OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:
Review of the world economy

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Oil Market Highlights

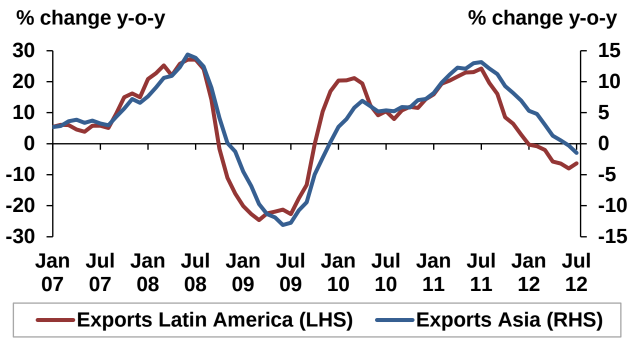
- The **OPEC Reference Basket** rose $1.15 or 1% in September to $110.67/b. Basket components were mixed, as Asian-destined crude improved, while African grades declined with the exception of Angola's Girassol. Crude oil prices initially rose in anticipation of the European Central Bank's bond-buying programme and the US Federal Reserve's announcement of a third, open-ended round of quantitative easing, but then fell back on increasing concerns about the global economy and oil demand growth. Reduced North Sea output, along with geopolitical factors, has also helped to lift oil prices. The OPEC Basket stood at $109.46/b on 9 October.
- **World economic growth** in 2012 was revised down to 3.1% from 3.3% previously, reflecting slowing growth since the start of this year. Assuming the deceleration will bottom out in the current quarter, the forecast for 2013 has been left at 3.2%. The US expansion remains below potential at 2.2% in 2012 and 2.0% in 2013. Japan is increasingly feeling the weakness in exports and is seen expanding by 2.2% in 2012 and 1.1% in 2013. Meanwhile, the Euro-zone is expected to grow at 0.1% in 2013, following a contraction of 0.5% this year. The weakness in developed economies has been widely felt in the export-oriented emerging market economies. China is now forecast to expand by 7.6% in 2012 and 8.0% in the coming year. India is forecast to grow by 5.7% this year and 6.6% in 2013.
- **World oil demand** is expected to grow by 0.8 mb/d in 2013, unchanged from the previous forecast and in line with the growth for the current year, which has been revised down by 0.1 mb/d. The projections for global oil consumption continue to be affected by the uncertainties facing the world economy. Slower industrial production has sharply reduced global oil demand in both the US and China, and the winter outlook represents further uncertainties in the coming months. Risks to the forecast for 2013 are primarily on the downside, due to the turbulence in the world economy.
- **Non-OPEC oil supply** is now forecast to increase by 0.6 mb/d in 2012, following a downward revision of 0.1 mb/d from the previous month, due mainly to lower-than-expected supply from Brazil, Kazakhstan, China, Azerbaijan, and the UK. In 2013, non-OPEC oil supply is expected to grow by 0.9 mb/d, supported by anticipated growth in the US, Canada, Brazil, and Kazakhstan, as well as Sudan and South Sudan. OPEC NGLs and nonconventional oils are expected to increase by 0.4 mb/d in 2012, and 0.2 mb/d in 2013. In September, total OPEC crude production averaged 31.08 mb/d, according to secondary sources, representing a drop of 265 tb/d from the previous month.
- **Product markets** experienced an uptick across the barrel in October, on the back of tightening sentiment fuelled by maintenance in Europe. Gasoline continued to take advantage of the product tightness in the Atlantic Basin, which helped refinery margins to continue to improve. In contrast, Asia's product market eased as increasing supplies caused cracks to retreat.
- In the **tanker market**, VLCC spot freight rates saw modest improvements on all reported routes over the previous month, while Suezmax rates continued to decline. Aframax freight rates ended the month flat, with daily earnings reaching zero for some voyages. In general, the dirty tanker market continued to be dominated by ample vessel supply, limited demand, and minimal activities. Clean tanker freight rates were mixed, with a slightly decrease East of Suez, while West of Suez saw a gain. OPEC spot fixtures rose 2.5% in September to average 10.81mb/d, while OPEC sailings were almost steady at 23.89 mb/d.
- Preliminary data showed that total OECD **commercial oil stocks** dropped sharply in August to stand 46 mb below the five-year average. Commercial crude stocks showed a surplus of 26.3 mb, while product stocks indicated a deficit of 72 mb. In days of forward cover, OECD commercial stocks stood at around 58.4 days at the end of August, 0.4 days higher than the five-year average. The latest information shows that US total commercial oil stocks rose by 9.7 mb in September, indicating a surplus of 28.6 mb with the five-year average and 16.5 mb above a year ago. Both crude and products contributed to the build, increasing by 7.6 mb and 2.1 mb respectively.
- **Demand for OPEC crude** for this year has been revised up by 0.2 mb/d from the previous assessment to stand at 30.1 mb/d, representing a decline of 0.1 mb/d compared to last year. In 2013, demand for OPEC crude is forecast to average 29.8 mb/d, a decline of 0.3 mb/d from the current year and representing an upward adjustment of 0.2 mb/d from the previous report.

Review of the world economy

The global economy has experienced a continuous deceleration since the beginning of the year. The combination of an austerity-driven Euro-zone, the weakening recovery in Japan, and clear signs of a slow-down in major emerging economies have been the main factors behind this development. Despite the prevailing weakness in the world economy, the slowing momentum is expected to bottom out later this year. As a result, global growth is projected to be slightly higher in 2013 at 3.2%, compared to a downwardly adjusted performance of 3.1% for this year.

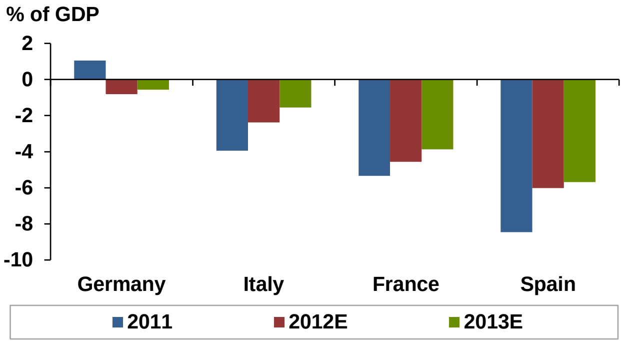
However, two major structural weaknesses represent continued risks to the forecasts. Firstly, most of the incremental growth is coming from developing and emerging economies, which to varying degrees are reliant on exports to the developed economies (*see **Graph 1***). Secondly, and even more of a concern, the growth forecast is dependent on the effectiveness of the recently-announced monetary supply facilities provided by central banks, as well as fiscal measures taken by some governments. Such efforts might offer the opportunity to alleviate the underlying problems, which are mostly debt-related in the developed economies and primarily growth-related in the developing economies. As monetary measures can only offer support to some extent, if this momentum is not taken up in the real sectors of the economy, the opportunity will be lost. While the developed countries are clearly underperforming the emerging and developing economies in terms of growth – at 1.4% compared to 5.0% in the current year – they remain the main source of global output through their aggregate demand and hence imports from the emerging markets. Overall, the OECD represents more than 60% of international trade. Therefore, the challenges facing the major OECD economies will continue to be a key cause of concern, particularly as domestic consumption in the emerging and developing economies remains at a relatively low level and is even decelerating in some cases.

Graph 1: Latin America and Asia (ex. Japan) export



Source: Netherlands Bureau for Economic Policy and Haver Analytics.

Graph 2: Budget deficit in Euro-zone key economies



Source: International Monetary Fund.

The US continues to show a relatively better performance than the other major developed economies, although growth is expected to slow from 2.2% for this year to 2.0% in 2013, as quantitative easing and other loose monetary supply measures become less effective. However, major challenges remain, given the still high levels of unemployment and the looming automatic budget cuts scheduled for the start of next year. In Japan, the economy is facing a continued deceleration after a good performance in the first half of this year. As stimulus measures taken in response to last year's triple catastrophe are tapering off, low domestic demand growth, appreciation of the yen, and the slow-down in international trade, particularly with its major trading partners China and the EU, are likely to lead to a decline in the second half. As a result, growth is expected at 2.2% for this year and at 1.1% in 2013.

The fragility of the Euro-zone continues to be a core concern for the global economy. The sovereign debt issues of Spain and Italy – countries which constitute almost a third of the Euro-zone's economy – have so far been contained, but certainly need continued close monitoring (*see **Graph 2***). The European Central Bank's sovereign debt-buying programme should help to alleviate some of the burden facing these ailing economies in the short- to medium-term. However, debt issues will remain a challenge, particularly given the increasing opposition to austerity measures. In 2013, the Euro-zone is expected to expand by a marginal 0.1%, following a contraction of 0.5% in the current year, as many of its economies are currently in recession.

Both the situation in Europe and the recent slowing pace of growth in the US have significantly impacted China's exports. Despite government efforts to support growth domestically, China's economy is facing a continued deceleration from around 10% in past years to a forecast of 7.6% this year and 8.0% in 2013. This reflects expectations that further monetary and fiscal stimuli will compensate for the lagging momentum, as the government could still engage a wide range of support measures. In contrast, given continued high inflation, India is not expected to introduce further major stimulus efforts and is forecast to expand by 5.7% this year and 6.6% in 2013. Other emerging and developing economies are facing similar challenges due to the lowered export base. Nevertheless, developing and emerging economies are still forecast to represent almost 80% of global growth.

Given the uncertainty facing the global economy and the ongoing downside risks, world oil demand growth for this year has been frequently revised lower, while non-OPEC supply and OPEC NGLs have continued to perform well, outpacing demand growth. This trend is not expected to change in the coming year, with the market continuing to be characterized by high volumes of crude supply and increasing production capacity.

