OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

November 2012

Feature Article:
Brent-WTI spread

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Oil Market Highlights

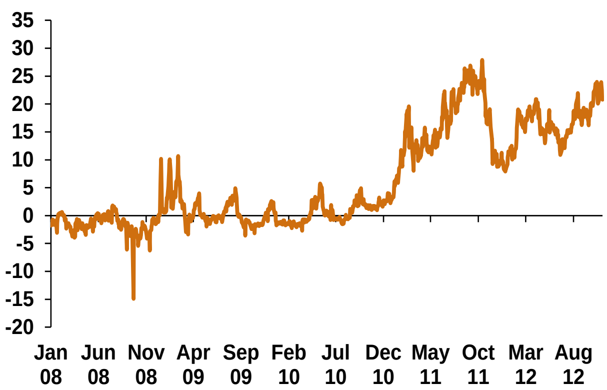
- The **OPEC Reference Basket** dropped in October for the first time since the record 13% plunge in June, falling $2.31 to stand at $108.36/b. Higher supply growth and concerns regarding the health of the global economy have left oil prices on a steady decline since mid-September. The downward pressure sustained as mounting concerns of a global economic slowdown, a pessimistic future demand outlook and significant crude stockbuilds in the US outweighed supply concerns due to geopolitical factors. Moreover, speculators continue to reduce net long positions from record-high levels seen during the last quarter. The liquidation in net length coincided with a significant downturn in prices, confirming the link between hedge fund positions and crude oil prices. On 8 November, the Basket stood at $104.58/b.
- **Global growth expectations** are unchanged at 3.1% for 2012 and 3.2% for 2013. The US is forecast to grow by 2.2% in 2012 and 2.0% in 2013; Japan is expected to decelerate from 2.2% this year to 1.1% in 2013; and the Euro-zone to return to growth in the coming year at the magnitude of 0.1% following a contraction of 0.5% in 2012. Growth expectations this year for China stand at 7.6% and at 8.0% in 2013, while India's expansion is forecast at 5.7% in 2012 and 6.6% in 2013.
- **World oil demand growth** in 2012 is estimated at 0.8 mb/d. The impact of Hurricane Sandy is expected to reduce US oil demand in late October and early November. Year-end cold weather might put pressure on heating oil not only in the US but in Europe as well. This could increase oil demand marginally in the fourth quarter. Furthermore, the transportation sector contributed to the slowdown in oil use in its peak summer season as a result of slower economic activities. World oil demand is forecast to continue its growth during 2013 to reach 0.8 mb/d. Expected weakness in the world economy is placing a considerable amount of uncertainty on the world oil demand forecast.
- **Non-OPEC supply** in 2012 is forecast to increase by 0.5 mb/d, representing a downward revision of around 50 tb/d from the previous report. In 2013, non-OPEC supply is forecast to grow by 0.9 mb/d, in line with the previous forecast. The US, Canada, South Sudan and Sudan, Brazil, Australia, Kazakhstan and Russia are expected to be the main contributors to next year's growth, while Mexico, Norway, and the UK are anticipated to see the largest declines. OPEC NGLs and non-conventional oils are estimated to average 6.0 mb/d in 2013, indicating growth of 240 tb/d over the current year. In October, OPEC crude production averaged 30.95 mb/d, a minor decrease over the previous month, according to secondary sources.
- **Product markets** showed a mixed performance in October. Middle distillates continued to show strength worldwide on the back of tightening sentiment for that product ahead of the winter season. In contrast, the gasoline market experienced a sharp decline in the Atlantic Basin at the end of the driving season. This, along with the loss in the bottom of the barrel, caused refinery margins to fall worldwide.
- In the **tanker market**, October was uneventful with low activity in general. Tonnage demand and freight rates decreased for VLCCs, while slightly increasing for Suezmax and remaining flat for Aframax. Sailings from OPEC declined slightly in October to average 23.71 mb/d. Arrivals in North America dropped, while arrivals in Europe, the Far East and West Asia rose. Both global and OPEC spot fixtures increased in October from the previous month by 0.6 mb/d and 0.3 mb/d, respectively.
- Preliminary data shows that total OECD commercial **oil inventories** remained broadly unchanged from the previous month in September. Inventories stood at 6 mb above the five-year average. However, the picture differs within the components as commercial crude stocks showed a surplus of 32 mb, while product stocks indicated a deficit of 26 mb. In days of forward cover, OECD commercial stocks stood at 58.9 days at the end of September, almost 2 days over the five-year average. The latest data shows US total commercial oil stocks fell 3.2 mb in October, although still representing surpluses of 42 mb over the five-year average and 34 mb above a year ago. The drop was attributed to products which fell by 11.6 mb, while crude oil stocks rose 8.4 mb.
- **Demand for OPEC crude** for 2012 remains unchanged from the previous assessment at 30.1 mb/d, representing a decline of 0.1 mb/d compared to the previous year. Demand for OPEC crude in 2013 is forecast to average 29.7 mb/d, representing a drop of 0.4 mb/d from the current year and a downward adjustment of 0.1 mb/d from the previous report.

Brent-WTI spread

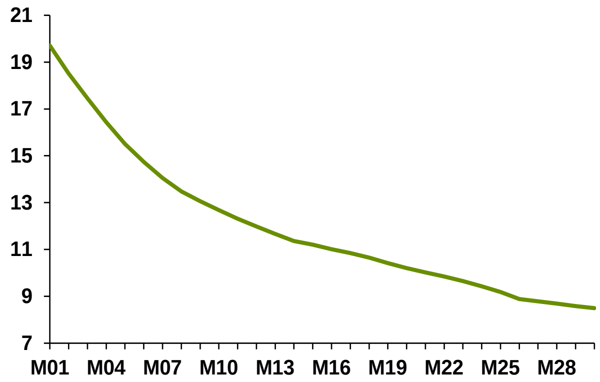
The opening of the Seaway pipeline to the first crude flows in June 2012 resulted in a marginal short-lived decline in crude oil stockpiles at Cushing, Oklahoma. However, the fall in inventories coincided with a widening of the spread between Brent and WTI (***Graph 1***), when logically it should have narrowed. Instead, the spread extended to its widest in a year.

This counterintuitive behaviour was a result of differing pressures affecting the two benchmarks. The factors affecting Brent were escalating Middle East tensions and the physical shortage of Brent crude in the North Sea because of an overall decline in production in the region, seasonal maintenance, and persistent problems at the Buzzard oil field. In contrast, WTI continued to be impacted by growing US shale oil production, which has pushed US oil output to an estimated 9.7 mb/d in 2012, its highest level in over 24 years. Moreover, planned and unplanned outages of a number of US refineries have also affected WTI negatively.

Graph 1: Brent-WTI, US$/b



Graph 2: Brent-WTI forward curve, US$/b



Looking ahead, the Brent-WTI spread is expected to decline as a number of factors will contribute to easing the supply glut at Cushing, Oklahoma, the price settlement point for the Nymex WTI futures contract. Crude inventories currently stand at around 43.4 mb, some 35% higher than a year ago. Already, a jump in rail tank car traffic out of the Bakken shale play has increased the flow of crude past Cushing. There has also been an expansion in the use of barges to move crude down the Illinois and Mississippi rivers to the Gulf Coast, also bypassing Cushing.

However, the most important factor will be the expansion of the Seaway pipeline in early 2013 from 150 tb/d to 400 tb/d, which will increase flows out of Cushing direct to the Gulf Coast. All of these domestic barrels reaching the coast will relieve the Cushing stockpile – thus supporting WTI – as well as exerting downward pressure on rival imported grades, which are priced against Brent. As a result, the Brent-WTI spread is expected to narrow.

Moreover, the potential impact of additional takeaway pipeline capacity out of the Permian Basin, with the expansion of the West Texas Gulf pipeline, will allow 80 tb/d of Permian crude to flow to the Gulf Coast. Altogether, by 2013, these additions will provide a route to the Gulf Coast for about 330 tb/d of crude that can currently only be sent by pipeline to Cushing or to the Midwest. At the same time, the increasing trend in US shale oil production will also impact WTI prices, consequently affecting the spread.

Furthermore, the trend of the future forward curve appears to point to a narrowing in the Brent-WTI spread. ***Graph 2*** shows the forward curve of the Brent-WTI spread as of October 2012. The spread declines quite rapidly from $20/b currently to $14/b in July 2013 and then more slowly to $8/b in November 2014. Although expected to narrow, the Brent-WTI spread is likely to persist, driven by ongoing constraints in infrastructure combined with rising crude production from US shale oil fields. At the same time, the strengthening of ICE Brent due to a continued decline in the mature North Sea fields, combined with growing Asian demand for North Sea grades as well as Brent-like crudes from West Africa, will support a continuation of the Brent premium over WTI.

Crude Oil Price Movements

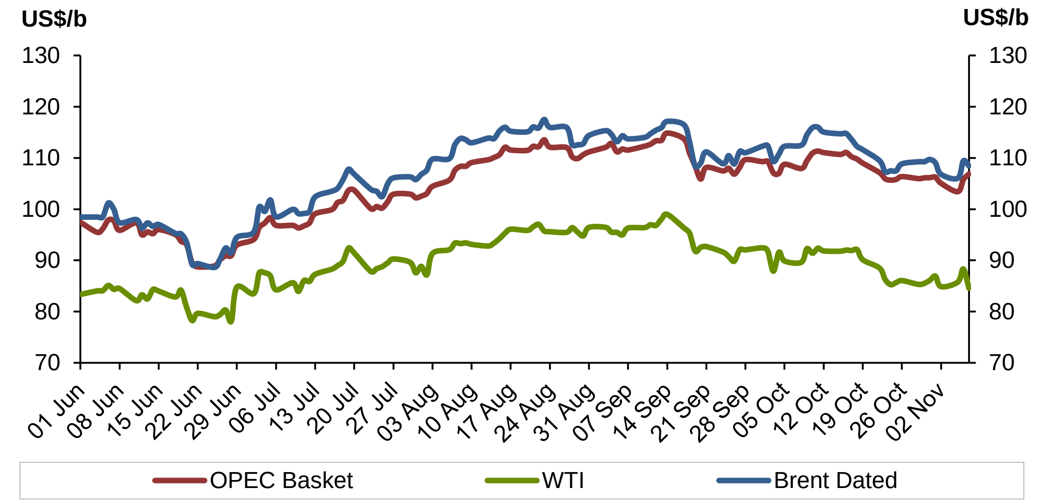
OPEC Reference Basket price fell in October, but stayed above $105/b

OPEC Reference Basket

In October, the OPEC Reference Basket price fell for the first time since the record 13% plunge in June. Nevertheless, its monthly average stayed well above the key $105/b mark and its price in October last year. Concern regarding the health of the global economy and higher crude supply growth has put oil prices, including the Basket, on a steady decline since around mid-September. Sentiment in crude oil markets weakened internationally in October, as the global economic slowdown triggered a pessimistic demand outlook, coupled with substantial US crude oil stockbuilds (particularly in the home of West Texas Intermediate [WTI]), outweighed supply concerns due to geopolitical factors.

The Basket price fell to $108.36/b in October, down $2.31/b or 2.10%. Year-to-date, it has averaged $110.05/b, compared with last year's average of $107.19/b for the same period, a y-o-y increase of $2.86/b or 2.67%.

Graph 1.1: Crude oil price movement, 2012



Although all the Basket's component prices dropped in October, the WTI-related ones deteriorated heavily, compared with the marginal slip in the light African crude oil prices. Latin American components lost around 4% of their value, while North African and Bonny light crudes dropped by less than 1%. Algerian Saharan Blend and Libyan Es Sieder were supported earlier in the month by strong demand for North African light sweet; but weak demand for gasoline-rich crudes, when the peak of the Northern Hemisphere summer demand period ended, weighed on the grades. Distillate-rich Nigerian crude, Bonny light, found support from strong Asian and higher-than-usual European demand. Supply disruptions, because of pipeline sabotage and flooding in the Niger delta, also helped the grade. Ecuador's Oriente and Venezuelan Merey were affected by ample supply in the WTI market, particularly with the restart of the Keystone pipeline that ships crude from Alberta to Cushing Oklahoma and the major refinery turnaround in the midcontinent region putting pressure on WTI. Moreover, the reduced performance of the Latin American crudes also happened as a result of the US West Coast (USWC) crude oil market weakening, following the end of the Alaskan North Slope (ANS) seasonal field maintenance, Chevron's Richmond refinery's shutdown and the plentiful availability of foreign crudes. Meanwhile, poor fuel oil demand in Asia had a negative effect on the performance of Middle Eastern heavy sour crudes. The resumption in exports of Sudanese Nile Blend and Dar Blend crudes, after a halt in production earlier this year, added to the supply of heavy crude in the region. This also put downward pressure on the somewhat heavy sweet Angolan grades.

African grades Saharan Blend, Es Sider, Bonny Light and Girassol – Brent-related crudes – fell by $1.07 to average $111.78/b, down almost 1% from last month. The multi-destination Basket components, namely Arab Light, Basrah Light, Kuwait Export and Iran Heavy, lost more than 2% in October to end at $107.86, which was $2.58/b lower than in the previous month. The Middle Eastern crudes Murban and Marine also fell, by a little over 2% or $2.38 to average $110/b. Latin American Basket components, Oriente and Merey, lost a substantial $4.21 or 4% of their levels to settle at a monthly average of $98.12, which was the first time below the key $100 mark since July.

On 8 November, the Basket price deteriorated to $104.58/b, $3.78 below October's average.

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

	Sep 12	Oct 12	Change Oct/Sep	Year-to-date 2011	Year-to-date 2012
OPEC Reference Basket	**110.67**	**108.36**	**-2.31**	**107.21**	**109.99**
Arab Light	111.32	109.09	-2.23	107.52	110.57
Basrah Light	109.39	106.66	-2.73	105.94	108.48
Bonny Light	114.06	113.31	-0.75	114.48	114.17
Es Sider	112.16	111.41	-0.75	112.26	112.38
Girassol	113.14	111.00	-2.14	111.80	112.85
Iran Heavy	110.99	108.11	-2.88	105.72	109.52
Kuwait Export	110.02	107.56	-2.46	105.10	109.40
Marine	111.17	108.63	-2.54	106.19	109.76
Merey	101.84	97.50	-4.34	96.87	101.53
Murban	113.57	111.36	-2.21	109.57	112.23
Oriente	102.81	98.74	-4.07	100.55	103.71
Saharan Blend	112.06	111.41	-0.65	113.39	111.85
Other Crudes					
Brent	112.86	111.61	-1.25	111.78	112.09
Dubai	111.22	108.80	-2.42	105.91	109.51
Isthmus	107.90	104.39	-3.51	104.58	107.98
Mars	106.86	103.73	-3.13	107.72	107.42
Minas	113.06	111.47	-1.59	114.52	118.15
Urals	111.92	110.26	-1.66	109.23	110.93
WTI	94.55	89.47	-5.08	94.42	95.40
Differentials					
WTI/Brent	-18.31	-22.14	-3.83	-17.36	-16.68
Brent/Dubai	1.64	2.81	1.17	5.87	2.58

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 oil futures' first fall for three months in October

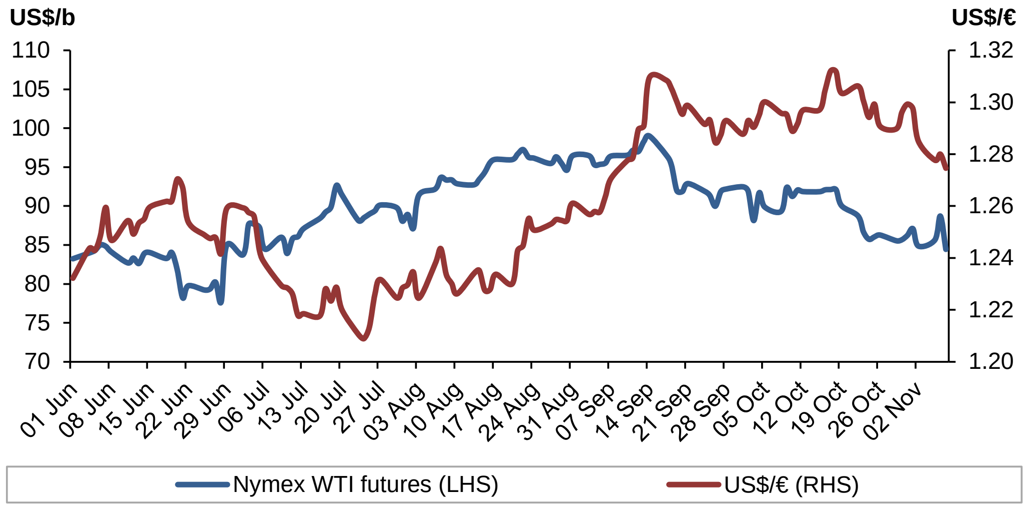
For the first time since June's unprecedented month-to-month drop, crude oil futures prices slumped in October, despite late support from fears that Hurricane Sandy could disrupt US east coast gasoline and heating oil supplies. Since around mid-September, higher crude supply growth and concern regarding the health of the global economy have put oil prices on a steady decline, overriding supply fears. In October, the downward pressure was sustained as mounting concern about a global economic slowdown, a pessimistic future demand outlook and significant US crude stockbuilds outweighed enduring geopolitical supply concern. During that month, soft economic data from the Euro-zone helped bring ICE Brent front-month down 1.34% to its lowest monthly level for more than three months. This, coupled with a surprise build in US crude stocks, also sent New York Mercantile Exchange (Nymex) front-month WTI down by more than 5% to levels not seen since its 13% plunge in June. Meanwhile, ICE Brent held its price a little better than Nymex WTI, as the restart of the North Sea Buzzard oil field encountered further problems and was delayed yet again. Furthermore, weakening equity markets and the combination of poor earnings results from US and European companies weighed on commodity markets in general and crude oil specifically, while the slowing Chinese economy also provided some downside.

The ICE Brent front-month price slipped by roughly $1.50/b or around 1.3% to settle at $111.52/b, although notably it has remained above the $110 mark since August.

Meanwhile, Nymex WTI front-month dropped by a significant 5.3% or around $5/b to average $89.57/b, which was below (just) the $90 mark for the first time in three months. In comparison with the same period last year, ICE Brent's front-month year-to-date average was 1.2% higher at $112.27/b (compared with $111.89/b). WTI's front-month year-to-date average was 1% higher than that of last year, at $95.55/b versus $94.57/b.

Crude oil futures prices continued to slide in the first week of November. On 8 November, Nymex WTI settled up at $85.09/b and ICE Brent moved up to $107.25/b.

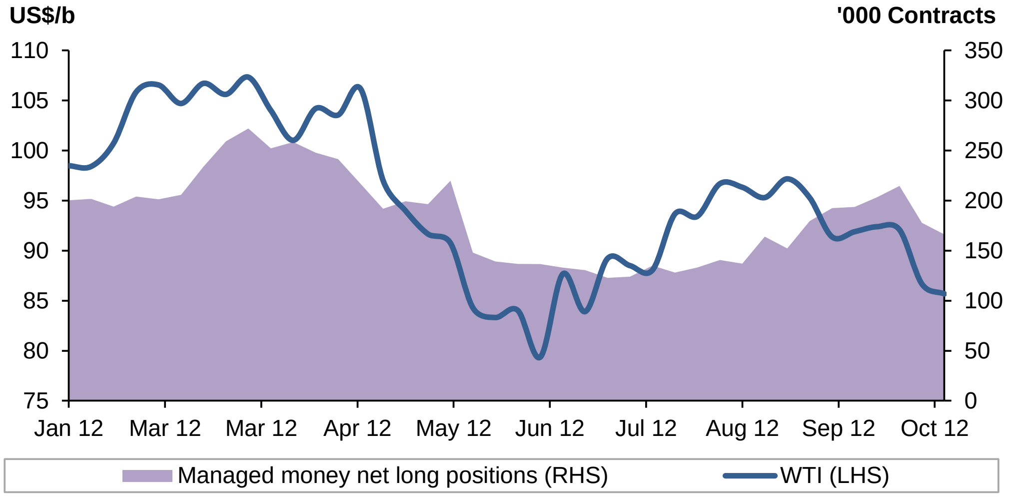
Graph 1.2: Nymex WTI futures and US$ exchange rate, 2012



In line with the fall in crude oil prices in October, speculators continue to reduce their net long crude oil positions from the record highs seen during the last quarter, according to the Commodity Futures Trading Commission's (CFTC) commodities trade report. Hedge funds and other large investors decreased their net long futures and options positions on the Nymex by a sizeable 54,899 contracts to 122,863 at the end of October. This pointed to a 36% reduction since the end of August. The liquidation of hedge funds' net length in US oil coincided with a significant downturn in WTI prices, confirming the obvious link between hedge fund positions and WTI prices. Meanwhile, ICE's Commitments of Traders' report showed a month-to-month reduction of 15,665 contracts in net long ICE Brent futures and options to stand at 91,462 contracts at the end of October. In total, speculators reduced their combined net long positions in the two main crude oil futures markets, ICE and Nymex, by almost 25% to 214,325 contracts at the end of October, from 284,889 lots at the end of September. Moreover, the total gross long positions were trimmed by 25 million barrels to 336 mb. But the bigger change came on the short side of the market, where money managers added 45 mb to take their total short positions to 120 mb, the biggest concentration of bearish positions for two years. The ratio of long positions to short ones also fell sharply as investors' bullishness about the outlook for prices faded. Meanwhile, the combined open interest increased by 37,706 contracts to 4.07 million, credited to the overwhelming increase in short positions.

The total Nymex WTI futures contracts traded volume during October increased by 633,315 lots to 11.7 million contracts. The ICE Brent volume also edged up significantly by 873,636 lots to 13.2 million contracts, much greater than the competing Nymex WTI. The volume of traded crude oil futures in the two exchanges was almost 25 billion barrels of crude oil in October, or approaching 1 billion b/d.

Graph 1.3: Nymex WTI price vs. speculative activity, 2012



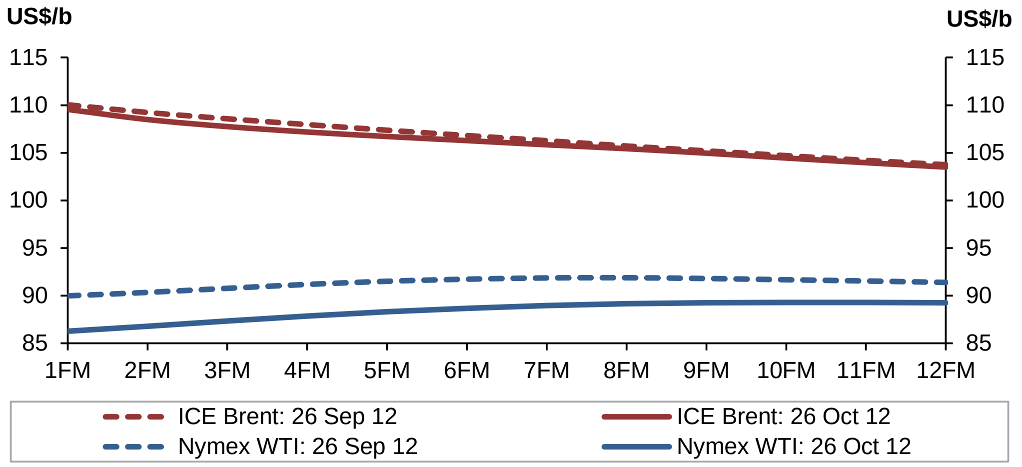
Nymex WTI contango widened in October, while ICE Brent backwardation narrowed

The futures market structure

The Nymex WTI contango structure widened further in October amid increasing crude oil stocks at Cushing, Oklahoma, the delivery point for the Nymex crude futures contract. The already high stock at Cushing from rising shale oil production was exacerbated by the restart of TransCanada's 591,000 b/d Keystone pipeline that ships crude from Alberta to Cushing Oklahoma. Moreover, a turnaround at the BP Whiting refinery in the midcontinent added more supply to the region, putting pressure on the prompt market. As such, WTI's first-versus-second-month spread widened from minus 35¢ in September to around minus 45¢ in October, on a monthly average basis. The delayed restart of the North Sea's Buzzard oil field, the return of European refineries from maintenance and the resumption of North Sea crude sales to South Korea sent the ICE Brent market structure to a steeper backwardation. On average, the spread between the second and the first month of the ICE Brent contract opened again in October to 95¢/b from about 65¢/b in September.

The transatlantic spread (Brent versus WTI) widened further, surpassing last October's record levels, as Brent held its price better than WTI amid ongoing supply issues related to field maintenance. Moreover, risk premiums associated with the fear of supply disruptions from geopolitical issues in the Middle East/North Africa (MENA) area continued to strengthen the Brent benchmark relative to WTI. In the meantime, WTI was weakened more by the abundant supply of shale oils, Canadian exports and extended refinery turnarounds. On average, the front-month ICE Brent/Nymex WTI spread was $21.95/b, compared with the $18.50/b of the previous month, widening by a big $3.45.

Graph 1.4: Nymex WTI and ICE Brent forward curve, 2012



FM = future month

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

Nymex WTI	1st FM	2nd FM	3rd FM	6th FM	12th FM
26 Sep 12	89.98	90.34	90.77	91.73	91.39
26 Oct 12	86.28	86.80	87.34	88.68	89.26
ICE Brent	**1st FM**	**2nd FM**	**3rd FM**	**6th FM**	**12th FM**
26 Sep 12	110.04	109.23	108.57	106.81	103.75
26 Oct 12	109.55	108.49	107.75	106.28	103.50

FM = future month.

The light sweet/heavy sour crude spread

Weakening fuel oil supported global spread widening in October

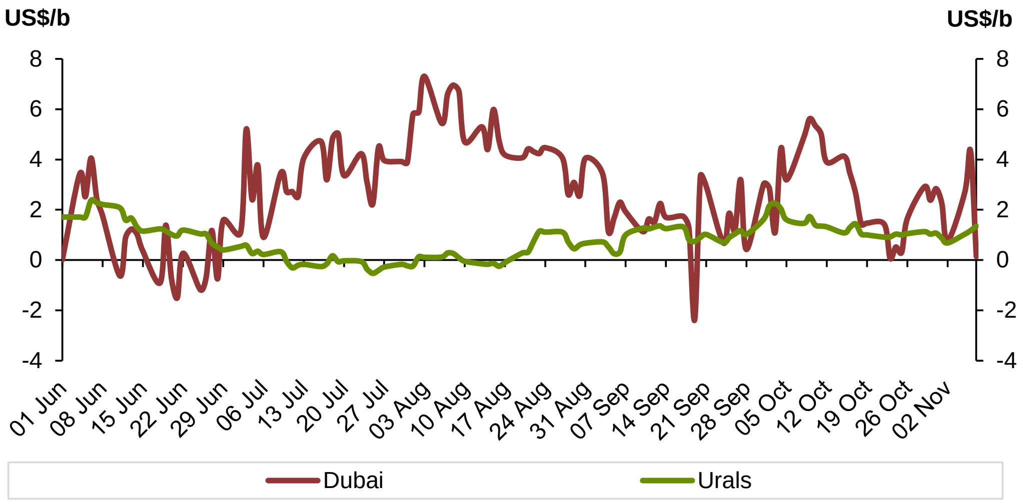
Global light sweet/heavy sour spreads widened amid deteriorating fuel oil refining economics and healthy distillate margins. Disruptions in light sweet crude supplies that contrasted with an abundant supply of heavy sour supported the widening of the spread as well.

In the Mediterranean, the Dated Brent-Urals spread widened marginally, as supplies of sour crude were bolstered by increasing exports from Iraq to the region following the restoration of flows along the Kirkuk-Ceyhan pipeline and improved weather at Basrah oil terminal in the Mideast Gulf. But the extra Iraqi crudes were offset by a drop in Urals supplies, as refiners in Russia took more crude after maintenance. More Russian crude was also being shipped east as ESPO Blend, rather than being moved to Russian Black Sea ports for westbound exports. Thus, the Dated Brent/Urals spread widened to an overage of $1.35/b in October from 95¢ in the previous month.

In Asia, demand for heavy sour crudes weakened as fuel oil demand turned poor. This resulted in $1.50 and $1.20 increases in Dubai assessed differentials relative to the light sweet Tapis and Dated Brent crudes, respectively. The resumption of exports of Sudanese Nile Blend and Dar Blend crudes after a halt in production earlier this year also undermined heavy crude prices in the region. Sudanese cargoes were bought mainly by China and the country's refiners could now take a less heavy West African grade of similar quality to Sudanese crude. The Tapis/Dubai spread stood at $7.15 in October from an average of $5.65 in September.

In the US Gulf Coast, LLS remained supported relative to Mars by the Bakken shale formation, which was blended into the LLS stream in Louisiana. There was more pressure on medium sour crudes from the higher exports of heavy crude to the USGC and the closure of a number of complex refineres, due to planned and unplanned maintenance in the USGC, midcontinent and USWC. The LLS/Mars spread widened by 40¢ to an average of around $6.50 in October.

Graph 1.5: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2012



Commodity Markets

Commodity prices decreased in October amid pessimism about economic situation in OECD and China

Trends in selected commodity markets

In October, energy and non-energy prices fell by 2.4% and 1.6% month-on-month (m-o-m) respectively. Food prices dropped by 4.0%, base metals fell by 1.3% and gold prices remained the same at $1,746.6/troy ounce.

The declining commodity prices were essentially due to strong concern about fluctuations in the global economic GDP growth rate and outlook. Commodity markets are closely leveraged to economic global activity in the short term, especially the slowing of Chinese GDP growth and its negative impact on the rest of Asia, the debt problem in the Euro-zone and the still-fragile situation in the US and OECD. ***Graph 2.2*** highlights the strong correlation between selected commodity prices and Chinese economic indicators. Commodity prices have also been driven by macroeconomic factors, such as asset prices. ***Graph 2.3*** also indicates the strong positive correlation between commodity prices and the Dow Jones assets index. The mood among investors remains bearish and cautious, in expectation of a better macroeconomic outlook and a boost in confidence.

Despite the decline of commodity prices there was some positive news for the month, with a renewed optimistic view on China and US GDP growth, and the wait for better performances in the fourth quarter of 2012 and in 2013. Other streams of encouraging data were on the global manufacturing Purchasing Managers Index (PMI) and a rise in the indices of orders and output amid a collapse in the index of finished goods inventories, suggesting a positive signal that industrial activity was poised to rebound. Demand momentum in the USA and a stabilization of China's growth would be a positive development for Emerging Market Asian exporters.

Nevertheless, important regional divergences in the global performance reinforced the message that the recovery that was taking hold was constrained. Uncertainty, especially with regard to the Euro-zone's sovereign debt crisis and setbacks for the Japanese economy, continued to weigh on commodity markets.

Table 2.1: Commodity price data, 2012

Commodity	Unit	*Monthly averages*			*% Change*		
		Aug 12	Sep 12	Oct 12	Aug/Jul	Sep/Aug	Oct/Sep
World Bank commodity price indices for low and middle income countries (2005 = 100)							
Energy		187.3	188.5	184.0	7.9	0.6	-2.4
Coal, Australia	$/mt	91.0	89.0	82.4	3.1	-2.2	-7.4
Crude oil, average	$/bbl	105.3	106.3	103.4	8.8	1.0	-2.7
Natural gas, US	$/mmbtu	2.8	2.8	3.3	-3.6	0.1	16.7
Non Energy		189.2	192.0	188.8	-1.4	1.5	-1.6
Agriculture		200.5	200.2	194.3	-0.3	-0.1	-2.9
Food		226.5	223.3	214.3	0.3	-1.4	-4.0
Soybean meal	$/mt	644.0	646.0	601.0	7.2	0.3	-7.0
Soybean oil	$/mt	1,252.0	1,283.0	1,175.0	1.0	2.5	-8.4
Soybeans	$/mt	684.0	670.0	617.0	3.3	-2.0	-7.9
Grains		265.6	260.8	261.1	0.0	-1.8	0.1
Maize	$/mt	332.0	320.8	321.2	-0.3	-3.4	0.1
Wheat, US, HRW	$/mt	349.4	353.4	358.2	1.1	1.2	1.4
Sugar World	¢/kg	46.0	44.1	44.8	-8.7	-4.3	1.6
Base Metal		156.8	171.0	168.8	-1.1	9.1	-1.3
Aluminum	$/mt	1,845.4	2,064.1	1,974.3	-1.6	11.9	-4.4
Copper	$/mt	7,515.5	8,087.7	8,062.0	-0.9	7.6	-0.3
Iron ore, cfr spot	¢/dmtu	107.5	99.5	114.0	-16.0	-7.5	14.6
Lead	¢/kg	188.1	190.1	217.8	1.5	1.0	14.6
Nickel	$/mt	15,735.2	17,288.0	17,168.7	-2.4	9.9	-0.7
Tin	¢/kg	1,877.3	2,077.1	2,123.4	1.2	10.6	2.2
Zinc	¢/kg	181.8	201.0	190.4	-1.6	10.5	-5.3
Precious Metals							
Gold	$/toz	1,630.3	1,744.8	1,746.6	2.3	7.0	0.1
Silver	¢/toz	2,880.0	3,360.9	3,318.7	5.0	16.7	-1.3

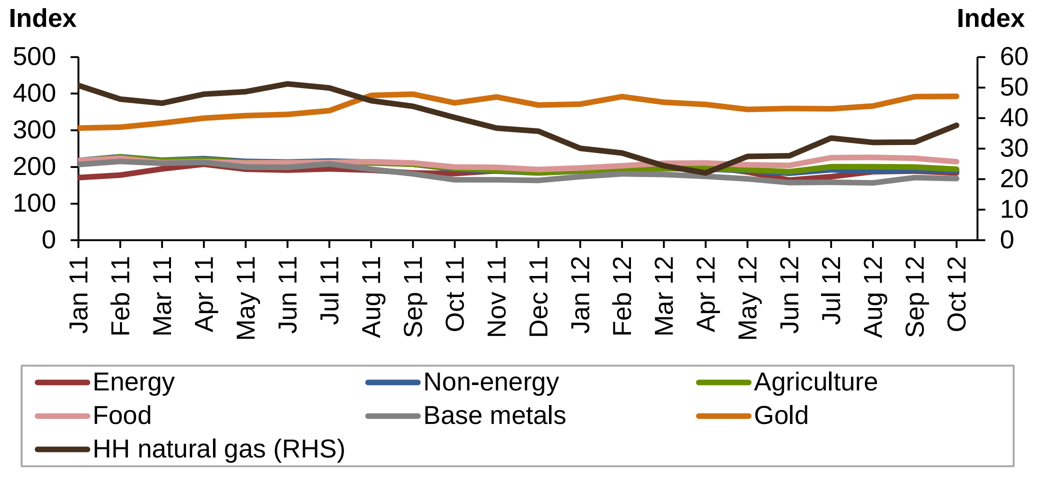
Source: World Bank, Commodity price data.

Sudden improvements in sentiment encouraged only short-term gains in commodities like base metals, owing to a lack of fundamental support and the global recession. Indeed, liquidity-driven rallies in commodities faded without fundamental support and on macroeconomic pessimism.

The **Henry Hub (HH) natural gas price** jumped by 16.7% m-o-m due to a positive turn in market sentiment that was related to the release of anxiety about storage in November, which represented a resetting of the natural gas market, when a return to normal weather could provide significant support to natural gas demand. However, the rally in prices was not backed by underlying fundamentals, as gas power demand remained price-elastic. The net non-commercial position for natural gas is now at its highest level since October 2007, while total futures open interest has increased by 11% since the end of September.

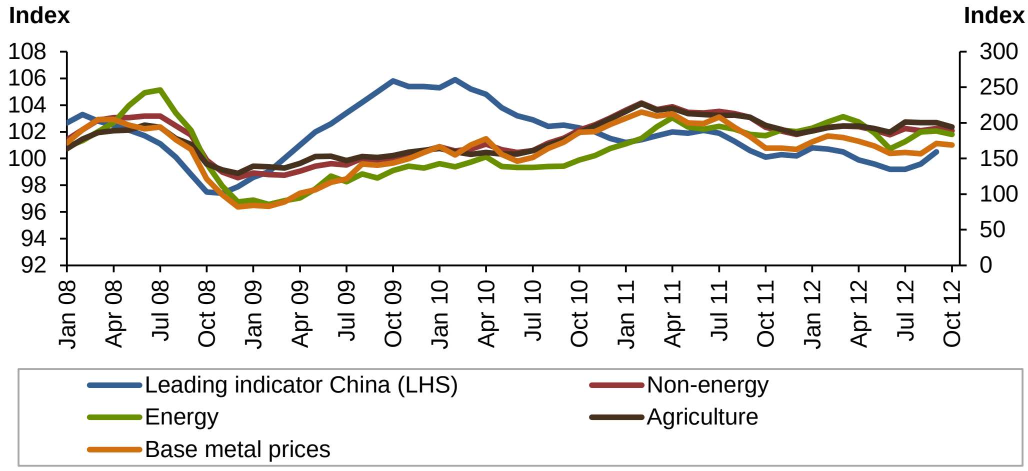
The **agricultural price index** declined by 2.95% in October (as against –0.12% in September), with food prices posting a 4% drop during the month (compared with –1% in September). Agricultural markets were affected by the pessimistic global economic outlook and some selling pressure. Grain prices remained largely the same in October as in the previous month. Only corn prices reported some modest gains. Wheat (US (hard red winter) rose by just 1%. Wheat prices posted more modest declines, amid concern about the dry weather in Western Australia and the US, as well as robust Chinese wheat imports for September. However, the latest World Agricultural Supply and Demand Estimates report forecast lower global demand for wheat. In the middle of October, grain prices were affected in a negative way by seasonal harvest pressure amid concern about the challenges facing the global economy. Weekly US Department of Agriculture Crop Progress data released at the start of the third week showed that 79% of the US corn crop had been harvested, as well as 71% of the soybean crop. While the pace of weekly progress slowed due to rain in mid-October, overall progress with the harvest remained at record highs. The soybean complex declined by around 8% in October, despite some increase in Chinese imports.

Graph 2.1: Major commodity price indexes, 2011 to date



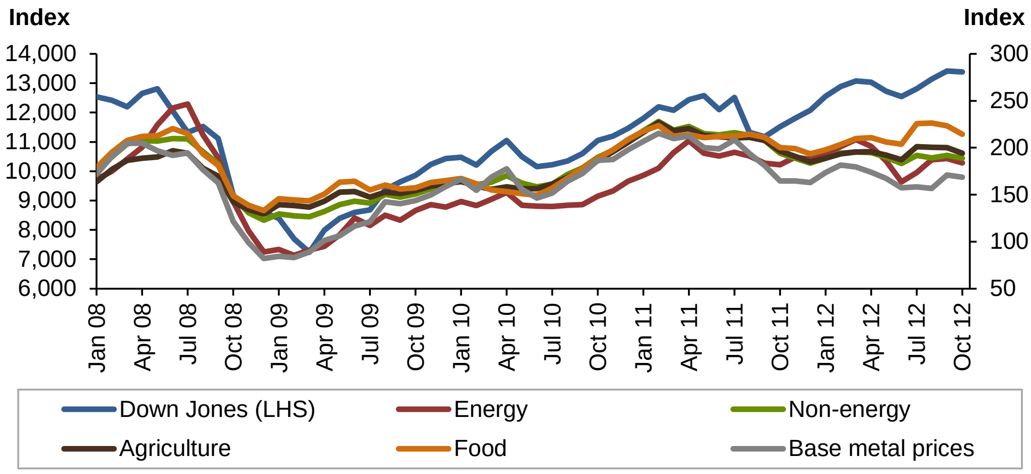
Source: World Bank, Commodity price data.

