by 2.0% y-o-y in January. On the other side, the ISM for the services sector – which constitutes more than two-thirds of the economy – fell to 51.6 in February from 54.0 in January.

Graph 3.1: Manufacturing and non-manufacturing ISM indices



Source: Institute for Supply Management.

When reviewing the latest indicators, the momentum leading to considerably higher growth this year should be expected to continue. Consumer and business sentiment remains at solid levels, the labour market is also showing a positive trend and investments from the cash-rich private business sector should all lead to a rising growth level this year. This confirms the GDP growth forecast of 2.7%, compared to 2013 growth of 1.9%.

Canada

In **Canada**, improvements of the economic situation continue along with the economy's most important trading partner, the US. Industrial production in December rose by 3.0%, after November's increase of 2.6% y-o-y. The ongoing positive trend is also confirmed by the new order numbers for manufacturing, which grew by 5.0% y-o-y in December, after it had declined by 2.6% y-o-y in November. The GDP growth expectation for 2014 remains unchanged at 2.3%, after growth of 2.0% in 2013.

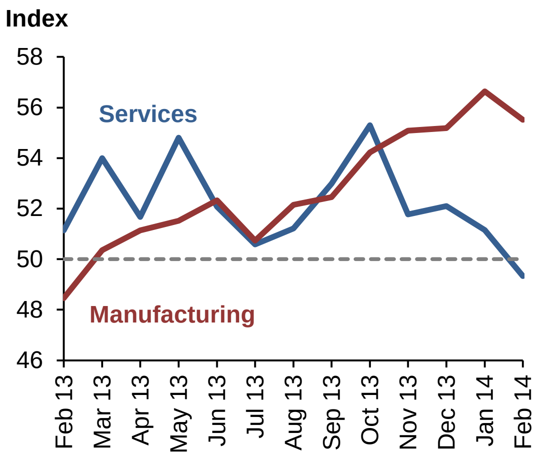
OECD Asia-Pacific

Japan

Most recent signs point at some slowing momentum in Japan, despite the stimulus induced growth efforts. The latest release of 4Q13 GDP growth figures showed a lower than expected expansion of the economy. Quarterly growth in the 4Q of last year stood at only 1% q-o-q at a seasonally adjusted annualized rate, significantly below expectations. Moreover, in recent months, export growth has slowed. Total industrial production still shows a strong trend at a growth rate of 10.6% y-o-y, after 5.7% y-o-y in December. This trend is expected to continue in the 1Q as anticipation of the April sales tax increase might lead to rising momentum at the beginning of the year. Also, lead indicators point at a continued positive growth trend but also imply a slightly slow-down.

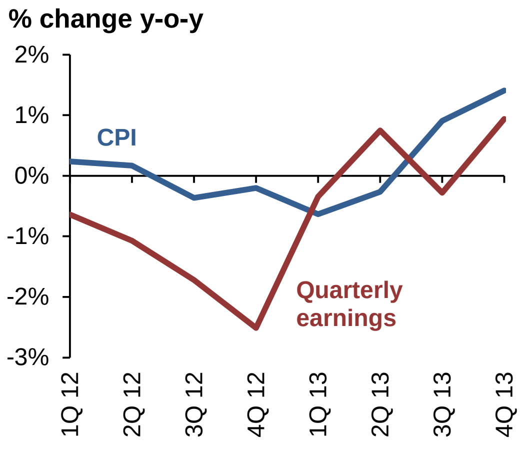
The main question for this year's growth pattern will be how much of the **sales tax increase** in April will lead to higher consumption in the 1Q and, consequently, how much the potentially negative impact will be in the 2Q when consumers are expected to slow-down their spending. The government has already announced that it will try to counteract the 2Q14 slow-down by fiscal spending. In addition, the Bank of Japan (BOJ) has signalled that it is ready to increase the monetary stimulus if needed.

Graph 3.2: Japanese PMI indices



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

Graph 3.3: Japanese consumer price index (CPI) vs. household earnings



Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; and Haver Analytics.

Aggressive monetary policy has been enacted to push **inflation** out of the negative zone of the past several years up to a more reasonable and healthier level of 2%, which the BOJ has defined as their target to be achieved until the end of the current year. The most recent inflation number for January stood at 1.4% y-o-y, compared to December's level of 1.6% y-o-y. However, Inflation without food and energy is still low at only 0.6% y-o-y. One challenge to this policy, however, might be that household incomes have not risen at the same pace. So while a reasonable inflation level might be a positive development, it is only as long as consumers can afford it. Earnings in the 4Q13 rose only by 1.1% y-o-y (i.e. below the level of inflation). With the current extremely low level of unemployment, it is expected that earnings will rise soon as the labour market is tighter with an unemployment rate of only 3.7%.

Exports have been slowing down in January, when they increased by 9.5%, the lowest growth level in 7 months. Domestic demand has remained strong. Retail sales in January rose by 4.5% y-o-y, higher than the rise in December of 2.6% y-o-y. Lead indicators point at a continuation of the current growth momentum in manufacturing, while the performance of the services sector seems to have weakened. The latest PMI, as provided by Markit, shows that the manufacturing **PMI** in February stood at 55.2 in February, slightly below the January level of 56.6. So while there is still positive momentum in the manufacturing sector, the important services sector PMI has declined and now stands at 49.3, below the growth indicating level of 50. This may also lead to some slow-down of the economy's growth as the services sector accounts for more than two-thirds of the economy.

The **GDP growth estimate** for 2014 remains unchanged at 1.5%. Given the weakening trends and the uncertainty of the upcoming sales tax increase, the risk to the forecast is currently skewed to the downside.

South Korea

Growth in **South Korea** has weakened slightly. After and expansion of 2.8% in 2013, the positive trend is slowing down and signals are currently mixed. The composite leading index of the National Statistical Office has reached a new record high of 117.5 in January, while the manufacturing PMI has moved below the growth indicating level of 50 to stand at 49.8 in February, compared to 50.9 in January. Industrial production in January rose by 3.3% y-o-y at a on a seasonally adjusted rate, the highest level in more than two years. The growth forecast for 2014 remains unchanged at 3.0%, but given the slow-down in some of South Korea's main Asian trading partners, the growth pattern will need close monitoring.

OECD Europe

Euro-zone

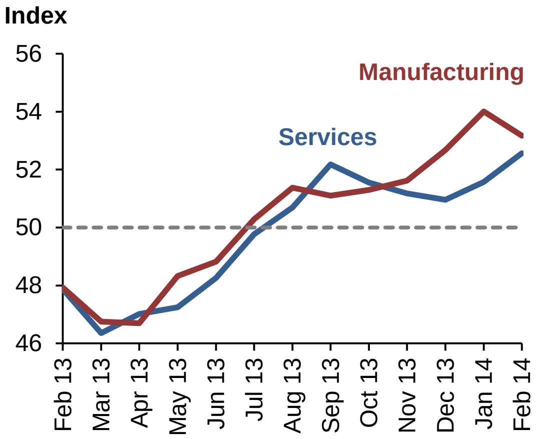
The situation in the **Euro-zone** is almost unchanged with an ongoing uneven recovery from last year's recession. While the latest indicators confirm the expectation of an improving economy, recent data from major economies in the Euro-zone remains mixed with France, in particular, still showing some weakness. While **industrial output** in Germany expanded by a considerably 4.5% y-o-y in January, the highest level of expansion since September 2011, France's number declined by 0.1% y-o-y, after already a mixed pattern in the past several months. Italy started to improve slightly with industrial output growing by 0.3% y-o-y and Spain again declining by 0.6% y-o-y. This pattern underpins the fact that most of the recovery still depends on the strength of the German economy. It also highlights the fact that the Euro-zone remains divided with a multi-speed recovery. The same is apparent when reviewing **industrial order numbers**, which are a good lead-indicator for future output levels. In Germany industrial orders rose by 8.1% y-o-y, while in France they rose by a meagre 0.9% y-o-y. In Spain they rose from -2.2% in the past few months to 4.6% y-o-y, the first rise since November 2011. In Italy they fell by 0.8% y-o-y.

Inflation remains low. But here, too, its development is different in various economies. For the Euro-zone as a whole, inflation stood at 0.8% y-o-y in February, the same level as in the previous month, while in Austria inflation rose by 1.5% y-o-y and fell by 0.9% y-o-y in Greece. This is the fourth consecutive month of inflation below the 1% level. This low inflation number has also been acknowledged by the European Central Bank (ECB). Although many observers expected the ECB to act in response to that, it has decided to wait further as it considers the current low level as a temporary development.

Also, the still high **unemployment rate** of 12% in January is a hurdle that remains a significant challenge to the economy for a faster recovery. The difference in unemployment rate levels also highlights the varying speeds of the recovery within the Euro-zone. Germany has the lowest unemployment rate of the larger economies. It stood at 5% and shows a positive trend. In contrast, Spain's unemployment remains at an elevated level of 25.8% but at least has come off its peak-level of 26.3% in October of last year.

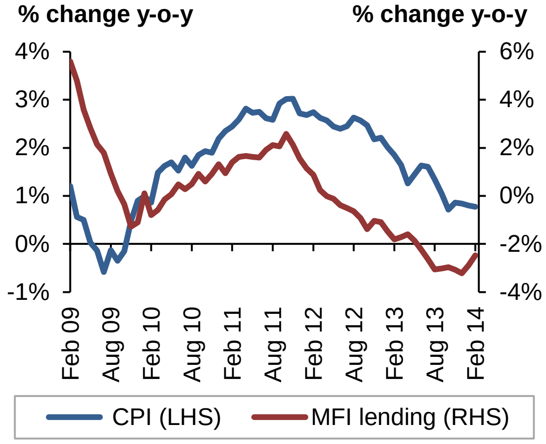
The **ECB** pointed at some improvements in its last rate setting meeting at the beginning of March and mentioned the slight improvements seen as the main reason for not pursuing a more accommodative monetary policy yet. Also, the lending of financial intermediaries to private households improved slightly. While still negative by 2.5% y-o-y, the monthly change showed a rise of 0.2% m-o-m, the first notable increase since September 2011.

Graph 3.4: Euro-zone PMI indices



Sources: Markit and Haver Analytics.

Graph 3.5: Euro-zone CPI and lending activity



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

Lead indicators confirm the unevenness of the Euro-zone's growth pattern. The latest PMI for manufacturing stood at 53.2 in February, only slightly below the January level of 54. It reached 54.8 in Germany but stood at only 49.7 in France. In Italy it reached 52.3. So while the economy is on average gently improving, the Euro-zone's main issues remain record unemployment, and patchy and uneven growth. These issues, in combination with the only recently started improvements in the monetary transition channels and the low inflation, point at ongoing challenges.

Taking into consideration the slightly improving general trend, the **GDP growth forecast** for 2014 has been lifted from 0.7% to 0.8%. The 2013 GDP growth estimate remains at -0.4%. It has to be seen to what extent the economy will manage to rebound in the coming months as many uncertainties prevail. But as Germany is starting to pick up again and the peripheral economies are also doing better, it will mainly be France that will need to improve in order to push the Euro-zone's economic recovery up to the next level.

UK

The **United Kingdom's** most recent economic performance shows continued improvement and is above the average level of most of its fellow EU countries. Industrial production increased by 1.8% y-o-y in January, only slightly below the December level of 2.1%. Also, the PMI for manufacturing stood at a significantly positive level of 56.9 in February, after 56.6 in January. The important services PMI remained at 58.2, almost the same level as in January. Consequently, the forecast for 2014 was lifted from 2.2% to 2.3%. A continuation of this trend could lead to even higher growth this year.

Emerging and Developing Economies

This month the forecast of **Brazil's** GDP growth rate in 2014 has been pared back from 2.7% to 2.3%. An important factor to note here is softening sentiment about the domestic economy (which represents more than 60% of GDP), while export markets continue to hold both opportunities and challenges.

In **Russia**, recent tensions combined with economic uncertainty are expected to worsen the investment climate in the country. Although it is recognized that the risk to the forecast of 1.9% GDP in 2014 is asymmetrically skewed to the downside, it is left intact this month as developments in the coming weeks will provide further insights on the expected growth trajectory.

The latest GDP figure showed **India's** economic activity grew by 4.7% in 2013. The most recent pick-up in the economy leads to a higher growth forecast for 2014 of 5.6%, unchanged from the previous month.

China wants to keep economic development as its government's central task. The government has decided to set a 7.5%% target for economic growth in 2014. January's PMI number signalled a moderate deterioration in the health of the Chinese manufacturing sector. February data signalled the first contractions of both output and new orders at Chinese manufacturers since July 2013.

Table 3.2: Summary of macroeconomics performance of BRIC countries

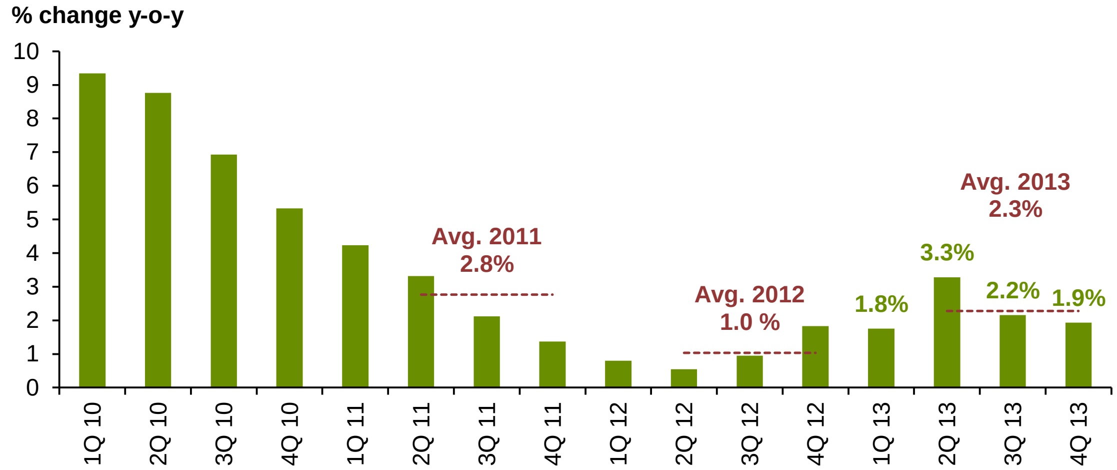
	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2013E*	2014F*	2013	2014	2013	2014	2013	2014	2013	2014
Brazil	2.3	2.3	5.9	5.9	-81.6	-81.3	-2.7	-3.5	59.1	60.8
Russia	1.3	1.9	6.8	5.8	33.0	24.8	-0.5	-0.5	8.1	8.2
India	4.7	5.6	9.8	8.3	-59.1	-62.1	-5.0	-4.9	51.4	50.9
China	7.7	7.6	2.7	3.1	180.5	167.7	-1.8	-1.9	16.1	16.8

Source: OPEC Secretariat, Economic Intelligence Unit and Financial Times.
**E = estimate and F = forecast.*

Brazil

Following the announcement of **GDP** growth rate of 1.9% y-o-y for the 4Q13, the economy of Brazil has been confirmed to have grown last year by 2.3%. This compares favourably with the 1.0% posted in 2012. Another positive development was that investment, which constrained growth in 2012, recovered strongly in the first half of 2013 and then stabilised. In 2013, investment grew by 6.3%, while private consumption grew by 2.3% and government consumption by 1.9% from 2012. Growth in imports surpassed that of exports by far, with imports rising by 8.4%, while exports grew by 2.5%.

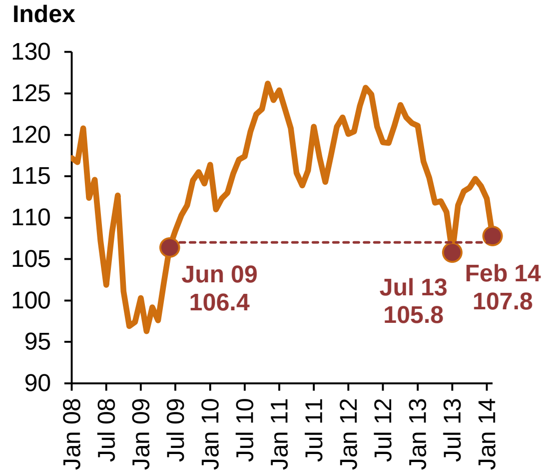
Graph 3.6: Brazilian quarterly GDP growth, NSA



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

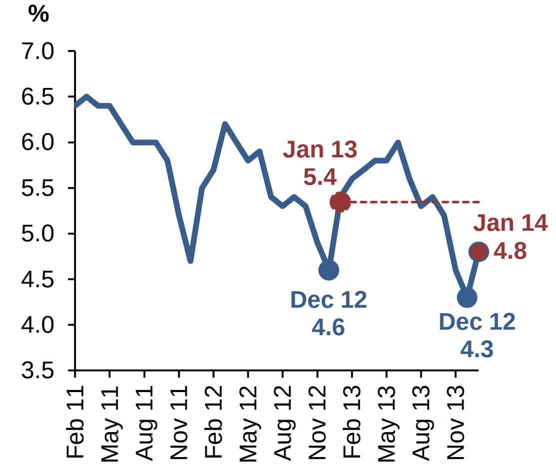
At the beginning of 2014, Brazilian **exports** rose by only 0.38% y-o-y in January. Similarly, a reading of the **consumer confidence** index continued to disappoint by falling to 107.8. This marks the second lowest reading of the index since June 2009. The downward trend in consumer confidence came even after the notable reduction in inflation to 5.3% y-o-y in January which highlighted the successful central bank policy measures.

Graph 3.7: Brazilian consumer confidence index, NSA



Sources: Fundação Getúlio Vargas and Haver Analytics.

Graph 3.8: Brazilian unemployment rate, NSA



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

The central bank continued raising its benchmark **interest rate** but at slower pace in February. The Selic rate is now at 10.75%, up from 10.50% in January. The **unemployment rate** registered 4.8% in January 2014, well below the 5.4% of January 2013. The government announced that it will cut around 44 billion reals in spending to help achieve a **primary surplus** of 1.9% of GDP. This is a positive development for public finances and will help to discourage ratings agencies from downgrading Brazil's sovereign rating. However, it will also prevent the government from executing any large-scale fiscal stimulus to support the economy in the short-term.

Brazil's manufacturers reported a marginal improvement in business conditions last month with the **manufacturing PMI** standing at 50.4, down from 50.8 a month earlier. While growth in new work orders was at its highest in eleven months in January, it remained in the expansion territory, though at slow pace. Production also witnessed only marginal growth, whereas both input cost inflation and output price inflation quickened last month. On the other hand, the economy's service sector emerged from deceleration into expansion in February with the **services PMI** reading 50.8, up from 49.6 in the previous month. The survey showed growth in new orders in the expansion territory for the 18th month running and recording the fastest pace in 12 months. Furthermore, job creation in the sector showed upward movement. The bad news was that input price inflation in Brazil's service sector grew to its strongest in three years.

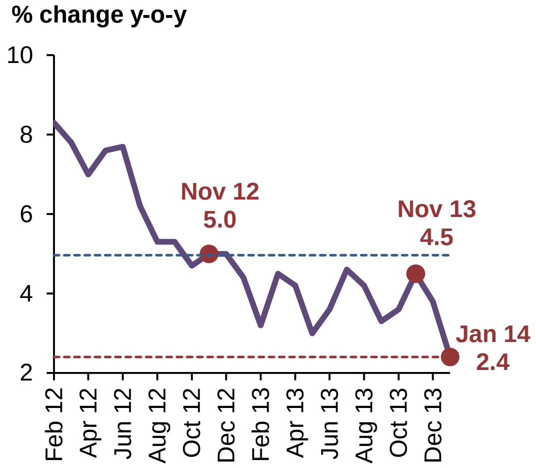
This month the forecast for Brazil's GDP growth rate in 2014 is being pared back from 2.7% to 2.3%. Part of this revision is due to the base effect of 2013's figure now at 2.3%, lower than last month's 2.5% estimate. An important part, however, lies in the softening sentiment in the domestic economy (representing more than 60% of GDP), while export markets hold both opportunities and challenges alike. The improving situation in industrialized economies is a supporting factor for higher exports. Still, the expected slight moderation in China, Brazil's top trading partner, together with the negative spill-overs from the currency depreciation in Argentina, the country's third largest trading partner, will impose a less optimistic view. With moderate acceleration in domestic consumption, capacity limitation in the economy, and external challenges to its exports, investment opportunities are generally going be seen as less profitable, even after assuming perfect regulations and a sound tax regime are in place.

Russia

The recent geopolitical tensions between Russia and Ukraine pushed the rouble down by more than 3% in a few days along with the stock market index which lost more than 13%. The board of the Central Bank of Russia held an extraordinary meeting early this month, announcing afterwards an increase in the key interest rate, the one-week repo rate, by 150 basis points to 7%. It also stated that the move was temporary and aimed at containing the risks to inflation and maintaining financial stability after the recent volatility in the financial markets. Furthermore, the Central Bank of Russia intervened heavily in the foreign-exchange market with more than $11 billion. These quick measures helped restore almost half of the ruble's lost value but proved to be less effective to stimulate confidence in the stock market.

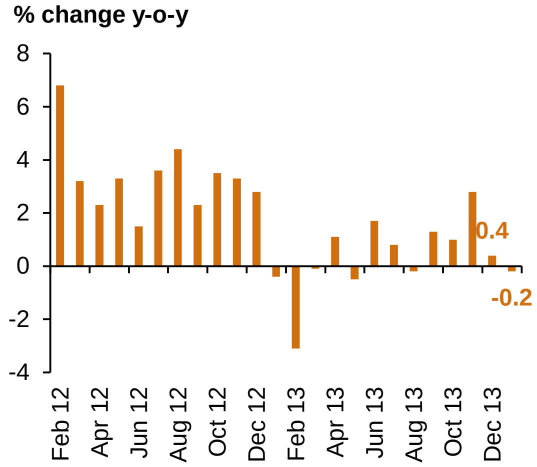
Consumer price **inflation** increased last month in Russia to 6.1% from 6.0% at the beginning of the year, while **industrial production** is back into the contraction territory in January. Industrial production decelerated by 0.2% y-o-y, down from fractional growth of 0.4% in the previous month. **Retail sales** were growing by no more than 4.5% since January 2013, down from double growth in 2012. Nevertheless, retail sales slid to 2.4% y-o-y in February, the worst performance since February 2010. The unemployment rate remained unchanged from December last year at 5.6% in January. The unemployment rate had been fluctuating below 5.6% since April 2013.

Graph 3.9: Russian retail sales, NSA



Sources: Federal State Statistics Service and Haver Analytics.

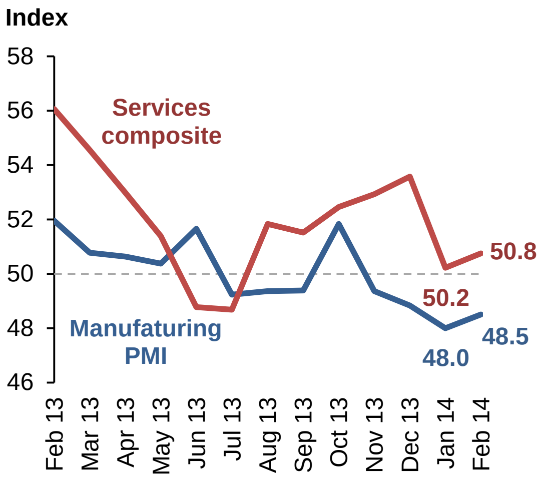
Graph 3.10: Russian industrial production



Sources: Federal State Statistics Service and Haver Analytics.

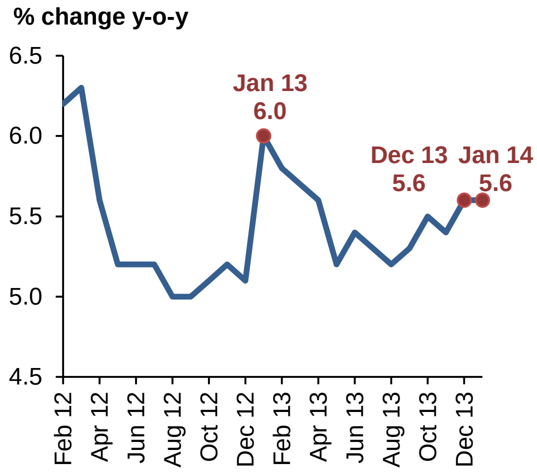
The **HSBC manufacturing PMI** showed a continued deterioration in Russia's manufacturing sector for the fourth month in a row. The headline figure registered 48.5 last month, up from 48.0 in January. The index stood below 50 points seven times in the past eight months. The manufacturers of investment goods reported a steep output deceleration. The survey indicates the steepest decline in new orders since May 2009. Furthermore, employment has fallen in February for the eighth month running. The weaker ruble has raised the cost for producers especially on imported raw materials, leading to the fastest pace of increase in average input prices since September 2012. As for the services sector, **Russia's services PMI** showed a moderate improvement last month to 50.8, from 50.2 in January. Similar to the manufacturing sector, a weaker ruble generated inflationary pressure in the services sector, whereas outstanding work fell in February. The survey showed, however, a stable trend in job creation after five months of falling employment.

Graph 3.11: Russian manufacturing and services PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.12: Russian unemployment rate, NSA



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

The latest tensions combined with economic uncertainty could only help make the investment climate in Russia worse. Last year, the unattractiveness of Russia's investment environment had already been instrumental in the ongoing deceleration of economic growth as massive amounts of capital left the country and investment activity slackened. Although it is recognized that the downwards risk to the forecast of 1.9% GDP in 2014 is asymmetrically skewed to the downside, it is left intact this month as developments in the coming weeks will provide further insights on the expected growth trajectory.

India

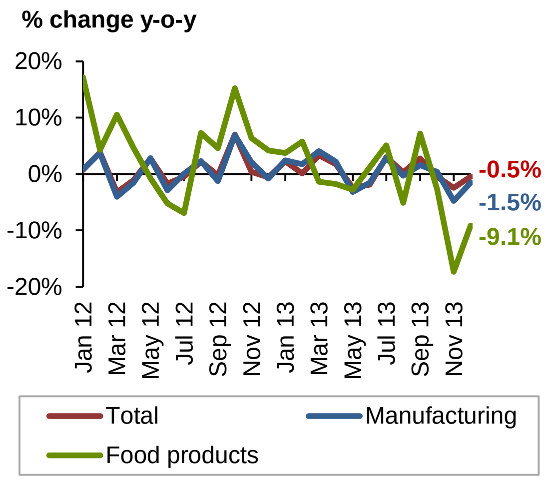
The demand side of the economy proved to be even more discouraging during the fourth quarter of 2013. Investment activity was once again stalled by the growing concerns of India's slow growth recovery, companies' deteriorating balance sheets, rising inflation, and uncertainty over the future business climate following the upcoming April/May election. Improving net exports continued to support growth during the quarter. Exports grew robustly - although at a slowing pace - at 11.4% y-o-y in October to December, while imports slid into contraction of 3.8% y-o-y, down further from 2.1% y-o-y in the previous quarter.

Manufacturing activity picked up further in February. New order flows have firmed, with the improvement in external demand and a reduction of macroeconomic uncertainty since last summer. This, in turn, has provided a lift to output growth. However, the recovery in activity is still likely to prove protracted given the lingering structural constraints. Moreover, underlying inflation pressures remain potent, which was evident from the jump in the input price component of the PMI survey. Manufacturing PMI increased from 51.4 in the previous month to 52.5 in February, signalling a solid and stronger improvement in business conditions across the country's goods-producing sector. The pick-up in India's manufacturing activity since the beginning of 2014 is encouraging, particularly following a negative growth outcome reported during the last quarter of 2013.

Both readings are quite consistent with the continuous effort of the Reserve Bank of India (RBI) to bring inflation down, even at a cost of weaker economic expansion. An RBI Committee recently released a report recommending the adoption of CPI inflation targeting in India using Wholesale Price Index (WPI) as a headline measure, a legacy of India's state planning days when prices were largely controlled. However, it does not include the services sector, which accounts for about two-thirds of India's economy. The CPI measure is a more accurate reflection of prices in the economy and of people's purchasing power. Separately, data showed a surprise drop in inflation, with CPI growing 8.8% y-o-y in January, down from 9.9% in December. Even as inflation dynamics seem to continue improving, it is unlikely to change the RBI's stance just yet, particularly as inflation still remains above its comfort zone.

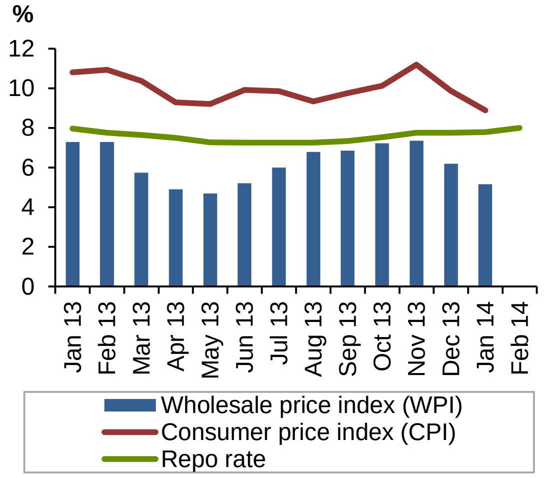
It seems India's underlying economy is still weak because of high inflation and tighter monetary policy. The net impact of the sharp rupee depreciation over the last year will probably be negative due to its adverse impact on confidence and inflation and monetary policy. But it should at least make exports of goods and services more competitive. After increasing by 8.6% in 2013, we expect the volume of exports to rise by about 12-14% in 2014.

Graph 3.13: Indian industrial production breakdown



Sources: Central Statistical Organisation of India and Haver Analytics.