Crude Oil Price Movements

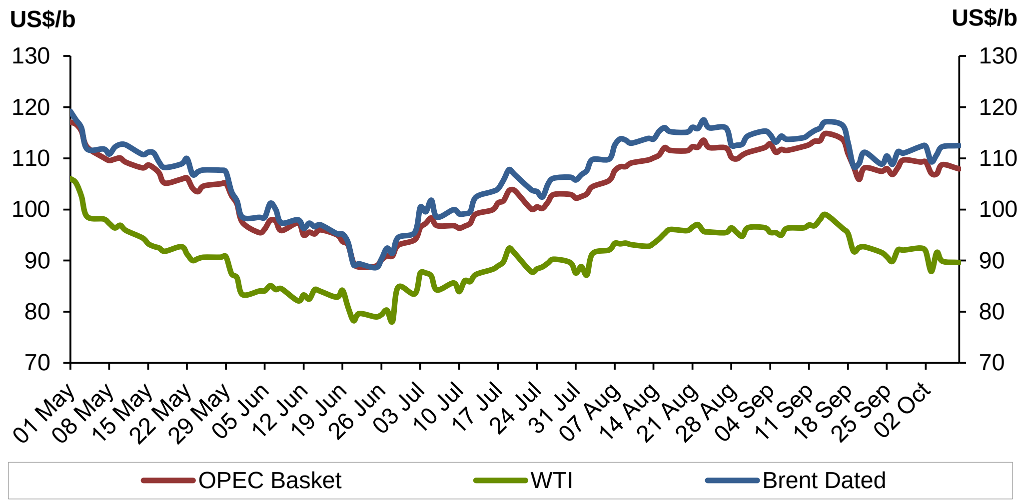
OPEC Reference Basket

OPEC Reference Basket value enhanced marginally

The OPEC Reference Basket rose marginally higher in September and settled above the key $110 value for the first time in four months. Moreover, the Basket ended the 3Q12 almost unchanged compared to the 2Q12, in which it declined by 10%. The Basket was basically flat in September with prices initially rising slightly along with the bullish global crude oil market in anticipation of the bond-buying programme of the European Central Bank (ECB) and the US Federal Reserve announcing a third, unlimited round of quantitative easing (QE3). However, they have fallen since on increasing concerns about the global economy and oil demand growth. Ample supply and a possible release from strategic oil reserves have also helped to keep a lid on prices.

The OPEC Reference Basket rose to $110.67/b in September, gaining $1.15/b or 1%. Year-to-date the Basket averaged $110.18/b compared to last year's average of $107.31/b for the same period, a y-o-y increase of $2.87/b or 2.67%.

Graph 1.1: Crude oil price movement, 2012



The performance of individual Basket components was mixed in September as Asian destined crude improved while African grades (with the exception of Angolan Girassol) retreated. Saharan Blend, Es Sider, Bonny Light and Girassol or Brent-related crudes fell by 17¢ to an average of $112.86/b, down by 0.2% from last month. The multi-destination Basket components, namely Arab Light, Basrah Light, Kuwait Export and Iran Heavy, gained 1.1% in September to end at $110.43/b, $1.21 higher compared to the previous month. The Iranian heavy component was largely priced on the Asian formula as little to none was exported to Europe and the US. Latin American Basket components, Ecuador's Oriente and Venezuelan Merey improved also by $1.28 or 1.3%. The Middle Eastern crudes Murban and Qatar Marine improved the most over the month increasing by $2.65 or 2.4% to an average of $112.37/b.

Dubai/Oman related Basket components in Asia gained the most in September, particularly distillate rich grades as strong middle distillate cracks and winter demand spurred buying. Potential arbitrage to the US West Coast also supported refining margins in the region. African crudes and imported Middle Eastern sour crudes into Europe were pressured by the weak performance of the spot market for Mediterranean sour and African sweet crude. African sweet crudes continue to be displaced and weakened by US shale crude, while ample supply and poor demand also weakened the Med market. In the US, the positive performance of refined products coupled with wider transatlantic arbitrage spread the improvement in US Gulf Coast light sweet crudes, particularly LLS. This has positively affected the overall prices of the Latin American Basket components, which incorporate these crudes in their pricing formulas.

On 9 October, the OPEC Reference Basket improved to $109.46/b.

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

	Aug 12	Sep 12	Change Sep/Aug	Year-to-date 2011	Year-to-date 2012
OPEC Reference Basket	**109.52**	**110.67**	**1.15**	**107.31**	**110.18**
Arab Light	109.94	111.32	1.38	107.64	110.75
Basrah Light	108.68	109.39	0.71	106.04	108.70
Bonny Light	114.63	114.06	-0.57	114.63	114.28
Es Sider	112.18	112.16	-0.02	112.48	112.50
Girassol	113.08	113.14	0.06	111.97	113.07
Iran Heavy	109.36	110.99	1.63	105.82	109.69
Kuwait Export	108.91	110.02	1.11	105.21	109.62
Marine	108.57	111.17	2.60	106.35	109.90
Merey	99.89	101.84	1.95	96.61	102.01
Murban	110.88	113.57	2.69	109.80	112.34
Oriente	102.21	102.81	0.60	100.21	104.30
Saharan Blend	112.23	112.06	-0.17	113.46	111.91
Other Crudes					
Brent	113.48	112.86	-0.62	112.03	112.14
Dubai	108.62	111.22	2.60	106.10	109.59
Isthmus	107.22	107.90	0.68	104.52	108.40
Mars	107.11	106.86	-0.25	107.76	107.87
Minas	115.46	113.06	-2.40	115.01	118.95
Urals	113.18	111.92	-1.26	109.36	111.01
WTI	94.08	94.55	0.47	95.28	96.11
Differentials					
WTI/Brent	-19.40	-18.31	1.09	-16.75	-16.03
Brent/Dubai	4.86	1.64	-3.22	5.93	2.55

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

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

The oil futures market

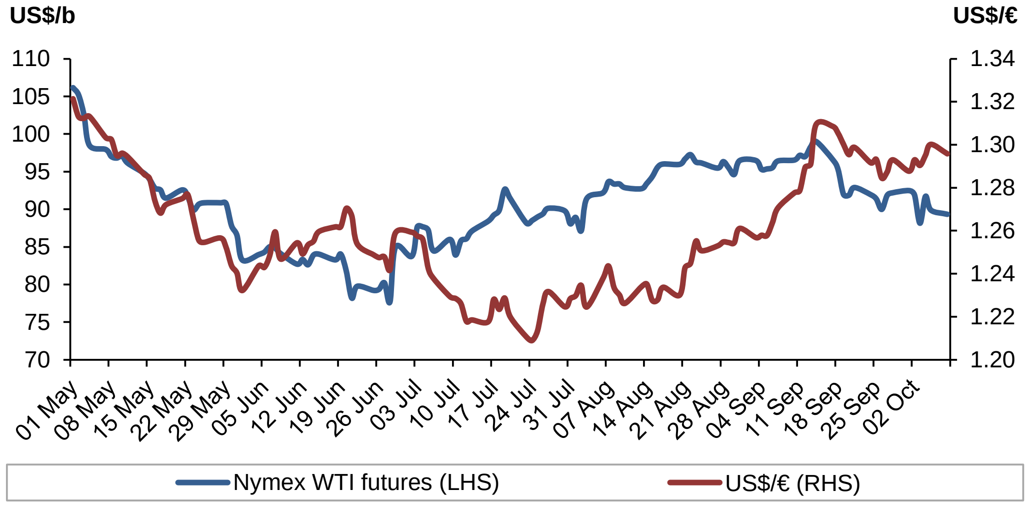
Crude futures almost flat monthly and quarterly

Following the substantial 7-10% m-o-m rally in August, crude oil futures prices have barely moved in September. Both Nymex WTI and ICE Brent front-month inched up marginally by around half a percentage point over the month. In addition to the risk premium associated with ongoing Middle East geopolitical tensions, crude oil prices enjoyed a significant boost earlier in the month in hopes of stronger oil demand sparked by the new bond-buying programme of the European Central Bank and the US Federal Reserve's QE3. Thereafter, prices have fallen on increasing concerns about the global economy and oil demand growth. Front-month Nymex WTI has dropped over $8/b since the Fed announced QE3, eroding some of the hefty prior bounce from the contract's June lows. ICE Brent, affected more by geopolitical issues and production problems in the North Sea, has fallen less but had bounced more. Ample supply, as well as a possible release of strategic oil reserves and major producers' announcements to increase production to cool down prices also kept a lid on prices during the second half of the month. For the quarter, crude prices were also relatively flat compared to a drop of nearly 10% in the previous quarter. Maintenance-related curbs to North Sea output helped lift oil prices in the quarter. Adding support were measures taken by the US, Japanese and European central banks to address global economic growth.

In September, ICE Brent front-month prices improved slightly by 36¢, or around 0.3%, to settle at $113.03/b, the highest monthly average since April. WTI front-month also inched up marginally by 0.42% or 40¢ to average $94.56/b, the highest settlement since May. Front-month ICE Brent increased 58¢ to average $109.48/b in the third quarter, whereas Nymex WTI slipped $1.27 to $92.22/b. Moreover, compared to the same period last year, ICE Brent front-month average was 0.6% higher at $112.20/b compared to last year level of $111.54/b. The WTI front-month year-to-date average value is higher than that of last year by 72¢ at $96.16/b, indicating a 0.7% improvement from the same period level last year, after two months of lower year-to-date averages.

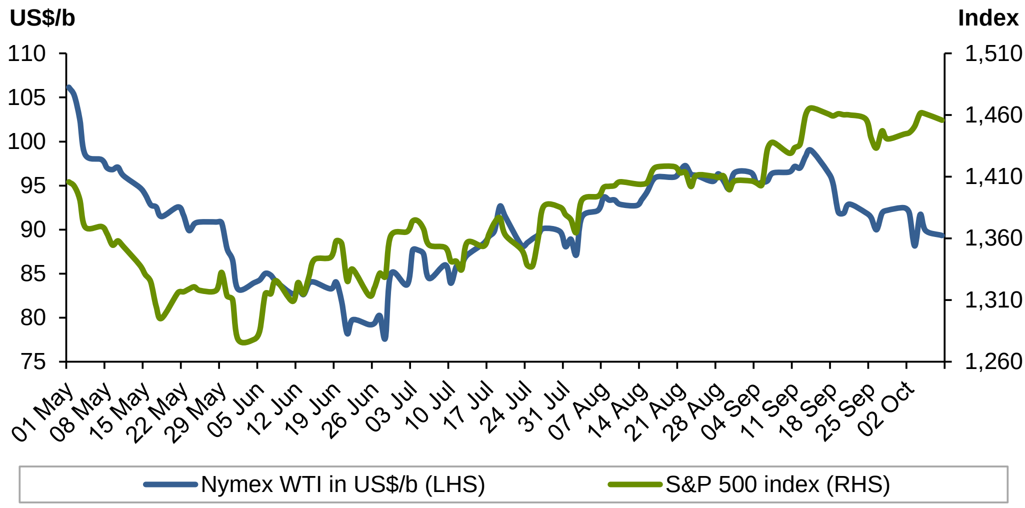
On 9 October, Nymex WTI settled up at $92.39/b and ICE Brent moved up to $114.50/b.