Graph 2.2: China's leading indicator vs. commodity price indices



Source: China National Bureau of Statistics and Haver analytics.

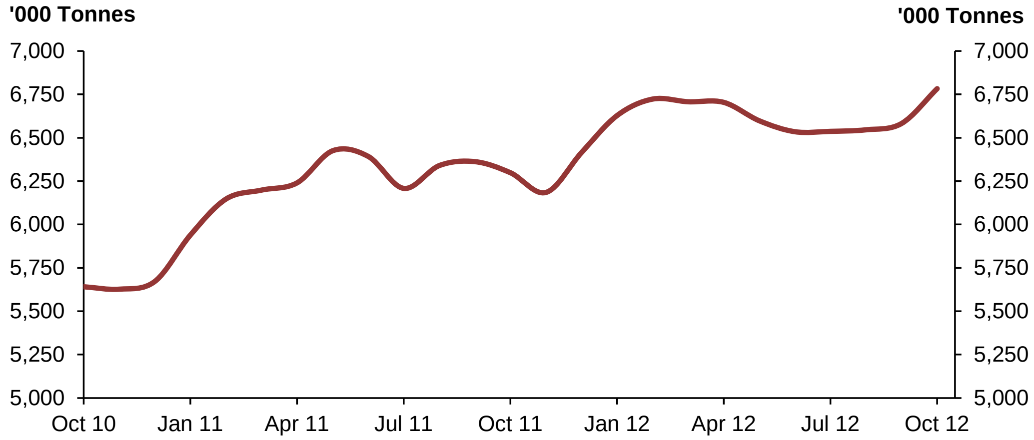
Table 2.3: Dow Jones index vs. commodity price indices



Source: Haver analytics.

The **World Bank's base metal price index** decreased by 1% in October, following the fading of the short-covering and the positive impact of the Federal Reserve Board's and European Central Bank's announcements in September. The complex was affected essentially by great uncertainty about the growth trajectory of China's economy and its impact on metal demand. ***Graph 2.2*** shows a strong positive correlation between base metal prices and Chinese leading economic indicators, as well as base metal imports for China and London Metal Exchange base metals, especially during 2012. There are ample inventory of many metals in China, which makes it very difficult to accurately assess any demand improvement. September's trade data for base metals was mixed. Refined copper imports increased by 17% m-o-m and 7% year-on year (y-o-y), as a combination of improved sentiment and a pick-up in financing activity led to increase buying. Primary aluminium imports fell by 35% m-o-m, although they were up strongly on a yearly basis (70%), with these inflows apparently being caused by the arbitrage and directed straight into bonded warehouses.

Graph 2.4: Inventories at the LME



Source: London Metal Exchange.

Following a 9% m-o-m rise in September, gold prices remained the same at $1,746.6/troy oz in October, amid concern about Chinese economic growth and a stronger US dollar. A discouraging factor was also lower demand in India, Iran and China.

Investment flows into commodities

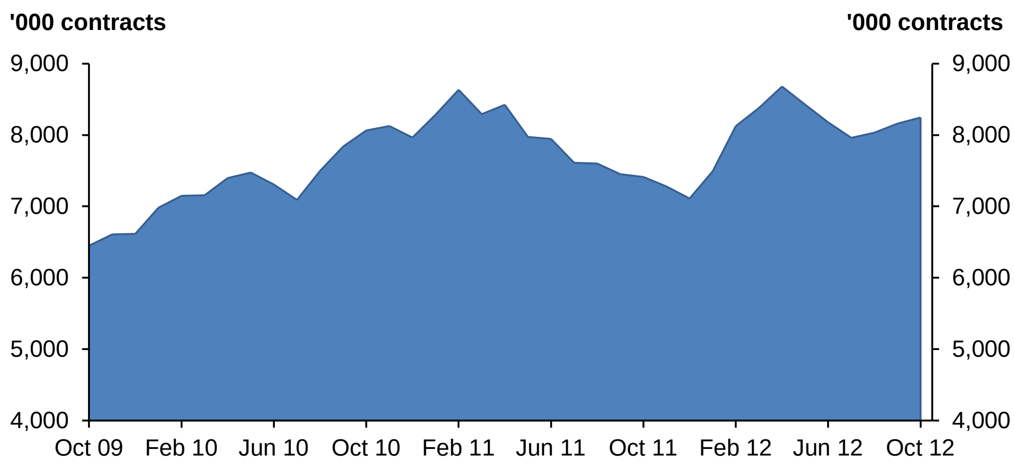
Investors remain cautious about risk in most commodity markets

The **total open interest volume (OIV)** in major commodity markets in the US remained almost the same as in the previous month (1.6% m-o-m), rising by 1.3% to 8,262,448 contracts. The total number of contracts increased by 6.9% in HH natural gas and by 4.5% in copper, but WTI's OIV remained almost the same as in the previous month and gold's OIV even decreased slightly in October.

As in previous months, a bearish investor mood continued in most commodity markets in the middle of the fragile global economic growth.

Total net long speculative positions in commodities retreated by 8.8% to 1,050,918 contracts, following a 1.9% rise the previous month. Strategic long positions declined by 3.8% to 1,787,013 contracts in October, compared with a 4.8% gain in September. Shorts gained 4.4% to 736,095 contracts in October, after a rise of 9.9% the month before.

Graph 2.5: Total open interest volume

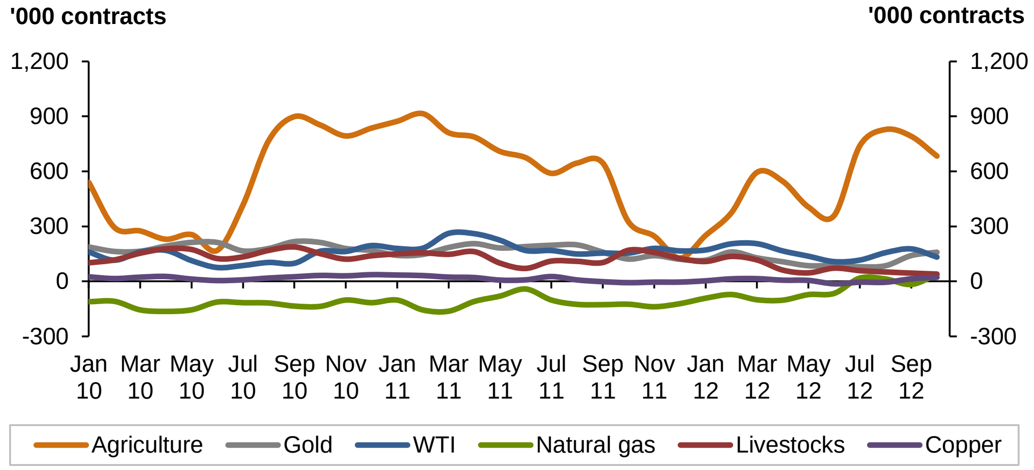


Source: US Commodity Futures Trading Commission.

The **agricultural** OIV rose by 1.1% to 4,342,277 contracts in October, compared with a 1.5% gain in September. Money managers' net long positions in agricultural markets declined by a substantial 15.3% to 670,610 contracts in October, which was well in excess of September's 4.5% fall. Long positions retreated by 8.7% to 1,003,749 contracts, compared with a 0.8% rise the previous month, while shorts also rose, by 8.3% to 333,139 contracts, on top of a 17.5% rise in September.

The **HH natural gas** OIV increased by 6.9% m-o-m to 1,182,460 contracts, after rising by 1.6% rise the previous month. HH natural gas was the major gainer in money managers' net length, increasing to 37,357 contracts in October from –16,707 in September. Rising prices led to an increase in strategic longs of 17.7% to 243,680 contracts in October, in contrast with a 7.8% decline in shorts to 206,323 contracts.

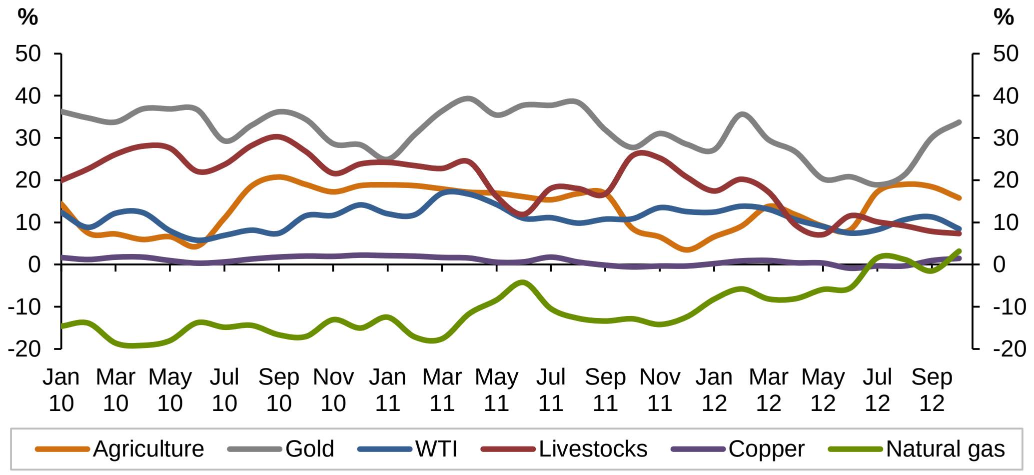
Graph 2.6: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

The **copper OIV** rebounded by 4.5% to 152,939 contracts in October, compared with a 1.8% drop in September. For October, speculative investment in copper was much more modest than in the previous month. Money managers' net long positions rose by 38.2% to 19,314 contracts in October from 13,979 contracts the previous month, a much milder rise than the almost quadruple increase m-o-m in September.

Graph 2.7: Speculative activity in key commodities as % of open interest



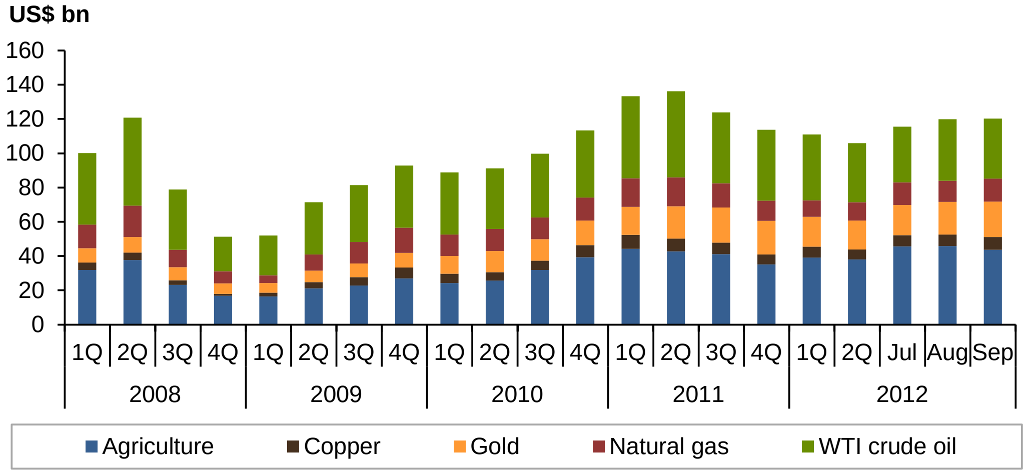
Source: US Commodity Futures Trading Commission.

The **gold** OIV dropped by a slight 0.2% to 467,734 contracts in October, following a 16.9% gain in September. Strategic investment in gold rose at a more moderate pace of 9.6% to 154,222 contracts in October, after a 65% jump the previous month. Gold tactical positioning was scaled back ahead of the US elections.

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

	Open interest		*Net length*			
	Sep 12	Oct 12	Sep 12	% OIV	Oct 12	% OIV
Crude Oil	1,570	1,571	177	11	126	8
Natural Gas	1,106	1,182	-17	-2	37	3
Agriculture	4,294	4,342	791	18	671	15
Precious Metals	593	608	169	28	188	31
Copper	146	153	14	10	19	13
Livestock	574	546	45	8	44	8
Total	**8,284**	**8,402**	**1,180**	**14**	**1,084**	**13**

Graph 2.8: Inflow of investment into commodities, 2008 to date



Source: US Commodity Futures Trading Commission.

World Economy

Table 3.1: Economic growth rates 2012-2013, %

	World	OECD	US	Japan	Euro-zone	China	India
2012	3.1	1.4	2.2	2.2	-0.5	7.6	5.7
2013	3.2	1.4	2.0	1.1	0.1	8.0	6.6

Industrialised countries

US

The US economy has recovered slightly in 3Q12 to 2.0% quarterly GDP growth compared to 1.3% in 2Q12. However, the number was largely supported by government spending. Amid uncertainties, the forecast remains at 2.2% for 2012 and 2.0% for 2013.

The US economy has recovered slightly in the 3Q12 to 2.0% quarterly GDP growth compared to the very low growth level in the 2Q12 of only 1.3%. Most indicators allow the conclusion of a slight rebound of the economy. However, after the presidential election, the economy is facing the major uncertainty of the so-called "fiscal cliff", which could push the economy back into recession if no agreement is found on how to move forward. Adding to this there has been a potentially very minor negative impact from Hurricane Sandy, which hit the East Coast at the end of October. But political uncertainty remains the main issue holding back the recovery. The situation of households has improved. The labour market continue to show some elements of a soft recovery, equity markets are holding up relatively well and, most importantly, the housing sector is improving from its bottom levels of the last years, as well due to the large support it receives from the Federal Reserve System. Contrary to these improvements, it seems that businesses remain reluctant to invest largely in such an environment of political uncertainty. This uncertainty, combined with the potentially significant negative impact on the US economy due to the fiscal cliff issues, means that growth in the next year will remain muted and is currently expected to be below this year's level. If, on the other hand, an agreement on the fiscal cliff issues will be found relatively soon and the newly elected administration is able to provide some confidence to business about its future handing of the economy, this could unleash some of the spending that currently is held back and should, in addition, also lift household spending.

There are two elements to the fiscal cliff: the expiration of the Bush-era tax cuts, passed in 2001 and 2003, and the implementation of intentionally painful automatic spending cuts, agreed to in 2011, which were intended to force a deal on $1.2 trillion in debt reduction. In the case of absolutely no agreement, the total impact of these then automatically implemented measures would add up to around $650 bn, according to our estimates based on the Congressional Budgetary Office (CBO). The total impact therefore could be 4.2% in the calendar year of 2013. This is without a multiplier of around 1.2x, on average, which would need to be applied also in a modeled scenario analysis. This could lead to a total impact of the fiscal cliff issue of up to 5% on GDP. We follow the assumption of the CBO's alternative scenario that some elements of the cliff will be allowed to pass, which would have an impact of around US$ 180 bn, a fiscal drag of around 1.5% on next year's GDP growth and already incorporated in our numbers. Any additional elements that are not agreed upon in the coming weeks will push down GDP growth in the next year accordingly, up to the ultimate consequence that the US might face again a severe recession, which would without a doubt have a major impact on global growth next year via the channels of trade, the impact on financial markets, and sector and cross-border investments, among others. This reduction in domestic demand in the US would most likely also have a significant impact on the global oil demand figures and, hence, the oil price. The relatively high sovereign debt level will certainly remain a topic of discussion for the time to come, considering that debt ratios are among the worst in the developed economies, with a US budget deficit for 2012 of 8% and the gross debt-to-GDP ratio at 107%, according to the forecast of the International Monetary Fund (IMF). It is clear that the US administration will need to bring down the debt pile, which in any way will continue to have an impact on GDP growth levels in the coming years. If, therefore, we consider a 30-year average growth level of the US economy of around 2.5% and growth potential of up to 4% per annum, the current level of around 2.0% growth as in the 3Q12 seems to be a reasonable figure that — given the fiscal drag — will not have a lot of upside currently, even when considering the improvements in the labour and the housing market as the two major legs for private household spending, which account for around two-thirds of the economy.

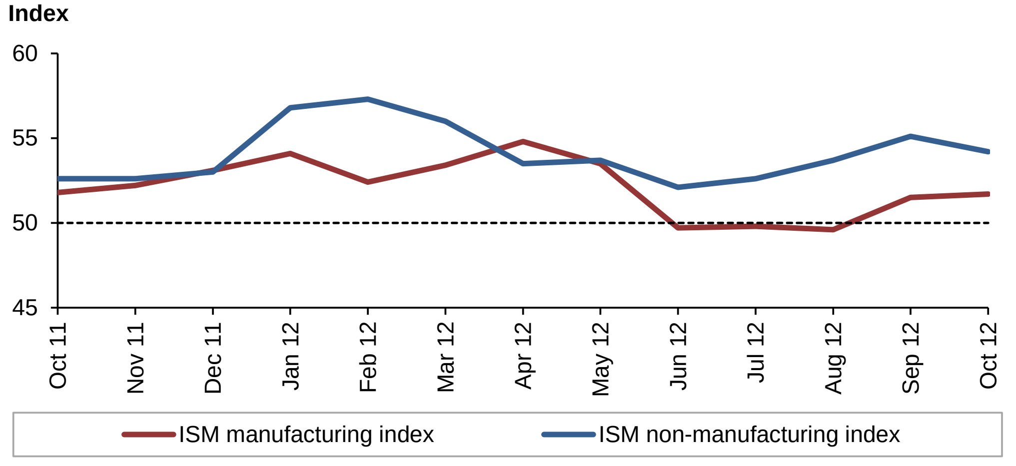
While the conclusion that the fiscal drag and its impact will limit the current upside for growth is one important element, the 3Q12 GDP numbers have offered another surprising element. This is that after more than two years of negative quarterly governmental spending, it suddenly jumped by 3.7% in the 3Q12. The majority of this increase came from the federal budget, which increased by 9.6% on a quarterly base, by pushing up defense spending by 13.0% q-o-q and non-defense spending by 3.0%. This leads to a contribution of government spending of more than 0.7% percentage points to the 2.0% quarterly growth, with the majority coming from the defense spending side, which contributed 0.64 percentage points. As the government has held back spending in the last years and suddenly — in the run-up to election — seems to spend more on easy to fund defense items, the coming GDP numbers again seem to have some room to the downside as it is not expected that this governmental support will be repeated anytime soon. This as well makes it less likely that, without any other stimulating effect, GDP numbers in the near-term will increase significantly from the current level.

While this fiscal support obviously helped, the Federal Reserve Board (Fed) has started its new round of quantitative easing in the meantime, labeled QE3. Within this programme the Fed will buy open-ended US$ 40 bn of agency mortgage-backed securities every month and will keep rates at bottom levels up to mid-2015, focusing on primarily supporting the housing market and keeping interest rates at low levels in this core-market. Without question, all these measures supported the financial system, the housing market and to some extent probably consumer credit in the short-term; but it remains to be seen if these additional monetary supply facilities have an additional added value for the economy in the medium-term or if it has in the meantime become even more dependent on these facilities.

The labour market, despite being a lagging indicator, offered some bright spots. While the unemployment rate rose slightly to 7.9% in October, compared to last month's number of 7.8%, job additions in the non-farm payroll area continued at 171,000. The private sector had added 184,000 in October after 128,000 in September. The share of the long-term unemployed continued at slightly above the 40% level in October at 40.6%, higher than the September level at 40.1%, but still far lower than the highs of 45% and more from last year. The participation rate has increased to 63.8% in October, compared to 63.6% in September.

With these slight improvements in the labour market, consumer confidence was increased. The consumer confidence index of the Conference Board increased considerably in October again to 72.2, from September's 68.4. This is not only the highest level for this year, but the highest since March 2008. The other consumer sentiment index of importance, the index of the University of Michigan, also rose. It stood at 82.6 in October, compared to 78.3 in September and 74.3 in August. This is also the highest level since October 2007. Monthly retail sales numbers improved in September for the third consecutive month. They rose by 1.2% m-o-m, the same as in August.

Graph 3.1: ISM manufacturing and non-ISM manufacturing indices



Source: Institute for Supply Management.

Industrial production continues expanding. It grew by 2.8% y-o-y in September, after 2.6% in August. Manufacturing orders also rose again by 2.2% y-o-y in September, after a decline of 2.3% y-o-y in August. The positive momentum is also supported by the latest numbers of the Institute of Supply Management (ISM), which provides the main Purchasing Managers Index (PMI) for the US economy. The ISM number for the manufacturing sector in October stood at 51.7, after 51.5 in September. The ISM for the services sector retraced slightly from 55.1 to 54.2 in October, so that the composite index was slightly lower in October at 53.7 from 54.9 in September.

The very important housing sector continues improving slightly, while some elements remain weak. After the pending home sales have fallen by 2.6% m-o-m in August, they rose only slightly by 0.3% in September, according to the National Association of Realtors. Pending home sales are considered a leading indicator of progress in real estate because they track contract signings. Positively, the yearly change of the house pricing index of the Federal Housing Finance Agency (FHFA) has continued its rising trend at a monthly price rise of 4.8% in August, after 3.9% in July.

So considering that the most recent improvements have been tender, mainly fiscally and monetarily supported, and that many (primarily political) uncertainties that could have a significant impact prevail, the growth forecast for 2012 remains unchanged at 2.2% for 2012 and at 2.0% for 2013. If, however, some more evidence becomes available of a positive solution of the fiscal issues, this could have some support and lifting the growth forecast accordingly to a slightly higher level.

Japan

The economic situation in Japan continues worsening with exports declining further and lead indicators such as order numbers not pointing at a strong recovery anytime soon.

The economic situation in Japan continues worsening with exports declining further and lead indicators like order numbers not pointing at a recovery anywhere soon. This makes it almost certain that the economy will grow at a much lower rate next year, after this year's disaster-driven recovery. The reasons for this continued softening of the economy have been manifold. Exports have been impacted by political tensions with China, the Euro-zone's continued deceleration, the slow 2Q12 in the US and slowing domestic demand which were all pushing economic activity lower. Adding to this, the political stand-still on a decision for a further stimulus package does not offer a lot of room for a stronger recovery anywhere soon, so the slowing trend should be reflected in the third and the current quarterly GDP numbers. The second half is expected to grow at more than 1% on a yearly comparison, after the first half's expansion of around 3%. In the next year, this soft trend is expected to continue. Amid the government's fiscal challenges and the political gridlock, this does not incorporate the assumption of any further major fiscal stimulus.

The current political tensions have furthermore raised some worries about the ability of the government to raise addition 38.2 trillion yen (almost US$ 500 bn) in treasuries to finance this year's record budget deficit. This has been delayed and there is some concern that it might not be passed. However, unlike in the US where the so called 'fiscal cliff' is looming and could push the country into a recession, politicians of the opposition in Japan, who dominate the Diet, have already signalled that there are willing to find a compromise. However, despite the ability of raising more money for funding the deficit, this might provide only short-term relief as it is the magnitude of the budget deficit that is increasingly worrying and which will need to be tackled very soon, with the potential consequence of pushing the economy's growth not only lower again but even into recession. As in other developed economies, policy-makers will have to face the fiscal situation in the near future as debt ratios are getting worse and the recent decision on increasing the sales tax has highlighted that the government will need to find new and so far untouched domestic resources to not only bring down the current record deficit, but only to continue the spending pattern of the previous years. The Japanese budget deficit is forecast to stay at almost 10% this year and the gross debt-to-GDP ratio is expected at 236%, according to the IMF. The recent agreement on increasing the sales tax was as well based on the perspective that elections will be held soon and therefore it seems likely that these will be held in the near future. A poll by the Kyodo news agency published by the Financial Times showed that only a significant minority of 18% support the current cabinet. More than 66% of respondents disapproved of it.

Exports were declining again by 10.3% y-o-y in September, the steepest decline this year. This has been driven by a sharp decline in the exports of automobiles and durable goods, potentially to some extent as well an outcome of the current political crisis with China. Contrary to this imports have risen again by 4.1% y-o-y in September, after a decline of 5.3% in the past months, supporting the trend of the trade deficit. The seasonally-adjusted trade deficit stood at 980 bn yen this month, a significant record level and more than double, when compared to the past month. Export-dependent Japanese manufacturers have struggled also to contend with the effects of the yen's sharp rise. The strong yen continued to trade below the ¥80.0/$ level in most of the past month. At the end of October and the beginning of November, it moved above this level, which could provide probably at least some relief for exporters in the coming weeks.

Retail trade slowed to a growth of 0.4% y-o-y from strong August numbers of 1.8% y-o-y after having declined by 0.7% in July. Industrial production continued its slide. It declined by 6.8% y-o-y in September after -4.7% y-o-y in the previous month. The indications for the future production are still pointing at a decline, with machinery orders (as a lead indicator for industrial output) in the coming months having declined by 5.6% y-o-y, which is again worse than the -1.9% in June. The PMI for manufacturing remained below the growth indicating 50 level for the fifth consecutive month at 46.9, compared to 48.9 in September and 46.5 in August.

Backed largely by the momentum of the first half of this year, growth remains unchanged at 2.2% in 2012. While the slowdown of the economy will bottom out in the current quarter, the need to tackle the fiscal situation combined with the current political challenges and a still soft global economy is expected to keep growth at a lower level in the next year at an unchanged 1.1%. But the situation of the economy has to be monitored carefully.

Euro-zone

The Euro-zone's economy is facing a significant slowdown. The growth dynamic is expected to improve only by next year's second half. The current negative trend and released data for the year leads to an unchanged growth forecast of minus 0.5% for 2012 and 0.1% growth for 2013.

The sovereign debt crisis of the Euro-zone is now in its second year with many ups and downs and mainly driven by political decisions. While Euro-zone leaders have agreed on a compact of growth in the mid-year, the recent summit in October has not supported this strategy at large. The views among members on how to allow the European Commission to control the fiscal side and the banking system are too divergent. Without an implementation of the necessary harmonization of the fiscal side, it is not clear how the Euro-zone will be able to manage its crisis in the long-term. The recently announced support by the European Central Bank (ECB) will not be enough and if the situation in the peripherals, and particularly Spain and Italy, worsens again, a continuation of the recession in the next year seems possible and its consequent impact on the global economy might be felt again. Most importantly, the Euro-zone — as recently pointed out on several occasions as well by the IMF — needs to move back into solid growth territory in order to be able to pay back the debt it has accumulated. It would be able to do so, given its strong industrial base in the more advanced economies and via transfers and support for building up a growth base in the peripherals also, but political dead-lock — at least currently — is not pushing the agenda forward. It has been the case indeed that the Euro-zone, due to the significant need and external pressure to solve the issues, in the past managed to overcome these diverging views. So it is hoped that again it will be able to do so and continue to recover. However, the most recent indicators do not allow forecasting a significant rebound anywhere soon and it might be only in the second half of 2013 that the Euro-zone will move back into positive growth territory.

Still one has to distinguish the financial market side from the real economy in the Euro-zone. Both are certainly very much intertwined but move at some points in different directions. Spain's economy, for example, has worsened over the past months and its financial situation has not materially improved. However, the sheer announcement of the ECB to act as a backstop for the economy, if Spain and others in need apply for the conditional support program, called Outright Monetary Transactions (OMT), has helped to bring down the sovereign debt yields and move away at least some of the burden. The ten-year government bond yields have fallen from a peak of almost 7.6% in July to 5.8% recently, a seven-month low. While Spain has engaged several additional austerity measures it remains to be seen if these cost cutting efforts will be enough. But with the lower yields it should have some more time to manage the challenges. The market seems to price in that the economy will sooner or later enter the newly created support facility mechanism and hence will receive the support of the ECB; but it is too early to say. The government, however, has to pull all the triggers it will need to avoid a further deepening of the crisis and should not become too complacent about the additional room for maneuvering that now has been provided by the ECB. Another disturbing element could be the elections on 25 November in Catalonia and the fact that the separation of the region and frustration about monetary transfers to poorer regions is openly discussed and on the agenda, putting additional pressure on the government. The current intention, as it seems, of Spain to side-step a bailout by the European facilities could end in an even worse situation as yields might rise quickly in an again worsened real economic situation. The budget deficit has increased in the meantime and even the lower yields at best neutralize the increased financial needs, if yields therefore move back to more elevated levels the result for the economy could mean a worsening and the request for the support package will be inevitable.

In the meantime the IMF has issued also a strong warning on the financial situation of France in its annual report on the economy which is adding to the concerns that French business people have raised recently. It supports as well the view of a report that has been commissioned by the President of France. Both reports particularly highlight a loss of competitiveness of the economy and the potential consequences of this for the economy. The French report highlights that the government should cut € 30 bn, or 1.5% of GDP, in social welfare costs on labour within two years to “stop the decoupling” of the French economy from its competitors The issues, therefore, seem to be identified to some extent and consequent action might follow. But it remains to be seen how the current government will manage unpopular austerity measures and move the economy back into higher growth territory. One measure that has been taken was to announce tax breaks for businesses of € 20 bn in the meantime. This measure targets the main issue of the Euro-zone, which is the lack of growth, which will be needed for being able to reduce the growing debt levels as otherwise the spiral downward can hardly be broken.

The ECB is expected to keep its key policy rate at 0.75%, but amid the continuation of the slowdown, it might further reduce the rate to 0.5% in December. Such a rate cut might be triggered also by the dire situation in the credit sphere. The lending of financial intermediaries to the private sector has been negative now since the beginning of the year and reached the highest decline on a yearly basis on record. The decline has been even bigger than the September 2009 decline, when Lehman Brothers went bankrupt. It fell by 1.4% y-o-y, compared to -0.9% in August. Only mortgages are still expanding at a very low rate of 0.2% y-o-y as the latest data-point from September shows. Credit to non-financial corporations in the Euro-zone declined by a stunning 2.1%. This is hardly supportive at a time, when industrial production is decelerating and leads indicators, while improving slightly, point to a continued deceleration.

While the debt issues seem to be contained somehow, the economic situation has continued worsening. The real economy continues to decline and the negative spin that has been observed in the first half is expected to prevail in the second half. This situation is forecast to have an impact on growth in the next year. Industrial production has declined for nine consecutive months to September at 2.3% y-o-y, hardly better than the August number at -2.4% y-o-y. The same negative spin is provided by the latest PMI numbers published by Markit. In October the number for the manufacturing sector was again down from 46.1 in September to 45.5. This low industrial activity leads to an again record high unemployment rate of 11.6% in September, the highest on record. The worst level has been recorded in Spain at 25.8%. This compares to Germany’s lowest level in the recent years of 5.4%, reflecting the difference of the strength of the economies within the Euro-zone. Youth unemployment for the Euro-zone was at very high 23.3%, also a new record. The highest level has been in Spain with a stunning 54.2%. Consequently, retail trade has been negative for now more than a year for every consecutive month, with the latest number for September declining by 1.2% y-o-y, at the same level as in August.

While it is forecast that the second half of the year will be impacted significantly by this negative momentum, it is expected that the growth dynamic will improve only by next year's second half. This will depend largely on the success of the monetary actions by the ECB in combination with policy-makers to revive growth again. The current negative trend together with already released data for this year leads to an unchanged growth forecast of -0.5% for 2012 and 0.1% growth for 2013.

Emerging markets

The global economy remains weak, although the outlook for economic activities is improving.

We have estimated the global economy to expand in 2012 and 2013 by 3.1% and 3.2%, respectively. While there have been modest improvements in economic performance in OECD and emerging markets (EMs), the recovery is still quite weak in the OECD and the economy is still slowing down in most EMs. We have kept our forecast for GDP growth in India in 2012 at 5.7% and in 2013 at 6.6%. Although there have been promising signs of accelerating growth in the 3Q and 4Q, we think that China's economic growth would amount to 7.6% in 2012 increasing to 8% in 2013. We think the Russian economy will continue to slow down, compared to last year, experiencing a 3.7% GDP growth this year and 3.4% in 2013. Brazil's economy, following the poor performance of its main sectors, is forecast to expand only by 1.5% this year but its growth rate is expected to recover to 3.3% in 2013 due to a policy mix adopted since last year by the government to boost economic growth.

For the transition region as a whole, we expect growth to slow due to the economic crisis in the Euro-zone. The Balkans' exposure to the Euro-zone crisis is magnified by the fact that they have extensive economic links with Greece. The Commonwealth of Independent States (CIS), which is less dependent on the Euro-zone and in some cases is benefiting from high commodity prices, is expected to have better performance. However, we remain modestly optimistic that growth in Eastern Europe will pick up next year. According to the EIU (November 2012), fiscal austerity will remain a constraint on growth prospects in the region considering the current emphasis on fiscal consolidation as governments strive to convince markets that their debt burdens are sustainable.

The performance of Asian economies reflects a broad-based slowdown as the region's exporters suffer from sluggish demand in the West. The region's two largest economies, China and India, have both decelerated. China's economic rebound in the 3Q may enhance the acceleration of economic growth in this region in the 4Q and in 2013. Even so, Asia will retain its status as the world's fastest-growing region and we expect GDP growth to quicken next year as stimulus in China takes effect and demand in the West posts a modest recovery.

Following a policy-induced rebound in 2010, growth in the Latin American region slowed in 2011 and there is the prospect of a further slowdown in 2012, in the context of an outright contraction in the Euro-zone and below-par growth in the US. We forecast growth of only 1.5% for Brazil — by some margins, Latin America's largest economy — which will weigh on regional growth this year. It is expected that growth in this region will accelerate in 2013 and beyond as the current slowdown is believed to be a cyclical rather than a long-term phenomenon. Resilient domestic demand, a recovery of economic activity in the OECD area, and China's demand for soft and hard commodities exports are factors that will affect the economic growth of this region. Concerns about the slowdown and the risk of a hard landing in China have been a factor through the impact on commodity demand and prices. But with the recent signs of China's accelerating manufacturing activities and economic growth, the market sentiment might change.

Economic growth in the Middle East and North Africa will be constrained in 2012 by contractions in economic activity in several countries of the region. However, still-high oil prices and somewhat higher output will sustain strong rates of growth in the oil producing countries, particularly Saudi Arabia and the Gulf states. In North Africa, exports of goods and services (tourism, in particular) will be constrained by weak demand in Europe. Regional growth will pick up slightly in 2013, boosted by massive ongoing infrastructure development programmes in oil exporting countries of the region.

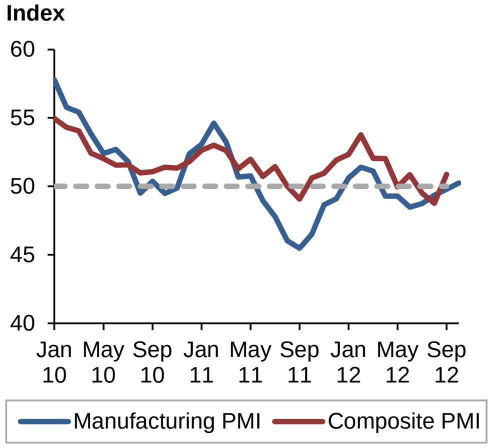
Table 3.2: Summary of macroeconomic performance of BRIC countries

	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Brazil	1.5	3.3	5.3	5.3	-55.3	-65.4	-2.5	-1.8	54.8	53.0
China	7.6	8.0	2.8	3.4	205.5	191.8	-2.3	-2.1	16.4	16.8
India	5.7	6.6	9.1	7.5	-62.2	-60.9	-6.0	-5.4	51.5	50.0
Russia	3.7	3.4	6.7	6.0	86.6	55.8	-0.6	-1.0	7.9	8.2

Source: Data Services Department, OPEC Secretariat for GDP growth rates; Consensus Forecasts, October 2012, for prices and current accounts; Economic Intelligence Unit, October and November 2012, for government fiscal balance.

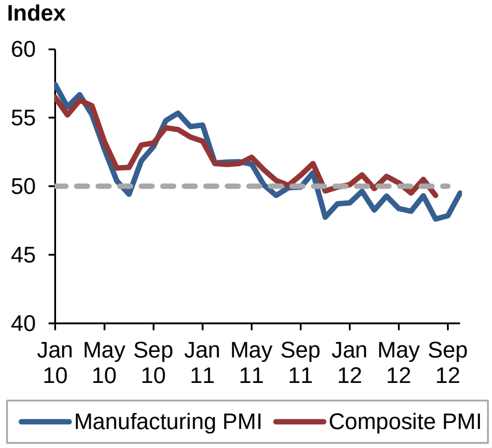
Figures for India are from the fiscal year 2012-2013 and 2013-2014.

Graph 3.2: Brazil PMI



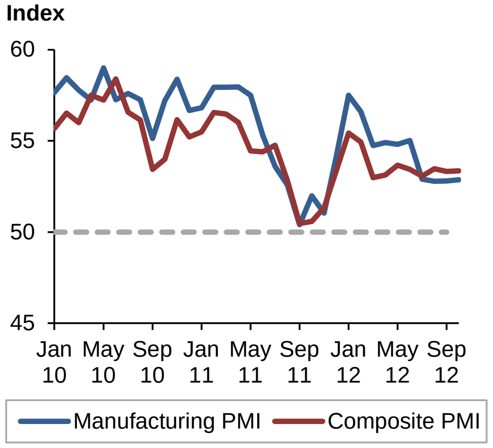
Source: HSBC, Markit and Haver analytics.

Graph 3.3: China PMI



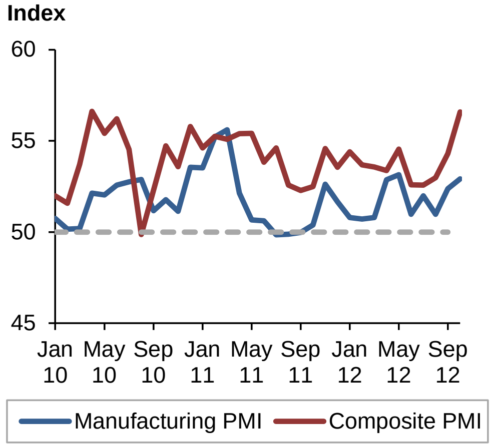
Source: HSBC, Markit and Haver analytics.

Graph 3.4: India PMI



Source: HSBC, Markit and Haver analytics.

Graph 3.5: Russia PMI



Source: HSBC, Markit and Haver analytics.

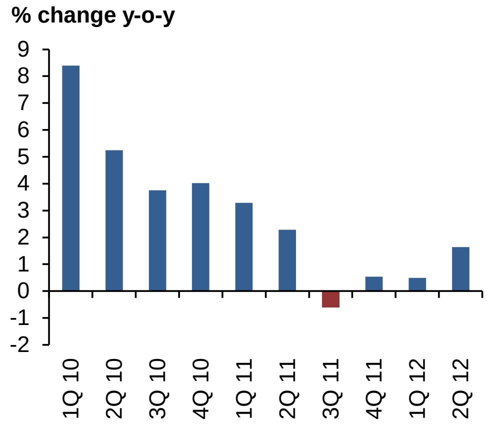
Brazil

Monetary easing and fiscal measures taken to reduce production cost are expected to affect economic recovery in Brazil in coming quarters

Following the weak performance of the economy since 3Q 2011, the economic authorities in Brazil have announced monetary and fiscal policy changes to stop decelerating economic growth, but so far with a limited impact. As the economy suffers from lack of competitiveness in comparison to more competitive economies, such as the export-oriented emerging Asia, the Brazilian minister of finance has announced new measures to lower labour costs in an attempt to boost the competitiveness of the economy. This is the second stage in a programme launched by the Brazilian government last year to reduce domestic labour costs, which are much higher than in most of the country's competitors. Instead of paying a 20% social contribution on the amount of their payroll, companies that are eligible under the new scheme will pay a levy based on their gross revenue. The programme was launched in late-2011, initially targeting 15 selected sectors. Given the success of the experiment, according to the government, an additional 25 sectors will now be included from the beginning of 2013. This will mainly benefit labour-intensive industries and some transport services. The fiscal cost of the measure amounts to around $6.4 bn per year. The measure is reported to be very popular among employers, who have long complained about the detrimental impact of labour costs. It comes, moreover, on top of a series of measures, which suggests that the government is increasingly serious about increasing Brazil's competitiveness by reducing input costs, the tax burden and infrastructure bottlenecks. Recently the government had unveiled a large cut in electricity tariff rates (up to 28%) for industrial users, also with the intention of reducing production costs.