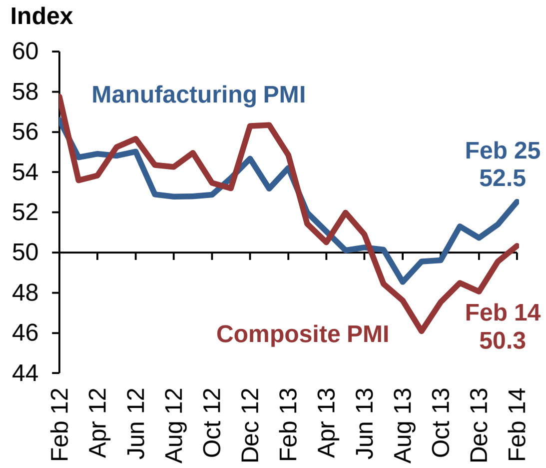
Graph 3.14: Indian inflation vs. repo rate



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

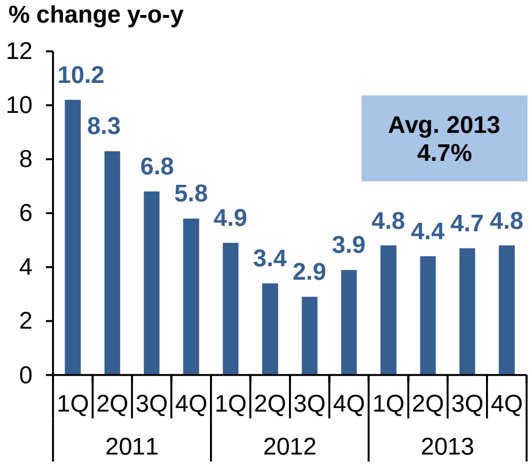
India's economy has fallen short of expectations over the past couple of years. But it is still likely to pick up from its current lows in the medium-term due to greater financial stability and easing of inflation.

Graph 3.15: Indian manufacturing and composite PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.16: Indian GDP growth (SAAR)



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

As a result growth expectations for 2014 have been kept at 5.6%, the same level as the previous month. The final number for GDP growth in year 2013 is 4.7%.

China

China's annual parliamentary meetings offer Beijing a chance to gauge progress on key economic reforms outlined last year. Beijing promised a slate of reforms last year at two major political meetings, broadly pledging to clean up corruption, stabilize economic growth, open up China's financial markets, and reforming state-owned companies by managing local government debt. China has also begun testing a number of financial reforms in a free-trade zone in Shanghai, including greater foreign investment access and experimentation with market-based interest rates. It seems

China wants to keep economic development as the government's central task and maintain a proper economic growth rate. They decided to set a 7.5%% target for economic growth in 2014. Other government tasks for 2014 include achieving breakthroughs in key reform areas, increasing economic openness and innovation, seeking growth in domestic demand, modernizing agriculture and reforming rural development, promoting 'people-centric' urbanization, optimizing economic restructuring and technological innovation, strengthening education, health and cultural systems, improving the social safety net, and improving ecological conditions.

Corporate debt levels in China are still high and now stand at over 140% of GDP. The debt held by non-financial corporations seems higher than in Japan and other advanced economies, and well above other emerging markets. While GDP growth is seen at more than 7.5% this year, fault lines may emerge from the interconnections between local government debt, inflated property prices, and the banking system. For this reason, investor focus is once again on China's financial system, following the near-collapse of two trust funds in the past few weeks.

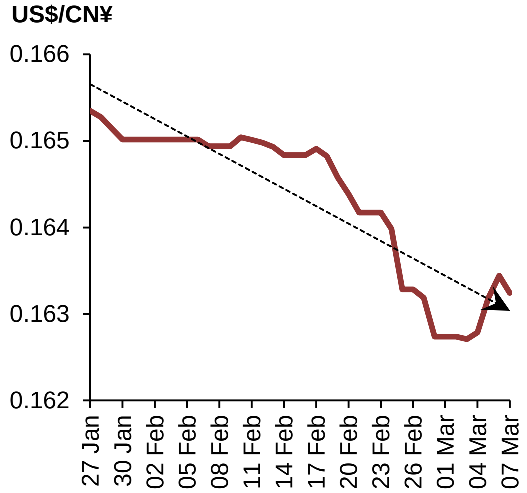
The increase of the one-month SHIBOR interbank rate to around 6% (from less than 2% at the start of 2010) is likely to have pushed up firms' borrowing costs, especially those taking credit from the shadow banking sector. The People's Bank of China (PBoC) has on several occasions signalled that it will continue to tighten liquidity, making further interest rate rises very likely although investment will be constrained by the central government's effort to deleverage the credit binge of the last few years.

China's January trade surplus was unexpectedly high at $31.9 billion as a surprise surge in exports more than offset stronger import growth. The data have again raised questions about export companies overstating their exports to circumvent capital controls. Inflation remains moderate, and loan growth continued to weaken in line with the government's rebalancing target.

The small 1% depreciation of the Chinese yuan over the last two weeks has been dwarfed by the recent fall in the Turkish lira and the Argentine peso. Moreover, it follows a substantial yuan appreciation of almost 25% in real effective terms since 2007 with the majority of this occurring in the past three years. China has widened the currency band against the US dollar before and further changes are likely. The shift in yuan dynamics seems driven mainly by several factors such as a weakening economic outlook, the policy shift, and technical adjustments by market investors. Also, there are other possible motivations behind the PBoC's recent yuan move such as discouragement of 'hot money' inflows, gauging market response to yuan volatility, and paving the way for further currency reforms and a fully convertible yuan. Also, it seems that the PBoC is beginning to devalue the yuan in response to the recent weakness of emerging market currencies and to support Chinese exports to ride out the current economic slowdown. It also seems that the yuan will remain relatively stable over the long-term but short-term volatility will be more frequent.

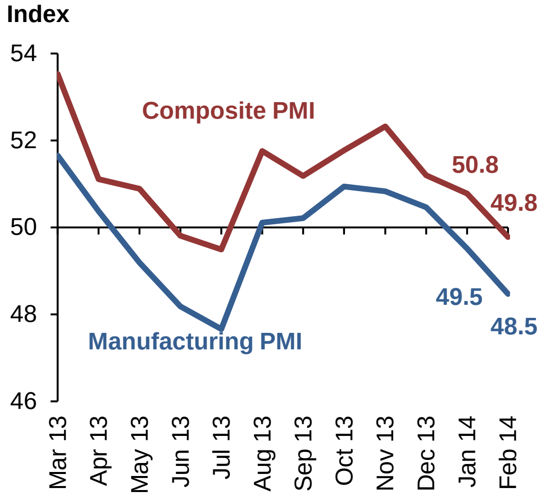
The final reading of the PMI confirmed the weakness of manufacturing growth. There are clear signs that there are increasing downside risks to GDP growth. This calls for fine-tuning policy measures to stabilise market expectations and steady the pace of growth in the coming quarters. After adjusting for seasonal factors, such as the recent Chinese New Year festival, the PMI posted at 48.5 in February, up fractionally from the earlier flash reading of 48.3, and down from 49.5 in January. This signalled a moderate deterioration in the health of the Chinese manufacturing sector.

Graph 3.17: US dollar vs. Chinese yuan exchange rate



Sources: Thomson Reuters.

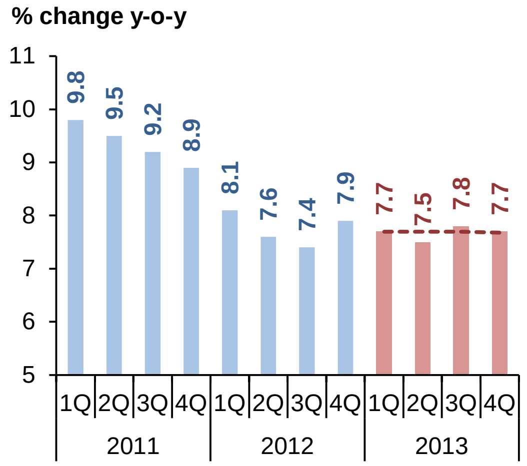
Graph 3.18: Chinese manufacturing and composite PMIs



Sources: HSBC, Markit and Haver Analytics.

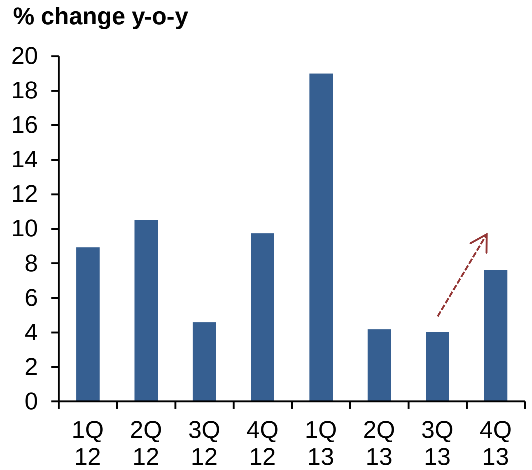
February data signalled the first contractions of both output and new orders at Chinese manufacturers since July 2013. The rates of decline were moderate in both cases and were linked by panellists to weaker than expected client demand. New business from abroad also declined over the month and at a modest pace that was little-changed from January.

Graph 3.19: Chinese GDP growth



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

Graph 3.20: Chinese export value index, NSA



Sources: China Customs and Haver Analytics.

Expectations for real GDP growth in China have been revised down from 7.7% to 7.6% due to continued softness in economic activities and the government's efforts to wring out excess credit. In addition, lower industrial output growth has also supported these expectations.

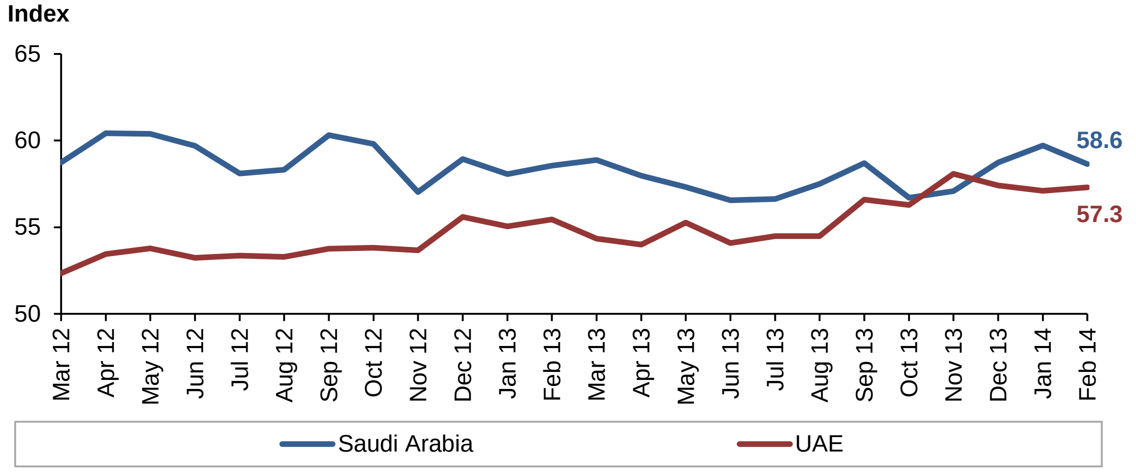
OPEC Member Countries

Saudi Arabia's consumer price inflation edged down to a 2.9% annual rate in January, from 3.0% in December 2013, the country's Central Department of Statistics and Information (CDSI) has reported. Consumer prices were up 0.2% from the previous month. The country's non-oil producing private sector continued its good growth record last month but at softer pace. The PMI registered 58.6 in February from January's 59.7. The survey marked ongoing acceleration in output, new orders, and employment in February.

Iran's Customs Administration reported $80.16 billion of trade in non-oil goods with the rest of the world during the period March 2013-February 2014. Data showed that Iran imported around $42.8 billion worth of non-oil goods, while the country exported nearly $37.36 billion over the same period. The Statistical Center of Iran announced the inflation rate for the 12-month period to February 19, signalling a 1.3% drop in inflation compared to a month earlier.

In **Iraq**, the Ministry of Planning announced a rise in the annual inflation rate to 4.0%. The Ministry also reported a 4.1% increase in the monthly inflation in February 2014.

Graph 3.21: Saudi Arabia and UAE: manufacturing PMIs



Sources: SAAB, HSBC, Markit and Haver Analytics.

In the **United Arab Emirates**, the non-oil producing private sector signalled a further acceleration in operating conditions last month. The PMI had a fractional improvement in February to 57.3 from 57.1 a month earlier. The survey showed a sharp increase in new business that resulted in a faster growth in production. Notably, new business from abroad rose at the most marked rate in recent history.

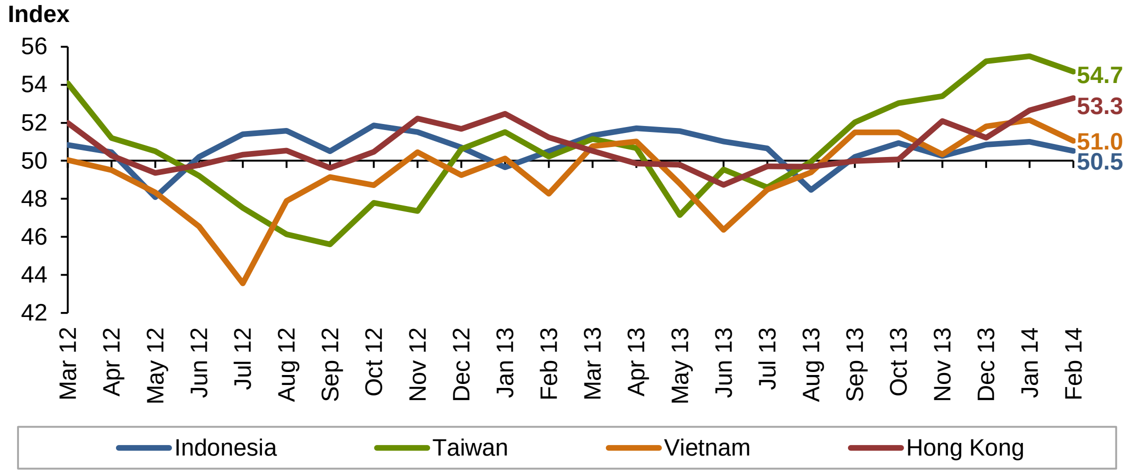
Other Asia

For the sixth consecutive month, **Vietnam**'s manufacturing economy continued to expand in February with the manufacturing PMI posting 51.0. The rate of expansion, however, has moderated as January's PMI stood higher at 52.1. The slower pace of improvement applies to output, new orders, and job creation, whereas output prices did not change from a month earlier. The CPI in Vietnam eased to 4.6%, a 50-month low. This reflects a further easing of food and healthcare prices. Singapore's industrial production grew in January by 3.9% y-o-y. This marks the slowest rate of expansion since mid-2013. The weaker performance was led by the electronics manufacturing sector where growth slowed to 7.4% y-o-y in January from 22.3% y-o-y in the previous month. Inflation in Singapore rose at the slowest pace in almost four years in January.

According to Statistics Singapore, the CPI rose just 0.1% in non-seasonally adjusted terms during January to be up 1.4% y-o-y, an improvement from December 2013's CPI rise of 1.6% y-o-y.

The manufacturing economy in **Indonesia** last month continued showing signs of acceleration for the sixth consecutive month. The country's manufacturing PMI posted 50.5 in February, down from 51.0 in the previous month. The modest improvement in manufacturing conditions partly reflects the negative effects of the floods and volcanic eruptions on domestic demand. The survey signalled that growth in production is back in the expansion territory, whereas growth in new business eased from its January record high reading.

Graph 3.22: Manufacturing PMIs in Other Asia



Sources: HSBC, Markit and Haver Analytics.

In **Hong Kong**, the 2014 budget was announced late last month with measures aiming at promoting the territory's competitiveness, while pre-empting a looming structural deficit. The budget capitalised a recurrent surplus for 2013 as revenue was boosted by robust land sales and salaries' tax revenues. Meanwhile, real GDP rose 3% from a year earlier during the 4Q13, accelerating slightly from a 2.8% increase in the previous quarter. Hong Kong's merchandise exports fell marginally in January as seasonal distortion due to the Lunar New Year holidays disrupted shipments, especially those to the Asian market. This came despite a rebound in demand from the United States and Japan. Official data show that total exports fell 0.4% from a year earlier to around $39.1 billion, having been mostly flat in December.

In **Taiwan**, the country's manufacturing sector improved last month. The HSBC manufacturing index registered 54.7 in February, lower than January's 33-month high of 55.5. The softening came partly on the back of slower accelerations of production and new orders. The survey also showed an ease in production prices, while employment improved at its weaker momentum in seven months.

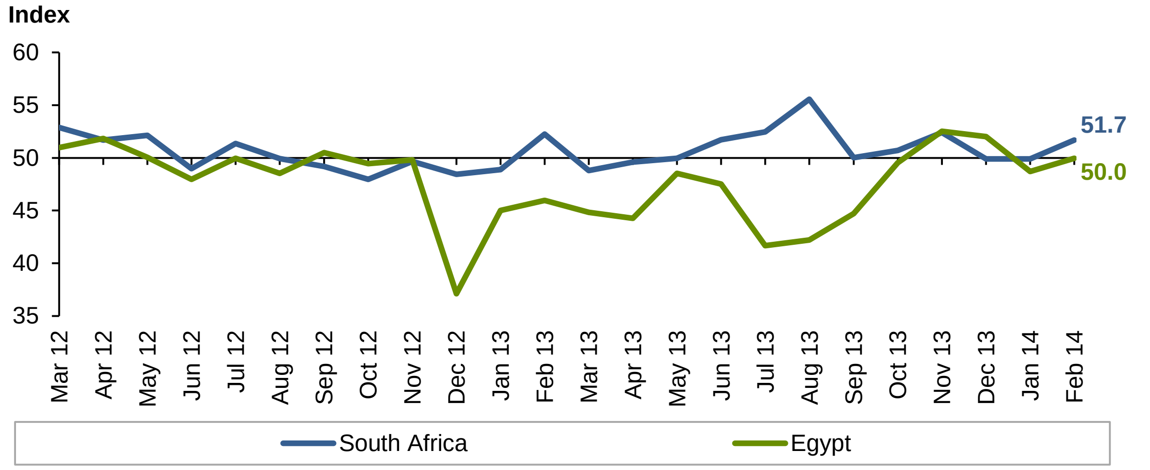
Africa

The economy of **Egypt** has seen a modest return to growth in both of production and new orders last month following a deceleration in January. On the other hand, employment in the country's non-oil producing private sector continued to contract. The HSBC headline PMI stood just at the neutral mark of 50 in February, after posting 48.7 in January. This reflects generally unchanged operating conditions in the economy from the previous month. The latest two readings of the index suggest that the notable improvement at the end of 2013 was mainly due to the low-base effect. More robust momentum is needed in the fundamentals of the economy for there to be a sustained expansion in the PMI. The unemployment rate in Egypt closed out 2013 at 13.4%, unchanged from the previous quarter but up from 13.0% at the end of 2012, as the economy weakened on the back of political uncertainty.

The CPI in **Kenya** fell from 7.2% y-o-y in January to 6.9% y-o-y in February, according to the Kenya National Bureau of Statistics (KNBS). On a month-on-month basis, the CPI increased by 0.4% compared to 0.5% and 1.1% in December and January, respectively.

In **Tunisia**, the CPI dropped to a 5.8% annual rate in January, while the producer price inflation edged up to 2.2% y-o-y in December on higher food processing prices.

Graph 3.23: Manufacturing PMIs in South Africa and Egypt



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

In **South Africa**, 4Q13 GDP growth rebounded from the strike-beleaguered 2Q and 3Q of the year. According to Statistics SA, real seasonally adjusted GDP rebounded to an annualised 3.8% in the 4Q13, compared to growth of 0.5% in the 3Q13. Even so, the economy has shown a declining rate of GDP growth in 2013 for the second consecutive year. The economy grew at a rate of 1.9% last year, following 2.5% and 3.6% in 2012 and 2011, respectively. The country's PMI of February highlighted a rise in activity as a result of the quickest pace of acceleration in new orders in more than a year. The survey showed, however, that input and output price inflations were at record highs. The PMI index rose to 51.5 last month, up from 50.3 in January.

Latin America

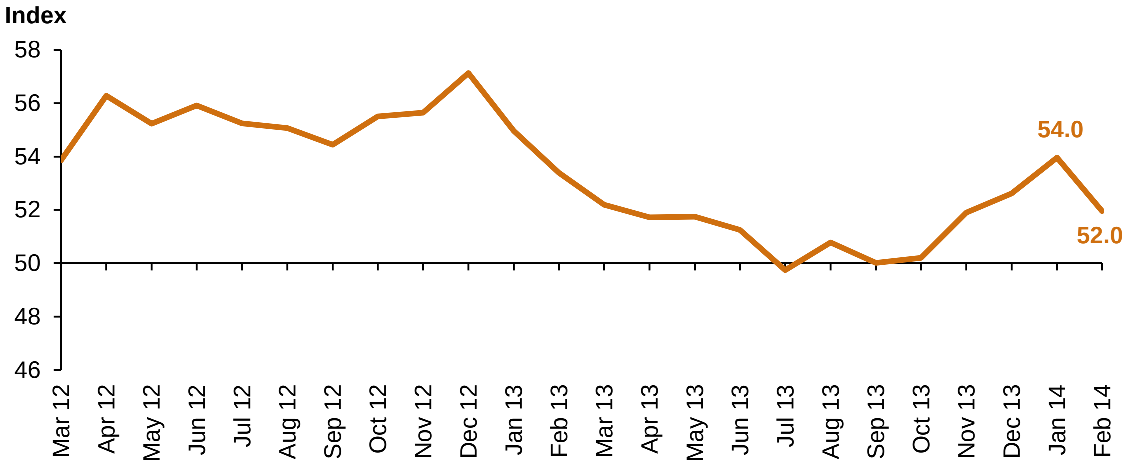
Officials from Chile, Colombia, Mexico, and Peru (members of the Pacific Alliance) met last month to discuss ways of furthering economic integration. They agreed to remove tariffs on 92% of the goods traded between them, most likely within the next 12 months.

In **Chile**, Chile's National Statistics Institute released employment data for the November 2013-January 2014 moving quarter. The unemployment rate rose to 6.1% y-o-y from 6.0% recorded a year earlier and from 5.7% for the October-December 2013 moving quarter. The Chilean central bank cut its policy interest rate by 25 basis points to 4.25% last month.

Peru's GDP expanded an annual 5.1% in the 4Q13, driven by an increase in its primary sectors. On the expenditure side, the key drivers were private consumption as well as public investment and consumption. Over the year, Peru's growth slowed to 5.0%. Peru's GDP expanded an annual 5.1% in the 4Q13, propelled by an increase in its primary sectors. On the expenditure side, the key drivers were private consumption as well as public investment and consumption. Over the year, Peru's growth slowed to 5.0%.

Ratings agency Moody's has upgraded its risk rating for **Mexico** one step to A3 with stable outlook on the back of government efforts to reform the economy. Last month, Mexican manufacturers experienced the most modest pace of growth in three months, according to the HSBC manufacturing PMI. The headline figure posted 52 in February, slipping from its 12-month high of 54 in January. The survey indicated the most modest progress in production and new orders among manufacturers since November 2013. Moreover, it pointed to the first deceleration in new export work in six months, while input price inflation hit a 12-month high.

Graph 3.24: Mexico's manufacturing PMI



Sources: Markit and Haver Analytics.

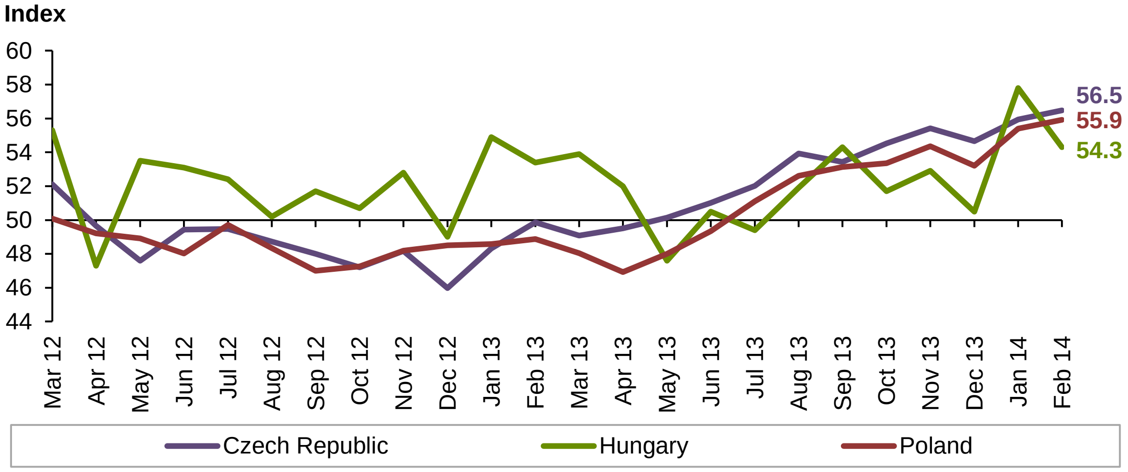
In **Argentina**, the national statistics institute (INDEC), published the results of a new consumer price index. According to the new figures, Argentina's monthly consumer inflation was 3.7% m-o-m in January 2014. This monthly inflation rate is quite different from the usual 0.5-0.9% published in the past four years. Given that the index's base is 4Q13=100, INDEC did not publish the annual inflation rate for January 2014. It is difficult now to avoid further inflationary pressure from the labour side in Argentina.

Transition region

In **Poland**, operating conditions in the country's manufacturing sector have showed a notable improvement from the already rapid-growing sector. The manufacturing PMI of February stood at 55.9, up from 55.4 in January. This marks the fastest expansion among manufacturers since December 2010. The survey highlighted that the strongest surge in new orders since April 2004 has led to the fastest expansion in production in more than three years. Employment in the sector remained strong, though slower than January's record pace. Although domestic demand fell slightly in 2013 as a whole, recent data indicate that a recovery is under way. Indeed, growth in household consumption accelerated to 2.1% y-o-y in the 4Q13 with positive future implications. In this regard, the latest labour market indicators have been especially encouraging. The unemployment rate recorded its first y-o-y reduction since early 2009 in January this year, falling by 0.2 percentage points. Moreover, seasonally adjusted data from Eurostat signal that the jobless rate by International Labour Organisation (ILO) standards fell to 9.9% in January, the best result since March 2012. Poland recorded a sharp improvement in its current account deficit in 2013, as the goods balance shifted from a deficit to a surplus. Preliminary data put the deficit at just 1.5% of GDP, the best result since 1995.

In the **Czech Republic**, operating conditions at factories continued from their bright 2014 start in February. The headline HSBC Czech Republic manufacturing PMI posted 56.5 points in February, up 0.6 percentage points over the previous month's level. The February figure was the best result since April 2011 and marked the 10th consecutive month above the 50-point threshold that signals expansion. According to Markit Economics, February's m-o-m improvement was driven by rising output (up 1.3 points) and new orders (up 1.2 points). Encouragingly, domestic orders appear to have risen almost as rapidly as export orders, which increased 1.3 points m-o-m. In contrast, the employment index fell back for the second consecutive month, indicating that manufacturers remain cautious about hiring. Although the employment index remained in the expansionary zone, it stood below 4Q13 levels.

Graph 3.25: Manufacturing PMIs in transition region



Sources: HALPIM, HSBC, Markit and Haver Analytics

In **Hungary**, the latest data released by the Central Statistical Office indicates domestic demand underwent a strong rebound in 2013. In December 2013, the volume of retail sales increased by 1.8% y-o-y, down from growth of 4.8% y-o-y in November and 2.5% y-o-y in October. Overall, turnover in retail sales increased by 0.9% y-o-y in 2013 as a whole, with the robust second half performance largely offsetting the marked contraction recorded in the first three months of the year. In line with the recovery in retails sales, the latest unemployment data for the 4Q has indicated continued improvement in the labour market. In the 4Q13, the unemployment rate dipped to 9.1% (the equivalent of November’s rate), falling further to 8.9% in November-January (the equivalent of December’s rate).

Oil prices, US dollar and inflation

In February, the US dollar was relatively resilient compared to its major currency counterparts, particularly versus the euro. While in January the main event in currency markets was the deceleration of emerging market currencies, in February it was the decline of the yuan. The reasons for its decline may have been manifold. One potential reason might have been to move towards a more flexible currency regime. In addition, its devaluation might have been aimed at creating some uncertainty for 'carry traders', who caused large money inflows into the economy. Thirdly, the devaluation may also turn out to be beneficial for exports from China.

Compared to other major currencies, the US dollar remained almost unchanged on a monthly average. Compared to the euro, the US dollar gained 0.3% in January and stood at a monthly average of $1.3656/€. Versus the Japanese yen, it declined by 1.7% to ¥102.156/$. Compared to the pound sterling, it fell again for the third consecutive month by 0.4%, while compared to the Swiss franc it declined by 1%. With the ongoing recovery in the US, as well as the tapering of the Fed, the expectation of continued monetary stimulus from the ECB and ongoing efforts to stimulate the economy by the BOJ, and given the current slow-down in emerging markets, the US dollar should be expected to appreciate in the coming months.

In nominal terms, the price of the OPEC Reference Basket rose by a monthly average of $0.67/b, or 0.6%, from $104.71/b to $105.38/b in February. In real terms, after accounting for inflation and currency fluctuations, the Basket rose by 0.1%, or $0.05/b, to $63.56/b from $63.51/b (base June 2001=100). Over the same period, the US dollar fell by 0.4% against the import-weighted modified Geneva I + US dollar basket[*] while inflation increased by 0.1%.

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

World Oil Demand

World oil demand growth was revised upward by 70 tb/d to stand at 1.05 mb/d over the previous year, following an improvement in OECD Americas oil consumption as well as an upward adjustment in Africa. For 2014, growth is expected to be around 1.14 mb/d, representing an upward adjustment of 50 tb/d from last month's figures, to reach 91.1 mb/d.

On a regional basis, the most recent data for 2013 continues to indicate stronger-than-expected growth in OECD Americas and, to a lesser extent, in OECD Europe. Africa was also adjusted higher, mainly as result of the low base line.

In **OECD Americas**, US oil demand from the month of December 2013 showed a significant increase in consumption y-o-y. All main products rose with the bulk of increases seen in distillate/residual fuel oil and propane/propylene. Growing distillate fuel demand was the main oil demand consumption driver in the US, supported by improving industrial production. An improvement in gasoline demand was due to increasing mileage. Furthermore, general improvements in the manufacturing activities of the country in the 4Q13 supported the overall oil demand figures during the same period.

In **OECD Europe**, oil consumption for 2013 was in a negative mode for the whole of OECD Europe. Most of the contraction was in the first part of the year before subsequent improvements in the second half. The year concluded with around 0.18 mb/d less consumption than the year before. Stabilization signs were mainly due to increasing industrial production and rising car sales, especially during the 4Q13.