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



Data from the US Commodity Futures Trading Commission (CFTC) showed that over the month of September, money managers reduced their net long positions from the record-high levels seen during the last two months. This in line with the fall in crude oil prices, particularly in the second half of the month, amid continued widespread public debt concerns in the Euro-zone and sluggish economic growth prospects in the US and elsewhere. Hedge funds and other large investors decreased their net long futures and options positions on the New York Mercantile Exchange (Nymex) by 14,709 contracts to 177,762 at the end of the month. The bullish sentiment of the speculators' activities in ICE Brent crude oil futures also lessened as net longs decreased 758 lots to stand at 107,127 contracts at the end of September. In total, speculators have reduced their combined net long positions in the two main crude oil futures market, ICE and Nymex, by 5% to 284,889 contracts from 300,356 lots, at the end of September. Meanwhile, the combined open interest increased by 115,735 contracts to over 4 million of futures and options contracts, which was attributed to the increase in short positions. The Nymex WTI accounted for more than 60% of the total.

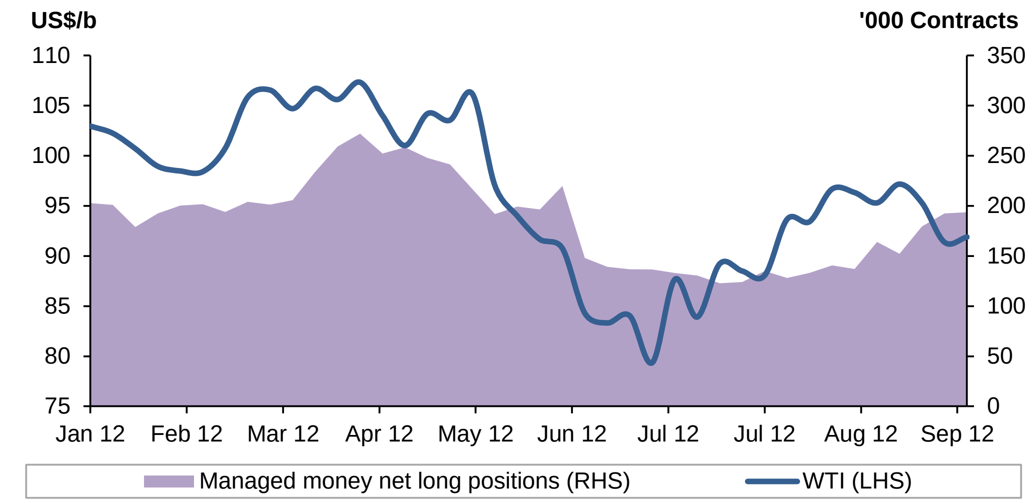
Graph 1.3: Nymex WTI futures vs. S&P 500 index, 2012



Total traded futures volume in September for WTI Nymex futures contracts decreased further by 148,629 lots to 11.03 million contracts (366 mb/d). Although ICE Brent also decreased by 44,656 contracts to 12.1 million contracts, it still outnumbered WTI.

Nymex WTI contango widened while ICE Brent backwardation narrowed

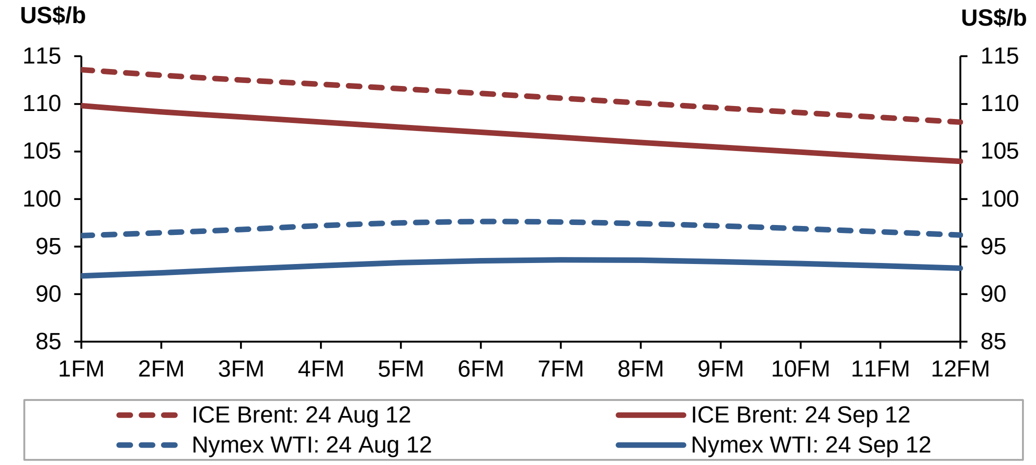
Graph 1.4: Nymex WTI price vs. speculative activity, 2012



The futures market structure

The Nymex WTI contango structure widened slightly over the month despite a decline in stocks at Cushing, Oklahoma, which fell to their lowest since April during the last week of September. Cushing is the delivery point for the Nymex crude futures contract. The spread between the first and second month contract was around 35¢/b, 5¢ wider than the previous month. Meanwhile, growing shale production from Eagle Ford and Bakken, as well as higher oil sand inflows from Canada and a lack of adequate outbound pipelines from the Cushing storage hubs, have forced the WTI market to remain in contango for years. Despite the tight North Sea supply due to filed maintenance in September, particularly work at the Buzzard field, the ICE Brent market structure backwardation narrowed. Many cargoes of North Sea Forties crude, which sets the Brent benchmark, have been delayed due to lower-than-expected output. However, seasonal maintenance at European refineries has kept demand muted, counter-balancing the prompt supply shortages. On average, the spread between the first and the second month of the ICE Brent contract averaged around 65¢/b in September compared to about $1.15/b in August.

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



FM = future month

The transatlantic (Brent vs. WTI) spread remained record wide in September on the back of ongoing maintenance-related supply issues that continue to strengthen the Brent side, relative to WTI. By the end the month, and as the Brent market continued to be supported by the several loading delays, the spread stood at over $20/b. On average, the front month ICE Brent/Nymex WTI spread was at $18.50/b, unchanged from the previous month.

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

Nymex WTI	**1st FM**	**2nd FM**	**3rd FM**	**6th FM**	**12th FM**
24 Aug 12	96.15	96.45	96.79	97.63	96.21
24 Sep 12	91.93	92.25	92.62	93.49	92.74
ICE Brent	**1st FM**	**2nd FM**	**3rd FM**	**6th FM**	**12th FM**
24 Aug 12	113.59	113.01	112.51	111.10	108.08
24 Sep 12	109.81	109.16	108.63	107.02	103.96

FM = future month.

The light sweet/heavy sour crude spread

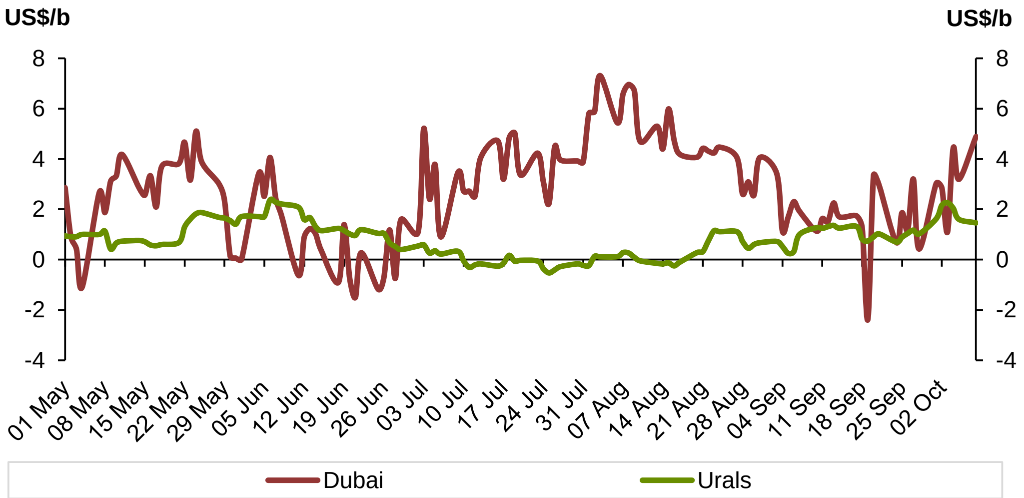
In Europe and the US, the spread widened significantly

The light-sweet/heavy-sour spreads in Europe and the USGC have widened significantly during the month of September, supported by record light product cracks, particularly middle distillates. Abundant availability of medium/heavy sour crudes also buoyed the wider spread. In Asia, although the Tapis/Dubai spread narrowed amid a continuing flow of West African crudes, distillate-rich light sour crudes spot values improved significantly.

In Europe, the Brent/Urals spread was greatly influenced by the performance of light refined products and pressure on the medium sour crudes due to the overhang of prompt cargo. The refinery shutdowns on both sides of the Atlantic and rising crude oil supply boosted the European refining margins. 500,000 b/d in refining capacities closed in two years in Europe, with another 750,000 b/d closing in the US East Coast and the Caribbean. Refining margins have risen rapidly this year largely because of the shutdowns. Clean products, gasoline and distillates, margins have nearly double their values compared to a year earlier. Consequently, the Dated Brent/Urals spread widened significantly to an average of 95¢/b in September from 30¢/b in the previous month.

In preparation for winter demand, refiners in Asia took more crude with higher gasoil yield, including lighter sour Mideast Gulf grades. Spot cargoes of middle distillate rich Murban, lower Zakum and Umm Shaif of Abu Dhabi rose to their strongest premium to official selling prices in several years. Japan refiners are taking more of these grades to boost kerosene production for winter heating. Also, seasonal demand from other Southeast Asian end users is supporting the gasoil market. On the other hand, the Tapis light sweet grade was depressed amid a significant flow of West African crudes that normally go to the US market. Hence, the Tapis/Dubai spread narrowed by a hefty $1.74 to an average of $5.64/b in September.

Graph 1.6: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2012



In the US, the LLS/Mars spread widened amid a healthy light product spread and plentiful imported sour crude availability that dragged down the medium sour grades market in the USGC. In addition to crude avails from the Motiva shutdown, Petroleum Development Venezuela (PDVSA) is processing only 330,000 b/d of crude in its 635,000 b/d Amuay refinery, leaving more heavy Venezuelan crude available in the USGC market. The ongoing shutdown of the Chevron refinery on the USWC has reduced demand for medium sour (such as ANS) further. The LLS/Mars spread widened by a hefty $1.51 to an average of $6.13/b in September.

Commodity Markets

A mixed commodity prices trend in September

Trends in selected commodity markets

In September 2012, **energy and non-energy prices rose** by 0.8% and 1.5% respectively. Food prices eased by, 1.2% but base metals boomed by 9% as did gold by 7%.