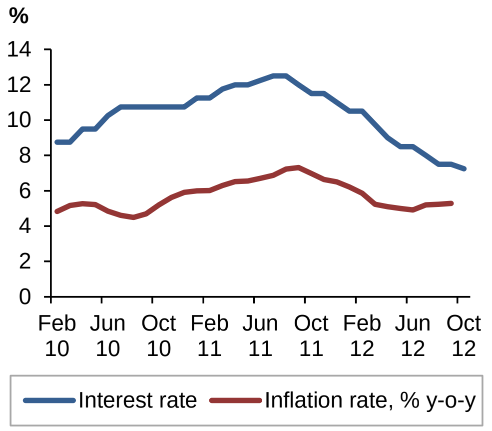
This fiscal measure comes together with monetary easing, with the latest lowering of the interest rate by 25 basis points on 10 October. However, these expansionary policies apparently are affecting price inflation, since, according to the official figures, the national consumer price index rose by 0.41% month-on-month in August, following a 0.43% gain in July. This took 12-month inflation to 5.2%, this being the second month in which the disinflation trend that had been observed since September 2011 has been reversed. Prices of food and beverages remained the principal drivers of inflation in August, rising by 0.88% over the month (EIU, November, 2012). For this reason, authorities may be getting ready to end the easing cycle, after lowering the benchmark interest rate to 7.25% at the next policy meeting in October.

Graph 3.6: Brazil's GDP growth (SAAR = seasonally adjusted annual rate)



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

Graph 3.7: Brazil's inflation and interest rate



Source: Banco Central do Brasil and Haver analytics.

China

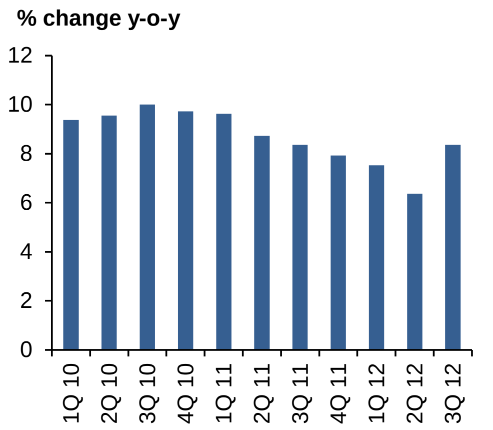
Signs of accelerating economic growth in 3Q12 lift optimism about China's economic expansion next year

China's manufacturing activity expanded in October after its contraction for the 11th consecutive month in September. If continued in the coming months, this would end decelerating economic growth in China, given the share and importance of the industrial sectors in this economy. The annualized GDP growth rate for 3Q this year has been around 8.4% (China's real GDP grew by 7.4% year-on-year in 3Q12), which is higher than the GDP growth rates for last three quarters. A robust rebound in economic growth in China would ease economic expansion in other emerging economies, particularly emerging Asia with strong trade and financial links with China.

Since inflation remains subdued (consumer prices rose by only 1.9% year-on-year in September, compared with 2% in August, according to CNBS on 15 October; meanwhile, producer prices continued to decline, dropping by 3%), a more expansionary monetary policy to stimulate growth cannot be ruled out. On the other hand, strong fundamentals in the economy, including a low budget deficit and a relatively small share of public debt to GDP, would allow for a more expansionary fiscal stance to boost economic activities if required. Amid growing export orders (China's exports grew by 9.9% year-on-year in September, with the country's trade surplus in the month reaching $27.7 bn on 14 October), domestic demand also remains very strong, following 13% growth in private consumption, on an annual basis in October. It is also noted that the upward trend in real estate prices in recent months would increase investment in the construction sector, boosting activities in one of most important sectors of the economy.

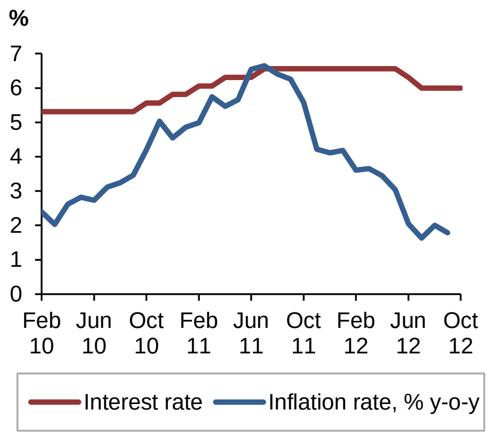
It is worth noting that, speaking to several thousand current and retired Communist party officials in the Great Hall of the People on 8 October, the President of China, Mr. Hu, who, along with Premier Wen Jiabao, has steered China for the past decade, unveiled economic targets, saying the government would strive to double rural and urban incomes by the end of 2020. This means an annual growth rate of 9% on average in aggregate income for the next eight years to 2020.

Graph 3.8: China's GDP growth (SAAR)



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

Graph 3.9: China's inflation and interest rate



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

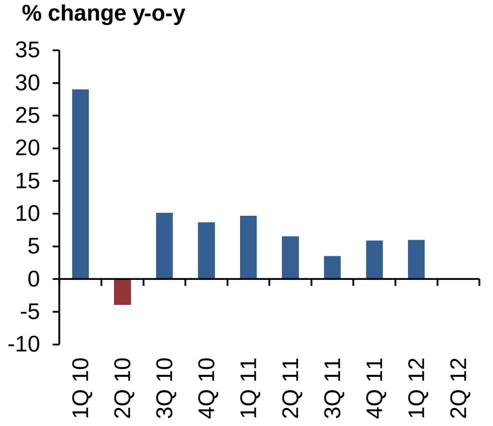
India

Weak fundamentals, together with elevated inflation, prevent large fiscal stimulus aimed at boosting economic activities in India

We have forecast that real GDP growth would average 5.7% year-on-year in 2012 and will pick up in the first half of the next fiscal year, increasing the annual GDP growth to 6.6% for 2013. The pace of expansion in the manufacturing sector remained stable in September, according to the HSBC Purchasing Managers' Index (PMI). Services growth, meanwhile, accelerated for the third consecutive month. This PMI index reading for the manufacturing sector in September is in line with the figures for August, but below the long-term average (see the ***PMI graph*** above). An ongoing energy shortage has meant that the backlog of orders in the manufacturing sector continues to rise. The services sector showed strong growth, with an index reading of 55.8 in September vis-à-vis 55 in August. Input prices rose for both manufacturing and services, owing to higher prices for fuel and raw materials, as well as higher wage costs in the services sector, according to HSBC's survey respondents. Although output prices in the manufacturing sector eased, the rate of inflation accelerated in the services sector — the largest sector of India's economy — indicating that inflationary pressures continue to be elevated. Wholesale price inflation rose to 7.8% year-on-year in September — the fastest rate of increase in wholesale prices since November 2011. The rate of consumer price inflation (measured by the consumer price index, or CPI) meanwhile moderated slightly to 9.7% in September, from 10% in August. As a result, we expect the Reserve Bank of India to eschew any further easing of monetary policy until the 1Q13.

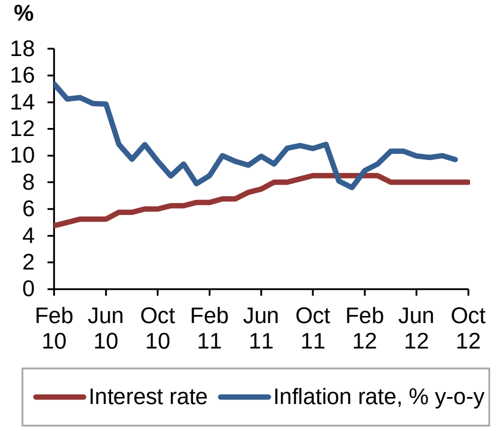
Although both the manufacturing and services sectors' PMI readings remain below the long-term average, the stabilization of manufacturing growth and the acceleration of the services sector's expansion indicate that economic growth is picking up. This, together with contracting foreign demand, has ended in a widening trade gap in recent months. Data released by the Ministry of Commerce in October indicated that India's merchandise exports fell by 10.8% year-on-year in September, to $23.7 bn, while imports rose by 5.1%, ending four consecutive months of y-o-y decline. The trade deficit consequently reached its widest point in 11 months, at US$18.1 bn. Meanwhile, due to the large budget deficit, the government has started to consolidate its fiscal stance. On 29 October, the finance minister, P Chidambaram, announced a five-year fiscal roadmap aimed at lowering the fiscal deficit to the equivalent of 3% of GDP by the April-March fiscal year 2016/17 (EIU, November 2012).

Graph 3.10: India's GDP growth (SAAR)



Source: Central statistical office of India and Haver analytics.

Graph 3.11: India's inflation and interest rate



Source: Reserve Bank of India and Haver analytics.

Russia

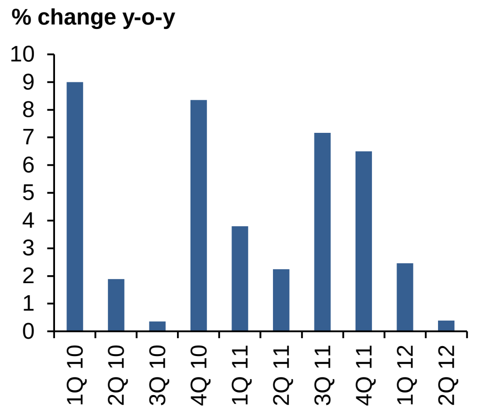
Russia expanding its trade links with South-East Asia

It is now unlikely that we will see a rebound in the rate of growth of GDP in the Russian economy in 3Q12 and 4Q12, following the economy's relatively poor performance in 2Q12 that saw it expanding by only by 0.4% on an annualized basis. This corresponds to 4% growth in GDP in 2Q12 y-o-y, which was down on 4.9% growth in 1Q12. Economic expansion in Russia is expected to be even slower in 2013. A tight labour market, a deteriorating foreign trade surplus and weaker agricultural output are responsible for this downgrading of Russia's economic growth for 2013. Deteriorating private and FDI investment growth are also affecting economic expansion in the country. Lowering GDP growth in Russia in 2013 in our forecast is in line with different forecasts, including the World Bank forecast that has made substantial downward revisions to its 2012 and 2013 growth forecasts for the country.

Manufacturing output grew by 2.9% year-on-year, down from 3.5%. Mining growth eased to 0.5% from 2.0%. Retail and wholesale trade grew by 6.9%, compared with a 9.1% increase in 1Q. Domestic demand has been the mainstay of economic growth this year, as rising real wages and retail loan growth of more than 40% have fuelled growth in household spending. Economic expansion slowed in July, as consumers began saving more, and investment slowed because of uncertainty about the economic outlook. A deteriorating economic outlook in China, now Russia's largest single trading partner, and the recession in the Euro-zone are affecting the Russian economy. External demand had a significant negative impact on GDP in 2Q and will remain a drag in the coming months. A poor harvest and slower growth in lending will contribute to a slowdown in the second half of the year. The Ministry of Economic Development now expects y-o-y growth to slow to less than 3% in 3Q. This situation poses a difficult dilemma for the Russian Central Bank (RCB). The RCB has kept rates on hold since December. Growth is slowing at a time when inflation looks set to accelerate and there is strong pressure on the bank.

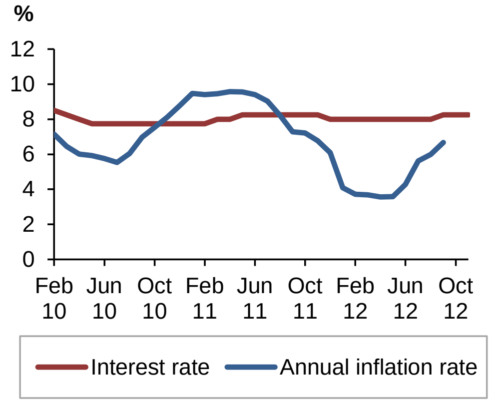
The Asia-Pacific Economic Co-operation (APEC) summit, which was held in Vladivostok in October, underlined Russia's intention to re-orient its economic ties towards the east. Trade with the EU fell to below one-half of Russia's total trade in 2011, from 56% of the total in 2006. Over that period, the share of the Pacific Rim in Russia's trade has increased from 15% to 23%. At the summit, Mr. Putin emphasized that Russia sees Asia "as the most important factor for the successful future of the whole country, as well as the development of Siberia and the Far East." He repeatedly referred to the Chinese president, Hu Jintao, as his friend, and emphasized the importance of trade and energy ties with China (EIU, November 2012).

Graph 3.12: Russia's GDP growth (SAAR)



Source: Federal State Statistics Service and Haver analytics.

Graph 3.13: Russia's inflation and interest rate



Source: Central Bank of the Russian Federation, Federal State Statistics Service and Haver analytics.

Asia Pacific

Indonesia's GDP grew by 6.17% in Q312

Indonesia's economic growth held above 6% for an eighth quarter, as domestic consumption and rising investment countered an export slump, reducing the need for the central bank to cut interest rates. Gross domestic product rose by 6.17% in the three months ending 30 September from a year earlier, the Central Bureau of Statistics said early in the month. That compares with a 6.37% gain in 2Q. Private consumption increased by 5.7% in 3Q from a year earlier, and investment surged by 10%. Domestic consumption accounted for 63% of GDP and investment contributed 33.2%, while net exports deducted 0.61% from the economy in 3Q.

Thai Central Bank cut interest rate

The Bank of Thailand cut its policy interest rate by a quarter of a percentage point in a surprise move, making it the latest Asian central bank to ease policy, as weakening demand from the West and China hits the region's export-oriented economies. Weak global demand has weighed on Asian economies like Thailand's that depend heavily on exports, with the problem aggravated by slowing growth in China. Consumer confidence in Thailand rose in October for the first time in four months, due mainly to easing concern over a repeat of last year's devastating floods. The consumer confidence index rose to 77.8 in October from 77.0 in September, data from the University of the Thai Chamber of Commerce's Economic and Business Forecasting Centre showed. The National Economic and Social Development Board Thailand has maintained its projection of Thailand's economic growth rate this year at a range of 5.5% to 6%, thanks to positive factors domestically and globally.

MENA

Inflation is still high in the MENA region; central banks keep interest rates steady

The Central Bank of Egypt (CBE) decided on 18 October to keep its key policy interest rates, the overnight deposit and lending rates, steady at 9.25% and 10.25% respectively. The most recent economic development that led to this decision is that y-o-y inflation continued to fall through the latest reading, which was September, with a y-o-y gain for the consumer price index of 6.2% versus the 6.5% rate recorded in August; core inflation fell 0.3% versus August. The real economy grew only marginally in the recently completed fiscal year 2011/12, with weakness in the manufacturing and tourism sectors. Capital inflows continue to be weak, according to the CBE. Lebanon's CPI inflation rose by 10.3% y-o-y in September, up from 9.3% y-o-y in August, according to data published this week (22 October) by Lebanon's Central Administration of Statistics. September was the second consecutive month of 0.9% m-o-m inflation, surpassing more typical August and September inflation levels of around 0.5% m-o-m seen in recent years. It is expected that inflationary pressures will persist in Lebanon in the coming months on the back of firm global commodity prices and economic dislocations stemming from the Syria conflict. Economic activity in Lebanon has deteriorated significantly as the Syrian conflict weighs on consumer and business sentiment, impacting key sectors such as tourism, construction and trade. Furthermore, growth has suffered from elevated global commodity prices, an outdated and inefficient electricity infrastructure that is unable to keep up with demand, and a strong dollar (to which the Lebanese pound is pegged). In Bahrain, CPI inflation accelerated in September to an annual rate of 3.7%, from 3.2% in August, according to the Central Informatics Organisation. It is expected that average annual consumer price inflation in Bahrain will settle at 3.2% this year, before easing back to 2.9% next year as softer global commodity prices dampen imported inflation, particularly for food, of which Bahrain is a heavy importer.

Data released by Morocco's High Planning Commission on Sunday (21 October) shows that consumer price inflation in the kingdom crept up to an annual rate of 1.2% in September. Accelerating from an annual rate of 1.0% in August, when food price inflation picked up due to Ramadan demand, consumer prices in September were broadly stable. Morocco has maintained a low inflation environment through prudent monetary policy — albeit tight liquidity conditions — as well as subsidies that insulate the population from higher global commodity prices. It is expected that consumer price inflation will accelerate to an average annual rate of 2.4% next year, after registering 1.3% this year. Morocco's seasonally adjusted real GDP registered growth of 2.3% y-o-y in 2Q12, slowing from 2.8% y-o-y growth in the previous quarter. Having fallen sharply during 1Q, from 5.3% in the previous quarter to 2.8%, growth slowed further to 2.3% annually in April-June. Agriculture — accounting for the largest share of the economy at 16% of GDP in 2011 — continued to struggle in 2Q, following poor weather conditions during the annual harvest. In Jordan and according to data published by the country's Department of Statistics, the CPI gained 4.8% y-o-y in September as consumer pricing rose in the kingdom. The September reading now makes it five consecutive months of annual pricing pressures that have either held constant or moved higher.

Sub-Saharan Africa

World Bank slightly decreases forecast for Sub Saharan Africa

The World Bank has downgraded its 2012 growth forecast for Sub-Saharan Africa (SSA), although it still expects SSA to be the second fastest-growing region in the world. The Bank is also optimistic about the prospects for 2013, largely because of resilient domestic demand and the continued strength of commodity prices. As a result, it expects Sub-Saharan growth to accelerate to 5.2% — and 6.2% if South Africa is excluded. Economic activity will continue to be supported by the ongoing pursuit of crucial economic reforms in an increasing number of African countries, combined with rising fiscal spending and — crucially — the region strengthening ties with fast-growing economies in Asia. The region's oil-producers — including Angola, Ghana, Equatorial Guinea and Nigeria — are likely to remain the fastest-growing Sub-Saharan economies. There are a number of downside risks to this relatively optimistic forecast. Clearly, global economic growth remains fragile. A sharp deterioration in high-income economies — notably in Europe, a key African trading partner — could have serious implications. Also a serious slowdown in China could hit the region's resource exporters. The medium-term outlook for SSA remains positive, although there is little sign that real GDP growth will reach the 8–10% a year required if poverty levels are to be addressed across the board. The inflation rate in South Africa was recorded at 5.50% in September, which was more than expected, as fuel and food prices climbed and a weaker rand boosted import costs. Historically, from 1981 until 2012, South Africa’s inflation rate averaged 9.67%, reaching an all-time high of 20.80% in January 1986 and a record low of 0.10% in January 2004. The rise is ruling out any further cuts in interest rates and complicating the reserve bank’s monetary policy decisions. The bank wants to support the flagging economy with low interest rates, and last reduced its repo rate by half a percentage point to 5% in July. The reserve bank of South Africa said that, while economic activity expanded in 2Q, economic growth is likely to slow in the coming months. The country's real GDP accelerated to 3.2% in 2Q from 2.7% in 1Q. The increase was mainly driven by the primary sector, which includes agriculture and mining. Excluding the primary sector, growth in the rest of the economy slowed from 3.8% in 1Q to 1.6% in 2Q.

OPEC Member Countries

Despite the prevailing global economic gloom, the Saudi economy continues on a solid growth path. While this year expansion is not likely to match that of last year, it is more likely to register one of the highest growth rates among the G20 countries. Higher production and higher oil prices ($109/b) would generate record-high oil revenues of SR 1.08 trillion, or 44.3% of GDP, leading to a fiscal surplus of SR 347.7 bn in 2012, some 5% higher than earlier forecast. At the same time, it is expected that the current account balance would benefit from $ 322.6 bn of oil exports, leading to a surplus of $167.5 bn or 25.8% of GDP. According to the kingdom's Central Department of Statistics and Information, consumer price index inflation in Saudi Arabia lost more pace in September, rising at an annual rate of only 3.6%, lower still than the 3.8% recorded in August. On a monthly basis, the kingdom's CPI rose 0.6% in September.

Budget in Iraq for 2013 is 18% higher than for 2012

Iraq's cabinet ratified on 23 October the proposed budget for 2013 of IQD 138 trillion (roughly US$118 bn), according to AFP. This represents an 18% y-o-y increase in spending relative to the 2012 budget. Sixty per cent of the budget is allocated to government operations and salaries, while the remainder will be spent on investment projects.

Inflationary pressures rose further in Qatar during September, with the emirate's CPI gaining 2.6% y-o-y, according to data from the Qatar Statistics Authority (QSA). The QSA noted that all the components of the CPI rose, with the exception of rent, fuel and energy. According to figures released by the QSA, the emirate's trade surplus fell in 2Q as exports declined and imports increased. Exports fell 4.0% relative to 1Q12, but gained 12.9% versus 2Q11.

Oil prices, US dollar and inflation

On a monthly average, the US-dollar fell by 0.8% versus the euro and the Swiss France and gained by 1.0% compared to the yen and 0.2% to the pound sterling. After accounting for inflation and currency fluctuations, the Basket price fell by 2.1% or $1.43/b to $66.31/b from $67.74/b.

The US dollar had a balanced performance against its major counterparts in October. While it declined against the euro and Swiss franc on a monthly average basis, it gained against the yen and pound sterling. On a monthly average, it fell by 0.8% versus the euro and Swiss franc and gained 1.0% against the yen and 0.2% against the pound sterling.

The euro held up surprisingly well in October and even reached peak levels of more than $1.31/€ above the current trading band of $1.20/€ to $1.30/€. But it has since moved back again into the band and was trading at around $1.28/€ at the beginning of November. While the main reasons for the surprising strength of the euro might have been the interest rate differentials and the weakening US economy in 2Q12, compared with some strengthening of the Euro-zone from a very low base, this scenario seems to have turned and the US seems to be recovering slightly again, and the key interest rate is also expected to be reduced in the ECB’s December meeting from 0.75% to 0.50%. Furthermore, the sovereign debt issues in the Euro-zone remain unsolved and could re-emerge at any time, although they currently seem to be contained to some extent. The handling of the fiscal cliff in the US and the near-term future developments of the Euro-zone’s sovereign debt situation will be the major two forces that will influence trading patterns over the coming weeks. While it seems that there is some more room to the downside for the euro, the challenges to the US to continue expanding at only 2% annual growth amid the fiscal issues and the consequent drag on the currency should not be underestimated. Of some interest also is the recent development of the yen to the US dollar, which remained below the critical ¥80/$ level, but declined slightly recently, potentially supporting Japan’s export markets. But the recent move has been small, so it seems too early to consider this as a weakening trend.

In nominal terms, the price of the OPEC Reference Basket fell by $2.31/b or 2.1% from $110.67/b in September to $108.36/b in October. In real terms, after accounting for inflation and currency fluctuations, the Basket price fell by 2.1% or $1.43/b to $66.31/b from $67.74/b (base June 2001=100). Over the same period, the US dollar fell by 0.3% against the import-weighted modified Geneva I + US dollar basket, while inflation also declined by 0.3%, offsetting the relative effect in the change of the nominal to the real value.*

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

World Oil Demand

World oil demand growth estimated at 0.8 mb/d, to average 88.8 mb/d

World oil demand in 2012

The recent hurricane disaster is expected to have reduced US oil demand in late-October and early November; however, efforts to carry out subsequent maintenance activity would call for more energy in November. Year-end cold weather might put pressure on heating oil not only in the US but also in Europe. This could increase oil demand marginally in the fourth quarter. On another front, economic activity across the OECD does not look totally healthy. Although there was good news regarding industrial activity in Germany and the US in October, other areas have provided negative economic signals. The debt problem in Europe has been hammering at the continent's economy and is expected to continue into next year. China's economy has been showing signs of slowing down in the past few months. Also higher taxes on fuel are affecting fuel use mainly in the OECD. The fate of world oil demand in the near future will be dependent upon not only the weather and price level but also the rates of industrial and petrochemical activity. This will mostly affect middle distillate consumption, which plunged in the past month as a result of slower industrial production in the US and China. Furthermore, the transportation sector contributed to the slowdown in oil use in its peak summer season, as a result of both slower economic activity and higher retail prices. World oil demand growth in 2012 is estimated at 0.8 mb/d, averaging 88.8 mb/d.

Graph 4.1: Regional shares in diesel consumption 2012

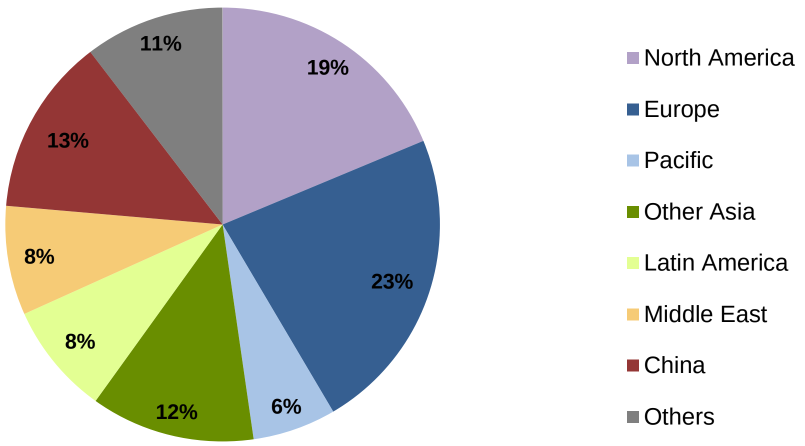


Table 4.1: World oil demand forecast for 2012, mb/d

	2011	1Q12	2Q12	3Q12	4Q12	2012	Change 2012/11 Growth	%
North America	23.73	23.15	23.46	23.66	23.66	23.48	-0.25	-1.05
Western Europe	14.28	13.69	13.75	14.12	13.87	13.86	-0.42	-2.97
OECD Pacific	7.87	8.77	7.68	7.94	8.39	8.19	0.33	4.13
Total OECD	**45.88**	**45.61**	**44.89**	**45.72**	**45.92**	**45.54**	**-0.35**	**-0.76**
Other Asia	10.46	10.51	10.79	10.87	10.83	10.75	0.29	2.74
Latin America	6.37	6.26	6.48	6.73	6.66	6.53	0.16	2.55
Middle East	7.57	7.73	7.69	8.11	7.70	7.81	0.24	3.19
Africa	3.36	3.37	3.39	3.28	3.43	3.37	0.01	0.25
Total DCs	**27.76**	**27.87**	**28.35**	**28.98**	**28.62**	**28.46**	**0.70**	**2.52**
FSU	4.29	4.24	4.09	4.51	4.72	4.39	0.10	2.39
Other Europe	0.70	0.69	0.65	0.69	0.77	0.70	0.01	0.73
China	9.41	9.45	9.88	9.54	9.97	9.71	0.30	3.20
Total "Other regions"	**14.40**	**14.38**	**14.62**	**14.74**	**15.47**	**14.81**	**0.41**	**2.84**
Total world	**88.04**	**87.86**	**87.86**	**89.44**	**90.01**	**88.80**	**0.76**	**0.86**
Previous estimate	88.04	87.93	87.69	89.61	89.99	88.81	0.77	0.88
Revision	0.00	-0.06	0.17	-0.17	0.02	-0.01	-0.01	-0.01

Totals may not add up due to independent rounding.

For the third month in a row, Indian diesel demand soared, resulting from the use of independent electricity generators and from agricultural seasonal activity. Furthermore, the shutdown of most of Japan's nuclear power plants has led to excess use of crude and fuel oil burning during the first three quarters of the year; however, this trend is now fading.

Table 4.2: 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	23.89	23.15	-0.75	-3.13	23.48	23.46	-0.02	-0.07
Western Europe	14.22	13.69	-0.52	-3.68	14.13	13.75	-0.38	-2.68
OECD Pacific	8.35	8.77	0.43	5.09	7.12	7.68	0.56	7.81
Total OECD	**46.45**	**45.61**	**-0.85**	**-1.82**	**44.73**	**44.89**	**0.16**	**0.36**
Other Asia	10.27	10.51	0.24	2.30	10.54	10.79	0.25	2.40
Latin America	6.11	6.26	0.15	2.53	6.34	6.48	0.14	2.27
Middle East	7.49	7.73	0.25	3.31	7.42	7.69	0.26	3.56
Africa	3.39	3.37	-0.03	-0.83	3.38	3.39	0.01	0.44
Total DCs	**27.26**	**27.87**	**0.61**	**2.24**	**27.67**	**28.35**	**0.68**	**2.44**
FSU	4.14	4.24	0.10	2.42	3.98	4.09	0.11	2.82
Other Europe	0.69	0.69	0.00	-0.19	0.65	0.65	0.01	1.08
China	9.13	9.45	0.32	3.53	9.54	9.88	0.35	3.62
Total "Other regions"	**13.96**	**14.38**	**0.42**	**3.02**	**14.16**	**14.62**	**0.46**	**3.28**
Total world	**87.68**	**87.86**	**0.19**	**0.21**	**86.56**	**87.86**	**1.30**	**1.50**

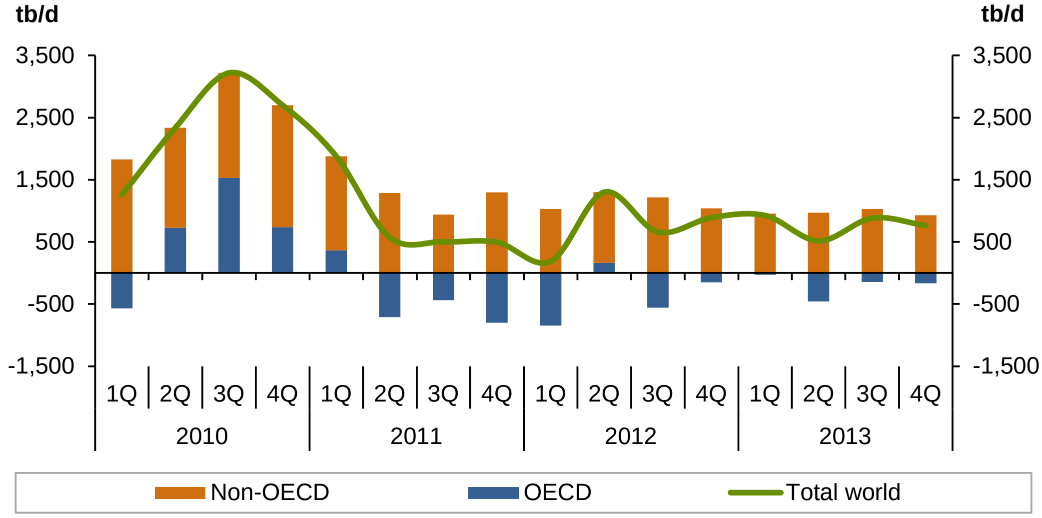
Totals may not add up due to independent rounding.

Table 4.3: 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	23.88	23.66	-0.23	-0.95	23.67	23.66	-0.01	-0.04
Western Europe	14.70	14.12	-0.58	-3.92	14.09	13.87	-0.22	-1.57
OECD Pacific	7.69	7.94	0.24	3.17	8.31	8.39	0.08	0.97
Total OECD	**46.28**	**45.72**	**-0.56**	**-1.21**	**46.07**	**45.92**	**-0.15**	**-0.33**
Other Asia	10.44	10.87	0.44	4.18	10.61	10.83	0.22	2.08
Latin America	6.54	6.73	0.19	2.89	6.50	6.66	0.16	2.50
Middle East	7.83	8.11	0.28	3.55	7.52	7.70	0.18	2.34
Africa	3.25	3.28	0.03	0.85	3.42	3.43	0.02	0.55
Total DCs	**28.05**	**28.98**	**0.93**	**3.32**	**28.04**	**28.62**	**0.58**	**2.06**
FSU	4.40	4.51	0.11	2.57	4.64	4.72	0.08	1.83
Other Europe	0.69	0.69	0.01	1.15	0.76	0.77	0.01	0.87
China	9.37	9.54	0.17	1.77	9.60	9.97	0.37	3.88
Total "Other regions"	**14.45**	**14.74**	**0.29**	**1.99**	**15.00**	**15.47**	**0.46**	**3.09**
Total world	**88.78**	**89.44**	**0.66**	**0.74**	**89.12**	**90.01**	**0.89**	**1.00**

Totals may not add up due to independent rounding.

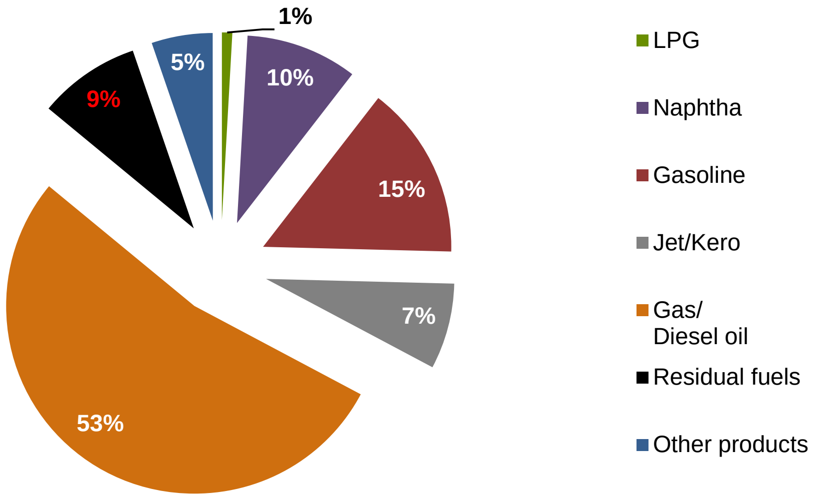
Graph 4.2: Quarterly world oil demand growth



Alternative fuels

A proposal has been submitted to the European Commission demanding not only eliminating subsidies, but also limiting the use of biofuels made from food by the year 2020. According to the Commission, the proposal aims to promote biofuels that substantially cut emissions, do not compete with food and can be sustained over time. This new proposal would reduce the blending mandate from 10% to 5%. There has been much concern across the world about the magnitude of the negative effects of biofuels on food availability and the environment. Furthermore, some companies in the biofuel business have scrapped ventures to produce cellulosic biofuels due to their being economically unfeasible. Instead, the biofuel industry is facing a challenge to commercially produce cellulosic biofuels that are economically feasible.

Graph 4.3: Forecast y-o-y growth in 2012 world oil demand, by product



OECD — North America

In 2012, North American demand projected to decrease by 0.25 mb/d

Unlike the 2010 fiscal and monetary stimulus plan in the US, the more recent monetary actions are having only a slight effect on the country's oil demand in the fourth quarter. This has been seen in the consumption of industrial products and gasoline. The aftermath of Hurricane Sandy could call for extra energy, mainly in November. Also, the weather conditions in the final two months of the year could affect oil use in the fourth quarter as well. A cold winter would trigger higher natural gas prices, hence leading to less fuel-switching. Furthermore, recent economic developments caused a minor increase to the country's oil demand in October.

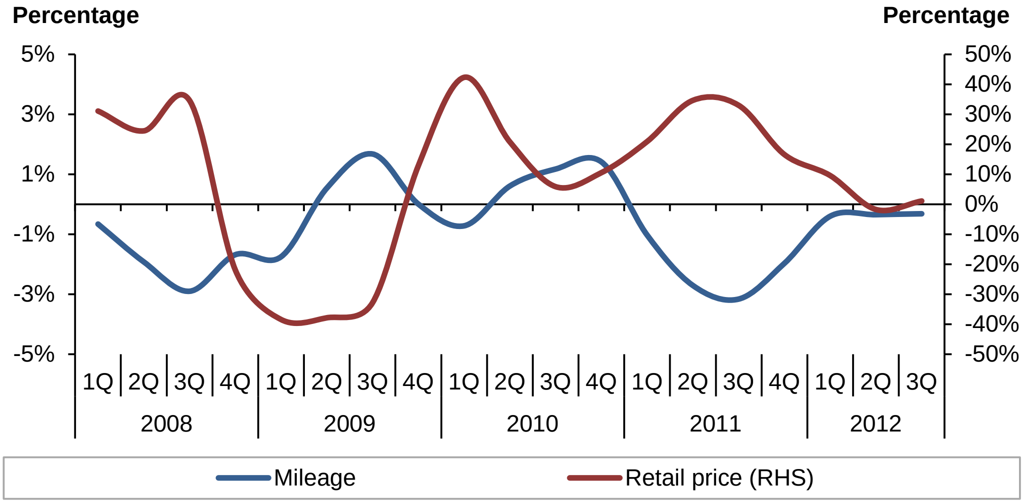
The latest monthly US oil consumption data for August confirms the recent downward trend, showing once again decreases of 0.9% y-o-y. All main product categories, with the exception of propane/propylene, gasoline and residual fuel oil, showed declines, and the bulk of these were seen in distillate consumption as a result of decreasing industrial activity. Industrial fuel use has been on the decline, due to a weak economy and high fuel prices. Taking into consideration weekly data for September and October, the first ten months of 2012 seem to have been generally disappointing for US consumption, showing contractions in all product categories. The main factors influencing consumption for most of 2012 were weak industrial production, the struggling economy, high retail fuel prices, increased taxes and fuel-switching, especially towards natural gas. Preliminary weekly data shows US oil consumption for September and October decreasing by 2.8% and increasing by a slight 0.5% respectively.

The latest reported figures for September's Mexican oil consumption showed a slight decrease of around 0.5%, compared with the same month last year. Jet fuel, diesel and naphtha were on the rise, while gasoline and liquefied petroleum gas faced shrinkages. And the latest available data for Canada in August saw oil demand decreasing by 0.7%, vis-à-vis last year; oil usage in transportation and industrial products dominated this decrease.

All in all, North American oil demand is projected to decrease by 0.25 mb/d in 2012.

Following the 30-year record low in 2009, and then two straight years of growth in 2010 and 2011 as a result of easier credit and low interest rates, auto sales in the US continued to grow strongly during the first three quarters of 2012, by 13%. Trends this year have been very similar to those of Europe. Sales of smaller and fuel-efficient vehicles have been on the rise, as gasoline prices became higher for some periods this year. In addition, sales of pickups and minivans have rebounded as businesses replaced older vehicles. Also sales of mid-size sport utility vehicles have increased by a strong 10% year-on-year (y-o-y). The latest information for October shows auto sales up by 11% y-o-y, as a result of low interest rates and aging cars that needed replacement. Moreover, the general sentiment concerning the economy seems to be improving. It is projected that 2012 will show a strong increase of around 12%, slightly higher than the earlier forecast of 10%.