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

							Change 2013/12	
	2012	1Q13	2Q13	3Q13	4Q13	2013	Growth	%
Americas	23.62	23.73	23.79	24.17	24.07	23.94	0.32	1.34
of which US	*18.84*	*18.98*	*18.96*	*19.43*	*19.39*	*19.19*	*0.35*	*1.85*
Europe	13.77	13.21	13.80	13.88	13.48	13.59	-0.18	-1.27
Asia Pacific	8.58	8.94	7.80	8.05	8.65	8.36	-0.23	-2.63
Total OECD	**45.98**	**45.88**	**45.39**	**46.10**	**46.20**	**45.89**	**-0.08**	**-0.18**
Other Asia	10.86	10.91	11.08	11.11	11.13	11.06	0.20	1.84
of which India	*3.65*	*3.82*	*3.69*	*3.55*	*3.74*	*3.70*	*0.05*	*1.34*
Latin America	6.27	6.21	6.47	6.74	6.55	6.49	0.22	3.50
Middle East	7.59	7.79	7.76	8.19	7.73	7.87	0.28	3.69
Africa	3.46	3.54	3.52	3.39	3.58	3.50	0.04	1.21
Total DCs	**28.18**	**28.45**	**28.83**	**29.43**	**28.99**	**28.93**	**0.74**	**2.63**
FSU	4.41	4.33	4.18	4.58	4.83	4.48	0.07	1.49
Other Europe	0.64	0.63	0.59	0.63	0.71	0.64	-0.01	-0.80
China	9.74	9.79	10.19	9.91	10.38	10.07	0.33	3.38
Total "Other regions"	**14.80**	**14.75**	**14.95**	**15.11**	**15.92**	**15.19**	**0.39**	**2.63**
Total world	**88.96**	**89.08**	**89.16**	**90.64**	**91.11**	**90.00**	**1.05**	**1.18**
Previous estimate	88.92	88.93	89.05	90.54	91.01	89.89	0.97	1.09
Revision	0.04	0.15	0.11	0.10	0.09	0.11	0.07	0.08

Totals may not add up due to independent rounding.

In **OECD Asia**, decreases in Japanese oil demand consumption were once more a result of direct fuel and crude burning for electricity generation coming out of a high base in 2013. However, decreases were offset by rising LPG and naphtha demand mainly due to higher petrochemical production. Jet fuel also grew significantly during the month largely attributed to the improved aviation sector. Fuel oil usage fell as major utility companies in Japan consumed much less than the level seen in January 2013.

In **Other Asia**, India's oil demand fell marginally in January 2014 following slight increases in December 2013. Gasoline demand growth in January 2014 was weaker compared with the months before, due to continuing winter conditions in parts of the country, declining trends in the automobile sector and a relatively high baseline from last year. However, improvements in the construction, petrochemical and residential sectors supported demand for bitumen and LPG.

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

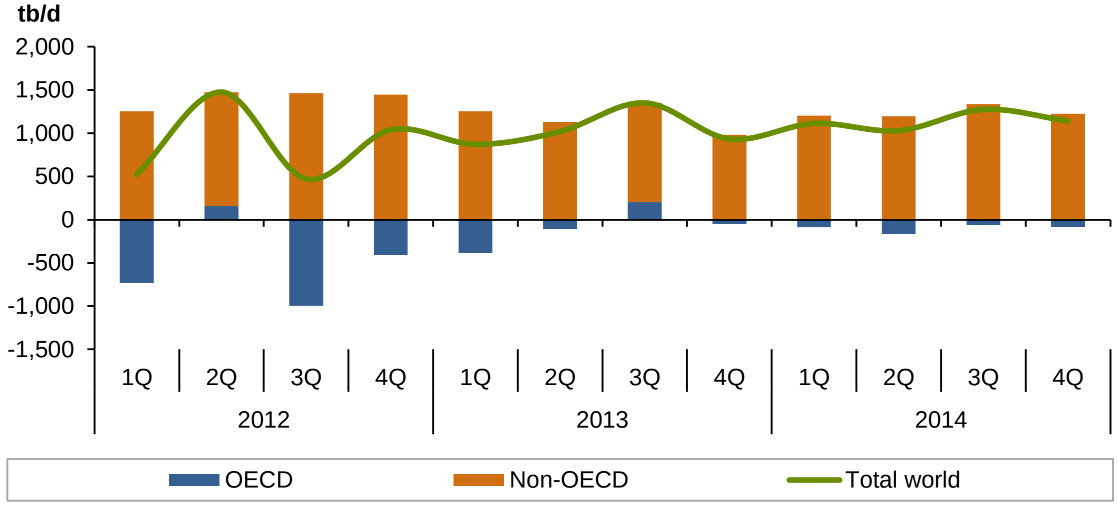
							Change 2014/13	
	2013	**1Q14**	**2Q14**	**3Q14**	**4Q14**	**2014**	**Growth**	**%**
Americas	23.94	23.90	23.95	24.37	24.28	24.13	0.19	0.78
of which US	*19.19*	*19.23*	*19.05*	*19.56*	*19.53*	*19.34*	*0.15*	*0.79*
Europe	13.59	13.08	13.54	13.75	13.37	13.44	-0.16	-1.15
Asia Pacific	8.36	8.81	7.74	7.92	8.47	8.23	-0.13	-1.55
Total OECD	**45.89**	**45.79**	**45.22**	**46.04**	**46.11**	**45.79**	**-0.10**	**-0.22**
Other Asia	11.06	11.12	11.28	11.37	11.39	11.29	0.23	2.09
of which India	*3.70*	*3.90*	*3.76*	*3.68*	*3.86*	*3.80*	*0.10*	*2.70*
Latin America	6.49	6.44	6.70	6.99	6.79	6.73	0.24	3.65
Middle East	7.87	8.11	8.05	8.53	8.01	8.17	0.31	3.89
Africa	3.50	3.58	3.56	3.43	3.62	3.55	0.04	1.23
Total DCs	**28.93**	**29.25**	**29.59**	**30.31**	**29.81**	**29.74**	**0.82**	**2.83**
FSU	4.48	4.41	4.25	4.66	4.92	4.56	0.08	1.79
Other Europe	0.64	0.64	0.58	0.64	0.72	0.64	0.01	0.82
China	10.07	10.10	10.54	10.27	10.70	10.40	0.34	3.34
Total "Other regions"	**15.19**	**15.15**	**15.37**	**15.57**	**16.33**	**15.61**	**0.42**	**2.78**
Total world	**90.00**	**90.19**	**90.19**	**91.91**	**92.25**	**91.14**	**1.14**	**1.27**
Previous estimate	89.89	90.00	90.03	91.77	92.09	90.98	1.09	1.22
Revision	0.11	0.19	0.15	0.15	0.15	0.16	0.05	0.05

Totals may not add up due to independent rounding.

In **Latin America**, the year 2013 ended with an increase in oil requirements in Brazil, largely attributed to gains in gasoline and alcohol in the transportation sector, as well as diesel oil and fuel oil in the industrial sector, particularly in construction activities.

In **China**, oil demand continued its increasing trend with growth in January 2014, mostly as a result of rising gasoline, LPG, jet fuel and naphtha requirements. Gasoline demand moved in line with rising car sales and accounts for the largest growth share. Increased LPG and naphtha consumption, on the other hand, can be attributed to the country's expanding petrochemical industry, a trend which is projected to continue in the future.

Graph 4.1: Quarterly world oil demand growth



OECD Americas

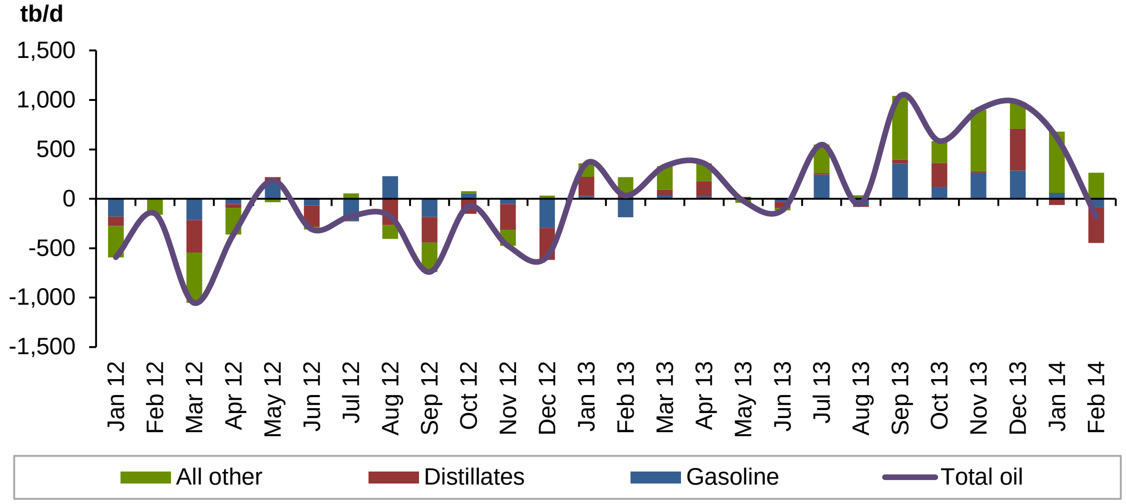
The latest **US** monthly data for December 2013 shows a substantial increase in oil demand growth y-o-y, with data almost matching the exceptional growth of around 1.0 mb/d seen back in September 2013. All main products rose with the bulk of the increases seen in distillate/residual fuel oil and propane/propylene. The main drivers of oil demand in the US during the last three months of 2013 were growing distillate fuel requirements, as a result of improving industrial production and an improvement in gasoline demand due to increasing mileage. Additionally, a general improvement in the manufacturing activities of the country justified overall developments in oil consumption during the 4Q13 with the Purchasing Managers' Index (PMI) averaging around 56 for the whole quarter.

Preliminary weekly data for January and February 2014 show rather mixed signals, while January 2014 oil demand growth remained healthy, propelled by a continuation of improvements in industrial activities as well as the cold weather snap in the northern part of the country. Oil requirements slipped into decline in February 2014 according to preliminary weekly figures.

For 2014, oil demand growth in the US is very much linked to the country's' economic activities and continues to be dependent on the development and pace of recovery of the US economy. It has marginally pointed to the upside as a result of the latest positive developments during the second half of 2013.

Driven mainly by economic growth, 2014 US oil demand is projected to grow by approximately 0.15 mb/d over 2013 total oil consumption. Similar to 2013, US oil demand consumption in 2014 is mainly dependent on fossil fuel prices, as well as the level of substitution between natural gas and fossil fuels, the severity of the winter season and the overall pace of recovery in the US economy.

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



The weakening **Mexican** oil consumption trend seen in 2013 continued into 2014 with January oil consumption data being sharply in the negative. Oil consumption fell by almost 0.14 mb/d, or 8%, compared with the same period last year. All products registered drops at different magnitude with the exception of jet fuel and other products which were slightly on the positive. Similar to last month, fuel oil registered the most declines amongst the product pool, falling by more than 61% as industrial activity and the agricultural sector continued their poor performance from the end of last year. Mexican oil demand slipped by around 29 tb/d in 2013, while the picture is expected to improve slightly in 2014 to reach minus 11 tb/d y-o-y.

In **Canada**, December 2013 total oil consumption fell by approximately 0.15 mb/d, or more than 7%, pushing down the country's total oil consumption to approximately 1.9 mb/d compared with an average daily oil consumption of 2.1 mb in 2013. All main product categories witnessed declines with LPG and other products falling the most. In contrast to last month, the fuel oil performance was improved, leaving products with an increase compared with last year. This was mainly due to less switching from/to fuel oil.

In 2013, **OECD Americas oil demand** rose by 0.32 mb/d, and oil demand during 2014 will grow by 0.19 mb/d compared with 2013.

OECD Europe

The latest available data for the **European Big 4** oil consuming countries in January 2014 displays a falling trend y-o-y. Losses in requirements for fuel oil and other products have been only partly offset by gains in demand for jet fuel/kerosene, particularly in the UK. In general, the year 2013 closed with a contraction by around 0.18 mb/d for the whole region, with the bulk of losses being located in the first quarter of the year and with some signals for improvement thereafter. Nevertheless, caution is required for projections, as 2013 still includes low baseline effects from previous years.

Nevertheless, stabilizing oil demand contraction figures are in line with leading indicators, such as increasing industrial production and rising car sales, especially during the 4Q13. In fact, passenger car sales grew in January 2014 for the biggest part of the region and for the fifth consecutive month in a row. The expectations for 2014 oil demand in the region remained unchanged since last month, with risks more to the upside, as debt issues seem to be under control for most countries. However, there are also some significant downside risks that are directly related to the further development of the economy during 2014.

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

	Jan 14	Jan 13	Change from Jan 13	Change from Jan 13, %
LPG	411	434	-23	-5.3
Gasoline	988	991	-3	-0.3
Jet/Kerosene	708	671	37	5.5
Gas/Diesel oil	3,014	2,994	20	0.7
Fuel oil	295	343	-48	-14.1
Other products	900	982	-82	-8.4
Total	**6,316**	**6,415**	**-99**	**-1.5**

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

In 2013, **OECD Europe oil demand** shrank by 0.18 mb/d, while oil demand during 2014 will decrease again by 0.16 mb/d compared with 2013.

OECD Asia Pacific

In **Japan**, January 2014 y-o-y oil demand decreases were once more mostly originated in direct fuel and crude burning for electricity generation. Decreases were offset by rising LPG and naphtha demand, which grew by 3% and 8%, respectively, mainly due to higher petrochemical production. Jet fuel also grew significantly during the month as the product managed to increase by more than 28% y-o-y. This was largely attributed to the booming aviation sector. Kerosene, which is used as a heating fuel, dropped as the winter was milder than in the same month last year. Similarly, fuel oil consumption fell by more than 10% y-o-y as the ten major power utility companies consumed around 64 tb/d less than seen in January 2013. This led to an overall decrease of around 0.1 mb/d in the Japanese oil consumption for the month of January 2014 compared with the same period last year.

As far as the outlook for 2014, Japanese oil demand is concerned, current indications remain roughly unchanged from last month's forecasts with the risks being skewed more towards the downside. Oil demand projections for 2014, based on the assumption that a few nuclear plants will re-join operation, show shrinkage in oil demand requirements by 0.16 mb/d.

Table 4.4: Japanese domestic sales, tb/d

	Jan 14	Change from Jan 13	Change from Jan 13, %
LPG	530	16	3.1
Gasoline	873	-16	-1.8
Naphtha	882	65	8.0
Jet fuel	76	17	28.1
Kerosene	579	-87	-13.1
Gas oil	532	16	3.1
Fuel oil	743	-85	-10.2
Other products	59	2	3.8
Direct crude burning	274	-25	-8.4
Total	**4,548**	**-97**	**-2.1**

In **South Korea**, there was an increase of a mere 39 tb/d, or more than 1%, December 2013 y-o-y, with the bulk of the increase in transportation fuels such as diesel and gasoline, as well as naphtha for the petrochemical industry. On the other hand, and similar to last month, residual fuel oil was lower by 12% mainly due to slower marine bunkering activities and less consumption for power generation. The expectations for 2014 oil consumption growth in South Korea are around 30 tb/d, slightly improved from the levels seen in 2013.

OECD Asia Pacific oil consumption declined by around 0.23 mb/d in 2013, resulting mainly from reduced Japanese direct crude/fuel oil burning for electricity generation. For 2014, OECD Asia Pacific oil consumption is projected to fall by 0.13 mb/d.

Other Asia

Indian oil demand fell again slightly – approximately 0.7% – in January 2014 y-o-y, following a slight increase in the previous month. Rising LPG, gasoline and bitumen requirements have been more than offset by declining demand for diesel oil and particularly fuel oil. Despite gains, gasoline demand growth in January 2014 was weaker compared with the months before due to continuing winter conditions in parts of the country, as well as declining trends in the automobile sector (with the exception of two-wheelers and the relatively high baseline from last year).

As far as the gains in LPG and bitumen demand are concerned, the reasons are the same as last month: construction activities are the main driver behind bitumen usage, while the petrochemical and residential sectors are the recipients of LPG usage. For another month more, residual fuel oil demand in the agricultural and power generation sectors has been strongly affected by substitution with natural gas. Moreover, jet fuel requirements have benefitted by increased passenger goods traffic in January 2014, with demand for jet fuel up by approximately 5% y-o-y. With the passing of 2013, the growth in Indian oil demand was rather disappointing, substantially influenced by the turbulence in the country's fiscal system. The latter is the main downside risk factor for 2014 Indian oil demand, with the overall forecast remaining unchanged since a month earlier and the risks pointing more towards the downside, as a result of the country's growth uncertainties.

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

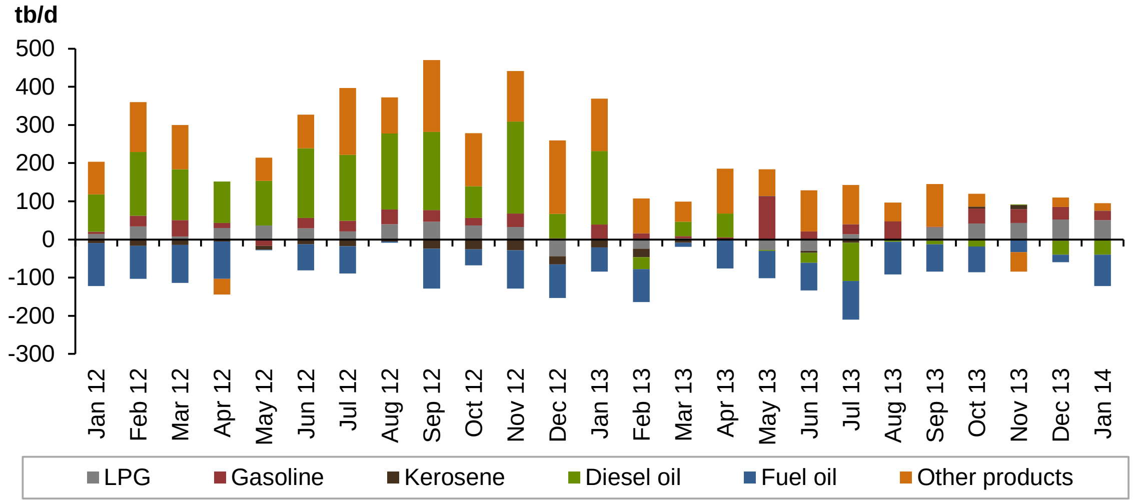


Table 4.5: Indian oil demand by main products, tb/d

	Jan 14	Dec 13	Average 2014	*Difference to* Jan 13	%
LPG	531	559	531	51	10.6
Motor gasoline	387	461	387	23	6.4
Jet Kero	266	276	266	1	0.5
Gas diesel oil	1,534	1,522	1,534	-40	-2.5
Residual fuel oil	409	242	409	-82	-16.7
Other products	796	899	796	20	2.6
Total oil demand	**3,923**	**3,959**	**3,923**	**-27**	**-0.7**

In **Indonesia**, the latest available December 2013 data is led by rising demand for LPG and fuel oil – the first mostly used in the residential sector and the latter for industrial purposes – partly offset by falling demand for gas/diesel oil. 2014 Indonesian oil demand is closely related to the ongoing budget deficits, which implicitly may curb subsidies for petroleum products and hence oil demand.

Taiwan's oil demand grew impressively for another month, almost 13% in December 2013 y-o-y, with the bulk of increases originating in naphtha usage. The risks for 2014 oil demand in Other Asia have not changed since last month and are skewed more to the downside, as a result of the concerns regarding the developments in the biggest oil consumer in the region, India, and the ongoing issues related to the economies in some of the other countries in the region.

Other Asia's oil demand grew 0.20 mb/d y-o-y in 2013. As for 2014, oil demand in the region is forecasted to be 0.23 mb/d higher than 2013.

Latin America

In **Brazil**, December 2013 brought more demand for transportation fuels, gasoline and notably alcohol, the latter showing a remarkable 25% y-o-y increase. Meanwhile, residual fuel oil requirements fell, partly lowering total oil demand growth by 2.8% y-o-y. The year 2013 ended with a 5% increase y-o-y in Brazilian oil requirements largely attributed to gains in gasoline and alcohol in the transportation sector as well as diesel oil and fuel oil in the industrial sector, particularly construction activities.

Table 4.6: Brazilian inland deliveries, tb/d

	Jan-Dec 13	Jan-Dec 12	Change	Change, %
LPG	229	223	6	2.7
Gasoline	714	685	29	4.2
Jet/Kerosene	125	126	-1	-0.9
Diesel	1,008	963	45	4.6
Fuel oil	86	68	18	26.9
Alcohol	186	170	17	9.8
Total	**2,348**	**2,235**	**113**	**5.1**

In **Argentina**, December 2013 was a continuation of a declining oil demand trend seen in during the previous months, particularly in declining distillates demand, which was in line with weakening industrial production during that month. The risks for 2014 oil demand in the region remain balanced with the upside risks relating to Brazilian oil demand and to that country's construction activities for international events which will take place during 2014. Downside risks mostly concern further developments in the ongoing tumbling of the Argentine economy.

Latin American oil demand grew in 2013, by 0.22 mb/d. During 2014, Latin American oil demand is forecasted to increase slightly higher by 0.24 mb/d.

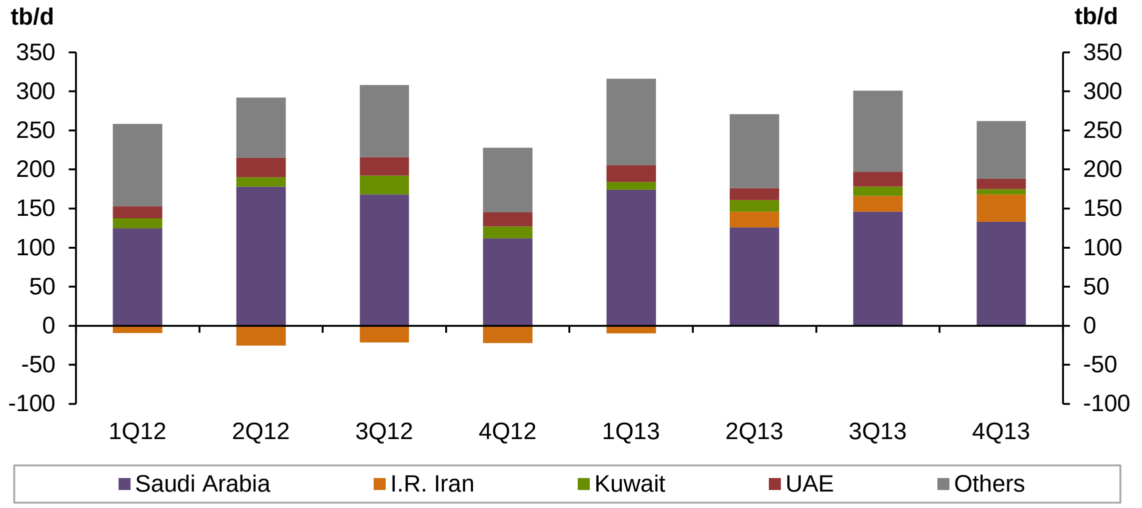
Middle East

In **Saudi Arabia**, oil demand in January 2014 was again strong, with increasing crude burning volumes intended for electricity generation slightly offset by modest declines in LPG, fuel oil and gasoline requirements.

Oil demand grew in **Iraq** during December 2013, with direct crude burning for electricity generation, jet/kerosene and gas/diesel oil taking the bulk of the gains that were partly offset by declining demand in gasoline and LPG.

Latest **Qatari** and **Kuwaiti** data for January show oil demand slightly increasing y-o-y. Kuwait fuel oil and Qatar LPG are the products accounting for the greatest part of these increases. The outlooks for 2014 Middle East oil demand remain stable since last month's projections, with the risks being equally distributed both to the upside and the downside.

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

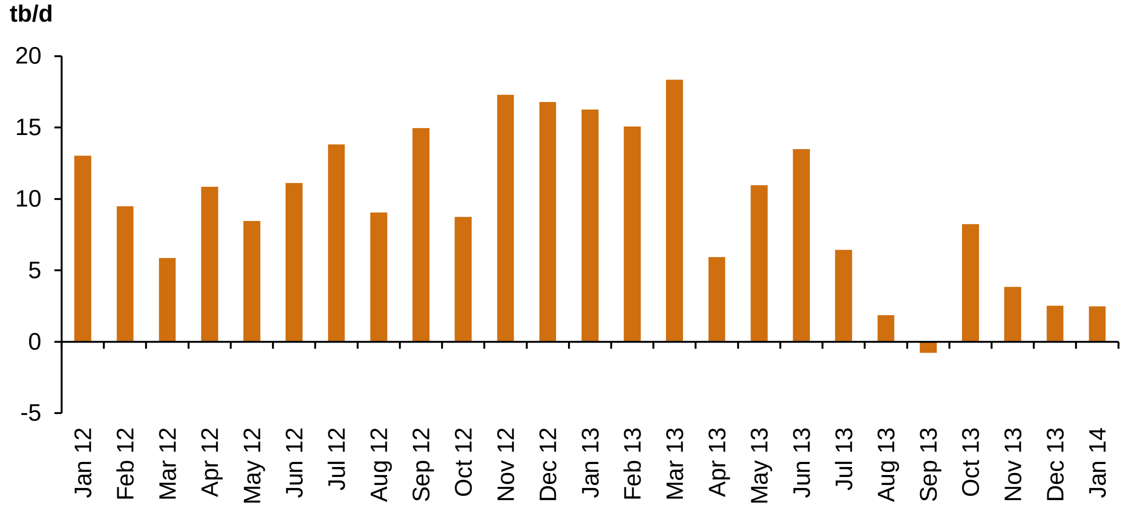


For 2013, **Middle East oil demand** grew by 0.28 mb/d, while it is projected to increase by 0.31 mb/d in 2014.

China

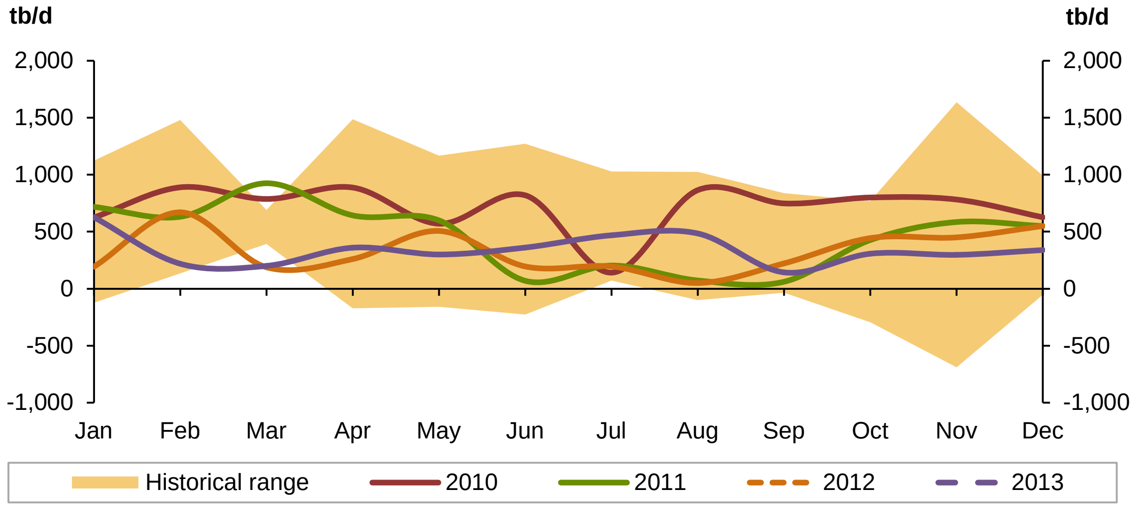
China's oil demand continued its increasing trend with January 2014 growth of around 3% y-o-y. This was largely determined by rising gasoline, LPG, jet fuel and naphtha requirements. Gasoline demand moved in line with rising car sales during January and accounts for the largest share growth in the country. Gasoline demand growth could, however, be declining in the future as a result of restrictions on car sales imposed by a number of big Chinese cities and higher fuel quality standards, both measures part of efforts to reduce emissions. Both LPG and naphtha requirements can be attributed to the country's expanding petrochemical industry, a trend which is projected to continue in the future as substantial increases in ethylene capacity are expected to go onstream during 2014.

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



Moreover, there are already significant substitutions of feedstock from naphtha towards cheaper LPG. These substitutions are expected to continue in the near future. Moreover, the healthy aviation sector has called for more jet fuel demand, while gas diesel oil and fuel oil in the industrial sector are being increasingly substituted with natural gas and coal. The overall outlooks for 2014 remain relatively unchanged since last month with the same factors pointing to downside risks, such as a possible economic slowdown and implementation of measures in order to curb transportation fuels demand. In contrast, the flourishing petrochemical sector in the country and expansions in refining capacity could be considered as the principal factors that could push current 2014 oil demand projections up.

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



For 2013 **Chinese oil demand** grew 0.33 mb/d, while it is projected to increase again by 0.34 mb/d in 2014.

World Oil Supply

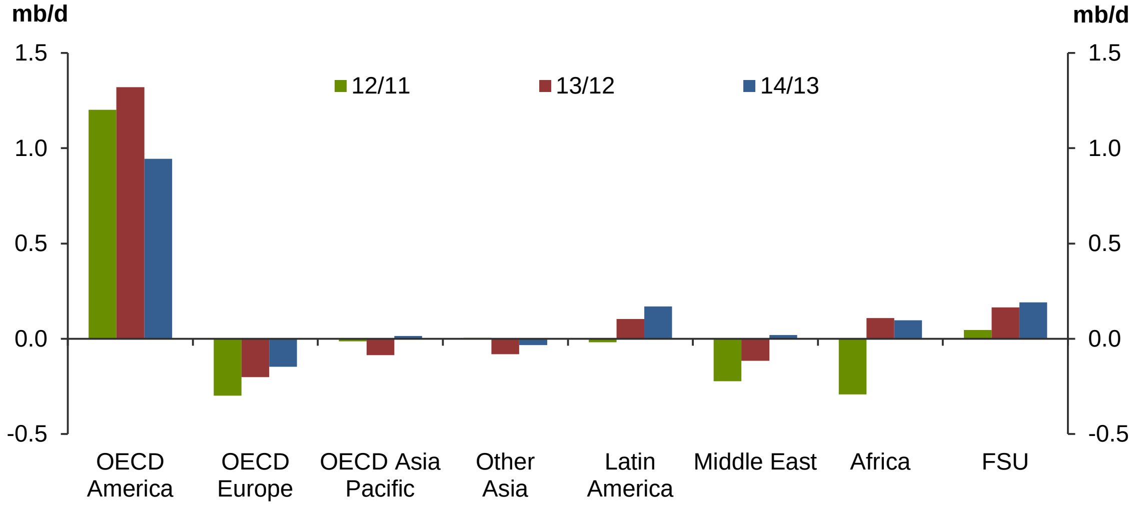
Non-OPEC oil supply growth was revised up by 60 tb/d over the previous *MOMR* to stand at 1.33 mb/d, driven by strong growth from OECD Americas. In 2014, non-OPEC oil supply is projected to grow by 1.31 mb/d — up by 30 tb/d from the previous assessment — to average 55.5 mb/d. OPEC NGLs production is forecast to average 5.95 mb/d in 2014, following output of 5.80 mb/d in 2013, unchanged from the last report. In February 2014, OPEC production rose by 259 tb/d to average 30.12 mb/d, according to secondary sources. As a result, preliminary data indicates that global oil supply increased 440 tb/d in February to average 91.3 mb/d.