Macroeconomic uncertainty, especially concern over the Euro-zone's sovereign debt crisis, slowing economic growth in China and emerging economies, as well as the weaker US economy, all continued weighing on commodity markets.

Table 2.1: Commodity price data, 2012

Commodity	Unit	Monthly averages			% Change		
		Jul 12	Aug 12	Sep 12	Jul/Jun	Aug/Jul	Sep/Aug
World Bank commodity price indices for low and middle income countries (2005 = 100)							
Energy		173.6	187.3	188.8	6.0	7.9	0.8
Coal, Australia	$/mt	88.2	91.0	90.0	1.2	3.1	-1.1
Crude oil, average	$/bbl	96.8	105.3	106.3	6.6	8.8	1.0
Natural gas, US	$/mmbtu	2.9	2.8	2.8	20.0	-3.6	0.1
Non Energy		191.9	189.1	192.1	4.8	-1.4	1.6
Agriculture		201.1	200.3	200.3	7.5	-0.4	0.0
Food		225.7	226.5	223.8	10.7	0.4	-1.2
Soybean meal	$/mt	601.0	644.0	649.0	19.2	7.2	0.8
Soybean oil	$/mt	1239.0	1252.0	1288.0	5.0	1.0	2.9
Soybeans	$/mt	662.0	684.0	673.0	16.8	3.3	-1.6
Grains		265.4	265.6	261.1	16.0	0.1	-1.7
Maize	$/mt	333.1	332.0	320.8	24.6	-0.3	-3.4
Wheat, US, HRW	$/mt	345.7	349.4	353.4	25.2	1.1	1.2
Sugar World	¢/kg	50.4	46.0	44.1	11.8	-8.7	-4.3
Base Metal		158.5	156.8	171.0	0.8	-1.1	9.1
Aluminum	$/mt	1876.3	1845.4	2064.1	-0.7	-1.6	11.9
Copper	$/mt	7584.3	7515.5	8087.7	2.2	-0.9	7.6
Iron ore, spot, cfr China	¢/dmtu	127.9	107.5	99.5	-5.0	-16.0	-7.5
Lead	¢/kg	188.1	190.1	217.8	1.5	1.0	14.6
Nickel	$/mt	16128.4	15735.2	17288.0	-2.5	-2.4	9.9
Tin	¢/kg	1854.6	1877.3	2077.1	-3.8	1.2	10.6
Zinc	¢/kg	184.8	181.8	201.0	-0.6	-1.6	10.5
Precious Metals							
Gold	$/toz	1594.3	1630.3	1744.8	-0.3	2.3	7.0
Silver	¢/toz	2743.2	2880.0	3360.9	-2.0	5.0	16.7

Source: World Bank, Commodity price data.

Commodity prices continued receiving the negative impact of deteriorating business confidence, faltering growth and export demand, especially the slowing growth in China and falling output manufacturing readings in the September flash PMI for the US, China and the Euro-zone. There was also weaker Chinese import demand, with the latest commodity trade data indicating that following the broad-based strength exhibited by Chinese commodity import demand for several months this year, a different panorama was emerging with signs of weakness, especially in some sectors such as crude oil, and base metals such as copper and steel, where inventories are high. Exceptions to this downward trend for Chinese import demand in August were platinum and lead. The worsening of the Japanese economy was an additional bearish factor for commodity markets.

In a determined effort, the Fed embarked on a third round of quantitative easing (QE3) on 13 September 2012, announcing that it planned to buy mortgage bonds and potentially other assets. This will last until there is an important improvement in the economy, with no fixed end to the programme as in the earlier measures. This led to a sharp increase in risky assets, with commodities among the best performers. Gains of 12% in three months were reported by the DJUBS index.

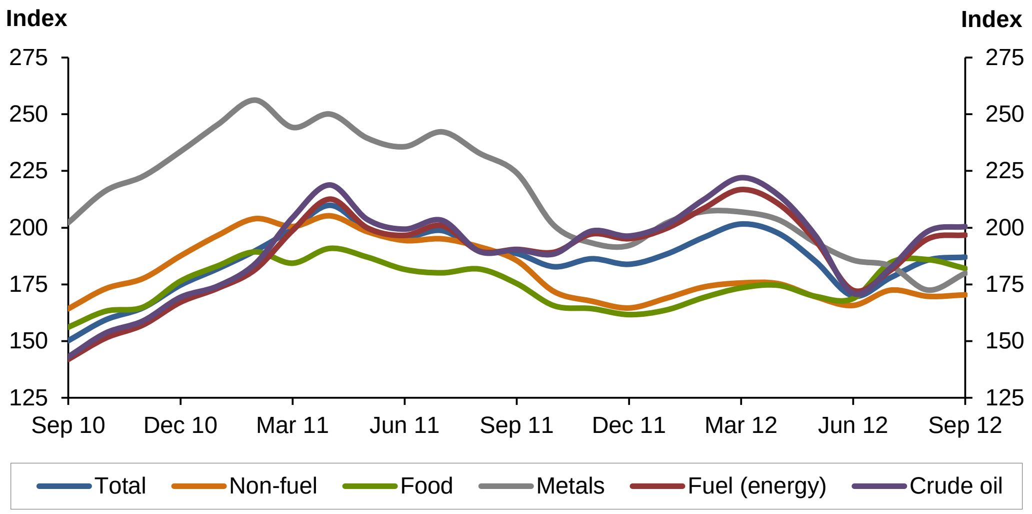
Nevertheless, following the initial QE3 rush, commodity prices stalled or were declining amid strong concerns in the markets about slowing growth and European sovereign debt risks. Indeed, weaker global growth raised doubts about how effective the steps taken recently in Europe, the US or China may be, and whether they may give support to commodity markets. Of course, gold is the exception. Declining commodity prices as a whole in the last week of September suggest that the impact of this new QE3 programme has been poor and unsustainable for commodity markets due to the complex macroeconomic panorama, as well as the high levels of commodity prices and the reduced impact of the successive waves of quantitative easing each time. A sudden improved sentiment only encouraged short-term gains in commodities like base metals owing to the lack of fundamental support and the global recession. Indeed, liquidity-driven rallies in commodities faded without fundamental support and on positive news on the macro front. The exception was precious metals, which benefited from the weaken dollar and the debate over fiat currency debasement, especially in the last week of September.

A determining factor for commodity prices is the recovery of the global economy. This is related to the extent that the recent central bank announcements by the Fed and the ECB are able revive business confidence which remains low due to the slowdown of the Chinese economy and the severe problems in the Euro-zone.

The **HH natural gas price** recovered only slightly (0.1%), compared to a 3.6% m-o-m fall in August, due to temporal factors like hot weather; but fundamentals remain weak.

The **agricultural price index** remained stable m-o-m in September, but food prices posted a 1% m-o-m drop compared with no growth in August due to a restraint in grain prices. Factors behind this trend were the record prices reached in the previous months. The performance of agricultural prices showed a different path in the first and second half of September. Grain prices, especially corn and soybeans prices, remained supported by supply losses due to the US drought in the 1H of the current month. The results of the USDA World Agricultural Supply and Demand Estimates (WASDE) report on 12 September were bullish for soybeans indicating a tightening of US and global supply. In 2H of September, across grains, soybeans and corn prices reported worse performance driven by seasonal harvest pressure in the US (with late rains in August expected to help yields modestly) and the beginning of the Brazilian planting season. Wheat prices moved higher owing to concerns over grain export curbs by Russia.

Graph 2.1: Major commodity price indexes, 2010-2012



Commodity price index, 2005 = 100

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

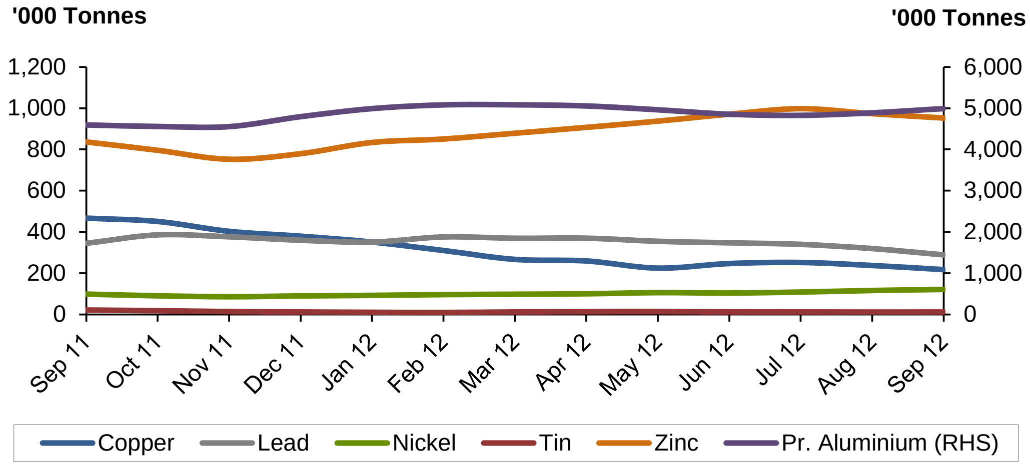
Source: International Monetary Fund.

Concerning trade data from China, following a peak in July, Chinese imports for agriculture declined in August. Corn imports from China declined by 17% to 598,000 tonnes; soybeans and soybean oil dropped by 32.8% m-o-m to 4,417,600 tonnes and 20.6% m-o-m to 118,100 tonnes, respectively, although this may be related to price sensitivity rather that weaker underlying demand. The Chinese government has been releasing stocks of soybeans to alleviate the impact of high prices on domestic consumers and this might continue for some time.

The **World Bank's base metal price index** increased by 9% m-o-m in September compared to a 1% m-o-m decline in the previous month. The base metals complex saw a mixed performance. The base metals price index was the best performer in September which was essentially due to short covering and the positive impact of Fed and ECB announcement. Indeed, there is no fundamental support to the price rally which took place in the 1H of the current month. Prices began to moderate in the third week, declining in the fourth week as a result of the increasing fairs on the fragile state of the global economy, especially the slowing down of the Chinese economy and global growth, in general, as well as the worsening problems of the EU public debt. Although tight supply in some markets like tin and lead contributed to counterbalance the severe global economic situation in August, this effect faded in September. Chinese imports in most of the base metals fell on a monthly basis in August. Although base metals saw some rally in the first half of September which began in the middle of August, this moderated in the third week of September and declined in the last week. The rally in base metal prices as a whole was mainly sustained by short covering over the first half of September, but the lack of fundamentals and the strong concern prevailing on the slowing of the Chinese economy and the European debt, as well as the absence of long-term supportive macroeconomic data. The latest September PMI flash for China suggests continued weak industrial activity economy, which seem to indicate that the Chinese economy will stabilize rather than re-accelerate. In this context, the expected positive impact on economic growth of the large number of investment projects recently announced will be minor.