Graph 4.4: US mileage vs. prices



Auto sales in Canada boomed in October, pushing industry sales up by nearly 8% from a year ago and putting sales on track for what could be a record year. Gasoline prices have been a key concern for cost-conscious buyers and that has helped push growth higher in the smaller, more fuel-efficient car category than in the truck segment. During the first three quarters of 2012, the Canadian auto market grew by 7%, and this rate is expected to last until year-end.

As a result of interrelationships between the Mexican and US automobile industries, Mexican auto production and exports during the first three quarters of 2012 inched up by 13% and 11%, compared with the same period of 2011. Despite the strong growth in domestic auto sales of 11% to 701,901 units, sales still remained below the level set in 2007, prior to the recession. The latest data from the Mexican Automobile Industry Association shows September production and domestic sales rising by 13% and 8%, while exports remained flat. The Mexican auto market is expected to continue growing at the same pace for the rest of the year.

OECD — Europe

For 2012, European oil consumption expected to shrink by 0.42 mb/d

Germany's retail gasoline prices are still at the higher end, after they climbed in August to 1.69 euros a litre, as a result of the massive taxation that the government levies on petroleum products. Consequently, the country's total transport fuel consumption decreased countrywide. Indeed, this behavioural trend has been seen across Europe and is not confined to Germany.

The UK power sector is forecasting a shortfall in electricity supply by 2015, as the country is forced to comply with the European Union's standards. According to Ofgem's Electricity Capacity Assessment report, the country is planning to shut down 11 GW of coal, oil and gas power units by 2015, although it is not known yet how the country will fill the deficit in power demand in three years' time. It may lean towards building nuclear plants, despite public resistance to them and the dangers associated with them.

European oil consumption contracted again in September, for the 13th month in a row, reflecting the region's tumbling economy. Consumption in Germany, France, Italy and the UK fell, with the bulk of decreases seen in transportation and industrial fuels, as a result of weak economies. Undoubtedly, the short- and medium-term development of European oil consumption does not appear to be positive, as debt problems continue in several of the continent's economies. European 'Big Four' oil demand decreased by 0.35 mb/d in September, compared with September 2011.

For 2012, European consumption is expected to shrink by 0.42 mb/d, as a result of the economic turbulence in several of the region's economies.

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

	Sep 12	Sep 11	Change from Sep 11	Change from Sep 11 %
LPG	358	399	-41	-10.4
Gasoline	1,167	1,249	-82	-6.6
Jet/Kerosene	839	835	3	0.4
Gas/Diesel oil	3,291	3,480	-189	-5.4
Fuel oil	380	436	-56	-12.9
Other products	1,199	1,187	12	1.0
Total	**7,233**	**7,587**	**-354**	**-4.7**

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

During the first three quarters of 2012, the European auto market was influenced heavily by the on-going financial crisis in several countries, with substantial decreases across the region in new passenger car registrations. According to figures from the European Automobile Manufacturers' Association, European new passenger car registrations decreased by a strong 8% during January to September y-o-y, with all the major markets recording negative figures. The UK was the only market to expand, by 4%, while Germany and France decreased by 2% and 14% respectively. Moreover, the Southern European markets experienced huge falls of 11% in Spain, 21% in Italy and, remarkably, 40% in Portugal and 43% in Greece.

In September, new car registrations continued their downward trend, declining for the 12th consecutive month. Demand for new cars was down by 11%, compared with September 2011. Looking at the major markets, Britain — again — was the only one to expand (8%), while Germany (–11%), France (–18%), Italy (–26%) and Spain (–37%) all faced double-digit downturns. The general trends in the region have continued to evolve during 2012 towards smaller, more fuel-efficient cars with lower emissions, while more than 54% of new cars have diesel engines. On average, Europeans change their cars every eight years.

OECD — Pacific

OECD Pacific oil consumption expected to grow in 2012, by 0.33 mb/d

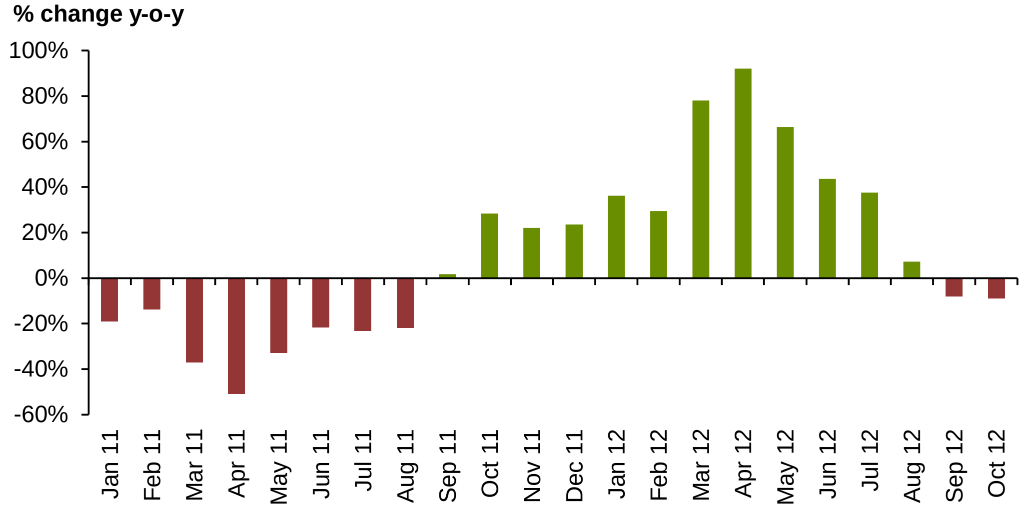
Record rainfall in July delivered floods and landslides into southern Japan, affecting transportation fuel consumption slightly. Japan's disappointing economic activities have reduced the country's oil use this summer. Crude and fuel oil direct burning by power plants has peaked and is expected to slide down in the last four months of the year.

In Japan, the latest September monthly data shows strong increases in crude consumption and residual fuel oil direct use, as the summer period came to an end. The consumption of most other product categories remained flat (LPG, gasoline and gas/diesel oil); jet fuel was the only category with notable increases. The direct crude and residual fuel burning for electricity production is expected to continue throughout 2012 and 2013, but at a much slower pace, as the current usage of fossil fuel for electricity generation seems to be the only option for covering the country's needs in the short term. Kerosene is used for heating in Japan and the preparation for the winter is expected to increase the use of this product during the final two months of the year.

In South Korea, August came up strong, increasing by 1.4% y-o-y; increases in industrial products, notably naphtha, more than offset declining consumption for transportation and industrial fuels.

OECD Pacific oil consumption is expected to grow in 2012, by 0.33 mb/d, while the bulk of the increase will result from direct crude/fuel oil burning for electricity generation and the substitution of nuclear plants.

Graph 4.5: Japanese new passenger car registrations, y-o-y % changes



Japanese auto demand had two phases during the first ten months of 2012. Very strong growth of 55% was observed during the period January–July — driven by strong tax incentives and subsidies, as well as benefiting from a low baseline following the catastrophic earthquake and tsunami. Thereafter, as the low baseline effect and government incentives ended, sales switched to the negative, showing the largest decline so far this year: –10% in October. The whole of 2012 is nevertheless projected to see growth of 30% y-o-y, as a result of the very strong first half of the year. Finally, Japan's auto industry also faces a gloomy outlook in China, as a result of anti-Japanese sentiment over a territorial dispute. The negative effect of this sentiment has already been felt in declining Japanese car sales in China.

October data shows automobile sales in South Korea increasing by a solid 9%, as production recovered from labour strikes in the country's two top automakers, Hyundai and Kia. The South Korean auto market is projected to shrink by 2% in 2012.

Developing countries

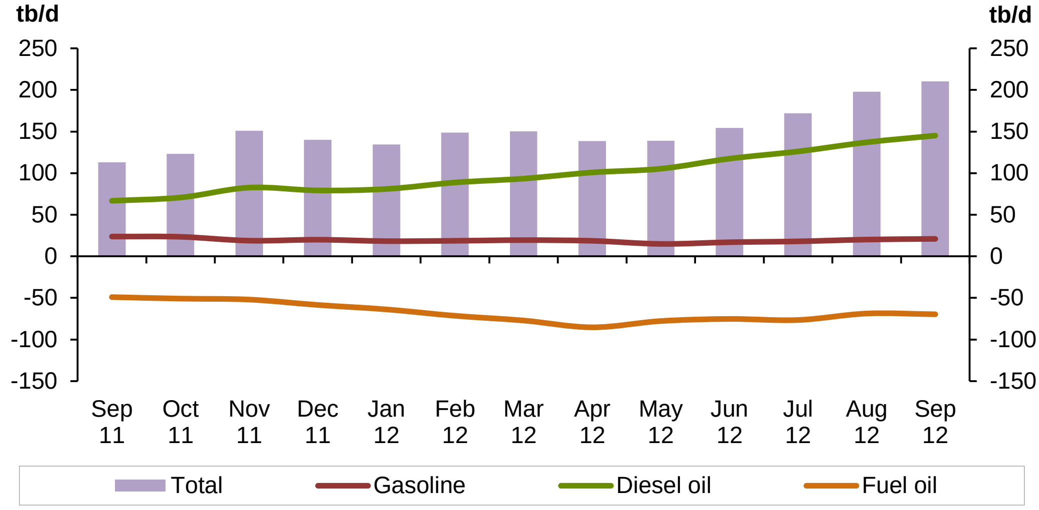
Developing countries' oil demand growth forecast at 0.7 mb/d y-o-y, averaging 28.5 mb/d in 2012

The effect of India's total massive power shutdown has been seen in the country's diesel demand for the third straight month in the row. This has led to the use of independent diesel-operated power-generation. The summer is the peak season for oil use in India, for various reasons. High oil demand in the summer is attributed to the transport, agricultural and industrial sectors. Diesel demand grew by more than 0.2 mb/d in the past three months. Oil demand has exceeded expectations this year for the above reasons, as well as improved economic activity during the year. The early forecast was set at 3.4% oil demand growth for the year; however, the current estimate is at 4.4%. As for September, the two most consumed petroleum products were diesel and LPG, with average consumption growth of 0.2 mb/d and 0.05 mb/d. Diesel alone grew by 11.8% in the first three quarters of the year, followed by gasoline with growth of 6.3% in the same period. This led to total oil demand growth for the same period of 6.4% or 0.22 mb/d y-o-y, averaging 3.6 mb/d.

Given strong oil demand by India, Other Asia's oil demand growth estimated at 0.29 mb/d in 2012

According to the data released by the Society of Indian Automobile Manufacturers, car sales in India fell by 5% in September y-o-y, as a result of pessimism about the overall economic situation of the country, relatively high fuel prices and high interest rates. As for the entire year, sales are forecast to grow by 4% overall.

Graph 4.6: Yearly changes in Indian oil demand, 12 month moving averages



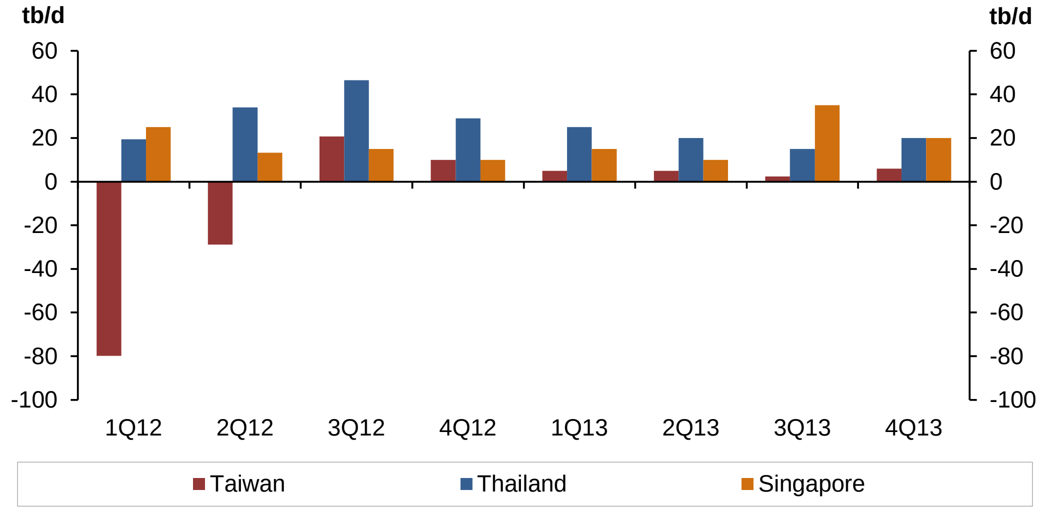
Taiwan's oil demand has been on the decline for the past seven quarters. This weakness is attributed mostly to economic activity related to the industrial sector. In the first nine months of the year, demand slid down by 2.8% y-o-y or 30 tb/d. Most of the decline was related to the lower use of fuel oil.

Table 4.5: Taiwan oil demand, tb/d

	Aug 12	Aug 11	Change	Change %
LPG	72	52	20	39.2
Gasoline	169	177	-7	-4.2
Jet/Kerosene	50	50	0	0.4
Gas/Diesel oil	91	97	-6	-6.5
Fuel oil	101	149	-48	-32.1
Other products	401	293	108	36.8
Total	**885**	**818**	**67**	**8.2**

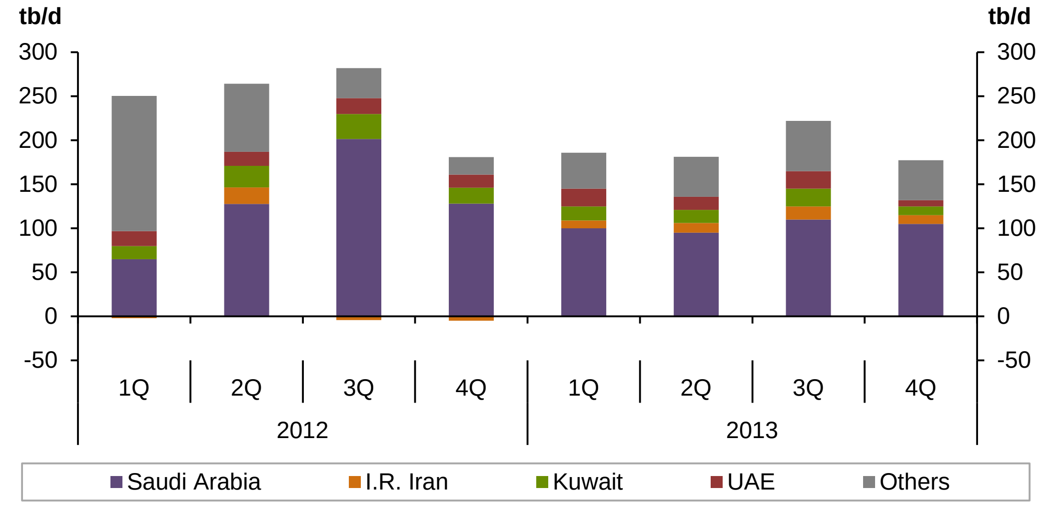
Indonesian oil demand grew by 2% in the first three quarters of this year, in comparison with the same period last year, adding another 26 tb/d to the country's total demand. This came about despite declines in both diesel and fuel oil use. Gasoline demand inched up by 6% in September, leading to a total use of half a million barrels. As for the first three quarters of the year, Indonesia consumed 1.3 mb/d, denoting growth of 3.3% or 44 tb/d. This growth is attributed to a growing economy and minor subsidies for some oil product consumption.

Graph 4.7: Oil consumption in selected Asian countries, y-o-y growth



Given the strong oil demand by India, Other Asia's oil demand growth is estimated at 0.29 mb/d y-o-y in 2012.

Graph 4.8: Yearly oil demand growth in the Middle East



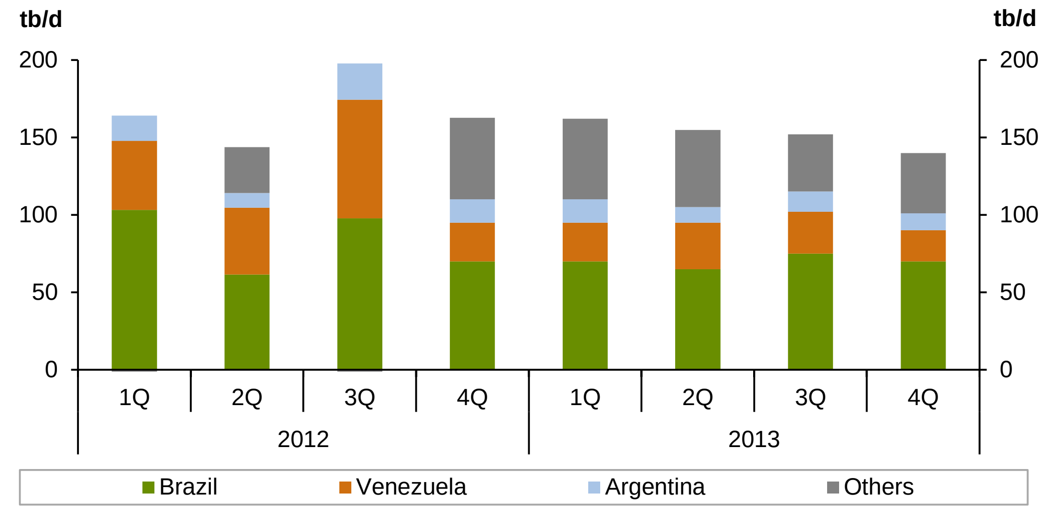
Middle East forecast to consume 7.8 mb/d at end of 2012, denoting growth of 0.2 mb/d in 2012

The partially removed gasoline subsidies on domestic consumption in Iran in the last quarter led to a reduction in gasoline demand by an average of 50 tb/d. Hence, the country's oil demand has been flat since then. However, demand is estimated to inch up a bit in the next two quarters.

Oil consumption in the Middle East has been growing strongly, reaching around 2.9% annually. Most of the growth is attributed to both the transport and industrial sectors. Gasoline, diesel and fuel oil are the most consumed products within the region. The top consuming countries are Saudi Arabia (2.8 mb/d) and Iran (1.8 mb/d). Caused by massive growth for diesel (87 tb/d) and gasoline (31 tb/d), Saudi oil demand increased by 0.15 mb/d in September y-o-y to average 2.5 mb/d. Diesel demand grew the most, due mainly to industrial use, since some power plants within the kingdom operate on diesel. For the first three quarters of the year, Saudi oil demand is estimated at 2.8 mb/d, denoting growth of 4%.

It is forecast that the Middle East will consume 7.8 mb/d at the end of 2012, indicating growth of 0.2 mb/d for 2012 y-o-y.

Graph 4.9: Yearly oil demand growth in the Latin America



Brazil's oil demand in August grew by a remarkable 5.4% y-o-y. This came about despite a massive decline in energy/alcohol use of –19.4% in the same period. Bad weather forced the government in the middle of the year to reduce the alcohol/ethanol-based blending mandate from 25% to 19%, and this caused the negative y-o-y demand. Gasoline and diesel demand grew by 14% and 7.35% y-o-y. The first three quarters saw oil demand grow by 2.7% or 0.7 mb/d y-o-y.

Venezuelan oil demand inched up by 13% in August y-o-y, as a result of strong demand for jet kerosene. This high demand growth was offset slightly by a decline of 29 tb/d in fuel oil. Jet kerosene is the second most consumed petroleum product in Venezuela after gasoline. Oil demand rose rapidly in the first three quarters of the year, by 5% or 36 tb/d. Gasoline and jet fuel consumption increased dramatically too. Venezuela's strong economic growth of 4.5% was the engine behind such strong energy demand. Furthermore, subsidized transport fuel pushed consumption higher. The strength in oil demand is one that should continue into next year.

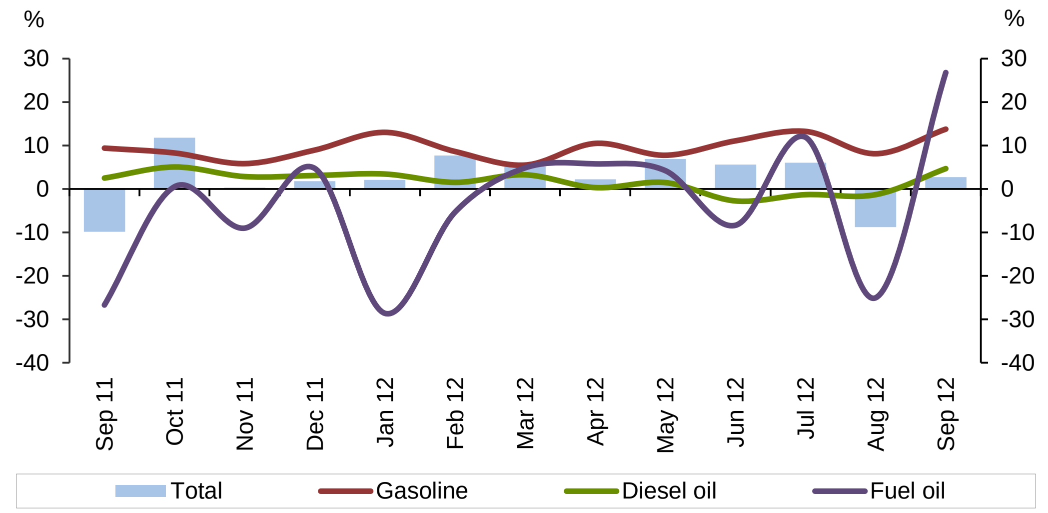
Developing countries' oil demand growth is forecast at 0.7 mb/d y-o-y, averaging 28.5 mb/d in 2012 and indicating an upward revision of 0.06 mb/d from the last MOMR.

Other regions

China's oil demand growth forecast at 3% or 0.3 mb/d in first three quarters of year

China's oil demand has been faltering during the summer, reducing heavily expected growth projections. Electricity demand from power plants, which operate partly on fuel oil, increased by 2.9% in September y-o-y, the lowest monthly growth since January. This was an indicator of a slowing economy. This, of course, affected all types of energy use, not only oil. September's oil demand rose by only 0.2 mb/d y-o-y, leading to third-quarter growth of 0.17 mb/d. This slowdown resulted from both slowing economic activity, mainly industrial, and the country's use of a different pricing mechanism. China has embarked on two initiatives affecting oil demand. One is the adoption of new laws to curb sales of vehicles within large cities, while the second is passing on most of the increase in international oil prices to the end-user. Hence domestic demand has shrunk slightly. Chinese gasoline demand reflected transport expansion, growing by 10% in the first three quarters. Diesel, on the other hand, did not follow its normal trend, as a result of slowing industrial activity. The country consumed only 29 tb/d of extra diesel in the same period. Lower-than-expected diesel demand is not expected to be the trend in the near future. A recovery in industrial manufacturing will push diesel demand up in the next few months. Should the country's economy revive in the coming months, then the use of oil will be as forecast earlier. The downside risk to the current forecast for oil demand growth is estimated at 0.05 mb/d for the year. October's oil demand is expected to be slightly better than September's, despite the the week-long holidays in October.

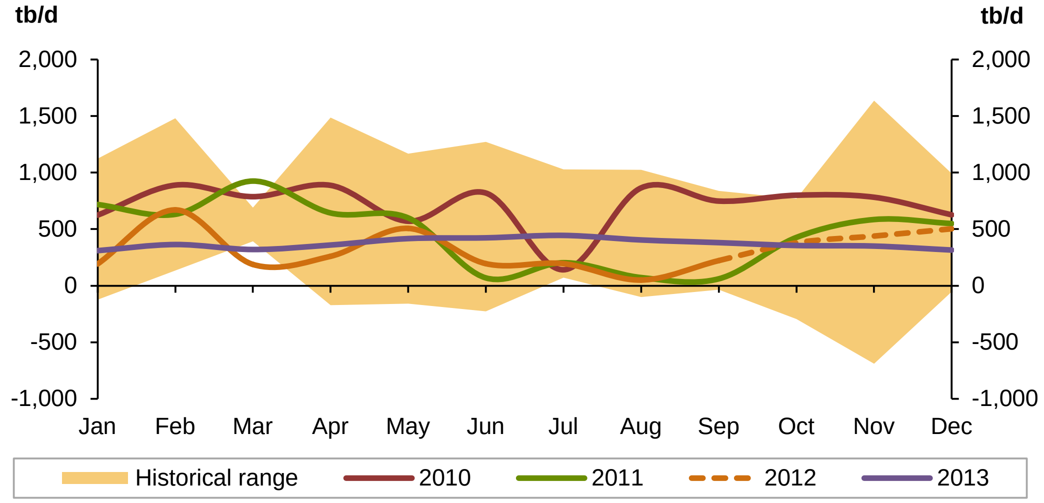
Graph 4.10: Changes in Chinese main oil products apparent consumption, y-o-y



China's oil demand growth is forecast at 3% or 0.3 mb/d in the first three quarters of the year y-o-y.

According to the statistics and analysis of the China Association of Automobile Manufacturers, the country's automobile sales decreased by almost 2% in September y-o-y. Among the main automobile categories, passenger car sales decreased by 0.3%, while those for commercial vehicles increased by 9%. During the first nine months of 2012, auto sales in China went up by almost 4% — passenger car sales rose 7% and commercial vehicles sales declined by 9%, compared with the same period last year. As for the entire year of 2012, growth of only 3% is projected. This is marginally lower than last year's sales rate. This weak level of auto sales is related mainly to new government policies to reduce vehicle sales and the slowing economy.

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

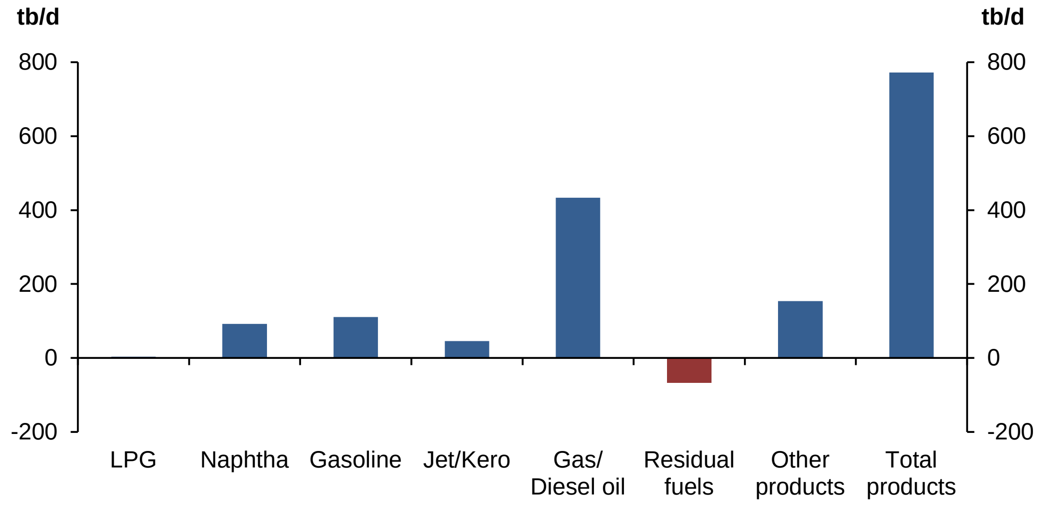


World oil demand in 2013

World oil demand forecast to continue growing in 2013, by 0.8 mb/d to 89.6 mb/d

Expected challenges in the global economy next year is creating much uncertainty about world oil demand. Hence the forecast oil demand growth has a notable downside risk, especially in the first half of the year. Much of this risk is attributed to not only the OECD, but also China and India. A spill over from the troubled European economy will affect other regions of the world. Some factors affecting next year's oil demand forecast are the current ambiguity in the world GDP assessment, retail petroleum prices and abnormal weather conditions, and these could lead to a reassessment of world oil demand later in the year. Such variables could reduce the world oil demand growth forecast by 20% next year. The outlook for US oil consumption in 2013 remains rather pessimistic, especially when taking into consideration economic developments and fuel-switching.

Graph 4.12: Forecast y-o-y growth in 2013 world oil demand, by product



Furthermore, oil demand in the US and China, which are expected to be the main players in next year's world demand growth profile, can change the overall rhythm of the demand pattern. World demand is forecast to continue its growth during 2013 to reach 0.8 mb/d y-o-y and average 89.6 mb/d for the year.

North America's oil consumption during 2013 will remain weak, although it should be in better shape than this year. In OECD Europe, the continent's consumption is projected to decrease again, by 0.24 mb/d, thus showing hardly any improvement; this is as a result of the weak European financial outlook. As for the OECD Pacific, consumption is projected to lose the strength that was seen in 2012 and be flat.

Table 4.6: World oil demand forecast for 2013, mb/d

							Change 2013/12	
	2012	1Q13	2Q13	3Q13	4Q13	2013	Growth	%
North America	23.48	23.29	23.37	23.75	23.70	23.53	0.04	0.19
Western Europe	13.86	13.50	13.48	13.86	13.64	13.62	-0.24	-1.71
OECD Pacific	8.19	8.79	7.59	7.96	8.41	8.19	-0.01	-0.07
Total OECD	**45.54**	**45.58**	**44.43**	**45.57**	**45.75**	**45.34**	**-0.20**	**-0.44**
Other Asia	10.75	10.69	10.97	11.06	11.00	10.93	0.18	1.70
Latin America	6.53	6.43	6.63	6.88	6.80	6.69	0.15	2.33
Middle East	7.81	7.92	7.87	8.33	7.88	8.00	0.19	2.45
Africa	3.37	3.37	3.40	3.28	3.43	3.37	0.00	0.06
Total DCs	**28.46**	**28.41**	**28.87**	**29.55**	**29.11**	**28.99**	**0.53**	**1.86**
FSU	4.39	4.33	4.17	4.58	4.82	4.48	0.09	1.96
Other Europe	0.70	0.70	0.66	0.70	0.78	0.71	0.00	0.68
China	9.71	9.77	10.25	9.92	10.31	10.06	0.35	3.62
Total "Other regions"	**14.81**	**14.80**	**15.07**	**15.20**	**15.91**	**15.25**	**0.44**	**2.99**
Total world	**88.80**	**88.79**	**88.37**	**90.32**	**90.77**	**89.57**	**0.77**	**0.87**
Previous estimate	88.81	88.87	88.34	90.37	90.77	89.60	0.78	0.88
Revision	-0.01	-0.08	0.04	-0.05	0.00	-0.02	-0.01	-0.01

Totals may not add up due to independent rounding.

Auto industry

As a result of the weaker US economy, the country's auto sales for 2013 are forecast to grow at a slower rate of around 3%. This is expected to affect all auto sectors and mainly the larger types of vehicle. As for the Canadian auto market, the level of growth is forecast to be around 7% during 2013. The negative spillover from the US market is expected to hit the Canadian auto market hard next year. The Mexican auto market is expected to grow next year at the same pace as in 2012.

The 2013 European auto market will almost certainly be dominated by economic concerns, stronger austerity measures and high unemployment in several countries, further influencing current trends. There are expectations of a further shrinking in the market by as much as 10% y-o-y, depending on the magnitude of the sovereign debt crisis in the region. This decline in some markets could be down to 20-year lows. The shrinking European auto market will affect the Pacific auto market as well.

This will create a big challenge for the industry, as the excess production capacity will lead to an inability to compete with foreign autos. Inevitably, automobile production in Europe would need to be adjusted towards future lower demand, with all the implied consequences of this.

During 2013, minor growth of 5% is expected, whereas projections will depend strongly on the evolution of the Japanese economy. This is basically the consequence of a troubled economy and the lack of government incentives. South Korea's auto sales are expected to shrink to only 1% in 2013. This is due to a slowdown in the economy, the lack of plans for new car releases and the fading out of tax reduction benefits. The South Korean government cut special consumption taxes on vehicles temporarily last month in a bid to boost domestic demand; however, the tax-cut plan is scheduled to be over at the end of the year. The outlook for the South Korean market during 2013 is dependent largely upon developments in the US and Euro-zone economies and the level of the country's currency exchange rate.

The lack of government incentives will slow the growth of new car sales in India to an overall 3% in 2013. Chinese auto sales for 2013 are expected to grow by a minor 2%, depending on government regulatory constraints against private car ownership. Furthermore, retail fuel prices and a slowing economy are likely to impose a strong downside risk to the development of the Chinese auto market next year and discourage consumers from purchasing new vehicles. Some Chinese cities in east-central China, such as Nanjing and Hangzhou, are planning to require cleaner gas and diesel. Others, like Xi'an and Urumqi in north-western China, are banning and scrapping cars built before 2005, when the automotive emission rules were less stringent.

Graph 4.13: World oil demand by regions for 2013

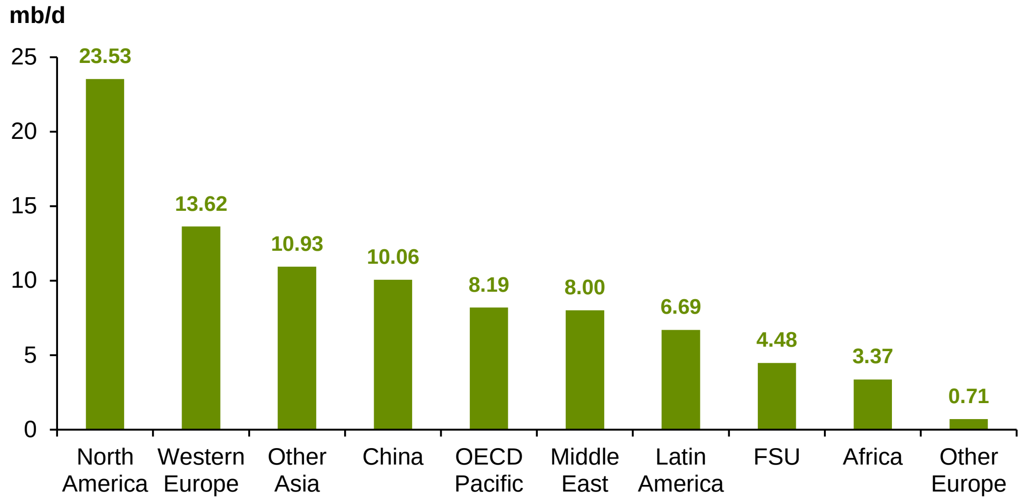


Table 4.7: First and second quarter world oil demand comparison for 2013, mb/d

	1Q12	1Q13	*Change 2013/12* Volume	%	2Q12	2Q13	*Change 2013/12* Volume	%
North America	23.15	23.29	0.14	0.61	23.46	23.37	-0.10	-0.41
Western Europe	13.69	13.50	-0.19	-1.38	13.75	13.48	-0.27	-1.96
OECD Pacific	8.77	8.79	0.02	0.23	7.68	7.59	-0.09	-1.17
Total OECD	**45.61**	**45.58**	**-0.03**	**-0.06**	**44.89**	**44.43**	**-0.46**	**-1.02**
Other Asia	10.51	10.69	0.18	1.75	10.79	10.97	0.19	1.71
Latin America	6.26	6.43	0.16	2.59	6.48	6.63	0.15	2.39
Middle East	7.73	7.92	0.19	2.40	7.69	7.87	0.18	2.36
Africa	3.37	3.37	0.00	0.12	3.39	3.40	0.00	0.13
Total DCs	**27.87**	**28.41**	**0.54**	**1.92**	**28.35**	**28.87**	**0.53**	**1.85**
FSU	4.24	4.33	0.09	2.14	4.09	4.17	0.08	1.93
Other Europe	0.69	0.70	0.01	0.87	0.65	0.66	0.00	0.46
China	9.45	9.77	0.32	3.39	9.88	10.25	0.37	3.69
Total "Other regions"	**14.38**	**14.80**	**0.42**	**2.90**	**14.62**	**15.07**	**0.45**	**3.06**
Total world	**87.86**	**88.79**	**0.92**	**1.05**	**87.86**	**88.37**	**0.52**	**0.59**

Totals may not add up due to independent rounding.

Table 4.8: Third and fourth quarter world oil demand comparison for 2013, mb/d

	3Q12	3Q13	*Change 2013/12* Volume	%	4Q12	4Q13	*Change 2013/12* Volume	%
North America	23.66	23.75	0.09	0.39	23.66	23.70	0.04	0.16
Western Europe	14.12	13.86	-0.26	-1.83	13.87	13.64	-0.23	-1.66
OECD Pacific	7.94	7.96	0.02	0.25	8.39	8.41	0.03	0.31
Total OECD	**45.72**	**45.57**	**-0.15**	**-0.32**	**45.92**	**45.75**	**-0.17**	**-0.36**
Other Asia	10.87	11.06	0.19	1.75	10.83	11.00	0.17	1.60
Latin America	6.73	6.88	0.15	2.26	6.66	6.80	0.14	2.10
Middle East	8.11	8.33	0.22	2.74	7.70	7.88	0.18	2.30
Africa	3.28	3.28	0.00	0.13	3.43	3.43	0.00	-0.13
Total DCs	**28.98**	**29.55**	**0.57**	**1.96**	**28.62**	**29.11**	**0.49**	**1.70**
FSU	4.51	4.58	0.08	1.67	4.72	4.82	0.10	2.10
Other Europe	0.69	0.70	0.01	0.72	0.77	0.78	0.01	0.65
China	9.54	9.92	0.38	3.98	9.97	10.31	0.34	3.41
Total "Other regions"	**14.74**	**15.20**	**0.46**	**3.12**	**15.47**	**15.91**	**0.44**	**2.87**
Total world	**89.44**	**90.32**	**0.88**	**0.99**	**90.01**	**90.77**	**0.76**	**0.85**

Totals may not add up due to independent rounding.

World Oil Supply

Non-OPEC supply projected to increase by 0.49 mb/d in 2012

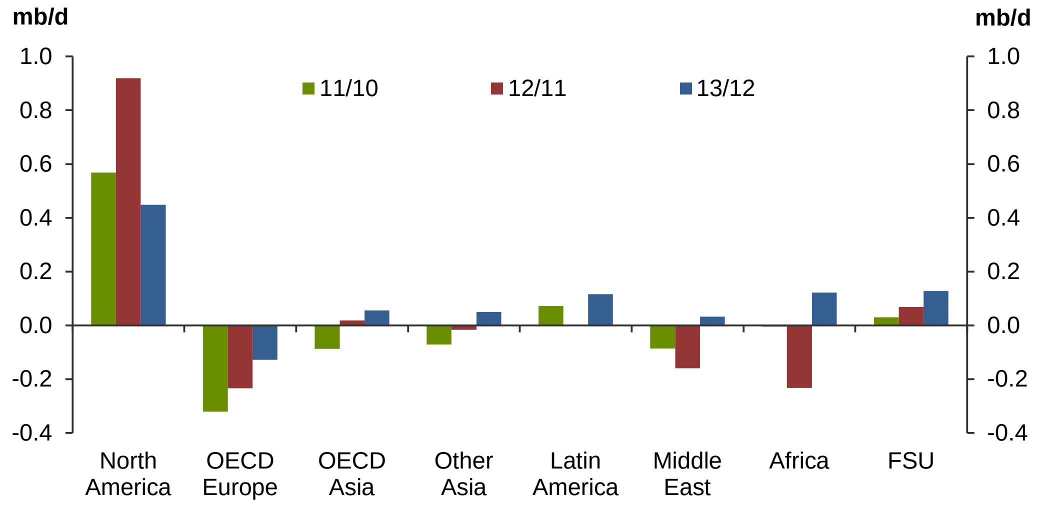
Non-OPEC

Forecast for 2012

Non-OPEC oil supply is expected to increase by 0.49 mb/d in 2012 to average 52.95 mb/d. This represents a downward revision of 55 tb/d from the previous *Monthly Oil Market Report (MOMR)*. The adjustment applies to all quarters of 2012, with the second half having a larger revision than the first, as updated third-quarter production showed lower-than-expected output. The supply profiles of Canada, Norway, the United Kingdom, Indonesia, Brazil and Colombia were revised down, while upward revisions were made to Australia's and China's supply projections. The downward revisions were much larger than the upward ones, resulting in the overall downward revision to non-OPEC supply in 2012. Most of the revisions came on the back of updated production data, with the third quarter experiencing the largest revisions as more current production data became available. Furthermore, some of the downward revisions in the third quarter were carried over to the fourth quarter, in addition to changes to the output expectations for some fields. OECD Western Europe's supply experienced the biggest downward revision in the third quarter, as preliminary data indicated lower-than-expected output in Norway and the UK. The largest upward revision was introduced to OECD Pacific supply, as improved output from Australia in the early parts of the third quarter supported the revision.

