OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:
Product markets ahead of winter

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Oil Market Highlights

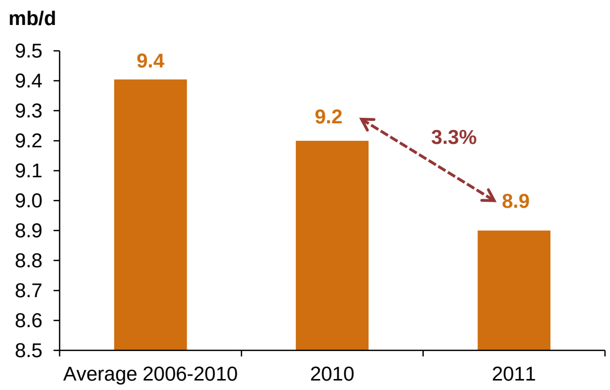
- The **OPEC Reference Basket** decreased in the first week of October to below the $100 mark. However, by mid-month, it had reversed course following developments in equity markets on hopes for a solution to the European debt crisis and supportive economic data in the US and China. In monthly terms, the OPEC Reference Basket averaged $106.32/b, representing a decline of $5.30. On the crude oil futures market, the Nymex WTI front-month contract rose 82¢ to average $86.43/b in October, while ICE Brent lost $1.12 to average $108.79/b. On 8 November, the OPEC Reference Basket stood at $113.79/b.
- The forecast for **world economic growth** in 2011 remains unchanged at 3.6%, while the forecast for global growth in 2012 has been revised down from 3.7% to 3.6%. US growth remains unchanged at 1.6% for 2011 and 1.8% for 2012. While growth expectations in the Euro-zone remain at 1.6% for this year, the forecast for next year has been revised down to 0.7% from 0.8% previously. Similarly, while the forecast for Japan for this year remains unchanged at minus 0.8%, the forecast for 2012 has been revised down to 2.2% from 2.4% previously. Growth levels in the developing countries remain high. China remains unchanged at 9.0% for 2011 and 8.5% for 2012. India is forecast to see growth of 7.6% in both 2011 and 2012, in line with the previous report.
- **World oil demand growth** in 2011 is forecast at 0.9 mb/d, unchanged from the previous report. Despite the emerging winter season, OECD oil demand is expected to see a further contraction as a result of slowing economic momentum, particularly in the EU. Moreover, US gasoline demand has been on the decline for the past four months reflecting the sluggish economy. The forecast for global oil demand growth in 2012 also remains unchanged at 1.2 mb/d. However, uncertainties in the world economic outlook for the coming year have increased due to the challenges facing the OECD economies.
- **Non-OPEC supply** in 2011 is forecast to increase by 0.2 mb/d, representing a downward revision of around 140 tb/d from the previous report. In 2012, non-OPEC supply is forecast to grow by 0.8 mb/d, in line with the previous assessment. Brazil, Canada, Colombia, the US, Ghana, and Russia are expected to be the main contributors to next year's growth, while Norway, UK, and Mexico are anticipated to experience the largest declines. OPEC NGLs and non-conventional oils are estimated to average 5.7 mb/d in 2012, indicating growth of 360 tb/d over the current year. In October, OPEC production averaged 29.89 mb/d, a minor increase over the previous month.
- **Product markets** showed mix performance in October. Light distillates continued to lose ground due to weak naphtha demand in the petrochemical industry and gasoline consumption remained below year-ago levels. This was offset by a vibrant recovery in middle distillates and fuel oil across the globe, on the back of strong demand and a tighter market which kept margins on the healthy side. In the US, weekly data showed middle distillate demand reaching a two-year high of more than 4 mb/d. Looking ahead, with the start of the winter season, middle distillate demand is expected to continue to support product markets.
- **OPEC spot fixtures** increased by 5% in October to average 11.8 mb/d on the back of increased Asian demand for Middle East crudes. OPEC sailings were nearly steady in October at 22.5 mb/d, a minor decrease from the previous month. Crude oil spot freight rates registered strong growth backed by Suezmax and Aframax as result of seasonal demand and delays in the Bosporus. West of Suez activities were behind the increase in clean spot freight rates, while East of Suez rates remained weak.
- **US commercial oil** inventories fell for the second consecutive month in October, down 9.8 mb. The drop was attributed solely to product stocks which fell 13.1 mb, while crude inventories rose 3.2 mb. Despite the draw, US commercial stocks remain broadly in line with the five-year average. In Japan, the most recent monthly data for September shows that commercial oil inventories rose by 6.9 mb, driven by a build in crude and products which increased by 2.4 mb and 4.5 mb respectively. Commercial inventories in Japan stood slightly below their seasonal norm.
- **Demand for OPEC crude** in 2011 has been revised up by 0.1 mb/d from the previous assessment to stand at 30.0 mb/d. At this level, the demand for OPEC crude is 0.3 mb/d above the previous year. In 2012, demand for OPEC crude is projected to average 30.0 mb/d, about 0.1 mb/d higher than in the previous report and unchanged from the current year.

Product markets ahead of winter

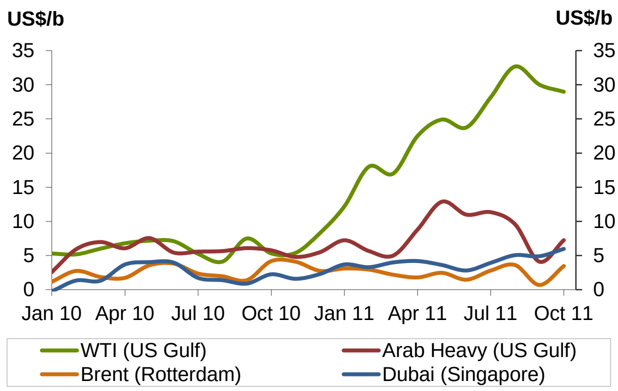
Gasoline demand in the Atlantic Basin remained weak throughout this year's summer driving season. During this period, US gasoline consumption averaged around 8.9 mb/d, representing a decline of around 300 tb/d or 3.3% from the previous year and well below pre-recession levels of 9.6 mb/d (*see **Graph 1***). This reduction came as elevated unemployment levels and relatively higher retail gasoline prices impacted travel, leading to a decline in US mileage.

Despite the weak gasoline demand, US refiners have enjoyed healthy margins on the back of export opportunities to Latin America and Europe. The margin for WTI crude on the US Gulf Coast jumped to more than $25/b over the last few months, the highest level seen in years. Although this partly reflects the relatively low price of WTI, which has been disconnected from other benchmark crudes since January, even the margin for Arab Heavy on the US Gulf Coast has reached a high level of around $7/b. With the impending start of the winter season, US product markets have seen some recovery, with demand for middle distillates averaging 4.2 mb/d in October, in line with pre-recession levels and representing a y-o-y rise of 446 tb/d. This increase has been largely supported by higher export opportunities.

Graph 1: US gasoline demand during driving season



Graph 2: Refinery margins



In contrast, product market sentiment in Europe continues to show a mixed performance. Light distillate cracks have narrowed on a number of factors including the impact of Euro-zone economic concerns, weaker domestic demand, and limited export opportunities. Despite the bearish sentiment in the top of the barrel, refinery margins for Brent crude in Rotterdam have shown a sharp recovery of almost $3/b on the back of a rebound in gasoil cracks. This has been due to reduced inflows from Asia following refinery disruptions, a decline in Russian exports, and stronger regional consumption for Ultra-Light Sulfur Diesel (ULSD) in the transportation sector as well as continued strong demand in Latin America.

In Asia, despite the weak naphtha cracks, refining margins have kept the gains seen over the course of this year on continued healthy middle distillate demand. The market has been further tightened by a refinery shutdown in Singapore, which contributed to the rise in refinery margins for Dubai crude to $6/b (*see **Graph 2***).

Looking ahead, the product supply situation in Asia could ease following the return of refineries from maintenance in China and India, as well as the restart of disrupted refineries in Taiwan and Singapore. Increasing product inflows are also likely to support the supply balance and begin to narrow margins. Additionally, global refinery runs will also begin to increase with the end of refinery overhauls. This would lead to higher middle distillate output to meet any potential increase in heating oil demand if the winter in the Northern Hemisphere turns out to be colder than normal.

On the crude side, the continued increase in Libyan production combined with a potential recovery in North Sea output should result in a higher availability of light sweet crude. Moreover, weak demand growth in the advanced economies has kept OECD commercial stocks at around 57-58 days of forward cover, well above the level of 53 days considered normal by the industry. Taking all these developments together, this should ensure that the crude and product markets remain well supplied throughout the winter season and should limit any upward pressure on prices.

Crude Oil Price Movements

OPEC Reference Basket falls below $100/b for the first time since mid-February

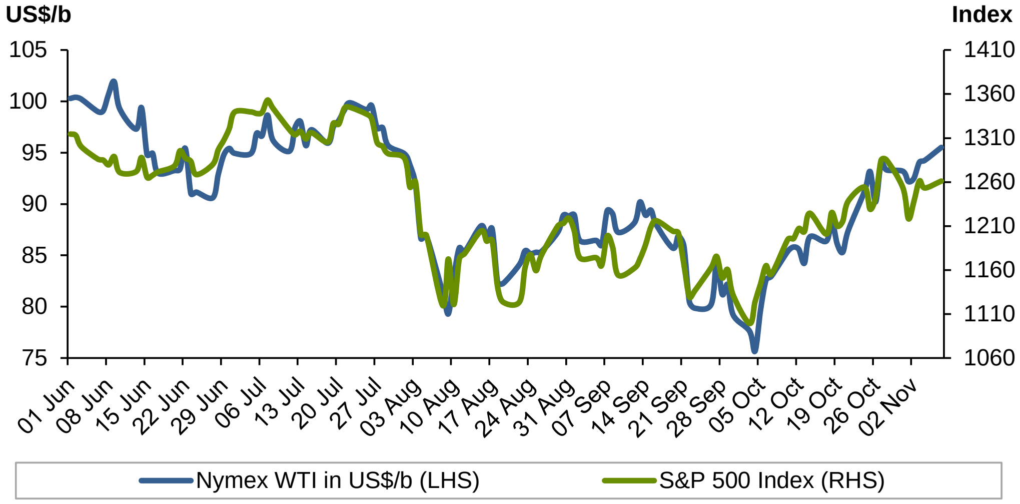
OPEC Reference Basket

The OPEC Reference Basket decreased in October, moving below the significant $100/b-level in the first week for the first time since mid-February. The downward movement in the Basket in early October was attributed to the weak performance of the global crude oil market on the back of the debt crisis in Europe.

The Basket reversed course and recovered mid-month onward, tracking developments in the equity markets, on optimism of a solution to the European crisis, supportive US and Chinese economic data and drawdowns in US crude inventories, particularly at Cushing, Oklahoma, the delivery point of US benchmark WTI.

On a monthly basis, the OPEC Reference Basket declined in October, but not as sharply as the previous drop in August, to average $106.29/b, corresponding to a decrease of $1.32, or 1.2%, from the previous month. Year-to-date, the OPEC Reference Basket averaged $107.21/b, indicating that 2011 will likely set a new record-high in yearly terms.

Graph 1.1: Crude oil price movement, 2011



All Basket components decreased, particularly North African and Middle Eastern grades. Brent-related crudes, Saharan Blend, Es Sider and Bonny Light decreased by almost 2.15% to average more than $111.50/b, down by $2.46 for the month. Middle Eastern crudes – Murban, Arab Light and Qatar Marine – also moved down to $106.20/b, lower by $1.59. Ecuador’s Oriente showed the lowest decrease of 13¢, or 0.13%, but displayed a monthly average of more than $103.65/b, while Venezuelan crude averaged around $99.94/b, the lowest among Basket components.

The weakness in Brent-related crudes was attributed to bearish market sentiment due to the gradual return of Libyan exports, the end of an unplanned production outage to the major Buzzard North Sea oil field and additional West African production. This, along with the volatile economic state in the Euro-zone, pressured the North Sea benchmarks. Although DME Oman traded at record-high premiums, the cascade effect of the drop in Brent on the Dubai benchmark contributed to the softness in Middle Eastern crude components, despite the narrowing of the Dubai/Brent spread over the month.

In the first days of November, OPEC Reference Basket remained strong to average $109.63/b, more than $3.15/b above the previous month. On November 8, the Basket stood at $113.79/b, the highest price in six month.

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

	Sep 11	Oct 11	Change Oct/Sep	Year-to-Date 2010	Year-to-Date 2011
OPEC Reference Basket	**107.61**	**106.29**	**-1.32**	**75.70**	**107.21**
Arab Light	107.72	106.40	-1.32	76.02	107.52
Basrah Light	106.68	105.00	-1.68	75.02	105.94
Bonny Light	115.63	113.09	-2.54	79.18	114.48
Es Sider	113.93	110.24	-3.69	77.25	112.26
Girassol	111.59	110.26	-1.33	77.61	111.80
Iran Heavy	105.54	104.83	-0.71	74.98	105.72
Kuwait Export	105.16	104.09	-1.07	74.60	105.10
Marine	106.46	104.68	-1.78	76.48	106.19
Merey	99.12	99.24	0.12	68.54	96.87
Murban	109.57	107.51	-2.06	78.19	109.57
Oriente	103.82	103.69	-0.13	71.25	100.55
Saharan Blend	115.03	112.74	-2.29	78.44	113.39
Other Crudes					
Minas	113.32	110.01	-3.31	80.53	114.52
Dubai	106.31	104.13	-2.18	76.33	105.91
Isthmus	104.05	105.18	1.13	76.32	104.58
T.J. Light	102.17	103.40	1.23	74.77	102.60
Brent	113.13	109.44	-3.69	77.73	111.78
West Texas Intermediate	85.60	86.45	0.85	77.90	94.42
Urals	110.39	108.10	-2.29	76.51	109.23
Differentials					
WTI/Brent	-27.53	-22.99	4.54	0.17	-17.36
Brent/Dubai	6.82	5.31	-1.51	1.40	5.87

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

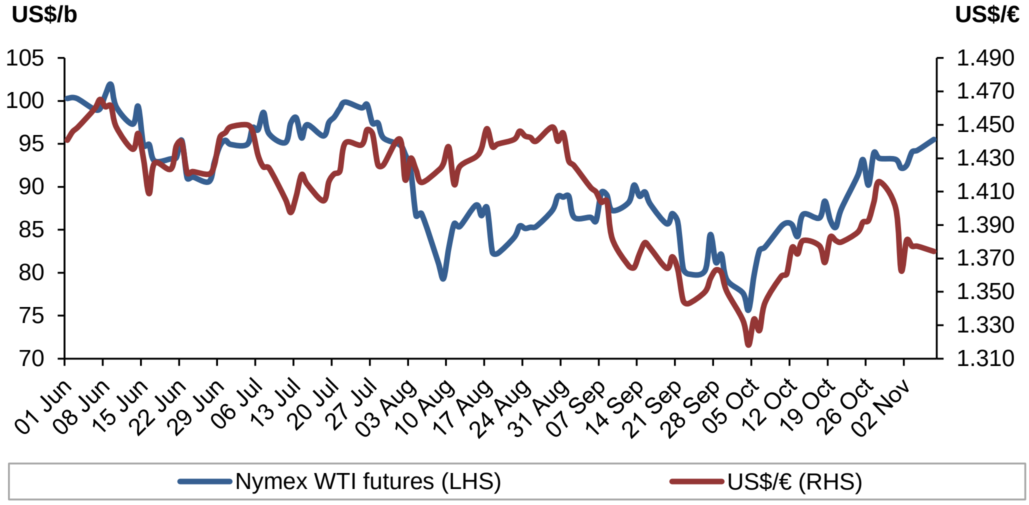
Source: Platt's, Direct Communication and Secretariat's assessments

The oil futures market

Crude futures were mixed in October with ICE Brent falling by more than a dollar and Nymex WTI up over 80¢

Crude oil futures markets were mixed in October. ICE Brent declined, continuing the trend that started in August, pressured by the European crisis and the return of regional supply of crudes from Libya, the North Sea and West Africa. In contrast, Nymex WTI made a comeback and gained as it moved into backwardation amid bullish crude oil stocks and supportive US economic data. On the Nymex, the WTI front-month improved by 82¢ to average $86.43/b in October, whereas ICE Brent lost $1.12 to average $108.79/b, below the $110/b key level. Compared to last year, WTI was up 5.4% from October 2010 and ICE Brent was higher by a hefty 30.2%.

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

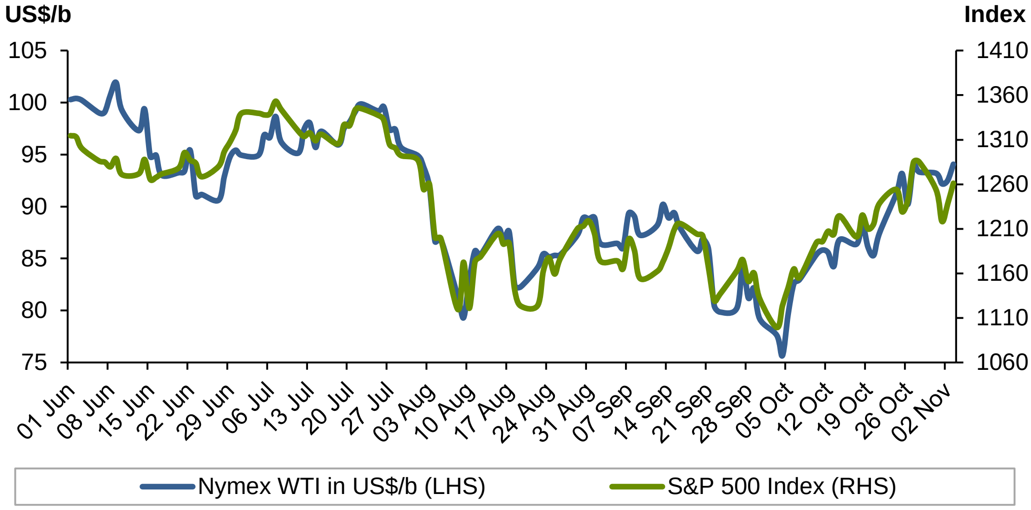


The WTI front-month traded between $75.67-$82.98/b in the first week of October before surging back above $88.00/b. The weakness in the first decade of October was a reflection of the turbulence in the Euro-zone and the euro/dollar exchange rates, while the reversal of the downward trend was fundamentally driven by consecutive unexpected draws in the US crude oil stocks, triggering a sharp rebound in the market. Encouraging US economic data also supported the recovery in WTI front-month prices

Meanwhile, ICE Brent traded lower within a narrower range of $99.79-$105.88/b and dropped below the $100/b key level on 4 October for the first time since February, before recovering. The bearish start of the month for the ICE Brent market changed course as prices jumped to above $108.90/b as European leaders pledged to come up with a plan to tackle the Euro-zone crisis. Unlike Nymex WTI, the comeback in ICE Brent was not as strong amid increasing regional supply from Libya and the North Sea.

Crude oil futures prices kept their momentum in the first week of November when ICE Brent settled above $110.80/b and Nymex WTI moved up above $94.00/b. On November 8, ICE Brent stood at $115.00/b and Nymex WTI at $96.80/b.

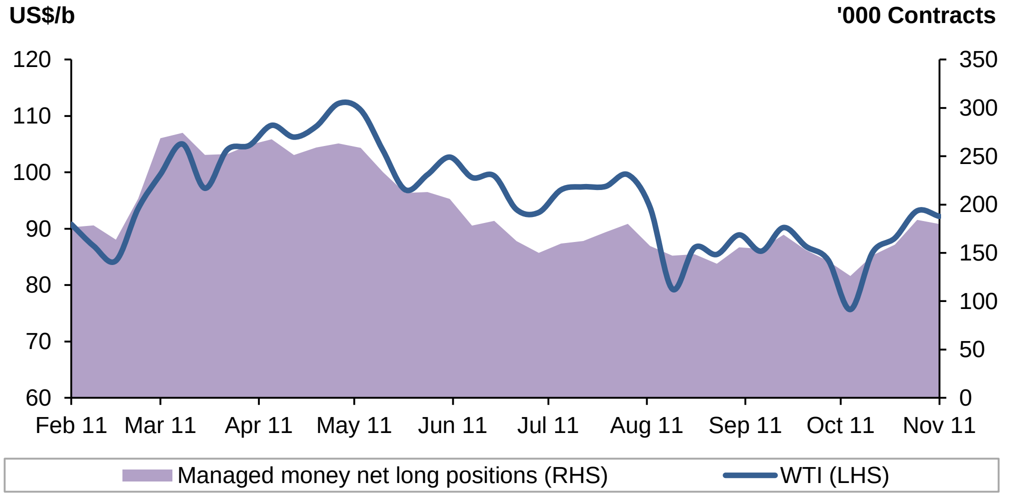
Graph 1.3: Nymex WTI futures vs. S&P 500 index, 2011



The European debt crisis triggered strong bearish sentiment among investors in the paper market earlier in the month, which resulted in a reduction in total trading volume for the month in both futures markets. This came despite the surge in volumes toward the end of the month, supported by the flip in market structure on the Nymex that signaled tighter supply at Cushing and the decision to include ICE Brent for the first time in the Dow Jones-UBS Commodity Index. Although up slightly, the 6.6 million Nymex WTI contracts traded in October implies an average of 210,000 contracts per day or 210 mb/d. Similarly, ICE Brent traded volume was down marginally at an average of 130,000 contracts per day during October and stood around 4.0 million contracts for the whole month.

Moreover, speculative traders were betting on higher futures prices as implied by the increase in net-long positions due to a decline in short positions amid signs of tight supply in the US market and as Europe gets closer to a solution to the debt crisis. Total net-long positions in October were 42,000 contracts higher over the previous month. Meanwhile, money managers reduced short positions of crude oil futures on the Nymex by 20,000 lots to 53,000 contracts.

Graph 1.4: Nymex WTI price vs. speculative activity



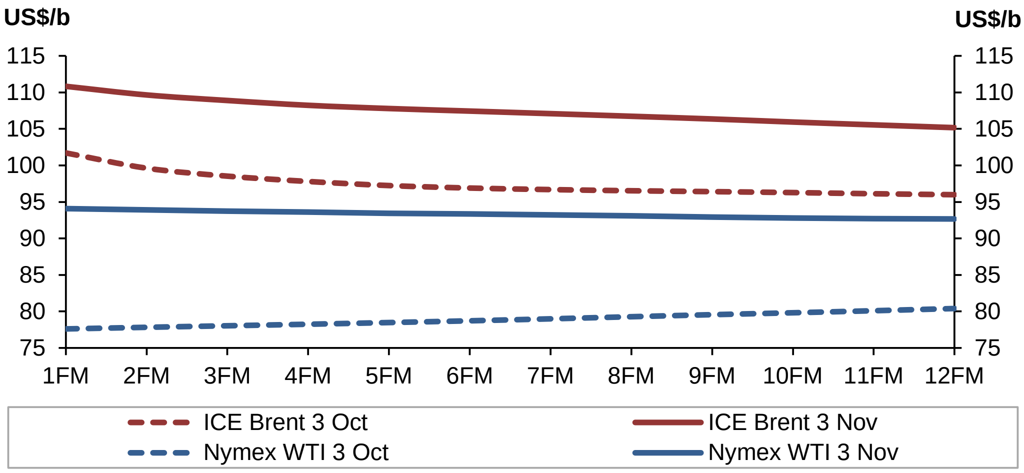
The futures market structure

Nymex WTI moves into backwardation for the first time since 2008

Nymex WTI flipped into backwardation for the first time in three years on consecutive, larger-than-expected draws in US crude oil inventories, particularly on the US mid-continent, amid high refinery runs and low imports. Front-month WTI rose 13¢ on 24 October, the first time that the front of the curve switched to backwardation since early September 2008. The move aligns WTI more closely with the North Sea forward structure that has been in backwardation since late March. The increasing capacity to move crude away from Cushing supported the restructuring as some Canadian grades were diverted elsewhere. The completion of new storage capacity at Cushing also eased the prolonged high inventory levels.

The Nymex front month moved to a 13¢/b premium to the second month contract from a 7¢/b discount.

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



FM = future month

The ICE Brent forward curve flattened somewhat in October from the previous month's steep backwardation amid a rise in supply from Libya, major North Sea fields and West Africa, which depressed the North Sea market amid low refinery demand. The Brent forward curve remained in steep backwardation for most of October before easing on 17 October by almost $1/b. However, for the whole month, the spread between the second and the first month averaged around $1.50/b, unchanged from September.

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

Nymex WTI	1st FM	2nd FM	3rd FM	6th FM	12th FM
03 Oct 11	77.61	77.83	78.04	78.72	80.40
03 Nov 11	94.07	93.91	93.74	93.35	92.65

ICE Brent	1st FM	2nd FM	3rd FM	6th FM	12th FM
03 Oct 11	101.71	99.62	98.53	96.90	95.99
03 Nov 11	110.83	109.65	108.89	107.44	105.17

FM = future month

The sweet/sour crude spread

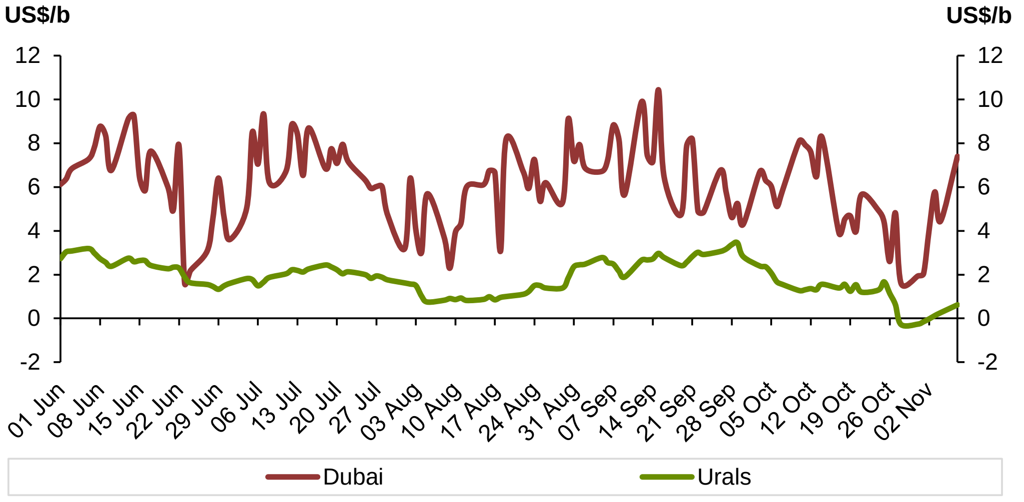
Sweet/sour spread narrowed on the US Gulf Coast on a weaker transatlantic spread

The premium for US Gulf Coast sweet and sour grades over WTI shrank in October as the WTI spread versus Brent narrowed to its lowest since July, allowing more crude to be imported to the US and depressing domestic crude values. Moreover, WTI moving into backwardation helped to reverse its lingering weakness relative to other benchmarks. The WTI discount to Mars narrowed to $20.92/b in October, compared to a discount of $24.30/b in the previous month. In contrast, despite a heavy decline in gasoline and naphtha prices, the LLS premium to Mars widened amid increasing inflows of medium sour crudes and unplanned refinery outages on the US Gulf Coast that pressured Mars prices.

In Asia, sweet/sour differentials narrowed sharply, supported by a strong fuel oil market in contrast to weak gasoline and naphtha performance. As a result, Dubai's monthly average discount to Tapis narrowed to $11.58/b in October, compared to a discount of $13.42/b in September. Similarly, Dubai's discount to Dated Brent was reduced by over $1.50/b.

In Europe, stronger middle distillates and tight loading schedules supported Urals, while Forties crude came under pressure from the return of supply from the Buzzard fields amid lower demand from the refinery closure on the US East Coast. Ural's discount to Dated Brent in October dropped by over $1.40/b compared to September.

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



Commodity Markets

On a monthly basis, commodity prices dropped in October, pressured by the Euro debt crisis and the global economic turmoil. However, on a weekly basis, some commodity prices rebounded.

Trends in selected commodity markets

The **World Bank (WB) index** for non-energy commodities decreased further by 7.6% m-o-m compared to a 2.6% fall in September due to a drop in base metal and agricultural prices. The **energy commodity index** showed a 1% loss (+0.4% in September). Major commodity prices reported a modest gain after the hefty decrease in September on a shy return of optimism and some dollar devaluation. Nevertheless, prices were very volatile and disoriented, so monthly prices which showed a further decline in October compared to the previous month, mask the real trends which are better approached on a weekly basis. Price volatility followed such news as the cooling down of demand from China, the Euro-zone debt crisis and US problems.

The **WB energy commodity price index** (crude oil, natural gas and coal) declined by 1% m-o-m in October, owing to losses across the complex.

Table 2.1: Commodity price data, 2011

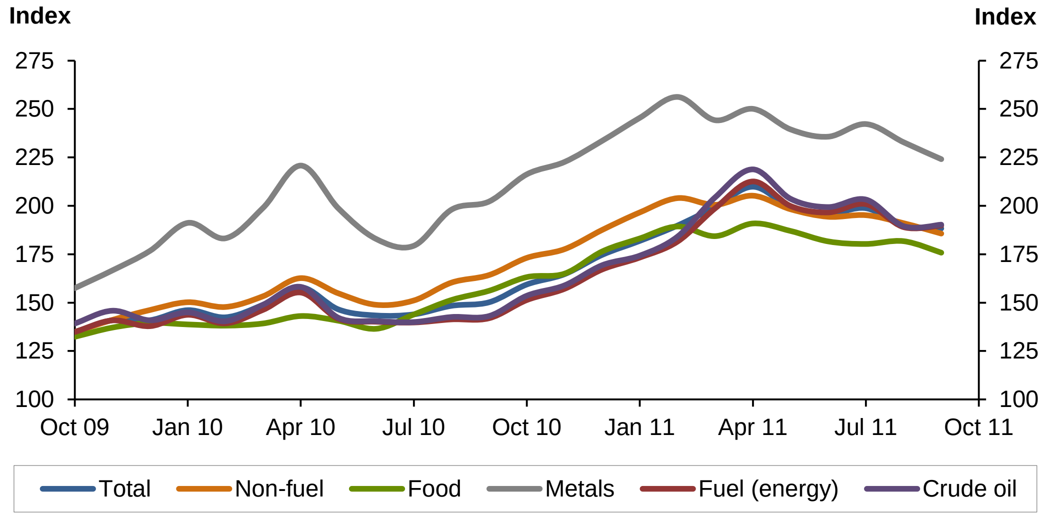
Commodity	Unit	Monthly averages			% Change		
		Aug 11	Sep 11	Oct 11	Aug/Jul	Sep/Aug	Oct/Sep
World Bank commodity price indices for low and middle income countries (2000 = 100)							
Energy		342.1	343.5	340.2	-6.3	0.4	-1.0
Coal, Australia	$/mt	119.3	122.6	119.0	-0.6	2.8	-2.9
Crude oil, average	$/bbl	100.5	100.8	99.8	-6.9	0.3	-1.0
Natural gas, US	$/mmbtu	4.1	3.9	3.6	-8.1	-3.8	-8.5
Non Energy		325.5	316.9	292.8	-1.6	-2.6	-7.6
Agriculture		285.3	281.0	264.5	0.2	-1.5	-5.9
Food		280.5	277.2	262.3	0.8	-1.2	-5.4
Soybean meal	$/mt	401.0	395.0	373.8	0.3	-1.5	-5.4
Soybean oil	$/mt	1330.0	1305.0	1215.5	-0.5	-1.9	-6.9
Soybeans	$/mt	558.0	543.0	501.8	-0.2	-2.7	-7.6
Grains		309.8	305.5	290.1	4.4	-1.4	-5.0
Maize	$/mt	310.2	295.3	274.8	3.1	-4.8	-6.9
Sorghum	$/mt	302.5	288.8	263.7	11.6	-4.5	-8.7
Wheat, US, HRW	$/mt	277.6	267.5	253.5	-8.6	-3.6	-5.2
Sugar World	¢/kg	61.2	58.8	56.1	-1.7	-3.9	-4.5
Base Metals		343.6	320.0	289.6	-7.1	-6.9	-9.5
Aluminum	$/mt	2379.4	2293.5	2180.7	-5.8	-3.6	-4.9
Copper	$/mt	9000.8	8300.1	7394.2	-6.7	-7.8	-10.9
Iron ore, spot, cfr China	¢/dmtu	177.5	177.2	150.4	2.6	-0.2	-15.1
Lead	¢/kg	239.7	228.8	196.0	-10.6	-4.6	-14.3
Nickel	$/mt	21845.1	20377.6	19039.1	-8.4	-6.7	-6.6
Steel products index	2000=100	271.4	271.4	271.4	0.0	0.0	0.0
Tin	¢/kg	2404.2	2252.7	2186.9	-12.2	-6.3	-2.9
Zinc	¢/kg	220.0	207.5	187.1	-8.2	-5.7	-9.8
Precious Metals							
Gold	$/toz	1757.2	1771.0	1665.2	11.8	0.8	-6.0
Silver	¢/toz	4030.2	3813.1	3206.3	5.7	-5.4	-15.9

Source: World Bank, Commodity price data

Henry Hub natural gas prices declined by 4% m-o-m in October on mild weather and high storage levels.

Agricultural prices decreased further by 5.9% m-o-m (minus 1.5% in September) on a negative macroeconomic outlook. Prices posted a modest recovery towards the third week of October, but have continued to trade in a choppy way, driven by macro-related uncertainties and bearish sentiment. China September trade data was positive on the whole. Corn prices recovered due to supply tightness suggested by the latest United State Department of Agriculture (USDA) report.

Graph 2.1: Major commodity price indexes, 2009-2011



Commodity price index, 2005 = 100

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

Source: IMF

Corn prices declined by 6.9% m-o-m in October compared to a 4.8% drop in September and a 3% gain in August. Despite the drop on a monthly basis in October, corn prices on a weekly basis rebounded on US corn tightness and unusual trade patterns suggested by the latest USDA report. Falls in the US output of 10 tonnes outweighed a 4 tonnes upward revision for both Brazil and Argentina, and record production in Ukraine, which is now entering the market following the reduction of export duties. Figures from the US Energy Department showed that the country's ethanol production (40% of maize use) rose. The drop in US seaborne corn supplies implied the world will be increasingly depending upon US corn production outside the US. The US is expected to take the smallest share in world corn trade since the 1970-71 season when it only accounted for 40% of trade. In the 2011-12 season it was expected to account for 45% of corn trade compared to the average of the last three years of 54%. The international grains council (IGC) had expected inventories would fall by 13% of consumption to 111 tonnes, the smallest stock-to-use ratio since 1974. The USDA stocks predictions surprised the market. In its latest monthly release, global corn ending stocks are projected 5.8 tonnes higher for 2011-12 prompted by the larger US beginning stocks. Despite the increase, 2011-12 world corn ending stocks would be 34% below 2010-11 levels.

Wheat prices declined by 5.2% m-o-m in October on macroeconomic uncertainties and several factors, such as the following: First, Ukraine signed an end of export taxes. Second, the IGC expects world wheat production will reach 679 tonnes for the 2011-12 season, up 22 tonnes, or 4%, over the last season and roughly equal to consumption. This is related to improved harvests in Australia and the Ukraine, as well as in Russia, despite worse-than-expected US production. Third, higher than expected global wheat ending stocks for 2011-12 forecast by the USDA world agricultural supply and demand estimates report (WASDE), which projects wheat ending stocks at 202 tonnes, a 10-year high.