The key issue in the base metal markets is the disappointing macroeconomic data and the deceleration in economic growth of China, India and Brazil. Although China's official factory purchasing managers' index rose to 49.8 in September from 49.2 in August, the National Bureau of Statistics says this has been 40.1 in the previous July. Growth in the Chinese economy was struggling on declines in exports, factory output and fixed asset investment. This may lead to a more active policy response.

Graph 2.2: Inventories at the LME



Source: London Metal Exchange.

Gold prices gained 9% m-o-m compared to 2.8% in the previous month on increasing concern about the global economic growth and the Federal Reserve's announcement of QE3 on 13 September when gold prices breached $1750/oz. Gold has gained $150/oz over the past two months.

Investment flows into commodities

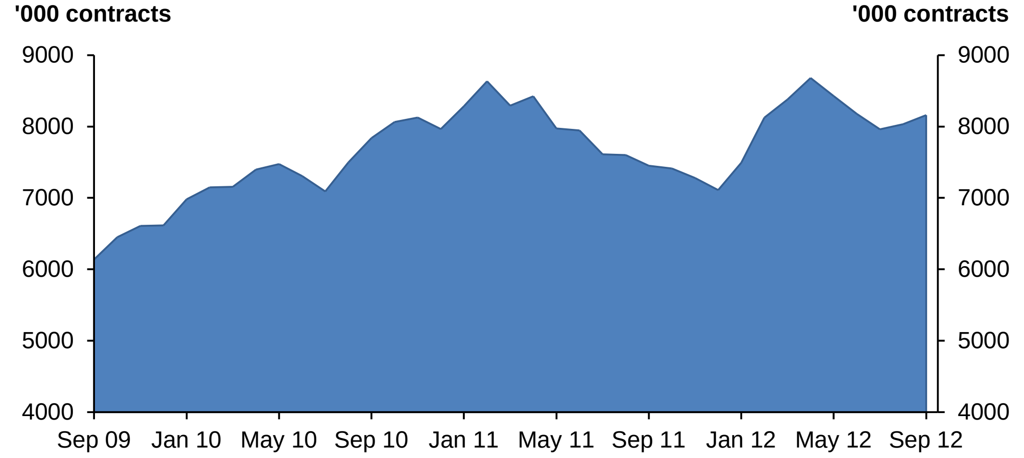
A bearish mood continued in most of commodity markets

Total open interest volume (OIV) in major commodity markets in the US rose by 1.6% m-o-m to 8,159,102 contracts in September compared to a 0.2% drop in the previous month. OIV in precious metals reported the major gain of 16.9% m-o-m while WTI rose by 6% m-o-m.

A bearish investor mood continued in most of the commodity markets through September, reflecting the uncertainties surrounding global economic growth.

Total net long speculative positions in commodities increased at a milder rate than in the previous month by 1.9% m-o-m to 1,151,829 contracts. Both shorts and longs increased by 9.9% m-o-m and 4.8%, respectively.

Graph 2.3: Total open interest volume

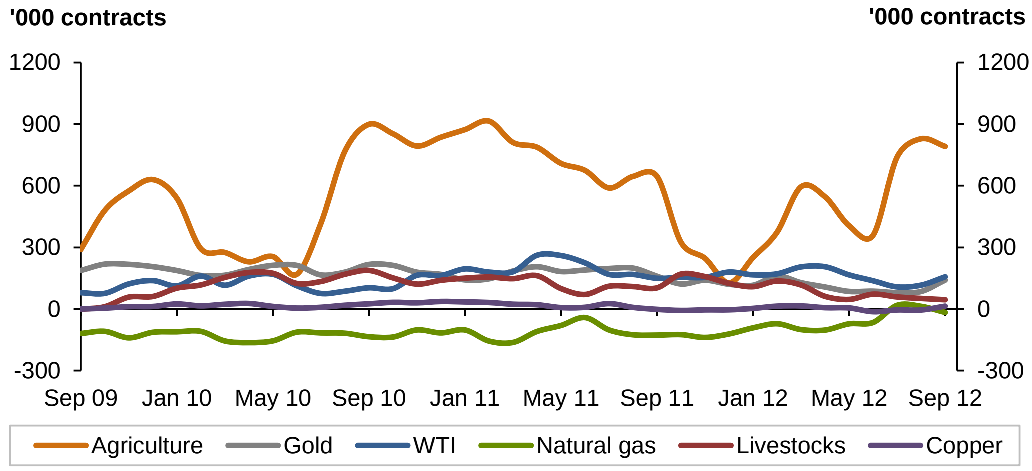


Source: US Commodity Futures Trading Commission.

The **agricultural** OIV declined by 1.5% m-o-m to 4,294,066 contracts in September. Concerning money managers' net long positions in agricultural markets, these declined by 4.5% m-o-m to 791,490 contracts. A 17.5% m-o-m rise in shorts took place while longs slightly went up by 0.8% m-o-m.

The **HH natural gas** OIV dropped by 1.6% m-o-m to 1,106,370 contracts. Speculative investments declined by more than double m-o-m. A 17.7% m-o-m drop in shorts was combined with a mild 1.9% m-o-m rise in longs.

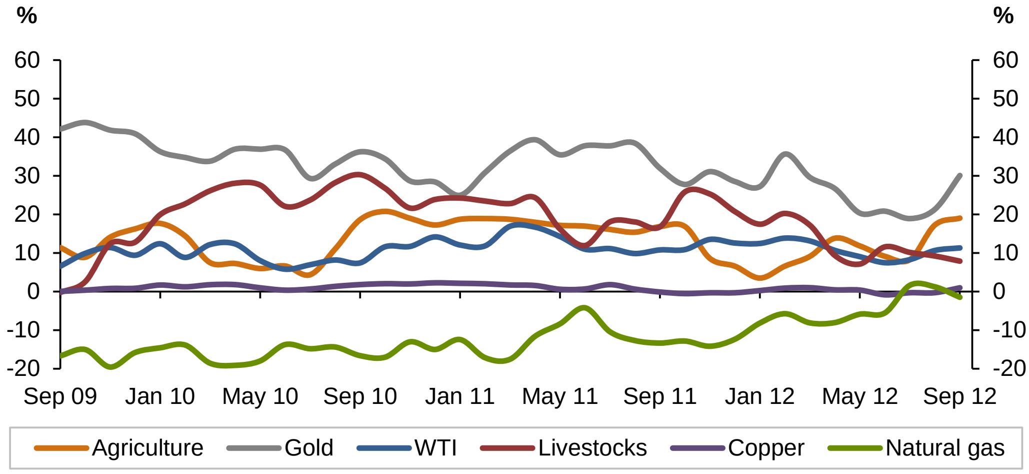
Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

Copper OIV declined by 1.8% m-o-m to 146,376 contracts in September. Money managers' net long positions jumped by almost quadruple m-o-m to 13,979 contracts in September compared to a 4.6% m-o-m decline in the previous month.

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



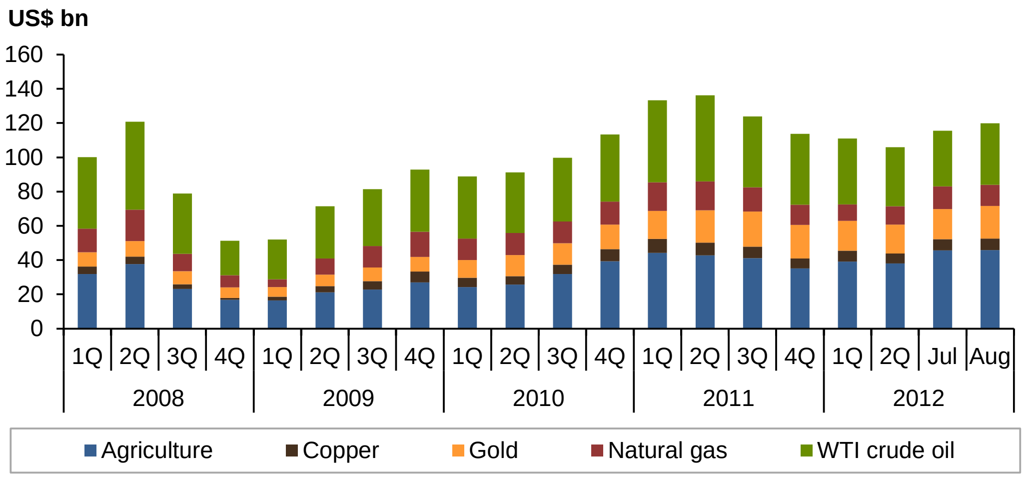
Source: US Commodity Futures Trading Commission.

Gold OIV increased by 16% m-o-m to 468,286 contracts in September compared to a 5% m-o-m drop in the previous month. Speculative investments in gold jumped by 65% m-o-m to 140,768 contracts in September due to fresh longs.

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

	Open interest		*Net length*			
	Aug 12	Sep 12	Aug 12	% OIV	Sep 12	% OIV
Crude Oil	1,475	1,570	157	11	177	11
Natural Gas	1,089	1,106	13	1	-17	-2
Agriculture	4,359	4,294	829	19	791	18
Precious Metals	526	593	100	19	169	28
Copper	149	146	-5	-3	14	10
Livestock	560	574	51	9	45	8
Total	**8,158**	**8,284**	**1,146**	**14**	**1,180**	**14**

Graph 2.6: 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 continues to expand compared to other developed economies but enjoyed only 1.3% growth in 2Q after 2.0% in 1Q

The US economy continues to expand at a relatively robust pace when compared to the other major developed economies, but after a relatively strong first quarter (1Q) growth of 2.0%, it enjoyed only 1.3% in the second quarter (2Q). This slowing momentum is expected to bottom out in the current quarter. Important indicators in the housing sector and the labour market point at some improvement from the lows in the 2Q, but many challenges remain for the economy and other indicators point at a continued deceleration, like the recent slowdown in industrial orders. An additional and important question will be how policymakers will manage the automatic budget cuts that would be implemented in the next year. It is assumed that a compromise will be found and that the budget cuts would be alleviated and spread over the coming years, so that the negative growth impact will be limited. The relatively high sovereign debt level will certainly remain a topic of discussion, considering that debt ratios are among the worst among developed economies with a US budget deficit for 2012 of 8% and a gross debt-to-GDP ratio of 107%, according to the forecast of the International Monetary Fund (IMF).