North America remains the region with the highest expected growth among all non-OPEC regions in 2012, followed by China and the former Soviet Union (FSU). Conversely, OECD Western Europe, Africa and the Middle East are seen as the regions expected to have the highest declines among non-OPEC producers.

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



According to preliminary and estimated data, total non-OPEC supply in the third quarter of 2012 increased by 0.43 mb/d over the same period a year earlier. During the first three quarters, non-OPEC supply increased by 0.47 mb/d, compared with the same period of the previous year. On a quarterly basis, non-OPEC supply is expected to average 53.21 mb/d, 52.61 mb/d, 52.49 mb/d and 53.47 mb/d respectively.

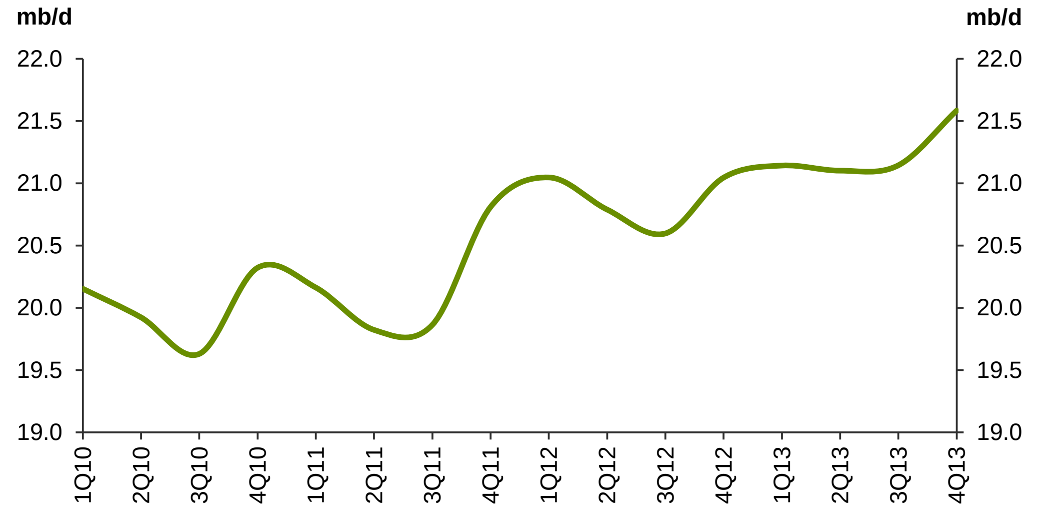
Table 5.1: Non-OPEC oil supply in 2012, mb/d

	2011	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11
North America	15.53	16.47	16.35	16.43	16.55	16.45	0.92
Western Europe	4.07	4.07	3.91	3.50	3.86	3.83	-0.23
OECD Pacific	0.57	0.51	0.53	0.66	0.64	0.59	0.02
Total OECD	**20.17**	**21.05**	**20.79**	**20.60**	**21.05**	**20.87**	**0.70**
Other Asia	3.63	3.65	3.56	3.59	3.66	3.61	-0.02
Latin America	4.75	4.85	4.71	4.67	4.79	4.75	0.00
Middle East	1.69	1.43	1.53	1.58	1.59	1.53	-0.16
Africa	2.59	2.41	2.31	2.32	2.41	2.36	-0.23
Total DCs	**12.67**	**12.33**	**12.10**	**12.16**	**12.45**	**12.26**	**-0.41**
FSU	13.24	13.36	13.25	13.23	13.40	13.31	0.07
Other Europe	0.14	0.14	0.15	0.14	0.14	0.14	0.00
China	4.12	4.16	4.16	4.20	4.27	4.20	0.08
Total "Other regions"	**17.50**	**17.66**	**17.55**	**17.57**	**17.81**	**17.65**	**0.15**
Total Non-OPEC production	**50.33**	**51.04**	**50.44**	**50.32**	**51.30**	**50.78**	**0.44**
Processing gains	2.12	2.17	2.17	2.17	2.17	2.17	0.05
Total Non-OPEC supply	**52.46**	**53.21**	**52.61**	**52.49**	**53.47**	**52.95**	**0.49**
Previous estimate	52.44	53.23	52.64	52.67	53.46	53.00	0.56
Revision	0.01	-0.02	-0.03	-0.18	0.01	-0.05	-0.07

OECD

OECD total oil supply is expected to increase by 0.70 mb/d in 2012 to average 20.87 mb/d, following a downward revision of 15 tb/d from the previous month. This downward revision was introduced to OECD Western Europe and North America, while the forecast for OECD Pacific supply saw an upward revision that offset part of the downward one. The OECD supply profile remains steady, with strong growth in North America leading the overall growth, a relatively sharp decline in OECD Western Europe and steady supply from OECD Pacific in 2012. According to preliminary actual and estimated data, OECD supply averaged 20.60 mb/d in the third quarter, a decrease of 190 tb/d from the previous quarter and an increase of 0.74 mb/d compared with the same quarter last year. During the first three quarters of 2012, OECD supply witnessed an average increase of 0.86 mb/d, compared with the same period a year earlier. On a quarterly basis, OECD supply is seen to average 21.05 mb/d, 20.79 mb/d, 20.60 mb/d and 21.05 mb/d respectively.

Graph 5.2: OECD's quarterly production



North America

North America's oil production is forecast to increase by 0.92 mb/d in 2012, the highest rise among all non-OPEC regions, to average 16.45 mb/d, denoting a minor downward revision of 15 tb/d from 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 American supply forecast. On average, North American supply increased by

1.11 mb/d during the first three quarters of 2012 compared with the same period of 2011, according to preliminary data. On a quarterly basis, North American supply is expected to stand at 16.47 mb/d, 16.35 mb/d, 16.43 mb/d and 16.55 mb/d respectively.

US

In August, Texas supply reach 24- year high, supported by shale output

US oil supply is forecast to increase by 0.71 mb/d in 2012 to average 9.74 mb/d, which is unchanged compared with the previous *MOMR*. Despite this steady state, there were downward and upward revisions on a quarterly basis that offset each other. The downward revisions came in the first and second quarters to adjust for updated production data. The third and fourth quarters' supply experienced minor upward revisions to adjust for updated production data that continued to show a strong increase, as well as a few changes to output expectations. Additionally, historical data revisions to 2010 and 2011 supply affected the figures for 2012. The strong growth that has been achieved so far and that is expected to continue through 2012 is supported by the shale developments in Texas, North Dakota and other locations. Furthermore, new NGL capacity further supported the expected growth in US supply in 2012.

North Dakota's supply reached a new record average of 701 tb/d in August, depicting an increase of 25 tb/d from the previous month and growth of 255 tb/d compared with the same period a year earlier. This strong growth was driven by shale developments in the Bakken formation, where 7,701 wells were producing in July, an increase of 234 wells from the previous month. Additionally, increased rail transfer capacity supported the output growth, since it allowed more refineries access to the oil. Texas oil production averaged 2.00 mb/d in August, the highest monthly average since June 1988. The continued strong growth was supported by shale oil developments in the Eagle Ford and other formations. This meant an increase for Texas of 75 tb/d from the previous month and growth of 515 tb/d compared with the same month a year earlier. Moreover, US NGL production continued to show healthy growth signs. The restart of closed and the opening of new petrochemical plants was seen to support NGL prices and production. According to preliminary data, US supply decreased by 50 tb/d in the third quarter from the previous quarter and increased by 0.79 mb/d compared with the same period a year ago. On a quarterly basis, US supply was estimated to average 9.74 mb/d, 9.74 mb/d, 9.69 mb/d and 9.80 mb/d respectively.

Canada and Mexico

Canada's output increased by 0.2 mb/d in third quarter y-o-y

Canadian oil supply is forecast to increase by 0.23 mb/d in 2012 to average 3.79 mb/d, indicating a minor downward revision of 15 tb/d compared with the previous *MOMR*. This revision occurred in the second and third quarters, reflecting updated production data. Despite the downward revision, Canada's supply is expected to achieve the highest annual growth since 1979 in 2012, and this would be the second largest among all the non-OPEC countries. This growth is supported by oil sands, shale oil and NGL production increases. Canadian NGL supply is expected to continue to increase, since the liquid drilling activity level is no longer offsetting the decline in gas activity, due to the low prices, whereby service companies are starting to show lower earnings which are leading to lower service prices. Such a move is expected to provide support for NGL, oil sand and shale oil activities. Maintenance at the Horizon Oil Sands Project has been shifted to the fourth quarter, after being planned for the third. The two-week maintenance is expected to curtail the output of the project. According to preliminary data, Canada's oil supply averaged 3.82 mb/d in the third quarter of 2012, an increase of 140 tb/d from the second quarter and growth of 0.20 mb/d compared with the third quarter of 2011. On a quarterly basis, Canada's supply is expected to average 3.81 mb/d, 3.68 mb/d, 3.82 mb/d and 3.85 mb/d respectively.

Mexico's supply to remain steady in 2012 with 30 tb/d decline from previous year

Mexico's oil production is expected to decline by 30 tb/d in 2012 to average 2.88 mb/d, unchanged from the previous month. Despite this steady state, there was a minor downward revision introduced to third-quarter supply, although this did not influence the annual figure. This revision came about to adjust for updated production figures in the third quarter. Preliminary data for October indicated a minor decrease from September, driven by a decline in Ku-Maloob-Zaap production. During the first three quarters, Mexico's supply remained relatively steady, compared with the same period in the previous year, with a minor decline of 25 tb/d on average. On a quarterly basis, supply is seen to average 2.92 mb/d, 2.93 mb/d, 2.92 mb/d and 2.89 mb/d respectively.

OECD Western Europe's third-quarter output was lowest quarterly level for 30 years

Western Europe

Total OECD Western Europe oil is expected to decline by 0.23 mb/d in 2012 to average 3.83 mb/d, denoting a downward revision of 50 tb/d from 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 is the region with the biggest decline among all the non-OPEC regions in 2012. According to preliminary data, its production averaged 3.50 mb/d in the third quarter, the lowest quarterly output since 1983, indicating a decline of 0.41 mb/d from the second quarter and a drop of 0.36 mb/d compared with the same quarter of 2011. On a quarterly basis, OECD Western Europe's supply is seen as standing at 4.07 mb/d, 3.91 mb/d, 3.50 mb/d and 3.86 mb/d respectively.

Technical issues to halt Norway's Gjoa output in November for about two weeks

Norway's oil production is forecast to decline by 0.10 mb/d in 2012 and average 1.94 mb/d, representing a downward revision of 20 tb/d from the previous *MOMR*. Updated production data for the third quarter of 2012 led to this adjustment, in addition to some changes to the fourth quarter's supply outlook. Norway's supply in the third quarter reached the lowest level since the third quarter of 1990. Maintenance and unplanned outages affected production, in addition to natural declines. Output from the Valhall and Hod projects were curtailed in the third quarter. In addition, due to technical issues, the Gjoa field will be shut down for two weeks in November, and this has an impact on the fourth quarter's outlook. According to preliminary data, Norway's supply declined by around 95 tb/d during the first three quarters, compared with the same period a year ago. On a quarterly basis, its production is expected to average 2.08 mb/d, 1.98 mb/d, 1.76 mb/d and 1.95 mb/d respectively.

UK's third-quarter output is lowest for 35 years

The UK's oil production is expected to decline by 0.14 mb/d in 2012 to average 0.98 mb/d, which means a downward revision of 30 tb/d since the previous month. This would be the first time it has fallen below the 1.0 mb/d mark since 1977. This revision was introduced to the second half of 2012, as updated production data suggested a large decline in output compared with previous expectations, mainly in the third quarter. The revision was partly carried over to the fourth quarter. During the third quarter, the UK's oil supply reports averaged 0.83 mb/d, the lowest level since the third quarter of 1977. Output is expected to increase in the fourth quarter as production from some fields is seen to return to normal levels. During the first three quarters of 2012, UK production declined by an average of 0.15 mb/d, compared with the same period last year. On a quarterly basis, output is expected to average 1.08 mb/d, 1.01 mb/d, 0.83 mb/d and 1.01 mb/d respectively.

Asia Pacific

The OECD Pacific's total oil production is predicted to remain steady in 2012, with a minor increase of 20 tb/d to average 0.59 mb/d, indicating an upward revision of 50 tb/d from last month. This revision came from Australia, while New Zealand's supply estimate remained unchanged. On a quarterly basis, total OECD Pacific supply is seen to average 0.51 mb/d, 0.53 mb/d, 0.66 mb/d and 0.64 mb/d respectively.

Australian supply improved in early part of third quarter

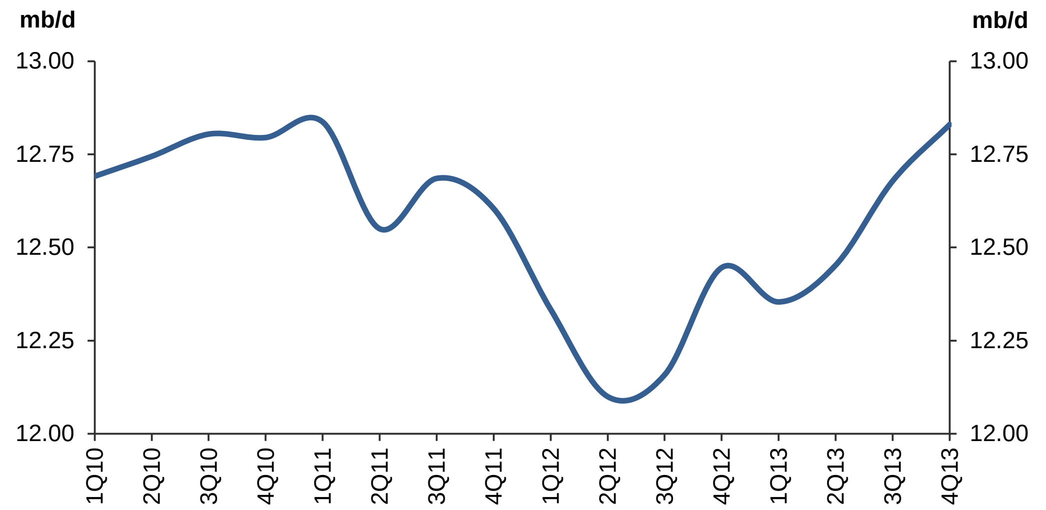
Australia's oil supply is projected to remain relatively steady in 2012, with a minor increase of 20 tb/d from the previous year to average 0.50 mb/d, constituting an upward revision of around 50 tb/d compared with the previous *MOMR*. This revision was introduced in the third quarter and was partly carried over to the fourth quarter. Updated production data in the third quarter led to the revision, since the data for the early part of the third quarter indicated a healthy increase from the second quarter. This increase is seen as output returning to its normal level after the adverse weather conditions in the first half of the year. The upward revision came about despite a report that the Montara field's operator had delayed the start-up of the field to 2013 from late-2012. During the first three quarters of 2012, Australia's supply remained steady, compared with the same period of 2011. On a quarterly basis, it is seen to stand at 0.43 mb/d, 0.45 mb/d, 0.57 mb/d and 0.55 mb/d respectively.

Developing countries

DC supply to decline by 0.41 mb/d in 2012 to average 12.26 mb/d

Developing countries' (DCs) total oil supply is forecast to decline by 0.41 mb/d in 2012 to average 12.26 mb/d, which means a downward revision of 55 tb/d from the previous month. This revision affected mainly the second half of 2012 and was driven mainly by updated production data in the third quarter which was below expectations for a few countries and was partly carried over to the fourth quarter. In general, the current DC supply profile indicates steady supply from Latin America and Other Asia, while supply from Africa and the Middle East is expected to decline. Latin America's supply is now expected to remain steady in 2012, as the expected output growth in Colombia is seen to offset declines in other countries in the region, including Brazil. Latin America experienced a downward revision of around 30 tb/d compared with the previous month's assessment. On a country basis, Oman, Vietnam and Colombia are expected to have the highest growth among all DC countries, while South Sudan and Sudan, Syria and Indonesia are seen to have the biggest declines. During the first three quarters of 2012, DC supply is estimated to have declined by 0.49 mb/d, compared with the same period of 2011. On a quarterly basis, it is expected to average 12.33 mb/d, 12.10 mb/d, 12.16 mb/d and 12.45 mb/d respectively.

Graph 5.3: Developing Countries' quarterly production



Other Asia's supply to experience minor decline in 2012 driven mainly by Indonesia

Other Asia's oil production is estimated to decrease by 20 tb/d in 2012 to average 3.61 mb/d, representing a minor downward revision of less than 10 tb/d from the previous *MOMR*. The revisions occurred for the second half, mainly to adjust for updated production figures in the third quarter that were partly carried over to the fourth. India's supply is seen to remain steady in 2012 and average 0.88 mb/d, unchanged from the previous month. It was revised down slightly in the third quarter, but did not affect the annual level. Vietnam's supply is expected to average 0.39 mb/d in 2012, an increase of 40 tb/d from the year before and steady from the previous *MOMR*. The expected growth is supported by different projects including Su Tu Trang. The Vietnamese authorities revised up the country's output forecast for 2012 as current data indicated healthy production levels. On a quarterly basis, Other Asia's supply is seen to stand at 3.65 mb/d, 3.56 mb/d, 3.59 mb/d and 3.66 mb/d respectively.

Oil supply from Indonesia, the region's largest producer, is expected to decline by 60 tb/d in 2012 to average 0.97 mb/d. This drop was anticipated, since natural declines have affected output, together with limited volumes from new developments in 2012, as well as unplanned shutdowns and land-clearing issues that delayed permits. Indonesia's supply estimates were revised down by 10 tb/d from the previous *MOMR* on updated production data in the third quarter that was partly carried over to the fourth quarter. Indonesian government authorities revised down their output forecast for 2012 due to the low production figures so far. Malaysia's supply is forecast to average 0.65 mb/d in 2012, steady from the previous year and the last *MOMR*.

Colombian security issues reduce forecast growth

Latin America's oil production is projected to remain relatively steady in 2012 to average 4.76 mb/d, constituting a downward revision of 40 tb/d from the previous *MOMR*. The revision came in the second half of 2012, mainly for the third quarter, to adjust for updated production data. Argentina's supply is expected to average 0.74 mb/d in 2012, flat from the previous year. Healthy biofuel growth offset the limited new developments, as well as various strike actions that had a negative influence on supply. Colombia's production is expected to increase by 30 mb/d in 2012 to average 0.95 mb/d, denoting a minor downward revision of 20 tb/d from the previous month's assessment. The revision occurred in the third quarter to adjust for updated production figures and was partly carried over to the fourth quarter. Colombia's supply in September reached a new high level for the year, being slightly higher than the April figure. Its supply growth has been revised down since the beginning of the year due to security issues. Reports indicate that there were 123 oil-related attacks during the first three quarters of 2012. However, despite this, Colombia's expected supply growth in 2012 marks the highest level in Latin America. On a quarterly basis, Latin America's oil production is seen to average 4.85 mb/d, 4.71 mb/d, 4.67 mb/d and 4.79 mb/d respectively.

Brazil's oil supply to fall in 2012 on technical delays, natural decline and weather issues

Brazil's oil supply is expected to decrease by 10 tb/d in 2012 to average 2.63 mb/d, indicating a downward revision of 20 tb/d from the previous month. This revision came in the third quarter and was partly carried over to the fourth. Updated production data for the third quarter led to the adjustment. Brazil's supply in the third quarter fell short of the second quarter's level, mainly on shutdowns for maintenance, natural declines, technical issues and the slow introduction of new volumes. In addition, ethanol production so far is revealing lower levels than in the previous year, due to unfavourable weather conditions. Moreover, further downward revisions are possible in the coming months, as more data become available, especially for ethanol output. During the first three quarters, Brazil's supply remained relatively steady, compared with the same period of 2011, as the growth achieved in the first quarter was offset by the declines in the second and third quarters. On a quarterly basis, Brazil's supply is expected to average 2.72 mb/d, 2.58 mb/d, 2.55 mb/d and 2.66 mb/d respectively.

Syria's and Yemen's supply forecasts associated with high uncertainty

Middle East oil supply is forecast to decline by 0.16 mb/d in 2012 to average 1.53 mb/d, unchanged from the previous month. Oman remains the only country in the Middle East with expected oil supply growth in 2012, while supply from Syria, Yemen and Bahrain is expected to decline. Oman's production is expected to rise by 40 tb/d in 2012, which would be the largest level of growth among the DCs, to average 0.92 mb/d, flat from the previous *MOMR*. The growth is supported by enhanced oil recovery projects, such as the Mukhaizna oil development. Yemen's supply is estimated to average 0.19 mb/d in 2012, a drop of 40 tb/d from the previous year. Syria's supply is seen to average 0.22 mb/d in 2012, a fall of 0.15 mb/d from 2011. The supply forecasts of both Yemen and Syria are associated with very high levels of uncertainty, due to limited data and the ongoing security issues. On a quarterly basis, Middle East oil supply is estimated to average 1.53 mb/d, 1.58 mb/d, 1.59 mb/d and 1.53 mb/d respectively.

South Sudan ordered operators to resume production

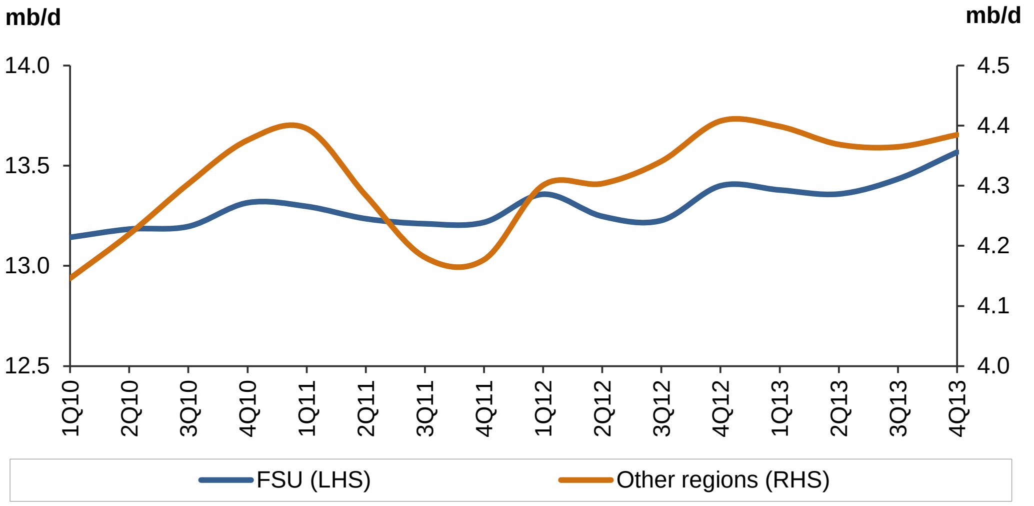
Africa's oil production is predicted to decrease by 0.23 mb/d in 2012 to average 2.36 mb/d, unchanged from the previous *MOMR*. Egypt's supply forecast was revised down slightly on updated production data, but this did not affect the annual figure. Oil supply from Egypt, Equatorial Guinea and South Africa is seen to experience minor increases, while production from South Sudan and Sudan is seen to decline. South Sudan authorities have ordered operators to resume production that was halted early in 2012. Reports suggested that the major part of the halted production will return within 90 days. According to preliminary and estimated data, during the first three quarters of 2012, Africa's supply is estimated to have declined by 0.26 mb/d, compared with the same period of 2011. On a quarterly basis, African output is seen to average 2.41 mb/d, 2.31 mb/d, 2.32 mb/d and 2.41 mb/d respectively.

FSU, Other regions

FSU supply to increase by 70 tb/d in 2012, supported by Russia

The FSU's total oil supply is forecast to increase by 70 tb/d in 2012 to average 13.31 mb/d, flat from the previous month. The expected growth is supported by Russia and Other FSU, while output from Kazakhstan and Azerbaijan is seen to decline. Russia remains the country with the highest production level among all non-OPEC countries, a position that Russia has maintained since 2003. The expected growth from the FSU in 2012 of 70 tb/d is significantly lower than the average annual growth of the last five years of 0.25 mb/d. During the first three quarters of 2012, FSU output increased by 30 tb/d on average, compared with the same period of 2011. On a quarterly basis, total supply in the FSU is estimated to average 13.36 mb/d, 13.25 mb/d, 13.23 mb/d and 13.40 mb/d respectively. China's oil production is expected to increase by 80 tb/d in 2012, to average 4.20 mb/d. Other Europe's supply is estimated to remain flat from 2011 and average 0.14 mb/d in 2012.

Graph 5.4: FSU and other region's quarterly production



Russia

Russia's October output reached new record

Russia's oil production is forecast to grow by 80 tb/d in 2012 and average 10.35 mb/d, unchanged from the previous month. Despite this steady state, a minor upward revision was introduced in the third quarter that did not affect the annual figure. According to preliminary data, Russia's production hit a new record high in October, exceeding the previous month's record by 50 tb/d. In 2012, Russian supply has continued to witness healthy levels, with monthly output reaching new records several times so far. The increase in October output was supported by the start-up of the Vostochno-Alinskoye field in East Siberia. Furthermore, a major Russian operator launched a shale oil development project, which could improve the recovery rate at various mature fields as well as bring new volumes in the future. Moreover, the government revealed the development of a new tax reform that aims to improve the country's output in the coming year. During the first three quarters of 2012, Russian production increased by 0.10 mb/d on average, compared with the same period in 2011. On a quarterly basis, Russian supply is seen to average 10.34 mb/d, 10.32 mb/d, 10.36 mb/d and 10.38 mb/d respectively. Production averaged 10.44 mb/d in October, according to preliminary data, up by 50 tb/d from September.

Caspian

Tengiz maintenance completed in September — Kazakhstan

Kazakhstan's oil supply is seen to fall by 20 tb/d in 2012 to average 1.58 mb/d, flat from the previous *MOMR*. The fall is expected on limited new developments, declines in mature producing areas and the impact of maintenance. During the third quarter, Kazakhstan's supply averaged 1.52 mb/d, a decline of 20 tb/d, compared with the same quarter in 2011. Tengiz oil field maintenance during the third quarter was the main cause of the lower production. Kazakhstan's supply is expected to increase in the fourth quarter as the field returns to normal production levels. During the first three quarters of 2012, the country's production decreased by 30 tb/d on average, compared with the same period of 2011. On a quarterly basis, supply is estimated to average 1.62 mb/d, 1.57 mb/d, 1.52 mb/d and 1.62 mb/d respectively.

Azeri oil supply to drop by 20 tb/d in 2012

Azerbaijan's oil supply is expected to decline by 20 tb/d in 2012 to average 0.94 mb/d, unchanged from last month. During the first three quarters of 2012, it dropped by 60 tb/d, compared with the same period a year earlier. Output is expected to increase during the fourth quarter. However, the possibilities of production remaining at the same level as the third quarter exist and could lead to a further downward revision to Azerbaijan's 2012 supply in the coming month. So far in 2012, Azeri-Chirag-Guneshli field production has declined, with major output decreases coming from the West Azeri, East Azeri, deep-water Guneshli and Chirag areas. On a quarterly basis, Azerbaijan's output is expected to stand at 0.96 mb/d, 0.92 mb/d, 0.91 mb/d and 0.96 mb/d respectively.

China

China's supply to increase by 80 tb/d in 2012

China's oil production is expected to increase by 80 tb/d in 2012 to average 4.20 mb/d, which would be an upward revision of 10 tb/d from last month. This revision was introduced to the third quarter, as updated production data indicated higher output than had been expected. Furthermore, the start-ups of new small projects in the South China Sea supported the upward revision. Also, reports suggested the return of some volumes from the shutdown Peng Lai field, and this supported the upward revision. According to preliminary data, China's production during the third quarter saw an increase of 40 tb/d from the second quarter and a rise of 0.16 mb/d, compared with the same quarter a year earlier, mainly from offshore production. During the first three quarters of 2012, China's supply increased by 30 tb/d, compared with the same period of the previous year. On a quarterly basis, supply is estimated to average 4.16 mb/d, 4.16 mb/d, 4.20 mb/d and 4.27 mb/d respectively.

Forecast for 2013

Non-OPEC supply to increase by 0.90 mb/d in 2013 to average 53.85 mb/d

Non-OPEC oil production is expected to increase by 0.90 mb/d to average 53.85 mb/d in 2013. The absolute level was revised down by 40 tb/d, due mainly to historical revisions undertaken in 2010, 2011 and 2012, while expected growth was revised up by 20 tb/d. The overall outlook for non-OPEC supply in 2013 sees little change, with strong growth expected in North America, driven mainly by the US and Canada. OECD Western Europe is expected to see the largest decline in 2013. The FSU is projected to have the second-largest regional growth after North America, followed by Africa and Latin America. Africa's supply is forecast to increase strongly on the return of the halted South Sudan production in 2013. The US, Canada, South Sudan and Sudan, Brazil, Australia, Kazakhstan, Russia and Colombia are expected to drive growth in 2013, while Mexico, Norway, the UK and Indonesia are seen to decline. On a quarterly basis, non-OPEC supply is projected to average 53.48 mb/d, 53.49 mb/d, 53.83 mb/d and 54.58 mb/d respectively.

Table 5.2: Non-OPEC oil supply in 2013, mb/d

	2012	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12
North America	16.45	16.66	16.78	16.91	17.23	16.90	0.45
Western Europe	3.83	3.86	3.68	3.58	3.71	3.71	-0.13
OECD Pacific	0.59	0.62	0.65	0.66	0.64	0.64	0.05
Total OECD	**20.87**	**21.14**	**21.10**	**21.15**	**21.58**	**21.24**	**0.37**
Other Asia	3.61	3.63	3.66	3.67	3.69	3.66	0.05
Latin America	4.75	4.79	4.80	4.91	4.97	4.87	0.12
Middle East	1.53	1.54	1.53	1.57	1.61	1.56	0.03
Africa	2.36	2.39	2.46	2.52	2.55	2.48	0.12
Total DCs	**12.26**	**12.35**	**12.45**	**12.68**	**12.83**	**12.58**	**0.32**
FSU	13.31	13.38	13.36	13.43	13.57	13.44	0.13
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.20	4.26	4.23	4.23	4.25	4.24	0.04
Total "Other regions"	**17.65**	**17.78**	**17.73**	**17.80**	**17.95**	**17.81**	**0.17**
Total Non-OPEC production	**50.78**	**51.27**	**51.28**	**51.62**	**52.37**	**51.64**	**0.86**
Processing gains	2.17	2.21	2.21	2.21	2.21	2.21	0.04
Total Non-OPEC supply	**52.95**	**53.48**	**53.49**	**53.83**	**54.58**	**53.85**	**0.90**
Previous estimate	53.00	53.52	53.53	53.87	54.61	53.89	0.89
Revision	-0.05	-0.04	-0.04	-0.04	-0.04	-0.04	0.02

Revisions to the 2013 forecast

In addition to the historical revisions, there have been a few offsetting adjustments to the 2013 non-OPEC supply forecast. Australia's supply growth in 2013 has been revised up, as well as that of Malaysia and Vietnam, while US oil supply has been revised down. US supply in 2013 is now expected to increase by 0.34 mb/d to average 10.08 mb/d. Australia's supply is forecast to increase by 70 tb/d in 2013 to average 0.57 mb/d.

OPEC natural gas liquids and non-conventional oils

OPEC natural gas liquids (NGLs) and non-conventional oils are forecast to grow by 0.37 mb/d in 2012 to average 5.76 mb/d, following a historical upward revision to 2011 production. In 2013, OPEC NGLs and non-conventional oils are expected to increase by 0.24 mb/d to average 6.00 mb/d.

Table 5.3: OPEC NGLs + non-conventional oils, 2010-2013

	2010	**2011**	**Change 11/10**	1Q12	2Q12	3Q12	4Q12	**2012**	**Change 12/11**	**2013**	**Change 13/12**
Total OPEC	**4.98**	**5.39**	0.41	5.58	5.69	5.82	5.95	**5.76**	0.37	**6.00**	0.24

OPEC crude oil production

OPEC crude oil production declined in October

Total OPEC crude oil output averaged 30.95 mb/d in October, according to secondary sources, a decline of 67 tb/d from the previous month. Crude oil production experienced a considerable increase from Angola, while production fell from Nigeria, Saudi Arabia and Iran. OPEC crude production, not including Iraq, stood at 27.76 mb/d in October, a decrease of 63 tb/d over the previous month.

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

	2010	**2011**	**1Q12**	**2Q12**	**3Q12**	**Aug 12**	**Sep 12**	**Oct 12**	***Oct/Sep***
Algeria	1,250	1,240	1,233	1,214	1,209	1,209	1,199	1,196	*-3.3*
Angola	1,786	1,667	1,763	1,738	1,709	1,813	1,670	1,778	*108.1*
Ecuador	475	490	492	493	499	502	499	497	*-2.0*
Iran, I.R.	3,706	3,628	3,391	3,086	2,734	2,729	2,673	2,626	*-46.8*
Iraq	2,401	2,665	2,705	2,956	3,128	3,134	3,188	3,183	*-4.3*
Kuwait	2,297	2,538	2,768	2,793	2,810	2,814	2,817	2,823	*6.1*
Libya	1,559	462	1,213	1,424	1,465	1,462	1,496	1,509	*12.5*
Nigeria	2,061	2,111	2,075	2,143	2,114	2,199	2,004	1,894	*-109.6*
Qatar	791	794	786	748	745	746	746	742	*-3.4*
Saudi Arabia	8,263	9,293	9,819	9,919	9,822	9,851	9,749	9,695	*-53.8*
UAE	2,304	2,517	2,598	2,607	2,653	2,647	2,652	2,663	*11.3*
Venezuela	2,338	2,380	2,381	2,367	2,348	2,349	2,321	2,339	*18.3*
Total OPEC	**29,231**	**29,786**	**31,224**	**31,488**	**31,235**	**31,454**	**31,013**	**30,946**	***-66.9***
OPEC excl. Iraq	**26,831**	**27,120**	**28,519**	**28,532**	**28,108**	**28,321**	**27,826**	**27,763**	***-62.6***

Totals may not add up due to independent rounding.

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

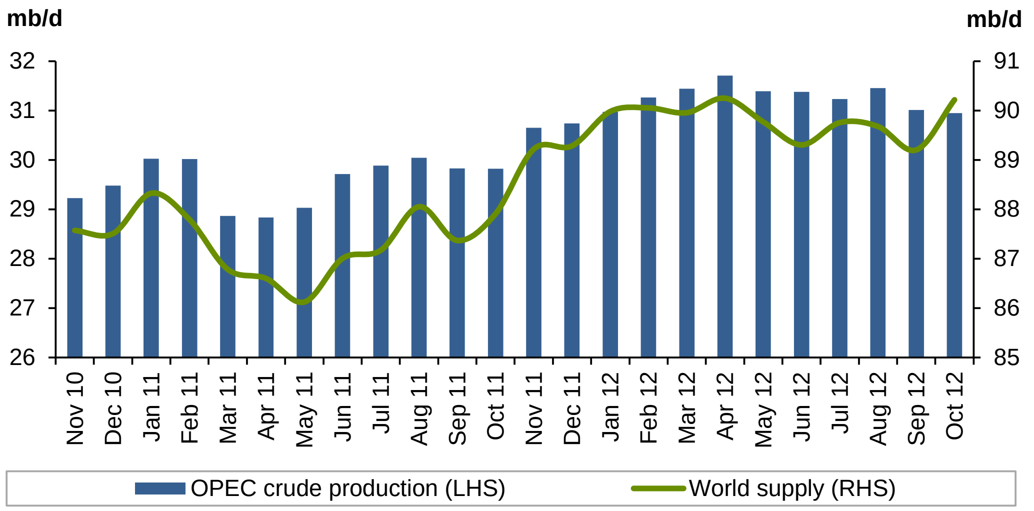
	2010	2011	1Q12	2Q12	3Q12	Aug 12	Sep 12	Oct 12	Oct/Sep
Algeria	1,184	1,173	1,215	1,213	1,201	1,203	1,195	..	..
Angola	1,691	1,618	1,734	1,716	1,677	1,744	1,714	..	..
Ecuador	475	500	502	500	509	512	506	..	..
Iran, I.R.	3,544	3,576	3,742	3,758	3,746	3,747	3,739	..	..
Iraq	2,358	2,653	2,628	2,936	3,150	3,166	3,235	3,035	*-200.0*
Kuwait	2,312	2,660	2,995	2,990	2,957	3,025	2,900	2,930	*30.0*
Libya	1,487	462	1,296	1,503	1,504	1,552	1,537	1,562	*24.9*
Nigeria	1,968	1,896	1,880	1,971	..	1,988	..	..	..
Qatar	733	734	745	737	726	723	735	..	..
Saudi Arabia	8,166	9,311	9,883	10,002	9,760	9,753	9,724	9,724	*-0.7*
UAE	2,324	2,565	2,602	2,615	2,727	2,713	2,691	2,647	*-44.4*
Venezuela	2,779	2,795	2,792	2,818	2,824	2,828	2,812	2,779	*-33.9*
Total OPEC	**29,020**	**29,942**	**32,015**	**32,758**	**..**	**32,955**	**..**	**..**	**..**
OPEC excl. Iraq	**26,662**	**27,290**	**29,387**	**29,823**	**..**	**29,789**	**..**	**..**	**..**

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

World Oil Supply

Preliminary figures indicate that global oil supply increased 1.01 mb/d in October to average 90.22 mb/d. Non-OPEC supply experienced growth of 1.08 mb/d, while OPEC crude production experienced a decline. The share of OPEC crude oil in global production declined slightly to 34.3% 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

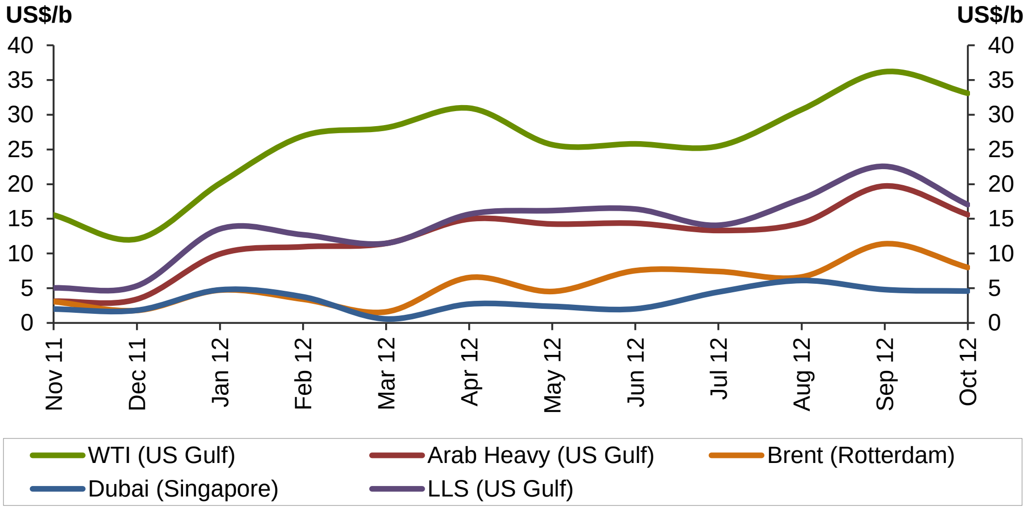


Product Markets and Refinery Operations

Refinery margins hit by gasoline crack plunge in Atlantic Basin

Product markets showed a mix performance during the past month. Middle distillates continued stronger worldwide on the back of tight sentiment for that product ahead of the winter season, while gasoline exhibited a sharp decline in the Atlantic Basin after the end of the driving season. This, along with the losses at the bottom of the barrel, caused refinery margins to fall worldwide.