Sugar prices have been moving aside in October. On a monthly basis, data showed a decline of 4.5%. Sugar inventories have been declining sharply due to the fact that the markets have been in deficit for 3 years with lower sugar crops in Brazil's central south. However, the market has been anticipating new supplies from the Northern Hemisphere and sugar trade balances are heading for a surplus. The market should be in a comfortable surplus of around 5.9 tonnes for the 2011-12 season. India is set for a sugar surplus. Estimated output in 2011-2012 could be 24.6 tonnes, just above expected demand of 22 tonnes by the world's biggest consumer, Russia, which might not be importing much. Demand should not be as supportive since the macroeconomic outlook remains rather pessimistic. But there are supportive factors in place, such as the flooding in Thailand, the world's second-largest exporter. There could also be a pick-up in physical demand in Asia, especially from Malaysia, trying to restock. The markets, however, doubt whether the surplus will be available for exports and how easily it will be accessible.

A rebound in some base metals on a weekly basis, on strong fundamentals

Base metals as a whole saw some recovery in October m-o-m due to the arbitrage between lower London Metal Exchange (LME) prices and the Shanghai Futures Exchange (SHFE). Nevertheless, on a monthly basis, base metals prices still declined by 9.5% in October, compared to 6.9% in the previous month, owing to high volatility. As a whole, it is very likely that base metal prices will continue to struggle while the global macroeconomic conditions remain uncertain.

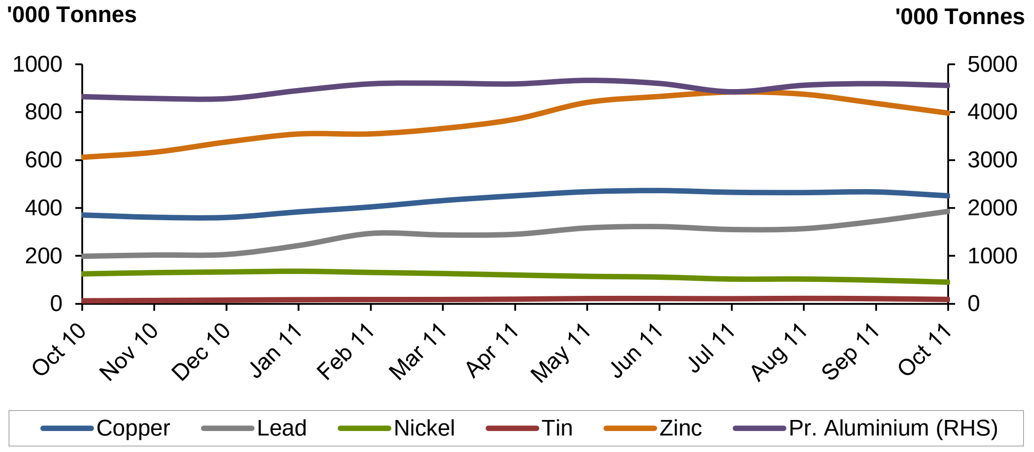
Copper prices declined by 10.9% m-o-m in October, but the monthly data masked the fact that copper prices indeed recovered during the month. There was, however, high volatility and a hefty drop in the third week of October due to the gloomy macroeconomic outlook. Price forecasts have been revised downward owing to general uncertainty over the European debt resolution. However, prices remain comfortably above cost levels. The severe economic and financial turmoil has been impacting copper demand with emerging nations still the main sources of demand. However, the market should remain in deficit in 2011 and 2012, implying a potential upside to prices. It must be noted that labour problems in Indonesia and Peru are still affecting production. LME copper inventories had stabilized over the last semester, but recently decreased due to open arbitrage attributable to Chinese restocking. China has, for the first time, revealed the estimated size of its copper inventories: Chinese copper inventories stood at 1.9 tonnes at the end of 2010, more than what the US consumes in a year. The estimate is significantly higher than the 1.0-1.5 tonnes range that foreign analysts had assumed in the past. This implies that real Chinese copper demand may have been lower than expected in recent years. The outlook for copper depends closely on confidence in the global economy and Chinese demand.

Nickel prices declined by 6.6% in October compared to a 6.7% and 8.4% drop in September and August, respectively. Prices were volatile and the picture that emerges from weekly data is that nickel prices stabilized in October as a result of low LME stocks, which are at their lowest levels since January 2009, defying normal seasonal patterns. On the other hand, projects coming online very soon suggest a market in surplus by next year since China's nickel pig iron has been growing at a steady pace. Yet, the constant decrease in nickel prices since the beginning of the year has been affecting nickel pig iron producers. Activity in the stainless steel industry should be supported by higher end-user demand. Chinese cumulative net imports were 126 kt in the first nine months of 2011, up 38% on the same period in 2010, pointing to the strength of demand from China's booming stainless steel sector this year.

Gold prices decreased 6.0% along with the broader sell-off in financial assets, but recovered late in the month due to investor risk aversion spurred by the debt crisis in Europe.

Silver prices dropped 15.9% on investor liquidation and slowdown in industrial demand.

Graph 2.2: Inventories at the LME



Source: LME

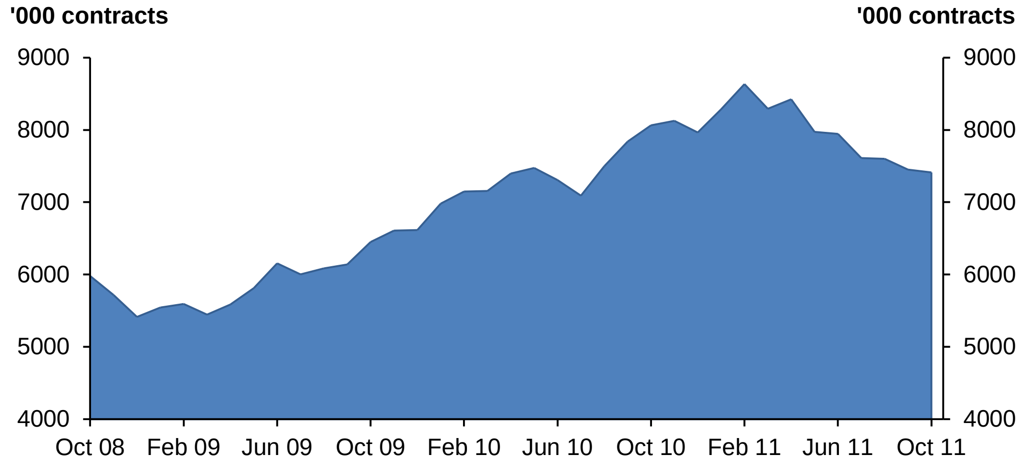
Investment flows into commodities

The recent outflow of investments and aggressive hedge fund selling suggests commodity investors are not optimistic

In the middle of growing risk of a global recession and no firm measures to counteract the Euro-zone debt crisis, investment into commodities kept declining in October. The recent outflow of investments along with recent aggressive selling of commodities by hedge funds suggests commodity investors are not optimistic.

The total number of contracts for major commodity markets in the US declined by 0.6% m-o-m to 7,514,814 contracts in October, compared to a drop of 2% m-o-m in September. The net length of money manager positions plummeted by 32% m-o-m to 649,014 contracts in October compared to a 5% drop in the previous month. A strong selling of commodities took place with non-commercial shorts rising by 23.8% m-o-m and longs shrinking by 12.9% owing to the lack of convincing measures to avoid a debt default in Europe and the worsening of the global economy as a whole.

Graph 2.3: Total open interest volume

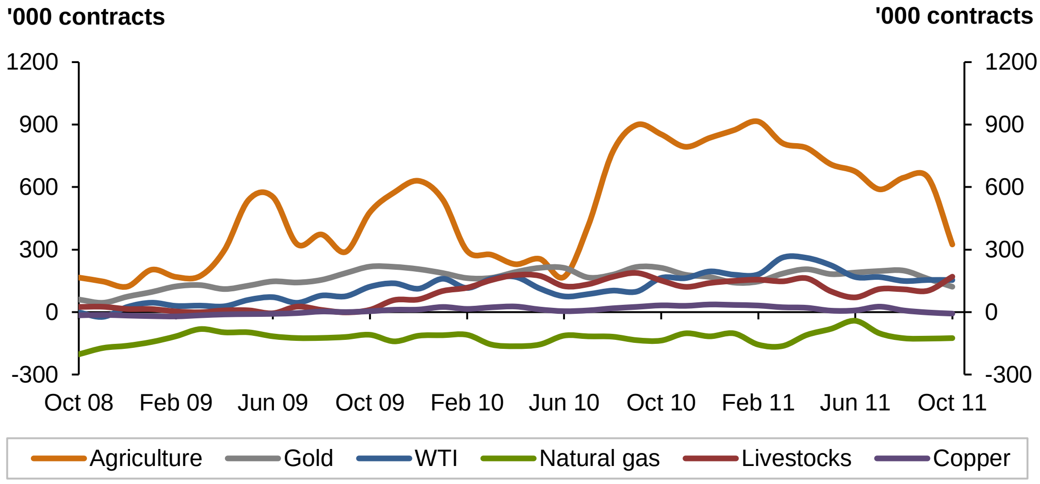


Source: CFTC

Agricultural open interest volume (OIV) decreased by 0.9% m-o-m to 3,798,620 contracts in October compared to a 0.13% decline in September. A 52% m-o-m rise in money manager short positions combined with a 22% drop in longs to leave speculative net length at 9% in October, down from 17% in September. Hefty selling took place across the entire agricultural complex.

Henry Hub natural gas OIV went up by 2% m-o-m to 970,332 contracts in October, compared to a 3.6% drop in the earlier month. Speculative net long positions declined by 1.8% m-o-m to minus 124,700 contracts. Long speculative positions decreased by 1.7% m-o-m which, combined with a 5% increase in shorts, caused the speculative net long positions as a percentage of OIV to stand at minus 5% in October, down from minus 4% in the earlier month.

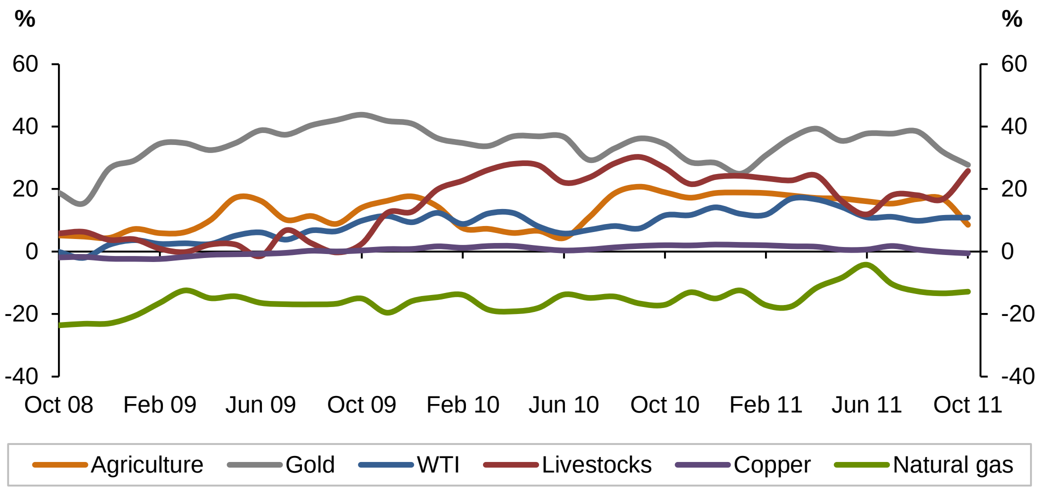
Graph 2.4: Speculative activity in key commodities, net length



Source: CFTC

Copper OIV reported a milder decline of 2.8% to 125,818 contracts compared to a 8% fall in September. Copper has been the worst performer in terms of investor interest in the previous month, owing to the metal's tight links to the industrial cycle. Both the speculative longs and shorts declined by 8.5% and 5.0% m-o-m in October, so the net length of money managers plummeted further by 10.7% m-o-m and as percentage of OIV came down from minus 1.4% in September to minus 5.6% in October. Speculative net length has turned negative for the first time since July 2009. The bearish sentiment among investors in copper reflected falling prices and the unfavourable macroeconomic outlook.

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



Source: CFTC

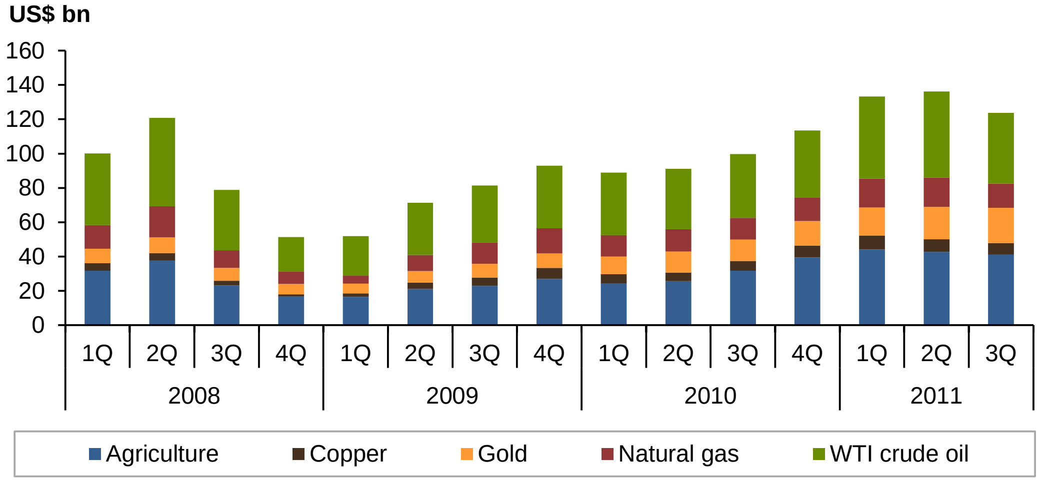
Precious metals OIV decreased further by 11% m-o-m to 541,924 contracts in October compared to a 4% fall in the previous month. Long speculative positions decreased by 21%, while shorts increased by 64%. Thus the net length of money manager positions went down by 27% to 132,038 contracts in October. Gold OIV lost 12% m-o-m to 439,118 contracts, compared to a 3.5% drop in the earlier month. Speculative long positions declined by 21.9% m-o-m, while shorts also dropped by 32.5%, so the speculative net length declined by 18% m-o-m to 52,171 contracts in October compared to 39% in September. Money manager net length as percentage of OIV declined from 20% in August to 12.8% in September and 11.9% in October.

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

	Open interest		*Net length*			
	Sep 11	**Oct 11**	**Sep 11**	**% OIV**	**Oct 11**	**% OIV**
Crude Oil	1433	1419	154	11	154	11
Natural Gas	949	970	-127	-13	-125	-13
Agriculture	3834	3799	646	17	325	9
Precious Metals	610	542	181	30	132	24
Copper	120	126	-2	-1	-7	-6
Livestock	615	659	103	17	170	26
Total	**7,561**	**7,515**	**955**	**13**	**649**	**9**

According to the CFTC, dollar investment inflow into commodity indices showed a 1.8% m-o-m decline to $107 billion in all markets, the biggest drop since January 2011. As in the past, the performance of the investment flow into the commodity indices through 2011 has reflected the changeable macroeconomic outlook. With the Euro-zone debt crisis and mixed economic news from other countries, investors have become pessimistic.

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



Source: CFTC

According to Barclays estimates, the total assets under management (AUM) declined from $408 billion at the end of 2Q to $393 billion in 3Q. Concerning flows, these were flat over the quarter (-$0.1 billion), with index swaps experiencing the largest share of outflows ($5 billion), while inflows were seen in Exchange-Traded Products (ETPs) at $2.8 billion and in Medium-Term Notes (MTNs) at $2.1 billion. Precious metal was the only sector with inflows of $5.5 billion. It must be noted that 3Q11 was the most volatile quarter ever for flows; while July saw $9 billion in inflows – the highest since December 2010 – September showed the largest ever monthly outflow at $10 billion. Volatility took place in every form of investment with the most affected being swaps, which went from a $3 billion inflow in July to a $9.5 billion outflow in September, equivalent to all the inflows in 1Q11.

The performance of benchmark commodity indices was also characterized by strong volatility. The third quarter appeared to be positive for traditional long-only indices up to the end of August, on double-digit gains in precious metals and agriculture and moderate gains in soft commodities. Nevertheless, the worsening of the European debt problem in September led to a strong bearish sentiment, which resulted in the largest decline in the S&P GSCI and the DJ-UBSCI since May 2010 and October 2008, respectively. One of the key differences so far this year with 2008 is the much smaller investor appetite for precious metals as a financial hedge. Although in 3Q as a whole, precious metal ETPs attracted $5.4 billion, nearly all of these inflows came in July, while August and September saw almost none, despite the negative macroeconomic scene.

World Economy

Table 3.1: Economic growth rates 2011-2012,%

	World	OECD	US	Japan	Euro-zone	China	India
2011	3.6	1.6	1.6	-0.8	1.6	9.0	7.6
2012	3.6	1.7	1.8	2.2	0.7	8.5	7.6

Industrialised countries

US

The US economy continues recovering below the 25-year average growth level and its growth potential. However, 3Q11 growth at 2.5% was much better than the 0.4% in the 1Q11 and 1.3% in 2Q11.

While the US economy recovered very slowly in 1H11, it seems that the momentum has improved slightly more recently. The expansion remains at modearte levels, but after the relatively low quarterly growth numbers of 0.4% in the 1Q11 and 1.3% in the 2Q11, the 3Q11 growth of 2.5% provided some evidence that the economy continues to expand, at least close to its 25-year average of 2.7% and above population growth of more than 1%. This should be considered a significant improvement after the challenging developments of this year's summer, when Standard and Poor's downgraded US sovereign debt from its triple-A status for the first time, following challenging negotiations to raise the sovereign debt ceiling and low growth numbers for the 1H11, which, when taken together, painted a picture of an economy that potentially might fall back into recession. These fears have since been rescinded, but many challenges remain. A challenge in the near-term will be for the administration to decide how to cut costs in order to reduce the deficit; but these measures need to be carefully planned in order not to reduce the growth dynamic too much and push the economy into a decline. By 23 November, a joint committee of Congress will have to come up with another $1.5 trillion of savings in addition to the savings of $917 billion that were agreed on when the debt ceiling was lifted in July.

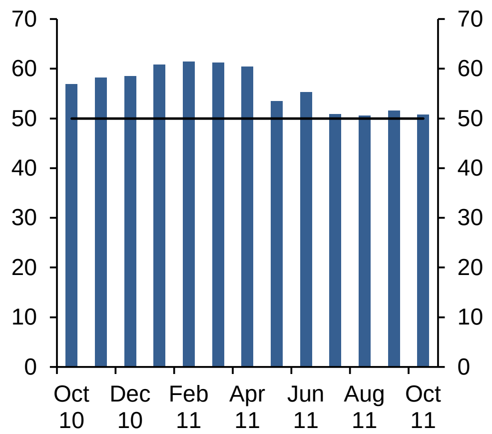
The unemployment rate improved to 9.0%.

However, this month's improvement in the labour market should be highlighted. The unemployment rate fell to 9.0% from 9.1%, still an elevated level, but the additions of non-farm payrolls point towards a slowly improving labour market. Non-farm payrolls were growing by 80,000 in October, after 153,000 in September and while it is obvious that it will take a very long time to re-establish the more than 8 million jobs that have been lost over the last several years, the dynamic is pointing in the right direction. The weekly jobless claims also show a positive trend that will hopefully continue filtering through to the unemployment rate and a structurally improving labour market. The weekly jobless claims have moved back to the level of 400,000 and are exhibiting a falling trend in the month of October, with the latest weekly claims number at 397,000. It may be likely that the Federal Reserve Board (FED) will act further – supporting the economy via extraordinary monetary supply – over the coming months, if the unemployment situation does not improve significantly.

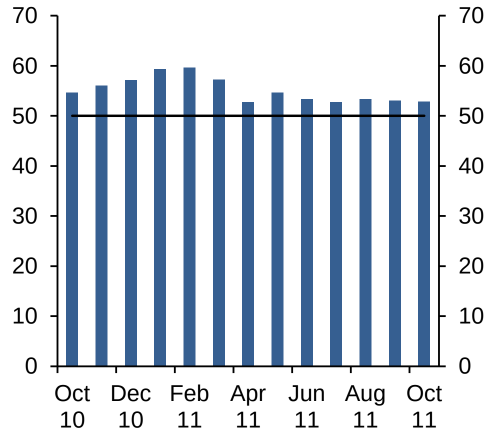
This tender improvement in labour statistics has been mirrored by better-than-expected retail sales in September, which improved by 1.1% m-o-m, after only 0.3% in August. It remains to be seen whether this trend will continue as consumer confidence has fallen continuously according to Conference Board numbers, which peaked in February 2011 and have fallen since to stand at 45.4 in September and a very low 39.8 in October. This rather weak picture is also reflected to a certain extent in the consumer confidence indicator of the University of Michigan, which has not fallen but also has not moved up significantly, standing at 60.9 in October after a level of 59.4 in September. It recorded its highest level in February at 77.5. Thus, most recent improvements should be considered positive, though with great caution in terms of the magnitude of the improvements. In the meantime, the consumer price index has moved beyond a reasonable level, negatively impacting spending behaviour. It stood at 3.9% y-o-y in September, higher from the already elevated 3.8% in August and the highest since September 2008, when it reached 5.0% in the month that Lehman Brothers filed for bankruptcy.

Industrial production continues to grow on a yearly basis but at a slowing pace. It grew by 3.2% y-o-y in September, after 3.3% in August, but this number hides the low average monthly expansion rate in 2011 of only 0.2% and the relative volatility of industrial activity. The services sector is mainly pushing the expansion, which can be seen in the ISM numbers that highlight a better trend in the non-manufacturing sector, which constitutes the majority of the economy. While the ISM number for the manufacturing sector fell by 0.8 from 51.6 in September to 50.8 in October, the ISM for the services sector is still at a higher level and has kept almost the same level in October at 52.9, only 0.1 points lower than 53.0, which was recorded for the previous month.

Graph 3.1: ISM manufacturing index



Graph 3.2: ISM non-manufacturing index



Source: Institute for Supply Management

However, the key points with regard to manufacturing on these most recent developments are that the sector is still growing, albeit well below its potential. Manufacturing orders for September stood at 0.3% m-o-m after a fall of 0.2% in August and an increase of 2.1% in July. The yearly trend clearly highlights the expansionary tendency of the sector at almost 14% average yearly growth for the 3Q11.

A main factor affecting consumption growth further is the continued ailing housing sector. Most of the indicators in the housing sector provide a relatively depressed view. While most of the impact on private households, banking and public sector balance-sheets should have been digested in the meantime, there is no incentive for further consumption as the decline has not been stopped yet. Existing home sales have been pretty volatile over recent months, falling by 3.5% in July, growing by 8.5% in August and declining again by 3.0% in September. While median sales prices for existing home sales have turned positive for only one month in November 2010 at 0.1% y-o-y, they have since declined every month and have now fallen by 2.0% year-to-date. A similar picture can be drawn for other indicators. The Standard and Poor's/Case-Shiller Home Price Index has fallen every month since April until August, marking a decline of 1.4% for the year. While the continued decline in the housing sector currently has only had a limited impact from already very low levels, the economy needs the decline to halt. The most recent refinancing needs of $6 billion of Freddie Mac – bringing the total bail-out by the tax payer to $72.2 billion – underscore the fact that the sector is not out of the woods yet.

The developments described above provide evidence for a slight improvement stemming from the labour markets, while challenges for the housing markets remain. Therefore, the forecast for this year at 1.6% and for next year at 1.8% remains unchanged.

Japan

The strength of Japan's recovery has been mixed: domestic demand is still in decline and, while exports are growing, they are challenged by the global slow-down.

The Japanese economy delivered mixed signals about the strength of the undergoing recovery after the devastating triple-disaster that has hit the country during the 1H11. While exports seem to slowly recover, their future development remains dependent on the strength of the recovery in the US and on developments in the Euro-zone sovereign debt crisis. The domestic side of the economy is still muted. This relatively slow recovery has been highlighted by the fact that industrial production slowed in September on a monthly basis, the first time since the earthquake hit the country in March. It fell by 4.0% m-o-m in September, after 0.7% growth in August, which marks the lowest level of monthly expansion since February 2009 when the global economy had reached through levels. It is also the lowest level this year, with the exception of March when growth fell by 15.5%. On a quarterly basis, this marks a 2.9% decline in industrial production. The 15% power-saving requirement obviously took its toll on the industry along with still relatively weak electrical and telecom machinery goods exports. According to the latest surveys, the industry is planning an expansion for October and November of 2.3% and 1.8%, respectively. However, in recent months this planned expansion was consistently higher than the actual production that followed.

An improving unemployment rate – now at 4.1% – should provide some support, but growth levels are expected to remain low, given the decelerating global momentum.

A current weak factor in the Japanese economy is the relatively lacklustre domestic spending behaviour. Retail sales fell on a monthly basis for August and September by 7.2% and 3.4% m-o-m, respectively. While the trend is pointing at some improvement, it is still in the negative area. Some support comes from improving labour markets, as the unemployment rate improved from 4.3% in August to 4.1% in September; it stood at 4.7% in July. The widely followed job-offers to job-seekers ratio improved to 0.67x in September, from the previous month's level of 0.66x in August and 0.64x in July.

Exports show an improving trend, but their near-future development is uncertain, given the problems of the Euro-zone and the relatively low expansion in the US economy. Exports grew by 2.4% y-o-y in September and by 2.8% y-o-y in August. The challenge of the recovery in exports can be seen in the development of foreign machinery orders, an important forward-looking indicator. Foreign orders fell by 3.2% y-o-y in June and by 13.5% y-o-y in July, while they recovered significantly in August, rising by 10.0% y-o-y. Highlighting the dependency on foreign markets, domestic machinery orders fell by 11.5% in August. This also underscores the uncertainty about the magnitude of the recovery in the current and following quarters. Another important aspect is the fact that exports remain challenged by the strong yen, which still stands significantly below the important ¥80/$. With the weak US economy and the issues that the Euro-zone is dealing with, there is no indication that the yen might decline dramatically enough to support international trade.

The slow but ongoing recovery is mirrored by the recent purchase manufacturing index (PMI) levels. While the PMI for manufacturing had moved below the 50-level – which is the line that divides growth from contraction – and was recorded at 49.3 in August, it moved back to 50.6 according to Markit. The services sector still is below 50 and stands currently at only 46.4, pointing at a still-declining sector; on the other hand, this is the highest number since March and better than the previous August number of 44.3.

Summarizing the challenges pointed out above and considering the most recent deceleration of the recovery, the ongoing expansion needs to be treated with some caution as growth levels of the Japanese economy in the coming quarters remain uncertain. The economy still seems very dependent on its ability to export, which has been challenged by the power supply restrictions, and domestic demand still seems low. Thus, the conservative forecast of a 0.8% decline for 2011 remains unchanged. The expectation for 2012 has been revised down to 2.2% from 2.4% in the previous month.

The worries about the Euro-zone's sovereign debt situation and the possibility of some of its member states defaulting have been one of the main concerns driving markets over the recent weeks.

Euro-zone

The Euro-zone remains the centre of interest for the global economy. Worries about its sovereign debt situation and the possibility of defaults by some of its member states – which could bring down major European banks and push the Euro-zone into unchartered territories – are the main concerns that have driven markets over the recent weeks. The situation is a rather complex one and a brief summary of the current situation might be helpful.

So far the authorities of the Euro-zone together with the IMF have agreed to an emergency package of €750 billion, after the Euro-zone countries agreed to increase the lending capacity of the European Financial Stability Facility (EFSF) to €440 billion, which Slovakia agreed to ratify on 13 October. The EFSF is scheduled to maintain its operations until 2013, after which it will be replaced by the European Stability Mechanism with a lending capacity of around €600 billion. The duration of the lending facilities provided to member countries should match the tenure of the EFSF. The current facility of €750 billion is clearly too small to shield the debt levels of several countries, particularly Italy with almost €2 trillion or Spain with almost €700 billion. Therefore, discussions are underway to increase the current emergency facility to more than €1 trillion. However, it became obvious that this will probably not be enough and that the facility would need a much higher lending ability – up to probably €3 trillion. Already the negotiations for increasing it to €1 trillion seem to be challenging, but particularly in light of the most recent developments of an almost default by Greece, it is almost unavoidable to not provide a bigger answer to calm nervous markets, which have pushed up the risk-premium of Italian sovereign bonds to almost unbearable levels of around 7%. The European Central Bank (ECB) has in the meantime stepped in as a provider of liquidity to the ailing economies but has already accumulated more than €180 billion in sovereign bonds on its balance sheet, underscoring the fact that a proper facility from the Euro-zone countries is urgently needed. Again, it should be remembered that Spain has to refinance more than €110 billion and Italy €260 billion in 2012.

The underlying economic situation of the Euro-zone continues its deceleration. The Markit PMI numbers fell again in October. Manufacturing now stands at 47.1, again lower from the September number of 48.5. The services sector is certainly performing better but already in September had moved alarmingly below the 50 line for the first time since August 2009 to stand at 48.8, moving even lower in October to 47.2. This development has pushed down the composite index below the level of 50 already in September, when a number of 49.1 was recorded, and pushed it even lower to 47.2 in October, indicating either almost no growth or even a decline of the economy in 4Q11. Germany's composite PMI held at 51.2 in October, still a solid number, while the level of the second biggest economy—France—was recorded at 48.5, pointing at a near-term contraction.

Another significant issue might also be the fact that in the peripheral and weaker economies, unemployment has been at high levels now for about two years and fewer of the long-term unemployed are still eligible for unemployment insurance. This, it should be expected, is not only depressing consumption levels but is increasing social tensions in some of the Euro-zone economies as well. The unemployment rate for the whole Euro-zone has hit a level of 10.2%, the highest level since the establishment of the Euro in 2001. Particularly in Spain, the trend of the unemployment rate now is pointing in only one direction and has again reached a new record high of 22.6% in September. Youth unemployment in the Euro-zone also moved to a new record level of 21.2%. Spain was again the highest at a shocking 48%. Therefore, it should not come as a surprise that retail sales numbers in the Euro-zone were declining by 0.7% in September. Non-food products were exceptionally weak at minus 0.8%.

Another aspect that is probably denting the recovery, at least for now, is the high level of inflation, although the European central bank (ECB) is expecting the current high level to come down in the coming months. In October, consumer price inflation was estimated to stand at 3.0%. The ECB has become so cautious about the future growth trend that it has lowered its policy rate to 1.25% from 1.5%, a surprise to many observers, in its latest November meeting. It is expected to continue lowering interest rates in the coming months depending on its inflationary outlook and the underlying growth trend.

While many uncertainties prevail, the challenges will mostly have an effect in 2012. Therefore, next year's GDP growth forecast has now been lowered to 0.6% from 0.7% in the previous month, while the 2011 forecast remains unchanged at 1.6%.

Emerging markets

Economies are slowing down across DCs for different reasons. While declining international trade contributes to a drop in growth in Emerging Asia, competition issues reduce prospects of growth in Latin America.

Announcements of the Euro Area summit on Thursday, 27 October, to support the Greek economy, reduce its debt-to-GDP ratio to 120% by 2020 (with a combination of private sector involvement and public sector contribution) and to leverage the so-called European Financial Stability Facility (EFSF) had boosted market optimism in late October. This was reflected in a surge in stock exchange indices worldwide. The possibility of Chinese support for the programme – by investing in EFSF bonds – also added to the optimism. However, uncertainties surrounding the details of the rescue programme and new twists in Greek politics have raised questions about the successful implementation of the rescue plan. European economic growth forecasts for 2011 and 2012 are now reduced, which undoubtedly will affect the global economy through Euro-zone trade and financial relationships with other parts of the world.

In emerging markets, the October official manufacturing PMI index for China was around 50.4, less than the index for September, suggesting that industrial activities are barely rising. Generally speaking, economies in Asia and Australia (excluding Japan) are slowing in the face of global economic problems and domestic efforts to contain inflationary pressures. Manufacturing PMI for August and September suggests that the weakness has continued into 3Q11. GDP data for 2Q11 showed a broad slowdown across the region. Singapore and Hong Kong, for example, both suffered contractions. Almost all countries in the region, regardless of their export exposure, were hit by stock market sell-offs in August and September. The effects of the slowdown in the US and the Euro-zone are being felt, although Japan (with strong ties to the region) is now recovering from the natural disaster followed by its nuclear catastrophe in March. Despite a significant economic slowdown in recent months, a repeat of the 2009 recession is not expected as an economic expansion of the region's GDP of around 5.5% is expected for 2012. It seems that policy-makers do not see overheating as the greatest threat anymore and may even take measures to ease their tight monetary policies, as was the case in some countries in the region: Indonesia on 11 October cut its policy rate by -25 basis points. Nevertheless, the scope for fiscal stimulus remains limited and it is unlikely that a large-scale intervention will be needed unless some unprecedented economic crisis hit the region.

In Eastern Europe the economic recovery continues albeit at a slower pace when compared to 1Q11. The recovery is increasingly driven by domestic demand expansion as exports grow at a lower rate than expected. There is a potential negative impact on the region of a possible global economic turmoil triggered by a Euro-zone sovereign debt crisis. Business and consumer sentiment in the region is fragile, and its bond markets are vulnerable to contagion from troubles in the Euro-zone and heightened risk aversion. The recession in the Euro-zone, Eastern Europe's key export market, will take a toll on the region's growth, but the scale of the impact is not expected to be as large as 2008 since the exposure of the region's economies to external imbalances is currently less than in the past. For the Eastern European region, a moderate economic growth between 3% and 3.5% is expected for 2012. A slowdown of economic growth in the region is envisaged due to falling final demand in the Euro-zone constrained by high unemployment and weaker prospects for a strong rebound in foreign direct investment (FDI).

Latin America experienced a record capital inflow in 2010 that, together with a firm domestic demand and a recovery in investments, contributed to the region's economic growth of about 6%. Growth is estimated to slow to around 3.5% in 2011 as the exceptional conditions of 2010 have receded and policy has been tightened to prevent the risk of overheating. We expect growth to improve to some extent in 2012 and reach 4.0%, considering better prospects for growth in the US and the developed world, as well as the fact that domestic demand remains strong and Latin America may be able to cushion the impact of weak external demand by a degree of policy loosening.

While the surge in capital inflows into Latin America has been instrumental in the rapid recovery of the region from the 2009 global crisis, it has also caused currency appreciation and concerns over the export competitiveness of the region's economies. Authorities of the largest and most attractive markets in the region have been trying to curb inflation while taking measures to prevent their currencies from appreciating and support the competitiveness of their export sectors. Brazilian authorities, for example, have adopted macro-prudential measures to try to contain credit demand, while Colombia, Chile, Peru and Argentina have all resorted to direct intervention in the foreign-exchange market. They seem to be determined to keep inflation in a comfortable region and close to their targeted levels as a part of the region's macro-economic stability imperatives.

Ongoing political upheavals affected the economic growth of the Middle East and North Africa region (MENA) in 2011 after a strong recovery in 2010. The countries most affected by the unrest—such as Tunisia, Egypt, Syria, Yemen and Libya—are experiencing a sharp near-term economic slowdown. However, it is expected that higher global oil prices and production, and large increases in public spending, will have spurred economic growth in the oil-producing countries. Regional growth will also have been buoyed by Iraq, which has considerable ground to make up after years of both war and sanctions, and which is benefiting from a surge of foreign investment in its oil sector. It is expected that economic growth in 2012 in the MENA region will be stronger than in 2011, mainly due to the massive infrastructure and industrial development in Saudi Arabia, and robust growth in Iraq, which has ambitious plans to increase its investment in the oil sector and increase crude output. The economic expansion of the region might also be affected by the rebound of Libya and other North African economies affected by unrests in 2010.