Non-OPEC supply

Total non-OPEC liquids supply in **2013** encountered an upward revision from the previous *MOMR* of 33 tb/d to average 54.18 mb/d in 2013, and an increase of 1.33 mb/d over the previous year. Within the countries, several adjustments have been made since the last monthly update.

Non-OPEC supply in 2013 saw strong growth from OECD Americas and minor increases in the Former Soviet Union (FSU), Africa, Latin America and China, while all other regions experienced declines. OECD Americas' oil supply growth estimate of 1.32 mb/d in 2013 was the highest on record, while OECD Europe registered a decline of 0.2 mb/d, the Middle East showed a drop of 0.12 mb/d, and OECD Asia Pacific and Other Asia experienced a decline of 0.09 mb/d and 0.08 mb/d, respectively, representing the largest contractions.

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



The strong growth of 1.32 mb/d in OECD Americas was supported by tight oil formation developments in the US, while declines in the other regions were driven mainly by political, technical and weather-related factors. There were no changes in 2013 supply figures for key non-OPEC countries like Mexico, Norway, the UK, Australia, New Zealand, India, Indonesia, Thailand, Vietnam, Argentina, Colombia, China, the Middle East, Africa and the FSU region.

According to preliminary and estimated data, total non-OPEC supply in 2013 on a quarterly basis was 53.75 mb/d, 53.68 mb/d, 54.17 mb/d and 55.10 mb/d, respectively.

Compared with the same quarters of 2012, growth reached 0.62 mb/d, 1.26 mb/d, 2.00 mb/d and 1.44 mb/d, respectively.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013	*Change* 13/12
Americas	16.74	17.64	17.60	18.32	18.68	18.06	1.32
of which US	*10.03*	*10.63*	*10.93*	*11.40*	*11.74*	*11.18*	*1.14*
Europe	3.77	3.63	3.58	3.46	3.61	3.57	-0.20
Asia Pacific	0.56	0.45	0.50	0.51	0.45	0.48	-0.09
Total OECD	**21.08**	**21.72**	**21.67**	**22.29**	**22.74**	**22.11**	**1.03**
Other Asia	3.64	3.66	3.59	3.47	3.52	3.56	-0.08
Latin America	4.68	4.73	4.76	4.80	4.84	4.78	0.10
Middle East	1.47	1.40	1.32	1.35	1.33	1.35	-0.12
Africa	2.31	2.29	2.40	2.44	2.53	2.42	0.11
Total DCs	**12.10**	**12.09**	**12.07**	**12.07**	**12.21**	**12.11**	**0.01**
FSU	13.26	13.41	13.37	13.37	13.55	13.42	0.17
of which Russia	*10.37*	*10.45*	*10.47*	*10.49*	*10.61*	*10.51*	*0.13*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.15	4.24	4.27	4.15	4.30	4.24	0.09
Total "Other regions"	**17.55**	**17.79**	**17.78**	**17.65**	**17.99**	**17.80**	**0.25**
Total Non-OPEC production	**50.73**	**51.60**	**51.52**	**52.01**	**52.95**	**52.02**	**1.30**
Processing gains	2.12	2.15	2.15	2.15	2.15	2.15	0.04
Total Non-OPEC supply	**52.85**	**53.75**	**53.68**	**54.17**	**55.10**	**54.18**	**1.33**
Previous estimate	52.87	53.83	53.68	54.15	54.90	54.14	1.28
Revision	-0.02	-0.07	-0.01	0.01	0.20	0.03	0.06

In **2014**, non-OPEC supply is forecast to increase by 1.31 mb/d over the previous year to average 55.49 mb/d. The current supply expectation indicates an upward revision of 60 tb/d to total non-OPEC supply, while anticipated growth was revised up 30 tb/d from one month earlier. The upward change to total non-OPEC supply was due to the carry-over of some revisions introduced to 2013 supply estimates, particularly regarding OECD output in 4Q13, as well as new projects' output expected from the US and Canada in 2014.

In addition to historical revisions, there were a few offsetting adjustments to the 2014 non-OPEC supply forecast. The total US and Canada oil supply forecast for 2014 is a respective average of 12.02 mb/d and 4.14 mb/d. Growth was revised up by 30 tb/d and 10 tb/d, respectively, compared with the previous *MOMR*.

According to preliminary and estimated data, non-OPEC liquids supply increased by 0.18 mb/d in February compared with the previous month. On a quarterly basis, non-OPEC supply in 2014 is expected to average 55.14 mb/d, 54.95 mb/d, 55.40 mb/d and 56.46 mb/d, respectively. On a quarterly basis, growth in 2014 is forecast at 1.39 mb/d, 1.27 mb/d, 1.23 mb/d and 1.36 mb/d, respectively, compared with 2013.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014	*Change* 14/13
Americas	18.06	18.67	18.71	19.08	19.54	19.00	0.94
of which US	*11.18*	*11.70*	*11.81*	*12.10*	*12.45*	*12.02*	*0.84*
Europe	3.57	3.60	3.36	3.25	3.49	3.42	-0.15
Asia Pacific	0.48	0.47	0.50	0.51	0.49	0.49	0.01
Total OECD	**22.11**	**22.74**	**22.57**	**22.84**	**23.52**	**22.92**	**0.81**
Other Asia	3.56	3.54	3.52	3.53	3.51	3.53	-0.03
Latin America	4.78	4.85	4.90	4.97	5.09	4.95	0.17
Middle East	1.35	1.34	1.38	1.38	1.39	1.37	0.02
Africa	2.42	2.53	2.51	2.51	2.51	2.51	0.10
Total DCs	**12.11**	**12.27**	**12.31**	**12.38**	**12.50**	**12.37**	**0.25**
FSU	13.42	13.53	13.51	13.60	13.81	13.61	0.19
of which Russia	*10.51*	*10.61*	*10.54*	*10.56*	*10.69*	*10.60*	*0.09*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.24	4.29	4.24	4.26	4.31	4.27	0.04
Total "Other regions"	**17.80**	**17.96**	**17.89**	**18.00**	**18.26**	**18.03**	**0.23**
Total Non-OPEC production	**52.02**	**52.97**	**52.77**	**53.22**	**54.29**	**53.32**	**1.29**
Processing gains	2.15	2.18	2.18	2.18	2.18	2.18	0.02
Total Non-OPEC supply	**54.18**	**55.14**	**54.95**	**55.40**	**56.46**	**55.49**	**1.31**
Previous estimate	54.14	54.94	54.91	55.39	56.48	55.43	1.29
Revision	0.03	0.21	0.04	0.01	-0.01	0.06	0.03

OECD

Total OECD oil supply in **2013** is estimated to grow by 1.03 mb/d to average 22.11 mb/d, indicating an upward revision of 60 tb/d from the previous *MOMR*. Output in 4Q13 reached 22.74 mb/d, up by 1.11 mb/d compared with the same quarter in the previous year. The upward revision came from OECD Americas, while OECD Asia Pacific numbers were unchanged and OECD Europe registered a minor upward revision compared with the last *MOMR*. On a quarterly basis, total OECD supply is estimated to average 21.72 mb/d, 21.67 mb/d, 22.29 mb/d and 22.74 mb/d, respectively.

Graph 5.2: OECD's quarterly production

Total OECD output in **2014** is expected to average 22.92 mb/d, the highest level since 2003, indicating an increase of 0.81 mb/d over 2013 and an upward revision of 10 tb/d from the previous report. The upward revision came from OECD Americas. OECD Asia Pacific will grow by 20 tb/d while Europe is expected to decline by 0.16 mb/d to average 3.40 mb/d.

On a quarterly basis, total OECD supply is seen to stand at 22.59 mb/d, 22.53 mb/d, 22.80 mb/d and 23.48 mb/d, respectively.

OECD Americas

OECD Americas' liquids supply in 2013 saw an upward revision of 49 tb/d compared with the previous *MOMR*. Output is estimated to average 18.06 mb/d, showing growth of 1.32 mb/d over the previous year. It is projected to increase by 0.94 mb/d in 2014 over a year earlier — below 2013 growth but still the highest among all non-OPEC regions — to average 19 mb/d. Supply from the US and Canada is expected to grow in 2014, while that of Mexico is estimated to decline by 50 tb/d. On a quarterly basis, OECD Americas' oil supply in 2014 is forecast to average 18.67 mb/d, 18.71 mb/d, 19.08 mb/d and 19.54 mb/d, respectively.

The US government has reportedly granted permits for crude exports to European countries for the first time in years as lobbying pressure grows to reverse a decade-long export ban amid a tight oil glut due to the shale oil boom. The Department of Commerce has issued two licenses for exports to the UK and Italy since last year for crude sales worth a total of nearly $5 billion, with an application filed last month for exports to Germany worth $2.6 billion still pending. US oil producers are calling for an end to the export ban, as the shale boom has pushed oil output to a 25-year high and led to supplies saturating the domestic market. At the same time, European refiners would welcome increased access to cheaper, high-quality US shale oil that could revive their flagging margins. US refiners, on the other hand, are keen to keep the export ban in place, as they are benefiting from cheaper domestic crude supplies.

US

US total liquids supply is estimated to increase by 1.14 mb/d to average 11.18 mb/d in 2013, representing an upward revision of 30 tb/d from the last *MOMR*. This revision was due to stronger-than-expected fourth quarter output; all quarters were affected, though the revision of the fourth quarter was much higher than for the other three quarters. However, actual data for liquid production in December 2013 shows a decrease by 50 tb/d to average 11.70 mb/d, compared with updated numbers from the previous month.

Crude oil production in December increased by 94 tb/d to average 7.86 mb/d, supported by tight oil production from the Eagle Ford shale play and the Permian Basin in Texas. The other US supply components consist of NGLs and biofuels, plus other non-conventional liquids registered at 2.61 mb/d and 1.22 mb/d, respectively.

Offshore oil production in the Gulf of Mexico should grow from 1.3 mb/d in 2013 to 1.6 mb/d in 2015, based on industry plans. But the risk is to the downside due to unpredictable weather conditions including hurricanes, which lead to outages and project delays. Production has begun from the Mars B development through Shell's largest floating deep-water platform in the Gulf. The addition of the Olympus tension-leg platform (TLP) is set to extend the production life of the greater Mars Basin — including the original Mars platform — to beyond 2050. Combined future production from Olympus and the original Mars platform is expected to deliver an estimated resource base of 1 billion barrels of oil equivalent (boe). The development includes subsea wells at the West Boreas and South Deimos fields, export pipelines, and a shallow-water platform in West Delta Block 143.

US oil production continues to perform well, helping to offset downward revisions to growth forecasts for several other non-OPEC producers. US weekly reports of oil supply show higher amounts delivered to the market in February, while production dropped in January due to the freezing winter across the mid-continent.

US oil supply is projected to increase by 0.84 mb/d in 2014 — the highest growth among all non-OPEC countries — to average 12.02 mb/d, representing an upward revision of 30 tb/d from the previous *MOMR*. This revision was supported by a lower baseline in 2013. It is expected that US crude oil production growth, primarily concentrated in the Bakken, Eagle Ford and Permian regions, will continue in 2014 at a slower pace of growth than the previous year.

On a quarterly basis, US oil supply in 2014 is forecast to average 11.70 mb/d, 11.81 mb/d, 12.10 mb/d and 12.45 mb/d, respectively.

Canada and Mexico

Canada's oil supply is estimated to grow by 0.21 mb/d in 2013 to average 3.98 mb/d, indicating an upward revision by 20 tb/d compared with the previous month. Fourth quarter supply was higher than expected, with an increase of 50 tb/d and 10 tb/d compared with the 2Q13 and 3Q13, respectively, to average 4.03 mb/d, up by 70 tb/d compared with the same quarter a year earlier.

On a quarterly basis, Canada's 2013 supply is estimated to average 4.08 mb/d, 3.78 mb/d, 4.02 mb/d and 4.03 mb/d, respectively. Canada's oil output is forecast to average 4.14 mb/d in 2014, showing an upward revision by 10 tb/d over the previous *MOMR*, in which growth was recorded to be 0.16 mb/d over 2013.

The number of oil and gas wells to be drilled in Canada is projected to decrease marginally in 2014 compared with 2013. A total of 10,930 wells will be drilled this year, compared with 11,097 wells in the previous year. In the current year, 85% of drilling will be for oil and 15% for gas. Alberta will lead with 6,642 wells, followed by Saskatchewan at 3,229, British Columbia at 560 and Manitoba at 480. Sixteen other wells also will be drilled in the eastern part of Canada and three wells in the northern part of the country in 2014.

On a quarterly basis, Canada's supply in 2014 is expected to average 4.09 mb/d, 4.07 mb/d, 4.14 mb/d and 4.25 mb/d, respectively.

Mexico's total liquid production in 2013 consists of crude oil, NGLs and biofuels. It decreased by 30 tb/d compared with a year earlier to average 2.89 mb/d. Fourth quarter supply stood at 2.90 mb/d, unchanged compared with the same quarter in the previous year. Mexico's NGL production in 4Q13 is estimated to be 0.36 mb/d. Pemex said it had higher oil flows from seven horizontal wells brought online in 4Q13 at the project formerly known as Chicontepec. The Mexican state company said wells from the Aceite Terciario del Golfo (ATG) development came online at an average of 500 b/d and stabilized at an average production of 200 b/d. The higher productivity of these horizontal wells is due to a strategy based on creating multiple fractures. Rig and completion counts were also down from the same quarter a year ago, with completions at 187, compared with 344 a year ago. Its rig count saw 117 active rigs, with 21 in exploration and 96 in development, compared with 153 in the fourth quarter of 2012.

On a quarterly basis in 2013, Mexico's supply is seen to average 2.91 mb/d, 2.87 mb/d, 2.88 mb/d and 2.90 mb/d, respectively.
Mexican oil output is expected to decline by 50 tb/d in 2014 from 2013 to average 2.84 mb/d, with an upward revision by 10 tb/d over the last report. However, an output decline is still forecast for 2014, despite an expected increase in capital expenditures (CAPEX). Nonetheless, uncertainty surrounding the 2014 forecast remains on both sides, especially related to the decline rate and new volumes.

On a quarterly basis in 2014, Mexico's supply is seen to average 2.87 mb/d, 2.82 mb/d, 2.84 mb/d and 2.83 mb/d, respectively. This remains unchanged compared with the previous month's forecast.

OECD Europe

The total **OECD Europe** oil supply declined by 0.2 mb/d in 2013 to average 3.57 mb/d. an 10 tb/d upward revision has been added since the last *MOMR*. In 2014, supply from this region is expected to decline by a further 0.15 mb/d from a year earlier to average 3.42 mb/d, representing an upward revision of 20 tb/d over the previous *MOMR*. Output from the region is expected to continue on a downward trend in 2014, but at a lower rate than in 2013. OECD Europe is expected to see a quarterly supply of 3.60 mb/d, 3.36 mb/d, 3.25 mb/d and 3.49 mb/d, respectively. The UK Energy and Business Minister will join a delegation from the country's offshore fabrication sector at a meeting with their Norwegian counterparts in Oslo on Thursday in a bid to secure more North Sea work.

Norway's oil supply dropped by 0.08 mb/d from a year earlier to average 1.84 mb/d in 2013, with an upward revision of 10 tb/d from the previous *MOMR*. On a quarterly basis, Norway's production is seen to average 1.84 mb/d, 1.84 mb/d, 1.80 mb/d and 1.88 mb/d, respectively. Norway's liquids supply continued to recover during December from a long period of planned operation maintenance earlier in the year to compensate for declines in first to third quarters and it is expected this level of supply — at 1.94 mb/d — could be the base for 2014.

Actual data for January production shows that levels rose to 1.95 mb/d, representing a growth of 10 tb/d. This is 70 tb/d higher than output in January 2013. Norway's output in the first quarter of 2014 is predicted to increase by 50 tb/d to average 1.89 mb/d, with an upward revision of 60 tb/d from the previous monthly report.

On a quarterly basis, Norway's production in 2014 is seen to average 1.89 mb/d, 1.74 mb/d, 1.63 mb/d and 1.83 mb/d, respectively.

The **UK's** oil supply had an upward revision of 10 tb/d over the last *MOMR*, thus registering an average 0.87 mb/d in 2013, the lowest level on an annual basis since 1977, representing a decline of 90 tb/d or approximately 10% from the previous year. Projected production in 2014 could be lower than actual production in 2013 by 70 tb/d to average 0.80 mb/d, since supply is likely to experience fewer unplanned shutdowns in 2014 compared with 2013. For 2014, it is expected output will decline to 0.80 mb/d.

On a quarterly basis. UK oil output in 2014 is expected to average 0.87 mb/d, 0.78 mb/d, 0.73 mb/d and 0.83 mb/d, respectively.

OECD Asia Pacific

OECD Asia Pacific's oil supply is estimated to decline by 90 tb/d in 2013 to average 0.48 mb/d, with numbers unchanged from the previous month's estimation. It is forecast that the total output of the region will increase by 10 tb/d to average 0.49 mb/d in 2014.

On a quarterly basis, the total OECD Asia Pacific oil supply in 2014 is estimated to average 0.47 mb/d, 0.50 mb/d, 0.51 mb/d and 0.49 mb/d, respectively.

Australia's oil supply is estimated to decrease by 80 tb/d to average 0.40 mb/d in 2013. It is anticipated the Australian oil output in 2014 will increase by 20 tb/d to average 0.42 mb/d, with a downward revision by 10 tb/d compared with the last *MOMR*. Australia's oil production outlook for 2014 remains steady on expected healthy oil supplies from new startup projects. New Zealand's production is also forecast to decline over one year ago to average 47 tb/d in 2014.

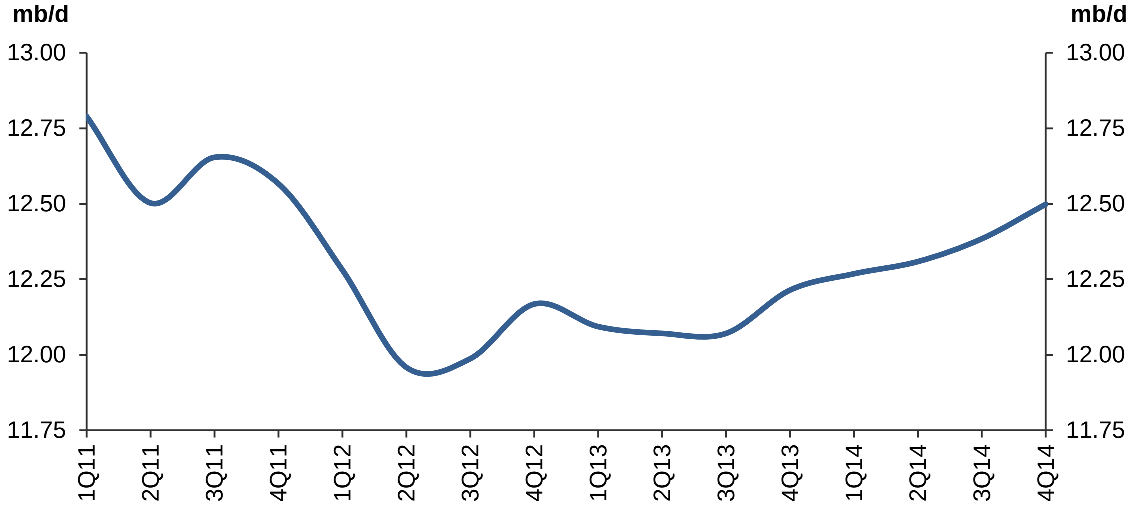
Developing countries

Total **Developing Countries'** (DCs') oil output saw a downward revision by 30 tb/d from the last *MOMR* to reach 12.11 mb/d. The revisions came from new production data received on Syrian output in 2012. On a quarterly basis, total oil supply in DCs in 2013 is estimated to average 12.09 mb/d, 12.07 mb/d, 12.07 mb/d and 12.21 mb/d, respectively.

Total DC oil supply is projected to grow by 0.24 mb/d to average 12.37 mb/d in 2014, unchanged from the previous month. This growth is mainly supported by Latin America and Africa, with a minor increase in Middle East, while Other Asia's supply is expected to drop this year. Growth in 2014 is foreseen after a significant decline in 2013, which occurred mainly due to political, technical and weather factors.

On a quarterly basis, total oil supply in DCs in 2014 is projected to average 12.27 mb/d, 12.31 mb/d, 12.38 mb/d and 12.50 mb/d, respectively.

Graph 5.3: Developing countries' quarterly production



Other Asia

Other Asia's oil production is estimated to decrease by 80 tb/d in 2013 to average 3.56 mb/d, representing an upward revision of 10 tb/d from the previous *MOMR*. This has partially carried over to 2014. The revision came from higher-than-expected numbers in 4Q13, up by 19 tb/d. On a quarterly basis, total oil supply in Other Asia in 2013 is estimated to average 3.66 mb/d, 3.59 mb/d, 3.47 mb/d and 3.52 mb/d, respectively. It is predicted that total oil supply from this region will drop by 30 tb/d to average 3.53 mb/d in 2014.

On a quarterly basis, 2014 supply is forecast at 3.54 mb/d, 3.52 mb/d, 3.53 mb/d and 3.51 mb/d, respectively.

India's oil supply was sustained at 0.87 mb/d in all quarters of 2013 with a decline of 10 tb/d compared to 2012. This is expected to decrease by another 10 tb/d in 2014 to average 0.86 mb/d, unchanged from the previous month's assessment. **Thailand's** production in 2013 is expected to grow by 10 tb/d to reach 0.37 mb/d, but output in 2014 is expected to drop by 10 tb/d to average 0.35 mb/d. While **Indonesia's** oil production in the previous year averaged 0.94 mb/d, it showed a decline of 50 tb/d over 2012 and is expected to decrease by 10 tb/d in 2014 to average 0.93 mb/d, with a downward revision of 20 tb/d from the previous *MOMR*.

Malaysia's liquids supply saw a downward revision of 10 tb/d over the previous month's assessment; it is estimated to average 0.65 mb/d in 2013, declining by 10 tb/d compared with 2012. Its expected production will reach 2012's level of 0.66 mb/d in the current year. In the second quarter of this year, the deep water Gumusut field offshore Sabah in Malaysia is scheduled to see first oil, marking the start of the larger Gumusut-kakap development across Blocks K and J; it is currently going through the final stages of commissioning. The project, which will peak at 135 tb/d, is Malaysia's second deep water development after Kikeh located in Block K. Once Gumusut comes online, production from the combined Gumusut–Kakap development will arrive via a new 150 tb/d floating production system that was moored at the site in June last year.

Vietnam's production was unchanged to average 0.39 mb/d compared with the previous year and will remain at the same level this year. **Brunei's** oil supply in 2013 declined by 20 tb/d to average 0.14 mb/d. It is forecast to see a decline in 2014, to average 0.12 mb/d.

Other Asia's oil supply is forecast to decline by 10 tb/d to average 0.21 mb/d in 2014 from 0.22 mb/d in 2013, unchanged from a year earlier.

Latin America

Latin America's liquids supply is estimated to grow by 0.1 mb/d on an annual basis to average 4.78 mb/d in 2013, remaining unchanged except for an upward revision of 10 tb/d in the fourth quarter, mainly due to the development of Brazilian ethanol production compared with the previous *MOMR*. On a quarterly basis, Latin America's supply in 2013 is estimated to average 4.73 mb/d, 4.76 mb/d, 4.80 mb/d and 4.84 mb/d, respectively. Supply from the region is forecast to grow by 0.17 mb/d to average 4.95 mb/d in 2014, representing the third-highest global growth level, after OECD Americas and the former Soviet Union (FSU). The other producing countries in Latin America are now in decline, and are expected to remain unchanged or see a minor drop in 2014, although some growth is expected to come onstream.

On a quarterly basis, Latin America's supply in 2014 is expected to stand at 4.85 mb/d, 4.90 mb/d, 4.97 mb/d and 5.09 mb/d, respectively.

Argentina's oil output in 2013 registered 0.67 mb/d, a decline of 20 tb/d compared with the previous year. The country's supply is expected to drop to 0.66 mb/d with a minor decline of less than 10 tb/d. Argentina has started exploration activities for the country's shale plays. The Vaca Muerta shale development project is now producing shale oil and gas and should continue ramping up in the near future. For the time being, a YPF/Chevron joint venture project is running 15 active rigs in this area and output is expected to increase from an average of 13 tboe/d in last December to a gross of 16 tboe/d.

Brazil's liquids supply is estimated to average 2.64 mb/d in 2013, indicating an increase of 40 tb/d over the previous year, unchanged from the previous *MOMR*, mainly on the back of updated production data for ethanol for the fourth quarter of 2013.

According to Petrobras, crude oil production in Brazil dropped by 2.5% to 1.99 mb/d in December 2013. The decline is mainly caused by a delay in production startup at the Papa-Terra field in Campos Basin. Delay in receiving and problems installing Riser Support Buoy Systems — which would connect new wells in the Sancho and Lula NE fields in the Santos Basin — were another reason for a decline in output. The company also cited startup delays with the P-55 and P-58 platforms in the Roncador and Parque das Baleias fields, both in the Campos Basin. It has been said that once the wells on these production units get connected, as well as those at platform P-62 in Papa-Terra, they are expected to begin production in the first half of the current year. The fall in production came despite a boost from the subsalt fields. Petrobras said that in December 2013, it set a new subsalt monthly production record of 345 tb/d as well as a daily record on 14 January, producing 390 tb/d. Continuing offshore development is expected to add production volumes. However, Petrobras is facing significant challenges in maintaining production levels from the Campos Basin, with higher-than-expected production declines and a poor level of operational performance at some of its legacy assets.

Colombia's oil supply in 2013 grew by 70 tb/d, registering 1.03 mb/d. Predictions show that Colombian production will increase through the development of heavy oil projects such as Castilla and Castilla Norte in 2014 by 30 tb/d to average 1.05 mb/d.

Middle East

Middle East oil supply is estimated to decrease by 0.12 mb/d in 2013 from a year earlier to average 1.35 mb/d, with a downward revision by 10 tb/d from the previous *MOMR*. The region's total supply was revised down by 0.31 mb/d in 2013 due to the downward revision in Syria's output, which carried over all quarters in 2013 and 2012 as well. On a quarterly basis, the region's production in 2013 registered an average of 1.40 mb/d, 1.32 mb/d, 1.35 mb/d and 1.33 mb/d, respectively.

The Middle East's oil supply forecast is generally associated with a very high level of risk — mainly due to political factors — which could dramatically change the outlook in either direction. Middle East oil output is forecast to increase by 20 tb/d to average 1.37 mb/d in 2014 compared with the previous year. The numbers have also seen an upward revision of 20 tb/d since the previous *MOMR*.

On a quarterly basis, Middle East supply in 2014 is seen to average 1.34 mb/d, 1.38 mb/d, 1.38 mb/d and 1.39 mb/d, respectively.

Oman's supply is estimated to increase by 20 tb/d in 2013 to average 0.94 mb/d, unchanged compared with the previous estimation. Oman's output is also expected to increase by 30 tb/d to average 0.97 mb/d in 2014, if mature field production declines as before.

Syria's production is expected to drop by 0.12 mb/d in 2013 to average 60 tb/d. This downward movement is due to the country's current political situation, which is associated with a high level of risk. Syria's oil fields remain relatively unaffected in terms of damage from fighting and sabotage, but limited opportunities exist to export crude and other liquids, and limited domestic refining capacity has resulted in shut-in production. Prolonged shut-ins can reduce the effective capacity of some fields, and a new assessment estimates that Syria's production capacity — the level of production that could return within one year — has dropped by nearly 100 tb/d since the start of the conflict for this reason. Nevertheless, at a meeting with oil company chiefs on 15 February, the Syrian Minister of Petroleum and Minerals disclosed that the country's crude oil production had fallen by 96% from levels seen before the crisis of 385 tb/d. Syrian oil production is expected to drop by another 30 tb/d on annual basis to average 30 tb/d in 2014.

Yemen's production is expected to average 0.14 mb/d in 2013, a decrease of 40 tb/d from a year earlier, but output is expected to increase by 10 tb/d to average 0.15 mb/d in 2014. Due to continued attacks on infrastructure, the supply forecast is at a high risk.

Africa

Africa's oil supply is projected to average 2.42 mb/d in 2013, an increase of 0.11 mb/d from the previous year and unchanged from the previous *MOMR*. On a quarterly basis, the region's liquids supply in 2013 registered an average of 2.29 mb/d, 2.40 mb/d, 2.44 mb/d and 2.53 mb/d, respectively. The current year's supply is expected to grow by 0.10 mb/d to average 2.51 mb/d, with an upward revision of 20 tb/d compared with last month's forecast.

On a quarterly basis, Africa's oil supply in 2014 is expected to average 2.53 mb/d, 2.51 mb/d, 2.51 mb/d and 2.51 mb/d, respectively.

Uganda has finalized negotiations on main commercial agreements with international oil companies for development of the Lake Albert Basin. The country's production is expected to build to 0.22 mb/d based on recoverable reserves of 1.7 billion barrels. It is expected first oil production and exports will start by 2019 using a pipeline that will connect South Sudan, Uganda and Kenya.

Oil production in **Cameroon** averaged 75 tb/d in 4Q13, up 16 tb/d from the same quarter a year earlier. The startup and subsequent ramp-up of the Dissoni Nord field in the shallow water of the Niger Delta Basin in Southwest Cameroon was the reason for an increase in production.