The 2012 growth forecast was revised down from 2.3% to 2.2%, while the 2013 forecast remains unchanged at 2.0%

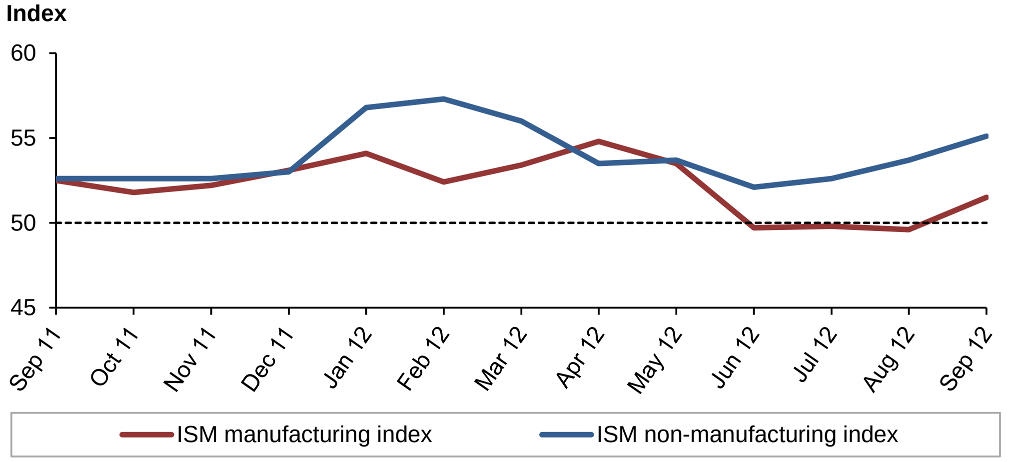
The third and final GDP release for growth in the 2Q12 has highlighted the weakness of the US economy, given the very low growth trend of a seasonally adjusted and annualized growth rate of 1.3%. This is only around the level of population growth and, therefore, is not adding to any per capita income. This comes despite a slowly improving labour and housing market, and is significantly lower than growth in the 1Q12, which stood at 2.0%. Personal consumption contributed 1.1 percentage points to this growth of 1.3%, which is a continuation of the trend over the last several quarters, and while the absolute numbers are still low, they should be taken as a positive element. In the meantime, the Federal Reserve Board (Fed) has started a new round of quantitative easing, labelled QE3. Within this program, the Fed will buy open-ended $40 bn of agency mortgage-backed securities every month and will keep rates at bottom levels up to mid-2015, primarily focusing on supporting the housing market and keeping interest rates at low levels in this core market. Two major factors distinguish this monetary supply mechanism from the first two quantitative easing programs. First, the Fed did not set a limit on the amount of securities purchases it would make as the programme is open ended. It highlighted that it plans to keep buying until the labour market improves to a certain level, which it considers substantial, without explicitly qualifying this. Second, the Fed plans to keep policy accommodative for a considerable time after the economy strengthens. In addition to this, the option of additional measures was left open, should the job market stay weak. Without question, this supports 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 dependent on these facilities. Policymakers will have to contribute their share and adjust the fiscal side by bringing down debt and implementing austerity measures while not preventing the economy from expanding at the same time. This is, indeed, a challenging task, but the Fed also highlighted that after having provided almost unlimited resources to the monetary system, it is now the turn for policymakers to build the base for the economy to grow again at its potential rate of around 2.5% on average. The economy is currently expanding below this rate and even this seems to be mainly supported by monetary support.

The labour market, despite being a lagging indicator, offered some bright spots. The unemployment rate fell to a new multi-year low of 7.8%, compared to last month's number of 8.2% and performed much better than expected. Job additions in the non-farm payroll area continued but at decelerating levels at 114,000, which is lower than the August number of 142,000 and the July number of 181,000. The private sector added 104,000 after 97,000 in August and 163,000 in July. The share of the long-term unemployed continued at 40.1%, slightly above the 40% level in September and only slightly higher than the 40% from August. But while it had improved considerably from the highs of 45% and more from last year, the trend is stabilizing. The participation rate remains at around the same level since the beginning of the year at 63.6% in September, without showing major improvements.

So while the unemployment rate improved, the underlying structure of the labour market remains soft. With this, the available surveys on consumer confidence were volatile over the past months but reflect a positive trend. The consumer confidence index of the Conference Board increased considerably in September to 70.3 from 61.3 in August. This compares to this year's peak level of 71.6 in February. The other consumer sentiment index of importance, the index of the University of Michigan, also rose. It stood at 78.3 in September after 74.3 in August. This compares to the May level of 79.3, which was the highest level since October 2007. Monthly retail sales numbers improved in August for the second consecutive months after three months of decline. They rose by 0.9% m-o-m, after a rise of 0.6% in July.

Industrial production continues expanding on a yearly base but at a lower rate. It grew by 2.8% in August, after 4.3% in July and 4.7% in June and May. This translates into a monthly decline of 1.2%. The industrial output witnessed a constant deceleration since February. Manufacturing orders also fell for the first time in almost three years on a yearly base. They declined by 2.5% y-o-y, after rising by 1.7% in July, already a low number. This translates into a monthly decline of 5.2%. Industrial orders also witnessed a constant deceleration since February. While these numbers explain most of the recent weakness of the US economy, the slowdown seems to bottom out in this quarter. This is 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 September stood at 51.5, after 49.6 in August and three consecutive months below the growth indicating level of 50. The ISM for the services sector improved also to 55.7 from 53.7. Both pushing the composite index to 54.7, after 53.2 in August, clearly indicating an improvement.

Graph 3.1: ISM manufacturing and non-ISM manufacturing indices



Source: Institute for Supply Management.

The very important housing sector continues improving but remains weak and sending mixed signals. Pending home sales fell by 2.6% in August, after having risen by 2.4% in July and declining by 1.4% in June, 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 3.7% in July, after an already healthy 3.8% in June and 3.7% in May. Also, the S&P/Case-Shiller home price index indicated a positive trend at a rise of 0.6% y-o-y in June and 1.2% in July, the first two-month long consecutive rise since the beginning of 2010.

So by taking the most recent revisions into account, the growth forecast for 2012 was revised down slightly from 2.3% to 2.2%. Considering the challenges for the economy ahead, the 2013 forecast remains unchanged at 2.0%.

Japan

Japan's economy continues to be affected by slowing trade and soft domestic demand with local stimulus measures tapering off. However, the economy should experience a slight improvement in the coming quarters compared to this quarter's low

Japan's economy has continued to be affected be slowing international trade and soft domestic demand, after major local stimulus measures have started tapering off. This trend will be reflected as well in the third and the current quarterly GDP numbers. Exports had a sharp decline again in July. Domestic demand is providing mixed evidence as it expands slightly, but at very low and volatile rates. The second half (2H) is expected to grow at more than 1% on a yearly comparison, after the expansion of the first half (1H) expansion of around 3%. In the next year, this soft trend is expected to continue. Amid the fiscal challenges of the government and the political gridlock, this does not incorporate the assumption of any further major fiscal stimulus.

The Japanese economy should, however, experience a slightly improving trend in the coming quarters, when compared to this quarter's low. As in other developed economies, policymakers 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 the fact that the government will need to find new and so far untouched domestic resources to not only bring down the current record deficit, but 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 to be 236%, according to the estimates of the IMF. This is the highest relative debt burden of all developed economies and compares to the Euro-zone numbers of 3.2% budget deficit and 90% for the gross debt ratio. The average budget deficit for advanced economies stands at 5.6% and gross debt ratio at 108%. When compared to the surrounding developing Asian economies, the debt ratios become even more stunning as levels compare to an average of 2.6% budget deficit and 32.7% gross debt ratio. It is amazing how the economy can afford this debt burden, which was certainly largely gravitated by the triple-disaster of last year. The shut-down of almost all nuclear facilities as main providers of energy continues to put the economy under pressure, too. With the current need to import fossil fuels to compensate for the missing nuclear energy, the trade deficit should be expected to continue as long as energy prices remain at the current level and new alternative solutions are found. The pattern of a monthly trade deficit started in March last year, when the country was hit by the tragic events. The May deficit was the highest at 618.8 bn yen in this year and while it eased to slightly more than 300 bn yen in recent months, it stood again at 472.8 bn in August.

This sudden rise in Japan's import bill has been the immediate cause of the shift toward deficits, but exports have also been weakening. They declined at a very high rate again in July at -5.8% y-o-y, slightly better than June at -8.1%. They recorded only seven positive months out of the last 20 months, highlighting the decelerating effect of the economy. Export-dependent Japanese manufacturers have struggled also to contend with the effects of the yen's sharp rise. The yen continued to strengthen particularly against the US dollar and traded clearly below the ¥80.0/$ level in the past month. Amid the current political inability to continue with further fiscal stimulus, some focus remains on the Bank of Japan (BoJ), which has reiterated that it will intervene in the yen market to adjust the high value of the Japanese currency. If Japanese enterprises cannot cut costs in other ways, a strong yen forces companies that make goods in Japan to raise prices overseas or accept lower profit margins, which hence should negatively impact revenues. Another impact has been generated by political tensions arising from its most important trading partner, China, which had a negative impact on exports already.

Retail trade turned positive in August with growth of 1.8% y-o-y, after having declined by 0.7% in July, which had been the first decline since October 2011. Industrial production continued its slide, falling by 1.2% m-o-m in July, after 0.9% m-o-m in the previous month The indications for 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 1.9% y-o-y, which is positively lower than the -8.8% in June. The

September composite PMI remained below the growth indicating 50 level for the fourth consecutive month at 48.4, compared to 48.6 in August. While the manufacturing sector had improved slightly with its index level reaching 48.0 from 47.7 in August, the services sector index declined marginally from 49.3 in August to 48.9.

Backed largely by the momentum of the 1H12, growth is expected at 2.2% in 2012, having been revised down from the forecast of the previous month by 0.5 percentage points. 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 1.1%, lower than the forecast of 1.2% in the previous month.