To summarize, the economies of Asia and Australia (excluding Japan) are slowing in the face of global economic problems and domestic efforts to contain inflationary pressure. We expect an economic growth rate of 5.6% in 2011 and 5.5% in 2012 for the region. For the Latin America region, growth is estimated to slow to around 3.5% in 2011 as the exceptional conditions of 2010 have receded and policy has been tightened to prevent the risk of overheating. We expect growth to improve to some extent in 2012 and reach 4.0%, considering the fact that domestic demand remains strong and that Latin America may be able to cushion the impact of weak external demand by a degree of policy loosening. It is expected that economic growth in 2012 in MENA to accelerate compared to 2011, mainly due to the massive infrastructure and industrial development in Saudi Arabia and robust growth in Iraq, which has plans to increase oil sector investment and crude output. In ***Table 3.2*** below, we have summarized the performance of the major emerging economies (BRICs) at the macro level.

Table 3.2: Summary of macro-economic performance of the BRIC countries

	GDP growth rate		Consumer price index, % y-o-y change			Current account balance, US$ bn		Government fiscal balance, % of GDP	
	2011	2012	2010	2011	2012	2011	2012	2011	2012
Brazil	3.5	4.0	5.9	6.5	5.6	-54.4	-66.8	2.4	2.2
China	9.0	8.5	3.3	5.4	4.0	305.0	307.4	-1.8	-3.1
India	7.6	7.6	10.2	8.1	7.1	-53.9	-57.8	-4.9	-4.8
Russia	4.1	4.2	8.8	7.1	6.8	88.6	58.6	0.0	-1.5

**Source: Data Services Department, OPEC Secretariat for GDP growth rates; Consensuses Forecast, October 2011, for prices and current account; EIU, October 2011, for government fiscal balance*

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

Brazil

Strong domestic demand and a tight labour market amid contracting industrial output and appreciation of the real, hints at a deterioration of competitiveness in the tradable sector of the Brazilian economy.

The Brazilian economy seems to show contradictory signs of retaining firm demand amid contracting industrial production. Although demand drivers have also slowed down, with a weaker labour market compared to 1Q11, strong capital inflows imply FDI growth. FDI inflows reached $76.3 billion, a record high in 12-month basis. The September reports showed a moderation in non-earmarked credit origination, while earmarked credit seemed gaining traction amid softer lending rates. Despite this, credit growth and domestic demand in Brazil have been growing stronger than in many other countries. Yet recent reports indicate that domestic industrial output is in decline, with industrial production in Brazil dropping 2% in September on a month-on-month basis. Production of durable goods fell by 9% while output of capital goods declined by 5.5% in the last month, on an annual basis. It is estimated that economic growth has decelerated to 3.5% in 2011 from 7.5% last year. The fall in capital good production is yet another sign that the recent investment boom has ended rather unexpectedly. Considering two successive contractions of industrial production in Brazil, one can even speak of industrial recession in the country. Unemployment rose by 0.3 percentage points bringing the seasonally adjusted unemployment rate to 6.2% from 5.9% in August. On the other hand, real labour income decreased 1.6% on a monthly basis.

Considering Brazil’s fiscal surplus, some observers had expected that the government would have responded with some fiscal incentives. However, given the monetary authority’s surprise interest rate cut at the end of August, extending a fiscal stimulus seems unlikely as this policy would contradict the interest rate cut. Lowering the benchmark interest rate, on the other hand, was seen by many observers as a risky change as the labour market is still tight and inflation remains above the target. The recent surprise interest rate cut could be seen as a pre-emptive move to offset the impacts of deterioration in the global economy and declining aggregate demand for Brazil’s industrial production. In light of a weakening industrial sector, some analysts do not rule out further rate cuts in the coming months to bring interest rates as much as one percentage point lower.

The government’s answer to weakness in the domestic industry has been targeted protectionism by increasing taxes on imported cars. If the tariffs are successful in lifting industrial production, more tariffs could follow in other sectors. However, unless labour market rigidities and overvaluation of Brazil’s currency—the “real”—are addressed properly one cannot expect a significant change in the economy’s competitiveness nor a change of direction for the growth rate of the industrial sector. There is evidence that the authorities were not surprised by the domestic economic slowdown and predicted that this would ease inflationary pressures. Deteriorating economic activities pose a downside risk to the economy’s 2012 growth prospects. It remains to be seen, however, whether a softening monetary policy amid a strong currency, tight labour market and fiscal surplus would reverse the direction of growth, particularly in the industrial sector.

China

Pursuing a soft landing, the Chinese government might ease policies to protect key economic sectors that have been most affected by tight monetary policy and the withdrawal of fiscal stimulus.

Chinese GDP growth decelerated from 9.5% in 2Q11 to 9.1% in 3Q11 on an annual basis. In the industrial sector there has been some mild pick-up in September with cement and steel production leading the way. Investment was slightly lower but export growth declined sharply from 24.5% in August to 17.1% in September, mainly due to a slowdown in the European economy, which is China’s largest trade partner. Imports, however, continued to increase rapidly and grew by 20.9% in September on a year-on-year basis. The PMI published in early November indicates barely any changes, meaning that there has been no significant increase in industrial activities in the last month compared to September. However, it should be noted that PMI is merely a survey and does not portray a perfect picture of developments in industrial output.

The construction sector also has shown signs of weakness in recent months. Although there has been a slight deceleration in the growth of fixed investment in residential areas in nominal terms, based on the National Bureau of Statistics of China (NBS) data, the economist intelligence unit (EIU) estimates that residential starts in real terms grew at their slowest rate in October. This time of year is usually a strong selling period of housing units in China. This diminishing growth in private housing investment can be compensated by the government’s social housing programme that drives support for this sector. The government had an official target for construction of 10 million new affordable housing units by the end of 2011 and it seems that they are on track to deliver on their promise on time. However, the significance of this programme to the whole Chinese construction sector remains to be seen. The slowdown in the real estate sector could exert a negative impact on the country's shadow financial network, which offers loans outside of the banking system. Following the government's tighter monetary policy that started last year, the unregulated financial sector had increased its lending to property developers. Following growing inflation since 2010 that reduced real interest rates—sometimes even to negative territory—there has been concern whether parts of private saving are being redirected to the shadow financial sector, which offers higher interest rates.

The Chinese government has been trying to control inflation not only by tightening monetary policy but also by putting pressure on firms to not increase their prices. There have been interventions to induce a ban on price increase by firms in certain sectors (such as the alcohol industry and e-commerce services). On the other hand, a more positive development for business have been signs of input unit cost easing, which has helped stabilize producer price. Soaring production cost has been squeezing the producers since inflation became a major economic problem in 2010. Producer prices rose by 6.5% in September on an annualized basis, down from 7.5% in July. This is supported by a planned reduction of petrol and diesel prices around 3.5% and 3.9%, respectively, as announced by the authorities.

Considering the impact of the government's tight monetary and fiscal policies on small- and medium-sized enterprises (SMEs), the Chinese premier, Wen Jiabao, travelled to Zhejiang province, the center of China's SME industries, to reassure them of government support. There have been reports of massive bankruptcies, particularly among SME firms, in recent months. The government has decided to increase the revenue threshold for paying value-added taxes (VAT) and business taxes, as well as increasing the access of SMEs to financing, considering lower prudential requirements for banks, small SME loans and improving their access to bond financing. The banking sector has also benefited from new government initiatives such as government share-buying activities to support the equity prices of state-owned banks, which began in early October when China's stock market hit a 30-month low.

Another significant element of the Chinese government's new initiatives is its announcement of permission being granted to local governments in some provinces to issue bonds. This not only would raise money for local governments when they need it most but also will make fiscal policies, at least at the provincial level, more flexible and transparent. Although this could help some local governments pay back their debt in the short-run, it is obvious that issuing bonds cannot resolve the fundamental problem of overextended local governments. Additional support for the fiscal stance of local governments was the announcement by the central government in October that revenue from a 5% to 10% tax on resources, particularly oil and gas, effective from November 2011, will go to the governments of the region in which the money is raised.

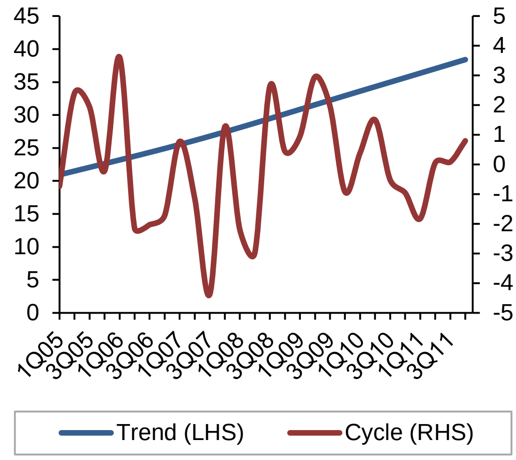
Generally speaking, it seems that a soft-landing of the Chinese economy remains the main policy objective of government authorities in China. So far, they have managed a descending GDP growth without causing any great concern while inflation appears to be under control. This has allowed the economic authorities to take some selective easing measures, some of which were discussed above, to enable the short term economic growth to approach its long-term trend. Considering the successful control of the broad money expansion that has confined M2 growth to its year-end target, it is expected that bank lending will be eased to ensure reasonable growth in China's total credit supply, which is needed for an economic expansion that is close to China's potential GDP growth.

India

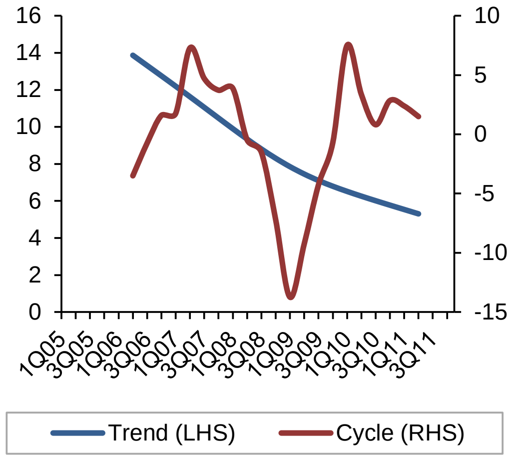
Having raised the policy rate to 8.5% on 25 October to curb elevated inflation, India's central bank has indicated that its stance is moving from just curbing inflation to managing the growth-inflation trade-off.

On 25 October, the Reserve Bank of India (RBI) increased the economy's benchmark interest rate by 25 basis points. This interest rate increase came on top of the previous interest rate rise of September, which hiked the repo rate to 8.5%. The central bank's statement, however, indicates that no other increase in interest rates is likely in the coming months. The RBI has reiterated its March 2012 projection of inflation at 7% and has stated that if inflation conformed to expectations, other hikes in interest rates may not be warranted. It seems that the authorities' stance in India has now moved from anti-inflationary to managing the growth-inflation trade-off. In a few months, managing inflation appeared to be the priority of the RBI; but in its recent statement justifying its recent interest rate increases because inflation had stayed above its comfort zone, the RBI indicated that stimulating investment and economic growth remains its priority as well.

Graph 3.3: Trend & cyclical changes of government spending in India, q-o-q



Graph 3.4: Trend & cyclical changes of investment in India, q-o-q



** Hodrick-Prescott filter (lambda = 1600)*

There are signs of crowding-out as government increases its expenditure amid negative balances both in public sector and foreign trade accounts.

As an economy with a large public sector deficit (around 5% of its GDP) and growing trade deficit ($54 billion), an increase in public sector spending to stimulate growth will inevitably exert a crowding-out effect (*as shown in **Graph 3.3 and 3.4***). An increase in government expenditure above its ascending longer term trend (*see **Graph 3.4***) is associated with a down-trend in short-term private investment towards its descending investment trend. In moving to a slower GDP growth forecast for this fiscal year, the RBI pointed out that slowing down investment, slower clearance and execution of projects, and rising interest rates were key factors contributing to the slowdown of economic growth. Another significant element of the RBI's recent policy change was deregulation of savings bank deposit rates. This is a clear sign of monetary policy reform that would increase efficiency of the transmission mechanism of Indian monetary policy, linking policy rates more closely to market rates.

India's economy faces high inflation and high interest rate with growing uncertainties concerning the government's ability to lead the economy to sustainable growth. As a result, consumer confidence has been fading and there has been a moderation in the demand for durables. One obvious manifestation of this is declining demand for cars – growth of automobile sales is believed to have fallen to a mere 2% to 4%, from a high of 35% y-o-y in 2010, according to the Indian Society of Automobile Manufacturers. High interest rates and fuel price increase are blamed for this significant change in demand for cars in a relatively short period of time. However, sales of trucks and buses, often seen as a proxy for investment, rose by 18.1% in September on top of an increase of around 18% in the April-September period. Interruptions have been reported in the car industry—such as in Maruti Suzuki, India largest car manufacturer—with a significant impact on the sector's output. The company estimates that labour-management disputes have cost $330 million so far. The disputes are important because the outcome can affect general working conditions and pay in the overall automotive industry.

Industrial output growth has moderated in 2011 and rose by a slower than expected 4.1% on an annual basis in August. The manufacturing sector, with a 76% share in industrial output, grew only by 4.5% in August. Although power generation rose by 9.5%, mining production fell by 3.4% in August, year-on-year. Growth of consumer durables fell from 16.3% in August 2010 to 4.3% in same month of 2011. There are signs that the slowdown has become more broad-based and has affected the services sector. According to recent reports, the HSBC Markit India services PMI slipped from 53.4 in August to 49.8 in September, the sector's first contraction since 2009.

Consumer confidence appears fading affecting consumer durables sales. Growth rate of industrial and services sectors has been declining in the past months

Wholesale prices effectively were unchanged and stood at 9.7% in September, slipping slightly from 9.8% in August. Key drivers of the overall price index (food, energy and primary goods) did not moderate in a significant way, although inflation of manufacturing goods eased from 7.8% in August to 7.7% in September. Inflation in the fuel and power category accelerated to 14.1% in September, affected by the government's fuel price rise of 15 September. Given the effects of the fuel price increase on consumer price levels, the Ministry of Commerce and Industries tends to revise upwards wholesale price data in the coming months. Subsequent inflation figures might, therefore, appear to have remained in two-digit territory in 3Q11.

Adequate rainfall in the monsoon season has supported the better than expected agricultural output in 2011. The Ministry of Agriculture estimates that wheat production will exceed 86 million tonnes in 2011-2012 as a result of a favourable monsoon season and higher prices at which the government buys the commodity. Last year, India, the second largest wheat producing economy, produced a record 85.9 million tonnes of the crop. Output of other crops is also expected to increase in 2011. For example, the land under cotton cultivation has risen by 9% on an annual basis and production of rice is expected to rise to 87.1 million tonnes from 80.7 million tonnes last year.

Russia

Russia's economy performed better than expected in recent months mainly due to a strong domestic demand and low unemployment, while inflation decelerated.

Russia's economic performance has turned out stronger than expected in recent months due to strong domestic demand offsetting weakness seen in its export markets. Retail sales increased 9.2% in September year-on-year, despite the slowdown in car sales. The labour market also remains firm and the seasonally adjusted unemployment rate remained at 6.6% in September. Consistent with the significant expansion of consumption, capital investments rose by 8.5%, also surpassing expectations. At least some parts of the strong domestic demand is related to rapid bank credit expansion, which has been manifested by a 21% increase in corporate loans on an annual basis. However, it is expected that the lending rates to be raised in the coming months will make investment activities difficult—hence, the possibility for lower economic growth in 2012. Weaker output and cargo volumes of construction materials imply that the construction sector growth might contract in the coming months.

According to estimates from the Ministry of Economic Development of the Russian Federation, real GDP growth remained robust in August and year-on-year economic growth rate in July reached 5.2%, above the 4.1% average for January-August. As mentioned earlier, this has been mainly due to strong growth in domestic demand. Despite a moderate increase in real wages and household income, strong growth in retail sales was reported in September. The rise in retail sales, therefore, might have come from negative growth in household savings in favour of consumption stimulated by consumer credit expansion. The latest data also indicate improvements in the corporate financial situation. The increase in investments has been evident in machinery and equipment imports, which accounted for 49% of imports in August.

Despite strong domestic demand, industrial production appears to be losing momentum. In August, industrial output rose by 6.2% on an annual basis, followed by a month-on-month decline of 0.2% in July. This has been mainly due to a slowing down of the growth rate for machinery despite a growth in the production of passenger cars, which expanded by 46.4% in August, year-on-year. Machinery and equipment also continued to grow at a fast rate of 9.8% compared to last year. In addition, basic construction material grew by double digit rates.

The outlook for manufacturing appears uncertain, based on regular business sentiment surveys. The Markit PMI in September was 50 compared to 49.9 in August, but down from the 54.8 recorded for 1Q11. A Rosstat (Russian Federal States Statistics Service) survey of industry in September indicates that although a majority of enterprises in the survey expect an increase in their output during 4Q11, the proportion of these companies has been declining steadily for several months.

Consumer price inflation decelerated in September, mainly due to falling food prices. The consumer price index rose by 7.2% on an annual basis, the lowest rate since September 2010. However, with regards to the price inflation of non-food items, there have been no significant changes. On the other hand, the producer price index in manufacturing rose by 15.8% year-on-year in August. This mainly reflected price increases in the refining and chemicals sectors, where prices are linked to world prices and the ruble (Rb) exchange rate. Producer price inflation for machinery was more modest and climbed 7.5% on an annual basis in August.

The Ministry of Finance of the Russian Federation has forecast a large surplus for the federal budget in January-August. The additional Rb 700 billion (around $24.5 billion) is expected from higher oil revenue. The latest revision of the 2012-14 budget, submitted to the Duma, Russia's Parliament, proposes a faster narrowing of the budget deficit compared to the first draft published in July. In the 2012 budget proposal, raising the oil price assumption to $100/b and increasing the GDP growth forecast to 3.7% has boosted the budget revenue by Rb 1,200 billion (around $37 billion). Although still heavily dependent on oil revenues, the 2012 budget also envisages the share of non-oil revenues rising from 51% in 2011 to 53% in 2012. This is to be made possible by reforms in tax policies.

Developing countries

Growth in industrial output marginally lower in Argentina

Argentina's industrial production continued to decelerate in September. Total production grew by 5.1% year-on-year, the National Institute of Statistics and Censuses (INDEC) said on 25 October, slowing marginally from 5.2% growth in August. The country's merchandise-trade surplus widened to $1.1 billion in September according to INDEC, after recording a surplus of $640 million in August. Inflation accelerated in September. Consumer prices rose by 9.9% year-on-year, following 9.8% growth in August. This reflects a combination of growing demand, driven by loose macroeconomic policy, and continued supply constraints.

Malaysia's exports grew at their fastest rate this year in September as commodity and electronics shipments rose. Malaysia's exports grew at the fastest pace in more than a year in September on higher sales of electronics and commodities, an acceleration that may ease as a weakening global economy curbs demand for goods. Malaysia's economic growth in 3Q11 looks better than 2Q11 with improvements seen in several indicators according to its central bank.

OPEC Member Countries

Inflation seen decreasing in Iran starting in January

The monetary authority in Iran had reversed the decision to cut interest rates on bank deposits, aiming to cut excess cash in the economy to halt rising inflation. The Iranian Central Bank governor said that the country's inflation rate hit 19.1% within the 12-month period. Speaking at a conference in Tehran on Tuesday, Bahmani said that the inflation rate was 18.3% within the 12-month period ending on 22 September. He predicted that the inflation rate growth will start decreasing in January.

Kuwait's public spending rose an estimated 21.5% in the fiscal year 2010-11, excluding energy-related subsidies and the recapitalization of the Public Institution for Social Security. Kuwait is benefitting from the four-year KWD 30 billion ($108.2 billion) development plan launched last year, which is expected to be the first of several consecutive schemes running to 2035.

The central bank of Angola set a new benchmark interest rate at 10.5% as it seeks to contain inflation and protect the country's currency. Inflation slowed to 11.9% in September from 13.7% in the previous month, the statistics office said on 10 October. Angola is targeting inflation of less than 12% by the end of the year.

The US Dollar has hardly changed in the month of October against the major currencies, with the exception of the Swiss Franc. In nominal terms, the OPEC Reference Basket fell by 1.2%, or $1.32, from $107.61/b in September to $106.29/b in October.

Oil prices, US dollar and inflation

After the US dollar had strengthened in the previous months, it has hardly changed in the month of October against the major currencies, with the exception of the Swiss franc. After an impressive increase of more than 12% versus the Swiss franc in the month of September, it rose again by 2.1% in October. Since the Swiss National Bank (SNB) has announced setting a ceiling of CHF1.20/€ for its Swiss franc/euro exchange rate at the beginning of September, the value of the Swiss franc was – successfully for the SNB – kept at its lowest levels since August against its major currency-pairings (i.e., the US dollar and the euro). Compared to other currencies, the US dollar remained almost flat. Versus the euro, the US dollar appreciated by 0.3% and versus the pound sterling it increased by 0.1%, while compared to the yen it lost 0.1%. Trading versus the euro was very volatile in the previous weeks. After it fell to $1.32/€ at the beginning of October, it moved back above the $1.40/€ level to $1.41/€ at the end of the month and moved back to currently around $1.38/€ in November. This was the second most volatile move of the €/$ exchange rate in only 10 weeks. It has already once lost 10% from the end of August until the very low levels of around $1.32/€ at the beginning of October. This level then marked the end of an almost straight decline from $1.4487/€ at the end of August (i.e., it fell by almost 10% within only 5 weeks, only to reverse this trend by almost the same magnitude since then). The monthly average exchange rate for October stood at $1.3707/€.

The weakening of the Euro was supported by the worsening situation in the Euro-zone’s debt crisis, combined with some slight improvement in the US economy. Future developments will depend very much on both factors but, in the short-term, the Euro-zone debt crisis seems to be the focal point. Furthermore, further actions by the ECB or the FED – both expected to potentially ease their monetary policies further if the economic situation worsens – might influence this most important currency paring as well.

In nominal terms, the OPEC Reference Basket fell by 1.2%, or $1.32/b, from $107.61/b in September to $106.29/b in October. In real terms, after accounting for inflation and currency fluctuations, the Basket price fell by 0.9%, or $0.58/b, to $64.41/b from $64.99/b (base June 2001=100). Over the same period, the US dollar increased by 0.2% against the import-weighted modified Geneva I + US dollar basket while inflation fell by 0.1%. *

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

World Oil Demand

World oil demand forecast at 0.9 mb/d to average 87.8 mb/d

World oil demand in 2011

The fourth quarter is by nature a high season for oil consumption as the world demands more heating and fuel oil. However, despite the winter demand for oil products, OECD oil demand is expected to remain negative as a result of the slowing economic momentum. Growing economic uncertainties in the EU have dampened the continent's oil usage. US gasoline demand has been on the decline for the past four months reflecting economic woes and the latest cold front in the US is not expected to alter the country's oil consumption forecast. Weakening Chinese oil demand is being offset by strengthening oil use in other non-OECD economies. As a result of these offsetting factors, world oil demand is forecast at 0.9 mb/d y-o-y to average 87.8 mb/d, unchanged from the previous report.

Graph 4.1: Forecasted y-o-y growth in 2011 world oil demand, by product

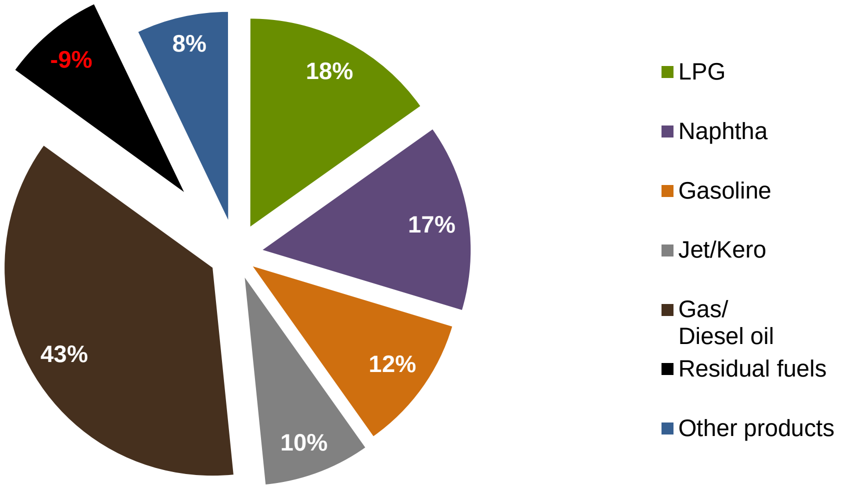


Table 4.1: World oil demand forecast for 2011, mb/d

	2010	1Q11	2Q11	3Q11	4Q11	2011	Change 2011/10 Growth	%
North America	23.76	23.81	23.35	23.67	23.75	23.64	-0.11	-0.48
Western Europe	14.58	14.18	14.13	14.73	14.70	14.44	-0.14	-0.98
OECD Pacific	7.82	8.35	7.12	7.66	8.07	7.80	-0.02	-0.22
Total OECD	**46.15**	**46.34**	**44.60**	**46.06**	**46.52**	**45.88**	**-0.27**	**-0.59**
Other Asia	10.18	10.33	10.45	10.35	10.53	10.42	0.23	2.28
Latin America	6.18	6.16	6.33	6.48	6.42	6.35	0.17	2.82
Middle East	7.28	7.32	7.38	7.71	7.45	7.47	0.19	2.56
Africa	3.35	3.42	3.39	3.26	3.45	3.38	0.02	0.67
Total DCs	**27.00**	**27.23**	**27.54**	**27.80**	**27.86**	**27.61**	**0.62**	**2.28**
FSU	4.14	4.13	3.96	4.39	4.46	4.24	0.09	2.24
Other Europe	0.69	0.69	0.65	0.69	0.76	0.70	0.00	0.33
China	8.95	9.13	9.54	9.37	9.53	9.39	0.44	4.93
Total "Other regions"	**13.79**	**13.95**	**14.14**	**14.44**	**14.75**	**14.32**	**0.54**	**3.89**
Total world	**86.94**	**87.52**	**86.28**	**88.30**	**89.13**	**87.81**	**0.88**	**1.01**
Previous estimate	86.93	87.47	86.24	88.36	89.16	87.81	0.88	1.01
Revision	0.00	0.06	0.04	-0.07	-0.03	0.00	0.00	0.00

Totals may not add up due to independent rounding

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

			Change 2011/10				Change 2011/10	
	1Q10	1Q11	Volume	%	2Q10	2Q11	Volume	%
North America	23.41	23.81	0.40	1.72	23.69	23.35	-0.34	-1.46
Western Europe	14.31	14.18	-0.13	-0.90	14.25	14.13	-0.12	-0.84
OECD Pacific	8.23	8.35	0.12	1.46	7.34	7.12	-0.23	-3.08
Total OECD	**45.95**	**46.34**	**0.39**	**0.86**	**45.29**	**44.60**	**-0.69**	**-1.53**
Other Asia	10.11	10.33	0.23	2.26	10.23	10.45	0.22	2.13
Latin America	5.94	6.16	0.22	3.78	6.15	6.33	0.18	2.91
Middle East	7.18	7.32	0.14	1.94	7.18	7.38	0.20	2.83
Africa	3.38	3.42	0.04	1.04	3.37	3.39	0.02	0.57
Total DCs	**26.61**	**27.23**	**0.63**	**2.36**	**26.93**	**27.54**	**0.62**	**2.30**
FSU	4.02	4.13	0.11	2.67	3.86	3.96	0.10	2.46
Other Europe	0.69	0.69	0.00	0.46	0.64	0.65	0.00	0.76
China	8.37	9.13	0.76	9.06	9.09	9.54	0.44	4.87
Total "Other regions"	**13.08**	**13.95**	**0.87**	**6.65**	**13.60**	**14.14**	**0.54**	**3.99**
Total world	**85.63**	**87.52**	**1.89**	**2.21**	**85.81**	**86.28**	**0.47**	**0.55**

Totals may not add up due to independent rounding

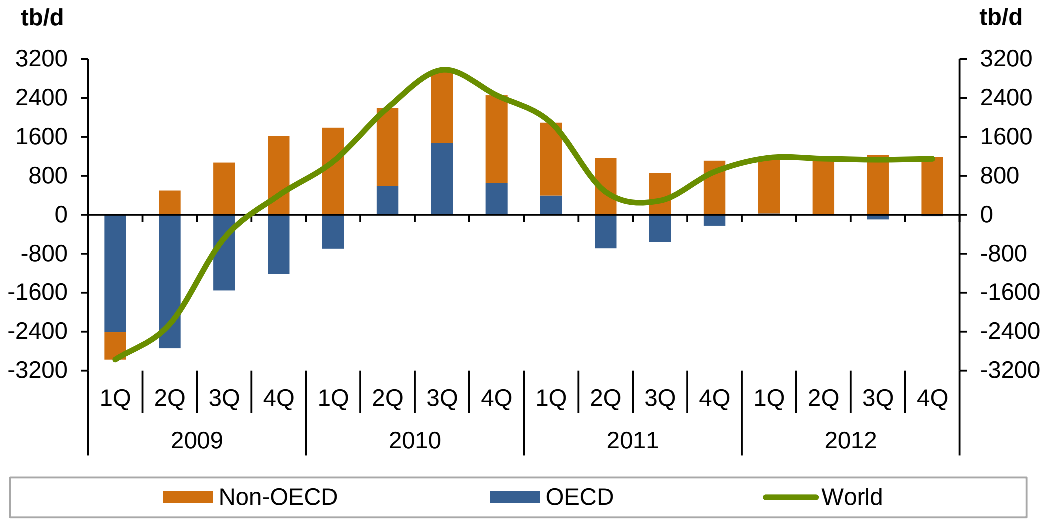
Table 4.3: Third and fourth quarter world oil demand comparison for 2011, mb/d

			Change 2011/10				Change 2011/10	
	3Q10	3Q11	Volume	%	4Q10	4Q11	Volume	%
North America	24.07	23.67	-0.40	-1.67	23.85	23.75	-0.10	-0.42
Western Europe	14.92	14.73	-0.19	-1.30	14.83	14.70	-0.13	-0.87
OECD Pacific	7.62	7.66	0.03	0.45	8.07	8.07	0.00	0.03
Total OECD	**46.62**	**46.06**	**-0.56**	**-1.20**	**46.75**	**46.52**	**-0.23**	**-0.48**
Other Asia	10.10	10.35	0.25	2.47	10.30	10.53	0.23	2.27
Latin America	6.34	6.48	0.14	2.26	6.27	6.42	0.15	2.42
Middle East	7.50	7.71	0.21	2.84	7.26	7.45	0.19	2.62
Africa	3.24	3.26	0.02	0.49	3.43	3.45	0.02	0.58
Total DCs	**27.18**	**27.80**	**0.62**	**2.29**	**27.27**	**27.86**	**0.60**	**2.19**
FSU	4.30	4.39	0.09	1.98	4.38	4.46	0.08	1.92
Other Europe	0.68	0.69	0.01	0.73	0.76	0.76	0.00	-0.53
China	9.23	9.37	0.14	1.52	9.10	9.53	0.43	4.75
Total "Other regions"	**14.21**	**14.44**	**0.23**	**1.62**	**14.24**	**14.75**	**0.51**	**3.60**
Total world	**88.01**	**88.30**	**0.29**	**0.33**	**88.25**	**89.13**	**0.88**	**1.00**

Totals may not add up due to independent rounding

Stiff retail petroleum product prices have affected oil demand in Non-OECD regions such as China and India. Both countries' oil demand growth is estimated to be less than last year's.

Graph 4.2: Quarterly world oil demand growth



Alternative fuel

A study that was submitted to the EU claiming that the use of biodiesel is not "green" as previously assumed has been criticized by the board of the EU biodiesel industry. Biofuel has been increasingly under attack recently by many research entities which suggest that its alleged advantages rest upon false assumptions. Furthermore, several studies are accusing biofuel production as a principal cause of higher food prices.

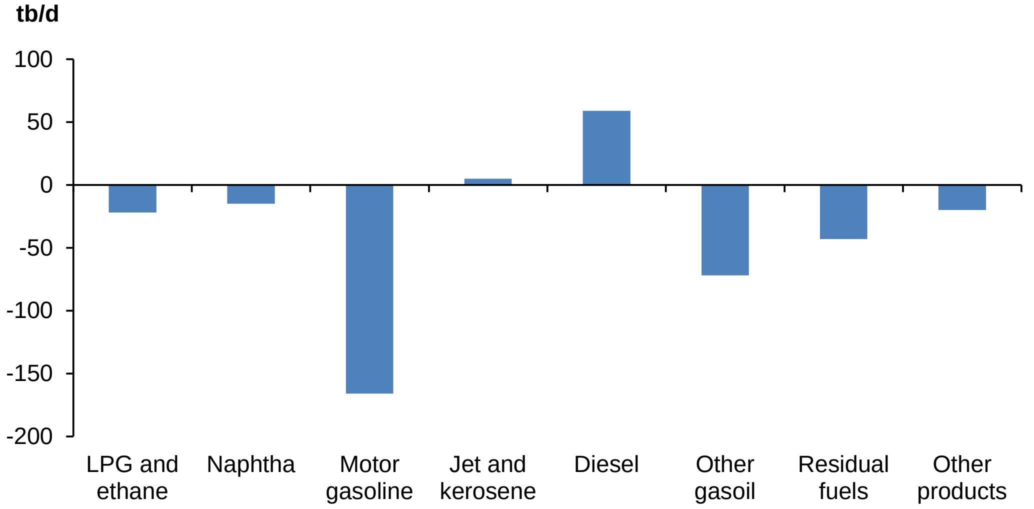
North American oil demand to shrink by 0.11 mb/d in 2011

OECD – North America

Latest monthly US oil consumption data for August show a larger y-o-y contraction than previously reported of approximately 1.3%. The usage of transportation fuels, especially gasoline, accounted for the bulk of this contraction and was attributed to higher fuel prices, increased vehicle fleet efficiencies, as well as declining driving mileage and gloomy general expectations about the economy. However, the growth in distillate consumption was solid, as a result of mildly increased industrial production. In line with the traditional travelling season, the consumption of jet/kerosene increased substantially while the demand for residual fuel oil continued to contract for the fourth month in a row. Propane/propylene consumption was stagnating as compared to last year. Furthermore, the first nine months of 2011 implied decreasing y-o-y consumption for all product categories except distillate fuel oil. Motor gasoline and residual fuel oil showed the strongest contractions in the first nine months of the year. Given the fact that the driving season is behind us, gasoline demand is not expected to show any healthy move for the remainder of this year and the first quarter of 2012. The signs for US oil consumption during 2011 are, up to now, quite pessimistic; nevertheless cold weather in the US during the fourth quarter could boost the consumption of heating oil. Mexican oil consumption in September was up by 3.1%, as compared to last year with all product categories showing increases. The most observed increase was in industrial fuels. Canadian oil demand contracted slightly by 0.5% in August. Negative contribution to oil consumption by transportation fuels was almost offset by oil usage in industry.

North American oil demand is expected to shrink by 0.11 mb/d in 2011 y-o-y. In 2012, North America is projected to grow slightly again by only 0.11 mb/d.