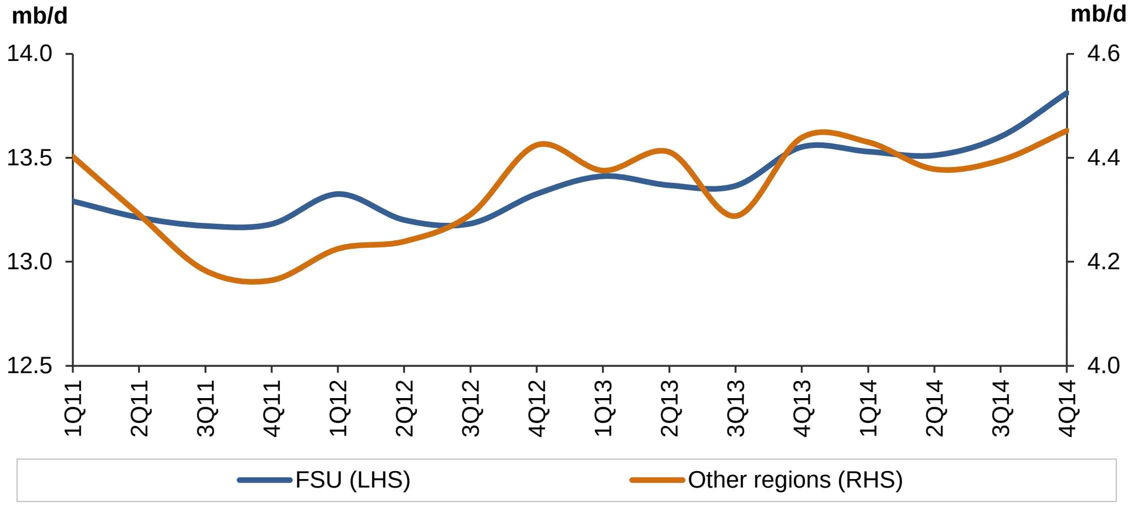
Liquid production in **Congo** continued its steep decline in 2013, falling to around 0.27 mb/d, down 10 tb/d from the 0.28 mb/d produced in 2012. For 2014 a decline of 10 tb/d is expected, despite exploitation of the Haute Mer Zone "A" and M'Boundi fields.

FSU, other regions

Total FSU oil supply is estimated to increase by 0.17 mb/d in 2013 to average 13.42 mb/d, unchanged from the last *MOMR*. On a quarterly basis, total supply from the FSU in 2013 is seen to average 13.41 mb/d, 13.37 mb/d, 13.37 mb/d and 13.55 mb/d, respectively. The 1Q14 forecast showed output in this region dropped by 20 tb/d. This carried over to all quarters of 2014, thus total supply in the current year based on new predictions was revised down by 10 tb/d to average 13.61 mb/d.

FSU oil supply in 2014 on a quarterly basis will be higher than for the same quarters of 2013 at 13.53 mb/d, 13.51 mb/d, 13.60 mb/d and 13.81 mb/d, respectively.

Graph 5.4: FSU and other region's quarterly production



Russia

Russia's liquid output rose 1.4% or 0.13 mb/d y-o-y to average 10.51 mb/d, unchanged from the previous *MOMR*. Natural declines at mature fields played an important role in the outcome of Russia's 2013 oil supply and new expected volumes are seen to offset anticipated declines in mature fields. According to preliminary data, Russia's supply averaged 10.61 mb/d in the fourth quarter of 2013, an increase of 0.14 mb/d from the same period in 2012.

Of total January output, Russia's largest crude producer, state-run Rosneft, accounted for 4.09 mb/d, up 1.2% y-o-y. Lukoil, Russia's largest independent crude producer increased its oil output by 2.4% y-o-y to 1.73 mb/d in January, while Surgutneftegaz lowered its production by 0.2% y-o-y to 1.22 mb/d. Gazprom Neft, the oil arm of gas giant Gazprom, raised its January oil production by 1.9% y-o-y to 1 mb/d, and Tatneft, Russia's fifth-largest crude producer, raised its output for the month by 0.5% y-o-y to 530 tb/d, according to a report of the Central Dispatching Unit, part of Russia's Energy Ministry. On a quarterly basis, Russia's 2013 supply is estimated to average 10.45 mb/d, 10.47 mb/d, 10.49 mb/d and 10.61 mb/d, respectively.

Russia's oil supply forecast in 2014 is facing uncertainty. Nonetheless, upward revisions have been made to the forecast for Russian liquid production in 2014. Total liquids supply is now forecast to rise by 90 tb/d compared with last year's growth, climbing from 10.51 mb/d in 2013 to 10.60 mb/d in 2014 with an upward revision by 10 tb/d.

Russia's liquids supply on a quarterly basis in 2014 is forecast to average, 10.61 mb/d, 10.54 mb/d, 10.56 mb/d and 10.69 mb/d, respectively.

Caspian

Kazakhstan's oil supply increased by 60 tb/d over a year ago to average 1.64 mb/d in 2013, unchanged from the previous *MOMR*. Kazakhstan produced its highest historical level of oil output at 1.69 mb/d in the fourth quarter. In 2013, on a quarterly basis, Kazakhstan's supply averaged 1.68 mb/d, 1.60 mb/d, 1.61 mb/d, and 1.69 mb/d, respectively.

Exports of CPC Blend have been increasing despite the production problems at Kashagan. Production at Kashagan was launched 11 September 2013 after more than a decade of delays and increasing costs, but was halted two weeks later following a gas leak. A similar leak in October prompted production to halt entirely and no date has been set for the field to return, although expectations are between mid-2014 and 2015. The Kazakh oil supply will grow by 80 tb/d to average 1.72 mb/d this year; with a downward revision of 10 tb/d compared with last month's report.

On a quarterly basis, supply in 2014 is forecast to average 1.67 mb/d, 1.68 mb/d, and 1.73 mb/d and 1.81 mb/d, respectively.

Azerbaijan's oil output is estimated to decrease by 30 tb/d over the previous year to average 0.87 mb/d in 2013, unchanged from the previous *MOMR*. It is expected production at West Chirag in the Azeri sector of the Caspian Sea will reach 80 tb/d, which will be partially offset by declines at other Azeri–Chirag–Guneshli (ACG) fields. Nevertheless, total output in Azerbaijan in 2014 is expected to see a minor decline to average 0.86 mb/d.

On a quarterly basis, supply in 2014 is forecast to average 0.83 mb/d, 0.86 mb/d, 0.88 mb/d and 0.89 mb/d, respectively.

China

China's supply is estimated to grow by 90 tb/d over a year ago to average 4.24 mb/d in 2013, unchanged from the previous month's assessment. An increase of 29 tb/d is expected in the first quarter of 2014 and could be behind production improvement in 2014. On a quarterly basis, China's supply in 2013 is seen to average 4.24 mb/d, 4.27 mb/d, 4.15 mb/d and 4.30 mb/d, respectively. With new supply coming from offshore developments in 2014, such as Nanpu in the Bohai Bay and the Weizhou and Liuhua Areas of the South China Sea, growth for 2014 is expected to reach 40 tb/d to average 4.27 mb/d.

On a quarterly basis, China's supply in 2014 is forecast to average 4.29 mb/d, 4.24 mb/d, 4.26 mb/d and 4.31 mb/d, respectively.

OPEC NGLs and non-conventional oils

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

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

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

OPEC crude oil production

According to secondary sources, total OPEC crude oil production averaged 30.12 mb/d in February, an increase of 259 tb/d over the previous month. Crude oil output increased mainly from Iraq, Angola, Iran and Nigeria. According to secondary sources, OPEC crude production — not including Iraq — stood at 26.72 mb/d in February, a decrease of 141 tb/d over the previous month.

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

	2012	2013	2Q13	3Q13	4Q13	Dec 13	Jan 14	Feb 14	Feb/Jan
Algeria	1,210	1,159	1,168	1,155	1,144	1,150	1,142	1,147	*5.1*
Angola	1,738	1,737	1,758	1,720	1,715	1,725	1,654	1,710	*55.9*
Ecuador	499	515	511	520	527	531	529	531	*1.8*
Iran, I.R.	2,973	2,693	2,678	2,678	2,705	2,736	2,752	2,802	*49.7*
Iraq	2,979	3,037	3,101	2,998	3,019	3,033	2,997	3,397	*400.0*
Kuwait	2,793	2,822	2,839	2,842	2,821	2,827	2,803	2,811	*8.4*
Libya	1,393	928	1,342	653	332	240	516	341	*-174.6*
Nigeria	2,073	1,912	1,889	1,906	1,871	1,885	1,898	1,928	*29.5*
Qatar	753	732	729	731	731	732	734	736	*1.7*
Saudi Arabia	9,737	9,584	9,480	10,024	9,721	9,743	9,727	9,625	*-101.9*
UAE	2,624	2,741	2,737	2,780	2,743	2,757	2,755	2,752	*-3.3*
Venezuela	2,359	2,356	2,355	2,361	2,359	2,350	2,350	2,336	*-13.5*
Total OPEC	**31,132**	**30,214**	**30,587**	**30,368**	**29,688**	**29,708**	**29,857**	**30,115**	***258.6***
OPEC excl. Iraq	**28,152**	**27,177**	**27,486**	**27,370**	**26,669**	**26,675**	**26,860**	**26,719**	***-141.4***

Totals may not add up due to independent rounding.

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

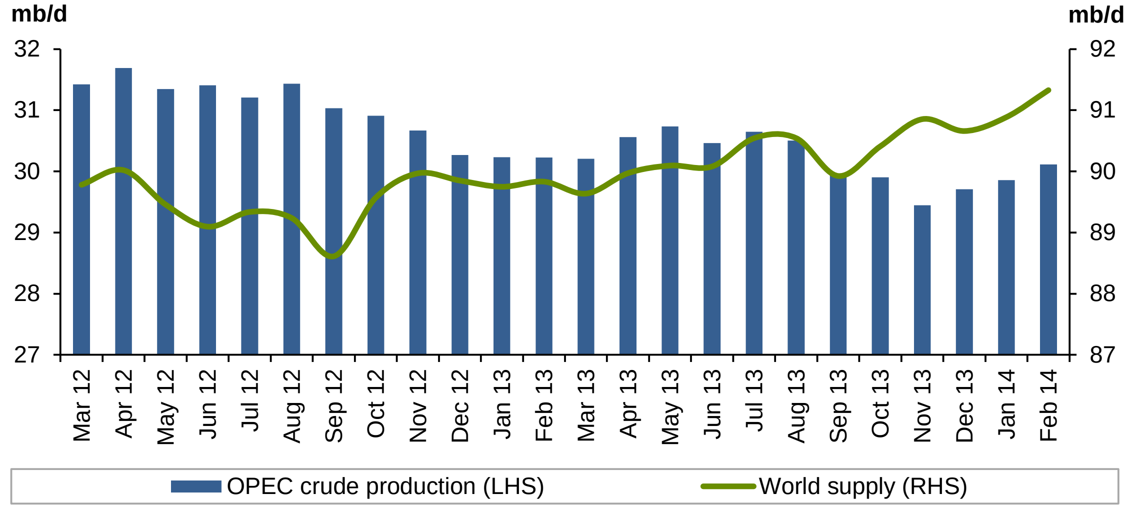
	2012	2013	2Q13	3Q13	4Q13	Dec 13	Jan 14	Feb 14	Feb/Jan
Algeria	1,203	1,203	1,202	1,202	1,208	1,207	1,193	1,211	*18.0*
Angola	1,704	1,697	1,730	1,701	1,625	1,626	1,616	1,602	*-14.0*
Ecuador	504	526	520	534	544	548	550	551	*0.7*
Iran, I.R.	3,740	3,576	3,711	3,653	3,239	3,220	3,250	3,260	*10.0*
Iraq	2,944	2,980	3,042	3,006	2,915	3,002	2,848	3,410	*562.0*
Kuwait	2,977	2,922	2,970	2,992	2,912	2,940	2,920	2,900	*-20.3*
Libya	1,450	993	1,415	752	332	228	508	405	*-103.9*
Nigeria	1,954	1,749	1,649	1,824	1,706	1,702	1,899	1,908	*8.9*
Qatar	734	724	724	719	725	733	732	734	*2.2*
Saudi Arabia	9,763	9,637	9,538	10,115	9,773	9,819	9,767	9,850	*82.8*
UAE	2,652	2,797	2,792	2,859	2,714	2,739	2,717	2,701	*-15.9*
Venezuela	2,804	2,786	2,767	2,781	2,851	2,884	2,888	2,878	*-9.6*
Total OPEC	**32,429**	**31,590**	**32,060**	**32,139**	**30,543**	**30,650**	**30,888**	**31,409**	**521**
OPEC excl. Iraq	**29,485**	**28,611**	**29,018**	**29,133**	**27,629**	**27,648**	**28,040**	**27,999**	**-41**

Totals may not add up due to independent rounding.

World oil supply

Preliminary data indicates the global oil supply increased by 440 tb/d to average 91.33 mb/d in February 2014 compared with one month earlier. The share of OPEC crude oil in total global production increased slightly to 32.98% in February compared with the previous month. Estimates are based on preliminary data for non-OPEC supply, while estimates for OPEC NGLs and OPEC crude production come from secondary sources.

Graph 5.5: OPEC and world oil supply

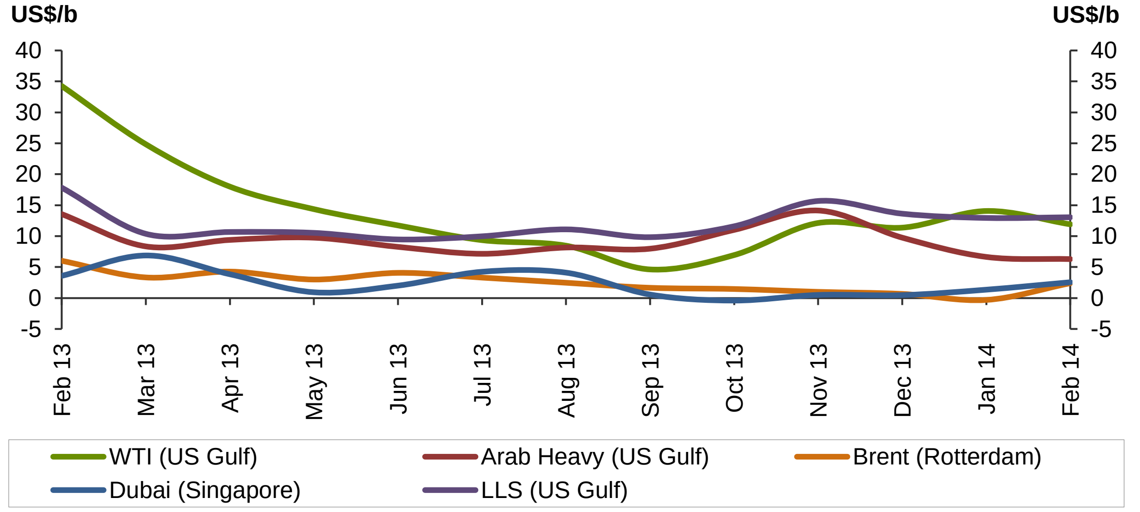


Product Markets and Refinery Operations

Product markets in the Atlantic Basin received support from re-opened arbitrage of gasoline to the US East Coast (USEC), which allowed European margins to reverse the downward trend seen in previous months and show a sharp recovery. In the US, refining margins weakened during February as a sharp decline in middle distillates and fuel oil cracks more than offset gains seen in gasoline. Additionally, winter support for products was not enough to counter the sharp rise in WTI price, which also weighed on margins.

In Asia, refinery margins continued their recovery trend on the back of a temporarily tight environment due to some refinery outages, while the maintenance season kept gasoline and gasoil crack spreads healthy. However, naphtha became weaker due to upcoming cracker maintenance in the region.

Graph 6.1: Refinery margins, 2013-14



US product markets weakened in February, as the winter support seen in January for middle distillates and fuel oil started to diminish. This — along with stronger WTI prices — weighed on margins.

The extreme cold weather seen in previous weeks attracted imports of gasoil to the east coast, leading to a recovery of inventories and exerting pressure on the market due to an environment of oversupply.

In contrast, gasoline performance improved after a weak January when demand was affected by bad weather. Additional support came from a relatively tight gasoline environment, with several refineries going into maintenance amid the switch to summer quality.

The refinery margin for WTI crude on the US Gulf Coast (USGC) fell $2 to average $12/b in February, with the WTI crude price sharply increasing in February, pushing margins to drop. Meanwhile, the margin for Light Louisiana Sweet (LLS) crude on the USGC remained at levels similar to the previous month, with an average of $13/b.

European refining margins reversed the downward trend seen in the previous months to exhibit a sharp recovery in February, with upticks witnessed across nearly all product cracks on the back of higher export opportunities.

The best performance was registered at the bottom of the barrel, which gained support from export opportunities to the West and the East. The gasoline crack also saw a vibrant recovery, with a key supporting factor being the reopening of arbitrage opportunities to the USEC for the first time since November 2013.

The refinery margin for Brent crude in Northwest Europe exhibited a sharp improvement, gaining almost $3 to average $2.7/b in February.

The Asian market continued its recovery trend, with the positive performance seen in February due to healthy gasoline and middle distillate crack spreads ahead of the heavy refinery maintenance season. However, the uptick was limited due to losses seen in naphtha coming from lower demand in the petrochemical sector with upcoming cracker maintenance in the region.

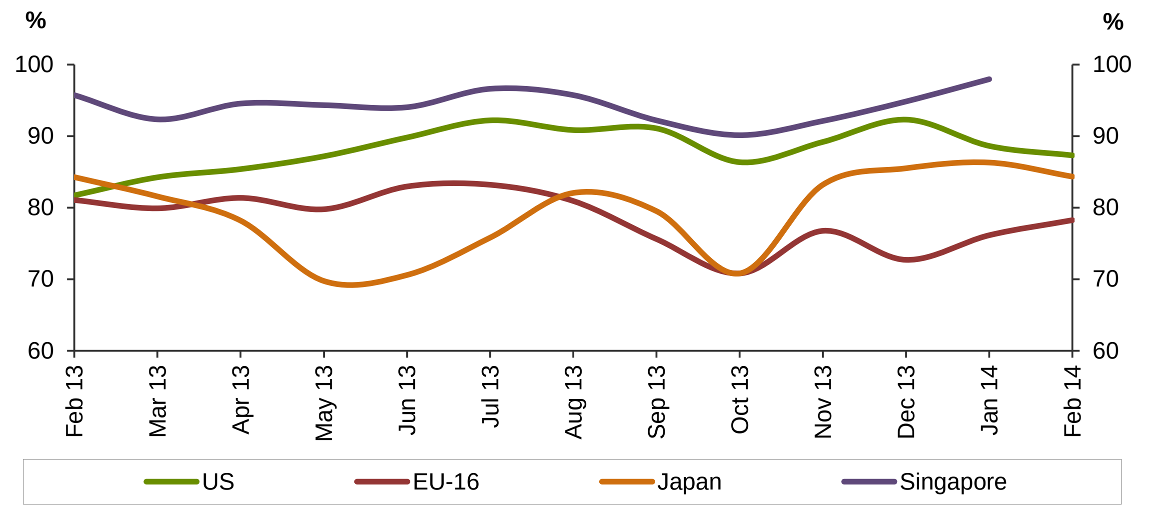
Refinery margins in Singapore gained 50¢ in February to average $2.9/b.

Refinery operations

Refinery utilization rates were seen falling in the US to average 87.3% in February, decreasing 1.3 percentage points (pp) versus the previous month, as several refineries started their maintenance, mainly in PADD 3 and PADD 5. This will affect more than 1.5 mb/d of capacity.

US refining margins weakened over the month, with declines in the middle and bottom of the barrel leading the drop, but a reduction in throughputs could limit further losses.

Graph 6.2: Refinery utilisation rates, 2013-14



European refinery margins fell in January due to slack seasonal demand, however in February margins saw a sharp recovery.

The previous month saw weak margins resulting in European refiners to run at moderate crude intake levels. However, in February, European refinery runs increased around 2 pp to average around 78%, supported by improved export opportunities.

In **Asia**, maintenance will moderate refinery runs amid some outages affecting supplies, thus contributing to a tight market. Refinery runs in Singapore for January averaged around 97%, more than 2 pp higher than the previous month, while Japanese throughputs averaged 84% of capacity in February, 2 pp lower than in January.

US market

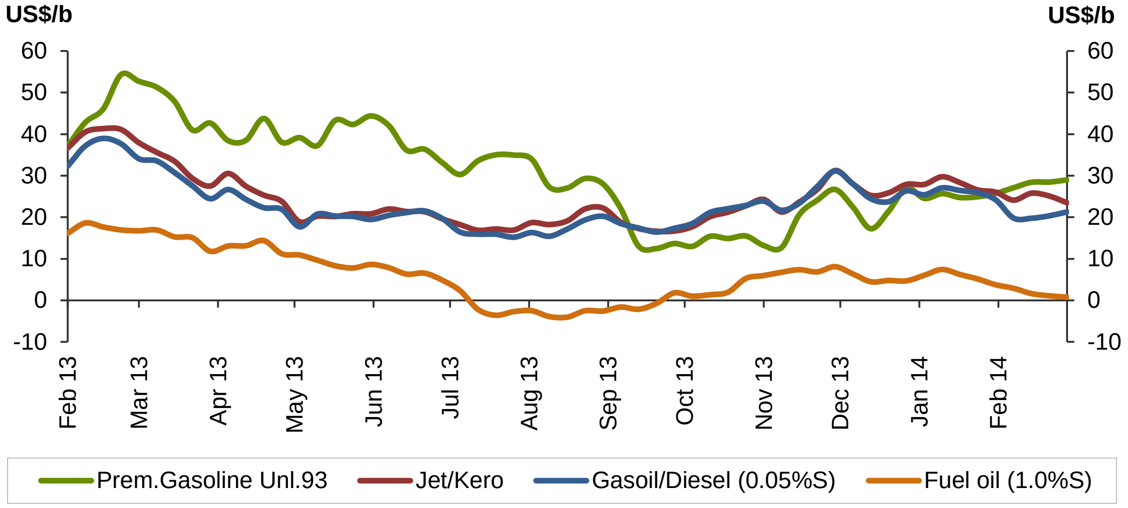
US gasoline demand stood at around 8.3 mb/d in February, around 50 tb/d higher than the previous month and down by 90 tb/d from the same month a year earlier.

Gasoline cracks moved higher, with fundamentals strengthening, due to substantial refinery maintenance (at least five refineries are already undergoing maintenance), affecting PADD 5 and PADD 3 regions.

In addition to heavy maintenance, some gasoline production unit disruptions and the upcoming switch to summer quality have contributed to tighter supplies of gasoline blending components.

Tight supplies have caused an inventory draw, supporting the market and allowing the gasoline crack spread to continue strengthening, gaining $3 to average $28/b in February.

Graph 6.3: US Gulf crack spread vs. WTI, 2013-14



Middle distillate demand stood at around 3.6 mb/d in February, some 350 tb/d lower than the previous month and 360 tb/d below the same month one year earlier.

At the middle of the barrel, US gasoil lost ground in February after being supported by severe winter conditions a month earlier. This attracted higher imports, leading to some recovery of inventories.

Heating demand during the severe winter weather drew cargoes from Europe, with imports reaching almost 250 tb/d (practically all to PADD 1) during mid-February, the highest level seen since March 2010.

A glut of diesel depressed US Atlantic Coast prices and curtailed imports at the end of February, as well as leading to the diversion of some shipments destined for New York Harbor.

In contrast, tanker movements in the Houston ship channel were hampered by heavy fog and several vessels were waiting to enter and depart from the port, thus impacting delivery and demand.

The USGC gasoil crack dropped sharply by more than $5 to average around $20/b in February. Heavy losses were boosted by the strong performance of the WTI price.

At the **bottom of the barrel**, the fuel oil crack showed a mixed performance, with the market continuing to tighten due to a lack of low-sulphur fuel oil supplies on the East Coast amid strong demand for power generation, thus boosting the New York 1%-fuel oil premium versus the USGC fuel oil market, where cracks weakened amid steady supply, with refineries offering higher volumes due to the shutdown of some secondary units.

The fuel oil crack in the USGC exhibited a sharp loss of more than $4 to average $1.5/b during February.

European market

Product markets in Europe reversed the downward trend seen in previous months, exhibiting a sharp recovery with upticks witnessed across nearly all product cracks. This was true especially for gasoline and the bottom of the barrel, where cracks recovered on the back of higher export opportunities in a tight environment.

Gasoline cracks recovered as arbitrage opportunities to the USEC opened up for the first time this year. US demand recovered from its winter slump and refineries entered maintenance, curtailing supply. A fall in US stocks and higher gasoline export demand from Europe boosted margins.

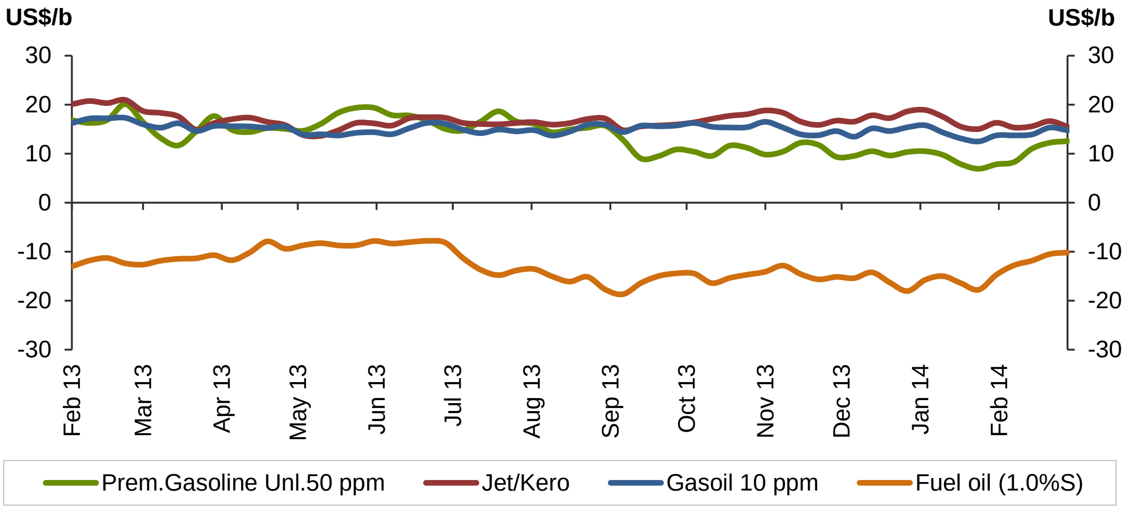
Refinery turnarounds are fuelling tight sentiment, thus lending additional support, while opportunities arose to send cargoes to Mexico, Brazil and South Africa.

The gasoline crack spread against Brent crude rose $2.50 versus the previous month, to stand at an average of $11/b in February.

The crack in fellow light distillate naphtha continued falling, witnessing a drop of $1/b due to weak ethylene demand and a larger naphtha premium to alternative petrochemical feedstock propane, cutting demand.

The naphtha market was also impacted by a bearish outlook. Despite Asia continuing to pull cargoes out of Europe, demand is expected to cool as cracker maintenance season kicks off next month, taking around 2 million tonnes of annual cracking capacity in Asia off line.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2013-14



Middle distillate cracks recovered some ground as relatively weak gasoil demand in the domestic market showed some pockets of increasing demand, specifically in France. However the key source of support became a tightening environment on the back of lower inflows to the region. Supplies from the US dropped due to growing imports from South America and the refinery maintenance season.

Recovery was limited, as opportunities to send cargos to the US have started to cool since the middle of February, with inventories rising on the USEC.

The outlook for heating oil became bearish with the forecast indicating most European countries will continue witnessing higher than normal temperatures. The previously existing market backwardation structure lessened at the end of February.

The gasoil crack spread against Brent crude at Rotterdam in February gained 60¢ versus the previous month’s level to average $14.4/b.

At the **bottom of the barrel**, despite weaker domestic demand, fuel oil cracks showed a sharp recovery, with market support stemming from a tight environment.

Low-sulphur fuel oil was in tight supply due to refinery run cuts and open arbitrage to the USEC, along with some exports to Asia. This combination led to a fall in inventories at Amsterdam-Rotterdam-Antwerp (ARA), providing support to the fuel oil market.

The Northwest European fuel oil crack against Brent gained almost $4 versus the previous month’s level to average minus $11/b in February.

Asian market

The Asian market continued its recovery trend with positive performance in February on the back of a tight environment for gasoline and middle distillates.

The Singapore gasoline crack continued to strengthen as demand developments outweighed pressure stemming from elevated stocks in Singapore and Japan.

On the demand side, support came from Pakistan, Sri Lanka, Thailand and Vietnam. Additionally, the Middle East, mainly Kuwait, saw increased requirements.

The supply side also provided some support as Taiwan’s CPC refinery gasoline production unit already started its turnaround, limiting gasoline production. However, the rise in the gasoline cracks was limited by a recent increase in Chinese exports.

The gasoline crack spread against Dubai crude in Singapore gained $1 to average $11.60/b in February.

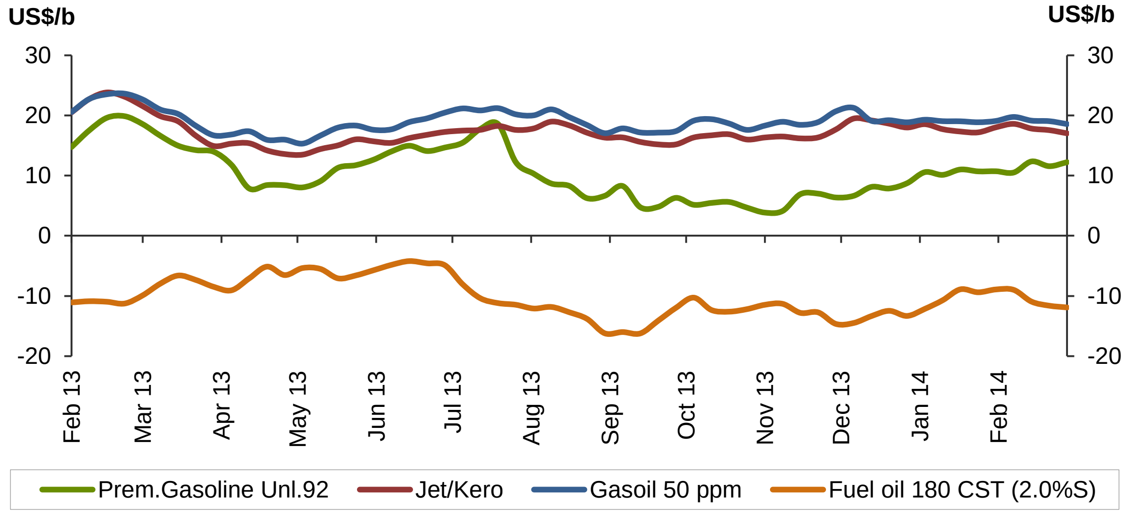
Looking ahead, some support is expected from upcoming heavy maintenance within the region, which will affect almost 2 mb/d of capacity in the months to come.