Euro-zone

The Euro-zone's ESM started in early October. Economic expansion for 2013 stands unchanged at 0.1%, while this year's forecast was revised down by 0.1 percentage point to -0.5%

The Euro-zone's Emergency Stability Mechanism (ESM) was officially started at the beginning of October. The original plan actually was to install the ESM by August, but a German constitutional court ruling on this support mechanism had postponed its installation. The ESM fund will be able to support ailing economies with an unleveraged direct funding of €500 bn. Only €80 bn will be provided in cash by EU member states, while the rest are guarantees. This amount of €80 bn in cash payments will be fully transferred only by 2014 and, therefore, it has been agreed that the current stability mechanism, the European Financial Stability Facility (EFSF), will continue to operate until 2013 in order to support the transition from the ESFS to the ESM. Support from these facilities is strongly conditional and it remains to be seen how the currently suffering economies of Spain and Italy, which so far have not asked for support, will manage their debt burden. But it should not be ruled out that at some stage they will not be able to sustain the pressure of the capital markets any longer and might request this support. The European Central Bank (ECB) last month also announced that it will provide unlimited support to economies in need, but based on the prerequisite that any bond purchases by the ECB are eligible only for those economies signing up to an EFSF or ESM programme, or which have already received an EU/IMF bailout. This programme, called the "outright monetary transaction" (OMT), foresees buying sovereign debt bonds at a maturity between one and three years, without any formal cap on yields to address short-term distortions in financial markets. There had been speculation over the past weeks that Spain would ask for support from the ESM and, hence, the ECB, but so far, it has avoided this unwanted external supervision. It is important to highlight that the ESM will need 15% of cash for every euro it provides to an economy, with the instalments for the build-up of the ESM planned to last until 2014. It could face problems handling magnitudes of the size of Spain, which will have around €900 bn in debt in 2013, according to a forecast from the International Monetary Fund (IMF), which could ultimately put it at risk. During the transition period to the ESM, an additional funding of €240 bn by the EFSF will, therefore, continue to be available. All these facilities might provide some relief for the short-term financing of ailing economies. But they can only be a temporary support for the eventual building of the base for structural reforms in order to promote growth again. Growth will be needed to reduce the growing debt levels; otherwise, the spiral downwards can hardly be broken as austerity and tax increases make sense only in an economy that is at least expanding in the medium-term, otherwise the revenue base will be potentially eroded and the debt will hardly be reduced.

In the meantime, the ECB has kept its key policy rate at 0.75%. It also highlighted the continued fragility of the Euro-zone at its latest monthly meeting. Given that yields at the short end have declined for the sovereign bonds of ailing economies, it seems that the announcements for support measures by the ECB have somewhat alleviated the financial burden that these economies have to carry. However, it is not the prime mandate of the ECB, which actually is price stability. Furthermore, the ECB should support the Euro-zone economy through the provision of sufficient monetary supply. But it has become obvious from the latest credit creation numbers that the ability of the economy to take up more debt and to support growth via debt is very limited at the moment. Lending of financial intermediaries to the private sector has been negative since the beginning of the year. It reached its highest decline on a yearly basis since the crisis started in 2009 with -2.4% y-o-y in August. Only mortgages are still expanding, although at a very low rate of 0.3% y-o-y as the latest data from August shows. Credit to non-financial corporations in the Euro-zone also declined to a two-year low of 1.1%. This is hardly supportive at a time when industrial production is decelerating and leading indicators, while showing a slight improvement, point to a continued deceleration.

While the debt issues seem to be contained somehow, the economic situation has continued to get worse. The real economy continues to decline and the negative spin that has been observed in the 1H12 is expected to prevail in the 2H12. This dire situation is forecast to have an impact on growth in the next year. Industrial production has declined for nine consecutive months to July with its biggest drop of 2.7% y-o-y in almost three years. The same negative spin is provided by the latest PMI numbers published by Markit. The September composite PMI has been recorded again below its August level and stays at 46.0, the lowest level this year. While the manufacturing sector has improved slightly from 45.1 to 46.1, the services sector has declined further to 46.2 from 47.2 in August. This low industrial activity leads to an again record high unemployment rate of 11.4% in August, the same level as in July and June. The worst level has again been recorded in Spain at 25.1%. This compares to Germany’s lowest level in recent years of 5.5%, reflecting the difference of the strength of the economies within the Euro-zone. Youth unemployment for the Euro-zone was again at a very high 22.8%, again almost matching the record level from June of 22.9%. The highest level has been again in Spain with a stunning 52.9%. Consequently, retail trade has been negative for every consecutive month for more than a year, with the latest number for August declining by 1.2% y-o-y, which is, however, a slight improvement from declining rates of more than 2% in April of this year and December of last year.

While it is forecast that 2H12 will be impacted significantly by this negative momentum, it is expected that it will improve by next year. This will depend largely on the success of the current open market transactions by the ECB in combination with policymakers commitment to revive growth again. The current negative trend in combination with already released data for this year leads to a revision of this year’s growth from -0.4% to -0.5%, while the assumption of 0.1% growth for 2013 remains unchanged.

Emerging markets

A long list of global institutions are easing monetary conditions to support growth

We have lowered our 2012 forecast for growth in Asia and Australia (excluding Japan), reflecting 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, will both decelerate. China's slowdown, in particular, will have ramifications for other countries in the region given its size and a role as a catalyst of regional and global growth. 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. Asia's economic fundamentals are sound. Levels of debt (both government and private) are generally low compared with those in the West, and Asian banking sectors are mostly in good shape. Even though China has entered a new phase of its development, which will be characterized by more balanced and slower output growth, it will still have a positive impact on other economies in the region.

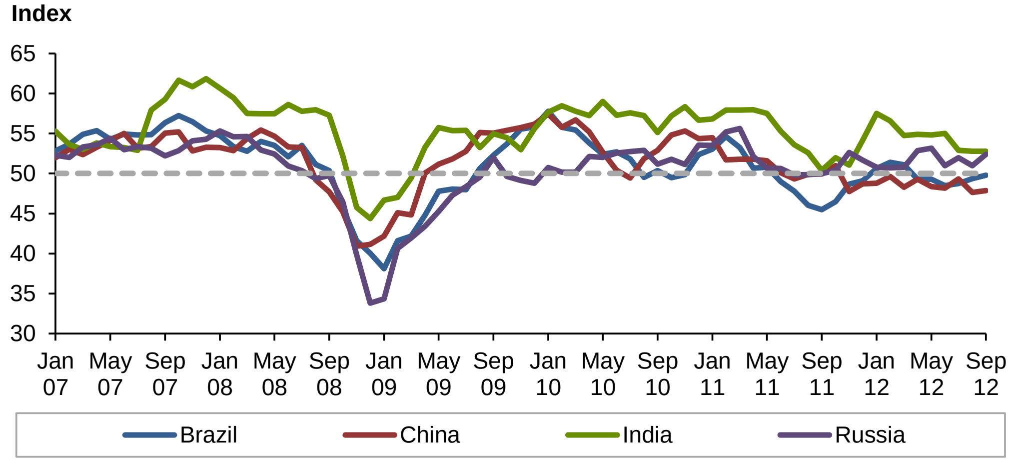
There has been more evidence of the damage to Asia’s economies from weak demand in the West, particularly from the Euro-zone. Chinese trade data for August showed a 2.6% drop in imports y-o-y, while exports to the EU, China's largest market, were down by fully 13%. South Korea is also suffering from weak export demand. The government has responded with two fiscal stimulus packages in the last three months. The central bank cut its base interest rate by 25 basis points in July, to 3%, although contrary to market expectations, it held rates steady in August. The bank instead raised the amount of subsidized loans available to small and medium-sized companies, and the self-employed, under a special programme.

The outlook for economic growth in Eastern Europe has weakened due to the escalation of the crisis in the Euro-zone, Eastern Europe's key export market. The recession in the Euro-zone affects the economic performance of Eastern Europe through weaker trade, investment and financing channelled through the banking system. Exports and industrial output in Eastern Europe have weakened during this year, and business and consumer sentiment remain fragile. In addition to faltering external demand and the weak outlook for credit, domestic demand remains generally anemic, given high unemployment, excess capacity and the inability of governments with large budget deficits to undertake stimulus programmes. The Balkan economies are particularly vulnerable to renewed recession in the Euro-zone and — in a worst-case scenario — to a Euro-zone collapse. Exposure to the Euro-zone crisis has been magnified by the fact that neighbouring Balkan economies have extensive economic links with Greece (EIU, October, 2012).

Following the slowdown in the Latin American region in 2011, a further slowdown to 2.6% is expected for this region in 2012, in a context of Euro-zone contraction and below-par growth in the US. We have made a further downward revision to our forecast for Brazil, since it is by some margins Latin America's largest economy. This will weigh on regional growth this year. We expect growth to accelerate to average 3.3% in 2013, sustained by continuing sound macroeconomic policies in most countries in the region, resilient domestic demand and a recovery of economic activity in the OECD area. South American economies will continue to be supported by China's demand for soft and hard commodities exports, even if the period of sustained increases in both prices and volumes has come to an end. Historically low OECD interest rates, coupled with an improving investor perception of the region's potential, will continue to benefit those Latin American economies that are well integrated into global financial markets.

Economic growth in the Middle East and North Africa will be constrained in 2012 by weak economic growth in countries such as Egypt. 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 Saudi Arabia and other oil exporting countries of the region. We forecast stronger economic growth in the 2H13 as hydrocarbons output continues to rise, oil prices stabilize at a high nominal level and some of the large infrastructure projects in the region start to come onstream. Against short-run difficulties in emerging markets due to slowing global demand and the damage to sentiment stemming from the Euro-zone debt crisis, the medium-term picture seems to be positive. This is because of sound fundamentals of the Asia's economies in general.

Graph 3.2: Manufacturing Purchasing Managers' Index (PMI) in BRICs



Source: HSBC, Markit and Haver analytics.

Inflation in Latin America has been moving lower allowing policymakers to turn to economic growth policies. The Central Bank of Brazil cut 50 basis points off its policy interest rate on 29 August on top of its cut on 11 July bringing its policy rate to 7.50%, the lowest level since 2009. The government of Brazil has adopted a series of initiatives totaling 1.5% of GDP, which are envisaged to shield their domestic industry from external competition. Meanwhile, China's central bank has not changed its policy rate since its July cut. The policy rate in China is now at 6 %. Considering the recent deceleration in manufacturing production in China, another cut in the benchmark interest rate in China cannot be ruled out in the coming months. We have lowered our 2012 forecast for economic growth in China to 7.6% from 8.1%. China's economy continues to slow. However, a package of fiscal and monetary stimulus measures to boost growth has been passed, but the effects have been delayed, in part because companies are running down their large inventories. We expect GDP growth to rebound to 8.0% in 2013. The policy rate in India remains at its April level of 8%, when the Indian Central Bank (RBI) cut its policy rate by surprise 50 basis points. However, due to accelerating inflation, another interest rate cut in the current year is unlikely. The RBI might even move to increase interest rates in early 2013 to curb inflation. India's rupee is expected to remain under pressure due to current account as well as government deficits. In Russia, private consumption and investment demand still remain firm, while the manufacturing PMI is expanding, although by a lower rate compared to last month. Although the labour market is tight in Russia and unemployment remains low, accelerating inflation and the recent flood might exert a negative impact on consumption growth. ***Table 3.2*** below summarizes our estimate of the economic performance of the BRICs at the macro level.