Graph 4.3: OECD product demand changes, 2011



US vehicle sales rose by 10% in September y-o-y, the largest growth since April 2011. Nearly 54% of vehicles sold were trucks and SUVs, the highest percentage this year. Factors that boosted car sales are the needs of small businesses to replace aging fleets of work trucks in combination with auto companies offering some attractive deals to clear out 2011 model truck inventory. The average age of US trucks currently stands at 10.1 years. Moreover, shortages in Japanese vehicles, as a result of March's earthquake and tsunami, enhanced American-made truck and SUV sales. The latest available Canadian data indicated that a shortage in Japanese-made vehicles reduced domestic sales by 0.4% in September 2011 y-o-y. According to the Mexican Automobile Industry Association, Mexico's auto sales, production and exports grew robustly in September 2011, by 12.2% and 14.1% and 14.2%, respectively.

OECD – Europe

The region's total contraction in oil demand stands at 0.14 mb/d in 2011

European oil consumption contracted again in September after being on the positive side in August. During the first nine months in 2011 European oil consumption shrank by 0.15 mb/d, reflecting the weakened economy in that region. September oil consumption in Germany, France and Italy fell, while UK consumption grew for the second month in a row. Decreasing demand in transportation fuels, as a result of high prices and, thus, decreasing driving mileage were the main reasons behind the decline in the European September oil consumption. The short- and medium-term development of European oil consumption will be mostly determined by the continuing debt problems in several European economies. Oil demand in the European Big Four decreased by 0.05 mb/d in September as compared to September 2010 and their consumption of transportation fuels continued to be in the minus during the same month, while some industry fuels showed increases.

The region's total contraction in oil demand stands at 0.14 mb/d in 2011. For 2012 oil consumption is expected to shrink again, as a result of the rather pessimistic economic development, by a slightly lower magnitude of 0.08 mb/d.

Table 4.4: Europe Big 4* oil demand, mb/d

	Sep 11	Sep 10	Change from Sep 10	Change from Sep 10 %
LPG	387	406	-20	-4.8
Gasoline	1,249	1,313	-64	-4.9
Jet/Kerosene	864	813	50	6.2
Gas/Diesel oil	3,598	3,606	-9	-0.2
Fuel oil	453	438	15	3.5
Other products	1,207	1,228	-21	-1.7
Total	**7,757**	**7,805**	**-48**	**-0.6**

** Germany, France, Italy and the UK*

According to the latest figures from the European Automobile Manufacturers Association (ACEA), new passenger car registrations in Europe increased slightly by 0.6% in September y-o-y. Germany was the only major market to register a strong growth of 8.1% while other major markets declined. The worst sales decline was registered in Italy, which reached -5.7%. From January to September, the market picture was diverse across the region, leading to an overall 1.1% decline y-o-y. Looking at the main markets, the UK, Italy and Spain contracted by -5.0%, -11.3% and -20.7%, respectively, while France remained stable at 0.2%, and Germany registered strong growth of 10.8%.

OECD – Pacific

OECD Pacific oil consumption to remain broadly flat in 2011

In Japan, latest September monthly data reversed the optimistic picture seen in July and August showing a strong decline in the consumption of all products, especially gasoline, jet fuel and naphtha. Moreover, the direct use of crude, one of the main factors behind growing oil demand in the summer months, remained flat as compared to last year. The strong decline came in combination with a high baseline during the same month in 2010. In South Korea, August oil demand grew just as it did in July; declines in transportation and some industrial fuels were more than offset by increasing naphtha demand.

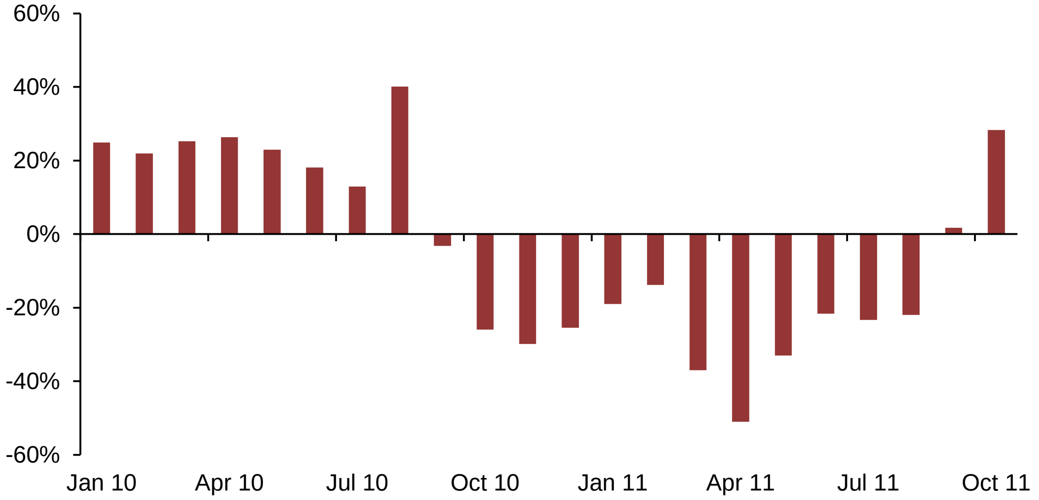
OECD Pacific oil consumption is expected to remain broadly flat in 2011 and 2012, with marginal declines of 0.02 mb/d and 0.04 mb/d, respectively. However, projections are heavily dependent upon the speed of recovery in Japan.

Crude oil burning in power plants in lieu of damaged nuclear plants increased Japan's crude demand by 70% in the first eight months of the year; however, in September there was no growth in crude oil usage as the summer heat faded out.

Japanese auto sales rose 1.7% in September y-o-y for the first time since the March earthquake and tsunami, as car makers improved their supply of vehicles to dealerships. The figures, however, reflect a low basis of comparison of the year-earlier. In September of last year, auto sales fell down after the government cut its subsidies for fuel-efficient cars.

As for October, vehicle sales in Japan grew 28.3% as a result of governmental subsidies to replace cars that are older than 13 years. The outlook for the country's auto industry remains bleak, as the yen stays very strong against the dollar, and the world economy is unstable.

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

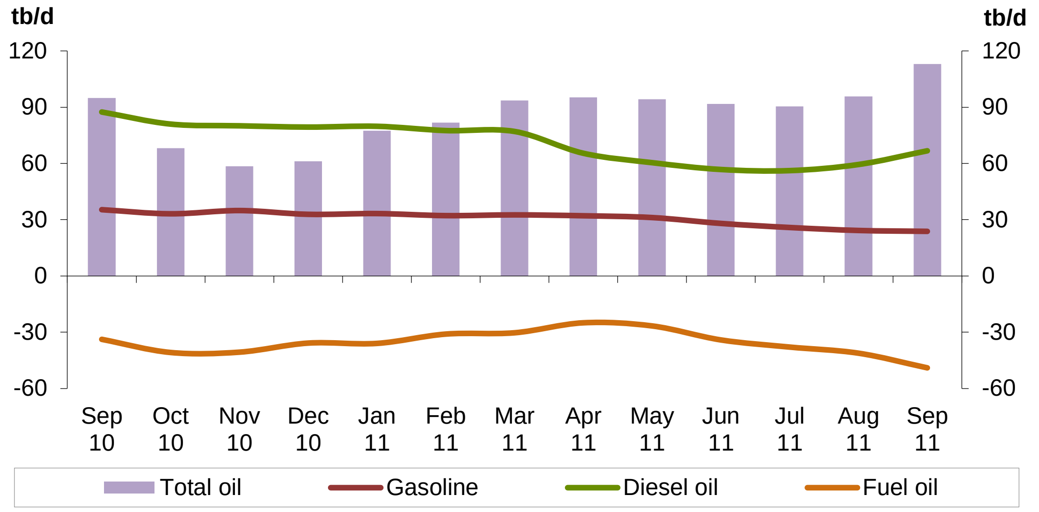


Developing countries

Developing Countries oil demand growth forecast at 0.62 mb/d

Following three months of slowdown in Indian oil demand, the country's September oil demand rebounded back to achieve a growth of 0.2 mb/d or 6.1% y-o-y. This is the highest growth this year. India has been consuming NG in its power plants in lieu of oil. Furthermore, low consumption of diesel in the past four months was considered another reason for slow Indian consumption at that time. Bad weather reduced farming operations, leading to less diesel usage. September diesel demand grew by 6.3% adding another 108 tb/d to the total diesel demand pool. One third of the oil used in India is diesel which is consumed by transportation, industrial and agricultural sectors. Indian oil demand growth is forecast to be around 4% this year.

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



Other Asia oil demand growth forecast at 0.23 mb/d in 2011

According to the Society of Indian Automobile Manufacturers (SIAM), domestic passenger car sales decreased by 1.8% during September y-o-y, mainly due to high interest rates and increased petrol prices. Going against the trend of low demand in the car segment, motorcycle sales in India grew by 19.9% in September, y-o-y. Auto companies plan to introduce measures for enhancing car sales, such as free fuel, affordable insurance, cash discount, and lower prices.

Table 4.5: Consumption of petroleum products in Thailand, tb/d

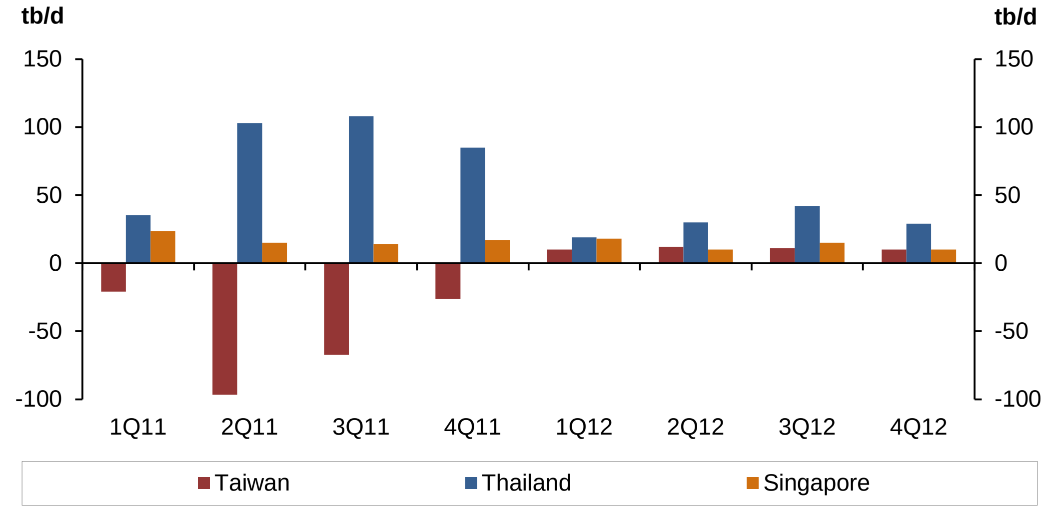
	Aug 11	Aug 10	Change	Change %
LPG	232	196	36	18.3
Gasoline	128	126	3	2.3
Jet Fuel/Kerosene	85	81	4	5.0
Diesel	312	290	21	7.3
Fuel oil	43	44	-1	-1.9
Other products	121	69	52	75.0
Total	**921**	**806**	**115**	**14.3**

Source: JODI/EPPO

Economic activities hiked Thailand's oil demand in August by 14% or 115 tb/d y-o-y. Industrial products were the most consumed pushing the country's total oil demand to average 0.92 mb/d in August. However, the recent flood has been affecting industrial operations and, hence, industrial fuel demand has been heavily affected in October and November. Thailand's total oil demand growth for the year is forecast at 80 tb/d y-o-y.

Given the strength of oil demand in both India and Thailand, Other Asia oil demand growth is forecast at 0.23 mb/d in 2011, averaging 10.4 mb/d.

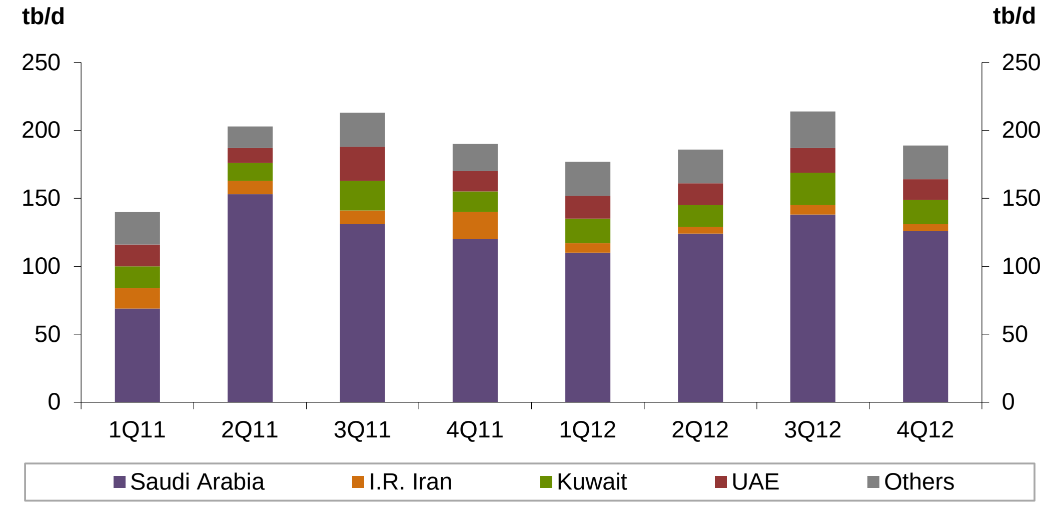
Graph 4.6: Oil consumption in selected Asian countries, y-o-y growth



The Middle East oil demand growth forecast at 0.2 mb/d

Saudi transport fuel consumption hiked up, adding another 155 tb/d to the total oil demand pool. This strong consumption came about after a moderate demand level in the past two months. In the past three quarters, gasoline and diesel usage grew by 5% each. Despite the decline in Iranian oil demand, the strength in Saudi and other GCC oil demand is expected to balance it and end up with 2.6% annual growth. The Middle East oil demand growth is forecast at 0.2 mb/d.

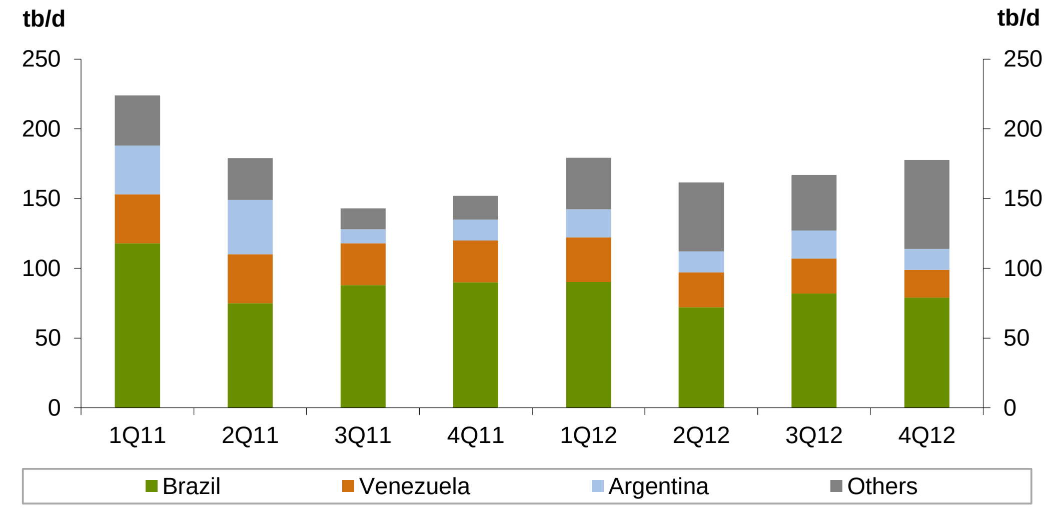
Graph 4.7: Yearly oil demand growth in the Middle East



Latin America's oil demand growth forecast at 0.17 mb/d in 2011.

Brazilian oil demand increased by 84 tb/d in August following a negative performance in July caused mainly by lower use of alcohol. The product that grew the most was gasoline reflecting the high travelling summer season. Gasoline demand grew by 23.8% in August y-o-y, driving the country's total demand up by 50 tb/d in the first nine months of the year. The largest growth in oil demand this year in Latin America is forecast in Brazil and then Argentina and Ecuador. Latin America's oil demand growth is forecast at 0.17 mb/d y-o-y, averaging 6.4 mb/d in 2011.

Graph 4.8: Yearly oil demand growth in the Latin America



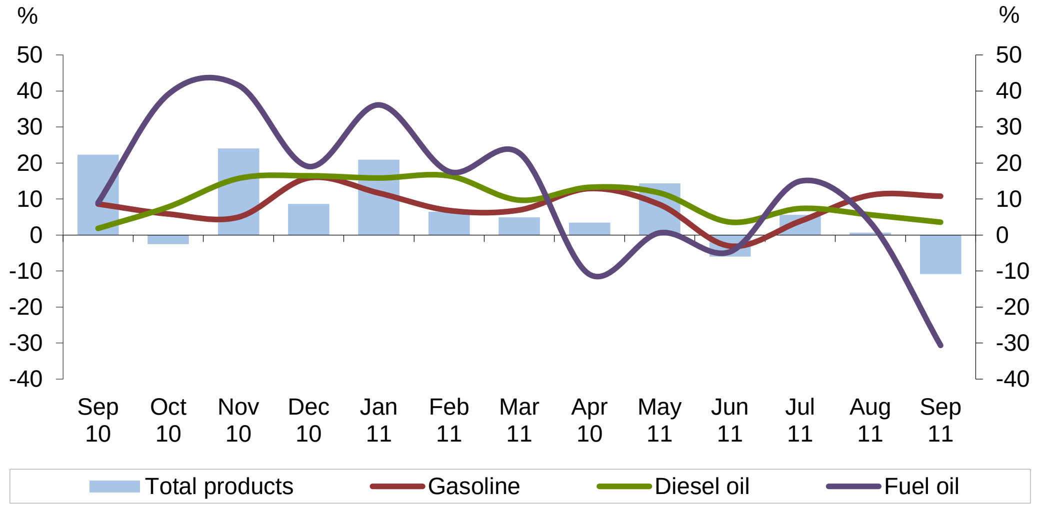
Developing Countries oil demand growth is forecast at 0.62 mb/d y-o-y, averaging 27.6 mb/d.

Other regions

China's oil demand growth forecast at 0.44 mb/d or 4.9% in 2011

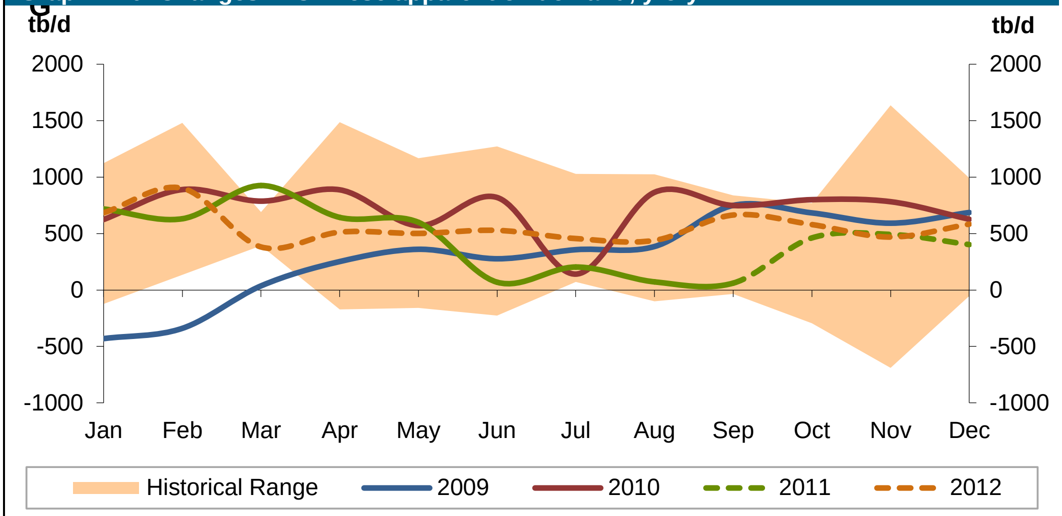
China reduced pump prices for both gasoline and diesel by around 4% early in October; however, this move is not expected to increase consumption drastically. The last time China reduced prices was in June of 2010. China's oil demand has slowed down since June with a y-o-y growth of less than 1%. Of course, one major factor that negatively affected China's oil demand this summer is the governmental policies toward new vehicle registrations. Other factors that negatively influenced China's oil demand are higher retail petroleum prices, which slightly suppressed oil demand (mainly transport fuel), and the mandatory blend of biofuel which reduced gasoline consumption slightly. Despite this third quarter slowdown in oil use, it is expected that the fourth quarter oil use will be semi-strong as forecast. As for the first three quarters of the year, China's oil demand averaged 9.6 mb/d. China's third quarter oil demand growth was 140 tb/d; however, the fourth quarter growth is forecast at 430 tb/d. Such weak growth has not been seen since the first quarter of 2009. If the government tried to reduce the use of energy at the end of this year, then this would increase the demand for diesel as the use of independent generators would increase. China's oil demand growth is forecast at 0.44 mb/d or 4.9% y-o-y for 2011.

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



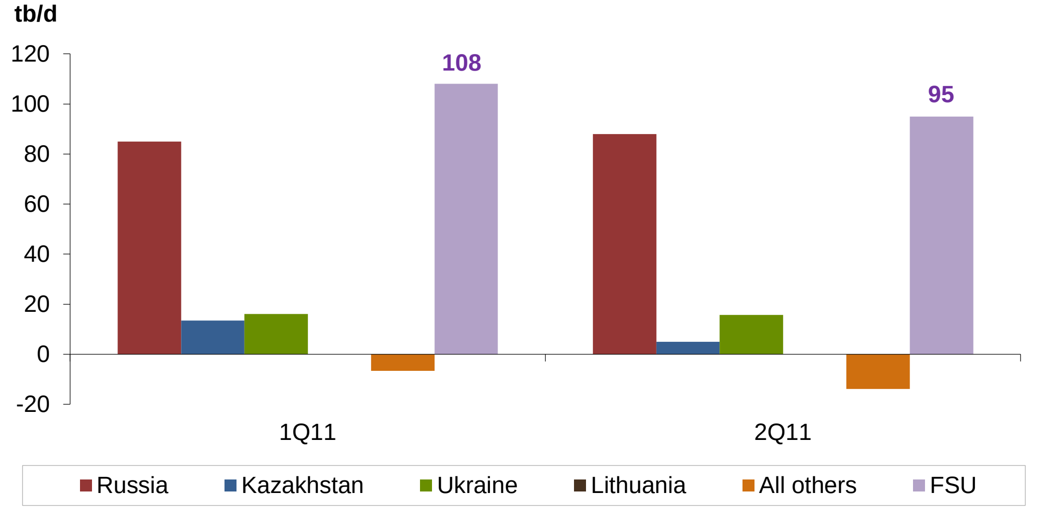
Data from China Association of Automobile Manufacturers (CAAM) show that the country's automobile sales increased to 5.5% during September as compared to a year earlier. The sales of passenger vehicles in September increased 8.8% from a year earlier, up 4 percentage points from a month earlier. The sales of heavy trucks in September shrank by 12.4%, while the sales of buses in September grew 7% y-o-y. The increase in vehicle sales is attributed to the government's subsidies for energy-saving vehicles. The subsidy policy, introduced in June of last year, provides subsidies for vehicles within a certain weight range that have a maximum fuel consumption of 6.9 liters per 100 km. Moreover, buyers may receive a 3,000-yuan ($470.2) subsidy for every car they purchase that falls within the specifications

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



Russia's booming economy is calling for more use of oil. The country's oil demand has been in a growth mode since 2009. Industrial and transport fuel growth are the reasons for this. In total, the FSU region oil demand is forecast to grow by 0.1 mb/d y-o-y in 2011 averaging 4.2 mb/d.

Graph 4.11: FSU oil demand, tb/d



World oil demand in 2012

World oil demand growth to reach 1.2 mb/d in 2012

The world economic outlook has been worsening due to the challenges facing the OECD economies. The forecast for world GDP next year has been revised further down reflecting these uncertainties. Next year's oil demand growth is expected to come from the non-OECD, mainly China, India, the Middle East and Latin America. By sector, industrial – particularly, petrochemical – and transport sectors will contribute the most to expected oil demand growth. US oil demand is expected to return to its normal growth mode; however, it will remain the wild card for 2012. Furthermore, petroleum product retail prices will play a major role in oil demand next year, mainly in the transport sector. The EU oil demand will continue to contract next year resulting not only from weak economic growth but also from maintaining its efficiency trend. OECD Pacific oil demand will be in better shape than Europe's as Japan's oil consumption will reflect rebuilding projects. World oil demand is forecast to grow by 1.2 mb/d in 2012 to average 89.0 mb/d.

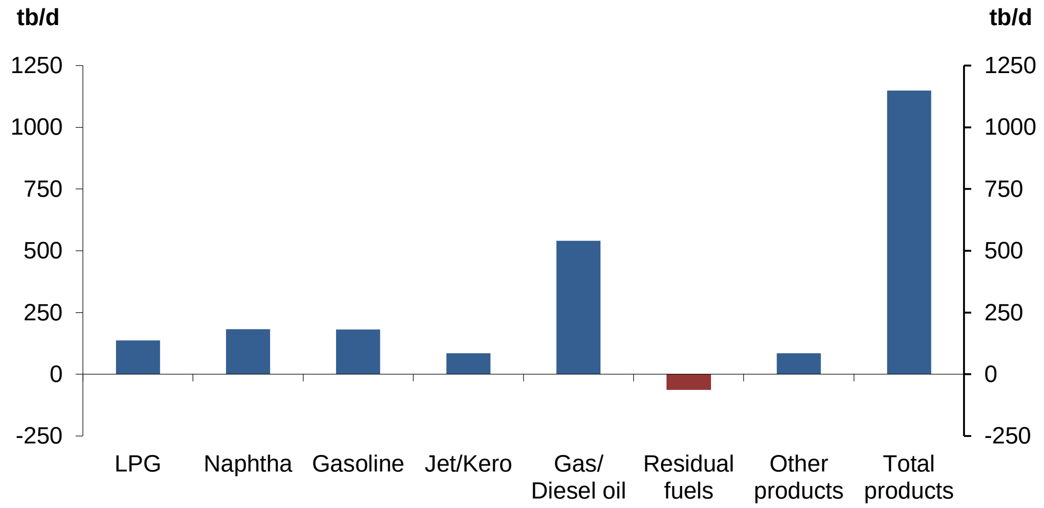
Table 4.6: World oil demand forecast for 2012, mb/d

							Change 2012/11	
	2011	1Q12	2Q12	3Q12	4Q12	2012	Growth	%
North America	23.64	23.88	23.46	23.78	23.90	23.75	0.11	0.47
Western Europe	14.44	14.21	14.01	14.62	14.60	14.36	-0.08	-0.53
OECD Pacific	7.80	8.28	7.15	7.58	8.00	7.75	-0.04	-0.57
Total OECD	**45.88**	**46.38**	**44.62**	**45.98**	**46.50**	**45.87**	**-0.01**	**-0.02**
Other Asia	10.42	10.54	10.64	10.58	10.75	10.63	0.21	2.02
Latin America	6.35	6.35	6.50	6.66	6.61	6.53	0.18	2.86
Middle East	7.47	7.50	7.57	7.93	7.64	7.66	0.19	2.57
Africa	3.38	3.45	3.41	3.29	3.48	3.41	0.03	0.93
Total DCs	**27.61**	**27.83**	**28.12**	**28.46**	**28.48**	**28.23**	**0.61**	**2.23**
FSU	4.24	4.24	4.05	4.51	4.57	4.34	0.11	2.54
Other Europe	0.70	0.69	0.65	0.70	0.76	0.70	0.00	0.66
China	9.39	9.59	10.00	9.86	10.02	9.87	0.48	5.06
Total "Other regions"	**14.32**	**14.52**	**14.70**	**15.06**	**15.35**	**14.91**	**0.59**	**4.10**
Total world	**87.81**	**88.73**	**87.44**	**89.50**	**90.33**	**89.01**	**1.19**	**1.36**
Previous estimate	87.81	88.65	87.43	89.55	90.37	89.01	1.19	1.36
Revision	0.00	0.08	0.01	-0.05	-0.04	0.00	0.00	0.00

Totals may not add up due to independent rounding

Chinese oil demand is expected to grow the most world-wide despite government efforts to curb energy use within the country. Chinese oil demand is expected to inch up by 5.1% y-o-y. Along with China, the Middle East, India, Brazil, and the rest of the non-OECD countries will boost world oil demand by 1.2 mb/d or 1.4 % in 2012.

Graph 4.12: Forecast y-o-y growth in 2012 world oil demand



Indonesia is planning to further remove its subsidies from certain petroleum products which in return will suppress demand next year. This move is seen mainly in Asia as international oil prices stayed in the upper band.

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

			Change 2012/11				Change 2012/11	
	1Q11	1Q12	Volume	%	2Q11	2Q12	Volume	%
North America	23.81	23.88	0.07	0.30	23.35	23.46	0.11	0.47
Western Europe	14.18	14.21	0.03	0.20	14.13	14.01	-0.12	-0.85
OECD Pacific	8.35	8.28	-0.06	-0.77	7.12	7.15	0.03	0.47
Total OECD	**46.34**	**46.38**	**0.04**	**0.08**	**44.60**	**44.62**	**0.02**	**0.05**
Other Asia	10.33	10.54	0.20	1.95	10.45	10.64	0.19	1.86
Latin America	6.16	6.35	0.19	3.07	6.33	6.50	0.17	2.71
Middle East	7.32	7.50	0.18	2.42	7.38	7.57	0.19	2.53
Africa	3.42	3.45	0.03	0.84	3.39	3.41	0.03	0.75
Total DCs	**27.23**	**27.83**	**0.60**	**2.19**	**27.54**	**28.12**	**0.58**	**2.10**
FSU	4.13	4.24	0.11	2.67	3.96	4.05	0.09	2.31
Other Europe	0.69	0.69	0.00	-0.19	0.65	0.65	0.01	0.78
China	9.13	9.59	0.46	5.07	9.54	10.00	0.47	4.88
Total "Other regions"	**13.95**	**14.52**	**0.57**	**4.10**	**14.14**	**14.70**	**0.56**	**3.98**
Total world	**87.52**	**88.73**	**1.20**	**1.38**	**86.28**	**87.44**	**1.16**	**1.35**

Totals may not add up due to independent rounding

As mentioned before, next year’s oil demand forecast is based on assumptions such as higher GDP, higher retail petroleum product prices, strong Chinese economy. However due to uncertainty in the total world economy in 2012, next year’s oil demand forecast implies two scenarios; however, the probability leans more towards the downside. A worse than expected outcome of the US economy along with higher oil prices might reduce world oil demand growth by 0.2 mb/d.

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

			Change 2012/11				Change 2012/11	
	3Q11	3Q12	Volume	%	4Q11	4Q12	Volume	%
North America	23.67	23.78	0.11	0.46	23.75	23.90	0.15	0.63
Western Europe	14.73	14.62	-0.11	-0.74	14.70	14.60	-0.10	-0.69
OECD Pacific	7.66	7.58	-0.08	-0.98	8.07	8.00	-0.07	-0.88
Total OECD	**46.06**	**45.98**	**-0.08**	**-0.16**	**46.52**	**46.50**	**-0.02**	**-0.05**
Other Asia	10.35	10.58	0.23	2.26	10.53	10.75	0.21	2.00
Latin America	6.48	6.66	0.18	2.73	6.42	6.61	0.19	2.92
Middle East	7.71	7.93	0.21	2.77	7.45	7.64	0.19	2.53
Africa	3.26	3.29	0.04	1.16	3.45	3.48	0.03	0.98
Total DCs	**27.80**	**28.46**	**0.66**	**2.38**	**27.86**	**28.48**	**0.62**	**2.23**
FSU	4.39	4.51	0.12	2.82	4.46	4.57	0.10	2.35
Other Europe	0.69	0.70	0.01	1.15	0.76	0.76	0.01	0.88
China	9.37	9.86	0.49	5.23	9.53	10.02	0.48	5.07
Total "Other regions"	**14.44**	**15.06**	**0.62**	**4.31**	**14.75**	**15.35**	**0.59**	**4.03**
Total world	**88.30**	**89.50**	**1.21**	**1.37**	**89.13**	**90.33**	**1.19**	**1.34**

Totals may not add up due to independent rounding

World Oil Supply

Non-OPEC

Forecast for 2011

Non-OPEC supply forecast to grow by 0.22 mb/d in 2011

Non-OPEC oil supply is expected to increase by 0.22 mb/d in 2011 to average 52.50 mb/d. This represents a sharp downward revision of 0.13 mb/d from the previous report. The adjustment came mainly from the second half of 2011, as updated third quarter production showed lower-than-expected output. The UK, Australia, Brazil, Colombia, Yemen, Ghana, Kazakhstan, Azerbaijan and China supply profiles encountered downward revisions, while upward revisions were experienced in the US, Canada, Norway and Russia supply estimations. The downward revisions were much larger than the upward ones, resulting in the downward revision to non-OPEC supply growth in 2011. Most of the revisions came on the back of updated production data, with the third quarter experiencing the largest revisions as more actual production data has become available. Furthermore, some of the downward revisions in the third quarter were carried over to the fourth quarter, in addition to changes to output expectations for some fields. The largest downward revision was introduced to Developing Countries' oil supply in the third quarter as preliminary production data suggested lower-than-previously-expected output in Mexico, the UK, Denmark, Australia, Brazil, Colombia, Yemen, Kazakhstan, Azerbaijan and China. OECD Western Europe oil supply experienced the biggest downward revision in the third quarter as preliminary data indicated lower-than-previously-expected output in the UK and Denmark.

According to preliminary and estimated data, total non-OPEC supply in the third quarter of 2011 increased by 0.22 mb/d over the same period a year earlier. During the first three quarters, non-OPEC supply increased by 0.22 mb/d compared to the same period of the previous year. On a quarterly basis, non-OPEC supply is expected to average 52.76 mb/d, 51.97 mb/d, 52.17 mb/d and 53.07 mb/d, respectively.