Asian naphtha lost the ground gained a month ago and its crack spread dropped more than $3 to hit its lowest level in the last four months ahead of seasonal maintenance at cracking units in Asia, where around 2 mn tonnes per year of cracking capacity will be offline in March and April.

Naphtha demand slowed and substitution pressure weighed on the crack as petrochemical producers preferred cheaper LPG as a replacement feedstock.

The outlook for Asia’s naphtha crack remains bearish, with exports from India and the Middle East expected to rise in March.

Graph 6.5: Singapore crack spread vs. Dubai, 2013-14



At the **middle of the barrel**, the gasoil crack remained healthy on the back of steady demand amid export opportunities.

Despite signs of decreasing demand in Asia´s two largest consumers — in India due to an economic downturn and in China in line with seasonal developments — some support came from consumers of gasoil such as Sri Lanka and the Middle East.

In addition, refinery issues and strong Egyptian demand supported gasoil in the Red Sea, with India, Taiwan and Singapore sending volumes to the region.

Meanwhile, Japanese refiners increased gasoil output, which — along with large arrivals from India — pressured inventories in Singapore, thus limiting the rise in gasoil crack spreads.

The gasoil crack spread in Singapore against Dubai showed a slight gain of 10¢ to average around $19.1/b in February.

The fuel oil crack weakened in Singapore as higher volumes arrived from the west. However, this downward trend was limited by some support from the demand side.

Seasonal Asian demand for power generation was relatively steady, though Japan and North Korea experienced higher demand due to colder weather and to compensate for an unscheduled nuclear reactor shutdown, respectively.

The fuel oil crack spread in Singapore against Dubai lost $1 to average minus $11/b in February.

Looking ahead, despite the market pressure caused by increasing inflows of fuel oil from the Americas into Singapore, the low viscosity spread could spike upward in the coming weeks with planned maintenance at Iran´s Abadan refinery in March.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	Dec 13	**Jan 14**	**Feb 14**	***Change* Feb/Jan**	**Dec 13**	**Jan 14**	**Feb 14**	***Change* Feb/Jan**
US	16.14	15.51	15.23	-0.28	92.30	88.62	87.30	-1.32
France	0.95	1.06	1.04	-0.02	54.59	61.29	60.31	-0.98
Germany	1.85	1.85	1.86	0.02	82.28	82.77	83.44	0.67
Italy	1.28	1.28	1.37	0.09	58.44	58.99	62.95	3.95
UK	1.18	1.15	1.03	-0.12	70.06	68.69	61.31	-7.38
Euro-16	9.63	9.75	10.02	0.27	72.69	76.14	78.25	2.11
Japan	3.72	3.73	3.70	-0.04	85.50	86.30	84.33	-1.97

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

Table 6.2: Refined product prices, US$/b

		Dec 13	**Jan 14**	**Feb 14**	***Change* Feb/Jan**
US Gulf (Cargoes FOB):					
Naphtha		115.27	112.57	109.58	-2.99
Premium gasoline	*(unleaded 93)*	119.83	119.74	128.91	9.17
Regular gasoline	*(unleaded 87)*	107.61	108.72	114.04	5.32
Jet/Kerosene		124.45	122.61	125.27	2.66
Gasoil	*(0.2% S)*	123.21	120.73	120.97	0.24
Fuel oil	*(1.0% S)*	99.54	98.76	102.85	4.09
Fuel oil	*(3.0% S)*	91.83	88.25	90.36	2.11
Rotterdam (Barges FoB):					
Naphtha		105.86	101.62	101.07	-0.55
Premium gasoline	*(unleaded 98)*	120.87	116.51	119.89	3.38
Jet/Kerosene		128.43	124.57	124.63	0.06
Gasoil/Diesel	*(10 ppm)*	125.54	121.84	123.29	1.45
Fuel oil	*(1.0% S)*	94.96	92.37	97.55	5.18
Fuel oil	*(3.5% S)*	91.72	89.22	91.72	2.50
Mediterranean (Cargoes FOB):					
Naphtha		102.81	98.76	98.45	-0.31
Premium gasoline*		115.53	113.28	116.41	3.14
Jet/Kerosene		124.56	121.66	121.99	0.33
Gasoil/Diesel*		126.27	123.07	124.05	0.99
Fuel oil	*(1.0% S)*	95.90	92.94	98.88	5.94
Fuel oil	*(3.5% S)*	90.93	90.16	91.58	1.42
Singapore (Cargoes FOB):					
Naphtha		107.53	104.47	102.37	-2.10
Premium gasoline	*(unleaded 95)*	118.66	117.98	119.71	1.73
Regular gasoline	*(unleaded 92)*	115.81	114.66	116.70	2.04
Jet/Kerosene		126.68	121.63	122.78	1.15
Gasoil/Diesel	*(50 ppm)*	127.47	123.01	124.15	1.14
Fuel oil	*(180 cst 2.0% S)*	97.02	96.46	96.29	-0.17
Fuel oil	*(380 cst 3.5% S)*	94.92	94.56	94.83	0.27

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

Tanker Market

Crude oil tanker market sentiment continued to weaken in February across all vessel segments, with Suezmax and Aframax experiencing a strong decline. Dirty spot freight rates on most reported routes showed a drop in February from a month earlier, putting an end to the remarkable gains seen in the past few months. On average, very large crude carrier (VLCC) spot freight rates declined by 1%, while both Suezmax and Aframax rates dropped by 46% each. The February decline in spot freight rates came mainly as a result of slow market activity and lower tonnage demand for all tanker classes without exception.

Clean tanker market sentiment followed the same bearish trend in February, as the dirty market and spot freight rates declined on all routes, except on the Middle East-to-East route, which increased by 13% to counterbalance clean tanker performance in West of Suez, which closed the month up by 3.5% from the previous month. East of Suez average clean spot freight rates edged down by 9%. A decline in West of Suez clean spot freight rates came on the back of sufficient tonnage availability.

Spot fixtures

According to preliminary data, global fixtures dropped by 3.6% in February, compared with the previous month. OPEC spot fixtures were down by 0.03 mb/d, or 0.2%, to average 12.98 mb/d. Fixtures from the Middle East-to-East route averaged 6.52 mb/d in February, increasing by 0.46 mb/d from one month ago, while those from the Middle East-to-West route averaged 2.21 mb/d. Outside the Middle East, fixtures averaged 4.31 mb/d, an increase of 1.0 mb/d. Compared with the same period a year earlier, global fixtures indicated growth of 9% in February.

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

	Dec 13	Jan 14	Feb 14	*Change* Feb/Jan
Spot Chartering				
All areas	19.43	18.70	18.03	-0.67
OPEC	13.12	13.02	12.98	-0.03
Middle East/East	6.40	6.06	6.52	0.46
Middle East/West	2.80	2.76	2.21	-0.55
Outside Middle East	3.60	3.30	4.31	1.01
Sailings				
OPEC	24.00	23.79	23.96	0.17
Middle East	17.63	17.44	17.51	0.07
Arrivals				
North America	10.09	10.73	9.50	-1.24
Europe	12.12	11.92	12.20	0.28
Far East	8.59	8.17	8.84	0.66
West Asia	4.29	4.50	4.24	-0.26

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

Sailings and arrivals

Preliminary data shows that OPEC sailings increased in February by 0.2%, averaging 23.96 mb/d. However, compared with the same month a year ago, they increased by 2%. Middle East sailings were up from the previous month by 0.4% and up by 1.6% from a year earlier.

February arrivals were mixed; they registered an increase in the Far East and Europe of 8% and 2% from one month earlier, while arrivals in North America and West Asia dropped by 11.5% and 6% respectively, to average 9.5 mb/d and 4.2 mb/d.

Spot freight rates

VLCC

VLCC spot freight rates experienced the least drop among tankers in the dirty tanker market. Average spot freight rates for VLCCs declined by 1.3% in February from the previous month to average WS49 points. The month started with the VLCC market experiencing volatility in both activities and freight rates. Freight rates fluctuated during the course of the month depending on tonnage demand and tanker availability. However, freight rate increases remained occasional and limited on the whole. VLCC spot freight rates for the Middle East-to-West and West Africa-to-East routes dropped by 3% and 2%, respectively, from a month earlier to average WS35 and WS56 points. Meanwhile, freight rates for tankers operating in the Middle East-to-East were not much better, ending flat over the previous month to average WS57 points.

All VLCC selected routes reflected higher freight rates than seen for the same month a year earlier. February fixtures were completed earlier as a result of occasional tight availability and various holidays. Generally, February was a busy month for VLCCs with above-average fixture numbers, particularly considering the month is short. VLCC transatlantic activities remained slow, with primarily stable freight rates. However, owners occasionally considered Suezmax tankers to be a suitable alternative to VLCCs when Suezmax rates dropped.

Graph 7.1: Monthly averages of crude oil spot freight rates

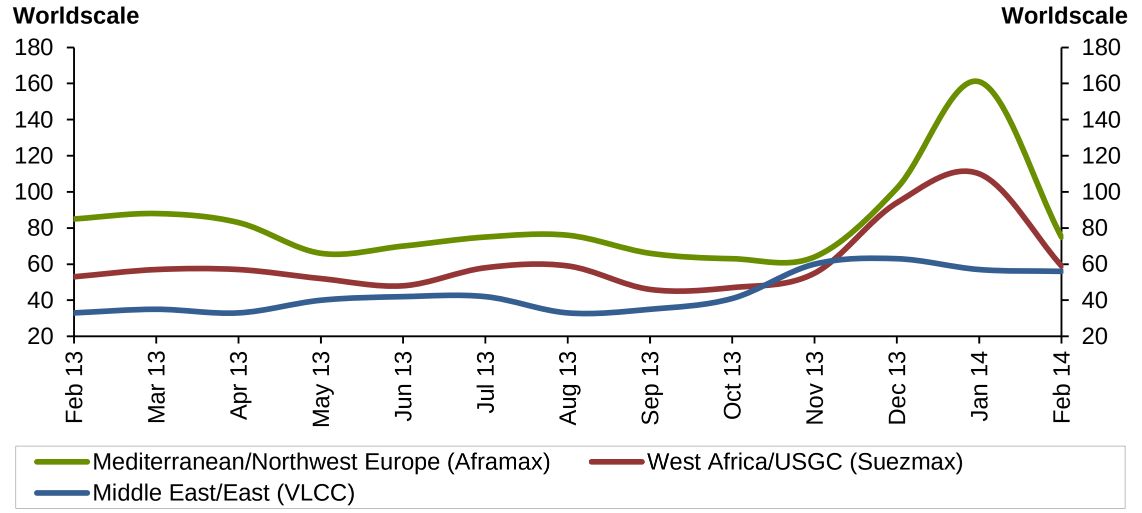


Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	Dec 13	Jan 14	Feb 14	*Change* Feb/Jan
Crude					
Middle East/East	230-280	63	57	56	-1
Middle East/West	270-285	39	36	35	-1
West Africa/East	260	61	57	56	-1
West Africa/US Gulf Coast	130-135	94	110	59	-51
Northwest Europe/USEC-USGC	130-135	89	104	57	-47
Indonesia/US West Coast	80-85	109	113	97	-16
Caribbean/US East Coast	80-85	146	241	116	-125
Mediterranean/Mediterranean	80-85	107	172	85	-87
Mediterranean/Northwest Europe	80-85	102	161	75	-86

Source: Galbraith's tanker market report and Platts.

Suezmax

Suezmax spot freight rates dropped at a greater rate than those for VLCCs in February. Rates for tankers operating on the West Africa-to-US route decreased by 46% to average WS59 points. Rates on the Northwest Europe-to-US route fell by 45% in February from the previous month to average WS57 points.

The Suezmax market in West Africa experienced slow activity and an obvious lack of interest from charterers, lengthening the list of available tonnage, while improved weather minimized delays at the Turkish Straits, limiting further downward pressure on freight rates. Cargoes in several regions were below available tonnage; freight rates in the Caribbean, Mediterranean and Black Sea came under pressure. Suezmax loading was considered a possible alternative to VLCC chartering in February, as charterers tried to find a more economic alternative and to grasp the opportunity of declining freight rates. The month's end saw higher activities for Suezmax in the East, while the West remained stable. Compared with one year earlier, average Suezmax spot freight rates showed an increase of 16% in February.

Aframax

The **Aframax** sector saw the largest decline in freight rates compared with tankers in the dirty segment. This downward trend — registered on all reported routes — reversed the bullish sentiments seen for Aframax over the past few months. The average rate fell by 46% on reported routes. East of Suez, the rate for the Indonesia-to-East route declined by 13%. West of Suez, the Caribbean-to-US rate fell by 52%, while the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe rates declined by 51% and 54%, respectively.

These declines were driven by a build-up in tonnage supply and a reduction in Turkish Straits delays as weather conditions improved. Lower freight rates dominated the Aframax market in different regions in February. Rates dropped in the North Sea and the Baltics declined mainly on the back of lower activity combined with tonnage surplus. The same market conditions prevailed for both the Black Sea and the Mediterranean. Bad weather conditions in the Caribbean, combined with prompt replacements, strengthened the region's freight rates. However, this positive momentum was short-lived, as freight rates declined later.

Clean spot freight rates

In the **clean** tanker market, spot freight rates weakened on all reported routes in February with the exception of freight rates registered for tankers trading on the Middle East-to-East route. Average rates decreased by 9% West of Suez and rose by 3% East of Suez. The biggest decline was registered for the Northwest Europe-to-US route, which dropped by 13% to average WS125 points. The Middle East-to-East route rate showed the only positive performance in February, increasing by 13% from the previous month. The rate for tankers trading on the Singapore-to-East route dropped by 5%, while rates for the Mediterranean-to-Mediterranean and the Mediterranean-to-Northwest Europe dropped by 8% and 7%, respectively. A decline in the Singapore-to-East rate was driven by lower product trade, while gains achieved on the Middle East-to-East route came on the back of a tighter position list. Adequate tonnage supply for medium-range and long-range tankers and a balanced market situation prevented rates from achieving any gain in February despite weather disruptions in Europe, which created the need for prompt replacements. Compared with the same month last year, rates for both East and West of Suez were lower.

Graph 7.2: Monthly average of clean spot freight rates

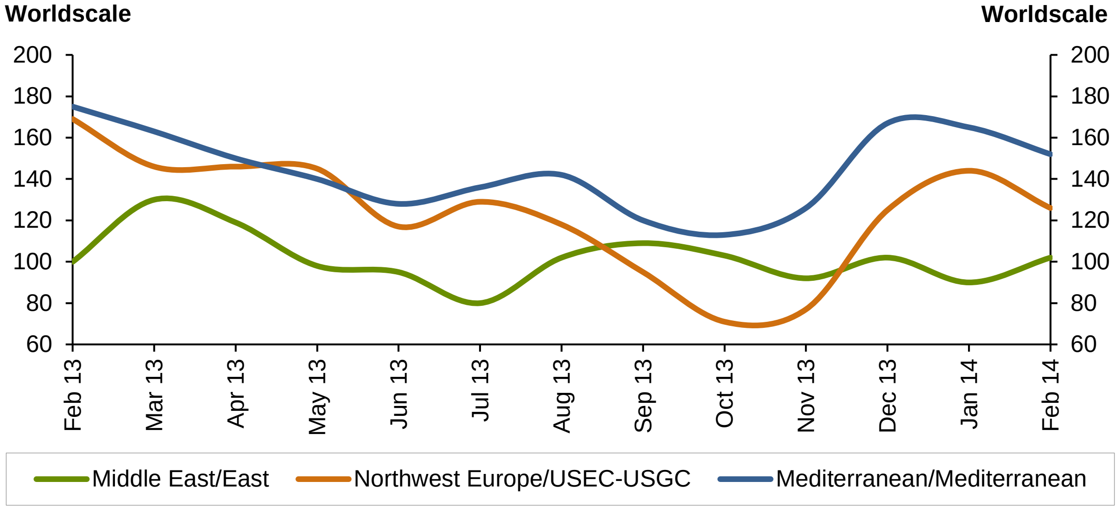


Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	**Dec 13**	**Jan 14**	**Feb 14**	***Change* *Feb/Jan***
Products					
Middle East/East	30-35	102	90	102	12
Singapore/East	30-35	115	108	104	-4
Northwest Europe/USEC-USGC	33-37	125	144	126	-18
Mediterranean/Mediterranean	30-35	167	165	152	-13
Mediterranean/Northwest Europe	30-35	177	175	162	-13

Source: Galbraith's tanker market report and Platts.

Oil Trade

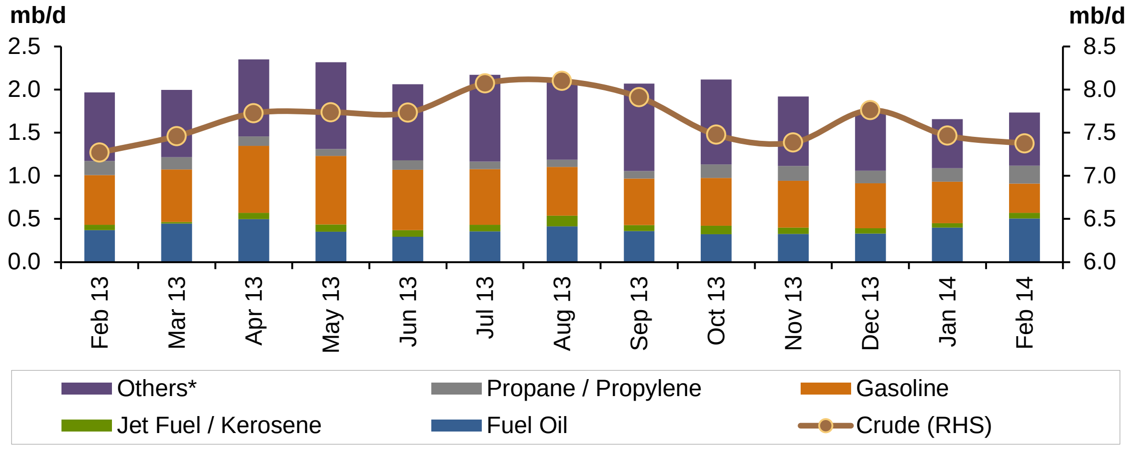
Preliminary data for February shows that US crude oil imports declined by 91 tb/d or 1% from the previous month to average 7.4 mb/d. On an annual basis, this reflects a gain of 105 tb/d or 1.4% from a year earlier. Japan's crude oil imports increased in January by 127 tb/d or 3% to average 40 mb/d, the lowest since March 2013. Y-o-y, Japan's crude imports dropped in January by 64 tb/d or 2% .China's crude oil imports reached record levels in January, to increase by 325 tb/d or 5% from the previous month and average 6.6 mb/d. The rise came on the back of stock building and new refineries starting operations. India's crude imports increased by 62 tb/d or 2% from the previous month to average 3.6 mb/d, reflecting an annual drop of 705 tb/d or16%.

US

Preliminary data for February shows that US crude oil imports declined by 91 tb/d or 1% from the previous month to average 7.4 mb/d. This reflects an annual gain of 105 tb/d or 1.4% from one year earlier.

US product imports increased by 75 tb/d or 4% m-o-m to average 1.7 mb/d, while y-o-y they dropped by 233 tb/d or12%. In a year-to-date comparison, both crude and product imports declined — by 2% and 16%, respectively. US product exports registered an increase of 91 tb/d or 2% for the month to average 3.7 mb/d from the previous month. In an annual comparison, figures reflected a greater increase of 586 tb/d or 19%. As a result, **US total net imports declined in February to average 5.3 mb/d, 2% lower than the previous month and 11% less than one year ago**.

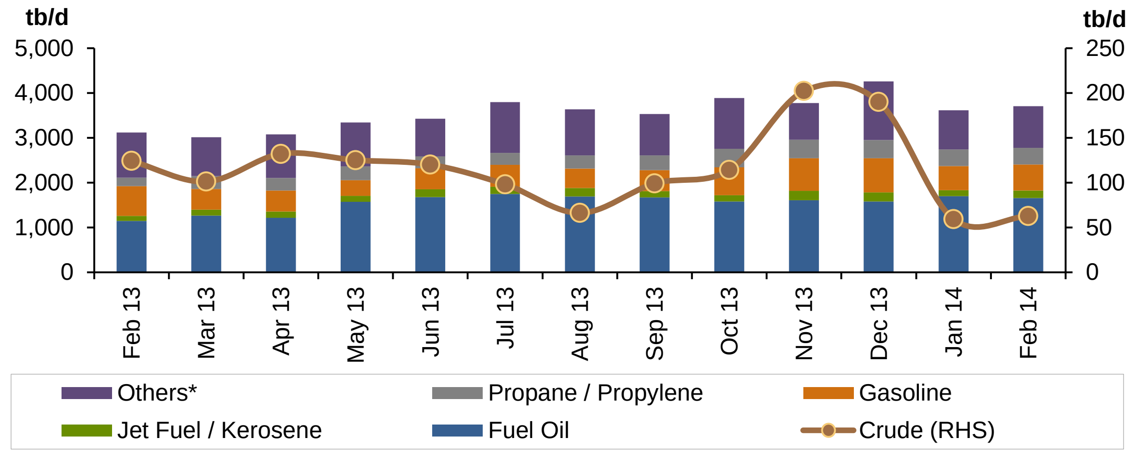
Graph 8.1: US imports of crude and petroleum products



**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.*

Canada maintained its position as top crude supplier to the US in December, accounting for 36% of total US crude imports, up by 225 tb/d or 9% from the previous month. Saudi Arabia was the country's second largest supplier, representing 20% of total US crude imports, while Mexico was the third largest supplier, accounting for 13% of total crude imports. Imports from Mexico remained stable compared with the previous month.

Graph 8.2: US exports of crude and petroleum products



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

Crude imports from OPEC Member Countries in December were up by a slight 0.7% from a month earlier, mainly due to reduced imported volumes from Saudi Arabia, Kuwait and Ecuador. This was counterbalanced by higher crude imports from Venezuela and Iraq. Crude imports from OPEC Member Countries accounted for 43% of total US crude imports.

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

	Dec 13	Jan 14	Feb 14	*Change* Feb/Jan
Crude oil	7,569	7,407	7,312	-94
Total products	-2,511	-1,957	-1,973	-16
Total crude and products	**5,058**	**5,450**	**5,340**	**-110**

In December, US product imports from OPEC Member Countries rose by 12% from one month earlier. Canada and Russia maintained their positions as first and second suppliers to the US, though they saw a drop in volume by 4 tb/d and 70 tb/d, respectively. Meanwhile, the UK came in as third biggest supplier, with increased volumes of 22 tb/d over the previous month.

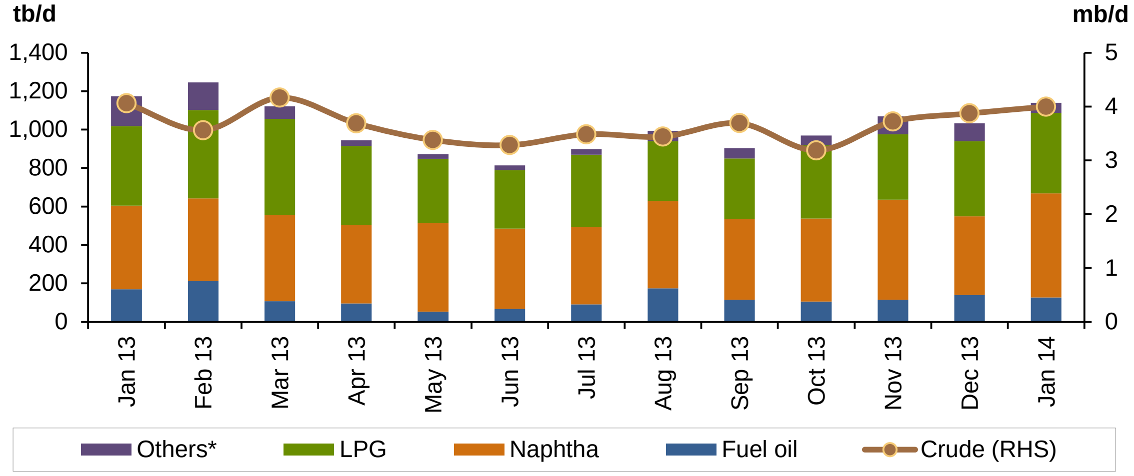
Japan

Japan crude oil imports saw a gain in January of around 130 tb/d or 3% to average 4.0 mb/d. In a y-o-y comparison, crude imports dropped in January by 64 tb/d or 2%. Monthly crude import volumes were the highest seen since March 2013.

Top suppliers to Japan in January were Saudi Arabia, the UAE and Qatar, with Saudi Arabia in first place, as in the previous month, holding a share 29% of total crude exports to Japan. The UAE came in as second-largest supplier to Japan with a share of 20% of total crude exports, while Qatar held third place with a share of 14%.

Imports from Saudi Arabia were lower than the previous month by 124 tb/d or 10%, while both the UAE and Qatar saw an increase in volumes exported to Japan from one month earlier of 5% and 18%, respectively.

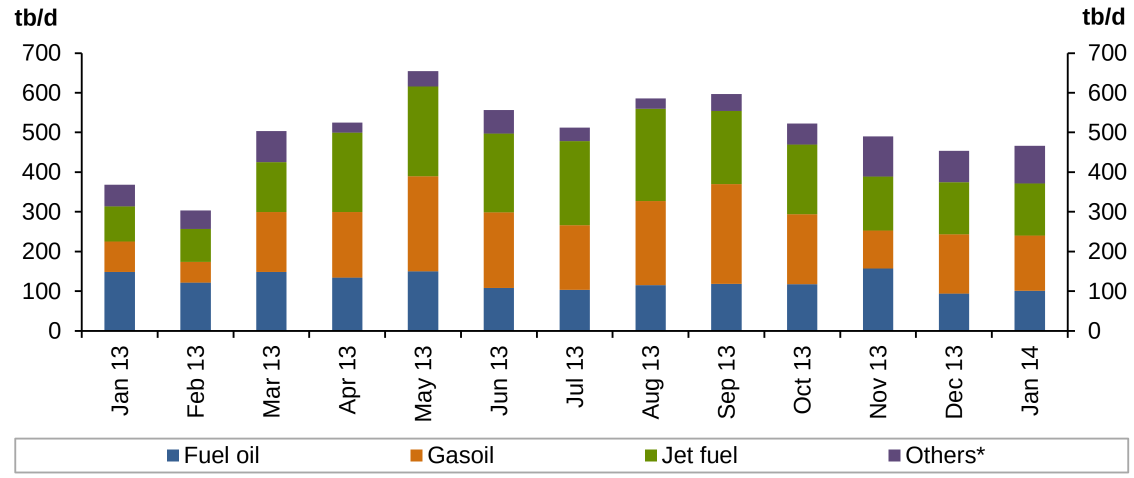
Graph 8.3: Japan's imports of crude and petroleum products



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

Product imports also increased in January by 80 tb/d to average 721 tb/d, reflecting a gain of 12% m-o-m, but a drop of 5% y-o-y.

Graph 8.4: Japan's exports of petroleum products



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

In January, Japanese exports increased by 12 tb/d or 3% to average 467 tb/d. In a y-o-y comparison, product exports rose by 98 tb/d or 27%. Accordingly, **Japan net imports increased in January by 195 tb/d to average 42.5 mb/d, showing a monthly gain of 5%, but an annual drop of 4%**.

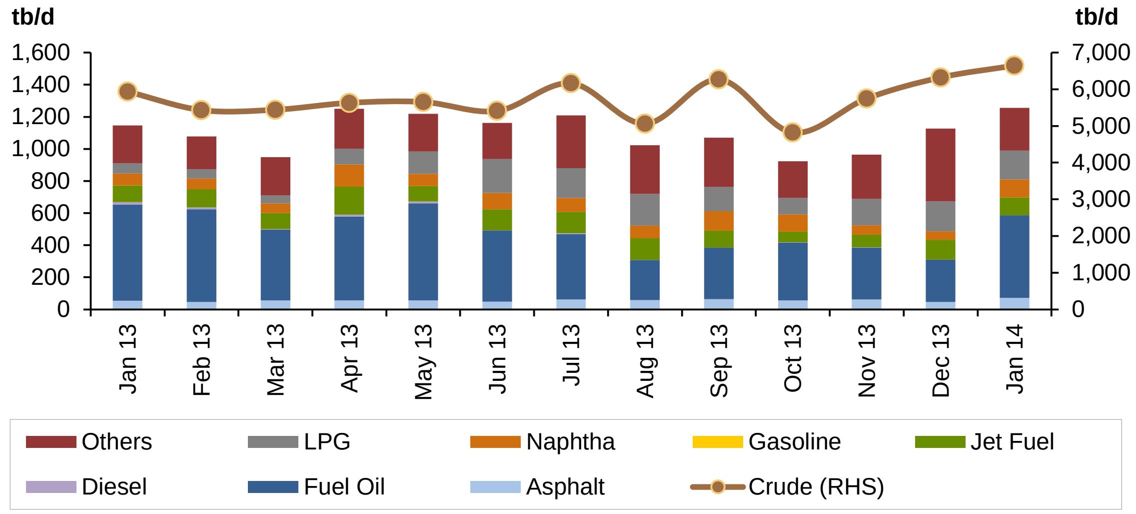
Table 8.2: Japan's crude and product net imports, tb/d

	Nov 13	Dec 13	Jan 14	*Change* Jan/Dec
Crude oil	3,721	3,871	3,999	127
Total products	238	187	254	67
Total crude and products	**3,959**	**4,058**	**4,253**	**195**

China

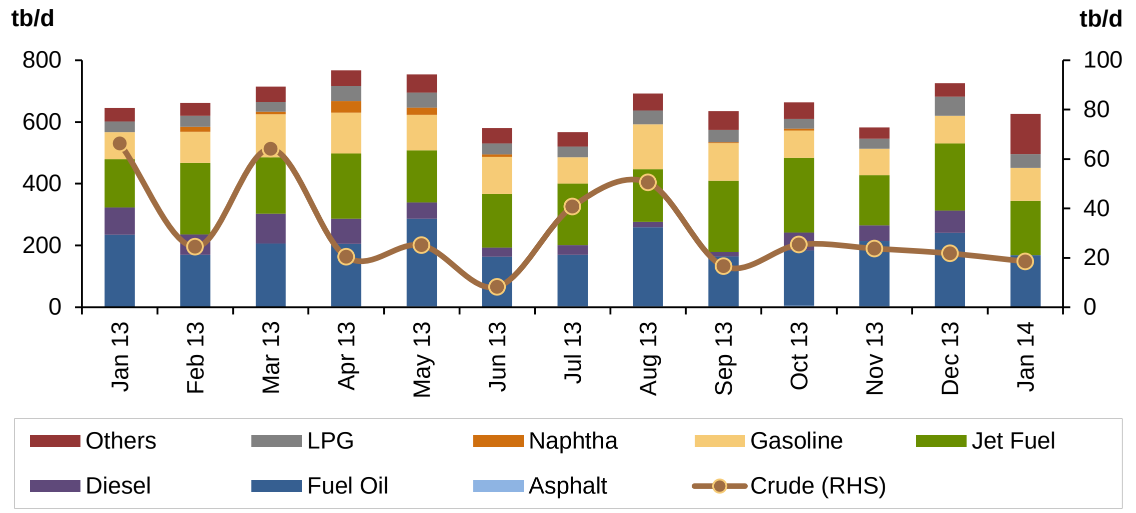
China's crude oil imports reached another record high in January, increasing by 325 tb/d or 5% from the previous month to average 6.6 mb/d. Monthly crude imported volumes reached a record high level in January, exceeding the several exceptional increases seen in 2013. In an annual comparison, Chinese crude imports increased by 710 tb/d, 12% more than one year ago. The crude import increase came on the back of stock building and new refinery additions.