Graph 6.1: Refining margins, 2011-2012



US Gulf Coast refining margins reversed the upward trend seen since June and lost ground over the previous month, as gasoline came under pressure from the end of the driving season and increasing supplies, and its sharp loss weighed on regional refining margins, despite the healthy cracks exhibited by middle distillates.

The margins for West Texas Intermediate (WTI) remained mostly unchanged from the previous month at around $36/b, as the WTI price fell. The margins for Light Louisiana Sweet (LLS) and Arabian Heavy crudes on the US Gulf Coast suffered sharp drops of more than $4, to stand at around $17/b and $16/b, respectively, in October.

European product cracks showed a mixed performance over the month. The middle of the barrel remained strong and healthy in a tight environment caused by the refinery maintenance season in Europe, and falling inventories continued to offer support, while gasoline and fuel oil weakened.

European gasoline cracks were in freefall, due to improving supplies and weak demand, as bearish signals from the US also affected the European market during the month after the end of the driving season.

Naphtha maintained its ground, with demand from the petrochemical sector increasing, and lent support. However, refining margins weakened over the month, with a plunge in the gasoline crack outweighing the positive performance of its fellow products, and the refining margins for Brent in Northwest Europe saw a sharp drop of $3.4 in October to stand at $8/b on average.

Refinery margins in Asia remained steady over the month, despite a bearish performance at the bottom of the barrel, with the fuel oil crack losing ground due to the worldwide slump in bunker demand.

With the exception of fuel oil, marginal increases were recorded across all parts of the barrel, as the market remained relatively well-balanced with rising supplies being offset by strong regional demand.

These developments, along with less expensive crude, allowed refinery margins in Singapore to cap losses and average $4.6/b in October, a slight drop of 20¢.

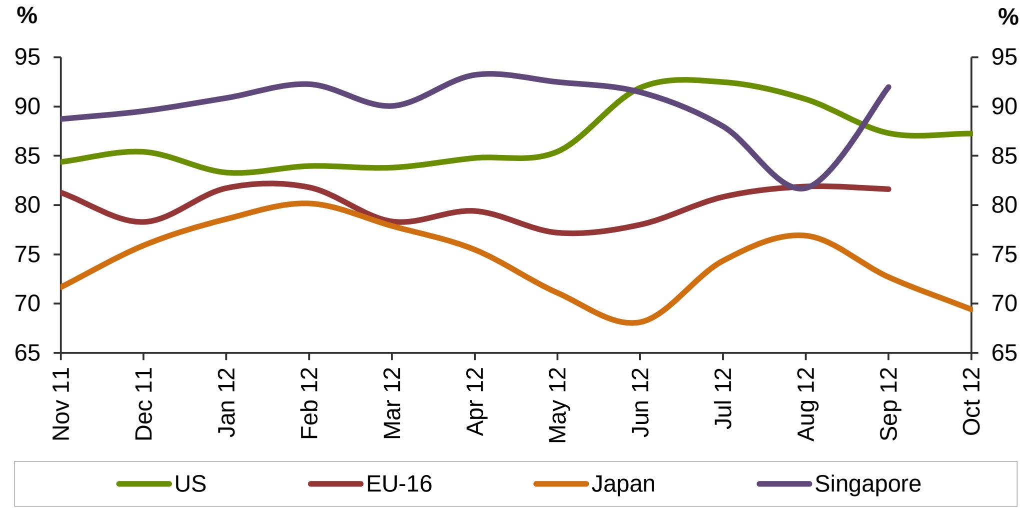
Refinery operations

US refineries affected by hurricanes in October

US refinery utilization did not recover the level lost in September, when several refineries were shut down temporarily as a preventive measure when Hurricane Isaac affected the region. This was because, at the end of October, Hurricane Sandy's impact on the East Coast refineries also triggered some preventive shutdowns.

US refinery runs declined from the level of 91% in August to an average of 87.3% in September and remained at the same level during October. This was due to some maintenance mainly on the West Coast and unscheduled shutdowns caused by Hurricanes Isaac and Sandy. This situation, along with high export levels, continued to keep product inventories below the five-year average, although gasoline inventories showed a slight recovery during October at the end of the driving season.

Graph 6.2: Refinery utilization rates, 2011-2012



Since mid-year, a relative tightening of the Atlantic Basin balance has allowed margins to become healthier in Europe, and the heavy maintenance season in Europe has kept middle distillates tight, improving the crack spreads and encouraging refiners to cash in on those higher margins. Despite some closures in the region, throughputs have also been on the rise.

In recent months, refinery utilization has increased to average above 80%, the highest level seen so far this year.

The refinery maintenance season in Asia is coming to an end and, despite some unplanned shutdowns in the region, increasing supplies have eased the tight environment, affecting product cracks, although this loss has been capped by support from strong regional demand, mainly for distillates.

China and India ran their refineries at around 87% and 89% respectively in September.

Japanese throughputs dropped 3.4% to average around 69.4% of capacity in October, after some maintenance and shutdowns.

US market

US gasoline cracks dropped after end of summer driving season

US gasoline demand stood at around 8.6 mb/d in October, dropping 80 tb/d from the previous month and down by around 20 tb/d from the same month last year.

The demand picture in the US remains disappointing, with the Energy Information Administration (EIA) showing the requirement for motor fuel on a four-week average basis at 8.6 mb/d, the lowest level since April.

With the end of the driving season and refinery maintenance, the main supporting factors have disappeared and with them the bullish market expectations. This has caused the gasoline cracks to post a sharp decline, falling to the lowest level seen in the last six months.

The gasoline crack decline marked a long-awaited downward correction from previously very high levels. However, some factors capped losses, such as demand from Latin America, mainly with Mexico´s appetite for gasoline remaining healthy, while Brazil`s imports are expected to fall, in line with the upcoming increase of ethanol blending into the gasoline pool from 20% to 25%.

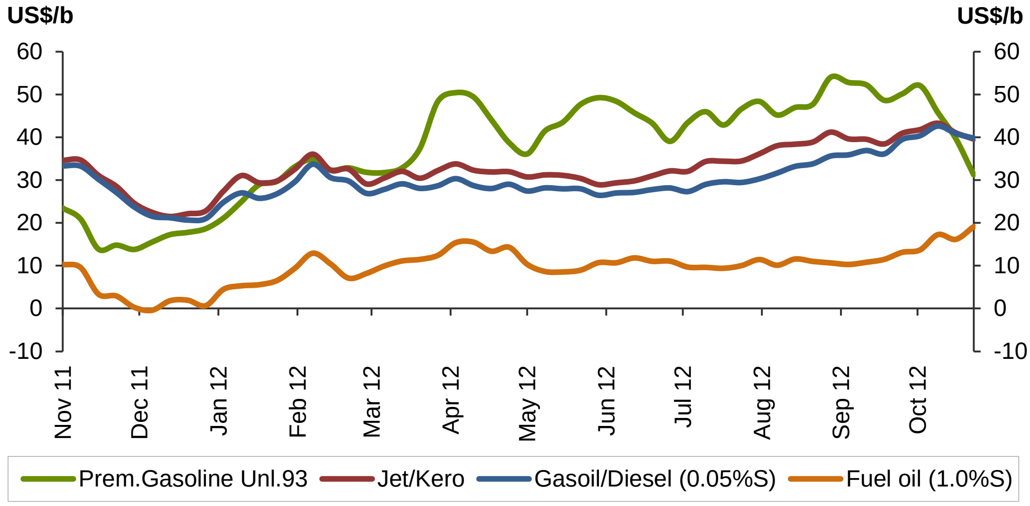
Another factor limiting losses was the support coming from the West Coast, as the market tightened on lower refinery production during the outages at the Richmond and Torrance refineries.

The gasoline crack averaged $42/b in October, a sharp drop of around $9 from the previous month's average.

US gasoline stocks increased last month, although remaining below-average as refineries returned from maintenance. Thus gasoline will continue to remain under pressure from feeble domestic demand.

With Hurricane Sandy having passed along the US East Coast, there are expectations of an impact on the gasoline market in the coming weeks, as the storm has led to disruptions and will also have some impact on the consumption side.

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



Middle distillate demand stood at around 3.7 mb/d in October, 50 tb/d above the previous month, but 200 tb/d down from the same month a year ago.

Middle distillate cracks continued to improve from a month earlier, due mostly to favourable arbitrage opportunities to Europe and Latin America.

Export opportunities to Europe and Latin America remained supportive of the US distillate market. In fact, according to the latest EIA report, distillate exports remained steady at a strong level of around 1 mb/d.

Latin American demand for diesel has been the main factor contributing to the tightness in the US market, with Ecuador, Chile and Brazil among the major buyers. This factor has kept US distillate stocks below the five-year average to drop beneath 120 mb, the lowest level seen in years. At the same time, US heating oil stocks are being drawn down, in line with higher demand ahead of the winter season.

In addition, demand from the trucking sector, which serves as a barometer of the US economy, appears to be improving, as the American Trucking Association´s advanced seasonally adjusted For-Hire Truck Tonnage Index increased in September.

The gasoil crack on the US Gulf Coast gained almost $4 to stand at around $41/b in October.

The market turned more bullish at the end of the month, with the expectation of Hurricane Sandy potentially leading to a reduction in product availability in the coming weeks.

At the bottom of the barrel, fuel oil cracks gained some ground at a time of falling crude prices. However, product fundamentals remained weak.

Demand remained below the seasonal average, due to limited bunker demand. Meanwhile, arbitrage opportunities to the Asia-Pacific were rather lacklustre, owing to feeble demand from, and abundant supplies in, the region.

The fuel oil crack averaged $16.8/b in October, a sharp gain of $5.4 from the previous month, in line with the drop in the WTI price.

European market

Middle distillates in Europe remained supported by tightening environment

Product market sentiment turned bearish in Europe, as gasoline was hit by the end of the Atlantic Basin driving season while fuel oil demand remained lacklustre. The only exception was the middle of the barrel, as tight sentiment continued to give support.

European gasoline cracks weakened substantially over the month due to improving supplies and weaker demand. Bearish signals from the US after the end of its summer driving season affected the European market during the month, with imports from the trans-Atlantic market suffering from lacklustre demand.

Rising inventory levels also added pressure, with gasoline stocks in the ARA region's trading hub increasing to a level higher than the five-year average.

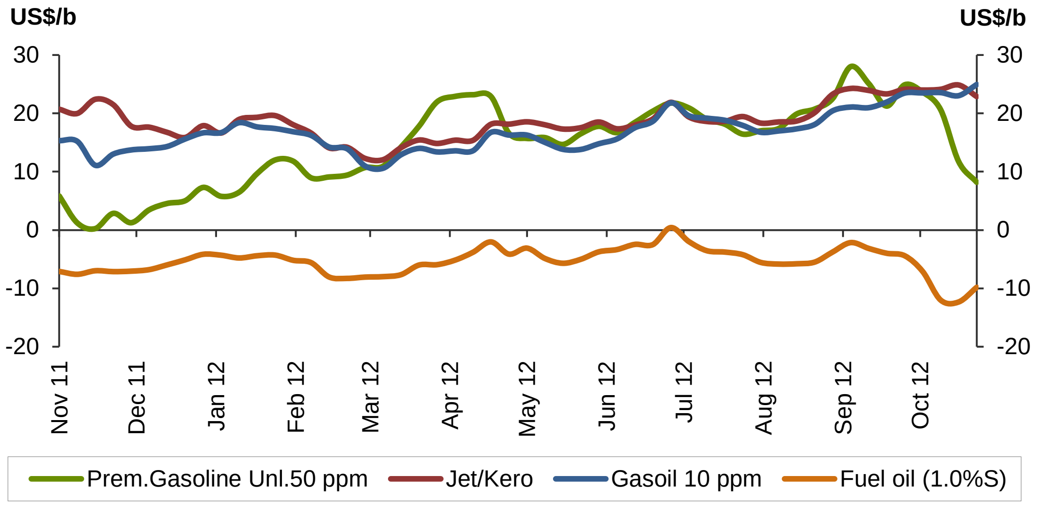
In addition, exports to West Africa dropped, as the ongoing Nigerian subsidies saga continued to limit demand from the country.

The gasoline crack spread against Brent crude showed a sharp loss of $9, to average around $16/b in October.

In the coming weeks, reduced buying activity, due to Hurricane Sandy-related disruptions, may also temporarily reduce demand for products, including gasoline, and exert further pressure on the market.

The naphtha crack in Europe maintained the ground gained last month, as the demand side was balanced with the steady requirements from the petrochemical sector, while the weakening gasoline market quenched demand from blenders.

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



In the middle of the barrel, the gasoil crack continued the upward move, amid tighter supplies and increasing demand.

Diesel market sentiment improved over the month, with firm demand from Germany, France and the UK adding support to the market, while low inventories and the ongoing refinery maintenance season helped maintain the bullish sentiment.

Additional support came from concern about short-term supply, stemming from the shutdown at the Czech Republic´s Kralupy refinery and a reduction in the run-rate at Germany's Miro refinery.

Meanwhile, the gasoil crack rose during the month, as tightness in the prompt market, due to refinery maintenance, outweighed lacklustre demand for heating oil, although the arrival of colder weather could increase demand for heating oil in the coming weeks.

ARA gasoil levels inventories have been below the five-year average, partly due to heavy maintenance in Northwest Europe and Russia, which is capping exports. However, the tight situation has been boosted by the backwardated structure of the ICE gasoil futures contract, making it unprofitable to keep barrels in storage.

The gasoil crack spread against Brent crude at Rotterdam gained $2 to remain around an average of $24/b in October.

At the bottom of the barrel, both high- and low-sulphur fuel oil took hits, on the back of sluggish regional demand and a lack of export opportunities to the important Asian market, as stocks in Singapore increased.

In addition, Russian fuel oil exports are expected to be higher, in line with increased winter production.

The Northwest European fuel oil crack spread against Brent showed a sharp loss of $7 in October, to stand at –$10.3/b.

Asian market

Plentiful supplies and lack of demand caused fuel oil cracks to continue falling in Asia

Asian markets remained relatively well-balanced as increasing supplies eased the tight situation and the cracks remained stable at the top and middle of the barrel. Fuel oil weakened further, due to a lack of demand and increasing inflows to the region.

Gasoline recovered a little of the ground lost last month, while naphtha remained flat, supported by the petrochemical sector.

The supply side has been exerting pressure, as exports have been on the rise over the past weeks, with some refineries and units resuming operations after peak autumn maintenance.

Supplies in the region were boosted further by the Taiwanese refiner CPC Corp's 80 tb/d catalytic unit in the Talin refinery starting operations.

Expectations of higher import requirements from Vietnam, due to an unexpected shutdown at the Dung Quat refinery, did not materialize, probably due to high supply availability in the country. Meanwhile, Singapore's onshore light distillate stocks climbed to an almost four-month high level.

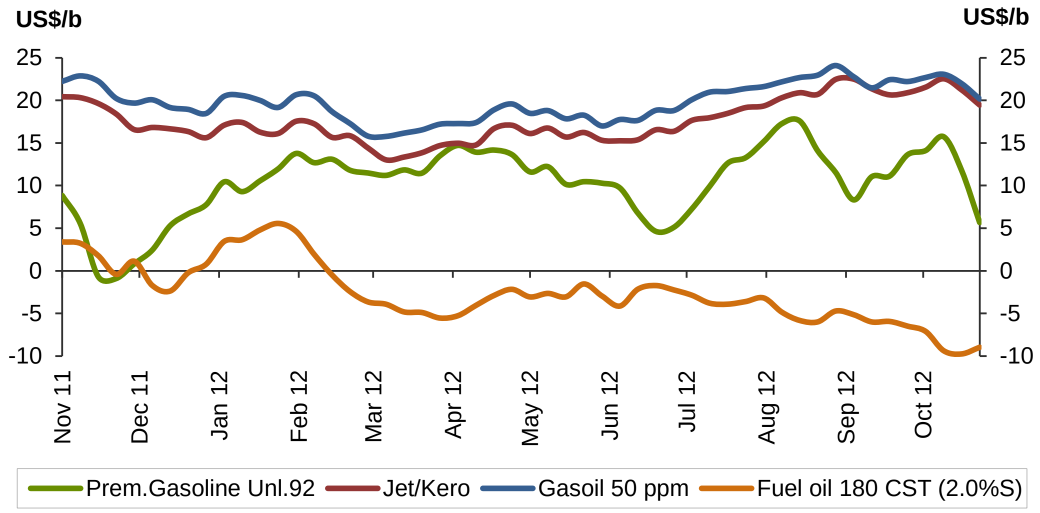
These bearish factors were offset by the support coming from buying interest from Sri Lanka and South Korea and healthy Chinese gasoline demand, which allowed gasoline to post a marginal rise. The gasoline crack spread against Dubai crude in Singapore showed a slight recovery of $1 to average $12/b in October.

Naphtha kept the ground gained last month and continued to show a positive development, with sentiment remaining slightly healthy.

Some support emerged from South Korea and Taiwan, as well as from the Middle East, with buying interest seen from Iraq. However, the rise was probably limited by expectations of higher Indian exports this month.

Looking forward, some support is likely to stem from Indonesian import requirements as maintenance is planned at two of the country´s refineries. However, this could be counterbalanced by higher exports from India and rising Western naphtha arbitrage inflows in the coming weeks.

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



Middle distillates continued to exhibit healthy crack levels, with fundamentals remaining largely stable in a relatively well-balanced gasoil market.

The gasoil market posted a modest improvement over the month, on the back of support offered by buying activity in Sri Lanka and the Philippines. Kenya was also in the market seeking high volumes of gasoil.

However, the improvement in the crack was likely to be limited by expectations of higher supplies re-emerging, in line with the easing of refinery maintenance by the end of the month. This was also reflected in Singapore's onshore middle distillate stocks rising, and the crack remained practically unchanged.

The gasoil crack spread in Singapore against Dubai averaged around $22/b in October, similar to the previous month.

Looking forward, the market will remain supported on the supply side, as, in Taiwan, technical issues in the secondary units at the Mailiao refinery may limit that country´s gasoil/diesel exports in November. In addition, higher Australian import requirements over the coming period are expected as the Clyde refinery ceased operations in mid-October.

At the bottom of the barrel, the fuel oil crack continued to lose ground in October, with the market showing a bearish performance.

Fundamentals were under pressure from rising supplies, with Singapore's onshore fuel oil stocks seen at high levels, while demand remained lacklustre.

Chinese fuel oil imports have contracted markedly in recent months, while imports of the shipping hub of Singapore are now at their lowest levels since February; at around 3.3 million tonnes in September, they are down by 16.5% from peak levels in May and by 6.8% y-o-y, according to the Maritime and Port Authority.

The fuel oil crack spread in Singapore against Dubai dropped by more than $2 to average –$8.6/b in October.

The slide in consumption coincided with ample volumes in Asia, as the region has been drawing in plentiful shipments over the month, mainly from the West. This will be on the rise next month, hitting a high level of more than 4.8 million tonnes, to exert more pressure on the market.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			*Refinery utilization, %*		
	Sep 12	Oct 12	Oct/Sep	Sep 12	Oct 12	Oct/Sep
US	14.68	14.81	0.13	87.30	87.25	-0.05
France	1.34	n.a.	-	77.85	n.a.	-
Germany	1.94	n.a.	-	80.05	n.a.	-
Italy	1.61	n.a.	-	68.71	n.a.	-
UK	1.39	n.a.	-	78.49	n.a.	-
Euro-16	11.14	n.a.	-	81.61	n.a.	-
Japan	3.26	3.11	-0.15	72.84	69.43	-3.41

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

Table 6.2: Refined product prices, US$/b

		Aug 12	Sep 12	Oct 12	*Change* Oct/Sep
US Gulf (Cargoes):					
Naphtha		120.32	124.84	116.75	-8.09
Premium gasoline	*(unleaded 93)*	142.54	145.35	129.93	-15.42
Regular gasoline	*(unleaded 87)*	129.93	129.17	119.72	-9.44
Jet/Kerosene		132.88	134.13	130.70	-3.43
Gasoil	*(0.05% S)*	127.25	131.66	130.22	-1.44
Fuel oil	*(1.0% S)*	107.28	108.75	103.41	-5.34
Fuel oil	*(3.0% S)*	99.52	100.97	96.18	-4.78
Rotterdam (Barges FoB):					
Naphtha		103.46	106.90	105.62	-1.28
Premium gasoline	*(unleaded 10 ppm)*	117.07	121.08	111.35	-9.73
Premium gasoline	*(unleaded 95)*	133.11	137.67	126.60	-11.07
Jet/Kerosene		133.19	136.77	135.41	-1.35
Gasoil/Diesel	*(10 ppm)*	131.33	134.72	135.41	0.69
Fuel oil	*(1.0% S)*	108.06	109.44	101.15	-8.29
Fuel oil	*(3.5% S)*	100.94	102.07	96.86	-5.21
Mediterranean					
Naphtha		101.31	104.63	102.58	-2.05
Premium gasoline	*(50 ppm)*	129.64	139.12	128.34	-10.78
Jet/Kerosene		123.92	131.05	128.08	-2.96
Gasoil/Diesel	*(50 ppm)*	110.67	116.11	115.83	-0.28
Fuel oil	*(1.0% S)*	102.13	107.41	99.47	-7.94
Fuel oil	*(3.5% S)*	97.26	101.04	95.78	-5.26
Singapore (Cargoes):					
Naphtha		102.89	106.81	104.91	-1.90
Premium gasoline	*(unleaded 95)*	127.20	125.97	124.07	-1.91
Regular gasoline	*(unleaded 92)*	123.78	122.25	120.42	-1.82
Jet/Kerosene		129.51	132.57	130.17	-2.40
Gasoil/Diesel	*(50 ppm)*	131.42	133.44	130.92	-2.52
Fuel oil	*(180 cst 2.0% S)*	104.59	106.40	102.19	-4.22
Fuel oil	*(380 cst 3.5% S)*	103.09	104.70	99.89	-4.82

Tanker Market

Global spot fixtures rose 3.5% to average 16.9 mb/d in October, while OPEC spot fixtures increased by 2.2% to average 12.22 mb/d

In October, global spot fixtures increased from the previous month by 3.5% or 0.58 mb/d to average 16.09 mb/d. OPEC fixtures rose as well, by 2.2% or 0.27 mb/d to average 12.22 mb/d. Annually, global and OPEC fixtures went up by 10.2% and 10.5% respectively. OPEC sailings saw a slight decline of 0.15 mb/d from the previous month to average 23.71 mb/d, that is, 0.6% lower than in September and yet 6.1% higher than last year's level. Middle East sailings witnessed a similar decline of 0.17 tb/d to average 17.31 mb in October, which was 0.17 mb/d or 1% lower than the previous month and 0.7% below the same month a year earlier. Crude oil arrivals in North America dropped by 0.54 mb/d or 5.9% from the previous month to 8.6 mb/d; yet they increased by 7.3% from a year earlier. European arrivals rose in October by 0.25 mb/d or 2% to 12.4 mb/d, while Far East and West Asia arrivals went up by 0.10 mb/d and 0.06 mb/d from the previous month to average 8.53 mb/d and 4.56 mb/d respectively. In an annual comparison, arrivals in Europe, the Far East and West Asia dropped from last year's level by 1.7%, 0.7% and 0.4% respectively.

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

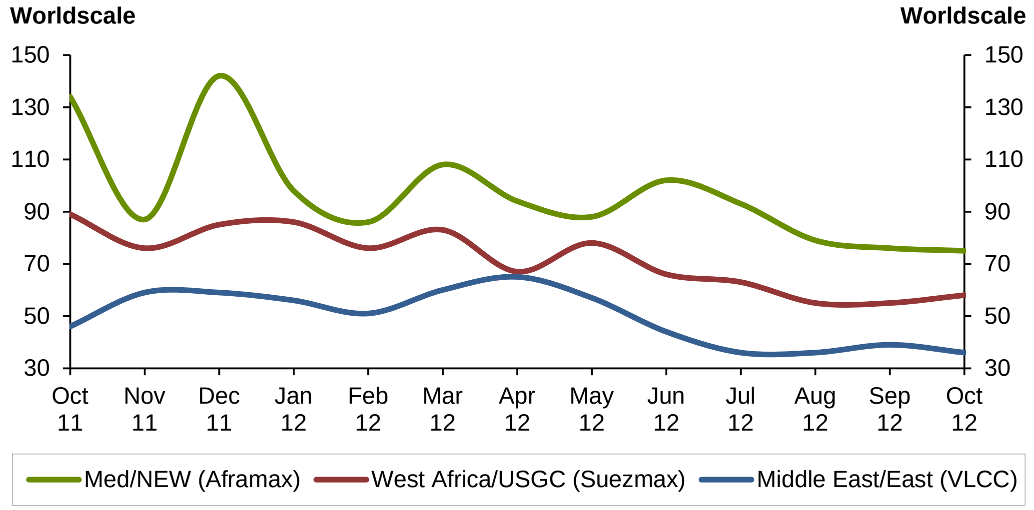
	Aug 12	Sep 12	Oct 12	*Change Oct/Sep*
Spot Chartering				
All areas	18.36	16.32	16.90	0.58
OPEC	13.66	11.95	12.22	0.27
Middle East/East	5.72	5.56	6.27	0.70
Middle East/West	2.86	2.65	2.15	-0.50
Outside Middle East	5.37	5.93	6.11	0.19
Sailings				
OPEC	23.92	23.85	23.71	-0.15
Middle East	17.58	17.48	17.31	-0.17
Arrivals				
North America	9.47	9.14	8.60	-0.54
Europe	11.62	12.15	12.40	0.25
Far East	8.66	8.43	8.53	0.10
West Asia	4.43	4.50	4.56	0.06

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

In the tanker market, October is best described as uneventful, with no significant incidents to report. The month was characterized by its slow pace and low activity in several classes in both the clean and dirty segments. Generally, dirty tanker freight rates were mixed in October, while VLCC and Aframax rates declined. Suezmax ended the month with a marginal increase amid higher demand on tonnage loading in West Africa. Bunker prices remained high, affecting ship-owners' margins and voyage profitability. Yet in October, no further increases in bunker prices were detected, as prices remained below the peak levels seen early in the year.

The market remained over-supplied with tonnage against limited demand.

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



VLCC spot freight rates declined, Suezmax spot freight rates increased and Aframax spot freight rates were flat in October

The **VLCC** market started October in a quiet way and with a steady amount of limited activity in general, which led to tonnage-building. Following the completion of October's third decade requirements, the market saw a decline in activity, due partly to holidays in the Far East. Yet an influx of inquiries was seen with the start of November stem fixtures. However, owners were optimistic that rates would improve with the winter's seasonal demand. Nevertheless, despite the uptrend in activity, there was only a minimal impact on rates limited to a few world-scale points. As a result, owners' earnings were found in the negative zone in many cases. Yet, considering the lengthy tonnage list and the limited amount of inquiries, owners tried to maintain the levels and prevent rates from dropping further. At the same time, charterers unsuccessfully attempted to obtain lower levels that were not feasible, bearing in mind the fact that rates had already bottomed out on some routes as owners' returns reached zero. Charterers were not in a hurry to fix their requirements, since vessels could be secured easily at any stage of the month, with ample vessel availability. Following the small gains achieved with VLCCs the previous month, spot freight rates dropped by 5.6% in October to average WS34 points, which was 22% lower than the same month a year earlier. The largest declines were registered on Middle East routes, as Middle East-to-East and Middle East-to-West fell by 7.7% and 10.7% in October, while the West Africa-to-East route ended the month flat, unchanged from September.

The first week of October brought no improvement to the **Suezmax** class, as freight rates maintained the levels seen earlier, with few inquiries. Yet the middle of the month saw more activity for Suezmax on several routes and mainly on the Middle East-to-East, while the Mediterranean-to-Black Sea and Middle East-to-West routes both saw a fair amount of activity, coupled with a slight improvement in rates. In October, the demand for Suezmax vessels loading from West Africa increased, and yet rates did not benefit significantly from the greater demand. The only fixture that was reported at a higher rate on the West African Suezmax market came about as a result of being a prompt replacement for a delayed ship, under the exceptional circumstance of no alternative vessel being available. On average, Suezmax spot freight rates increased by 1.9% from last month, due mainly to higher rates seen on the West Africa-to-US Gulf route, which increased by 5.5% from the previous month and yet decreased by 35% from the same month a year ago. In October, Suezmax faced less competition from VLCCs, unlike the trend that persisted strongly this summer.

Aframax saw a slow start in October, along with lower demand caused partly by refinery maintenance in Primorsk, which had a negative impact on rates and activity in the North Sea. North Sea activity levels increased afterwards, and yet no improvement was registered as freight rates remained flat. The quiet tone was also noticed on the Mediterranean-to-Black Sea route, where rates remained flat as a result of abundant vessel supply. The ample tonnage availability also affected vessel trading on the Mediterranean routes, as freight rates saw no improvement in general, despite a considerable volume of activity during October. In the third week of October, Aframax vessels trading in Mediterranean faced some delays, as a result of congestion in Trieste and delays in the Turkish straits. However, even among such events, rates gained only a few WS points, as the positions list remained plentiful and alternative tonnages could be secured easily. Rates for the Caribbean were stronger in October towards the end of the month, when the vessel positions list thinned during greater activity. On average, Aframax spot freight rates ended the month declining by a slight 0.3% from September. The main contributor to this decline was the drop registered on the Indonesia-to-East route, which decreased by 5% from last month.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	Aug 12	Sep 12	Oct 12	Change Oct/Sep
Crude					
Middle East/East	230-280	36	39	36	-3
Middle East/West	270-285	25	28	25	-3
West Africa/East	260	37	40	40	0
West Africa/US Gulf Coast	130-135	55	55	58	3
NW Europe/USEC-USGC	130-135	54	52	51	-1
Indonesia/US West Coast	80-85	90	101	96	-5
Caribbean/US East Coast	80-85	93	89	94	5
Mediterranean/Mediterranean	80-85	80	77	77	0
Mediterranean/North-West Europe	80-85	79	76	75	-1

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

Clean tanker spot freight rates rose in both West and East of Suez by 10% and 17% respectively

In October, the quiet tone spread from the dirty tanker market to the clean tanker market, with overall freight rates healthier. On average, the clean tanker spot freight rates gained 14.6% from a month earlier, the gain being reflected across all reported routes, with the exception of Northwest Europe-to-US route, which experienced a drop of 5.5%. Despite the gain in October, the amount of increase in freight rates was not what the owners had hoped for. The stronger trend seen at the end of September did not last long. Activity in the clean market declined, and even during the days when it registered a fair amount of activity, the abundant tonnage supply prevented rates from achieving any remarkable gains. While long-range vessels were mostly affected by the lower demand in October, medium-range tankers saw just a few days of a firmer trend which did not lead to a worthwhile increase in freight rates; yet it prevented the rates from declining.

Graph 7.2: Monthly averages of clean spot freight rates

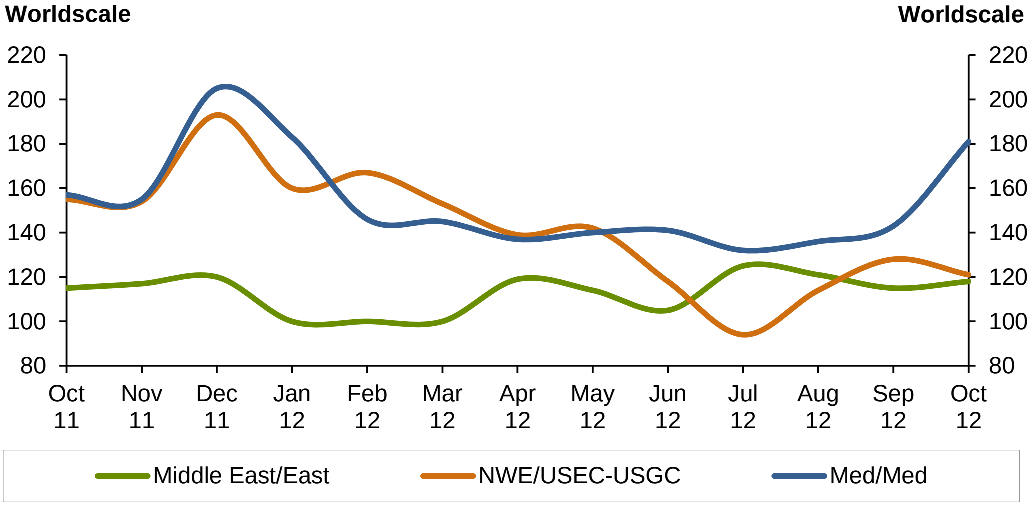


Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	Aug 12	Sep 12	Oct 12	Change Oct/Sep
Products					
Middle East/East	30-35	125	115	118	3
Singapore/East	30-35	124	124	145	21
NW Europe/USEC-USGC	33-37	94	128	121	-7
Mediterranean/Mediterranean	30-35	132	143	181	38
Mediterranean/North-West Europe	30-35	142	148	189	41

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

Oil Trade

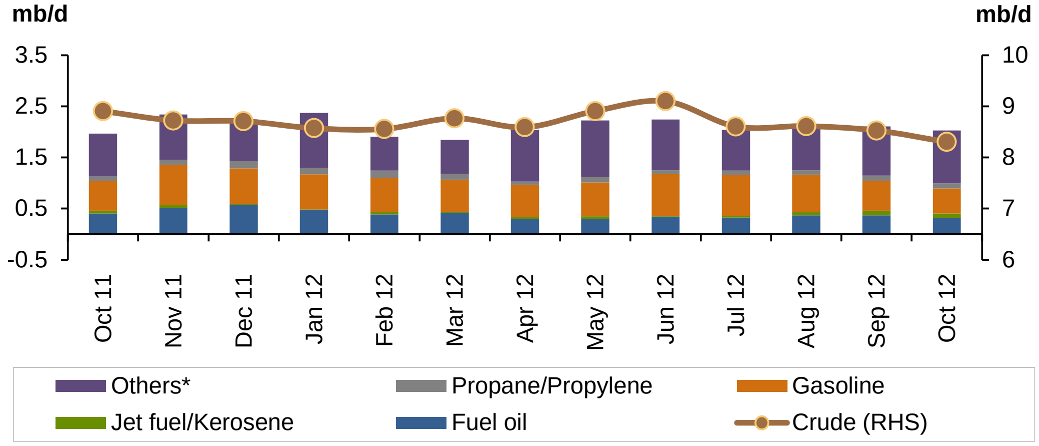
In October, US crude oil imports declined for second month running, by 2.7% to average 8.3 mb/d

US

Preliminary data shows that US crude oil imports declined in October for the second consecutive month, by 225 tb/d or 2.7% from the previous month to average 8.3 mb/d. On an annual basis, this reflected a loss of 604 tb/d or 6.8% from a year earlier. US crude imports reached their lowest level since February 2011.

US product imports dropped by 82 tb/d or 3.9% to average 2.03 mb/d month-on-month (m-o-m), while year-on-year (y-o-y) they fell by 119 tb/d or 5.5%. On a year-to-date comparison, crude and product imports declined by 4% and 18% respectively. US product exports decreased in October by 100 tb/d or 3.5% from the previous month to average 2.8 mb/d. In an annual comparison, the figures reflect a greater drop of 297 tb/d or 10%. As a result, total US net imports declined slightly in August to average 7.52 mb/d, which was 2.7% lower than in the previous month and 5% less than last year's level.

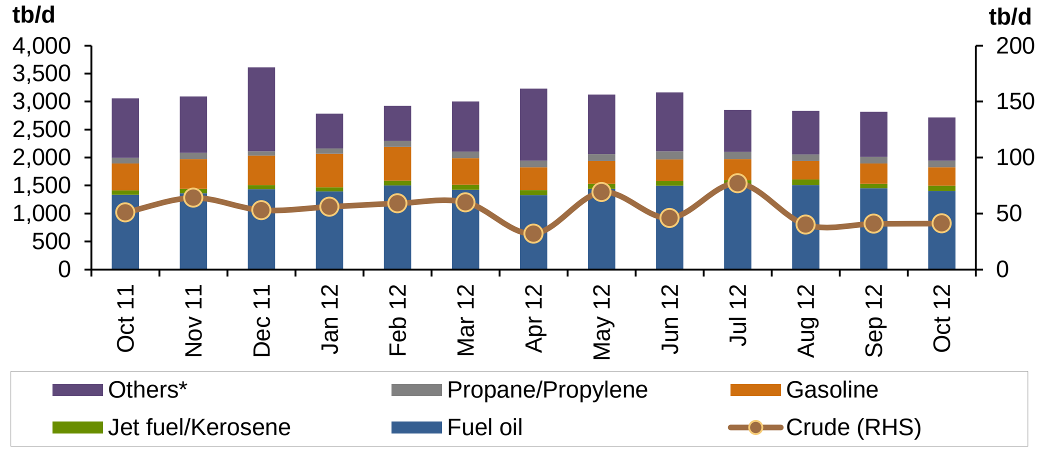
Graph 8.1: US imports of crude and petroleum products



**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.*

In August, the first and second suppliers to the US maintained the same order as last month. Canada remained the premier crude supplier, accounting for 28% of total US crude imports, which was just 21 tb/d or 0.85% lower than a month earlier. Saudi Arabia maintained its position as second-largest supplier, albeit with a 238 tb/d or 16% lower volume than the previous month. Mexico increased its crude exports to the US by a slight 0.83% to come in third position.

Graph 8.2: US exports of crude and petroleum products



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

Crude imports from OPEC Member Countries remained steady in August, accounting for 48% of total US crude imports. On the other hand, US product imports from Member Countries increased by 4% from last month. As for the product supplier share to the US, Canada and Russia maintained their positions as first and second. Nevertheless, in August, Canada's share of US product imports increased by 14%, while Russia's product exports to the US decreased by 24% from the levels seen a month ago.