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

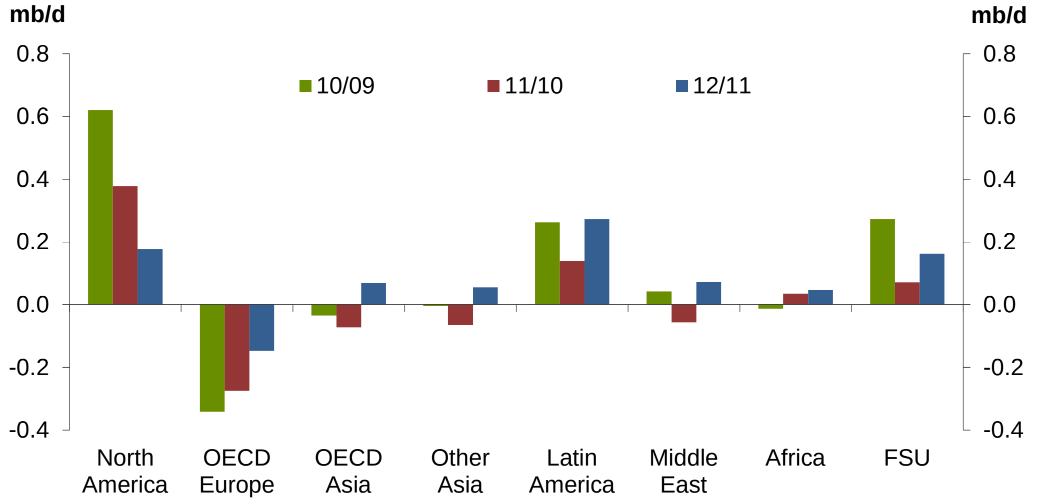


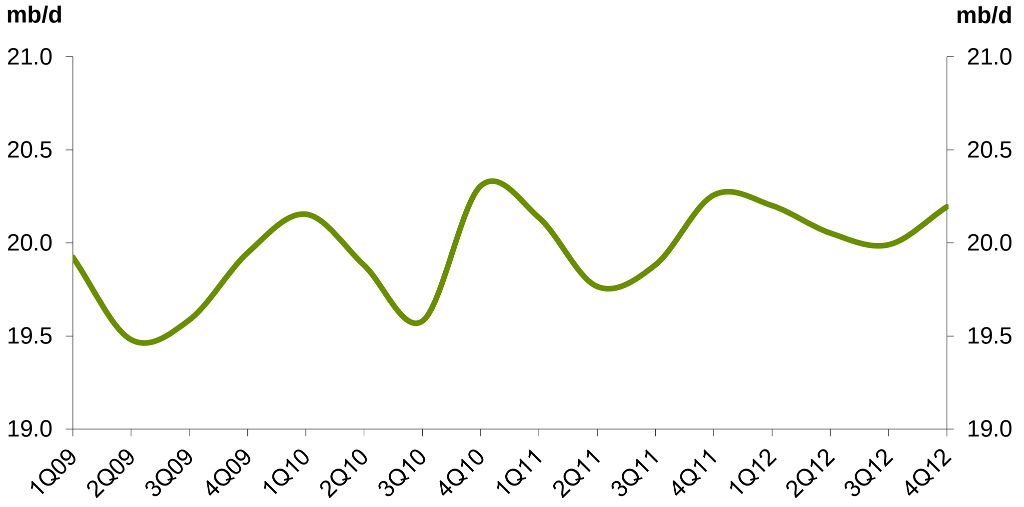
Table 5.1: Non-OPEC oil supply in 2011, mb/d

	2010	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10
North America	14.99	15.31	15.20	15.44	15.51	15.37	0.38
Western Europe	4.39	4.31	4.06	3.91	4.18	4.11	-0.27
OECD Pacific	0.60	0.52	0.50	0.53	0.57	0.53	-0.07
Total OECD	**19.98**	**20.14**	**19.77**	**19.88**	**20.26**	**20.01**	**0.03**
Other Asia	3.68	3.68	3.53	3.60	3.67	3.62	-0.07
Latin America	4.67	4.75	4.72	4.77	4.98	4.81	0.14
Middle East	1.78	1.78	1.65	1.70	1.75	1.72	-0.06
Africa	2.59	2.61	2.58	2.61	2.67	2.62	0.03
Total DCs	**12.71**	**12.82**	**12.48**	**12.69**	**13.07**	**12.77**	**0.05**
FSU	13.22	13.32	13.26	13.25	13.35	13.29	0.07
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.12	4.22	4.19	4.08	4.12	4.15	0.03
Total "Other regions"	**17.48**	**17.68**	**17.59**	**17.47**	**17.61**	**17.59**	**0.11**
Total Non-OPEC production	**50.18**	**50.63**	**49.84**	**50.04**	**50.94**	**50.37**	**0.19**
Processing gains	2.10	2.13	2.13	2.13	2.13	2.13	0.03
Total Non-OPEC supply	**52.28**	**52.76**	**51.97**	**52.17**	**53.07**	**52.50**	**0.22**
Previous estimate	52.27	52.77	51.95	52.49	53.31	52.63	0.36
Revision	0.00	-0.01	0.03	-0.32	-0.23	-0.13	-0.14

OECD

Total OECD oil supply is forecast to increase by 30 tb/d in 2011 to average 20.01 mb/d, following a downward revision of 20 tb/d, compared to the previous month. The downward revision was introduced to OECD Western Europe and OECD Pacific while the forecast for North America oil supply experienced an upward revision that offset most of the downward revision. The OECD supply profile remains steady with strong growth in North America offset by the relatively sharp decline in OECD Western Europe and OECD Pacific in 2011. According to preliminary actual and estimated data, OECD supply averaged 19.88 mb/d in the third quarter, an increase of 110 tb/d from the previous quarter and an increase of 0.30 mb/d compared to the same quarter last year. During the first three quarters of 2011, OECD oil supply indicated an average increase of 60 tb/d, compared to the same period a year earlier. On a quarterly basis, OECD oil supply is seen to average 20.14 mb/d, 19.77 mb/d, 19.88 mb/d, and 20.26 mb/d, respectively.

Graph 5.2: OECD's quarterly production



North America

Oil production from **North America** is expected to increase by 0.38 mb/d in 2011, the highest among all non-OPEC regions, to average 15.37 mb/d, indicating an upward revision of 45 tb/d compared to the previous month. The expected healthy supply growth from the US and Canada and the relatively low anticipated decline from Mexico all supported the North America supply forecast in 2011. On average, North America supply increased by 0.44 mb/d during the first three quarters of 2011 compared to the same period of 2010, according to preliminary data. On a quarterly basis, North America oil supply is expected to stand at 15.31 mb/d, 15.20 mb/d, 15.44 mb/d, and 15.51 mb/d, respectively.

US

US output continued to show strong growth in 2011

US oil production is forecast to increase by 0.29 mb/d in 2011 to average 8.93 mb/d, indicating an upward revision of 40 tb/d compared to last month's appraisal. The upward revision came in the third quarter to adjust for updated production data that continued to show a strong increase. The upward revision was partially carried over to the fourth quarter. Furthermore, new NGL capacity further supported the upward revision. The startup of the 75 tb/d new NGL capacity in Texas added to US supply growth in 2011. Moreover, the expansion of the pipeline capacity at the Eagle Ford is supporting the expected strong growth of the shale output. The healthy ramp-up of the Bakken oil supply is strongly supporting the growth of the US, which is currently the highest among all non-OPEC countries in 2011. Supply from PADD 2 and PADD 4 is showing continued strong increases, supported by the Bakken formation output. During the first three quarters, the US oil supply increased by 0.33 mb/d compared to the same period a year ago. According to preliminary data, the US oil supply increased by 50 tb/d in the third quarter compared to the previous quarter and 0.37 mb/d compared to the same period a year ago. On a quarterly basis, US oil supply is estimated to average 8.76 mb/d 8.94 mb/d, 8.99 mb/d, and 9.01 mb/d, respectively.

Canada and Mexico

Canada 3Q supply increased 0.23 mb/d from 2Q and 0.15 mb/d y-o-y

Oil production from Canada is projected to increase by 0.10 mb/d in 2011 to average 3.50 mb/d, indicating a minor upward revision of less than 10 tb/d compared to the previous MOMR. The upward revision was experienced in the third quarter as updated production data necessitated the undertaken revision. Despite the partial lower production from conventional fields on the back of maintenance in the third quarter, however, oil sand production increases in the third quarter more than offset the impact of maintenance on some of the fields. The healthy oil sand output was supported by the ongoing ramp-up of new facilities as well as the partial return of Horizon production in the third quarter. Furthermore, the growth of NGL supply from the Pembina development further supported the minor upward revision. Canada oil supply growth in 2011 is expected to be one of the highest among non-OPEC countries. Growth is supported by strong investment, which is expected to increase in the coming years. In 2011, Alberta oil sand project is expected to receive around $15 billion of investment, which is still shy of the record reached in 2008. According to preliminary data, Canada oil supply averaged 3.53 mb/d in the third quarter 2011, a significant increase of 0.23 mb/d from the second quarter and growth of 0.15 mb/d compared to the third quarter of 2010. On a quarterly basis, Canada's supply is expected to average 3.57 mb/d, 3.30 mb/d, 3.53 mb/d and 3.58 mb/d, respectively.

Mexico crude output in September hit a 15-year low

Mexico oil production is expected to decline by 20 tb/d in 2011 to average 2.94 mb/d, unchanged from the previous month. Despite the steady state, there was a minor downward revision introduced to third quarter supply, yet it did not influence the annual figure. The downward revision came to adjust to updated production figures in the third quarter. In September, Mexico oil supply declined to the lowest level so far in 2011. Tropical storm Nate caused a short shutdown of some offshore facilities in September, including the Ku-Maloop-Zaap project. Crude oil production fell below 2.5 mb/d in September, the lowest level in around 15 years. During the first three quarters, Mexico oil supply remained relatively steady compared to the same period the previous year, with a minor decline of 20 tb/d on average. On a quarterly basis, Mexico's oil supply is seen to average 2.97 mb/d, 2.96 mb/d, 2.92 mb/d and 2.92 mb/d, respectively.

Western Europe

OECD Western Europe 3Q production represents the lowest quarterly output in over 25 years

OECD Western Europe total oil is forecast to decline 0.27 mb/d in 2011 to average 4.11 mb/d, indicating a sharp downward revision of 50 tb/d compared to the previous MOMR. Updated production data for the main producers required the downward revision mainly on the back of heavy maintenance and unexpected shutdowns. OECD Western Europe remains the region with the biggest decline among all non-OPEC regions. According to preliminary data, OECD Western Europe oil production averaged 3.91mb/d in the third quarter, the lowest quarterly output since 1986, indicating a decline of 0.15 mb/d compared to the second quarter and a drop of 0.11 mb/d compared to the same quarter in 2010. On a quarterly basis, OECD Western Europe oil supply is seen standing at 4.31 mb/d, 4.06 mb/d, 3.91 mb/d and 4.18 mb/d, respectively.

Grane output returns to normal and Skarv startup delayed to 2012

Norway oil production is anticipated to decline by 80 tb/d in 2011 and average 2.05 mb/d, representing a minor upward revision of less than 10 tb/d compared to the previous MOMR. Updated production data for the first half of 2011 required the adjustment undertaken. Oil supply estimates for the second half of the year remained steady compared to the previous month. The steady state in the second half came despite the Skarv field startup being delayed from the fourth quarter 2011 to the first quarter 2012 on the back of delays for FPSO maintenance requirements as well as severe weather conditions for installation. However, the rapid return of the Grane oil field to full production from curtailed output in October further supported fourth quarter supply and offset the Skarv startup delay. According to preliminary data, Norway oil supply declined by around 0.1 mb/d during the first three quarters compared to the same period a year ago. On a quarterly basis, Norway’s production is expected to average 2.14 mb/d, 1.98 mb/d, 2.01 mb/d and 2.08 mb/d, respectively.

UK 3Q output the lowest in more than 30 years

UK oil production is expected to decline by 0.22 mb/d in 2011 to average 1.14 mb/d, indicating a significant downward revision of more than 50 tb/d compared to the previous month. The downward revision was introduced to the second half of 2011, as updated production data indicated a large decline of output compared to previous expectations, mainly in the third quarter. The downward revision was partially carried over to the fourth quarter. During the third quarter 2011, reports indicated a continued drop in drilling activities in the UK, where offshore drilling dropped 36% compared to the same period in 2010, mainly due to economic and fiscal system uncertainties. UK output is expected to increase in the fourth quarter as production in some fields is seen to return to normal levels. The Buzzard oil field has return in October to normal production levels of around 210 tb/d from the third quarter average of 115 tb/d. Furthermore, reports suggested that the Ensus ethanol plant might return to normal output of around 7 tb/d after the shutdown on poor margins. Preliminary production data in the third quarter indicates the heavy effect of decline, maintenance and shutdown on UK oil supply, hence requiring a downward revision as production stood at 0.97 mb/d, the lowest level since the first quarter of 1978. During the first three quarters of 2011, UK oil production declined by an average 0.23 mb/d compared to the same period last year. On a quarterly basis, UK oil output is expected to average 1.27 mb/d, 1.17 mb/d, 0.97 mb/d and 1.16 mb/d, respectively.

Asia Pacific

OECD Pacific total oil production is anticipated to decline by 70 tb/d in 2011 to average 0.53 mb/d, indicating a downward revision of 15 tb/d compared to last month. The downward revision came from Australia, while the New Zealand oil supply estimate remained unchanged. On a quarterly basis, total OECD Pacific supply is seen to average 0.52 mb/d, 0.50 mb/d, 0.53 mb/d and 0.57 mb/d, respectively.

Kitan field starts up

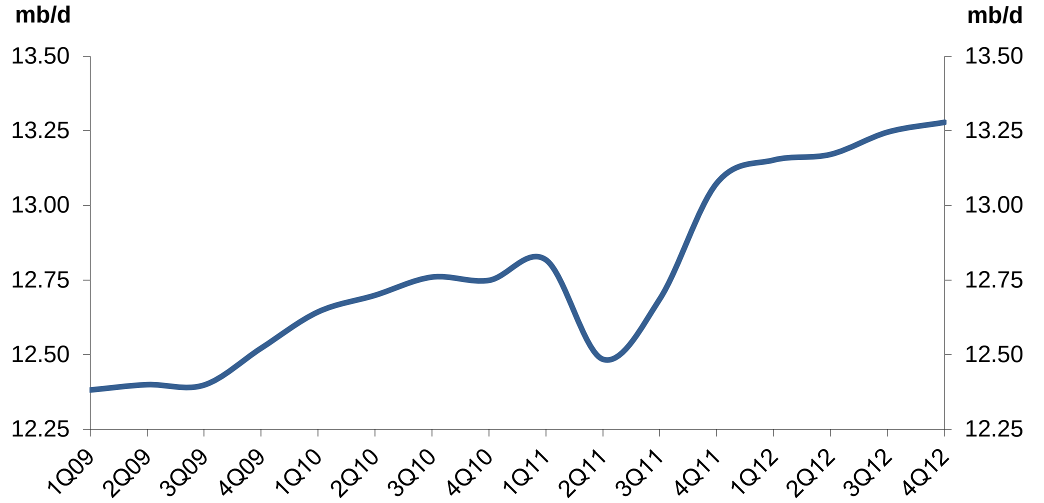
Oil supply from Australia is predicted to decline by 60 tb/d in 2011 to average 0.44 mb/d, a downward revision of around 15 tb/d compared to the previous MOMR. The downward revision was introduced in the third quarter and was partially carried over to the fourth quarter. Updated production data in the third quarter required the undertaken downward revision. Despite the startup of the Kitan oil project, Australia oil supply forecast remained heavily affected by lengthy outages on the back of weather factors. Furthermore, natural decline is assumed to have accelerated as harsh weather conditions are believed to have limited the access to execute various works. Both the lingering shutdowns and natural decline are seen to be the reasons behind the limited rebound of Australia oil supply in the third quarter compared to the previous year's levels. During the first three quarters of 2011, Australia oil supply declined by 80 tb/d compared to the same period of 2010. On a quarterly basis, Australian oil supply is seen to stand at 0.42 mb/d, 0.42 mb/d, 0.44 mb/d and 0.47 mb/d, respectively.

Developing Countries

DCs supply to increase 50 tb/d in 2011 to average 12.77 mb/d

Total Developing Countries (DCs) oil supply is projected to increase by 50 tb/d in 2011 to average 12.77 mb/d, indicating a downward revision of 50 tb/d compared to the previous month. The downward revision affected the second half of 2011 and was mainly driven by updated production data in third quarter. DCs encountered a downward revision only because output data came in below expectations for a few countries. In general, the current DC supply profile indicates growth from Latin America and Africa, while supply from Other Asia and the Middle East is expected to decline. Latin America, supported by Colombia and, to a lesser extent, Brazil, remains the main growth driver within the DCs group. Latin America experienced a downward revision of around 30 tb/d compared to the previous month's assessment. During the first three quarters of 2011, DC supply is estimated to have declined by 40 tb/d compared to the same period of 2010. On a quarterly basis, DC oil supply is expected to average 12.82 mb/d, 12.48 mb/d, 12.69 mb/d and 13.07 mb/d, respectively.

Graph 5.3: Developing Countries' quarterly production



Thailand floods curtail some output

Other Asia oil supply is forecast to decrease by 70 tb/d in 2011 to average 3.62 mb/d, representing a minor downward revision of less than 10 tb/d compared to the previous MOMR. The supply decline is projected for 2011, despite the increase of drilling success rates in Southeast Asia, yet the total number of expected appraisal wells in 2011 is seen declining. The revisions undertaken were experienced in the second half, mainly to adjust for updated production figures in the third quarter that were partially carried over to the fourth. India oil supply is anticipated to experience the only supply growth in the region of 50 tb/d and average 0.90 mb/d. India supply forecast encountered a minor downward revision in the third quarter, yet the revision did not affect the annual level. India oil production growth is supported by the Mangala oil fields, yet ramp-up delays have negatively impacted growth due to economic and administration factors. Vietnam oil supply is expected to average 0.36 mb/d in 2011, a minor decline of 10 tb/d compared to the previous year. The minor annual decline is anticipated despite the startup of the Chim Sao field, which is expected to peak at 25 tb/d. On a quarterly basis, Other Asia oil supply is seen to stand at 3.68 mb/d, 3.53 mb/d, 3.60 mb/d and 3.67 mb/d, respectively.

Indonesia oil supply, the region's largest producer, is expected to decline by 40 tb/d in 2011 to average 0.99 mb/d. The drop is anticipated as natural decline impacts the output coupled with limited volumes from new developments in 2011. Malaysia oil supply is foreseen to average 0.64 mb/d in 2011, a decline of 60 tb/d from the previous year. Despite the startup of the East Piatu offshore oil project, the technical problems with the Kikeh field are expected to continue to negatively impact production in 2011. Thailand oil supply is estimated to average 0.34 mb/d in 2011, a decline of 10 tb/d compared to 2010. Thailand's oil supply forecast could experience downward revisions in the coming months as flooding problems have started to affect a few oil productions, with reports suggesting that some fields have reduced output as a result. On the other hand, the Platong II gas project has started up and is expected to produce around 20 tb/d of liquids, which is seen offsetting the negative influence of the flooding for the time being.

Strike actions could affect Colombia and Brazil supply

Latin America oil supply is projected to increase by 0.14 mb/d in 2011 to average 4.81 mb/d, representing a downward revision of 30 tb/d compared to the previous MOMR. The downward revision came in the second half of 2011, mainly from the third quarter, to adjust for updated production data. Argentina oil supply is expected to average 0.73 mb/d in 2011, a decline of 20 tb/d compared to the previous year. Limited new developments as well as different strike actions have negatively influenced supply, despite healthy biodiesel growth. Colombia oil production is anticipated to increase by 0.14 mb/d in 2011 to average 0.93 mb/d, indicating a minor downward revision of less than 10 tb/d compared to the previous month's assessment. The downward revision was experienced in the third quarter to adjust for updated production figures. The various strikes in September negatively affected the output and necessitated the downward revision. Despite the downward revision, anticipated Colombia supply growth in 2011 marks the second highest growth among all non-OPEC countries. However, the risk of further strike actions could negatively impact the forecast during the fourth quarter. Rubiales and Quifa field output could be affected as some 4,000 workers staged a peaceful demonstration at the end of October. On a quarterly basis, Latin America oil production is seen to average 4.75 mb/d, 4.72 mb/d, 4.77 mb/d and 4.98 mb/d, respectively.

Brazil supply to increase 30 tb/d in 2011

Brazil oil supply is predicted to increase by 30 tb/d in 2011 to average 2.69 mb/d, indicating a downward revision of 20 tb/d compared to the previous month. The downward revision came in the third quarter and was partially carried over to the fourth. Updated production data for the third quarter required the adjustment undertaken. Brazil oil supply in the third quarter fell short of June output, mainly on various shutdowns for maintenance. Additionally, ethanol production so far is indicating lower levels than in the previous year due to unfavourable weather conditions. Additionally, further downward revisions are possible in the coming months as workers are planning a major strike in November. During the first three quarters, Brazil oil supply experienced a minor increase of 10 tb/d compared to the same period of 2010. The experienced increase is trivial compared to growth of 0.16 mb/d achieved in the same period of 2010 from 2009. On a quarterly basis, Brazil oil supply is expected to average 2.66 mb/d, 2.67 mb/d, 2.65 mb/d and 2.80 mb/d, respectively.

Yemen suffered further pipeline disruptions

Middle East oil production is forecast to decline by 60 tb/d in 2011 to average 1.72 mb/d, indicating a downward revision of 10 tb/d from the previous month's evaluation. The downward revision was encountered in the second half of 2011. Oman remains the only country within the Middle East with expected oil supply growth in 2011, while supply from Bahrain is expected to remain flat and Yemen and Syria output are expected to decline. Oman oil production is forecast to increase by 40 tb/d in 2011 to average 0.90 mb/d, flat from the previous MOMR. Growth is supported by enhanced oil recovery (EOR) projects such as the Mukhaizna oil development. Yemen oil supply is estimated to average 0.21 mb/d in 2011, a drop of 80 tb/d compared to the previous year and indicating a downward revision of 10 tb/d from the previous month. The downward revision was encountered as several pipeline disruptions halted output from several fields, including LNG plants, which resumed output as the repairs were completed. Further downward revisions might be on the horizon for Yemen oil supply projection as transport lines continue to suffer from the security situation. On a quarterly basis, Middle East oil supply is estimated to average 1.78 mb/d, 1.65 mb/d, 1.70 mb/d and 1.75 mb/d, respectively.

Aseng field moves closer to startup

Africa oil production is anticipated to increase by 30 tb/d in 2011 to average 2.62 mb/d, relatively flat compared to the previous MOMR. A minor downward revision was encountered in the Ghana oil supply forecast as reports suggested that continued technical challenges are delaying output to reach a first phase peak of 120 tb/d. The minor downward revision for the Ghana oil supply outlook did not impact the Africa oil supply forecast. In Equatorial Guinea, the Aseng field FPSO arrived on location in mid-

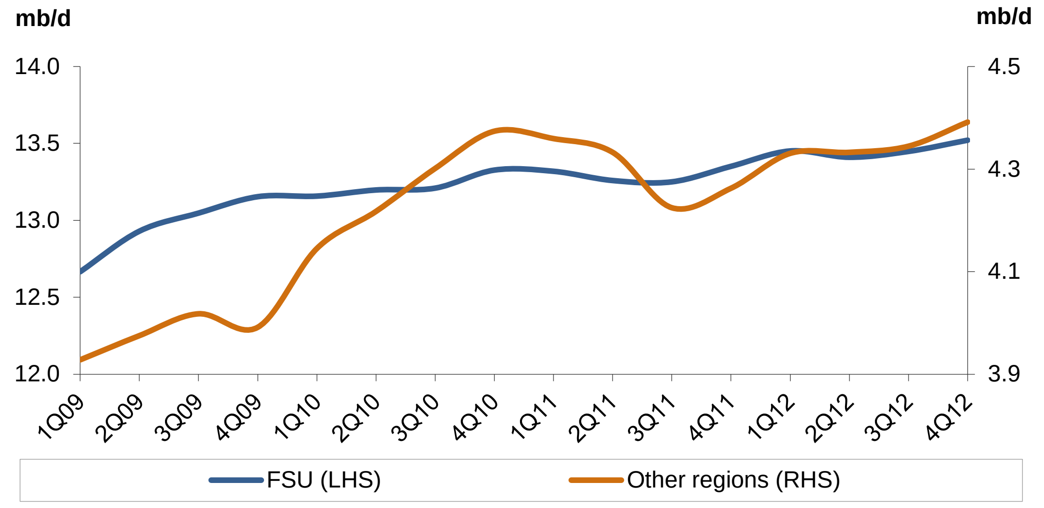
October as the field, expected to peak at 50 tb/d, move toward production startup. On a quarterly basis, Africa oil output is seen averaging 2.61 mb/d, 2.58 mb/d, 2.61 mb/d and 2.67 mb/d, respectively.

FSU, Other Regions

FSU output to increase by 70 tb/d in 2011

Total FSU oil supply is forecast to increase by 70 tb/d in 2011 to average 13.29 mb/d, representing a downward revision of 30 tb/d compared to the previous month. The downward revision came from Kazakhstan and Azerbaijan due to updated production data. There was an upward revision to the Russia oil supply forecast; however, it was not enough to offset the downward revision. Growth remains expected from the FSU in 2011, with Russia at the top of the list in terms of growth volume and offsetting the anticipated decline in other countries in the region. During the first three quarters of 2011, FSU oil output increased by 90 tb/d on average, compared to the same period of 2010. On a quarterly basis, total oil supply in the FSU is estimated to average 13.32 mb/d, 13.26 mb/d, 13.25 mb/d and 13.35 mb/d, respectively. China oil production is expected to increase by 30 tb/d in 2011, to average 4.15 mb/d. Other Europe supply is estimated to remain flat from 2010 and average 0.14 mb/d in 2011.

Graph 5.4: FSU and other region's quarterly production



Russia

Russia October output marks a new record high

Russia oil supply is projected to grow by 0.11 mb/d in 2011 and average 10.25 mb/d, representing a minor upward revision of 10 tb/d compared to the previous MOMR. The upward revision was introduced to the third quarter, as updated production data indicated higher output than previously expected. Part of the upward revision was carried over to the fourth quarter. According to preliminary data, Russia oil production registered a new record high in October, exceeding the previous month's record high by 40 tb/d. In 2011, Russian oil supply continued to show solid resilience with monthly output breaking the previous record high seven times so far in the year. The increase in October output was supported by green field production while brown field output remained steady. Additionally, the startup of new pipeline capacity supported growth with further transit volumes for new barrels. During the first three quarters of 2011, Russia oil production increased by 0.13 mb/d on average, compared to the same period in 2010. On a quarterly basis, Russian oil supply is seen to average 10.21 mb/d, 10.23 mb/d, 10.28 mb/d and 10.28 mb/d, respectively. Russia oil production averaged 10.36 mb/d in October, up by 40 tb/d from September.

Caspian

Kazakh supply to grow by 20 tb/d in 2011

Kazakhstan oil production is anticipated to increase by 20 tb/d in 2011 to average 1.62 mb/d, indicating a minor downward revision of 10 tb/d compared to the previous month. The downward revision affected third quarter supply as updated production data came slightly lower than expected. Tengiz oil field maintenance during the third quarter mainly caused the lower production. Reports suggested that 98% of the construction of the Kashagan first phase project was completed in October and the field is expected to start up by the end of 2012. Kazakhstan production is expected to increase in the fourth quarter as maintenance comes to an end. During the first three quarters of 2011, Kazakhstan oil production increased by 20 tb/d on average, compared to the same period of 2010. On a quarterly basis, Kazakhstan oil supply is estimated to average 1.66 mb/d, 1.60 mb/d, 1.54 mb/d and 1.68 mb/d, respectively.

Heavy maintenance to impact Azeri supply in 4Q

Azerbaijan oil production is expected to decline by 80 tb/d in 2011 to average 0.99 mb/d, representing a downward revision of 30 tb/d compared to the previous MOMR. The downward revision affected the second half of 2011 and a further downward revision seems to be on the horizon as heavy maintenance is planned for the Azeri-Chirag-Guneshli (ACG) fields. Each of the three ACG platforms is expected to be out of service for a period of two weeks in the fourth quarter. The Azerbaijan export programme in the fourth quarter indicates a sharp drop in volume. During the first three quarters, Azerbaijan oil supply decreased by 80 tb/d over the same period of 2010. On a quarterly basis, Azerbaijan oil output is expected to stand at 1.02 mb/d, 1.00 mb/d, 0.98 mb/d and 0.96 mb/d, respectively.

China

Output at China's Peng Lai to remain curtailed in 4Q

China oil production is foreseen to increase by 30 tb/d in 2011 to average 4.15 mb/d, indicating a downward revision of 35 tb/d compared to last month. The downward revision was introduced to the second half of 2011 as updated production data indicated lower output than previously expected. Furthermore, updated reports suggested that the shutdown production of the Peng Lai field will remain offline during the fourth quarter which required a downward revision to the quarter's estimation. Output from the Peng Lai field is then expected at a reduced level for an extended period of time. Additionally, the shutdown of the Jinzhou 9-3 small output during October, due to leaks, negatively affected the outlook for the fourth quarter. Moreover, the new taxation system, applicable from November, is seen as putting some pressure on operators. On the other hand, the Changqing field output indicated further growth in 2011, reaching a new peak after forty years of production, which partially offset some of the decline. According to preliminary data, China oil production during the third quarter indicated a decline of 0.11 mb/d compared to the second quarter, mainly on the impact of offshore production shutdown. During the first three quarters of 2011, China oil supply increased by 90 tb/d compared to the same period in the previous year. On a quarterly basis, China oil supply is estimated to average 4.22 mb/d, 4.19 mb/d, 4.08 mb/d and 4.12 mb/d, respectively.

Forecast for 2012

Non-OPEC supply to increase by 0.82 mb/d in 2012

Non-OPEC oil production is expected to increase by 0.82 mb/d to average 53.32 mb/d in 2012. The absolute level experienced a downward revision of 140 tb/d, mainly due to the revisions undertaken in 2011. There were minor changes to the 2012 forecast on changes in project scheduling. The overall outlook for non-OPEC supply in 2012 remains relatively unchanged with strong growth anticipated from Latin America, driven mainly by Brazil and Colombia. OECD Western Europe is seen to have the largest decline in 2012. North America oil supply is expected to continue to increase in 2012. FSU oil supply is projected to show an increase in 2012. China oil supply is anticipated to experience an increase, yet could encounter an upward/downward revision in the coming period, depending on the output in the fourth quarter and the restart of the shutdown production. Canada, Australia, Oman, Ghana, Kazakhstan and Azerbaijan are expected to continue to drive growth in 2012, in addition to Brazil and Colombia. On a quarterly basis, non-OPEC supply is seen to average 53.32 mb/d, 53.16 mb/d, 53.22 mb/d and 53.57 mb/d, respectively.

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

	2011	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11
North America	15.37	15.50	15.50	15.54	15.63	15.55	0.18
Western Europe	4.11	4.11	3.94	3.84	3.98	3.97	-0.15
OECD Pacific	0.53	0.59	0.61	0.61	0.58	0.60	0.07
Total OECD	**20.01**	**20.20**	**20.05**	**19.99**	**20.19**	**20.11**	**0.10**
Other Asia	3.62	3.66	3.66	3.68	3.69	3.67	0.05
Latin America	4.81	5.02	5.05	5.11	5.14	5.08	0.27
Middle East	1.72	1.79	1.79	1.79	1.79	1.79	0.07
Africa	2.62	2.68	2.67	2.67	2.66	2.67	0.05
Total DCs	**12.77**	**13.15**	**13.17**	**13.25**	**13.28**	**13.21**	**0.45**
FSU	13.29	13.45	13.41	13.45	13.52	13.46	0.16
Other Europe	0.14	0.15	0.15	0.15	0.15	0.15	0.01
China	4.15	4.18	4.18	4.19	4.24	4.20	0.05
Total "Other regions"	**17.59**	**17.78**	**17.74**	**17.79**	**17.91**	**17.81**	**0.22**
Total Non-OPEC production	**50.37**	**51.13**	**50.97**	**51.03**	**51.38**	**51.13**	**0.76**
Processing gains	2.13	2.19	2.19	2.19	2.19	2.19	0.06
Total Non-OPEC supply	**52.50**	**53.32**	**53.16**	**53.22**	**53.57**	**53.32**	**0.82**
Previous estimate	52.63	53.49	53.28	53.34	53.73	53.46	0.83
Revision	-0.13	-0.16	-0.13	-0.12	-0.15	-0.14	-0.01

Revisions to the 2012 forecast

In addition to historical revisions, there were a few offsetting adjustments to the 2012 non-OPEC supply forecast. US oil supply growth in 2012 experienced a minor upward revision supported by the continued strong growth of shale oil. US oil supply in 2012 is now expected to increase 90 tb/d to average 9.02 mb/d. In Azerbaijan, the decline experienced so far in 2011 has supported a minor downward revision to growth in 2012. Azerbaijan oil supply is forecast to increase by 40 tb/d in 2012, to average 1.03 mb/d.

OPEC natural gas liquids and non-conventional oils

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

Table 5.3: OPEC NGLs + non-conventional oils, 2008-2011

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

OPEC crude oil production

OPEC crude oil production remained steady in October

Total OPEC crude oil output averaged 29.89 mb/d in October, according to secondary sources, a minor increase of 5 tb/d from the previous month. Crude oil production experienced a considerable increase from Libya, while production fell from Iraq, Saudi Arabia and Venezuela. According to secondary sources, OPEC crude production, not including Iraq, stood at 27.27 mb/d in October, an increase of 85 tb/d over the previous month.

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

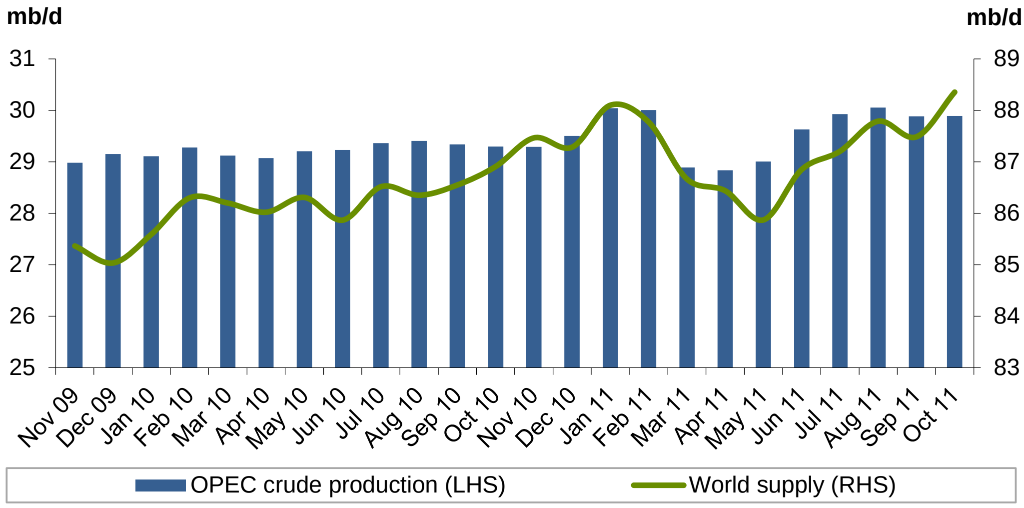
	2009	2010	1Q11	2Q11	3Q11	Aug 11	Sep 11	Oct 11	Oct/Sep
Algeria	1,268	1,258	1,259	1,250	1,260	1,260	1,261	1,257	*-4.2*
Angola	1,780	1,783	1,665	1,549	1,674	1,648	1,697	1,712	*14.2*
Ecuador	477	475	490	490	485	485	487	486	*-1.0*
Iran, I.R.	3,725	3,706	3,656	3,656	3,603	3,598	3,601	3,578	*-22.9*
Iraq	2,422	2,401	2,649	2,671	2,688	2,694	2,701	2,621	*-79.3*
Kuwait	2,263	2,297	2,374	2,483	2,564	2,575	2,586	2,612	*25.7*
Libya	1,557	1,559	1,096	153	47	7	86	350	*264.2*
Nigeria	1,812	2,060	2,087	2,148	2,178	2,224	2,127	2,055	*-71.4*
Qatar	781	801	807	806	810	809	813	812	*-1.4*
Saudi Arabia	8,051	8,284	8,732	9,075	9,666	9,758	9,540	9,470	*-70.1*
UAE	2,256	2,304	2,441	2,505	2,564	2,578	2,564	2,551	*-12.9*
Venezuela	2,394	2,338	2,375	2,367	2,415	2,417	2,420	2,384	*-35.7*
Total OPEC	**28,785**	**29,266**	**29,631**	**29,153**	**29,954**	**30,053**	**29,882**	**29,888**	***5.3***
OPEC excl. Iraq	**26,362**	**26,866**	**26,982**	**26,483**	**27,266**	**27,359**	**27,182**	**27,266**	***84.6***

Totals may not add up due to independent rounding

World Oil Supply

Preliminary figures indicate that global oil supply increased 0.87 mb/d in October to average 88.35 mb/d. Non-OPEC supply experienced growth of 0.86 mb/d, while OPEC crude production remained relatively flat. The share of OPEC crude oil in global production remained steady at 34% in October. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 5.5: OPEC and world oil supply

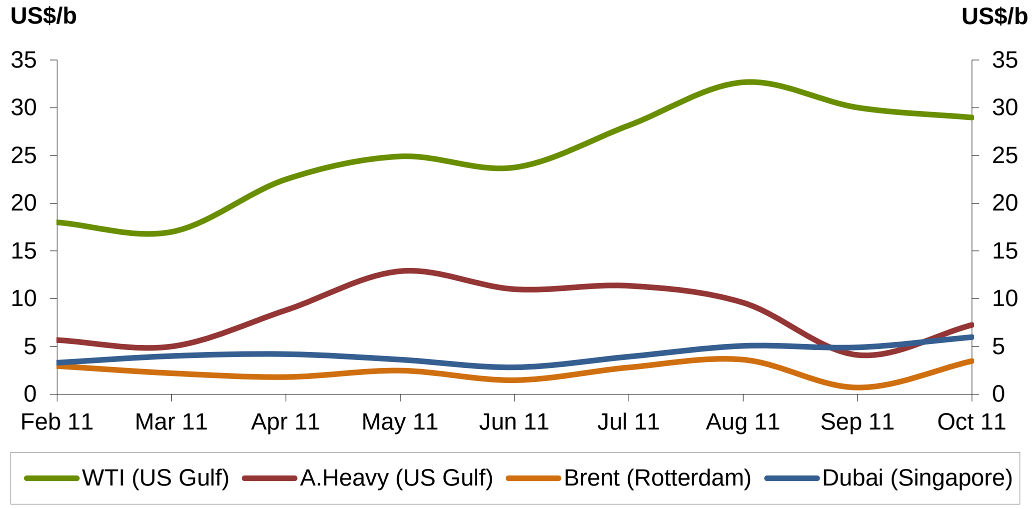


Product Markets and Refinery Operations

Gasoil and fuel oil pushed refinery margins higher

Light distillates continued to be bearish, losing ground due to lacklustre demand in the Atlantic Basin, while middle distillates and fuel oil showed a vibrant recovery across the world on the back of strong demand amid tight product supply.