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



Saudi Arabia, Angola and Oman and were the top suppliers to China in January, accounting for 18%, 13%, and 10%, respectively. Although some top suppliers increased their exported volumes to China in January, others decreased their exports. Saudi Arabia's exports rose by 22% from one month ago, while imports from both Angola and Oman saw a loss of 4% each from the previous month.

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



China's crude exports dropped in January by 3 tb/d to average 19 tb/d, the lowest level seen since September 2013. Y-o-y, this reflects a greater decrease in crude exports by 72%. In a similar pattern, Chinese product exports saw a decline of 99 tb/d or 14% m-o-m and 19 tb/d or 3% y-o-y. As a result, **Chinese net oil imports increased by 556 tb/d or 8% from the previous month and 886 tb/d or 14% from one year earlier**.

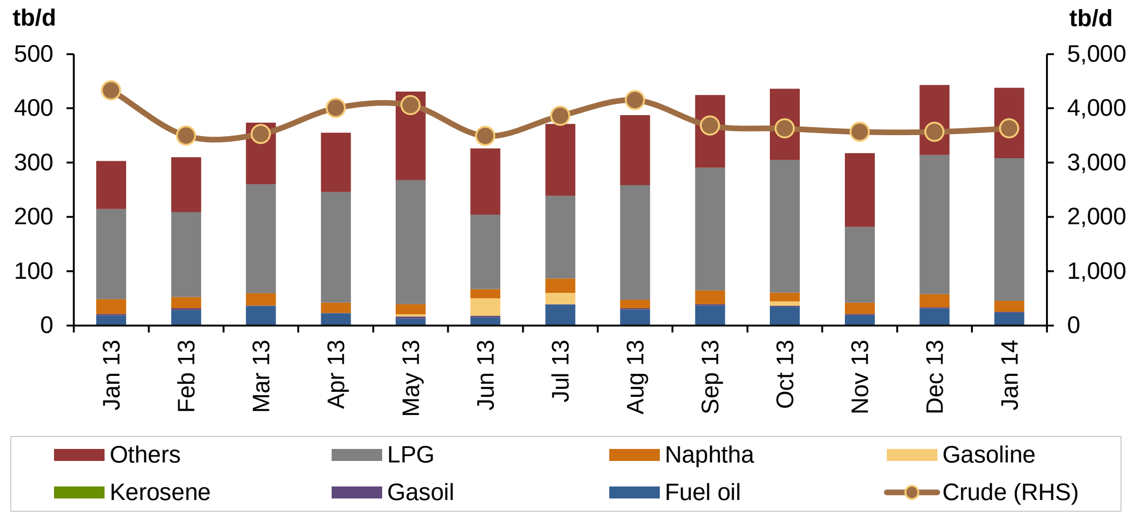
Table 8.3: China's crude and product net imports, tb/d

	Nov 13	Dec 13	Jan 14	*Change* Jan/Dec
Crude oil	5,725	6,301	6,630	329
Total products	383	401	628	228
Total crude and products	**6,107**	**6,702**	**7,258**	**556**

India

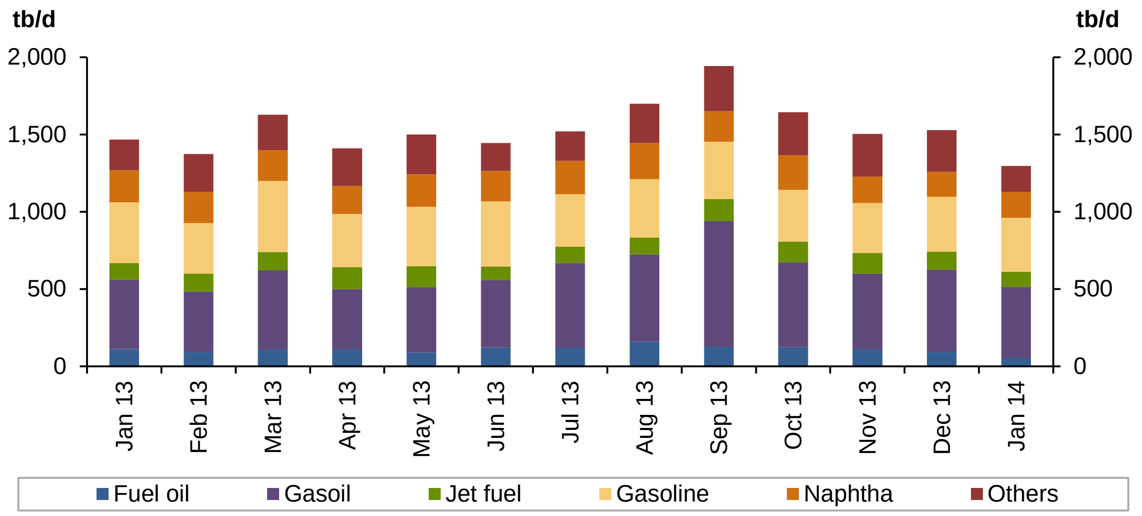
In January, Indian crude imports increased by 62 tb/d or 2% from the previous month to average 3.6 mb/d, reflecting an annual drop of 705 tb/d or16%.

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



Indian imports for products in January saw a slight decrease of 6 tb/d or 1% m-o-m, while y-o-y they increased by 134 tb/d or 44%. The decrease in monthly product imports came mainly as a result of decreased volumes in fuel oil and naphtha, which declined by 24% and 18%, respectively.

Graph 8.8: India's exports of petroleum products



While diesel imports were stable at last month's level, India's product exports dropped in January by 215 tb/d or 15% to average 12 mb/d, the lowest level seen since May 2012. Yearly, product exports dropped by 161 tb/d or 12%. The decline in monthly product exports came primarily from diesel and fuel oil, which dropped by 13% and 41%, respectively. Consequentially, **India's net imports increased by 79 tb/d to average 2.8 mb/d, reflecting a gain of 3% m-o-m and 0.8% y-o-y**.

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

	Nov 13	Dec 13	Jan 14	*Change* Jan/Dec
Crude oil	3,566	3,565	3,627	62
Total products	-1,051	-971	-762	209
Total crude and products	**2,515**	**2,594**	**2,865**	**271**

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

FSU

Total crude oil exports in January from the former Soviet Union (FSU) declined by 62 tb/d or 1% to average 6,227 tb/d. Crude exports through Russian pipelines increased by 79 tb/d or 2% to average 3,927 tb/d.

Shipments from the Druzhba pipeline to Central and Eastern Europe dropped by 61 tb/d or 6% to average 1,021 tb/d. Black Sea exports saw a decline by 21 tb/d or 3% to average 621 tb/d. Exports from the Baltics also dropped, by 44 tb/d or 3%, to average 1,313 tb/d in January. Loadings of CPC Blend rose 29 tb/d or 9% from December to average 742 tb/d.

FSU total product exports rose by 51 tb/d or 2% from one month ago to average 3,184 tb/d. This increase was mainly supported by higher volumes of gasoil and gasoline, which rose by 101 tb/d and 82 tb/d, respectively. However, exports of fuel oil and naphtha fell by 51 tb/d and 62 tb/d from the previous month.

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

	2013	1Q2013	2Q2013	3Q2013	4Q2013	Dec 13	Jan 14
Crude							
Russian pipeline							
Black Sea	740	769	752	738	699	642	621
Baltic	1,546	1,574	1,647	1,409	1,554	1,357	1,313
Druzhba	1,032	991	1,020	1,063	1,055	1,082	1,021
Kozmino	434	439	433	437	429	432	504
Total	**4,073**	**4,086**	**4,152**	**3,984**	**4,070**	**3,848**	**3,927**
Other routes							
Russian rail**	10	12	9	9	9	9	9
Kazakh rail	190	183	169	194	212	210	159
Russian - Far East	259	243	261	252	282	301	301
Varandey	111	103	109	120	113	116	119
Kaliningrad	19	18	21	18	18	23	11
CPC	703	672	703	707	732	713	742
BTC	635	580	714	636	609	576	577
Kenkiyak-Alashankou	240	240	236	222	262	233	233
Caspian	154	176	182	124	134	136	149
Total crude exports	**6,394**	**6,313**	**6,555**	**6,265**	**6,441**	**6,165**	**6,227**
Products							
Gasoline	122	141	123	109	114	104	186
Naphtha	390	339	355	433	432	531	469
Jet	11	14	16	8	7	1	2
Gasoil	857	977	875	822	753	846	947
Fuel oil	1,415	1,339	1,557	1,463	1,302	1,427	1,376
VGO	263	219	288	311	236	224	204
Total	**3,058**	**3,029**	**3,214**	**3,145**	**2,843**	**3,133**	**3,184**
Total oil exports	**9,451**	**9,342**	**9,769**	**9,410**	**9,284**	**9,298**	**9,411**

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

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

Stock Movements

OECD commercial stocks fell further in January, after a substantial decline in 4Q13. Inventories stood at 142 mb below the five-year average, divided between crude (19 mb) and products (123 mb). In terms of days of forward cover, OECD commercial stocks fell by 0.1 days in January to stand at 56.2 days. This is around two days lower than the latest five-year average. Preliminary data for February shows that US total commercial oil stocks rose by 1.2 mb after falling by more than 100 mb during the last four months. Inventories stood at 32.0 mb below the latest five-year average, however, crude remained around 8.0 mb above the seasonal norm. Chinese total oil commercial inventories rose strongly by 28.1 mb in January driven by the build of crude and products, which increased by 8.2 mb and 19.9 mb, respectively.

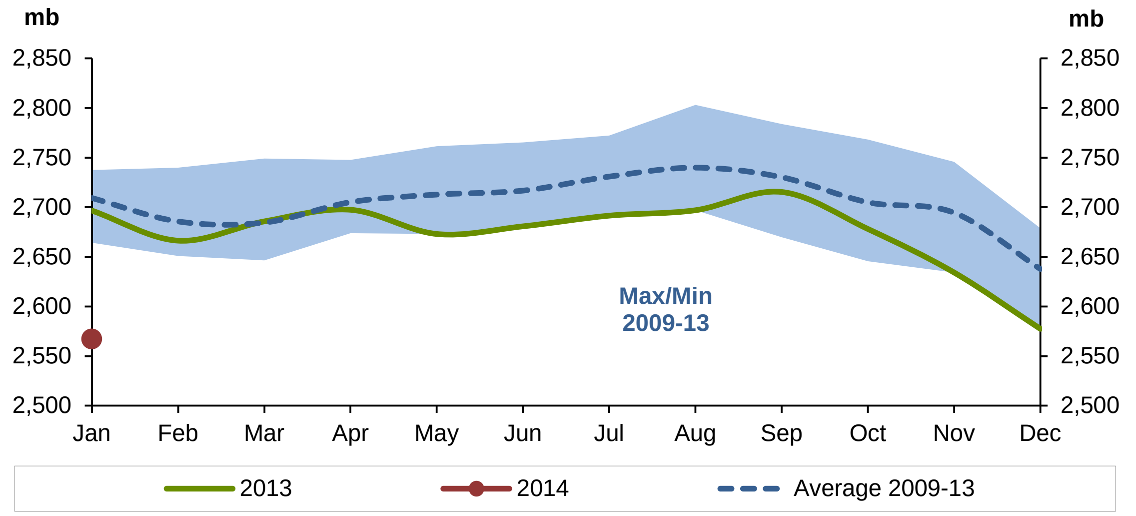
OECD

Preliminary data for January shows that **total OECD commercial oil stocks** declined by 10.4 mb for the fourth consecutive month to stand at 2,567 mb. At this level, inventories were around 130 mb below the same period of the previous year and showed a deficit of 142 mb compared with the five-year average.

Within the components, the improvement of demand in the OECD led to a drop in product stocks by around 11.6 mb, while crude oil commercial stocks rose slightly by 1.2 mb driven by lower refinery runs, following the start of refinery maintenance. At 1,243 mb, OECD crude commercial inventories stood 19.4 mb below the seasonal norm, and 30.4 mb less than the same period a year ago. Product stocks stood at 1,314 mb, indicating a deficit of 123 mb below the five-year average and coming in around 99 mb lower than the same time one year earlier.

In terms of **days of forward cover**, OECD commercial stocks fell by 0.1 days in January to stand at 56.2 days. This is around two days lower than the latest five-year average and around 2.7 days below the same month last year. OECD Americas was 1.5 days below the historical average at 54.5 days in January and OECD Europe stood at 2.2 days below the seasonal average to finish the month at 66.3 days. Meanwhile, OECD Asia-Pacific indicated a deficit of 2.4 days, averaging 44.8 days.

Graph 9.1: OECD's commercial oil stocks



In January, **commercial stocks** in **OECD Americas** fell by 20.8 mb for the fourth consecutive month to stand at 1,297 mb. With this drop, inventories were 30.5 mb below the seasonal norm, and they stood 67 mb below a year ago at the same time.

At the end of January, **crude commercial oil stocks** in **OECD Americas** rose slightly by 0.4 mb versus the previous month following a massive drop of about 77 mb during the last two months. At 650 mb, OECD Americas' crude oil commercial stocks finished the month at 15.6 mb above the latest five-year average, but 18.0 mb less than a year ago at the same time.

The slight rise in OECD Americas' commercial crude oil stocks came mainly from higher US crude oil imports, which averaged 7.4 mb/d. At the same time, the fall in refinery crude runs to 15.6 mb/d also contributed to the build in crude oil stocks.

OECD Americas' product stocks fell in January, declining by 21.2 mb to finish at 647 mb. This represents a deficit of 46 mb below the seasonal norm, and 49 mb below the same time a year ago. The bulk of the drop came from middle distillates which fell by 14 mb, while gasoline stocks experienced a build. Severe winter weather in the US left the distillates market tight as shown by a deficit of 41.0 mb below the latest five-year average, while gasoline stocks remained in line with the seasonal norm.

In January, **OECD Europe's commercial stocks** rose by 8.1mb, reversing the drop of the past three months. At 890 mb, OECD Europe's commercial stocks stood at 92.0 mb below the seasonal norm and 40 mb less than one year ago at the same time.

OECD Europe's crude oil stocks fell slightly in January by 0.4 mb, following a drop of 5 mb in December. At 383 mb, crude oil stocks indicated a deficit of 13.3 mb below the seasonal norm, while they stood 7.4 mb above the same time a year ago. This drop is mainly due to lower supply outpacing the decline in demand for crude.

In contrast, **OECD Europe's commercial product stocks** rose by 8.5 mb in January for the second consecutive month, driven by relatively weaker demand in the region. At 507 mb, OECD Europe commercial product inventories showed a deficit of 78 mb below the seasonal norm and stood at 48 mb below a year ago at the same time. The major products, namely gasoline and distillates, saw a build of around 2 mb and 6 mb, respectively.

Commercial inventories in **OECD Asia-Pacific** rose by 2.3 mb in January after declining by 16 mb in December. At 380 mb, they were 22 mb below the same period a year ago and 20 mb lower than the latest five-year average. Within the components, both crude and product inventories rose by 1.2 mb and 1.1 mb, respectively. **Crude inventories** ended the month of January at 210 mb and stood at 19 mb below one year ago and 22 mb lower than the seasonal norm. OECD Asia-Pacific's total **product inventories** indicated a deficit of 2.3 mb compared with one year ago but showed a surplus of 1.3 mb over the seasonal norm.

Table 9.1: OECD's commercial stocks, mb

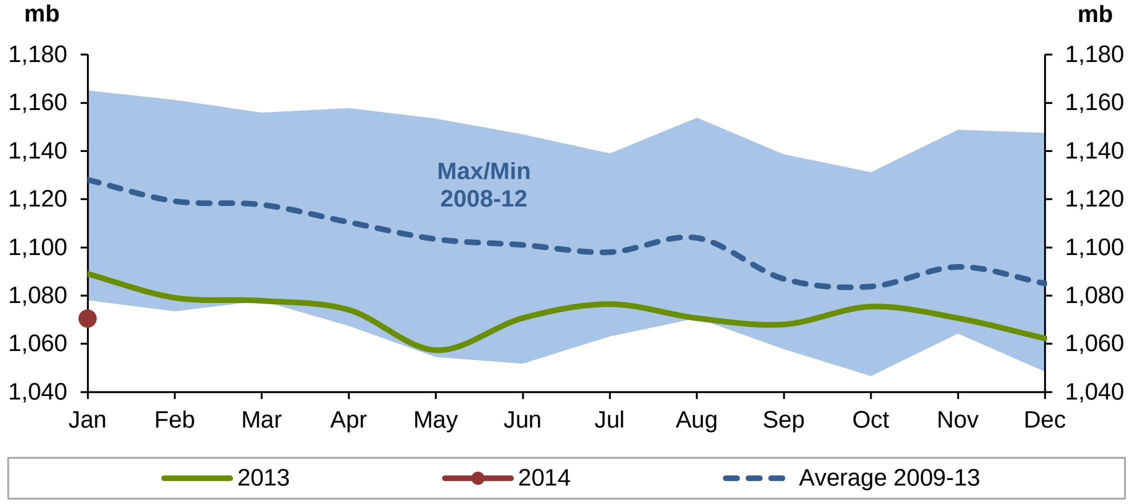
				Change	
	Nov 13	Dec 13	Jan 14	Jan 14/Dec 13	Jan 13
Crude oil	1,294	1,242	1,243	1.2	1,273
Products	1,340	1,336	1,324	-11.6	1,423
Total	**2,634**	**2,577**	**2,567**	**-10.4**	**2,697**
Days of forward cover	**57.2**	**56.3**	**56.2**	**-0.1**	**58.9**

EU plus Norway

Preliminary data for January shows that **European stocks** rose by 8.2 mb, reversing the fall of the last two months to stand at 1,070.4 mb. Despite this build, European stocks stood at 18.6 mb or 1.7% lower than the same time one year ago, and are 57.7 mb or 5.1% below the five-year average. Products saw a build of 8.5 mb, while crude oil stocks dropped slightly by 0.4 mb.

European crude inventories were virtually unchanged from December and ended the month of January at 465.5 mb. Crude inventories were 12.9 mb or 2.9% above the same period last year, but are in line with the latest five-year average. Crude demand remained weak as European refinery runs were just 115,000 b/d higher than in December, averaging 9.7 mb/d. Average utilization was only 78%, the fifth successive month that it has been below 80%.

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



In contrast, **OECD Europe's product stocks** rose by 8.5 mb in January, following a build of 1.5 mb in December. Despite this build, European stocks were 31.5 mb or 4.9% below the same level one year ago and 57.8 mb or 8.7% below the seasonal norm. With the exception of naphtha, all other products experienced builds.

Gasoline stocks rose by 1.9 mb in January to stand at 111.0 mb, a deficit of 4.5 mb or 3.9% below a year ago and 9.6 mb or 7.9% less than the five-year average. The build came from relatively higher refinery output. Weak domestic demand also contributed to the build in European gasoline stocks. The January build was also a result of lower exports to the US East Coast (USEC).

Distillate stocks also rose by 5.6 mb, ending January at 390.0 mb. At this level, distillate stocks showed a deficit of 11.0 mb or 2.7% below a year ago and 17.0 mb or 4.2% lower than the seasonal norm. Mild weather, which capped domestic demand, along with higher gasoil imports from Russia contributed to the build in distillate stocks.

Residual fuel oil stocks rose by 1.5 mb, reversing the fall of the last six months and ending January at 80.2 mb. At this level, they were 6.6 mb or 7.6% below the same time the previous year and 22.0 mb or 21.5% less than the seasonal average. Weak bunker demand in the region contributed to the build in residual fuel oil stocks. **Naphtha stocks** fell by 0.4 mb in January, reversing the build of last month to stand at 23.8 mb. At this level, they remained 9.4 mb or 28.4% below a year ago at the same time and 9.3 mb or 28.0% below the five-year average.

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

	Nov 13	Dec 13	Jan 14	*Change* Jan 14/Dec 13	Jan 13
Crude oil	**475.7**	**465.8**	**465.5**	**-0.4**	**452.5**
Gasoline	107.4	109.1	111.0	1.9	115.5
Naphtha	22.9	24.2	23.8	-0.4	33.2
Middle distillates	384.4	384.4	390.0	5.6	401.0
Fuel oils	80.3	78.7	80.2	1.5	86.8
Total products	595.0	596.4	605.0	8.5	636.5
Total	**1,070.7**	**1,062.3**	**1,070.4**	**8.2**	**1,089.0**

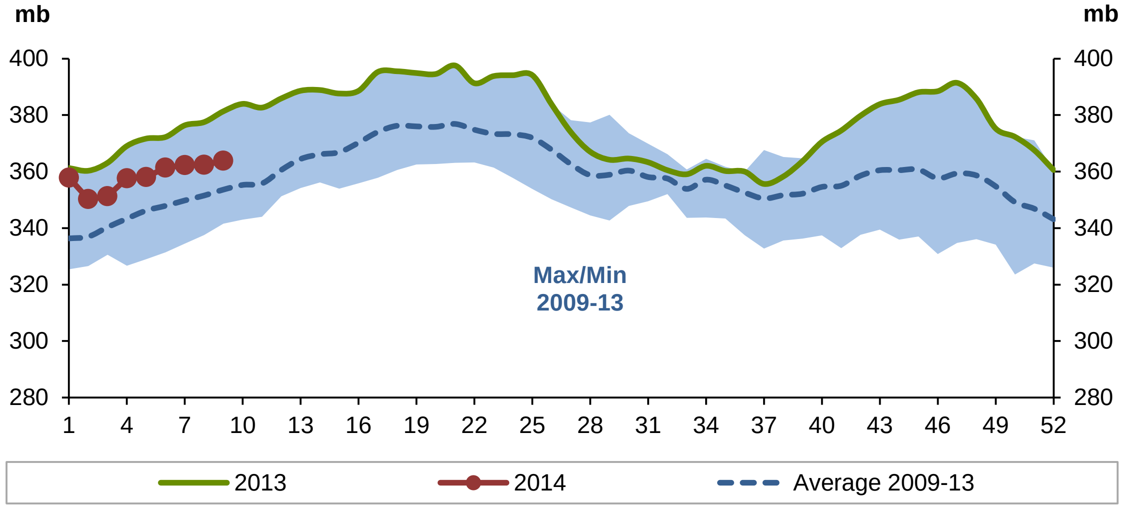
Source: Argus and Euroilstock.

US

Preliminary data for February shows that **US total commercial oil stocks** rose by 1.2 mb after falling by more than 100 mb during the last four months. At 1,034.9 mb, inventories stood at 32.0 mb or 3.0% below the latest five-year average, indicating a deficit of 59.9 mb or 5.5% compared with one year ago. Within the components, the picture was mixed as crude experienced a build, while products witnessed a draw.

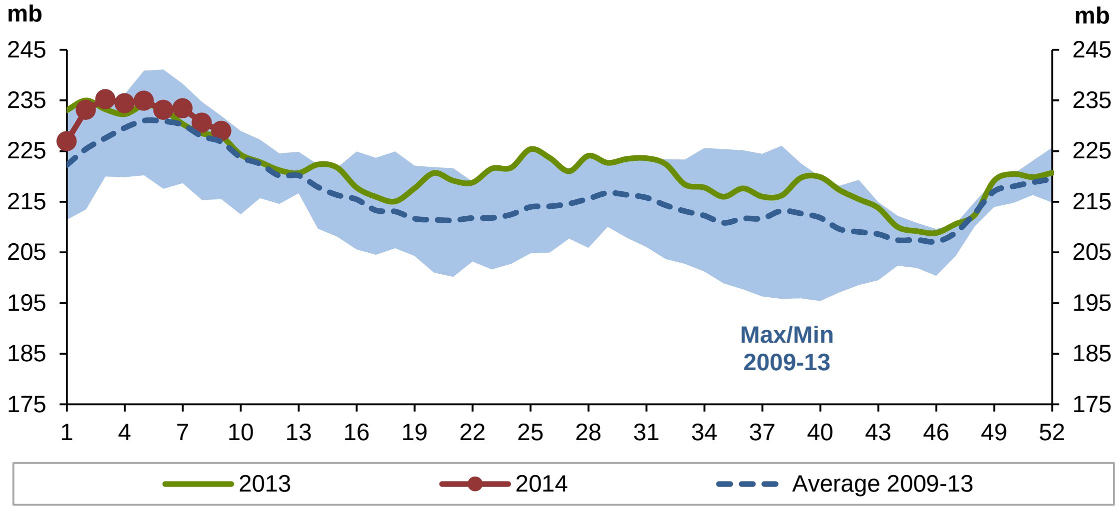
US commercial crude stocks saw a build of 5.7 mb in February following a small build in January to stand at 363.8 mb. At this level, US crude oil commercial stocks finished the month at 7.8 mb or 2.2% above the five-year average, while they were 21.1 mb, or 5.5% lower than one year ago at the same time.

Graph 9.3: US weekly commercial crude oil stocks



The build of crude commercial stocks was driven by lower crude refinery runs, which fell by around 130,000 b/d to stand at 15.2 mb/d. Refineries operated at 87.3% of capacity, down from 88.6% the previous month. However, refineries were running at 3.8 percentage points (pp) higher than the same period last year. While total US commercial crude oil stocks rose in February, inventories at **Cushing, Oklahoma,** dropped by 8.1 mb, ending the month at 32.1 mb. This draw puts Cushing stocks at a 16% deficit to the five-year average. Compared to the same month last year, Cushing stocks in February were 18.4 mb lower.

Graph 9.4: US weekly gasoline stocks



Total product stocks fell further by 4.5 mb in January for the fifth consecutive month, ending the month at 671.0 mb. With this fall, US product stocks stood at 38.8 mb or 5.5% below a year ago at the same time, representing a deficit of 39.8 mb or 5.6% below the seasonal norm. Within products, the bulk of the decline came from gasoline, propylene and residual fuel oil, while distillates and jet fuel oil saw a build.

Gasoline stocks declined by 6.0 mb in February, reversing the build of the last two months. At 229.0 mb, gasoline stocks are 2.2 mb or 0.9% higher than the same period a year ago, and they remained 1.8 mb or 0.8% above the latest five-year average. A rise of around 50,000 b/d in apparent demand was behind the stock draw in gasoline inventories. However, higher gasoline output limited a further drop in gasoline stocks.

Distillate stocks rose slightly by 0.7 mb in February after declining by 13.5 mb a month earlier to stand at 114.5 mb. At this level, distillate stocks stood at 7.4 mb or 6.0% below a year ago and remained at 29.0 mb or 20.3% lower than the seasonal average. The build in middle distillate stocks came mainly from lower apparent demand, which declined by around 350,000 b/d to average 3.6 mb/d. The distillate market is expected to remain tight on increasing refinery maintenance, although demand growth should ease as temperatures improve.

Residual fuel oil stocks fell by 1.0 mb to end February at 36.9 mb, which is 0.8 mb or 2.2% lower than a year ago and 0.7 mb or 1.9% below the seasonal norm. In contrast, jet fuel stocks rose by 1.8 mb to stand at 37.9 mb, but down by 2.6 mb or 6.4%from the same month a year ago and 0.7 mb or 1.9% below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

	Dec 13	Jan 14	Feb 14	*Change* Feb 14/Jan 14	Feb 13
Crude oil	357.6	358.1	363.8	5.7	384.9
Gasoline	228.1	235.0	229.0	-6.0	226.8
Distillate fuel	127.3	113.8	114.5	0.7	121.8
Residual fuel oil	37.7	37.9	36.9	-1.0	37.8
Jet fuel	37.2	36.2	37.9	1.8	40.5
Total	**1,064.1**	**1,033.6**	**1,034.9**	**1.2**	**1,094.8**
SPR	696.0	696.0	696.0	0.0	696.0

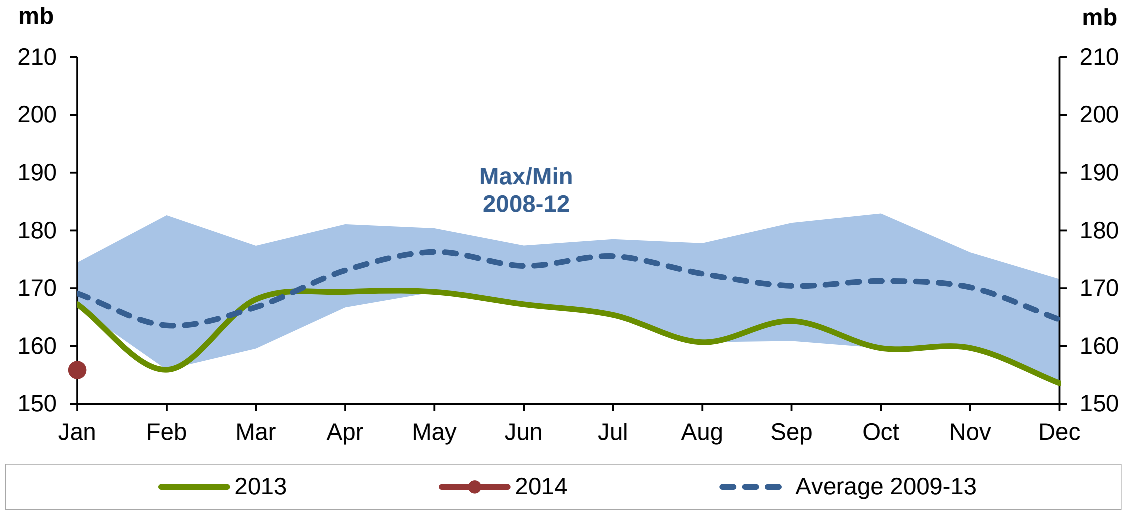
Source: US Department of Energy's Energy Information Administration.