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

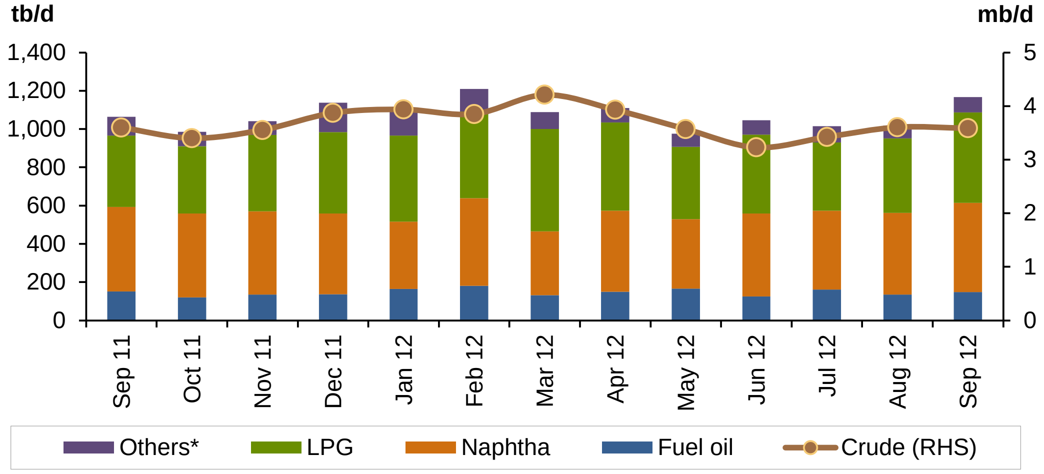
	Aug 12	Sep 12	Oct 12	*Change* Oct/Sep
Crude oil	8,571	8,488	8,262	-226
Total products	-690	-752	-733	19
Total crude and products	**7,900**	**7,736**	**7,529**	**-207**

Japan

Japan's crude oil imports declined by 0.5% in September to average 3.6 mb/d

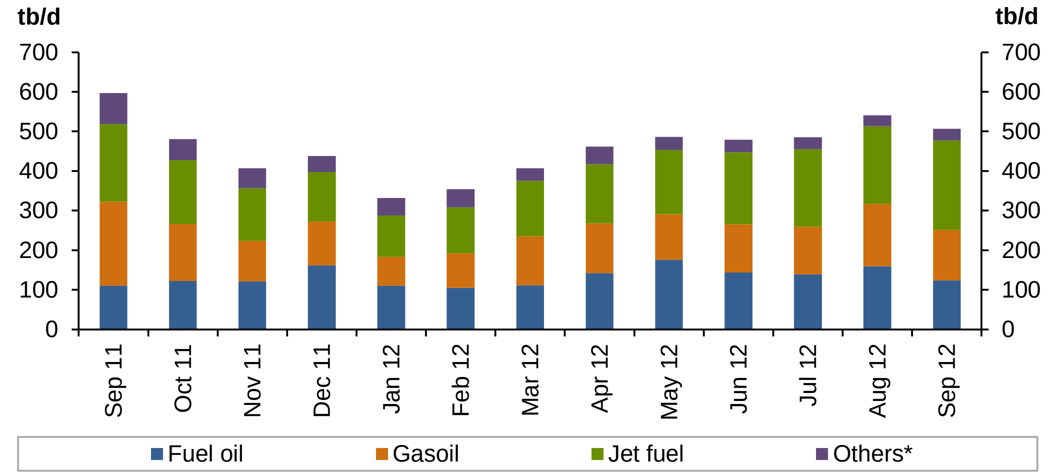
Japan's crude oil imports experienced a small 19 tb/d or 0.5% monthly decline in September to average 3.6 mb/d. Y-o-y, they decreased in September by 15 tb/d or 0.4%. Saudi Arabia, the United Arab Emirates and Qatar were the top three suppliers to Japan in September. Saudi Arabia, as in the previous month, headed the list, accounting for 31% of total crude exports to Japan. The UAE had a 23.8% share and Qatar 14%. These three countries saw export volume increases to Japan of 3%, 11% and 5% respectively. However, Kuwait decreased its exports to Japan by 89 tb/d or 25% from the previous month. On the other hand, product imports increased by 65 tb/d in September to average 694 tb/d, denoting a gain of 10.3% m-o-m and 0.2% y-o-y. The monthly product imports were considered to be the highest since February. As for Japan's product exports, these declined by 38 tb/d or 7% in September to average 500 tb/d. Y-o-y, the decline was equal to 94 tb/d or 15.8%. Accordingly, Japan's net imports rose by 83 tb/d in September to average 3.78 mb/d, reflecting a monthly and annual gain of 2.2%.

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



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

Graph 8.4: Japan's exports of petroleum products



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

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

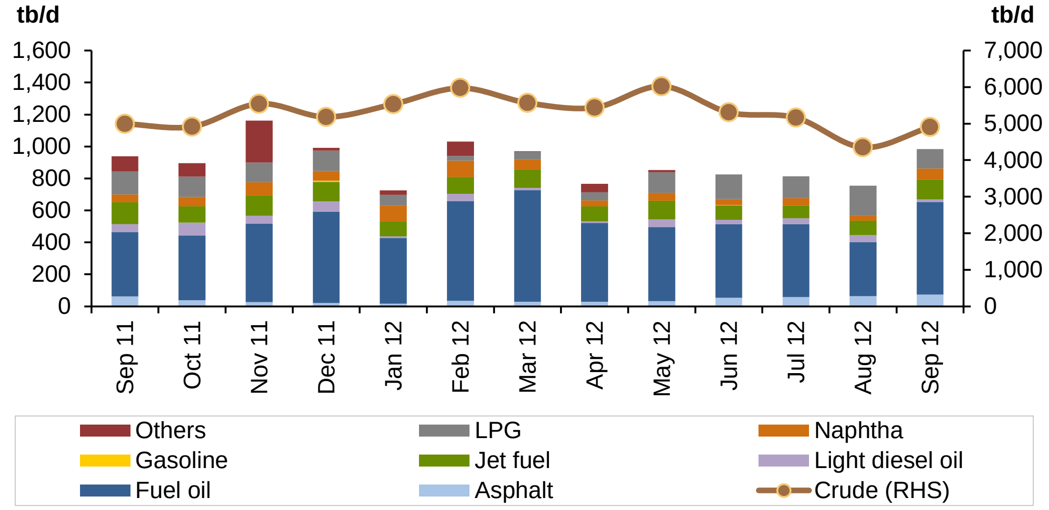
	Jul 12	Aug 12	Sep 12	*Change* Sep/Aug
Crude oil	3,424	3,605	3,586	-19
Total products	179	92	194	102
Total crude and products	**3,603**	**3,697**	**3,780**	**83**

China

China's crude oil imports increased by 12.8% in September to average 4.9 mb/d

China's crude oil imports increased by 556 tb/d or 12.8% in September from the previous month to average 4.9 mb/d. This increase came after China's crude imports had reached a 22-month low the previous month. In an annual comparison, China's crude imports increased by 90 tb/d, which was 1.8% higher than the levels seen last year. Year-to-date, the figures reflected an increase of 336 tb/d or 6.7%. In terms of supplier share, Saudi Arabia, Angola, Oman and Russia were the top suppliers to China in September, accounting for 20%,18% and 10% respectively. All the top suppliers increased their exported volumes to China from the previous month by between 17% and 78%.

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



China's crude exports increased in September by 5 tb/d to average 50 tb/d. This meant a recovery to the same level as in July, following the decline in August. The increase was equivalent to 11.5% m-o-m, while y-o-y, it denoted a decrease of 40%. On the other hand, China's product exports saw a minor increase of 6 tb/d or 1.2% m-o-m and a decrease of 164 tb/d or 23.9% y-o-y. As a result, China's net oil imports increased by 865 tb/d or 19.9% from the previous month and by 36 tb/d or 0.7% from a year earlier.

Graph 8.6: China's exports of crude and products

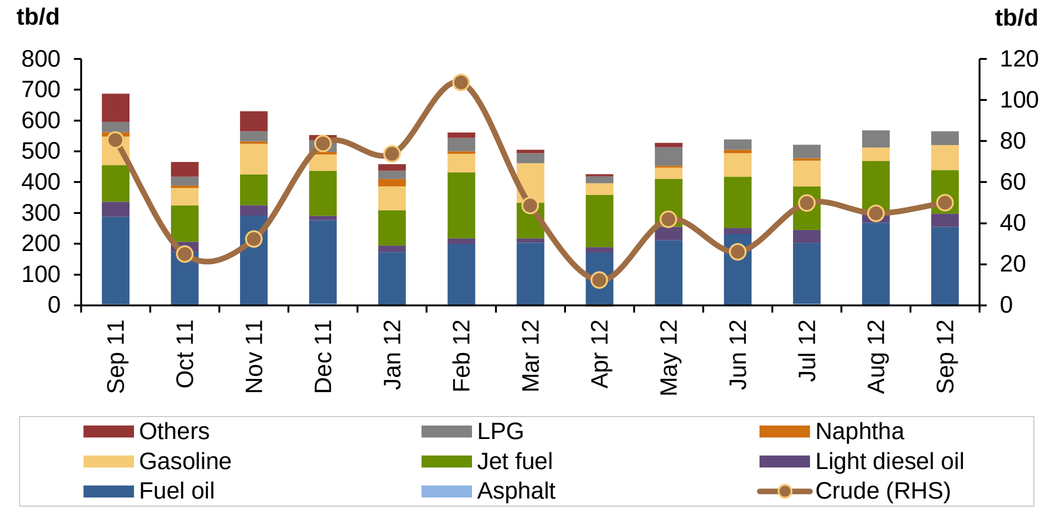


Table 8.3: China's crude and product net imports, tb/d

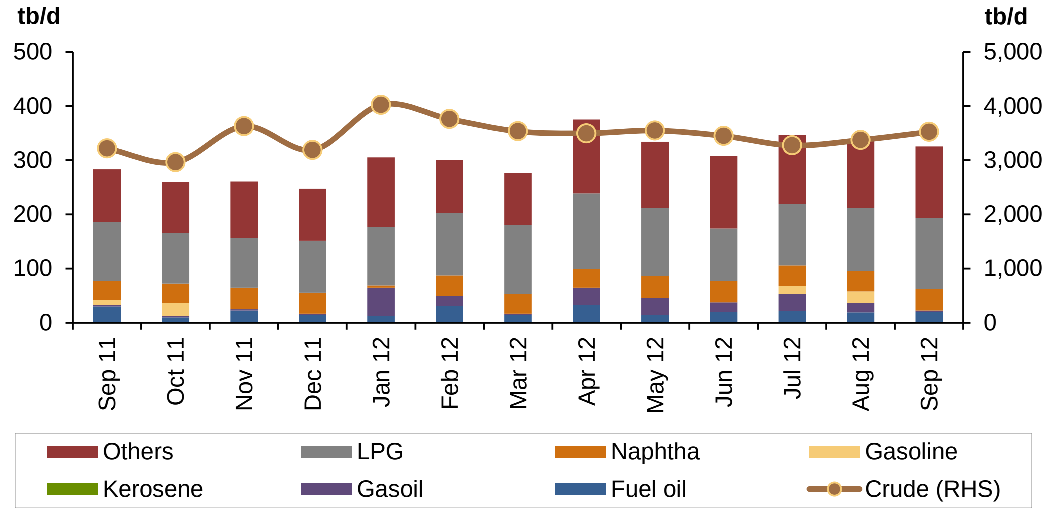
	Jul 12	Aug 12	Sep 12	*Change* Sep/Aug
Crude oil	5,112	4,306	4,857	551
Total products	325	32	346	314
Total crude and products	**5,437**	**4,338**	**5,203**	**865**

India

In September, India's crude imports rose for second month running, by 4.4% to average 3.5 mb/d

In September, India's crude imports rose for the second consecutive month, by 149 tb/d or 4.4% from the previous month to average 3.5 mb/d. This was considered to be the highest level since May 2012 and constituted an annual increase of 349 tb/d or 11%. On the product side, India's imports saw a small decrease of 14 tb/d or 4% m-o-m in September to average 326 tb/d. Y-o-y, it meant an increase of 34 tb/d or 11.6%. The monthly decrease came about mainly as a result of lower volumes of diesel and petrol, since diesel imports declined by 85% from the previous month and no petrol imports were registered in September. The drop in diesel imports happened as the government increased its prices by 14%, in addition to being affected by the heavy rains which limited the need for diesel-operated water-pumps. India's product exports rose by 99 tb/d or 8.1% in September to average 13 mb/d. Y-o-y, product exports declined by a slight 8 tb/d or 0.6%. The monthly increase in product exports was registered on all products, with the exception of naphtha which saw a 26% drop in its exports from the previous month. Fuel oil exports saw the highest monthly increase among the other products, rising by 42% from August. Consequently, India's net imports increased by 36 tb/d to average 2.5 mb/d, which meant a gain of 1.5% m-o-m and 18.3% y-o-y.

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



Graph 8.8: India's exports of petroleum products

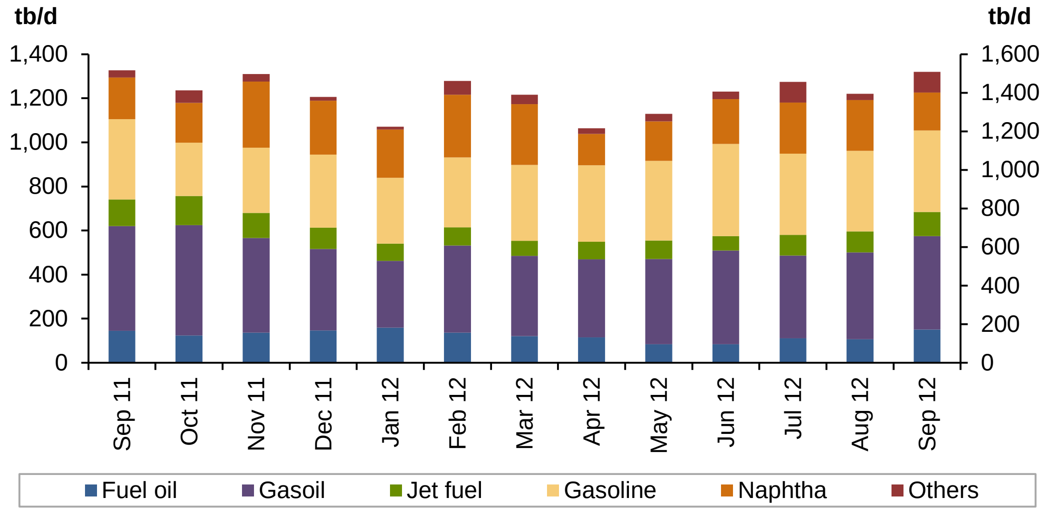


Table 8.4: India's crude and product net imports, tb/d

	Jul 12	Aug 12	Sep 12	*Change* Sep/Aug
Crude oil	3,275	3,374	3,523	149
Total products	-928	-882	-994	-113
Total crude and products	**2,346**	**2,493**	**2,529**	**36**

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

FSU

Crude oil exports from FSU increased by 3% to average 6.5 mb/d in September

Total crude oil exports from the former Soviet Union increased by 191 tb/d or 3% in September to average 6.5 mb/d. Crude exports through Russian pipelines increased by 44 tb/d or 1% to average 4.4 mb/d.

Shipments from the Black Sea decreased by 158 tb/d or 16.3% to average 813 tb/d. This decrease was offset by an increase in volumes through the Baltic, rising by 203 tb/d or 12% from last month. Kozmino shipments also increased, although by only 3%. Exports through the Russian and Kazakh rail networks increased by 55 tb/d and 54 tb/d respectively. Loadings of the CPC blend increased by 70 tb/d or 11% to average 688 tb/d. The FSU's total product exports decreased by 235 tb/d or 7.3% from August to average 3 mb/d. This fall came on the back of lower exported quantities of naphtha, jet, gasoil and fuel oil, which decreased from last month's level by 16%, 33%, 7% and 9,% respectively.

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

	2010	2011	1Q12	2Q12	3Q12	Aug 12	Sep 12*
Crude							
Russian pipeline							
Black Sea	994	935	876	900	932	971	813
Baltic	1,564	1,461	1,444	1,725	1,611	1,709	1,912
Druzhba	1,126	1,170	1,243	1,109	1,006	1,007	1,008
Kozmino	309	306	307	317	315	312	322
Total	**4,005**	**4,178**	**4,161**	**4,356**	**4,174**	**4,313**	**4,357**
Other routes							
Russian rail	330	173	176	137	87	24	79
Russian-Far East	276	279	269	265	249	231	266
Kazakh rail	123	157	167	128	78	15	69
Vadandey	152	82	46	41	57	68	106
Kaliningrad	24	23	24	18	22	27	20
CPC	743	679	622	685	654	618	688
BTC	775	695	727	681	638	635	614
Kenkiyak-Alashankou	204	222	207	186	213	213	237
Caspian	239	170	169	168	198	178	131
Total crude exports	**6,750**	**6,500**	**6,401**	**6,538**	**6,292**	**6,307**	**6,498**
Products							
Gasoline	141	149	155	113	113	131	158
Naphtha	253	243	277	295	307	383	323
Jet	18	10	3	5	12	12	8
Gasoil	809	716	848	744	734	809	753
Fuel oil	1,129	1,201	1,260	1,277	1,415	1,605	1,462
VGO	228	198	180	264	281	297	299
Total	**2,578**	**2,518**	**2,723**	**2,697**	**2,863**	**3,237**	**3,002**
Total oil exports	**9,328**	**9,018**	**9,124**	**9,235**	**9,154**	**9,544**	**9,500**

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

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

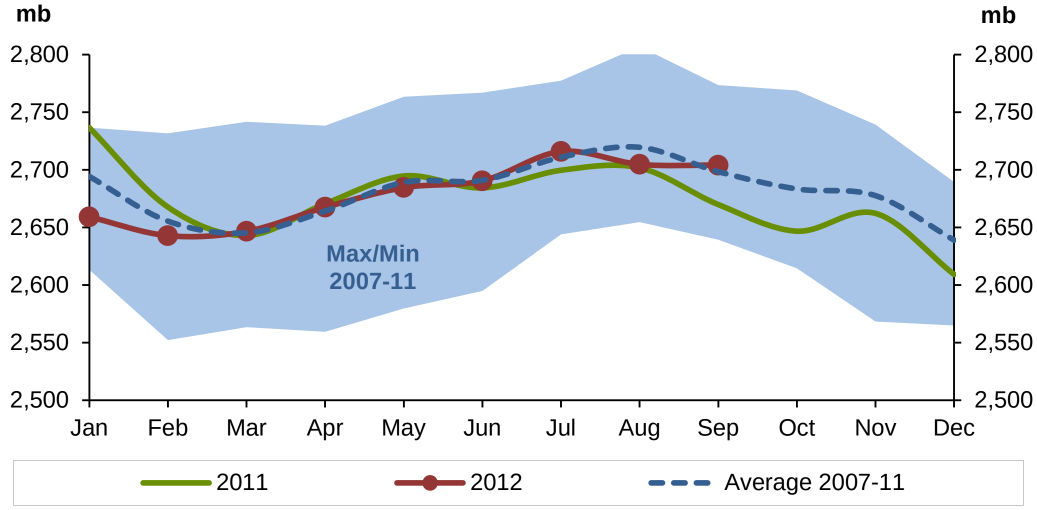
Stock Movements

Preliminary data for September shows that total OECD commercial oil stocks remained almost unchanged, to stand about 6 mb above the five-year average

OECD

Preliminary data for September shows that total OECD commercial oil stocks remained almost unchanged following a 11.2 mb drop in August. Crude oil shows a build of 1.1 mb, while products abated this build as they declined by 1.7 mb. At 2704 mb, OECD commercial stocks stood at 34 mb above the level of last year at the same period and indicated a surplus of 6 mb compared to the last five-year average, making this the first gain since the month of May. Within the components of OECD commercial inventories, crude stood at a comfortable level representing a surplus of 44 mb with a year earlier and 32 mb above the five-year average, while product stocks indicated a deficit of 10 mb with the last year and 26 mb with the seasonal norm. The upward trend in total OECD commercial stocks observed since the beginning of this year reflects the strong performance of non-OPEC supply and the increase in OPEC crude production amid relatively weaker demand. Indeed, during the first three quarters of this year, global supply increased by 2.6 mb/d, while world oil demand has increased by only 0.7 mb/d.

Graph 9.1: OECD's commercial oil stocks



On a regional basis, North America stocks declined by 3.5 mb, with crude rising by 2.2 mb, while products abated this build declining by 5.7 mb. The build in US crude commercial stocks came from lower refinery runs reflecting the period of refinery maintenance normal for this time of year. In September, US refineries operated at 87.3%, which was 2.7 percentage points (pp) lower than in the previous month and 0.4 pp below the same month last year. At 661 mb, North America commercial crude oil stocks stood at comfortable levels, indicating a surplus with the last five-year average at 36 mb, 28 mb more than a year ago at the same time. However, product stocks in North America still remained 13 mb below the historical average in September and 19 mb lower y-o-y. The biggest factor in keeping product stocks low in US refineries is higher product exports. In fact, through the first nine months of this year, US exports reached more than 3.0 mb/d, 9% above the same time last year and around nearly 1 mb/d over two years ago.

OECD Europe's inventories saw a decline of 2.0 mb, driven mainly by the fall of 3.9 mb, in crude, while products rose by 1.9 mb. With this total drop, OECD Europe commercial stocks remained at 23.2 mb below the five-year average divided between crude and products as they indicated a deficit of 13.0 mb and 10.1 mb, respectively. However, year-on-year, OECD Europe commercial stocks indicated a gain of 13 mb for the first time since October 2010. Both crude and products contributed to this gain as they showed a surplus of 5.7 mb and 6.8 mb respectively.

OECD Pacific commercial stocks rose in September by 4.9 mb, driven by the increase of 2.8 mb in crude and 2.1 mb in products. OECD Pacific commercial stocks stood at 6.4 mb above the last five-year average and 13.1 mb above the same time a year ago.

However, within the components, the picture is mixed. OECD Pacific commercial crude stood at 9.2 mb above the historical norm, while products indicated a deficit of 2.8 mb. Compared with a year ago at the same period, crude showed a surplus of 10.7 mb, and products witnessed a gain of 2.3 mb.

In terms of days of forward cover, OECD commercial stocks in September, stood at 58.9 days and indicated a gain of nearly 2 days compared to the last five-year average and one day compared to the previous year at the same period. This comfortable level of OECD days of forward cover is not expected to fall, since demand in OECD countries is projected to decline further in the coming year amid continued good performance of non-OPEC supply. Indeed, OECD demand for next year is expected to fall by 200,000 b/d vis-à-vis this year, while non-OPEC is forecast to increase by around 0.9 mb/d.

Table 9.1: OECD commercial stocks, mb

	Jul 12	Aug 12	Sep 12	Change Sep 12/Aug 12	Sep 11
Crude oil	1,308	1,280	1,281	1.0	1,237
Products	1,408	1,425	1,423	-1.7	1,433
Total	**2,716**	**2,705**	**2,704**	**-0.7**	**2,670**
Days of forward cover	**59.3**	**59.2**	**58.9**	**-0.3**	**57.9**

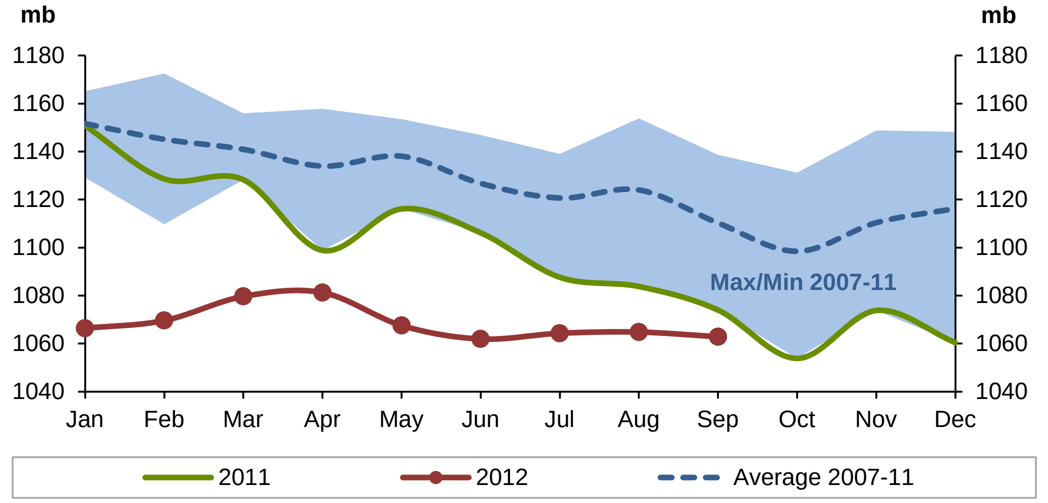
Europe-16

European stocks in September reversed the build of the last two months and fell by 2.0 mb

The latest available data for September shows that European stocks reversed the build of the last two months and fell by 2.0 mb to stand at 1,063 mb. At this level, they ended the month 11.1 mb or 1.0% lower than a year ago and 47 mb or 4.3% below the five-year average. The draw in total inventories came from crude which fell by 3.9 mb, while product stocks rose by 1.9 mb.

European crude inventories fell by 3.9 mb in September reversing the build of last month and finished the month at 456.8 mb. Despite this decline, they remained 14.7 mb or 3.3% above a year earlier, but persisted 4.8 mb or 1.0% below the last five-year average. The drop in crude stocks was attributed to limited supply due to offshore maintenance in the North Sea. Higher refinery runs also contributed to the fall in crude oil stocks. Indeed, European crude throughputs were above 11.0 mb in September, around 480,000 b/d more than in the previous year at the same period. The third quarter averaged 11.17 mb/d, the highest in two years, and corresponds to almost 85% of capacity.

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



Product stocks reversed the draw of last month and increased by 1.9 mb to end the month of September at 606.0 mb. At this level, product stocks in Europe were 26.0 mb or 4.1% below the same period last year and 43.0 mb or 6.6% lower than the five-year average. Within products, distillates and naphtha saw a drop, while gasoline and residual fuel oil witnessed a build. Gasoline saw the bulk of this build, increasing by 1.9 mb to stand at 106.9 mb, albeit showing a slight deficit of 1.9 mb compared to a year ago at the same period and remained 8.0 mb or 7% below the seasonal average. Weak demand in European countries was behind this build. However, higher gasoline exports to the US following a fire in the larger Venezuelan refinery combined with the shutdowns at US refineries after Hurricane Isaac has limited the build in gasoline stocks. Distillate stocks ended September slightly lower than the previous month, following the 1.5 mb build in August. At 373.1 mb, they dropped by 16.1 mb or 4.1% from a year earlier, and stand 20 mb or 5.1% lower than the five-year average. Higher distillates consumption in September, especially for heating oil, when German demand showed some strength has pushed inventories lower. However, the jump in refinery runs has further limited the fall in distillate stocks. Fuel oil stocks rose by 1.3 mb to end the month of September at 91.7 mb, 7.3 mb below the same period last year and 18.0 mb lower than the five-year average. This stock-draw was driven by weaker demand in the region combined with higher exports to the US and Singapore.

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

	Jul 12	Aug 12	Sep 12	Change Sep 12/Aug 12	Sep 11
Crude oil	**458.8**	**460.7**	**456.8**	**-3.9**	**441.5**
Gasoline	106.6	105.1	106.9	1.9	104.9
Naphtha	35.2	35.2	34.3	-0.9	34.8
Middle distillates	373.5	373.5	373.1	-0.4	378.6
Fuel oils	90.2	90.4	91.7	1.3	100.6
Total products	605.5	604.1	606.0	1.9	618.9
Total	**1,064.3**	**1,064.8**	**1,062.9**	**-2.0**	**1,060.4**

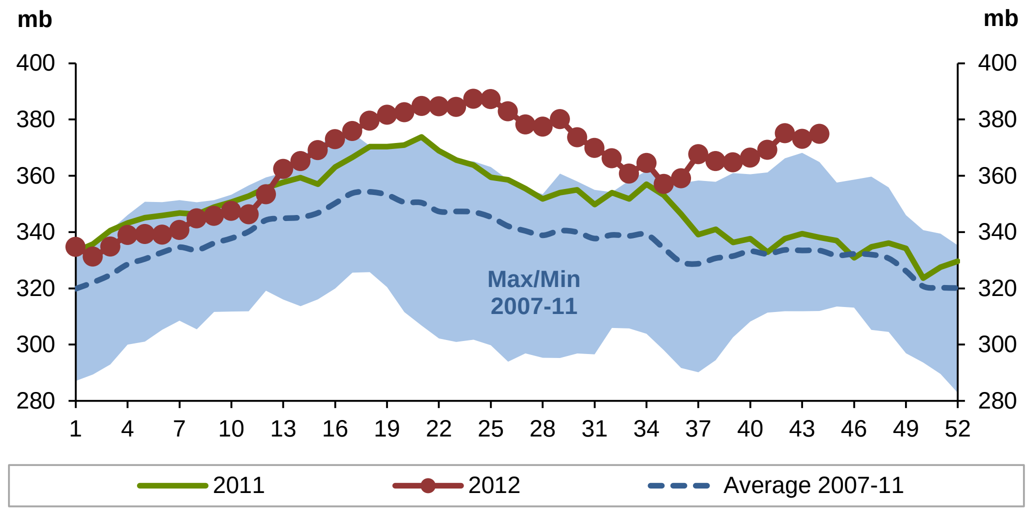
Source: Argus and Euroilstock.

US

US total commercial oil stocks fell in October for the third consecutive month by 3.2 mb

Preliminary weekly data showed that **US total commercial oil stocks** fell in October for the third consecutive month by 3.2 mb to stand at 1,098.3 mb/d. Despite this stock draw, they stood at 24.4 mb or 2.3% above a year ago at the same period and 35.1 mb or 3.3% higher than last five-year average. The fall in US total commercial oil stocks was attributed to products as they decreased by 11.6 mb, while crude oil stocks abated this declined as they increased by 8.4 mb.

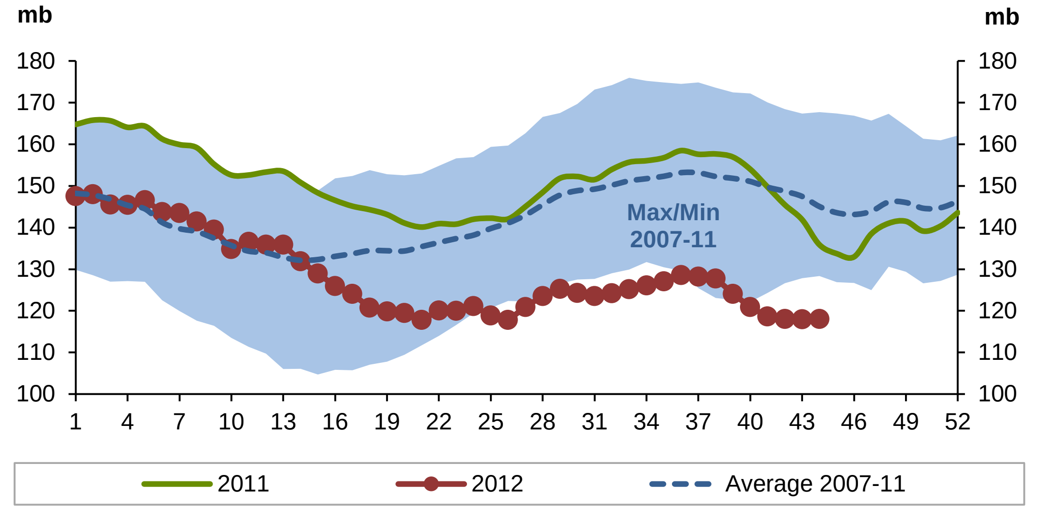
Graph 9.3: US weekly commercial crude oil stocks



In October, **US commercial crude stocks** rose by 8.4 mb for the second consecutive month to stand at 373.1 mb. With this build, they indicated a surplus with a year ago of 34.5 mb or 10.2% and they are at 41.7 mb or 12.6% above the five-year average.

However, it should be noted that during the week ending 26 October, US commercial crude oil fell by 2.0 mb reflecting the weekly drop in imports of around 900 tb/d to 7.9 mb/d. On monthly basis, the US crude imports averaged 8.3 mb/d in October, almost 600,000 b/d less than the same period last year. The monthly build in crude stocks came despite the increase in crude oil refinery inputs by nearly 120,000 b/d to average 14.8 mb/d. The level of US crude runs was also higher than the same period a year ago, by more than 300,000 b/d. In October, US refineries operated at 87.3%, which was almost the same level as the previous month, but 1.0 percentage points (pp) below the same month last year. In contrast with the build in total crude commercial stocks, inventories in Cushing showed a decline of about 0.5 mb to stand at 43.4 mb, as volumes continue to flow south on the Seaway pipeline, but despite this fall, crude oil stocks at Cushing remained some 35% above the same period last year.

Graph 9.4: US weekly distillate stocks



Product inventories fell substantially by 11.6 mb in October for the third consecutive months. At 725.2 mb, they remained 10.1 mb or 1.4% below last year's level and 6.6 mb or 0.9% lower than the five-year average. Within products, the picture was mixed; distillates and other unfinished products saw declines, while gasoline, residual fuel oil and jet fuel oil experienced builds. Gasoline stocks reversed the fall of the last two months and increased by 3.6 mb to end October at 199.5 mb. At this level, inventories were 8.9 mb or 4.3% below those of a year ago and 5.1 mb or 2.5% below the historical average. The increase in gasoline imports by around 100,000 b/d was behind the build in total gasoline stocks. However, the hurricane Sandy at the heart of PADD1, the largest gasoline market in the US will add the uncertainty to that region's short term gasoline market; which was already tight on gasoline before the storm. Distillate stocks fell by 6.1 mb for the second consecutive months and ending October at 117.9 mb. With this draw, they were now 24.9 mb or 17.5 %, below the year-ago level and 29.6 mb or 20.1% lower than the seasonal norm. Lower distillate production averaged 3.7 mb/d, around 130,000 b/d less than the previous month supported the stock-draw in distillates. The continued strength of distillate exports also contributed to the draw on distillate stocks. Apparent demand for distillate remained almost at the same level as previous month averaging 3.7 mb/d, but the demand will depressed in PADD1 region as power outages and obstructed roadways will reduce economic activities. Jet fuel stocks rose for the fourth month running, by 0.1 mb from a month ago. At 44.5 mb, they stood at the highest level since one year. But despite this upward trend, they are still 1.1 mb or 2.4% lower than a year ago. However, they indicate a surplus of 1.8 mb or 4.2 with the seasonal norm. Residual oil stocks rose by 1.0 mb in October to finish the month at 36.1 mb. At this level, they were 0.7 mb or 1.8% lower than the same month a year ago and 2.1 mb or 5.5% below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

	Aug 12	Sep 12	Oct 12	Change Oct 12/Sep 12	Oct 11
Crude oil	362.5	364.7	373.1	8.4	337.0
Gasoline	200.7	195.9	199.5	3.6	206.6
Distillate fuel	127.4	124.1	117.9	-6.1	142.3
Residual fuel oil	34.2	35.1	36.1	1.0	36.9
Jet fuel	43.2	44.4	44.5	0.1	45.1
Total	**1105.0**	**1101.4**	**1098.3**	**-3.2**	**1073.5**
SPR	696.0	695.0	695.0	0.0	696.0

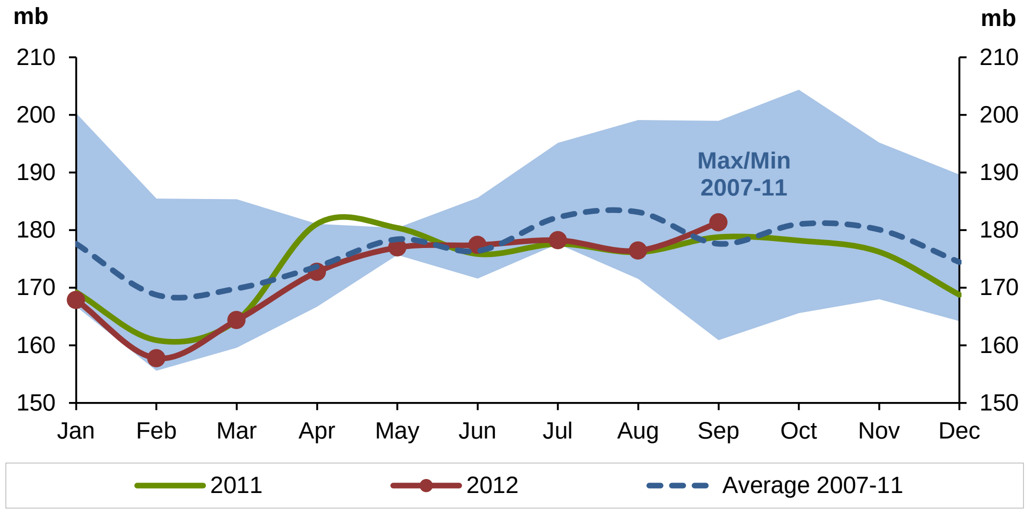
Source: US Department of Energy's Energy Information Administration.

Japan

In September, commercial oil stocks in Japan reversed the draw incurred over the last month, increasing by 4.9 mb

In September, **commercial oil stocks** in Japan reversed the draw incurred over the last month, increasing by 4.9 mb to end the month at 181.3 mb, the highest level since February 2009. With this build, the surplus with a year ago has increased to 1.4% from only 0.1% a month earlier. This build also helped to switch the deficit with five-year average occurred last two months to a surplus of 2.1% in September. The total stock-build came from crude and products as they increased by 2.7 mb and 2.1 mb respectively.

Graph 9.5: Japan's commercial oil stocks



Japanese commercial crude oil stocks rose by 2.7 mb reversing the draw of last three consecutive months and ended September at 104.1 mb. At this level, they were 4.3 mb above the same time a year ago and around 8.4 mb above the latest five-year average. The build was due mainly to lower crude throughput, which declined by around 187,000 b/d or 5.4% over the previous month to average 3.3 mb/d, and stood at 2.8% below the year-ago level. In September, Japan's refineries were running at 72.7%, which was 4.2 percentage points (pp) lower than in the previous month, but 0.1 pp higher than in the same period last year. It should be noted that direct crude burning in power plants in September fell slightly by 3.3% to end the month at around 248,700 b/d, but they still indicate a huge increase of 43.9% when compared to the same period last year. Relatively lower crude imports in September have limited the build in Japanese crude oil stocks. Indeed, crude oil imports fell by 0.5% from the previous month averaging 3.6 mb/d and were 0.4% less than the same period last year.

Japan's total product inventories continued their upward trend, rising by 2.1 mb for the sixth consecutive month to end September at 77.2 mb, the highest level since November 2011. Despite this build, they showed a deficit of 1.7 mb or 2.2% with a year ago and were 4.7 mb or 5.7% below the seasonal average. This stock-build for total products came mainly from lower total oil product sales, which decreased by nearly 200,000 b/d or 5.8% from the previous month, but they still remained 1.6% higher when compared to the same period last year. At 3.2 mb/d, oil product sales in Japan were higher for the 10th month a row y-o-y when demand was low after the triple disaster devastated Japan in March. Lower refinery throughput has limited the build in product stocks.