Graph 6.1: Refining margins, 2011



The margin for WTI crude on the US Gulf Coast showed a slight drop of $1/b to stand at $29/b in October, reflecting the loss in light distillates and the partial recovery in WTI. Meanwhile, for Arab Heavy crude on the US Gulf Coast, the margin showed a sharp increase of $3/b, on the back of the strength of the bottom of the barrel and middle distillates.

The decline in the margin was mainly caused by plummeting gasoline cracks due to disappointing domestic demand.

In Europe, product market sentiment exhibited a mixed performance, with light distillates continuing to lose ground due to both lacklustre demand in the region and poor export opportunities, while the middle and heavy parts of the barrel showed a vibrant recovery. In addition, bullish sentiment was fuelled in the middle distillate market, as refineries were running at lower levels and at reduced inflows to the region.

The refinery margin for Brent crude in Rotterdam showed a sharp recovery from 70¢ in September, the lowest level seen this year, to $3.5/b during October.

Asian refining margins built slightly on the gains of last month. This was on the back of strong middle distillate demand in a tighter market due to the shutdown of the Shell refinery in Singapore, and this could offset the loss at the top of the barrel resulting from disappointing demand from the petrochemical sector, thus allowing the refinery margins to increase by a slight $1/b during this month.

Refinery operations

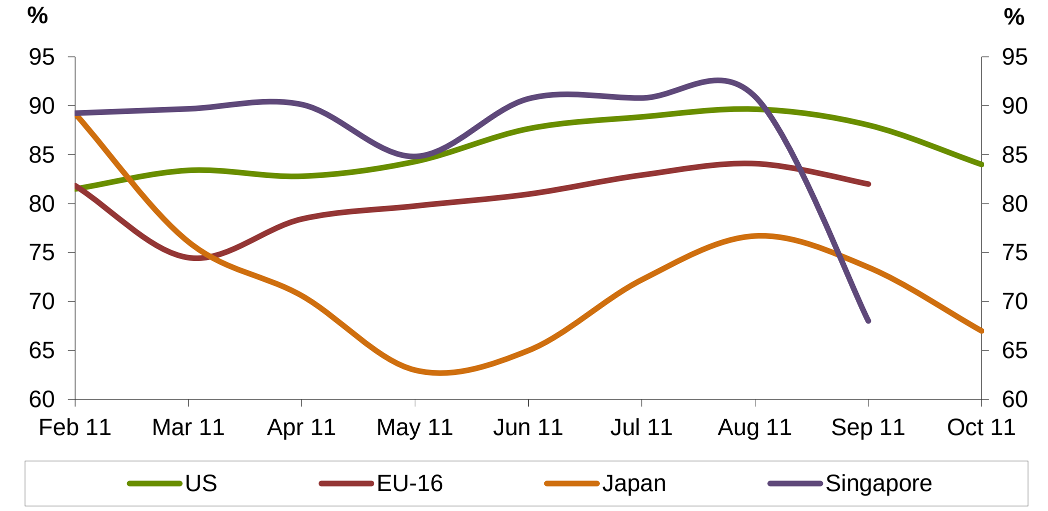
Refineries in Europe moderated runs

Despite lower light distillate demand, strong export opportunities and favourable margins encouraged US refiners to continue operating with higher refinery runs.

The refinery runs averaged 84% of capacity in October, four points lower than in the previous month, due to unscheduled shutdowns and the maintenance season on the West Coast.

In addition, refiners continued to maximize gasoil production. However, distillate stocks dropped below the five-year average for the first time this year.

Graph 6.2: Refinery utilization rates, 2011



European refiners have continued to moderate throughput in response to deteriorating refining margins in the region in recent months, with the refinery runs remaining at around 82%. This lower level has caused the distillate market to tighten, helping margins to increase in October.

Asian refiners continued to moderate the high runs seen in recent months, due to maintenance in some refineries in India and China. However, with the restart of CNPC and Sinopec refineries, throughput should increase to meet the expected rise in diesel demand over the coming months. Japan has reduced throughput to around 67%, on the back of maintenance, and runs in Singapore have been affected by the shutdown of the Shell refinery.

US market

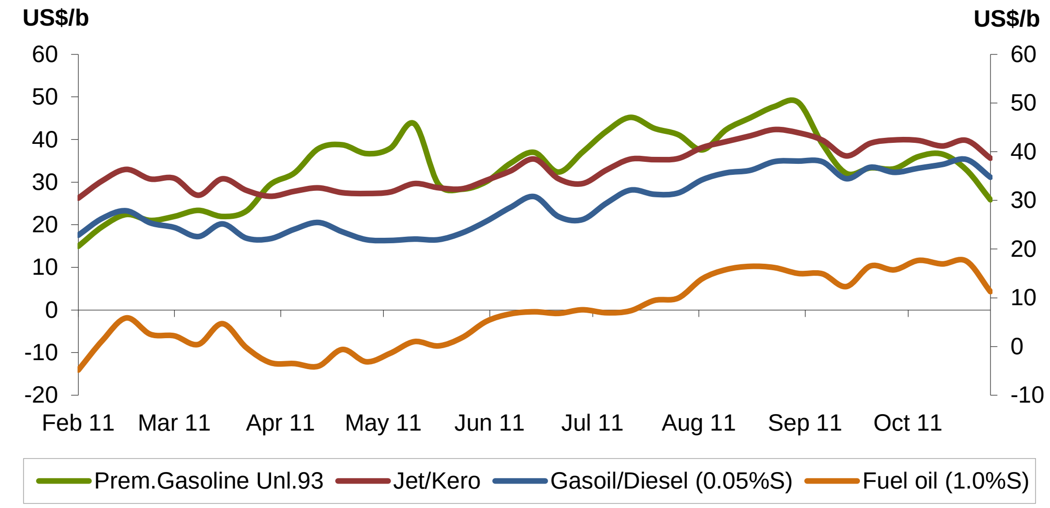
US gasoline crack plummeted at the end of October

US gasoline demand continued to fall in October to 8.7 mb/d. This represents a drop of 250 tb/d over the previous month and a sharp decline of 359 tb/d from the same month last year.

Despite weaker domestic gasoline demand — which fell to the lowest level in eight months — gasoline market sentiment until mid-October was supported by the temporarily tightened supply created by several unexpected refinery shutdowns (Motiva, Louisiana; Pasadena, Texas; and Trainer, Pennsylvania) and the turnaround season on the West Coast. However, at the end of the month, robust demand from Latin American, mainly Mexico and Brazil, was outweighed by disappointing domestic demand, and the crack plummeted to the lowest level in 30 weeks.

Despite lower inventories due to reduced production and lower imports, the gasoline crack continued falling to reach $26/b by the end of October, a sharp loss of $11/b compared to the average of the previous month.

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



Middle distillate demand jumped to 4.2 mb/d in October, a big increase of 356 tb/d over the previous month and 446 tb/d higher than in the same month last year.

The middle distillate market remained steady and healthy over the month, supported by stronger demand amid tight supply. According to EIA data, middle distillate demand rebounded from recent weak monthly levels to exceed 4 mb/d, the highest level seen this year and 10% above year-ago levels. This data, along with the 1.6% m-o-m rise in the ATA trucking tonnage index in September, brought some hope for possible slight economic relief in the US.

In addition, the market was supported by healthy diesel demand in Latin America — specifically, Brazil, Chile, Colombia, Peru and Venezuela. On the other hand, following the recent refinery outages, the market suffered from considerable supply tightness as distillate production fell during the month. Open arbitrage to Europe and the drop in stocks during the month fuelled additional bullish sentiment.

The gasoil crack on the US Gulf Coast continued to be strong, showing a slight increase of 20¢/b to average $36.8/b.

The US fuel oil market was supported by firm demand from Latin America and arbitrage opportunities to Asia, amid tight supplies of low sulphur grades. This situation caused the fuel oil crack to increase from a premium of almost $14.9/b over WTI in September to $15.9/b in October.

European market

European product margins recovered on the back of tight diesel supply

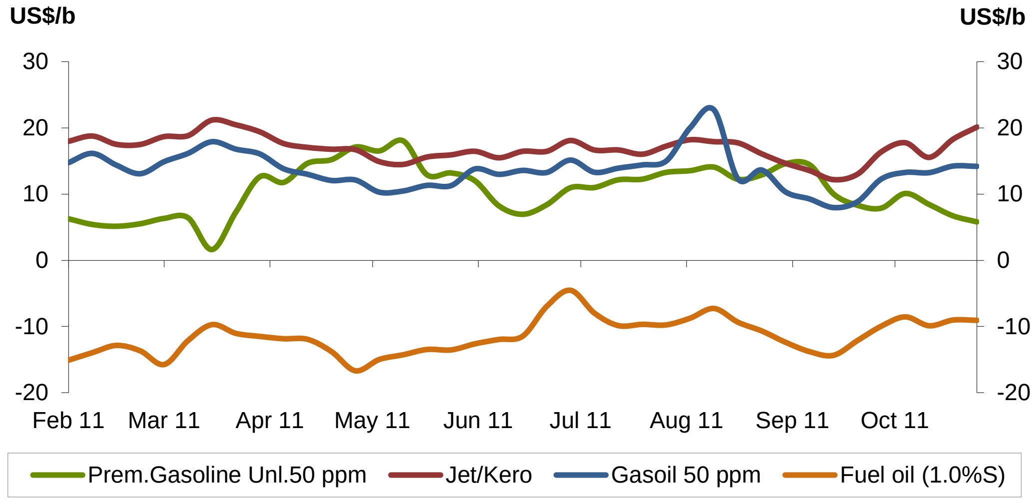
Light distillates continued losing ground due to lacklustre demand in the region and poor export opportunities, while the middle and heavy parts of the barrel showed a strong recovery during the month.

Naphtha cracks have kept losing ground in both regions in recent months, since demand from the petrochemical sector remains disappointing. European petrochemical naphtha demand continues weak as propane is a more attractive feedstock for steam cracking. At the same time, the arbitrage window to Asia remains closed. The only relief has been the regular movement of cargoes from the Mediterranean to Brazil and a few cargoes to the US.

Despite firm demand from North Africa and Saudi Arabia, the weak European gasoline market continued losing ground due to lacklustre domestic demand amid poor export opportunities to the other side of Atlantic, as US gasoline imports were at their lowest level in more than ten years.

The gasoline crack spread against Brent crude showed a sharp loss of $3.3/b from an average of $11.1/b in September, to average $7.8/b in October.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2011



The tightness in the European middle distillates market has boosted sentiment to recover the ground lost in recent months, and the Northwest European gasoil crack showed a sharp increase.

The tightness in the market was due largely to the fact that the arbitrage window from Asia has been closed after the shutdown of Shell's Singapore refinery. Other factors contributing to tight supplies were refinery maintenance and economic run cuts after a period of low margins, as well as the drop in Russian exports due to lower refinery throughput. On the other hand, inflows from the US were reduced due to the higher diesel demand from Latin America, with better economic advantages for US refiners. In addition, healthy trading activity supported the European diesel market and the ULSD cracks showed an impressive performance during the month, with the premium to gasoil widening considerably.

The gasoil crack spread against Brent crude at Rotterdam showed a sharp increase of $4/b in October, to stand at around $14/b.

Looking ahead, the tight middle distillate market will remain supported by increasing heating oil demand during the winter season.

At the bottom of the barrel, fuel oil cracks gained momentum last month on the back of a tight market, due to lower regional refinery output — lower run rates — while inflows from other regions, including Russia, remained limited. The demand side was supported by a stronger regional call for utilities and bunker fuel, especially in the Mediterranean, and the open arbitrage to Singapore. The Northwest European fuel oil crack spread against Brent showed a sharp gain of $3/b this month to stand at minus $9/b.

Looking ahead, pressure could come from increasing inflows to the region.

Asian market

A refinery disruption in Singapore lent temporary support to product margins in Asia

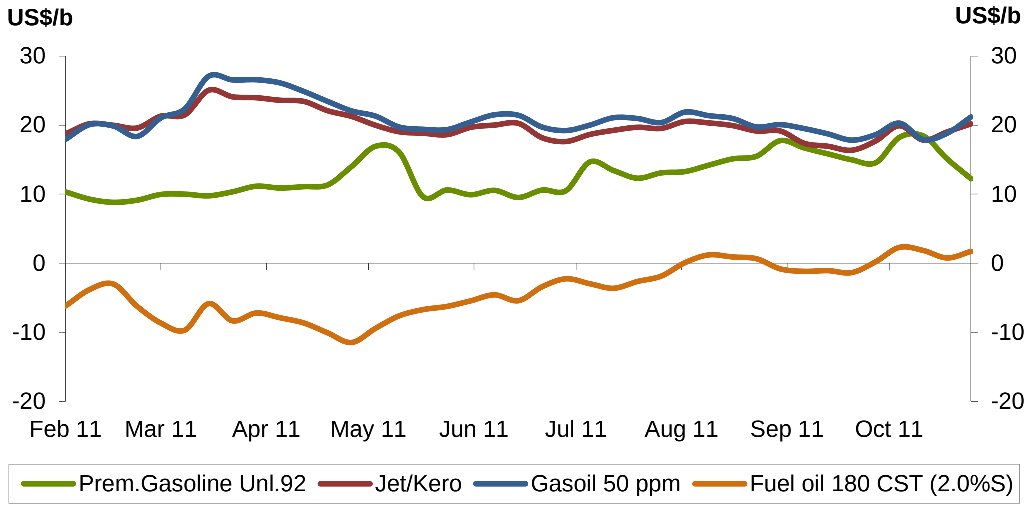
Asian cracking margins edged up over the month, as bearish sentiment in the light distillates market was compensated for by bullish crack movements across all other products.

The Asian naphtha market was hit by the disappointing demand from petrochemical producers, affected not only by the economic situation across the world but also the use of more price-competitive propane as a feedstock. The naphtha crack fell, losing more than $5/b over the month, to drop to the lowest level for two years — minus $8/b — which represents a signpost of concern about world economic developments.

Regional gasoline demand caused the gasoline crack to continue increasing until mid-October, on the back of the temporary supply tightness that followed the unplanned shutdown of Shell's Singapore refinery. However, at the end of the month, the supply concerns began to ease on expectations of increased supplies, after the partial restart of the Shell refinery and as India's export-oriented Essar refinery wrapped up maintenance.

In addition, there was further pressure on the market as regional demand began to wane in line with seasonal trends, and the gasoline crack reversed again and exhibited a sharp drop. The gasoline crack spread against Dubai crude oil in Singapore showed a mixed performance, increasing by $4/b until the middle of the month before changing direction at the end of the month, to average around $16/b in October, a similar level to the previous month.

Graph 6.5: Singapore crack spreads vs. Dubai, 2011



The middle distillate market gave a positive performance last month on the back of tightening supplies and strong regional demand. The shutdown and low run rates at Shell's Singapore refinery made the Asian middle distillate market short on supply, given that these products are the refinery´s main output.

In addition, healthy regional demand and opportunities to send cargoes to Europe boosted fundamentals further in the Asian middle distillate market. The gasoil crack spread in Singapore against Dubai remained strong, increasing on average by 50¢/b from the previous month to stand at around $19.5/b.

At the bottom of the barrel, fuel oil cracks showed a sharp gain of $2.5/b to stand at a premium of $1.7/b over the Dubai crude, the highest level for two years, supported by a lack of on-specification bunker fuel volumes in the inflows coming from the west this month and strong regional demand, mainly from Northeast Asian utilities for power generation.

However, in the coming weeks, expectations of greater volumes flowing into Asia could exert pressure on the margins.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			*Refinery utilization, %*		
	Sep 11	Oct 11	Oct/Sep	Sep 11	Oct 11	Oct/Sep
US	15.24	14.54	-0.70	88.03	84.03	-3.99
France	1.31	-	-	71.27	-	-
Germany	1.89	-	-	78.01	-	-
Italy	1.63	-	-	69.74	-	-
UK	1.46	-	-	82.66	-	-
Euro-16	10.74	-	-	81.97	-	-
Japan	3.36	3.07	-0.29	73.50	67.00	-6.50

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

Table 6.2: Refined product prices, US$/b

		Aug 11	Sep 11	Oct 11	Change Oct/Sep
US Gulf (Cargoes):					
Naphtha		113.25	109.64	110.04	0.40
Premium gasoline	*(unleaded 93)*	130.38	120.86	118.78	-2.08
Regular gasoline	*(unleaded 87)*	121.55	113.99	114.28	0.29
Jet/Kerosene		126.77	124.43	124.72	0.29
Gasoil	*(0.05% S)*	122.64	121.80	123.11	1.31
Fuel oil	*(1.0% S)*	101.87	100.34	102.04	1.70
Fuel oil	*(3.0% S)*	97.42	97.66	99.27	1.61
Rotterdam (Barges FoB):					
Naphtha		104.01	104.10	97.59	-6.51
Premium gasoline	*(unleaded 10 ppm)*	123.58	123.64	117.08	-6.56
Premium gasoline	*(unleaded 95)*	120.99	121.05	114.63	-6.42
Jet/Kerosene		127.58	126.83	127.57	0.74
Gasoil/Diesel	*(10 ppm)*	125.79	126.27	129.00	2.73
Fuel oil	*(1.0% S)*	101.09	100.41	100.42	0.01
Fuel oil	*(3.5% S)*	98.83	99.27	99.30	0.03
Mediterranean					
Naphtha		102.08	102.04	95.47	-6.57
Premium gasoline	*(50 ppm)*	119.25	119.31	112.98	-6.33
Jet/Kerosene		125.83	124.89	125.16	0.27
Gasoil/Diesel	*(50 ppm)*	107.32	107.73	110.06	2.33
Fuel oil	*(1.0% S)*	101.08	100.47	100.19	-0.28
Fuel oil	*(3.5% S)*	97.53	98.89	99.29	0.40
Singapore (Cargoes):					
Naphtha		103.00	103.49	96.19	-7.30
Premium gasoline	*(unleaded 95)*	122.85	124.36	121.63	-2.73
Regular gasoline	*(unleaded 92)*	119.75	122.06	119.62	-2.44
Jet/Kerosene		124.89	123.53	123.25	-0.28
Gasoil/Diesel	*(50 ppm)*	125.84	125.08	123.56	-1.52
Fuel oil	*(180 cst 2.0% S)*	105.51	105.42	105.82	0.40
Fuel oil	*(380 cst 3.5% S)*	101.08	101.23	102.08	0.85

Tanker Market

OPEC spot fixtures increased by 0.6 mb/d in October

OPEC spot fixtures increased by 5% in October to average 11.8 mb/d, up from 11.23 mb/d in September, as per preliminary data. The increase is attributed to higher fixtures from the Middle East, which increased by 0.38 mb/d to average 6.02 mb/d. Fixtures from outside the Middle East also exhibited a small gain of 0.13 mb/d, or 3.2%, compared with the previous month. On a y-o-y basis, OPEC spot fixtures in October were 6% lower. Sailings from OPEC were relatively steady at 22.54 mb/d, compared with 22.66 mb/d in the previous month, yet 2% lower than a year earlier. Middle East sailings stood at 17.7 mb/d, up from 17.36 mb/d in September and 4% higher than a year earlier. Crude oil arrivals in Europe and the Far East gained 50 tb/d and 0.34 mb/d to stand at 12.36 mb/d and 8.49 mb/d, respectively. North America and West Asia arrivals decreased by 0.17 mb/d and 0.15 mb/d to stand at 8.51 mb/d and 4.52 mb/d, respectively.

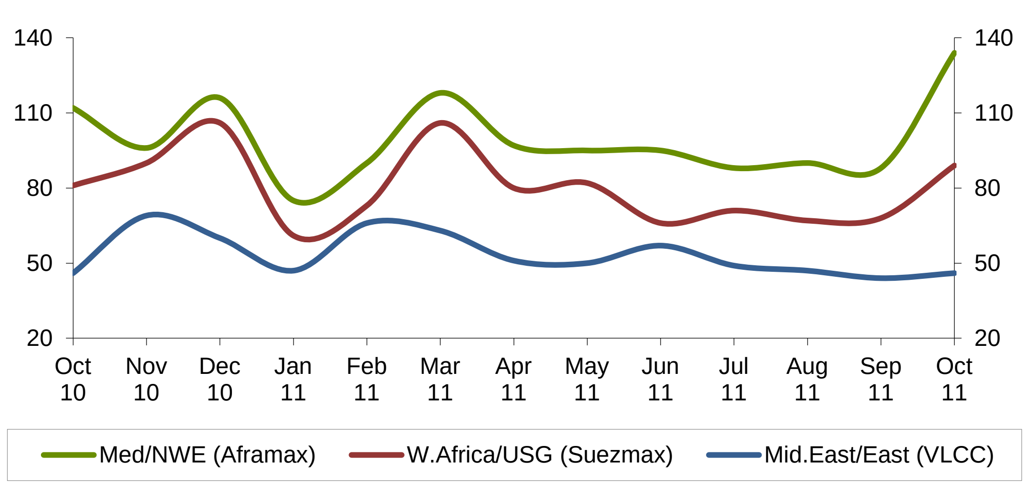
Table 7.1: Tanker chartering, sailings and arrivals, mb/d

	Aug 11	Sep 11	Oct 11	Change Oct/Sep
Spot Chartering				
All areas	16.41	15.88	16.85	0.96
OPEC	11.12	11.23	10.80	-0.42
Middle East/East	4.80	5.64	6.02	0.38
Middle East/West	1.89	1.52	1.58	0.06
Outside Middle East	5.23	4.43	4.15	-0.28
Sailings				
OPEC	22.58	22.66	22.54	-0.12
Middle East	17.29	17.36	17.18	-0.18
Arrivals				
North America	9.11	8.67	8.51	-0.17
Europe	11.66	12.31	12.36	0.05
Far East	8.29	8.18	8.49	0.31
West Asia	4.49	4.67	4.52	-0.15

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

Both crude and product spot freight rates registered gains in October, compared with the previous month. After a steady decline over the last five months, dirty tanker freight rates rebounded in October, on the back of higher West African crude oil lifting, increased tonnage demand for Far East destinations, a return of Mediterranean activities and increased delay days in the Turkish straits. The modest gain in West of Suez clean spot freight rates was attributed mainly to North African product demand, delays in the Turkish straits and higher Caribbean/US Gulf Coast product trades, while the weakness in Eastern rates was attributed mainly to tonnage availability.

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



Crude oil spot freight rates rebounded in October on support from Suezmax and Aframax

In the dirty market, **VLCC** spot freight rates gained 5% on average in October, compared with last month, to stand at WS43 points, yet remained below the rate of the same period a year ago. VLCC West Africa/East spot freight rates showed the strongest gain of 11% in October to stand at WS49 points, and Middle East-to-East destinations exhibited a modest gain of 5% in October to stand at WS43 points, compared with the previous month. The modest gain in Middle East-to-East VLCC spot freight rates was supported by the increase in Far East requirements, while the spillover effect from the Suezmax rates in West Africa strongly supported the gains in West Africa-to-East VLCC rates. VLCC spot freight rates on the Middle East-to-West route were weak in October and closed down by 3%. On average, VLCC spot freight rates gained 5% in October, compared with the previous month, yet the minor gain was not enough to support ship-owners' margins as bunker fuel prices remained high, leaving ship-owners struggling to cover breakeven costs.

Table 7.2: Spot tanker crude freight rates, Worldscale

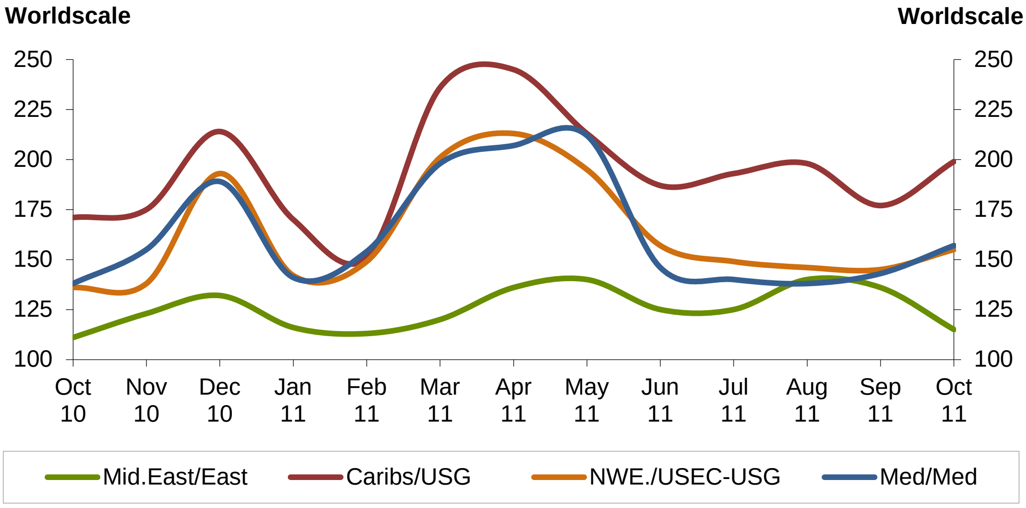
	Size 1,000 DWT	Aug 11	Sep 11	Oct 11	Change Oct/Sep
Crude					
Middle East/East	230-280	47	44	46	2
Middle East/West	270-285	38	36	35	-1
West Africa/East	260	44	43	48	5
West Africa/US Gulf Coast	130-135	67	68	89	21
NW Europe/USEC-USGC	130-135	59	54	78	24
Indonesia/US West Coast	80-85	98	92	95	3
Caribbean/US East Coast	80-85	114	92	100	8
Mediterranean/Mediterranean	80-85	89	87	134	47
Mediterranean/North-West Europe	80-85	90	88	134	46

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

Suezmax spot freight rates showed the strongest gains in the dirty market by closing up 37% on average in October, compared with the previous month, to stand at WS84 points. The rate increase marks the highest in Suezmax freight rates since March 2011. Suezmax spot freight rates for tankers operating the West Africa-to-US route increased by 31% in October to stand at WS89 points, and rates on the Northwest Europe-to-US route gained 44% to stand at WS78 points. Increased tonnage demand to the US, from both West Africa and Northwest Europe, on the back of seasonal demand, strongly supported the rates.

The **Aframax** market followed the same pattern as the Suezmax. Spot freight rates for Aframax with Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes registered the strongest gains on all reported routes. Compared with last month, Mediterranean/Mediterranean Aframax spot freight rates increased by 54% in October to stand at WS134 points, and Mediterranean-to-Northwest Europe gained 52% to stand at WS134 points. October Aframax spot freight rates marked the highest rates since early 2010. The healthy increase also impacted Aframax spot freight rates on the Caribbean-to-US and Indonesia-to-East routes to close up by 9% and 3% in October, to stand at WS100 and WS94 points, respectively.

Graph 7.2: Monthly averages of clean spot freight rates



West of Suez clean spot freight rates increased in October

Clean tanker spot freight rates gained 4% on average in October, compared with the previous month. In line with the crude tanker market, most of the support came from the much firmer West of Suez market, mainly the Mediterranean and Caribbean, while East of Suez rates remained weak.

Clean spot freight rates on the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes increased by 10% and 7% respectively in October. The increase was supported by strong North African product imports and four to five delays in the Turkish straits. Higher US gasoline exports to Latin America supported the 12% gain in spot freight rates on the Caribbean-to-US route. Clean spot freight rates remained weak on the Middle East-to-East and Singapore-to-East routes, as high tonnage availability and a lower product trade put pressure on the rates. Compared with the previous month, clean spot freight rates on the Middle East-to-East and Singapore-to-East routes declined by 15% and 1.3% in October to stand at WS115 and WS151 points respectively.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	**Aug 11**	**Sep 11**	**Oct 11**	**Change Oct/Sep**
Products					
Middle East/East	30-35	140	136	115	-21
Singapore/East	30-35	158	153	151	-2
Caribbean/US Gulf Coast	38-40	198	177	199	22
NW Europe/USEC-USGC	33-37	146	145	155	10
Mediterranean/Mediterranean	30-35	138	143	157	14
Mediterranean/North-West Europe	30-35	148	150	161	11

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

Oil Trade

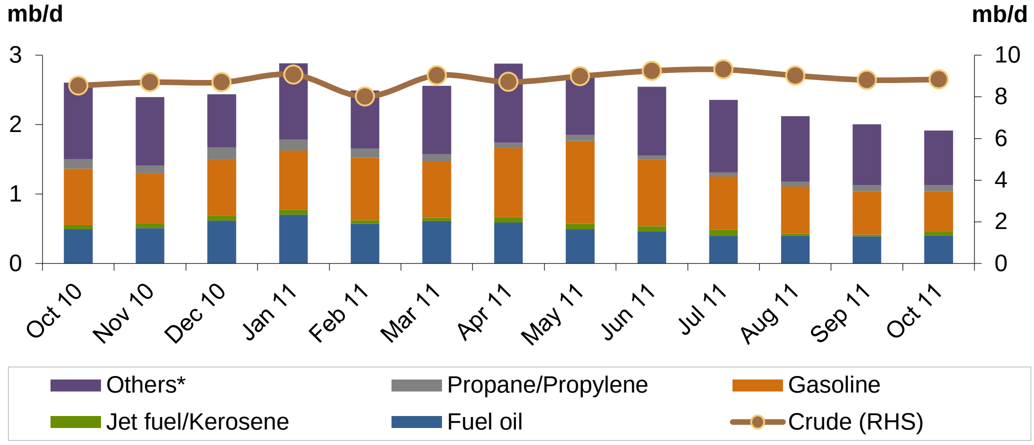
US crude oil imports rose slightly in October to 8.83 mb/d

US

Preliminary data in October indicate that US crude oil imports rose by 27 tb/d, or 0.3%, m-o-m to average more than 8.83 mb/d. Imports in October were 294 tb/d higher compared to last year's level, when they stood at 8.5 mb/d. Year-to-date imports are 405 tb/d, or 4.3%, lower than those of last year. They averaged 8.9 mb/d between January and October, compared to 9.3 mb/d for the same period a year ago, implying a 4.3% decline.

Product imports dropped steadily since April this year to the level of 1.92 mb/d, declining m-o-m by 90 tb/d or 4.47%. A sharp y-o-y drop of 687 tb/d, or 26.4%, in October 2011 is registered.

Graph 8.1: US imports of crude and petroleum products

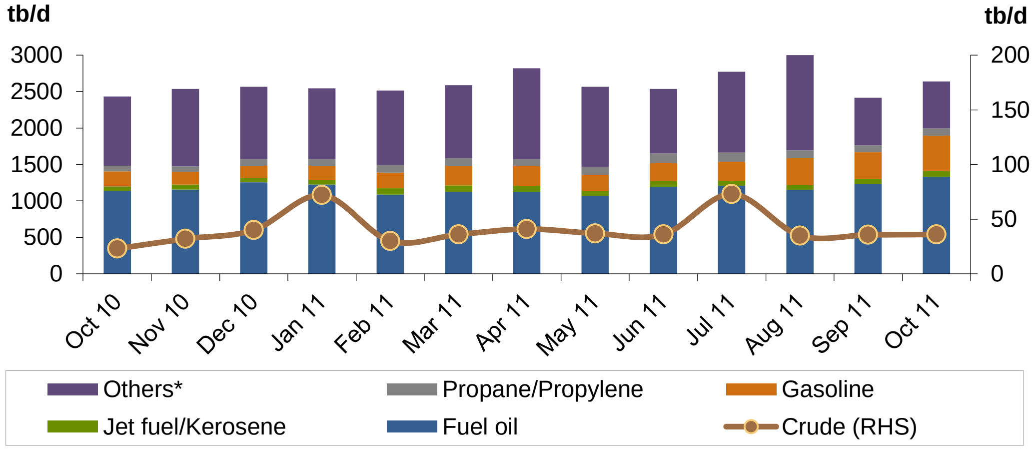


**Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene*

On the other hand, product exports rose slightly in October to 2.68 mb/d, which is nearly 226 tb/d, or 9.22%, m-o-m and 219 tb/d, or 8.9%, y-o-y.

As a result**, US net oil imports declined in October to 8.0 mb/d, down 289 tb/d, or nearly 3.47%, from the previous month**. However, net oil imports remained almost 7.2% below the level a year ago.

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*

The US imported around 4.3 mb/d crude oil from OPEC members in August, a 289 tb/d, or 3.1%, decrease m-o-m representing a share of 47.9%. Canada remained the main supplier with 2.24 mb/d, followed by Saudi Arabia with 1.8 mb/d, Mexico with 1.2 mb/d, Nigeria with 0.85 mb/d and Venezuela with 0.81 mb/d.

On the product side, US imports from OPEC members declined by 15 tb/d, or 4.4%, to average 324 tb/d in August. OPEC holds a 15.3% share of total US product imports. Canada and Russia remained the main suppliers accounting for 397 tb/d and 334 tb/d, respectively, followed by the Virgin Islands with 185 tb/d, Algeria with 159 tb/d and the UK with 109 tb/d.