Japan

In Japan, total **commercial oil stocks** rose by 2.2 mb in January, reversing the fall of 6.1 mb last month. At 155.9 mb, Japanese oil inventories are 11.4 mb or 6.8% below a year ago and 13.3 mb or 7.8% lower than the five-year average. Within the components, both crude and products rose by 1.1 mb each.

Japanese commercial **crude oil stocks** rose in January, reversing the previous month's stock draw, to stand at 89.2 mb. At this level, they are 10.1 mb or 10.2% below a year ago at the same time and 9.2 mb or 9.3% below the five-year average. The stock build in crude oil was driven by higher crude imports, which rose by around 130,000 b/d or 3.3%, to average nearly 4.0 mb/d. At this level, crude imports were still 1.6% lower than last year at the same time. Refinery throughput saw a minor increase in January, averaging 3.7 mb/d. At this level, they were in line with last year at the same time. Japanese refiners were running at 86.3% of capacity in January, around 0.8 pp higher than in the previous month, and 2.6 pp more than in the same period one year ago. Direct crude burning in power plants saw an increase of 12.5% in January compared with the previous month, averaging 263.8 tb/d, but was still 6.5% lower than the same period last year.

Graph 9.5: Japan's commercial oil stocks



Japan's total product inventories saw a build of 1.1 mb in January, reversing the declines of the last fourth months, to stand at 66.7 mb. At this level, product stocks showed a deficit of 1.3 mb or 2.0% compared with one year ago at the same time and remained below the five-year average by a deficit of 4.1 mb or 5.8%. Lower domestic sales, which fell by 190,000 b/d or 4.9% in January, averaging 3.7 mb/d, were behind the build in product inventories. At this level, Japanese oil product sales were also 2.4% lower than a year earlier. A 13% increase in oil product imports also contributed to the build in product inventories. With the exception of distillates, all products witnessed a build, with the bulk coming from gasoline.

Gasoline stocks rose by 1.1 mb in January, ending the month at 12.0 mb, which is 1.1 mb or 8.7% less than the same time last year and 1.6 mb or 12.0% below the five-year average. A decline of 12.8% in domestic sales was behind this stock build. Lower gasoline production limited a further build in gasoline stocks.

Distillate stocks fell by 1.1 mb in January for the fifth consecutive month to finish at 31.1 mb, which is 2.1 mb or 7.3% above the same period a year ago and 0.5 mb and 1.6% higher than the seasonal average. Within distillate components, gasoil and jet fuel oil stocks rose, while kerosene dropped. In January, gasoil inventories rose by 10.2% on the back of lower domestic sales, which declined by nearly 12.5%. Jet fuel stocks also rose by 10.2%, driven by higher production combined with lower domestic sales. In the contrast, kerosene stocks fell by 4.9% on the back of lower imports as domestic sales remained almost unchanged.

Naphtha stocks rose by 0.6 mb, finishing the month of January at 8.6 mb, indicating a deficit of 1.0 mb or 10.2% compared with a year ago and 1.7 mb or 16.8% below the seasonal norm. The stock build came mainly from higher imports, which increased by nearly 30%. Relatively higher domestic sales limited a further build in naphtha inventories.

Total residual **fuel oil stocks** went up by 0.4 mb to end the month of January at 14.9 mb, which is 1.3 mb or 8.2% less than one year ago and 1.2 mb or 7.4% lower than the five-year average. Within the fuel oil components, fuel oil A stocks rose by 13.1%, while and fuel oil B.C declined by 2.4%. The build in fuel oil A stocks could be attributed to lower domestic sales, which dropped by 6.9%. The fall in fuel oil B.C stocks is attributed to higher domestic consumption combined with lower imports.

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

	Nov 13	Dec 13	Jan 14	*Change* Jan 14/Dec 13	Jan 13
Crude oil	**89.6**	**88.0**	**89.2**	**1.2**	**99.2**
Gasoline	11.5	10.9	12.0	1.1	13.2
Naphtha	10.4	8.0	8.6	0.6	9.6
Middle distillates	33.8	32.1	31.1	-1.0	29.0
Residual fuel oil	14.3	14.5	14.9	0.4	16.2
Total products	**70.1**	**65.6**	**66.7**	**1.1**	**68.0**
Total**	**159.7**	**153.6**	**155.9**	**2.2**	**167.3**

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

China

The latest information showed **Chinese total oil commercial inventories** rose strongly by 28.1 mb in January, following a build of 2.2 mb in December, to stand at 388.1 mb. Within the components, both commercial crude and products rose by 8.2 mb and 19.9 mb, respectively. This build in **crude commercial stocks** came mainly from increased crude imports, which reached a new record high. Indeed, Chinese crude imports rose by 5% in January from the previous month, averaging 6.6 mb/d.

Total **product stocks** in China also went up in January, with the bulk of the build coming from an increase of 16.2 mb of diesel inventories. Gasoline and kerosene stocks rose by 2.9 mb and 0.8 mb, respectively. The build in product stocks came from higher outputs as China maintained high throughputs in January.

Table 9.5: China's commercial oil stocks, mb

	Nov 13	Dec 13	Jan 14	*Change* Jan 14/Dec 13	Jan 13
Crude oil	**231.3**	**229.3**	**237.5**	**8.2**	**222.2**
Gasoline	55.1	56.7	59.6	2.9	66.2
Diesel	59.0	60.2	76.5	16.2	80.2
Jet kerosene	12.4	13.7	14.5	0.8	12.4
Total products	**126.5**	**130.7**	**150.6**	**19.9**	**158.8**
Total	**357.8**	**360.0**	**388.1**	**28.1**	**381.0**

Source: OPEC Secretariat analysis.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of January, **product stocks in Singapore** rose by 1.4 mb, reversing the fall of the last four months, to stand at 39.5 mb. Despite this build, product stocks in Singapore represented a deficit of 3.5 mb or 8.1% over the same period in the previous year. Within products, the picture was mixed; light and middle distillates saw a build, while residual fuel oil experienced a drop.

Light distillate stocks rose by 0.7 mb in January, following a build of 0.5 mb in December, to stand at 11.5 mb. At this level, light distillate stocks stood 0.7 mb or 6.6% higher than one year ago during the same period. The build mainly took place in the first three weeks of the month as higher volumes were shipped to Singapore, mainly from China, India and South Korea. The last week of the month saw inventories declining as shipments went down by almost half from the previous week.

Middle distillate stocks also rose by 2.5 mb in January, ending the month at 10.4 mb, down by 1.1 mb or 9.5% from the same period last year. This build was mainly driven by higher automotive diesel imports from South Korea. **Residual fuel** oil fell for the second consecutive month, declining by 1.7 mb. At 17.5 mb, fuel oil stocks remained at 3.1 mb or 15% lower than the same month one year ago. This drop was driven by lower imports, which declined more than half during the last week of the month from the previous week.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) rose by 5.7 mb in January for the second consecutive month. At 33.6 mb, product stocks in ARA stood at 1.1 mb or 3.3% above a year ago at the same time. Within products, all saw a build, with the bulk coming from fuel oil.

Fuel oil stocks rose by 2.1 mb to end the month of January at 6.6 mb. With this build, fuel oil inventories stood at 1.1 mb or 19.3% higher than one year ago at the same time. This build was driven mainly by higher imports. **Gasoline stocks** rose by 1.6 mb in January, following a build of 1.4 mb in the previous month, to stand at 8.4 mb, which is 2.2 mb or 35% higher than the same period last year. This build was driven by the anticipation of rising gasoline demand in coming months. **Gasoil** stocks also rose by 1.2 mb, ending January at 13.6 mb. At this level, gasoil stocks stood at 3.8 mb or 22% below the previous year. **Naphtha stocks** also went up by 0.5 mb to finish January at 1.4 mb, which is 0.5 mb or nearly 50% lower than in the same month a year earlier.

Balance of Supply and Demand

Demand for OPEC crude was revised up by 0.1 mb/d from the previous report for both 2013 and 2014. The demand for OPEC crude is estimated at 30.0 mb/d in 2013, representing a decrease of 0.5 mb/d from 2012. For 2014, required OPEC crude is forecast at 29.7 mb/d, 0.3 mb/d less than a year earlier.

Estimate for 2013

Demand for OPEC crude for 2013 was revised up by 0.1 mb/d as the upward revision for demand outpaced the upward adjustment in non-OPEC supply. In quarterly terms, the first quarter saw an upward revision of 0.1 mb/d, while the second and the third quarters saw an upward adjustment of 0.2 mb/d. The fourth quarter experienced a downward revision of 0.1 mb/d.

Demand for OPEC crude stood at 30.0 mb/d in 2013, representing a decrease of 0.5 mb/d from a year ago. The first quarter is estimated to remain unchanged versus the same quarter last year; while the second was lower by 0.3 mb/d. The third and the fourth quarters saw negative growth of 0.8 mb/d each.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013
(a) World oil demand	**88.96**	**89.08**	**89.16**	**90.64**	**91.11**	**90.00**
Non-OPEC supply	52.85	53.75	53.68	54.17	55.10	54.18
OPEC NGLs and non-conventionals	5.57	5.76	5.78	5.81	5.85	5.80
(b) Total supply excluding OPEC crude	**58.41**	**59.52**	**59.46**	**59.98**	**60.95**	**59.98**
Difference (a-b)	**30.54**	**29.56**	**29.70**	**30.66**	**30.15**	**30.02**
OPEC crude oil production	31.13	30.22	30.59	30.37	29.69	30.21
Balance	0.59	0.66	0.88	-0.30	-0.47	0.19

Totals may not add up due to independent rounding.

Forecast for 2014

Demand for OPEC crude for 2014 was revised up by 0.1 mb/d from the previous report to stand at 29.7 mb/d as world oil demand was adjusted higher than non-OPEC supply. Within the quarters, the first quarter remained unchanged, while the second and the third quarters were revised up by 0.1 mb/d each. The fourth quarter was adjusted higher by 0.2 mb/d.

Demand for OPEC crude is forecast at 29.7 mb/d in 2014, representing a decrease of 0.3 mb/d from a year earlier. The first and second quarters are estimated to show a decline of 0.4 mb/d each, compared to the same period last year. The third quarter is expected to see negative growth of 0.1 mb/d, while the fourth quarter is forecast to drop by 0.4 mb/d versus the same quarter last year.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014
(a) World oil demand	**90.00**	**90.19**	**90.19**	**91.91**	**92.25**	**91.14**
Non-OPEC supply	54.18	55.14	54.95	55.40	56.46	55.49
OPEC NGLs and non-conventionals	5.80	5.88	5.93	5.97	6.01	5.95
(b) Total supply excluding OPEC crude	**59.98**	**61.03**	**60.88**	**61.37**	**62.48**	**61.44**
Difference (a-b)	**30.02**	**29.16**	**29.31**	**30.54**	**29.77**	**29.70**
OPEC crude oil production	30.21					
Balance	0.19					

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

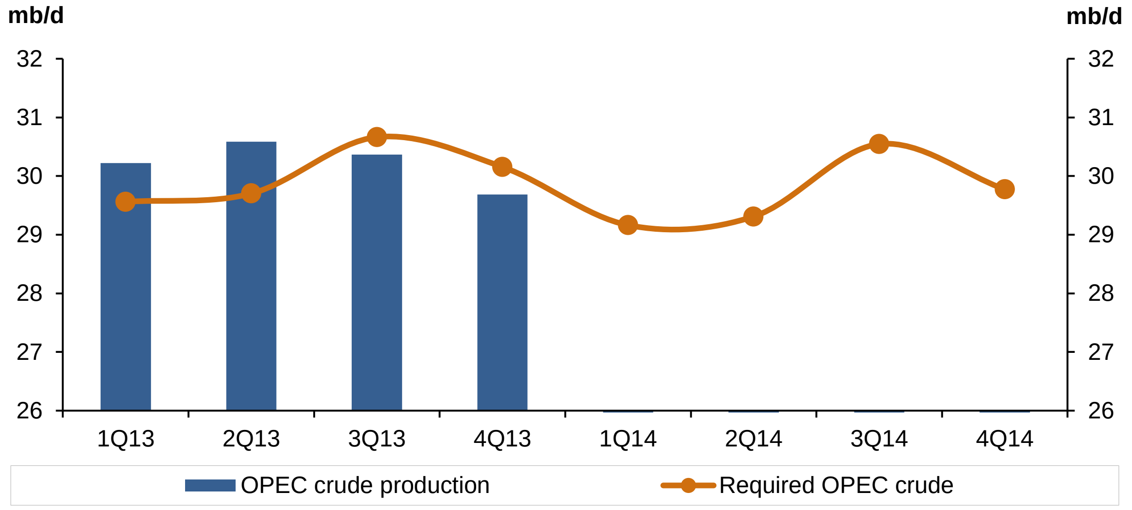


Table 10.3: World oil demand and supply balance, mb/d	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
World demand													
OECD	47.0	46.5	46.0	45.9	45.4	46.1	46.2	45.9	45.8	45.2	46.0	46.1	45.8
Americas	24.1	24.0	23.6	23.7	23.8	24.2	24.1	23.9	23.9	23.9	24.4	24.3	24.1
Europe	14.7	14.3	13.8	13.2	13.8	13.9	13.5	13.6	13.1	13.5	13.8	13.4	13.4
Asia Pacific	8.2	8.2	8.6	8.9	7.8	8.1	8.7	8.4	8.8	7.7	7.9	8.5	8.2
DCs	26.5	27.3	28.2	28.4	28.8	29.4	29.0	28.9	29.2	29.6	30.3	29.8	29.7
FSU	4.2	4.3	4.4	4.3	4.2	4.6	4.8	4.5	4.4	4.3	4.7	4.9	4.6
Other Europe	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.6
China	9.0	9.4	9.7	9.8	10.2	9.9	10.4	10.1	10.1	10.5	10.3	10.7	10.4
(a) Total world demand	**87.3**	**88.1**	**89.0**	**89.1**	**89.2**	**90.6**	**91.1**	**90.0**	**90.2**	**90.2**	**91.9**	**92.2**	**91.1**
Non-OPEC supply													
OECD	20.0	20.2	21.1	21.7	21.7	22.3	22.7	22.1	22.7	22.6	22.8	23.5	22.9
Americas	15.0	15.5	16.7	17.6	17.6	18.3	18.7	18.1	18.7	18.7	19.1	19.5	19.0
Europe	4.4	4.1	3.8	3.6	3.6	3.5	3.6	3.6	3.6	3.4	3.2	3.5	3.4
Asia Pacific	0.7	0.6	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
DCs	12.7	12.6	12.1	12.1	12.1	12.1	12.2	12.1	12.3	12.3	12.4	12.5	12.4
FSU	13.2	13.2	13.3	13.4	13.4	13.4	13.6	13.4	13.5	13.5	13.6	13.8	13.6
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	4.1	4.1	4.2	4.2	4.3	4.1	4.3	4.2	4.3	4.2	4.3	4.3	4.3
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	52.3	52.4	52.8	53.8	53.7	54.2	55.1	54.2	55.1	54.9	55.4	56.5	55.5
OPEC NGLs + non-conventional oils	5.0	5.4	5.6	5.8	5.8	5.8	5.9	5.8	5.9	5.9	6.0	6.0	5.9
(b) Total non-OPEC supply and OPEC NGLs	**57.3**	**57.8**	**58.4**	**59.5**	**59.5**	**60.0**	**61.0**	**60.0**	**61.0**	**60.9**	**61.4**	**62.5**	**61.4**
OPEC crude oil production (secondary sources)	29.2	29.8	31.1	30.2	30.6	30.4	29.7	30.2					
Total supply	86.5	87.6	89.5	89.7	90.0	90.3	90.6	90.2					
Balance (stock change and miscellaneous)	-0.7	-0.5	0.6	0.7	0.9	-0.3	-0.5	0.2					
OECD closing stock levels (mb)													
Commercial	2,679	2,606	2,664	2,686	2,681	2,715	2,577	2,577					
SPR	1,565	1,536	1,547	1,562	1,558	1,564	1,564	1,564					
Total	4,244	4,142	4,212	4,248	4,239	4,279	4,141	4,141					
Oil-on-water	871	825	879	895	871	878	909	909					
Days of forward consumption in OECD													
Commercial onland stocks	58	57	58	59	58	59	56	56					
SPR	34	33	34	34	34	34	34	34					
Total	91	90	92	94	92	93	90	90					
Memo items													
FSU net exports	9.1	8.9	8.8	9.1	9.2	8.8	8.7	8.9	9.1	9.3	8.9	8.9	9.1
(a) - (b)	**30.0**	**30.3**	**30.5**	**29.6**	**29.7**	**30.7**	**30.2**	**30.0**	**29.2**	**29.3**	**30.5**	**29.8**	**29.7**

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

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

	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
World demand													
OECD	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1
Americas	-	-	-	-	-	-	0.1	-	-	-	0.1	0.2	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	0.1	0.1	-	-	-	0.1	0.1	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.2	0.2
World demand growth	-	-	-	0.1	0.1	0.1	0.1	0.1	-	-	-	0.1	-
Non-OPEC supply													
OECD	-	-	-	-	-	-	0.2	0.1	0.1	-	-	-	0.1
Americas	-	-	-	-	-	-	0.2	-	0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-0.1	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-0.1	-	-	0.2	-	0.2	-	-	-	0.1
Total non-OPEC supply growth	-	-	-	-0.1	-	-	0.2	-	0.3	-	-	-0.2	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-0.1	-	-	0.2	-	0.2	-	-	-	0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-					
Total supply	-	-	-	-0.1	-	-	0.2	-					
Balance (stock change and miscellaneous)	-	-	-0.1	-0.2	-0.1	-0.1	0.1	-0.1					
OECD closing stock levels (mb)													
Commercial	-	1	-	-	-	2	-15	-15					
SPR	-	-	-	-	-	-	-6	-6					
Total	-	1	-	-	-	2	-21	-21					
Oil-on-water	-	-	-	-	-	-	-	-					
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-	-	-	-	-					
SPR	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-1	-1					
Memo items													
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	0.1	0.2	0.1	0.1	-0.1	0.1	-	0.1	0.1	0.2	0.1

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

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

	2011	2012	2013	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
Closing stock levels, mb												
OECD onland commercial	**2,606**	**2,664**	**2,577**	**2,606**	**2,657**	**2,688**	**2,730**	**2,664**	**2,686**	**2,681**	**2,715**	**2,577**
Americas	1,308	1,365	1,318	1,308	1,335	1,362	1,385	1,365	1,349	1,377	1,402	1,318
Europe	905	902	882	905	943	913	917	902	924	895	900	882
Asia Pacific	392	397	378	392	379	413	428	397	413	409	413	378
OECD SPR	**1,536**	**1,547**	**1,564**	**1,536**	**1,536**	**1,539**	**1,542**	**1,547**	**1,562**	**1,558**	**1,564**	**1,564**
Americas	697	696	697	697	697	697	696	696	697	697	697	697
Europe	426	436	450	426	426	429	433	436	452	452	454	450
Asia Pacific	414	415	417	414	414	413	414	415	413	409	413	417
OECD total	**4,142**	**4,212**	**4,141**	**4,142**	**4,194**	**4,227**	**4,272**	**4,212**	**4,248**	**4,239**	**4,279**	**4,141**
Oil-on-water	**825**	**879**	**909**	**825**	**787**	**812**	**844**	**879**	**895**	**871**	**878**	**909**
Days of forward consumption in OECD												
OECD onland commercial	**57**	**58**	**56**	**56**	**58**	**59**	**59**	**58**	**59**	**58**	**59**	**56**
Americas	55	57	55	56	57	57	58	58	57	57	58	55
Europe	66	67	66	66	68	66	67	68	67	65	67	68
Asia Pacific	46	47	46	43	47	50	49	44	53	51	48	43
OECD SPR	**33**	**34**	**34**	**33**	**34**	**34**	**33**	**34**	**34**	**34**	**34**	**34**
Americas	29	29	29	30	30	29	29	29	29	29	29	29
Europe	31	32	34	31	31	31	32	33	33	33	34	34
Asia Pacific	48	50	51	45	51	50	47	46	53	51	48	47
OECD total	**90**	**92**	**91**	**90**	**92**	**92**	**92**	**92**	**94**	**92**	**93**	**91**

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

	2010	2011	2012	3Q13	4Q13	2013	Change 13/12	1Q14	2Q14	3Q14	4Q14	2014	Change 14/13
US	8.6	9.0	10.0	11.4	11.7	11.2	1.1	11.7	11.8	12.1	12.5	12.0	0.8
Canada	3.4	3.5	3.8	4.0	4.0	4.0	0.2	4.1	4.1	4.1	4.2	4.1	0.2
Mexico	3.0	2.9	2.9	2.9	2.9	2.9	0.0	2.9	2.8	2.8	2.8	2.8	-0.1
OECD Americas*	**15.0**	**15.5**	**16.7**	**18.3**	**18.7**	**18.1**	**1.3**	**18.7**	**18.7**	**19.1**	**19.5**	**19.0**	**0.9**
Norway	2.1	2.0	1.9	1.8	1.9	1.8	-0.1	1.9	1.7	1.7	1.8	1.8	-0.1
UK	1.4	1.1	1.0	0.8	0.9	0.9	-0.1	0.9	0.8	0.7	0.8	0.8	-0.1
Denmark	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.1	0.2	0.0
Other OECD Europe	0.6	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
OECD Europe	**4.4**	**4.1**	**3.8**	**3.5**	**3.6**	**3.6**	**-0.2**	**3.6**	**3.4**	**3.2**	**3.5**	**3.4**	**-0.1**
Australia	0.6	0.5	0.5	0.4	0.4	0.4	-0.1	0.4	0.4	0.4	0.4	0.4	0.0
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OECD Asia Pacific	**0.7**	**0.6**	**0.6**	**0.5**	**0.5**	**0.5**	**-0.1**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**
Total OECD	**20.0**	**20.2**	**21.1**	**22.3**	**22.7**	**22.1**	**1.0**	**22.7**	**22.6**	**22.8**	**23.5**	**22.9**	**0.8**
Brunei	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Indonesia	1.0	1.0	1.0	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Malaysia	0.7	0.6	0.7	0.6	0.6	0.6	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Thailand	0.3	0.3	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.3	0.4	0.0
Vietnam	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Other Asia	**3.7**	**3.6**	**3.6**	**3.5**	**3.5**	**3.6**	**-0.1**	**3.5**	**3.5**	**3.5**	**3.5**	**3.5**	**0.0**
Argentina	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Brazil	2.7	2.6	2.6	2.6	2.7	2.6	0.0	2.7	2.7	2.8	2.9	2.8	0.2
Colombia	0.8	0.9	1.0	1.0	1.0	1.0	0.1	1.0	1.1	1.0	1.1	1.1	0.0
Trinidad & Tobago	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
L. America others	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Latin America	**4.6**	**4.7**	**4.7**	**4.8**	**4.8**	**4.8**	**0.1**	**4.9**	**4.9**	**5.0**	**5.1**	**5.0**	**0.2**
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	0.9	0.9	0.9	0.9	0.9	0.9	0.0	1.0	1.0	1.0	1.0	1.0	0.0
Syria	0.4	0.4	0.2	0.1	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.1	0.2	0.2	0.2	0.2	0.0
Middle East	**1.8**	**1.7**	**1.5**	**1.4**	**1.3**	**1.4**	**-0.1**	**1.3**	**1.4**	**1.4**	**1.4**	**1.4**	**0.0**
Chad	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Congo	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.2	0.2	0.3	0.0
Egypt	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Equatorial Guinea	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Gabon	0.3	0.3	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Sudans	0.5	0.4	0.1	0.3	0.3	0.2	0.1	0.3	0.3	0.4	0.4	0.3	0.1
Africa other	0.2	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.4	0.4	0.4	0.4	0.0
Africa	**2.6**	**2.6**	**2.3**	**2.4**	**2.5**	**2.4**	**0.1**	**2.5**	**2.5**	**2.5**	**2.5**	**2.5**	**0.1**
Total DCs	**12.7**	**12.6**	**12.1**	**12.1**	**12.2**	**12.1**	**0.0**	**12.3**	**12.3**	**12.4**	**12.5**	**12.4**	**0.3**
FSU	**13.2**	**13.2**	**13.3**	**13.4**	**13.6**	**13.4**	**0.2**	**13.5**	**13.5**	**13.6**	**13.8**	**13.6**	**0.2**
Russia	10.1	10.3	10.4	10.5	10.6	10.5	0.1	10.6	10.5	10.6	10.7	10.6	0.1
Kazakhstan	1.6	1.6	1.6	1.6	1.7	1.6	0.1	1.7	1.7	1.7	1.8	1.7	0.1
Azerbaijan	1.1	1.0	0.9	0.9	0.8	0.9	0.0	0.8	0.9	0.9	0.9	0.9	0.0
FSU others	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
China	4.1	4.1	4.2	4.1	4.3	4.2	0.1	4.3	4.2	4.3	4.3	4.3	0.0
Non-OPEC production	**50.2**	**50.3**	**50.7**	**52.0**	**52.9**	**52.0**	**1.3**	**53.0**	**52.8**	**53.2**	**54.3**	**53.3**	**1.3**
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	0.0	2.2	2.2	2.2	2.2	2.2	0.0
Non-OPEC supply	**52.3**	**52.4**	**52.8**	**54.2**	**55.1**	**54.2**	**1.3**	**55.1**	**54.9**	**55.4**	**56.5**	**55.5**	**1.3**
OPEC NGL	4.9	5.2	5.4	5.6	5.6	5.6	0.2	5.6	5.6	5.7	5.7	5.7	0.1
OPEC non-conventional	0.1	0.1	0.2	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
OPEC (NGL+NCF)	**5.0**	**5.4**	**5.6**	**5.8**	**5.9**	**5.8**	**0.2**	**5.9**	**5.9**	**6.0**	**6.0**	**5.9**	**0.1**
Non-OPEC & OPEC (NGL+NCF)	**57.3**	**57.8**	**58.4**	**60.0**	**61.0**	**60.0**	**1.6**	**61.0**	**60.9**	**61.4**	**62.5**	**61.4**	**1.5**

** Chile has been included in OECD Americas.*

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

Table 10.7: World Rig Count

	2010	2011	2012	2013	*Change* 13/12	1Q13	2Q13	3Q13	4Q13	Jan 14	Feb 14	Change Feb/Jan
US	1,541	1,881	1,919	1,761	-158	1,757	1,761	1,769	1,758	1,769	1,769	0
Canada	347	423	366	354	-12	536	154	348	379	504	625	121
Mexico	97	94	106	106	0	114	107	100	101	98	93	-5
Americas	1,985	2,398	2,391	2,221	-170	2,407	2,023	2,217	2,238	2,371	2,487	116
Norway	18	17	17	20	2	21	19	21	18	14	17	3
UK	19	16	18	17	-1	21	17	16	14	14	13	-1
Europe	94	118	119	135	16	134	133	140	133	126	132	6
Asia Pacific	21	17	24	27	3	30	28	24	25	29	28	-1
Total OECD	2,100	2,532	2,534	2,383	-151	2,571	2,184	2,382	2,396	2,526	2,647	121
Other Asia	248	239	217	219	2	215	224	216	219	227	231	4
Latin America	205	195	180	166	-14	167	170	159	168	163	158	-5
Middle East	156	104	110	76	-33	72	78	69	86	88	82	-6
Africa	19	2	7	16	9	9	15	15	24	26	27	1
Total DCs	628	540	513	477	-36	463	487	459	497	504	498	-6
Non-OPEC rig count	**2,727**	**3,072**	**3,047**	**2,860**	**-187**	**3,034**	**2,670**	**2,841**	**2,894**	**3,030**	**3,145**	**115**
Algeria	25	31	36	47	11	44	48	48	47	48	54	6
Angola	9	10	9	11	2	9	10	12	14	14	19	5
Ecuador	11	12	20	26	6	25	26	27	26	25	25	0
Iran**	52	54	54	54	0	54	54	54	54	54	54	0
Iraq**	36	36	58	83	25	66	80	93	92	90	87	-3
Kuwait**	20	57	57	58	1	59	58	58	57	59	60	1
Libya**	16	8	12	15	3	16	15	14	14	17	17	0
Nigeria	15	36	36	37	1	36	40	34	36	34	37	3
Qatar	9	8	8	9	1	9	8	10	8	11	10	-1
Saudi Arabia	67	100	112	114	3	116	114	111	115	124	124	0
UAE	13	21	24	28	4	28	27	28	30	29	31	2
Venezuela	70	122	117	121	3	119	122	121	121	115	124	9
OPEC rig count	**342**	**494**	**542**	**602**	**60**	**582**	**601**	**611**	**614**	**620**	**642**	**22**
Worldwide rig count*	**3,069**	**3,566**	**3,589**	**3,462**	**-127**	**3,616**	**3,271**	**3,452**	**3,508**	**3,650**	**3,787**	**137**
of which:												
Oil	1,701	2,257	2,654	2,665	11	2,781	2,544	2,649	2,684	2,816	2,950	134
Gas	1,325	1,262	886	746	-140	795	672	747	769	792	795	3
Others	43	49	52	55	2	44	58	60	56	44	44	0

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

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

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OPEC Basket average price *US$/b*

▲ **up 0.67 in February**

February 2014	105.38
January 2014	104.71
Year to date	**105.03**

February OPEC crude production *mb/d, according to secondary sources*

▲ **up 0.26 in February**

February 2014	30.12
January 2014	29.86

Economic growth rate *per cent*

	World	OECD	US	Japan	Euro-zone	China	India
2013	2.9	1.3	1.9	1.6	–0.4	7.7	4.7
2014	3.5	2.0	2.7	1.5	0.8	7.6	5.6

Supply and demand *mb/d*

2013		**12/13**	**2014**		**13/14**
World demand	90.0	1.0	World demand	91.1	1.1
Non-OPEC supply	54.2	1.3	Non-OPEC supply	55.5	1.3
OPEC NGLs	5.8	0.2	OPEC NGLs	5.9	0.1
Difference	**30.0**	**–0.5**	**Difference**	**29.7**	**–0.3**

OECD commercial stocks *mb*

	Nov 13	Dec 13	Jan 14	Jan 14/Dec 13	Jan 13
Crude oil	1,294	1,242	1,243	1.2	1,273
Products	1,340	1,336	1,324	–11.6	1,423
Total	**2,634**	**2,577**	**2,567**	**–10.4**	**2,697**
Days of forward cover	57.2	56.3	56.2	–0.1	58.9

Next report to be issued on 10 April 2014.