Within products, all the products saw a builds with the bulk coming from distillates as they increased by 1.4 mb finishing the month of September at 35.9 mb, the highest level since November 2011. Despite this build, they still showed a deficit of 1.9 mb or 5.0%, compared with a year ago, and were 3.2 mb or 8.3% below the five-year average. Within distillate components, jet fuel and gasoil saw a draw, while kerosene witnessed builds. Kerosene stocks rose by 11.6 % reflecting lower domestic sales due to unusually hot weather in September. Jet fuel inventories fell by 12.2%, driven by an increase of 12.4% in domestic consumption combined with 11.3% increase in exports. Gasoil stocks also fell by 6.9%, supported by a huge decline of almost 40% in imports. Lower output which decreased by 13% contributed also to the fall in gasoil stocks. Gasoline stocks rose slightly by 0.2 mb, reversing the drop of the previous month. At 14.1 mb, gasoline stocks were 1.2 mb or 8.9% higher than a year ago, representing a surplus of 1.4 mb or 11.5% with the seasonal average. The build in gasoline stocks could be attributed mainly to lower domestic sales which decreased by 12.6%. Residual fuel oil stocks rose slightly in September ending the month at 17.3 mb. At this level, they were 0.2 mb or 1.1% less than the same period a year ago and 1.1 mb or 6.0% below the five-year average. Within the components of fuel oil, fuel oil A rose by 8.3%, while fuel oil B.C stocks saw a decline of 5.6%. Lower production was behind the draw in fuel oil B.C inventories, while the decline in domestic sales was behind the increase in fuel oil A stocks. Naphtha inventories saw an increase of 0.5 mb, ending September at 10.0 mb. At this level, they remained 0.8 mb or 7.6% below a year ago and 1.8 mb or 15.0% lower than the five-year average. The build in naphtha stocks came from lower domestic sales, combined with higher imports.

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

	Jul 12	Aug 12	Sep 12	Change Sep 12/Aug 12	Sep 11
Crude oil	**104.4**	**101.4**	**104.1**	**2.7**	**99.9**
Gasoline	14.1	13.9	14.1	0.2	12.9
Naphtha	11.1	9.4	10.0	0.6	10.8
Middle distillates	31.3	34.5	35.9	1.4	37.8
Residual fuel oil	17.3	17.2	17.3	0.1	17.5
Total products	**73.8**	**75.1**	**77.2**	**2.1**	**78.9**
Total**	**178.3**	**176.4**	**181.3**	**4.9**	**178.8**

** At end of month.*

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

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

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of September, product stocks in Singapore reversed the fall of the last two months and increased by 1.9 mb

At the end of September, **product stocks in Singapore** reversed the fall of last two months and increased by 1.9 mb to end the month at 37.5 mb. Despite this build, they remained below the level of the same time a year ago, showing a deficit of 4.9 mb or 11.5%.

Within products, middle distillate stocks saw a drop, while light distillates and fuel oil stocks experienced a build. Middle distillate stocks fell slightly by 0.2 mb reversing the build of the last two months and ended the month of September at 9.2 mb. At this level, they were 4.5 mb or 33% below the same time last year. This build was due mainly to higher imports from Australia which was countered by global weak demand. Increasing imports from South Korea also supported the build of middle distillates. Light distillate stocks ended September by 1.5 mb higher than in the previous month, following two consecutive months of a draw. At 10.2 mb, light distillate stocks stood at 0.5 mb or 4.7 mb higher than a year ago at the same period. The build in light distillate stocks came from lower demand in the region. Stocks are expected to increase further following the restart of the 100,000-b/d Royal Dutch Shell refinery in Singapore after a period of maintenance. Fuel oil stocks also saw an increase of 0.5 mb after two consecutive months of a draw, and ended September at 18.2 mb. Despite this build, they are still 0.8 mb or 4.3% below the same period a year ago.

Products stocks in ARA fell by 2.3 mb in September after three consecutive months of builds

Products stocks in **ARA** fell by 2.3 mb in September after three consecutive months of builds and ended the month at 29.4 mb, the lowest level since December and 0.8 mb or 2.7% below a year earlier at the same time.

Within products, with the expectation of gasoline, all other products witnessed a draw with the bulk of the fall coming from gasoil. Indeed, gasoil stocks fell 1.8 mb to finish the month of September at 16.0 mb, the lowest level since end of last year. At this level, they were 0.5 mb or 31% lower than a year ago at the same period. Higher exports, outpacing imports, were behind this stock draw. At the same time, the backwardation structure of the gasoil forward curve did not encourage an increase in stocks. Fuel oil stocks fell for the third consecutive month by 0.7 mb to stand at 4.0 mb, representing a deficit of 1.1 mb or 21% with a year ago. The drop was mainly driven by a very large VLCC loading for departure to Singapore. Jet fuel inventories reversed the build incurred during the last three months and dropped by 0.1 mb to end September at 3.0 mb, representing a decline of 0.1 mb or 4.2.0% from the same period last year. Naphtha also saw a decline of 0.3 mb to stand at 0.9 mb, up 0.1 mb or 11.8% year-on-year. This draw came of back of higher demand from the petrochemical industry, which offset imports from Russia and Spain. Gasoline was the only product to show a build of 0.2 mb in September. At 5.5 mb, they stood at 0.8 mb or 18.2% above the same time a year ago. However, gasoline inventories in ARA are expected to fall in coming weeks, reflecting seasonal refinery maintenance, which will lead to a decline in gasoline production.

Balance of Supply and Demand

Forecast for 2012

Required OPEC crude for 2012 estimated at 30.1 mb/d, down 0.1 mb/d from 2011

The estimated demand for OPEC crude for 2012 remains broadly unchanged from the previous report, as demand and non-OPEC supply saw only minor adjustments. Within the quarters, the first, second and fourth quarters experienced downward revisions of 0.1 mb/d, while the third quarter was revised up by 0.1 mb/d from the previous assessment. The demand for OPEC crude stood at 30.1 mb/d in 2012, representing a decrease of 0.1 mb/d from last year. The first quarter is estimated to decline by 0.6 mb/d, versus the same quarter last year; the second expected to increase by 0.4 mb/d; while the second half of the year is seen remaining almost unchanged.

Table 10.1: Summarized supply/demand balance for 2012, mb/d

	2011	1Q12	2Q12	3Q12	4Q12	2012
(a) World oil demand	**88.04**	**87.86**	**87.86**	**89.44**	**90.01**	**88.80**
Non-OPEC supply	52.46	53.21	52.61	52.49	53.47	52.95
OPEC NGLs and non-conventionals	5.39	5.58	5.69	5.82	5.95	5.76
(b) Total supply excluding OPEC crude	**57.85**	**58.79**	**58.30**	**58.31**	**59.42**	**58.71**
Difference (a-b)	**30.19**	**29.08**	**29.56**	**31.12**	**30.59**	**30.09**
OPEC crude oil production	29.79	31.22	31.49	31.24		
Balance	-0.40	2.15	1.93	0.11		

Totals may not add up due to independent rounding.

Forecast for 2013

Demand for OPEC crude in 2013 is forecast at 29.7 mb/d, down 0.4 mb/d from the current year

The estimated demand for OPEC crude for 2013 has seen a downward adjustment of 0.1 mb/d from the previous report to stand at 29.7 mb/d, showing negative growth of 0.4 mb/d, compared with the previous year. Within the quarters, the first, third and fourth quarters saw downward revisions of 0.1 mb/d, while the second remained unchanged from the previous assessment. The first quarter is estimated to increase by 0.3 mb/d versus the same quarter last year. However, all the other quarters are expected to see negative growth, with the bulk of the decrease coming in the second quarter, falling by 0.7 mb/d. the third and fourth quarters are forecast to drop by 0.6 mb/d and 0.4 mb/d respectively.

Table 10.2: Summarized supply/demand balance for 2013, mb/d

	2012	1Q13	2Q13	3Q13	4Q13	2013
(a) World oil demand	**88.80**	**88.79**	**88.37**	**90.32**	**90.77**	**89.57**
Non-OPEC supply	52.95	53.48	53.49	53.83	54.58	53.85
OPEC NGLs and non-conventionals	5.76	5.96	5.98	6.01	6.05	6.00
(b) Total supply excluding OPEC crude	**58.71**	**59.45**	**59.47**	**59.84**	**60.63**	**59.85**
Difference (a-b)	**30.09**	**29.34**	**28.90**	**30.48**	**30.14**	**29.72**

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

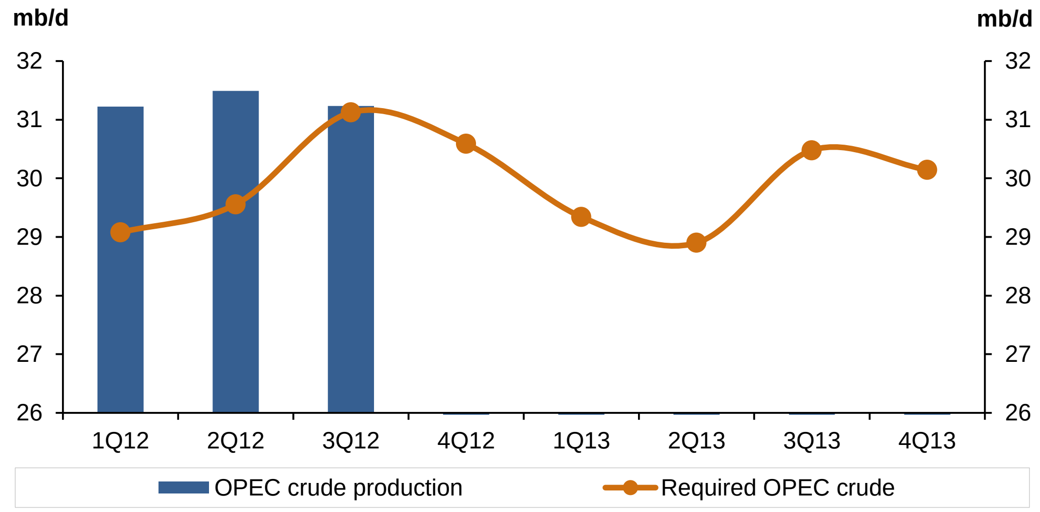


Table 10.3: World oil demand/supply balance, mb/d

	2007	2008	2009	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
World demand															
OECD	49.4	47.6	45.7	46.3	45.9	45.6	44.9	45.7	45.9	45.5	45.6	44.4	45.6	45.8	45.3
North America	25.5	24.2	23.3	23.8	23.7	23.1	23.5	23.7	23.7	23.5	23.3	23.4	23.8	23.7	23.5
Western Europe	15.5	15.4	14.7	14.6	14.3	13.7	13.7	14.1	13.9	13.9	13.5	13.5	13.9	13.6	13.6
Pacific	8.4	8.1	7.7	7.8	7.9	8.8	7.7	7.9	8.4	8.2	8.8	7.6	8.0	8.4	8.2
DCs	24.8	25.6	26.1	27.1	27.8	27.9	28.3	29.0	28.6	28.5	28.4	28.9	29.6	29.1	29.0
FSU	4.0	4.1	4.0	4.2	4.3	4.2	4.1	4.5	4.7	4.4	4.3	4.2	4.6	4.8	4.5
Other Europe	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7	0.7	0.8	0.7
China	7.6	8.0	8.3	9.0	9.4	9.5	9.9	9.5	10.0	9.7	9.8	10.2	9.9	10.3	10.1
(a) Total world demand	86.6	86.1	84.8	87.2	88.0	87.9	87.9	89.4	90.0	88.8	88.8	88.4	90.3	90.8	89.6
Non-OPEC supply															
OECD	20.0	19.6	19.8	20.0	20.2	21.0	20.8	20.6	21.0	20.9	21.1	21.1	21.1	21.6	21.2
North America	14.3	14.0	14.4	15.0	15.5	16.5	16.3	16.4	16.5	16.4	16.7	16.8	16.9	17.2	16.9
Western Europe	5.2	4.9	4.7	4.4	4.1	4.1	3.9	3.5	3.9	3.8	3.9	3.7	3.6	3.7	3.7
Pacific	0.6	0.6	0.6	0.7	0.6	0.5	0.5	0.7	0.6	0.6	0.6	0.6	0.7	0.6	0.6
DCs	11.9	12.2	12.4	12.8	12.7	12.3	12.1	12.2	12.4	12.3	12.4	12.5	12.7	12.8	12.6
FSU	12.5	12.6	13.0	13.2	13.2	13.4	13.2	13.2	13.4	13.3	13.4	13.4	13.4	13.6	13.4
Other Europe	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.8	3.8	4.1	4.1	4.2	4.2	4.2	4.3	4.2	4.3	4.2	4.2	4.2	4.2
Processing gains	2.0	2.0	2.0	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	50.4	50.4	51.1	52.4	52.5	53.2	52.6	52.5	53.5	52.9	53.5	53.5	53.8	54.6	53.8
OPEC NGLs + non-conventional oils	3.9	4.1	4.3	5.0	5.4	5.6	5.7	5.8	6.0	5.8	6.0	6.0	6.0	6.1	6.0
(b) Total non-OPEC supply and OPEC NGLs	54.4	54.5	55.5	57.3	57.9	58.8	58.3	58.3	59.4	58.7	59.4	59.5	59.8	60.6	59.9
OPEC crude oil production (secondary sources)	30.2	31.3	28.8	29.2	29.8	31.2	31.5	31.2							
Total supply	84.6	85.8	84.2	86.6	87.6	90.0	89.8	89.6							
Balance (stock change and miscellaneous)	-2.0	-0.3	-0.6	-0.6	-0.4	2.1	1.9	0.1							
OECD closing stock levels (mb)															
Commercial	2,565	2,690	2,651	2,680	2,609	2,647	2,691	2,704							
SPR	1,524	1,527	1,564	1,561	1,532	1,532	1,535	1,534							
Total	4,089	4,216	4,216	4,241	4,141	4,178	4,225	4,239							
Oil-on-water	948	969	919	871	825	787	812	797							
Days of forward consumption in OECD															
Commercial onland stocks	54	59	57	58	57	59	59	59							
SPR	32	33	34	34	34	34	34	33							
Total	86	92	91	92	91	93	92	92							
Memo items															
FSU net exports	8.5	8.5	9.0	9.0	8.9	9.1	9.2	8.7	8.7	8.9	9.0	9.2	8.9	8.7	9.0
(a) - (b)	32.2	31.6	29.3	29.9	30.2	29.1	29.6	31.1	30.6	30.1	29.3	28.9	30.5	30.1	29.7

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

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

	2007	2008	2009	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
World demand															
OECD	-	-	-	-	-	-0.1	-	-0.2	-	-0.1	-0.1	-0.1	-0.1	-	-0.1
North America	-	-	-	-	-	-	0.1	-	-	-	-	0.1	0.1	-	-
Western Europe	-	-	-	-	-	-	-	-0.2	-	-	-	-	-0.2	-	-
Pacific	-	-	-	-	-	-0.1	-0.1	-	-	-	-0.1	-0.2	-	-	-0.1
DCs	-	-	-	-	-	-	0.1	0.1	-	0.1	0.1	0.1	0.1	-	0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-0.1	0.2	-0.2	-	-	-0.1	-	-	-	-
World demand growth	-	-	-	-	-	*-0.06*	*0.17*	*-0.17*	-	-	-	*-0.13*	*0.12*	-	-
Non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD	-	0.1	-	-	-	-	-	-0.1	0.1	-	-	-	-	-	-
North America	-	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-0.2	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	0.1	0.1	-	0.1	0.1	0.1	0.1	0.1
DCs	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	0.1	-	-	-	-	-	-0.2	-	-	-	-	-	-	-
Total non-OPEC supply growth	-	*0.07*	-	-	-	*-0.09*	-	*-0.15*	-	*-0.07*	-	-	*0.14*	-	-
OPEC NGLs + non-conventionals	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
(b) Total non-OPEC supply and OPEC NGLs	-	0.1	-	-	0.1	0.1	0.1	-0.1	0.1	-	-	-	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-							
Total supply	-	0.1	-	-	0.1	0.1	0.1	-							
Balance (stock change and miscellaneous)	-	0.1	-	-	0.1	0.2	-0.1	0.1							
OECD closing stock levels (*mb*)															
Commercial	-	-	-	-	-	-	-1	-							
SPR	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-1	-							
Oil-on-water	-	-	-	-	-	-	-	-							
Days of forward consumption in OECD	-	-	-	-	-	-	-	-							
Commercial onland stocks	-	-	-	-	-	-	-	-							
SPR	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-	-							
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-0.1	-	-	-0.1	-0.1	0.1	-0.1	-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 2012 issue.*
This table shows only where changes have occurred.

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

	2007	2008	2009	2010	2011	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12
Closing stock levels, *mb*																							
OECD onland commercial	2,565	2,690	2,651	2,680	2,609	2,595	2,652	2,690	2,742	2,755	2,774	2,651	2,686	2,767	2,757	2,680	2,643	2,685	2,670	2,609	2,647	2,691	2,704
North America	1,198	1,269	1,273	1,318	1,299	1,209	1,246	1,269	1,320	1,355	1,360	1,273	1,301	1,357	1,386	1,318	1,288	1,328	1,329	1,299	1,320	1,353	1,338
Western Europe	960	1,014	995	971	921	977	975	1,014	1,014	999	994	995	998	1,005	969	971	973	951	928	921	949	925	940
OECD Pacific	407	407	383	392	390	409	431	407	408	401	419	383	387	405	402	392	382	406	413	390	377	413	426
OECD SPR	1,524	1,527	1,564	1,561	1,532	1,526	1,522	1,527	1,547	1,561	1,564	1,564	1,567	1,562	1,549	1,561	1,558	1,561	1,526	1,532	1,532	1,535	1,534
North America	699	704	729	729	697	708	704	704	715	726	727	729	729	729	728	729	727	727	696	697	697	697	696
Western Europe	421	416	426	423	422	414	414	416	424	427	429	426	429	422	419	423	420	423	420	422	421	424	425
OECD Pacific	404	406	409	410	414	404	403	406	408	408	408	409	409	411	402	410	411	411	409	414	414	413	413
OECD total	4,089	4,216	4,216	4,241	4,141	4,121	4,174	4,216	4,289	4,316	4,338	4,216	4,252	4,329	4,307	4,241	4,201	4,245	4,196	4,141	4,178	4,225	4,239
Oil-on-water	948	969	919	871	825	925	885	969	899	899	869	919	919	897	926	871	891	853	835	825	787	812	797
Days of forward consumption in OECD																							
OECD onland commercial	54	59	57	58	57	56	56	58	61	61	60	58	59	59	59	58	59	58	58	57	59	59	59
North America	50	54	53	56	56	51	52	54	58	58	58	54	55	56	58	55	55	56	56	56	56	57	57
Western Europe	62	69	68	68	67	63	63	67	70	68	68	69	70	67	65	68	69	65	66	67	69	66	68
OECD Pacific	50	53	49	50	44	54	54	50	55	55	52	46	53	53	50	47	54	53	50	44	49	52	51
OECD SPR	30	30	31	31	30	30	30	30	30	31	31	31	31	31	30	31	31	31	30	30	30	30	30
North America	29	30	31	31	30	30	29	30	31	31	31	31	31	30	30	30	31	30	29	30	30	29	29
Western Europe	27	28	29	30	31	27	27	28	29	29	30	30	30	28	28	30	30	29	30	31	31	30	31
OECD Pacific	50	53	52	52	47	54	51	50	56	56	51	49	55	54	50	49	58	53	49	47	54	52	49
OECD total	86	92	91	92	91	88	88	90	96	96	94	91	94	93	92	91	94	92	91	91	93	92	92

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

	2007	2008	2009	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12
US	7.47	7.57	8.17	8.64	0.47	8.77	8.92	8.90	9.51	9.03	0.39	9.74	9.74	9.69	9.80	9.74	0.71	9.92	10.03	10.06	10.30	10.08	0.34
Canada	3.31	3.25	3.23	3.36	0.13	3.54	3.32	3.62	3.75	3.56	0.20	3.81	3.68	3.82	3.85	3.79	0.23	3.87	3.91	4.00	4.11	3.98	0.19
Mexico	3.49	3.17	2.98	2.96	-0.02	2.97	2.96	2.91	2.92	2.94	-0.02	2.92	2.93	2.92	2.89	2.92	-0.03	2.88	2.83	2.84	2.82	2.84	-0.07
North America	14.27	14.00	14.38	14.96	0.58	15.28	15.20	15.43	16.19	15.53	0.57	16.47	16.35	16.43	16.55	16.45	0.92	16.66	16.78	16.91	17.23	16.90	0.45
Norway	2.55	2.47	2.36	2.14	-0.22	2.14	1.98	1.99	2.05	2.04	-0.10	2.08	1.98	1.76	1.95	1.94	-0.10	1.97	1.86	1.80	1.88	1.88	-0.06
UK	1.69	1.57	1.48	1.37	-0.12	1.27	1.16	0.94	1.11	1.12	-0.24	1.08	1.01	0.83	1.01	0.98	-0.14	0.99	0.92	0.89	0.94	0.93	-0.05
Denmark	0.31	0.28	0.26	0.25	-0.02	0.23	0.25	0.23	0.21	0.23	-0.02	0.22	0.22	0.21	0.20	0.21	-0.02	0.20	0.20	0.19	0.18	0.19	-0.02
Other Western Europe	0.62	0.62	0.63	0.64	0.01	0.67	0.66	0.70	0.68	0.68	0.04	0.69	0.70	0.70	0.70	0.70	0.02	0.70	0.70	0.70	0.70	0.70	0.00
Western Europe	5.17	4.94	4.74	4.39	-0.35	4.32	4.05	3.86	4.05	4.07	-0.32	4.07	3.91	3.50	3.86	3.83	-0.23	3.86	3.68	3.58	3.71	3.71	-0.13
Australia	0.53	0.53	0.54	0.56	0.02	0.47	0.49	0.48	0.49	0.48	-0.08	0.43	0.45	0.57	0.55	0.50	0.02	0.54	0.57	0.58	0.57	0.57	0.07
Other Pacific	0.08	0.10	0.10	0.10	0.00	0.09	0.08	0.09	0.09	0.09	-0.01	0.09	0.09	0.09	0.09	0.09	0.00	0.08	0.08	0.08	0.07	0.08	-0.01
OECD Pacific	0.60	0.63	0.64	0.66	0.02	0.56	0.57	0.57	0.58	0.57	-0.09	0.51	0.53	0.66	0.64	0.59	0.02	0.62	0.65	0.66	0.64	0.64	0.05
Total OECD	20.04	19.57	19.75	20.01	0.26	20.16	19.82	19.86	20.81	20.17	0.16	21.05	20.79	20.60	21.05	20.87	0.70	21.14	21.10	21.15	21.58	21.24	0.37
Brunei	0.19	0.17	0.16	0.17	0.00	0.17	0.16	0.17	0.17	0.17	0.00	0.16	0.14	0.16	0.18	0.16	0.00	0.17	0.17	0.17	0.17	0.17	0.00
India	0.80	0.80	0.78	0.86	0.08	0.90	0.89	0.88	0.87	0.88	0.03	0.87	0.88	0.87	0.91	0.88	0.00	0.90	0.91	0.91	0.90	0.91	0.02
Indonesia	1.02	1.05	1.03	1.04	0.02	1.03	1.02	1.03	1.01	1.02	-0.02	0.99	0.97	0.94	0.97	0.97	-0.06	0.94	0.94	0.93	0.93	0.93	-0.03
Malaysia	0.76	0.76	0.73	0.70	-0.03	0.69	0.60	0.63	0.65	0.64	-0.06	0.68	0.63	0.64	0.63	0.65	0.00	0.65	0.67	0.70	0.73	0.69	0.04
Thailand	0.33	0.36	0.37	0.34	-0.02	0.34	0.34	0.33	0.33	0.33	-0.01	0.35	0.35	0.36	0.34	0.35	0.01	0.34	0.34	0.34	0.34	0.34	-0.01
Vietnam	0.35	0.33	0.37	0.35	-0.02	0.35	0.33	0.34	0.38	0.35	0.00	0.38	0.38	0.39	0.40	0.39	0.04	0.41	0.41	0.41	0.41	0.41	0.02
Asia others	0.26	0.26	0.25	0.23	-0.02	0.23	0.23	0.23	0.23	0.23	0.00	0.22	0.22	0.22	0.23	0.22	-0.01	0.22	0.22	0.22	0.22	0.22	0.00
Other Asia	3.70	3.73	3.69	3.70	0.01	3.70	3.56	3.62	3.64	3.63	-0.07	3.65	3.56	3.59	3.66	3.61	-0.02	3.63	3.66	3.67	3.69	3.66	0.05
Argentina	0.77	0.78	0.76	0.76	-0.01	0.76	0.69	0.75	0.76	0.74	-0.02	0.75	0.74	0.73	0.72	0.74	0.00	0.72	0.71	0.70	0.69	0.71	-0.03
Brazil	2.22	2.38	2.51	2.66	0.16	2.61	2.62	2.61	2.70	2.64	-0.03	2.72	2.58	2.55	2.66	2.63	-0.01	2.64	2.66	2.76	2.80	2.72	0.09
Colombia	0.54	0.60	0.68	0.80	0.11	0.88	0.94	0.94	0.96	0.93	0.13	0.95	0.96	0.95	0.97	0.95	0.03	0.99	1.00	1.02	1.03	1.01	0.05
Trinidad & Tobago	0.16	0.16	0.15	0.15	-0.01	0.14	0.14	0.13	0.13	0.14	-0.01	0.12	0.12	0.12	0.12	0.12	-0.02	0.12	0.12	0.12	0.11	0.12	0.00
Latin America others	0.28	0.29	0.31	0.32	0.01	0.32	0.31	0.31	0.31	0.31	-0.01	0.31	0.31	0.31	0.31	0.31	0.00	0.31	0.31	0.32	0.33	0.32	0.01
Latin America	3.97	4.21	4.41	4.68	0.27	4.72	4.70	4.74	4.86	4.75	0.07	4.85	4.71	4.67	4.79	4.75	0.00	4.79	4.80	4.91	4.97	4.87	0.12
Bahrain	0.21	0.21	0.21	0.20	0.00	0.21	0.21	0.21	0.22	0.21	0.01	0.20	0.21	0.21	0.22	0.21	-0.01	0.21	0.21	0.22	0.22	0.21	0.01
Oman	0.71	0.76	0.81	0.86	0.05	0.89	0.87	0.89	0.89	0.89	0.02	0.89	0.92	0.93	0.95	0.92	0.04	0.95	0.96	0.96	0.96	0.96	0.03
Syria	0.42	0.41	0.41	0.42	0.01	0.42	0.42	0.37	0.26	0.37	-0.05	0.21	0.22	0.23	0.21	0.22	-0.15	0.17	0.16	0.19	0.21	0.18	-0.04
Yemen	0.33	0.30	0.30	0.29	-0.01	0.29	0.19	0.24	0.18	0.23	-0.06	0.14	0.18	0.21	0.22	0.19	-0.04	0.21	0.21	0.21	0.23	0.21	0.03
Middle East	1.66	1.68	1.73	1.78	0.05	1.81	1.69	1.72	1.55	1.69	-0.09	1.43	1.53	1.58	1.59	1.53	-0.16	1.54	1.53	1.57	1.61	1.56	0.03
Chad	0.15	0.15	0.14	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	0.12	0.12	0.13	0.13	0.13	-0.01
Congo	0.24	0.26	0.27	0.30	0.02	0.29	0.29	0.30	0.30	0.30	0.00	0.30	0.30	0.30	0.30	0.30	0.00	0.30	0.29	0.30	0.30	0.30	0.00
Egypt	0.66	0.69	0.69	0.71	0.01	0.70	0.70	0.71	0.70	0.70	-0.01	0.71	0.71	0.71	0.71	0.71	0.01	0.70	0.69	0.69	0.68	0.69	-0.02
Equatorial Guinea	0.37	0.38	0.36	0.32	-0.03	0.31	0.30	0.29	0.30	0.30	-0.02	0.32	0.31	0.31	0.32	0.32	0.02	0.32	0.32	0.31	0.31	0.32	0.00
Gabon	0.25	0.24	0.24	0.25	0.01	0.26	0.24	0.25	0.25	0.25	0.00	0.26	0.26	0.26	0.25	0.25	0.00	0.25	0.25	0.25	0.25	0.25	-0.01
South Africa	0.18	0.18	0.17	0.18	0.01	0.18	0.18	0.18	0.19	0.18	0.00	0.19	0.19	0.19	0.19	0.19	0.01	0.19	0.19	0.19	0.18	0.19	-0.01
Sudans	0.48	0.46	0.48	0.46	-0.01	0.45	0.45	0.43	0.38	0.43	-0.03	0.19	0.09	0.11	0.18	0.14	-0.28	0.21	0.28	0.34	0.35	0.29	0.15
Africa other	0.28	0.27	0.25	0.23	-0.02	0.27	0.30	0.31	0.30	0.29	0.06	0.31	0.31	0.31	0.32	0.31	0.02	0.31	0.32	0.33	0.34	0.33	0.02
Africa	2.60	2.62	2.60	2.60	0.00	2.61	2.60	2.61	2.55	2.59	0.00	2.41	2.31	2.32	2.41	2.36	-0.23	2.39	2.46	2.52	2.55	2.48	0.12
Total DCs	11.94	12.23	12.43	12.76	0.32	12.84	12.55	12.69	12.60	12.67	-0.09	12.33	12.10	12.16	12.45	12.26	-0.41	12.35	12.45	12.68	12.83	12.58	0.32
FSU	12.54	12.60	12.95	13.21	0.26	13.30	13.24	13.21	13.22	13.24	0.03	13.36	13.25	13.23	13.40	13.31	0.07	13.38	13.36	13.43	13.57	13.44	0.13
Russia	9.87	9.78	9.92	10.14	0.22	10.21	10.23	10.28	10.34	10.27	0.12	10.34	10.32	10.36	10.38	10.35	0.08	10.39	10.40	10.42	10.43	10.41	0.06
Kazakhstan	1.35	1.41	1.54	1.60	0.06	1.66	1.60	1.54	1.61	1.60	0.01	1.62	1.57	1.52	1.62	1.58	-0.02	1.61	1.61	1.65	1.73	1.65	0.06
Azerbaijan	0.87	0.94	1.06	1.07	0.01	1.02	0.99	0.96	0.84	0.95	-0.12	0.96	0.92	0.91	0.96	0.94	-0.02	0.94	0.90	0.90	0.93	0.92	-0.02
FSU others	0.45	0.46	0.44	0.40	-0.03	0.41	0.41	0.42	0.42	0.42	0.02	0.44	0.44	0.43	0.44	0.44	0.02	0.45	0.45	0.47	0.48	0.46	0.02
Other Europe	0.15	0.15	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.15	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00
China	3.77	3.84	3.84	4.12	0.28	4.25	4.14	4.04	4.04	4.12	0.00	4.16	4.16	4.20	4.27	4.20	0.08	4.26	4.23	4.23	4.25	4.24	0.04
Non-OPEC production	48.44	48.38	49.12	50.24	1.12	50.69	49.89	49.94	50.81	50.33	0.09	51.04	50.44	50.32	51.30	50.78	0.44	51.27	51.28	51.62	52.37	51.64	0.86
Processing gains	1.99	1.97	2.00	2.11	0.11	2.12	2.12	2.12	2.12	2.12	0.01	2.17	2.17	2.17	2.17	2.17	0.05	2.21	2.21	2.21	2.21	2.21	0.04
Non-OPEC supply	50.43	50.35	51.12	52.35	1.23	52.82	52.02	52.06	52.93	52.46	0.11	53.21	52.61	52.49	53.47	52.95	0.49	53.48	53.49	53.83	54.58	53.85	0.90
OPEC NGL	3.86	4.04	4.24	4.87	0.63	5.06	5.21	5.37	5.29	5.23	0.36	5.36	5.45	5.53	5.61	5.49	0.25	5.62	5.64	5.66	5.68	5.65	0.16
OPEC Non-conventional	0.08	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	0.34	0.34	0.35	0.37	0.35	0.08
OPEC (NGL+NCF)	3.95	4.14	4.35	4.98	0.63	5.19	5.37	5.55	5.47	5.39	0.41	5.58	5.69	5.82	5.95	5.76	0.37	5.96	5.98	6.01	6.05	6.00	0.24
Non-OPEC & OPEC (NGL+NCF)	54.37	54.49	55.47	57.33	1.86	58.00	57.38	57.61	58.40	57.85	0.52	58.79	58.30	58.31	59.42	58.71	0.86	59.45	59.47	59.84	60.63	59.85	1.14

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

Table 10.7: World Rig Count

	2Q09	3Q09	4Q09	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	Sep	Oct	Change Oct/Sep
US	936	956	1,108	1,081	-796	1,345	1,508	1,622	1,687	1,541	459	1,717	1,829	1,945	2,031	1,881	340	1,990	1,971	1,906	1,859	1,835	-24
Canada	91	177	277	218	-161	470	166	364	389	347	129	587	188	443	474	423	76	599	172	326	355	365	10
Mexico	128	135	123	128	26	118	106	84	80	97	-31	83	87	103	104	94	-3	98	110	108	103	106	3
North America	1,154	1,267	1,508	1,428	-931	1,933	1,780	2,070	2,156	1,985	557	2,386	2,104	2,492	2,609	2,398	413	2,688	2,253	2,340	2,317	2,306	-11
Norway	18	18	20	20	0	21	18	13	20	18	-2	21	17	16	16	17	-1	17	18	14	13	16	3
UK	19	16	15	18	-4	15	20	21	21	19	1	18	17	15	15	16	-3	14	19	18	20	22	2
Western Europe	82	76	85	83	-15	87	96	92	100	94	11	118	112	123	119	118	24	112	117	117	124	124	0
OECD Pacific	25	26	23	25	-11	22	18	23	22	21	-4	17	17	17	18	17	-4	19	25	25	23	22	-1
Total OECD	1,299	1,368	1,616	1,557	-978	2,042	1,893	2,185	2,278	2,100	543	2,521	2,232	2,632	2,745	2,532	433	2,819	2,395	2,483	2,464	2,452	-12
Other Asia	212	213	233	217	1	235	249	253	255	248	31	257	234	232	233	239	-9	231	216	205	207	220	13
Latin America	147	149	169	157	-34	183	203	220	213	205	48	191	192	196	201	195	-10	191	190	172	174	170	-4
Middle East	151	139	147	150	-18	152	150	163	159	156	6	101	107	102	107	104	-52	116	112	110	106	99	-7
Africa	11	9	12	10	-2	20	19	19	18	19	9	1	2	0	5	2	-17	3	3	9	10	11	1
Total DCs	520	510	561	534	-52	589	621	655	645	628	93	549	535	530	546	540	-88	542	522	496	497	500	3
Non-OPEC rig count	1,819	1,878	2,177	2,091	-1,030	2,632	2,514	2,840	2,924	2,727	636	3,070	2,768	3,161	3,291	3,072	345	3,361	2,916	2,979	2,961	2,952	-9
Algeria	30	27	27	27	1	23	28	24	24	25	-2	29	33	30	33	31	6	31	31	44	42	39	-3
Angola	3	3	4	4	-1	10	8	9	9	9	5	11	11	11	8	10	1	10	12	7	5	8	3
Ecuador	10	10	10	10	0	11	11	11	11	11	1	11	11	11	15	12	1	17	17	22	24	23	-1
Iran**	52	52	52	52	2	52	52	52	52	52	0	54	54	54	54	54	2	54	54	36	54	54	0
Iraq**	36	36	36	36	7	36	36	36	36	36	0	36	36	36	36	36	0	36	50	76	70	67	-3
Kuwait**	11	14	13	13	0	19	18	21	23	20	8	56	56	57	60	57	37	56	56	58	57	58	1
Libya**	13	14	15	14	-1	17	17	14	15	16	1	10	3	8	9	8	-8	12	11	11	13	12	-1
Nigeria	6	6	7	6	-1	11	13	18	17	15	8	35	35	36	36	36	21	37	35	37	38	34	-4
Qatar	9	9	9	9	-2	8	8	9	9	9	0	10	8	7	7	8	-1	8	7	8	6	6	0
Saudi Arabia	67	67	66	68	-9	68	67	67	65	67	-1	98	98	98	105	100	33	106	114	111	112	119	7
UAE	12	13	12	12	0	13	13	13	13	13	1	17	21	24	22	21	8	22	24	23	27	26	-1
Venezuela	64	54	54	60	-20	66	64	70	80	70	10	125	125	125	113	122	52	126	122	112	110	113	3
OPEC rig count	314	302	305	311	-24	334	335	344	355	342	31	493	490	495	498	494	152	515	534	546	558	559	1
Worldwide rig count*	2,133	2,180	2,483	2,402	-1,054	2,965	2,849	3,184	3,278	3,069	667	3,563	3,258	3,656	3,789	3,566	497	3,876	3,451	3,524	3,519	3,511	-8
of which:																							
Oil	1,069	1,182	1,356	1,222	-210	1,590	1,534	1,783	1,896	1,701	479	2,197	2,023	2,354	2,453	2,257	556	2,709	2,528	2,677	2,695	2,712	17
Gas	993	965	1,092	1,125	-825	1,333	1,276	1,356	1,337	1,325	200	1,319	1,187	1,257	1,286	1,262	-63	1,116	879	799	772	740	-32
Others	35	34	37	35	3	43	40	42	46	43	8	48	49	47	52	49	6	54	46	51	55	61	6

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

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

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Data Summary November 2012

OPEC Basket average price

US$ per barrel

down $2.31 in October

October 2012	***108.36***
September 2012	*110.67*
Year-to-date	*109.99*

October OPEC crude production

in million barrels per day, according to secondary sources

down 0.07 in October

October 2012	***30.95***
September 2012	*31.01*

World economy

Global growth expectations for 2012 are unchanged at 3.1% for 2012 and 3.2% for 2013. The US is forecast to grow by 2.2% in 2012 and 2.0% in 2013; Japan to decelerate from 2.2% this year to 1.1% in 2013; and the Euro-zone to return to growth in the coming year at the magnitude of 0.1% after a decline of 0.5% in 2012. Growth expectations this year for China stand at 7.6% and at 8.0% in 2013, while India's expansion is forecast at 5.7% in 2012 and at 6.6% in 2013.

Supply and demand

in million barrels per day

2012		*12/11*
World demand	*88.8*	***0.8***
Non-OPEC supply	*52.9*	***0.5***
OPEC NGLs	*5.8*	***0.4***
Difference	***30.1***	***–0.1***

2013		*13/12*
World demand	*89.6*	***0.8***
Non-OPEC supply	*53.8*	***0.9***
OPEC NGLs	*6.0*	***0.2***
Difference	***29.7***	***–0.4***

Totals may not add due to independent rounding.

Stocks

Preliminary data shows that total OECD commercial oil inventories remained broadly unchanged from the previous month in September. Inventories stood at 6 mb above the five-year average. However, the picture differs within the components as commercial crude stocks showed a surplus of 32 mb, while product stocks indicated a deficit of 26 mb. In days of forward cover, OECD commercial stocks stood at 58.9 days at the end of September, almost 2 days over the five-year average. The latest information shows US total commercial oil stocks fell 3.2 mb in October, although still represent surpluses of 42 mb over the five-year average and 34 mb above a year ago. The drop in commercial oil stocks was attributed to products which fell by 11.6 mb, while crude oil stocks rose 8.4 mb.

Issued 9 November 2012

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

Next report to be issued on 11 December 2012