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

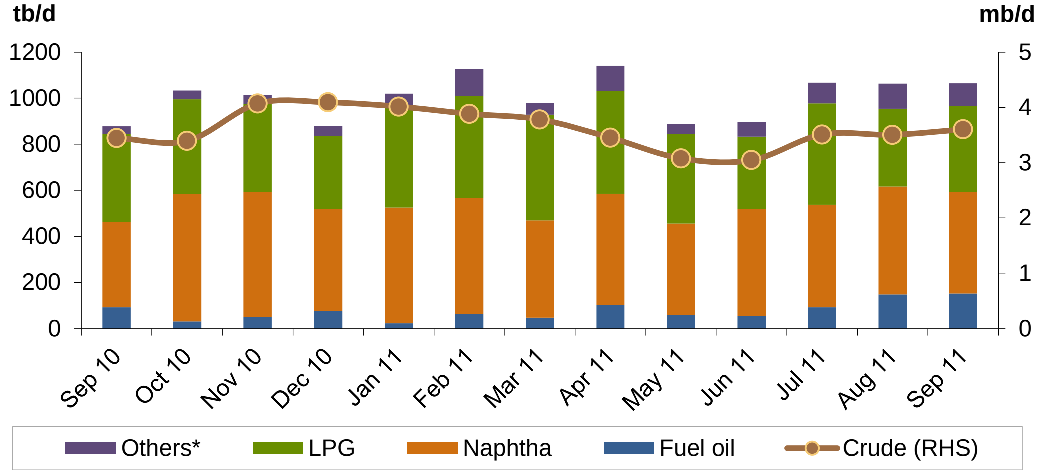
	Aug 11	Sep 11	Oct 11	Change Oct/Sep
Crude oil	8,987	8,771	8,798	27
Total products	-914	-444	-759	-315
Total crude and products	**8,073**	**8,327**	**8,038**	**-289**

Japan

Japan crude oil imports rose slightly in September, around 3.6 mb/d

Japan's crude oil imports increased slightly in September. The downward trend earlier this year was reversed in July and August. September imports increased to 3.6 mb/d, an increase of 98 tb/d, or 2.8%, compared to their August level. September imports represented an increase of 156 tb/d, or 4.5%, y-o-y.

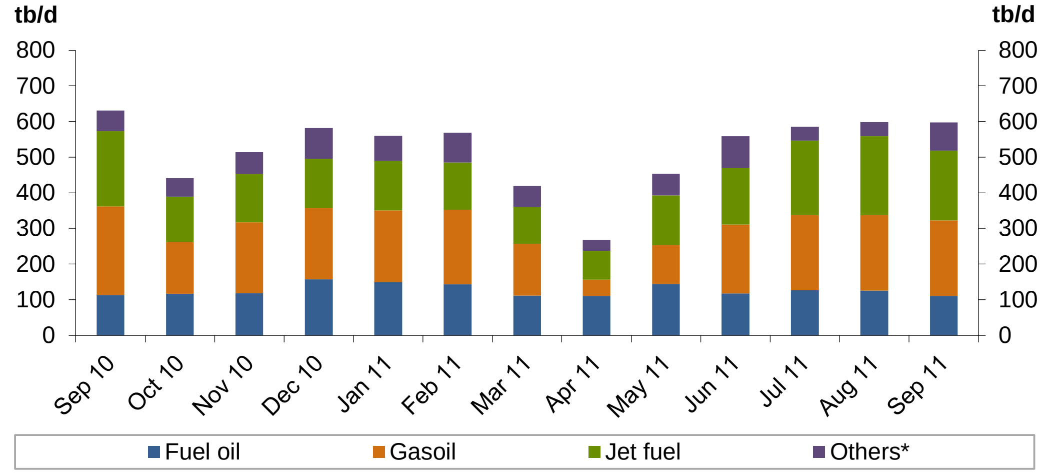
Graph 8.3: Japan's imports of crude and petroleum products



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

Product imports (including LPG) edged up to 1.07 mb/d, which represents a slight increase of 0.1%, or 1 tb/d, compared to the month before and 21.3%, or 187 tb/d, on a y-o-y basis. Product exports, including LPG, declined slightly by 1 tb/d averaging 0.60 mb/d.

Graph 8.4: Japan's exports of petroleum products



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

As a result, **Japan's net oil imports increased slightly in September by 100 tb/d, or 2.5%, to 4.1 mb/d over August.** On a y-o-y basis, an increase of 376 tb/d, or 10.2%, is shown.

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

	Jul 11	Aug 11	Sep 11	Change Sep/Aug
Crude oil	3,510	3,504	3,602	98
Total products	482	464	467	2
Total crude and products	**3,992**	**3,969**	**4,068**	**100**

China

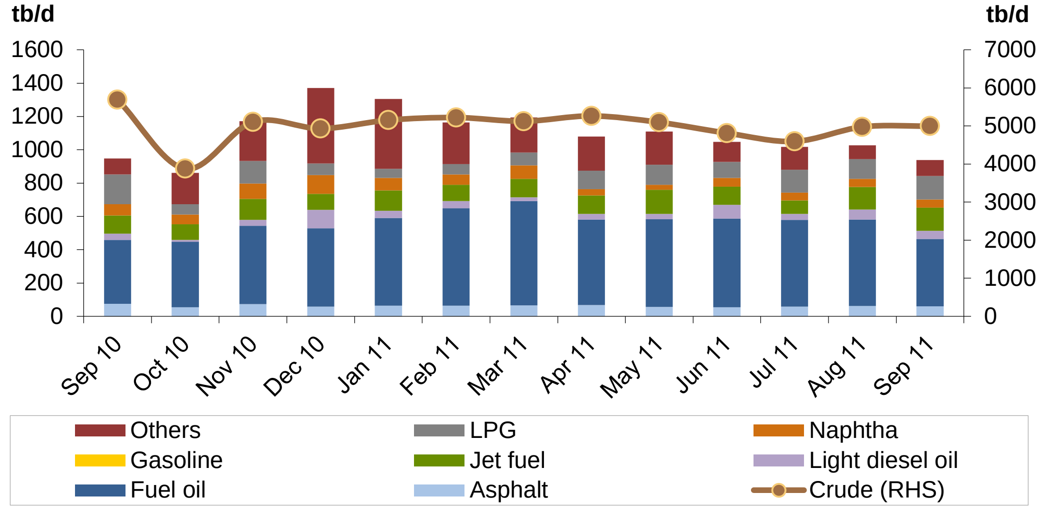
China's crude oil imports rose slightly in September, by 0.4% to the level of 4.99 mb/d

China's crude oil import rebounded after three months of consecutive declines starting May to July 2011. In September there was a further slight increase of 0.4% to 4.99 mb/d, moving closer to the 5 mb/d benchmark. In a y-o-y comparison, September shows a decline of 12.2% or 694 tb/d. The year-to-date comparison statistics shows an increase of 160 tb/d, or 3.3%, to the level of 5.03 mb/d.

The decline of crude imports could be mainly attributed to a decrease in domestic crude refining resulting from general losses in the refinery industry, uncertain prospects of oil demand under the current macro-economic situation, as well as maintenance and suspensions due to accidents. Product imports m-o-m were down by 88 tb/d, or 8.6%, to 0.94 mb/d, falling back to the pattern of decline between April and July.

China's crude and product imports showed a decline of, respectively, 68 tb/d, or 1.1%, and a decrease of 703 tb/d, or 10.6%, y-o-y.

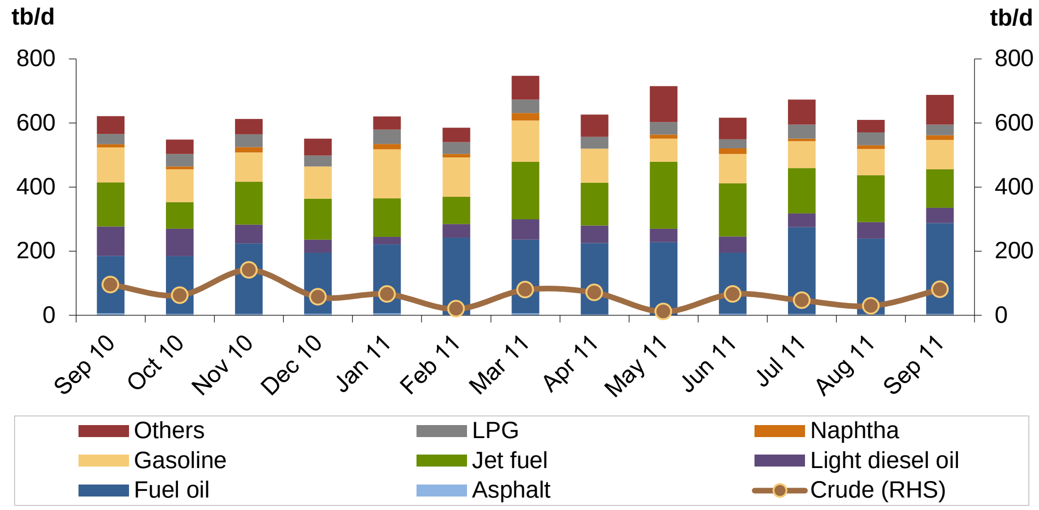
Graph 8.5: China's imports of crude and petroleum products



Chinese crude oil exports rebound by 51 tb/d to 80 tb/d. Product exports increased as well by 155 tb/d, or 29.1%, to 0.69 mb/d. Crude oil exports over the first nine months were 52 tb/d, or 0.3%, lower than last year's level and products were 646 tb/d, or 2.5%, slightly below last year's level.

As a result**, China's total net oil imports decreased a further 274 tb/d, or 5.0%, from the previous month to stand at 5.1 mb/d.** The drop can be attributed more to product net imports which decreased by 243 tb/d to 0.25 mb/d and less to crude oil net imports which showed a moderate decline of 31 tb/d or 0.6%.

Graph 8.6: China's exports of crude and products



Looking at the first nine months of China's net oil imports in 2011, total net oil imports rose by 313 tb/d, or 6.1%, to a level of 5.4 mb/d.

Suppliers to the Chinese market were ranked as Saudi Arabia with 0.96 mb/d, followed by Angola with 0.64 mb/d, Iran with 0.51 mb/d, Oman with 0.45 mb/d and Russia with 0.41 mb/d.

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

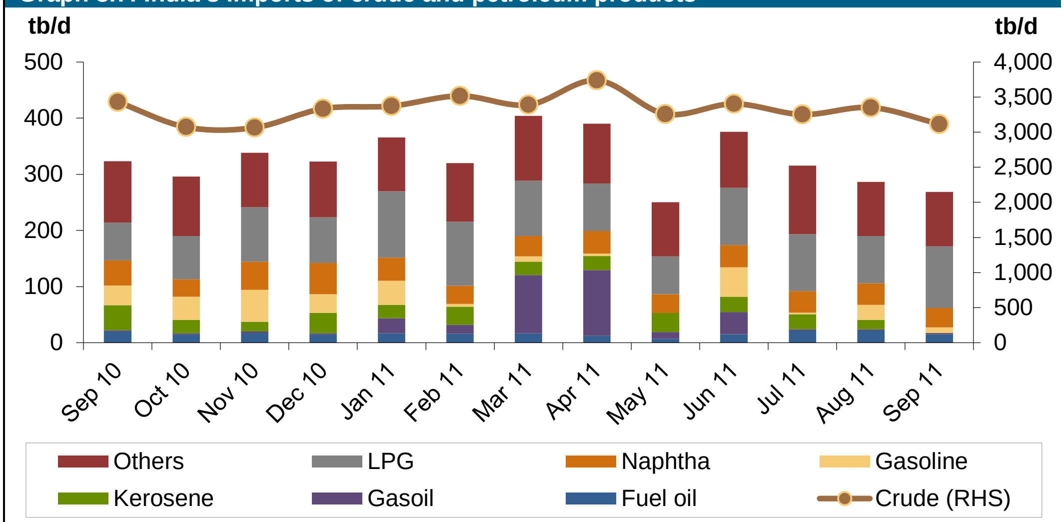
	Jul 11	Aug 11	Sep 11	Change Sep/Aug
Crude oil	4,548	4,947	4,916	-31
Total products	343	494	250	-243
Total crude and products	**4,892**	**5,440**	**5,166**	**-274**

India

India's crude oil import decreased 7.0% in September to 3.12 mb/d

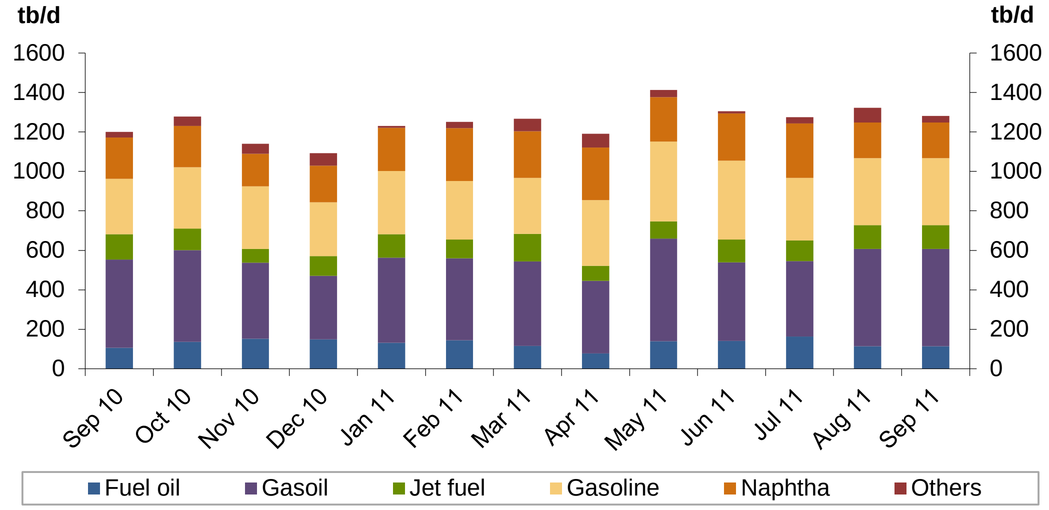
India's crude oil imports decreased 235 tb/d, or 7.0%, in September standing at 3.12 mb/d due to maintenance work in September at some refineries. In the first eight months of 2011, imports were 3.38 mb/d, which is 215 tb/d, or 6.8%, higher than the same period during the previous year.

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



Product imports declined for four months in a row in September by 6.3% m-o-m, or 18 tb/d, to an average of around 268 tb/d. The only exception was the increase of LPG imports in September to 109.38 tb/d from 84.20 tb/d in August. However, India's product imports remained above 250 tb/d, the lowest level since May 2011. September's product imports were 17.4% y-o-y. Gasoline and Fuel Oil were the main contributors to the decrease with a drop of around 62.4% and 31.1%, respectively, each declining from August levels of 26 tb/d and 521.7 tb/d to September levels of 9.94 tb/d and 14.92 tb/d.

Graph 8.8: India's exports of petroleum products



India's product imports in the first nine months of 2011 were at 327 tb/d, which represent a decline of 2%, or 7 tb/d, steady compared with the same period of 2010. On the export side, products decreased by 40 tb/d, or 3.0%, compared to the month before standing at 1.28 mb/d. On a y-o-y basis, product exports increased 6.8% in September 2011.

As a result**, India's net oil imports decreased 214 tb/d, or 9.2%, to average 2.10 mb/d but remained above this year's lowest level in May of 2.096 mb/d**.

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

	Jul 11	Aug 11	Sep 11	Change Sep/Aug
Crude oil	3,251	3,351	3,115	-235
Total products	-967	-1,035	-1,013	22
Total crude and products	**2,284**	**2,315**	**2,102**	**-214**

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

FSU

FSU exports rose 3.6% in September to 6.5 mb/d, while products declined by 2.9% to 2.5 mb/d, compared with the previous month

Total FSU crude exports rose by 216 tb/d m-o-m, or 3.6%, in September to 6.51 mb/d to reach their highest level since April. The increase can account for higher shipments of Russian crude owing to turnarounds at a number of refineries. Also, higher transit shipments of Kazakh Tengiz crude through Russia to Ukrainian ports helped boost the total.

Planned maintenance at major refinery sites in Russia caused rerouting in refinery runs in September. Together with these reduced runs, an increase in profitability of the exports through Transneft system led to a jump of 241 tb/d, or 5.9%, to a level of 4.22 mb/d.

Russian producers increased exports to Germany. But overall Druzhba exports were only up by 73 tb/d or 6.2%. Exports of Sakhalin light sweet offshore grades Sokol and Vityaz were up by 21 tb/d, or 8.3%, to 274 tb/d.

Lukoil is exporting less crude from its Varandey terminal, with exports down by 15 tb/d, representing 18.5%, to 53 tb/d, compared to the month before reflecting the rapid decline in production.

Pipeline exports of CPC Blend were down by 41 tb/d to 653 tb/d as less Kazakh and Russian crude was shipped along. Exports of BTC Blend from the Turkish port of Ceyhan were marginally down in September to 686 tb/d or 1.4%.

Product exports from the FSU continued to fall in September by 2.9%, or 81 tb/d, to a level of 2.48 mb/d. This largely reflects lower product output in Russia and increased secondary processing of straight-run fuel oil and VGO to meet domestic demand for lighter products.

The output of products fell sharply in September ahead of the 1 October increase in export duty under the new 60:66 system, which boosted the rate for dirty products by $64.50/t to $271.50/t, making exports unattractive. M-o-m Gasoline exports fell by 6.9%, or 6 tb/d, to a level of 105 tb/d. Jet fuel dropped sharply by almost 16%, or 3 tb/d, to a level of 13 tb/d. Exports of VGO increased more than 16%, or 37 tb/d, to 190 tb/d. Naphtha exports fell by 26 tb/d, or 8.6%, to a level of 205 tb/d and exports of Gasoil declined almost 11%, which represents 78 tb/d, to a level of 671 tb/d.

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

	2009	2010	4Q10	1Q11	2Q11	Aug 11	Sep 11*
Crude							
Russian pipeline							
Black Sea	1,201	994	933	970	886	939	965
Baltic	1,577	1,564	1,569	1,445	1,534	1,288	1,427
Druzhba	1,112	1,126	1,136	1,140	1,118	1,143	1,216
Kozmino	0	309	336	294	315	332	318
Total	**3,922**	**4,005**	**4,018**	**4,155**	**4,157**	**3,982**	**4,223**
Other routes							
Russian rail	280	330	280	197	145	180	206
Russian-Far East	283	276	313	299	286	253	274
Kazakh rail	18	1	0	0	128	170	196
Vadandey	155	152	127	111	92	68	53
Kaliningrad	0	24	24	23	21	31	18
CPC	736	743	749	737	671	694	653
BTC	805	775	796	710	761	696	686
Kenkiyak-Alashankou	157	204	204	230	239	242	241
Caspian	281	239	197	183	141	147	156
Total crude exports	**6,653**	**6,750**	**6,759**	**6,646**	**6,525**	**6,293**	**6,509**
Products							
Gasoline	221	152	124	205	220	111	105
Naphtha	269	275	245	285	302	231	205
Jet	47	20	15	7	17	16	13
Gasoil	948	878	824	896	793	749	671
Fuel oil	1,116	1,235	1,225	1,178	1,448	1,298	1,291
VGO	235	242	218	179	294	153	190
Total	**2,837**	**2,801**	**2,651**	**2,750**	**3,074**	**2,556**	**2,475**
Total oil exports	**9,490**	**9,551**	**9,410**	**9,396**	**9,600**	**8,849**	**8,984**

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

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

Stock Movements

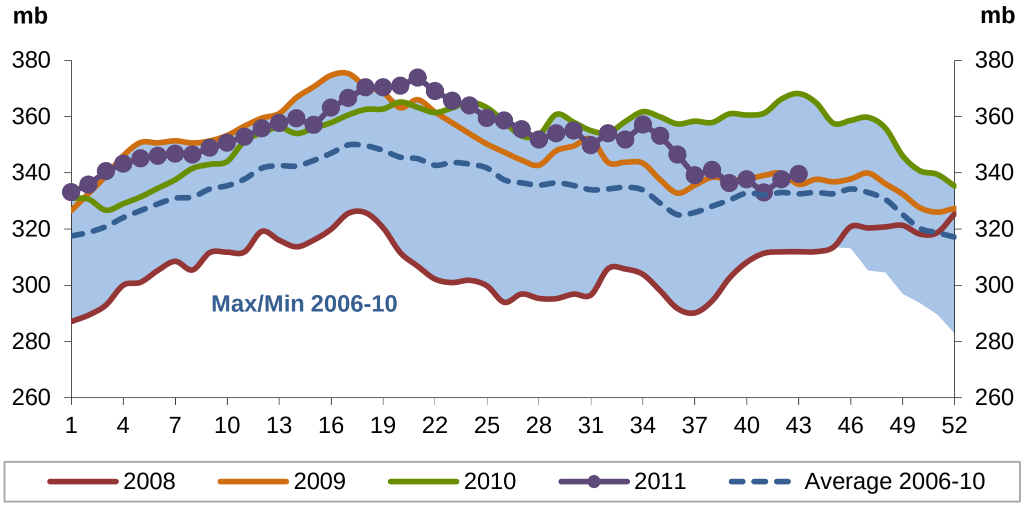
US commercial oil inventories fell by 9.8 mb to stand at 1,064.7 mb in September

US

After a strong stock-draw in September, US commercial oil inventories fell for the second consecutive month, declining by 9.8 mb to stand at 1,064.7 mb, the lowest level since April 2011. This drop was attributed solely to product stocks which fell by 13.1 mb, while crude commercial inventories rose by 3.2 mb. With this decline in total US commercial oil inventories, the deficit with a year ago remained at 54.3 mb or 4.9%; however, they were broadly in line with the five-year average.

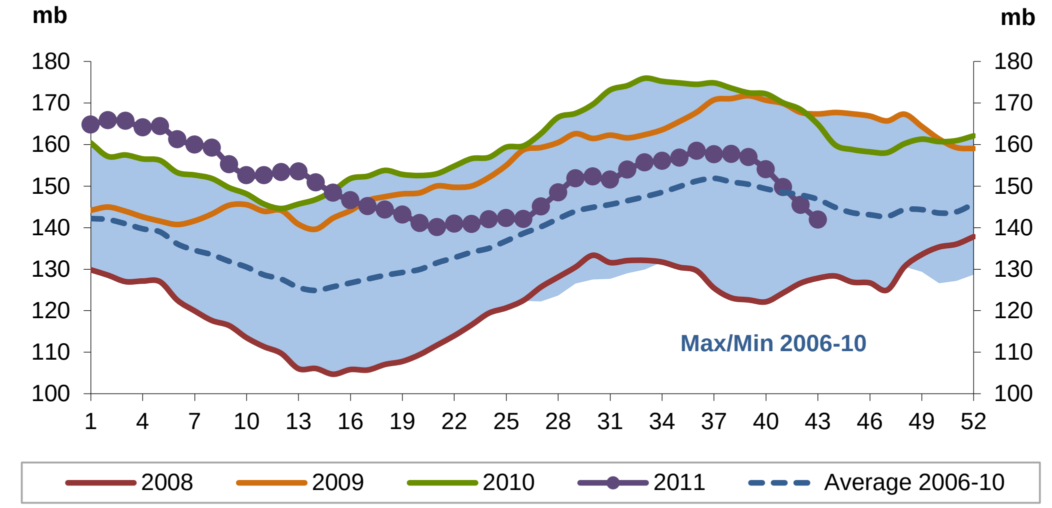
US commercial crude stocks reversed the sharp fall in September and rose in October to stand at 339.5 mb. Despite this build, US commercial crude oil stocks still indicated a deficit of 26.3 mb, or 7.2%, with a year ago at the same period, while they presented a surplus of 8.0 mb, or 2.4%, over the five-year average. The build came mainly from the decline in crude oil refinery inputs, which decreased by more than 400,000 b/d to average 14.6 mb/d, as refinery runs in the US remained relatively soft before the heating oil season begins. However, US crude runs remained almost 0.5 mb/d higher than a year ago during the same period. In October, US refineries operated at 84%, some 3.4 percentage points (pp) lower than in the previous month, and 1.8 pp higher than the same month last year The build in US crude commercial stocks came despite unchanged crude imports to average 8.8 mb/d, but they showed an increase of about 100,000 b/d compared to the previous year at the same time. Cushing stocks reversed the decline observed in September and rose by 1.2 mb to end the month at 32.1 mb. However, this level still remained low compared with the level of 40-41 mb reached in March and April resulting in a narrowing of the WTI-Brent differential in recent weeks to just $15/b.

Graph 9.1: US weekly commercial crude oil inventories



In contrast to the increase in US commercial crude oil stocks, **product stocks** declined by 13.1 mb in October, following a sharp drop in September. At 725.2 mb, US product stocks stood at their lowest level since June 2011. The drop in US product stocks in October came on the back of lower refinery output as total product demand remained weak, declining by around 200,000 b/d compared to the previous month. At 18.6 mb/d, US total oil consumption in October remained 1.9% lower than at the same period last year. With this draw, US product inventories remained at 28.0 mb, or 3.7%, below levels during the same period a year ago and 7.8 mb, or 1.1%, less than the five-year average.

Graph 9.2: US weekly distillate stocks



Within products, with the exception of residual fuel oil, all products experienced a drop with the bulk coming from middle distillates, which declined by 15.0 mb, followed by gasoline stocks, which fell by 7.5 mb. Meanwhile, jet fuel stocks went down slightly by 0.7 mb. At 141.9 mb. US distillate stocks stood at the lowest level in three years, widening the deficit with a year ago to almost 20.0 mb, or 5.6%, and stood for the first time this year at 3.0 mb, which is 5.6 mb, or 3.8%, below the five-year average. The strength in the distillate market persists as US demand climbs further to 4.2 mb/d in October, 350,000 b/d higher than the previous month. US distillate demand reached nearly 4.4 mb/d at the week ending 28 October, on a combination of increased heating demand and strong exports, with preliminary data showing upwards of 900,000 b/d. Lower distillate output, which declined by around 100,000 b/d and averaged 4.46 mb/d, also contributed to the draw in distillate stocks. The return of refinery runs to the market should offset some of the bullishness in the distillate market in the coming weeks. Gasoline stocks also fell to stand at 206.3 mb, remaining at 3.5 mb, or 1.7%, below last year at the same period, while showing a surplus of 2.5 mb, or 1.2%, over the seasonal norm. It should be noted that during the week ending 28 October, gasoline stocks rose by 1.3 mb, reflecting weak demand averaging 8.7 mb/d, well below the seasonal norms. Overall gasoline production has remained around 9 mb/d, which is about 200,000 b/d less than the previous month. With the recent reopening of the arbitrage window from Europe, refiners will likely need to restrain further gasoline production. Jet fuel oil stocks also decreased slightly by 0.6 mb to end the month at 45.8 mb but remained the second highest level since September 2010. Jet fuel stocks showed a surplus of 1.6 mb, or 3.6%, with a year ago and are 3.8 mb, or 9.1%, higher than the five-year average. Residual fuel oil stocks reversed the decline that occurred last month and rose by 2.7 mb, ending the month at 36.3 mb. At this level, residual stocks stood at 4.8 mb, or 11.7%, below last year and 3.0 mb, or 7.6%, less that the seasonal norm.

Table 9.1: US onland commercial petroleum stocks, mb

	Aug 11	Sep 11	Oct 11	Change Oct 11/Sep 11	Oct 10
Crude oil	349.3	336.3	339.5	3.2	367.6
Gasoline	212.3	213.7	206.3	-7.5	209.7
Distillate fuel	156.9	156.9	141.9	-15.0	161.5
Residual fuel oil	38.8	33.6	36.3	2.7	41.1
Jet fuel	43.3	46.4	45.8	-0.7	44.2
Total	**1104.2**	**1074.6**	**1064.7**	**-9.8**	**1120.6**
SPR	696.5	696.0	696.0	0.0	726.6

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

Source: US Department of Energy's Energy Information Administration

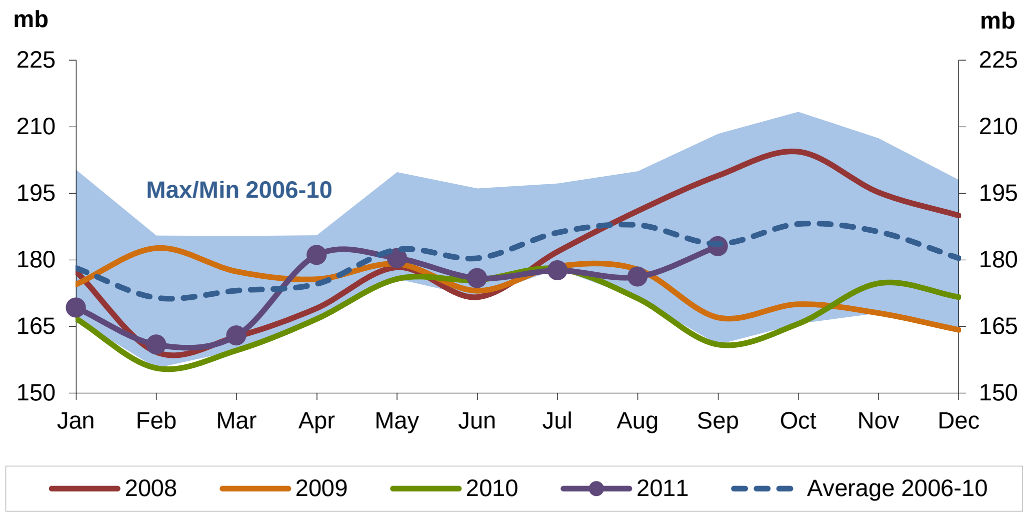
In September, Japanese stocks reversed the draw of the last month to build by 6.9 mb

Japan

In September, commercial oil stocks in Japan reversed the draw experienced the previous month and rose by 6.9 mb to stand at 183.1 mb, the highest since the end of 2008. At this level, Japanese commercial oil stocks widened the surplus with a year ago to 13.8% from 2.7% a month earlier, while the deficit with the five-year average narrowed to 0.3% from 6.2% in the previous month. This stock build was attributed to the rise in crude and product stocks as they increased by 2.4 mb and 4.5 mb, respectively.

Japanese commercial crude oil stocks also erased last month's draw and increased by 2.4 mb to end the month at around 100.0 mb. With this build, Japanese crude commercial oil stocks stood at 10.8 mb, or 12.1%, above the previous year during the same month and for the first time in four months, they showed a surplus with the seasonal norm of 2.0 mb or 2.1%. The build in crude commercial oil stocks in September came from higher crude oil imports which increased by around 100,000 b/d, or 2.8%, to average 3.6 mb/d. Crude oil imports also increased by 4.5% versus a year ago, the first year-on-year increase in monthly crude imports in seven months as refiners faced plant outages after the March earthquake and reduced crude oil imports. Lower crude throughputs also contributed to the rise in crude oil inventories. Indeed, crude throughput has dropped by almost 200,000 b/d to average 3.36 mb/d, and remained at 5.6% below last year. This corresponds to a refinery utilization rate of 72.6%, 4.1 percentage points (pp) lower than previous month and 3.9 pp less than a year ago over the same period.

Graph 9.3: Japan's commercial oil stocks



Total product inventories also rose for the third consecutive month to stand at 83.2 mb, the highest level in three years. With this build, the surplus with a year ago has widened to 15.9% from 5.9% a month earlier; however, the deficit with the five-year average remained at 6.3 mb or 2.9%. The build in total Japanese products in September could be attributed mainly to the decline of Japanese total sales of 5.5%, averaging 3.13 mb/d. Total oil product sales in September fell 4.9% from a year earlier, hurt by a higher baseline that reflected a prolonged heat wave last summer. The decline of refinery output, which dropped by nearly 300,000 b/d, or 9.0%, to average 3.1 mb/d has limited the build in product stocks. With the exception of naphtha, which remained almost unchanged, all products saw a build with the bulk of the gain coming from gasoline stocks, which jumped by 4.0 mb followed by a slight build of 0.5 mb in residual fuel oil stocks, while distillate inventories rose marginally by 0.2 mb after experiencing a strong build of 4.4 mb last month.

Gasoline stocks rose to end the month at 17.2 mb, representing a surplus of 4.7 mb over the same period a year ago, while they widened the surplus with the five-year average to 4.4 mb from only 0.2 mb last month. The rise in gasoline inventories came on the back of lower gasoline sales, which declined by 10.9% from the previous month. Gasoline sales were also 5.8% below last year's level at the same period. Distillate stocks saw a minor build, finishing the month at 37.8 mb to stand at 5.5 mb, or 16.9%, higher than a year ago at the same time, while still indicating a deficit of 3.6 mb, or 8.7%, with the five-year average. Within the components of distillates, the picture was mixed: Kerosene saw a build of 11.3%, while jet fuel stocks and gasoil declined by 15.9% and 8.3%, respectively. The build in kerosene stocks came on the back of higher production, which increased by 26%; however higher domestic sales have limited the build in kerosene stocks. The draw in jet fuel inventories was supported by lower production which fell by almost 20%, while higher domestic sales combined with lower output were behind the fall in gasoil inventories.

Residual fuel stocks also rose by 0.5 mb to end the month at 17.5 mb, indicating a surplus of 1.6 mb, or 10.3%, over a year ago but continued to show a deficit of 1.7 mb, or 9.1%, with the five-year average. Within the components of fuel oil, fuel oil B.C inventories saw a build of 8.5%, while fuel oil A stocks went down by 1.6%. The build in fuel oil B.C came on the back of lower domestic sales, combined with lower production. However, fuel oil B.C domestic sales were much higher than a year ago at the same time—by almost 18%—as record-low nuclear plant utilization forces utilities to turn to fossil fuels to substitute for the power shortfall. The drop in fuel oil A inventories came mainly on the back of disappointing output, as they declined by 7.0% despite lower domestic sales. Naphtha stocks remained almost at the same level as the previous month to stand at 10.8 mb, indicating a deficit of 3.9% with a year ago over the same period and 9.1% less than the seasonal average.

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

	Jul 11	Aug 11	Sep 11	Change Sep 11/Aug 11	Sep 10
Crude oil	104.4	97.5	99.9	2.4	89.1
Gasoline	12.7	13.2	17.2	4.0	12.4
Naphtha	10.9	10.9	10.8	-0.1	11.2
Middle distillates	33.2	37.6	37.8	0.2	32.3
Residual fuel oil	16.3	17.0	17.5	0.5	15.8
Total products	73.2	78.7	83.2	4.5	71.8
Total**	**177.6**	**176.2**	**183.1**	**6.9**	**160.9**

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

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

Product stocks in Singapore declined in September for the third consecutive month

At the end of September, **product stocks in Singapore** continued their downward trend for the third consecutive month, falling by 1.2 mb to end the month at 42.4 mb. With this draw, product stocks remained at 4.3 mb, or 9.2%, below levels during the same period a year ago. Within products, the picture was mixed: Light and middle distillates saw a gain of around 0.9 mb and 0.5 mb, respectively, while fuel oil stocks dropped by 2.6 mb. Singapore light distillate stocks reversed the draw incurred last month and rose in September to end the month at 9.7 mb. However, these higher stocks are unlikely to last after the closure of one the region's largest exporting refineries: Shell's 500,000 b/d refinery in Singapore. Light distillate stocks remained at 1.8 mb, or 15.6%, below levels during the same period a year ago. Middle distillates have also experienced a stock build after two consecutive months of draws and ended the month at 13.7 mb. Middle distillate stocks stood at 0.7 mb, or 5.0%, above levels during the same period a year ago. The build in middle distillate stocks came on the back of higher gasoil from Korea, Japan and Malaysia. Middle distillate stocks are expected to decline in coming weeks, following the closure of a Shell hydrocracker at its refinery, therefore requiring customers in the region to be supplied with products from storage. Fuel oil stocks plunged from 21.5 mb in August to around 19.0 mb at the end of September, the lowest since February. With this draw, the deficit with a year ago has widened to 14.2% from 7.5% last month. The increase in domestic demand for harvest and power generation was behind the drop in fuel oil stocks. However, more exports from the West are expected to come to Asia and should offset the impact of strong regional and domestic demand, resulting in the curbing of the three-month-long draw of fuel oil inventories.

ARA product stocks fell in September, following a small build a month earlier

Product stocks in ARA in September fell by 3.0 mb, following a small increase last month and ending the month at 30.2 mb. With this draw, the deficit with a year ago has widened to 21.2% at the end of September from 13.9% a month earlier. With the exception of naphtha, which saw an increase, all other products experienced a drop. Gasoline inventories went down by 0.3 mb to stand at 4.6 mb, the lowest level in almost eight months and stood at 40% less than at this time last year. This drop in gasoline stocks came on the back of crude run cuts, falling US gasoline demand and refineries switching to produce more heating oil ahead of the winter season. Gasoil stocks also dropped by 0.5 mb for the second consecutive month to stand at 16.5 mb, which is 1.4 mb, or 8%, below the same period a year ago. The backwardation structure of the gasoil forward curve, limiting incentive to store more gasoil, contributed to the decline in gasoil stocks. At the same time, higher exports also supported the drop in gasoil stocks. Within products, fuel oil stocks saw the highest drop in September, falling by 1.3 mb to end the month at 5.1 mb and showing a deficit of 1.1 mb, or 17.3%, over the same period a year earlier. A VLCC was reported loading to Asia, thus contributing to bringing stocks down. Jet fuel oil stocks also declined by 1.2 mb to end the month at 3.1 mb, almost less than half compared to last year at this time. The drop in jet fuel came on the back of higher exports outpacing the incoming flows to the ARA region. Naphtha is the only product showing a build of 0.2 mb to finish the month at 0.8 mb, almost double from the same time last year.

Balance of Supply and Demand

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

Forecast for 2011

Demand for OPEC crude for this year has been revised up by 0.1 mb/d from the previous assessment driven mainly by the downward revision in non-OPEC supply as demand remained unchanged. Within the quarters, the main upward adjustment occurred in 2H11 as 3Q and 4Q were revised up by 0.3 mb and 0.2 mb/d, respectively. At 30.0 mb/d, the demand for OPEC crude stood at 0.3 mb/d above 2010. 1Q and 2Q showed growth of 0.9 mb/d and 0.1 mb/d, respectively, while 3Q is estimated to see negative growth of 0.2 mb/d. 4Q is seen to show growth of 0.2 mb/d compared to the same period during the previous year.

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

	2010	1Q11	2Q11	3Q11	4Q11	2011
(a) World oil demand	**86.94**	**87.52**	**86.28**	**88.30**	**89.13**	**87.81**
Non-OPEC supply	52.28	52.76	51.97	52.17	53.07	52.50
OPEC NGLs and non-conventionals	4.90	5.12	5.26	5.37	5.42	5.29
(b) Total supply excluding OPEC crude	**57.18**	**57.88**	**57.23**	**57.54**	**58.49**	**57.79**
Difference (a-b)	**29.76**	**29.64**	**29.05**	**30.76**	**30.64**	**30.03**
OPEC crude oil production	29.27	29.63	29.15	29.95		
Balance	-0.49	-0.01	0.10	-0.80		

Totals may not add up due to independent rounding

Demand for OPEC crude in 2012 forecast at 30.0 mb/d, unchanged from the current year

Forecast for 2012

The demand for OPEC crude for 2012 is projected to average 30.0 mb/d, 0.1 mb/d higher than in the previous report. This upward revision came solely from the downward adjustment in non-OPEC supply. Within the quarters, 1Q was revised up by 0.2 mb/d and all other quarters were revised up by 0.1 mb/d. The required OPEC crude is forecast to remain unchanged in 2012 from this year. 1Q12 is estimated to see growth of 0.3 mb/d, followed by negative growth of 0.4 mb/d and 0.2 mb/d in 2Q and 3Q, respectively. 4Q12 is forecast to see an increase of 0.3 mb/d compared to the same period last year.

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

	2011	1Q12	2Q12	3Q12	4Q12	2012
(a) World oil demand	**87.81**	**88.73**	**87.44**	**89.50**	**90.33**	**89.01**
Non-OPEC supply	52.50	53.32	53.16	53.22	53.57	53.32
OPEC NGLs and non-conventionals	5.29	5.50	5.61	5.71	5.79	5.65
(b) Total supply excluding OPEC crude	**57.79**	**58.82**	**58.76**	**58.93**	**59.36**	**58.97**
Difference (a-b)	**30.03**	**29.90**	**28.68**	**30.58**	**30.97**	**30.04**

Totals may not add up due to independent rounding

Graph 10.1: Balance of supply and demand

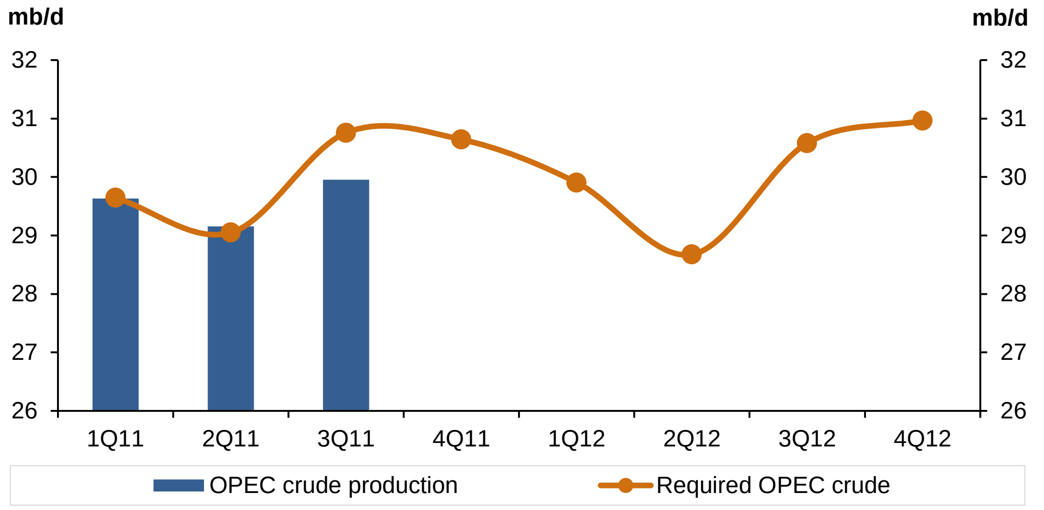


Table 10.3: World oil demand/supply balance, mb/d

	2006	2007	2008	2009	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
World demand															
OECD	49.5	49.3	47.6	45.6	46.2	46.3	44.6	46.1	46.5	45.9	46.4	44.6	46.0	46.5	45.9
North America	25.4	25.5	24.2	23.3	23.8	23.8	23.3	23.7	23.8	23.6	23.9	23.5	23.8	23.9	23.8
Western Europe	15.7	15.5	15.4	14.7	14.6	14.2	14.1	14.7	14.7	14.4	14.2	14.0	14.6	14.6	14.4
Pacific	8.5	8.4	8.0	7.7	7.8	8.3	7.1	7.7	8.1	7.8	8.3	7.2	7.6	8.0	7.8
DCs	23.6	24.8	25.6	26.2	27.0	27.2	27.5	27.8	27.9	27.6	27.8	28.1	28.5	28.5	28.2
FSU	4.0	4.0	4.1	4.0	4.1	4.1	4.0	4.4	4.5	4.2	4.2	4.0	4.5	4.6	4.3
Other Europe	0.9	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7
China	7.2	7.6	8.0	8.3	9.0	9.1	9.5	9.4	9.5	9.4	9.6	10.0	9.9	10.0	9.9
(a) Total world demand	85.2	86.5	86.1	84.7	86.9	87.5	86.3	88.3	89.1	87.8	88.7	87.4	89.5	90.3	89.0
Non-OPEC supply															
OECD	20.1	20.0	19.5	19.7	20.0	20.1	19.8	19.9	20.3	20.0	20.2	20.1	20.0	20.2	20.1
North America	14.2	14.3	13.9	14.4	15.0	15.3	15.2	15.4	15.5	15.4	15.5	15.5	15.5	15.6	15.5
Western Europe	5.3	5.2	4.9	4.7	4.4	4.3	4.1	3.9	4.2	4.1	4.1	3.9	3.8	4.0	4.0
Pacific	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.6	0.5	0.6	0.6	0.6	0.6	0.6
DCs	11.9	11.9	12.2	12.4	12.7	12.8	12.5	12.7	13.1	12.8	13.2	13.2	13.2	13.3	13.2
FSU	12.0	12.5	12.6	13.0	13.2	13.3	13.3	13.3	13.4	13.3	13.5	13.4	13.4	13.5	13.5
Other Europe	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1
China	3.7	3.8	3.8	3.8	4.1	4.2	4.2	4.1	4.1	4.2	4.2	4.2	4.2	4.2	4.2
Processing gains	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	49.9	50.4	50.3	51.1	52.3	52.8	52.0	52.2	53.1	52.5	53.3	53.2	53.2	53.6	53.3
OPEC NGLs + non-conventional oils	3.9	3.9	4.1	4.3	4.9	5.1	5.3	5.4	5.4	5.3	5.5	5.6	5.7	5.8	5.7
(b) Total non-OPEC supply and OPEC NGLs	53.8	54.4	54.4	55.4	57.2	57.9	57.2	57.5	58.5	57.8	58.8	58.8	58.9	59.4	59.0
OPEC crude oil production (secondary sources)	30.6	30.2	31.3	28.8	29.3	29.6	29.2	30.0							
Total supply	84.4	84.6	85.7	84.2	86.4	87.5	86.4	87.5							
Balance (stock change and miscellaneous)	-0.9	-2.0	-0.4	-0.5	-0.5	0.0	0.1	-0.8							
OECD closing stock levels (mb)															
Commercial	2655	2554	2679	2641	2669	2631	2677								
SPR	1499	1524	1527	1564	1561	1558	1561								
Total	4154	4079	4206	4205	4229	4189	4238								
Oil-on-water	919	948	969	919	871	891	853								
Days of forward consumption in OECD															
Commercial onland stocks	54	54	59	57	58	59	58								
SPR	30	32	33	34	34	35	34								
Total	84	86	92	91	92	94	92								
Memo items															
FSU net exports	8.1	8.5	8.5	9.0	9.1	9.2	9.3	8.9	8.9	9.1	9.2	9.4	8.9	9.0	9.1
(a) - (b)	31.4	32.2	31.6	29.3	29.8	29.6	29.0	30.8	30.6	30.0	29.9	28.7	30.6	31.0	30.0

Note: Totals may not add up due to independent rounding

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

	2006	2007	2008	2009	2010	1Q11	2Q11	3Q11	4Q11	2011	1Q12	2Q12	3Q12	4Q12	2012
World demand															
OECD	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
North America	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-0.1	-
(a) Total world demand	-	-	-	-	-	-	-	-0.1	-	-	0.1	-	-	-	-
World demand growth	-	-	-	-	-	-	-	*-0.07*	-	-	-	-	-	-	-
Non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
North America	-	-	-	-	-	-	-	0.1	0.1	-	0.1	0.1	-	-	-
Western Europe	-	-	-	-	-	-	-	-0.2	-0.1	-	-0.1	-0.1	-	-0.1	-0.1
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-0.3	-0.2	-0.1	-0.2	-0.1	-0.1	-0.2	-0.1
Total non-OPEC supply growth	-	-	-	-	-	-	-	*-0.32*	*-0.23*	*-0.14*	*-0.15*	*-0.15*	*0.19*	*0.08*	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-0.3	-0.2	-0.1	-0.2	-0.1	-0.1	-0.2	-0.1
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-							
Total supply	-	-	-	-	-	-	-	-0.3							
Balance (stock change and miscellaneous)	-	-	-	-	-	-0.1	-	-0.2							
OECD closing stock levels (*mb*)															
Commercial	-	-	-	-	1	-	1								
SPR	-	-	-	-	-	-	-								
Total	-	-	-	-	1	-	1								
Oil-on-water	-	-	-	-	-	-	-								
Days of forward consumption in OECD	-	-	-	-	-	-	-								
Commercial onland stocks	-	-	-	-	-	-	-								
SPR	-	-	-	-	-	-	-								
Total	-	-	-	-	-	-	-								
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	0.1	-	0.3	0.2	0.1	0.2	0.1	0.1	0.1	0.1

* *This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the October 2011 issue*

This table shows only where changes have occurred

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

	2004	2005	2006	2007	2008	1Q07	2Q07	3Q07	4Q07	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11
Closing stock levels *mb*																							
OECD onland commercial	2,531	2,576	2,655	2,554	2,679	2,582	2,643	2,629	2,554	2,553	2,584	2,641	2,679	2,731	2,745	2,763	2,641	2,675	2,757	2,749	2,669	2,631	2,677
North America	1,186	1,247	1,264	1,211	1,282	1,219	1,275	1,267	1,211	1,197	1,221	1,259	1,282	1,332	1,367	1,373	1,286	1,314	1,370	1,400	1,329	1,295	1,338
Western Europe	915	935	963	937	991	944	940	929	937	961	954	952	991	991	976	971	972	975	982	947	949	955	935
OECD Pacific	430	394	429	407	407	420	428	432	407	394	409	431	407	408	401	419	383	386	405	402	390	382	405
OECD SPR	1,450	1,487	1,499	1,524	1,527	1,507	1,506	1,520	1,524	1,529	1,526	1,522	1,527	1,547	1,561	1,564	1,564	1,567	1,562	1,549	1,561	1,558	1,561
North America	678	687	691	699	704	691	692	695	699	702	708	704	704	715	726	727	729	729	729	728	729	727	727
Western Europe	377	407	412	421	416	415	413	423	421	423	414	414	416	424	427	429	426	429	422	419	423	420	423
OECD Pacific	396	393	396	404	406	401	401	403	404	404	404	403	406	408	408	408	409	409	411	402	410	411	411
OECD total	3,982	4,063	4,154	4,079	4,206	4,089	4,149	4,149	4,079	4,082	4,110	4,164	4,206	4,278	4,306	4,327	4,205	4,241	4,319	4,298	4,229	4,189	4,238
Oil-on-water	905	954	919	948	969	916	891	917	948	935	925	885	969	899	899	869	919	919	897	926	871	891	853
Days of forward consumption in OECD																							
OECD onland commercial	51	52	54	54	59	53	54	53	52	54	55	56	57	61	61	60	57	59	59	59	58	59	58
North America	46	49	50	50	55	48	50	50	49	49	52	53	55	58	59	58	55	55	57	59	56	55	57
Western Europe	58	60	62	61	68	62	60	59	61	63	61	62	66	69	67	67	68	68	66	64	67	68	63
OECD Pacific	50	47	51	51	53	53	54	49	46	50	54	54	50	56	55	52	47	53	53	50	47	54	53
OECD SPR	29	30	30	32	33	31	31	30	31	32	33	32	33	35	35	34	34	35	34	33	34	35	34
North America	26	27	27	29	30	27	27	27	28	29	30	29	30	31	31	31	31	31	30	31	31	31	31
Western Europe	24	26	27	27	28	27	26	27	27	28	27	27	28	29	29	30	30	30	28	28	30	30	29
OECD Pacific	46	46	47	50	53	51	51	46	45	51	54	51	50	56	56	51	50	56	54	50	49	58	54
OECD total	80	82	84	86	92	84	85	83	83	86	88	88	90	96	95	94	92	94	93	92	91	94	92

n.a. not available

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

	2006	2007	2008	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11
US	7.36	7.47	7.50	8.14	0.64	8.55	8.52	8.63	8.84	8.64	0.49	8.76	8.94	8.99	9.01	8.93	0.29	8.98	8.99	9.00	9.09	9.02	0.09
Canada	3.20	3.31	3.27	3.25	-0.02	3.28	3.37	3.38	3.54	3.39	0.15	3.57	3.30	3.53	3.58	3.50	0.10	3.62	3.64	3.66	3.68	3.65	0.15
Mexico	3.69	3.49	3.17	2.98	-0.19	2.99	2.97	2.95	2.93	2.96	-0.02	2.97	2.96	2.92	2.92	2.94	-0.02	2.91	2.87	2.88	2.86	2.88	-0.06
North America	14.24	14.26	13.94	14.37	0.43	14.82	14.86	14.96	15.31	14.99	0.62	15.31	15.20	15.44	15.51	15.37	0.38	15.50	15.50	15.54	15.63	15.55	0.18
Norway	2.78	2.55	2.47	2.36	-0.11	2.32	2.12	1.93	2.17	2.14	-0.22	2.14	1.98	2.01	2.08	2.05	-0.08	2.06	1.97	1.91	2.00	1.99	-0.07
UK	1.71	1.69	1.57	1.48	-0.09	1.52	1.40	1.20	1.35	1.37	-0.11	1.27	1.17	0.97	1.16	1.14	-0.22	1.13	1.05	1.02	1.08	1.07	-0.07
Denmark	0.34	0.31	0.28	0.26	-0.02	0.25	0.25	0.23	0.26	0.25	-0.02	0.23	0.25	0.24	0.25	0.24	0.00	0.24	0.24	0.23	0.22	0.23	-0.01
Other Western Europe	0.51	0.62	0.62	0.63	0.01	0.62	0.64	0.65	0.63	0.64	0.01	0.67	0.66	0.68	0.68	0.67	0.04	0.67	0.68	0.68	0.68	0.68	0.00
Western Europe	5.34	5.17	4.94	4.73	-0.21	4.71	4.41	4.02	4.42	4.39	-0.34	4.31	4.06	3.91	4.18	4.11	-0.27	4.11	3.94	3.84	3.98	3.97	-0.15
Australia	0.51	0.53	0.53	0.54	0.01	0.52	0.51	0.51	0.48	0.50	-0.04	0.42	0.42	0.44	0.47	0.44	-0.06	0.50	0.52	0.52	0.49	0.51	0.07
Other Pacific	0.05	0.08	0.10	0.10	0.00	0.10	0.10	0.10	0.09	0.10	0.00	0.09	0.09	0.09	0.09	0.09	-0.01	0.09	0.09	0.09	0.09	0.09	0.00
OECD Pacific	0.56	0.60	0.63	0.64	0.01	0.62	0.61	0.60	0.58	0.60	-0.03	0.52	0.50	0.53	0.57	0.53	-0.07	0.59	0.61	0.61	0.58	0.60	0.07
Total OECD	20.14	20.03	19.51	19.73	0.23	20.15	19.88	19.58	20.31	19.98	0.25	20.14	19.77	19.88	20.26	20.01	0.03	20.20	20.05	19.99	20.19	20.11	0.10
Brunei	0.22	0.19	0.17	0.16	-0.01	0.17	0.15	0.17	0.17	0.17	0.00	0.17	0.16	0.17	0.17	0.17	0.00	0.17	0.17	0.17	0.17	0.17	0.00
India	0.78	0.80	0.80	0.78	-0.02	0.82	0.83	0.88	0.90	0.86	0.08	0.90	0.89	0.89	0.93	0.90	0.05	0.93	0.93	0.94	0.94	0.93	0.03
Indonesia	1.07	1.02	1.05	1.03	-0.02	1.03	1.05	1.03	1.01	1.03	0.00	1.00	0.99	0.99	0.98	0.99	-0.04	0.97	0.97	0.97	0.97	0.97	-0.02
Malaysia	0.76	0.76	0.76	0.73	-0.03	0.72	0.70	0.68	0.69	0.70	-0.03	0.68	0.60	0.64	0.64	0.64	-0.06	0.62	0.61	0.60	0.59	0.61	-0.03
Thailand	0.32	0.33	0.36	0.37	0.01	0.34	0.35	0.36	0.33	0.35	-0.02	0.34	0.33	0.34	0.34	0.34	-0.01	0.34	0.34	0.34	0.34	0.34	0.00
Vietnam	0.37	0.35	0.33	0.37	0.04	0.35	0.35	0.36	0.37	0.35	-0.02	0.34	0.33	0.34	0.36	0.34	-0.01	0.37	0.38	0.39	0.40	0.38	0.04
Asia others	0.26	0.26	0.26	0.25	-0.01	0.22	0.24	0.24	0.23	0.23	-0.02	0.23	0.23	0.22	0.25	0.23	0.00	0.26	0.27	0.28	0.28	0.27	0.04
Other Asia	3.78	3.70	3.73	3.69	-0.04	3.66	3.67	3.70	3.70	3.68	0.00	3.68	3.53	3.60	3.67	3.62	-0.07	3.66	3.66	3.68	3.69	3.67	0.05
Argentina	0.77	0.77	0.78	0.76	-0.02	0.76	0.76	0.76	0.71	0.75	-0.01	0.76	0.68	0.74	0.73	0.73	-0.02	0.73	0.72	0.71	0.71	0.72	-0.01
Brazil	2.11	2.22	2.38	2.51	0.12	2.61	2.67	2.66	2.70	2.66	0.16	2.66	2.67	2.65	2.80	2.69	0.03	2.83	2.84	2.89	2.91	2.87	0.17
Colombia	0.54	0.54	0.60	0.68	0.09	0.77	0.79	0.80	0.83	0.80	0.11	0.88	0.93	0.94	0.99	0.93	0.14	1.00	1.02	1.04	1.05	1.03	0.09
Trinidad & Tobago	0.18	0.16	0.16	0.15	0.00	0.15	0.15	0.15	0.13	0.15	-0.01	0.14	0.14	0.14	0.14	0.14	-0.01	0.14	0.14	0.15	0.15	0.14	0.01
L. America others	0.26	0.28	0.28	0.30	0.02	0.31	0.31	0.32	0.32	0.31	0.01	0.31	0.31	0.30	0.33	0.31	0.00	0.32	0.32	0.32	0.32	0.32	0.01
Latin America	3.87	3.97	4.20	4.40	0.20	4.61	4.69	4.68	4.70	4.67	0.26	4.75	4.72	4.77	4.98	4.81	0.14	5.02	5.05	5.11	5.14	5.08	0.27
Bahrain	0.21	0.21	0.21	0.21	0.00	0.21	0.20	0.20	0.21	0.20	0.00	0.21	0.21	0.21	0.21	0.21	0.00	0.21	0.21	0.22	0.22	0.21	0.01
Oman	0.75	0.71	0.76	0.81	0.06	0.86	0.86	0.87	0.88	0.86	0.05	0.89	0.87	0.90	0.94	0.90	0.04	0.95	0.95	0.96	0.97	0.96	0.06
Syria	0.44	0.42	0.41	0.41	0.00	0.42	0.43	0.42	0.42	0.42	0.01	0.42	0.42	0.40	0.38	0.40	-0.02	0.38	0.37	0.37	0.36	0.37	-0.03
Yemen	0.37	0.33	0.30	0.30	0.00	0.30	0.29	0.28	0.27	0.29	-0.02	0.26	0.15	0.20	0.23	0.21	-0.08	0.25	0.25	0.25	0.24	0.25	0.04
Middle East	1.76	1.66	1.68	1.73	0.05	1.78	1.77	1.78	1.78	1.78	0.04	1.78	1.65	1.70	1.75	1.72	-0.06	1.79	1.79	1.79	1.79	1.79	0.07
Chad	0.15	0.15	0.15	0.14	-0.01	0.15	0.15	0.15	0.15	0.15	0.01	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.13	0.13	0.13	0.13	-0.01
Congo	0.25	0.24	0.26	0.27	0.02	0.30	0.30	0.29	0.29	0.30	0.02	0.29	0.29	0.30	0.31	0.30	0.00	0.31	0.30	0.30	0.29	0.30	0.00
Egypt	0.66	0.66	0.69	0.69	0.00	0.69	0.71	0.72	0.71	0.71	0.01	0.71	0.71	0.71	0.71	0.71	0.00	0.70	0.70	0.70	0.69	0.70	-0.01
Equatorial Guinea	0.37	0.37	0.38	0.36	-0.02	0.33	0.33	0.32	0.31	0.32	-0.03	0.31	0.31	0.30	0.30	0.30	-0.02	0.31	0.31	0.32	0.33	0.32	0.01
Gabon	0.25	0.25	0.24	0.24	0.00	0.25	0.23	0.25	0.25	0.25	0.01	0.26	0.24	0.24	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	0.00
South Africa	0.19	0.18	0.18	0.17	-0.01	0.18	0.18	0.18	0.18	0.18	0.01	0.18	0.18	0.18	0.18	0.18	0.00	0.17	0.17	0.17	0.17	0.17	-0.01
Sudan	0.36	0.48	0.46	0.48	0.02	0.46	0.46	0.47	0.47	0.46	-0.01	0.46	0.44	0.45	0.44	0.45	-0.02	0.44	0.43	0.43	0.42	0.43	-0.02
Africa other	0.29	0.28	0.27	0.25	-0.01	0.24	0.23	0.23	0.22	0.23	-0.02	0.27	0.29	0.30	0.34	0.30	0.07	0.37	0.37	0.38	0.38	0.37	0.07
Africa	2.51	2.60	2.62	2.60	-0.02	2.59	2.57	2.60	2.58	2.59	-0.01	2.61	2.58	2.61	2.67	2.62	0.03	2.68	2.67	2.67	2.66	2.67	0.05
Total DCs	11.92	11.94	12.23	12.43	0.20	12.64	12.70	12.76	12.75	12.71	0.29	12.82	12.48	12.69	13.07	12.77	0.05	13.15	13.17	13.25	13.28	13.21	0.45
FSU	12.03	12.54	12.60	12.95	0.35	13.16	13.20	13.21	13.33	13.22	0.27	13.32	13.26	13.25	13.35	13.29	0.07	13.45	13.41	13.45	13.52	13.46	0.16
Russia	9.65	9.87	9.78	9.92	0.14	10.09	10.12	10.13	10.22	10.14	0.22	10.21	10.23	10.28	10.28	10.25	0.11	10.28	10.31	10.34	10.35	10.32	0.07
Kazakhstan	1.30	1.35	1.41	1.54	0.12	1.60	1.56	1.57	1.65	1.60	0.06	1.66	1.60	1.54	1.68	1.62	0.02	1.68	1.65	1.67	1.70	1.68	0.06
Azerbaijan	0.65	0.87	0.94	1.06	0.12	1.05	1.10	1.10	1.03	1.07	0.01	1.02	1.00	0.98	0.96	0.99	-0.08	1.05	1.01	1.01	1.03	1.03	0.04
FSU others	0.43	0.45	0.46	0.44	-0.02	0.42	0.42	0.41	0.42	0.42	-0.02	0.43	0.43	0.44	0.44	0.43	0.02	0.44	0.44	0.44	0.44	0.44	0.00
Other Europe	0.15	0.15	0.15	0.14	-0.01	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.15	0.15	0.15	0.15	0.15	0.01
China	3.69	3.77	3.84	3.84	0.00	4.01	4.08	4.16	4.24	4.12	0.28	4.22	4.19	4.08	4.12	4.15	0.03	4.18	4.18	4.19	4.24	4.20	0.05
Non-OPEC production	47.94	48.43	48.32	49.09	0.77	50.10	49.99	49.85	50.75	50.18	1.09	50.63	49.84	50.04	50.94	50.37	0.19	51.13	50.97	51.03	51.38	51.13	0.76
Processing gains	1.96	1.99	1.97	2.00	0.03	2.10	2.10	2.10	2.10	2.10	0.10	2.13	2.13	2.13	2.13	2.13	0.03	2.19	2.19	2.19	2.19	2.19	0.06
Non-OPEC supply	49.90	50.42	50.28	51.09	0.80	52.20	52.09	51.95	52.85	52.28	1.19	52.76	51.97	52.17	53.07	52.50	0.22	53.32	53.16	53.22	53.57	53.32	0.82
OPEC NGL	3.76	3.86	4.04	4.24	0.21	4.55	4.70	5.04	4.89	4.79	0.55	4.99	5.10	5.19	5.24	5.13	0.34	5.28	5.36	5.41	5.44	5.38	0.25
OPEC Non-conventional	0.14	0.08	0.11	0.11	0.00	0.11	0.11	0.11	0.11	0.11	0.00	0.13	0.16	0.18	0.18	0.16	0.05	0.21	0.24	0.29	0.34	0.27	0.11
OPEC (NGL+NCF)	3.89	3.95	4.14	4.35	0.21	4.66	4.81	5.15	5.00	4.90	0.55	5.12	5.26	5.37	5.42	5.29	0.39	5.50	5.61	5.71	5.79	5.65	0.36
Non-OPEC & OPEC (NGL+NCF)	53.79	54.36	54.42	55.44	1.01	56.86	56.90	57.10	57.85	57.18	1.74	57.88	57.23	57.54	58.49	57.79	0.61	58.82	58.76	58.93	59.36	58.97	1.18

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

Table 10.7: World Rig Count

	2006	Change 06/05	2007	Change 07/06	2Q08	3Q08	4Q08	2008	Change 08/07	1Q09	2Q09	3Q09	4Q09	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	Sep	Oct	Oct/Sep
US	1,647	267	1,767	119	1,864	1,978	1,898	1,877	111	1,326	936	956	1,108	1,081	-796	1,345	1508	1622	1687	1541	459	1717	1829	1945	1979	2018	39
Canada	470	12	344	-126	169	432	408	379	35	328	91	177	277	218	-161	470	166	364	389	347	129	587	188	443	509	507	-2
Mexico	83	-24	92	9	106	103	106	103	11	128	128	135	123	128	26	118	106	84	80	97	-31	83	87	103	106	104	-2
North America	2,200	255	2,202	2	2,139	2,513	2,411	2,359	157	1,782	1,154	1,267	1,508	1,428	-931	1,933	1780	2070	2156	1985	557	2386	2104	2492	2594	2629	35
Norway	17	0	18	1	21	21	21	20	2	25	18	18	20	20	0	21	18	13	20	18	-2	21	17	16	14	18	4
UK	27	5	26	-1	21	24	24	22	-4	22	19	16	15	18	-4	15	20	21	21	19	1	18	17	15	14	14	0
Western Europe	77	7	78	0	97	101	103	98	20	90	82	76	85	83	-15	87	96	92	100	94	11	118	112	123	120	122	2
OECD Pacific	26	2	29	2	39	39	34	36	7	27	25	26	23	25	-11	22	18	23	22	21	-4	17	17	17	18	19	1
Total OECD	2,347	269	2,352	4	2,317	2,698	2,593	2,535	183	1,945	1,299	1,368	1,616	1,557	-978	2,042	1893	2185	2278	2100	543	2521	2232	2632	2732	2770	38
Other Asia	202	2	212	10	220	218	212	216	4	212	212	213	233	217	1	235	249	253	255	248	31	257	234	232	234	240	6
Latin America	149	19	175	27	184	195	197	191	16	164	147	149	169	157	-34	183	203	220	213	205	48	191	192	196	186	198	12
Middle East	132	1	149	18	165	175	171	167	18	162	151	139	147	150	-18	152	150	163	159	156	6	101	107	102	102	100	-2
Africa	10	2	14	4	13	14	11	12	-2	8	11	9	12	10	-2	20	19	19	18	19	9	1	2	0	3	4	1
Total DCs	493	25	551	58	583	602	591	586	36	546	520	510	561	534	-52	589	621	655	645	628	93	549	535	530	525	542	17
Non-OPEC Rig Count	2,840	294	2,903	62	2,900	3,300	3,183	3,121	219	2,491	1,819	1,878	2,177	2,091	-1,030	2,632	2514	2840	2924	2727	636	3070	2768	3161	3257	3312	55
Algeria	24	4	27	2	27	24	26	26	-1	24	30	27	27	27	1	23	28	24	24	25	-2	29	33	30	32	34	2
Angola	4	1	4	1	6	5	5	5	1	5	3	3	4	4	-1	10	8	9	9	9	5	11	11	11	11	7	-4
Ecuador	11	0	11	-1	9	12	13	10	-1	10	10	10	10	10	0	11	11	11	11	11	1	11	11	11	11	16	5
Iran	44	4	50	6	50	50	51	50	0	51	52	52	52	52	2	52	52	52	52	52	0	54	54	54	54	54	0
Iraq	0	0	0	0	29	29	29	29	29	36	36	36	36	36	7	36	36	36	36	36	0	36	36	36	36	0	-36
Kuwait	14	1	12	-1	11	12	12	12	0	12	11	14	13	13	0	19	18	21	23	20	8	56	56	57	59	61	2
Libya	10	1	13	3	15	15	15	15	2	15	13	14	15	14	-1	17	17	14	15	16	1	10	0	0	0	0	0
Nigeria	10	1	8	-1	8	6	6	7	-1	7	6	6	7	6	-1	11	13	18	17	15	8	35	35	36	37	36	-1
Qatar	11	-1	13	2	12	11	11	11	-1	9	9	9	9	9	-2	8	8	9	9	9	0	10	8	7	7	7	0
Saudi Arabia	65	28	77	11	77	76	76	77	0	72	67	67	66	68	-9	68	67	67	65	67	-1	98	98	98	97	104	7
UAE	16	0	15	-2	12	13	12	12	-2	13	12	13	12	12	0	13	13	13	13	13	1	17	21	24	25	23	-2
Venezuela	81	13	76	-5	81	77	81	80	4	69	64	54	54	60	-20	66	64	70	80	70	10	125	125	125	124	119	-5
OPEC Rig Count	290	51	305	16	337	330	336	335	29	322	314	302	305	311	-24	334	335	344	355	342	31	492	487	487	493	461	-32
Worldwide Rig Count*	3,130	345	3,208	78	3,237	3,630	3,519	3,456	248	2,813	2,133	2,180	2,483	2,402	-1,054	2,965	2849	3184	3278	3069	667	3562	3255	3649	3750	3773	23
of which:																											
Oil	1,124	144	1,242	119	1,351	1,479	1490	1432	190	1283	1069	1182	1356	1,222	-210	1,590	1534	1783	1896	1701	479	2197	2020	2347	2406	2397	-9
Gas	1,947	201	1,903	-44	1,814	2,070	1948	1950	47	1450	993	965	1092	1,125	-825	1,333	1276	1356	1337	1325	200	1319	1187	1257	1294	1324	30
Others	17	-4	20	4	32	36	37	33	12	35	35	34	37	35	3	43	40	42	46	43	8	48	49	47	53	55	2

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

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Data Summary November 2011

OPEC Basket average price
US$ per barrel

down $1.32 in October

October 2011	**106.29**
September 2011	107.61
Year-to-date	107.21

October OPEC production
in million barrels per day, according to secondary sources

broadly unchanged in October

October 2011	**29.89**
September 2011	29.88

World economy

The forecast for world economic growth in 2011 remains unchanged at 3.6%, while the forecast for global growth in 2012 has been revised down from 3.7% to 3.6%. While expectations for OECD growth remain at 1.6% for this year, the forecast for the coming year has been revised down to 1.7% from 1.8% previously. Growth for China remains unchanged at 9.0% for 2011 and 8.5% for 2012. India is seen growing at 7.6% in both 2011 and 2012, in line with the previous report.

Supply and demand
in million barrels per day

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

2012		11/12
World demand	89.0	**1.2**
Non-OPEC supply	53.3	**0.8**
OPEC NGLs	5.7	**0.4**
Difference	**30.0**	**0.0**

Totals may not add due to independent rounding

Stocks

US commercial oil inventories fell for the second consecutive month in October, down 9.8 mb. The drop was attributed solely to product stocks which fell 13.1 mb, while crude inventories rose 3.2 mb. Despite the draw, US commercial stocks remain broadly in line with the five-year average. In Japan, the most recent monthly data for September shows that commercial oil inventories rose by 6.9 mb.

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