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	
	2012	2013	2012	2013	2012	2013	2012	2013
Brazil	1.5	3.3	5.2	5.3	-56.8	-66.3	-2.5	-2.2
China	7.6	8.0	2.8	3.4	206.6	194.4	-2.4	-2.3
India	5.7	6.6	8.9	7.4	-62.0	-60.5	-5.6	-4.9
Russia	3.7	3.4	6.6	5.9	88.4	57.5	-0.8	-1.1

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

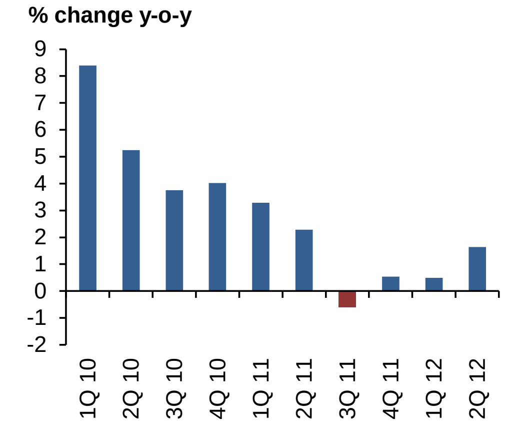
Figures for India are from the fiscal year 2012-2013 and 2013-2014.

Brazil

The economic slowdown and tax breaks to boost vehicle demand and other durable goods are taking a toll on fiscal revenue

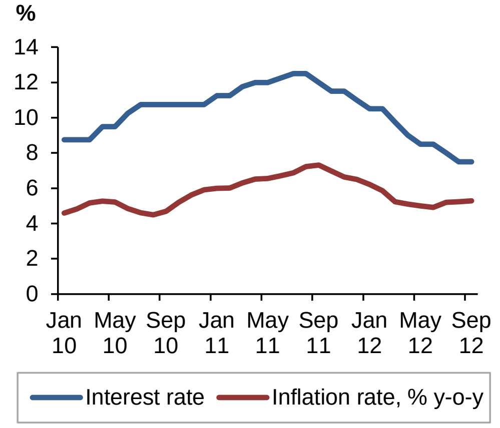
A combination of responsible fiscal and monetary policies, together with favourable terms of trade and reforms, have helped Brazil's economic growth accelerate from below -2% in the 1990s to 3.8% over the last 10 years. However, the dismal performance of 0.5% GDP growth over the last four quarters is raising concerns about a structural exhaustion of Brazil's model with a decline in potential growth (JP Morgan, 29 September 2012). Consensus on Brazil's GDP growth has shifted downward following 2Q GDP growth of 1.64, on an annual basis. Considering the continuous slump in Brazil's manufacturing sector, where output languishes below 2010 level, it is difficult to envisage a possible sharp rebound in economic activities in the 4Q12 capable of increasing GDP growth more than 2% on an annual basis. External factors also have been affecting Brazil's economy in an unfavourable way, in addition to weaker than expected growth of OECD and Chinese economies and the hard landing in neighbouring Argentina, which is an important market for Brazil's manufacturing industry, particularly automobiles. All these unfavourable changes have caused a reduction in demand for Brazil's exports. Most of Western Europe is in recession while US growth is expected to be around 2.2% in 2012. Imports by the US and the EU accounted for roughly 38% of emerging and developing countries' exports last year, down from 45% in pre-crisis 2007. China's domestic slowdown is also likely to affect other emerging market exports, from Latin America commodity producers to Southeast Asian manufacturers.

Graph 3.3: Brazil's GDP growth (SAAR = seasonally adjusted annual rate)



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

Graph 3.4: Brazil's interest rate and inflation



Source: Banco Central do Brasil and Haver analytics.

The economy's failure to respond to aggressive monetary easing, and a series of fiscal and credit measure since August 2011, has prompted the Brazilian government to launch an ambitious stimulus plan focused on tackling the country's infrastructure needs, particularly in the areas of transportation and logistics. In August, Brazil's president, Ms. Dilma Rousseff, launched the PNLI (the Plano Nacional de Logistica Integrada or the National Integrated Logistics Plan) following the country's recent attempts to boost activity in specific sectors of the economy. Under the PNLI, up to R133 bn ($65 bn) will be invested over the next 25 years, of which R80 bn are expected to materialize within the next five years. These projects focus on the economy's roads and railways, expanding the current network to link key production areas to ports and other distribution hubs. A public-private partnership for around 10,000 km of the railway system is expected whereby the private sector would build the network while Valec, a state-owned company previously responsible for building railways, will manage the capacity and sell it to third parties, thus returning the collected revenue to private companies (EIU, October, 2012).

However, the economy's slowdown, coupled with several tax breaks to boost demand for vehicles and other durable goods, are taking a toll on fiscal revenue. Tax collection of the central government fell for the second consecutive month in July, which is equivalent to a drop of 7% in real terms y-o-y. Despite the likelihood that the revenue shortfall will erode the primary surplus target, the government still has some fiscal room for manoeuvring. This is because with the ongoing interest rate easing cycle that has reduced the benchmark rate to 7.5%, interest payments on government debt have already fallen to 3.5% of GDP. This will allow the government to lower the primary surplus target without an increase in the nominal deficit.

Deflationary local and global conditions eased Brazil's annual inflation rate below 5% in June, but it has since picked up slightly to 5.2% in August. It is expected that inflation will remain around this level until stimulus measures boost demand and aggregate prices, lifting the rate again next year. Since February, the Brazilian real has depreciated from R1.7:$1 to R2:$1. The Euro-zone crisis and a tax on financial transaction and loans have eased the real's downward trend. In spite of the recent depreciation of the real, the current account deficit is expected to rise as import growth outpaces that of exports. In a context of exceptionally low central bank rates in major economies, Brazil's exchange rate will continue to be heavily managed, including through taxes on capital inflows. It is expected that with the easing of the Euro-zone economic crisis, the real will appreciate slightly over the next year.

A steady but sustainable rise in the current account deficit is expected as import growth outpaces that of exports, eroding the large trade surplus that Brazil has registered for most of the previous decade. The trend will be accentuated by a still strong currency, which will boost imports and impair export competitiveness, particularly of manufactured goods. However, attracting sufficient foreign capital should not prove problematic, given that foreign investors will keep a positive view of Brazil's growth potential in the long-term, with foreign direct investment (FDI) forecast to average 2.4% of GDP annually in 2012-16 (EIU, October 2012). Foreign exchange reserves will remain more than sufficient to cover Brazil's gross external financing requirement.

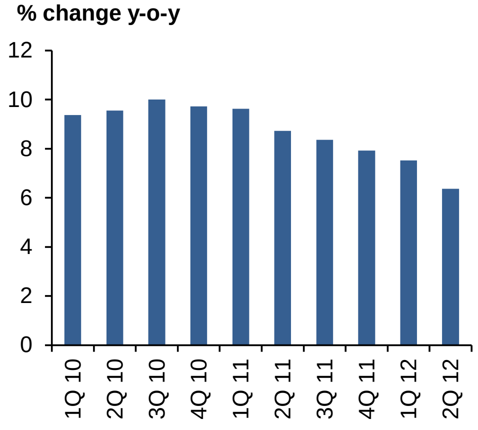
China

After real growth of 7.6% y-o-y in 2Q12, China's economy has yet to show signs of a rebound to higher growth

Despite a number of stimulus measures taken over the past year by the Chinese government — including two interest rate cuts, the reduction of their central bank's reserve requirement three times since last November and the speeding up of the approval of large infrastructure projects — economic growth has not shown a significant boost. The falling of y-o-y GDP growth to 7.6% in the 2Q12 signals a continuing drift in the expansion of the economy. Both industrial production and nominal retail sales decelerated in y-o-y and on a monthly basis. Bank lending also declined by 41.3%. Foreign demand also is diminishing, which is affecting economic growth. Shipment contracted in July by 5.8% on a monthly basis while the official PMI fell to 49.2% in August, a nine-month low. The government has recently approved a stimulus package, including infrastructure projects, in a bid to stimulate growth. In view of this downturn trend in economic activities, our estimate for China's economic growth is reduced to 7.6% in 2012 and 8.0% in 2013.

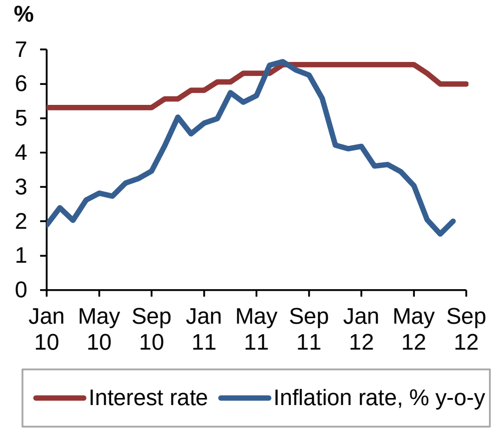
The Asian Development Bank cut its regional growth rate by almost a full one percentage point after considering the adverse effect of China and India's economic slowdown on the region's economies. The chief economist of the Asian Development Bank stated that "in People Republic of China, the investment slowdown and the end of the real estate boom are big factors, while in India the failure to push through promised reforms is harming growth". Emerging Asia has become increasingly dependent on the Chinese economy and a slowdown in China's growth would deteriorate prospects for economic growth in the emerging markets of the region. To a lesser extent, China's slowdown is also affecting economic growth in Latin America, where the export of raw materials and commodities to China accounts for a significant portion of the region's foreign trade. It is believed that structural changes and a more competitive services sector would be needed for a lasting boost in economic growth.

Graph 3.5: China's GDP growth (SAAR)



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

Graph 3.6: China's interest rate and inflation



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

It is possible that a slowdown in the manufacturing sector will feed through the rest of the economy and affect employment. There has been a continuous decline in new orders and exports since the early months of the year, and the manufacturing sector has had the sharpest workforce reduction in 40 months. The deceleration in trade growth in China last month mirrored developments in the rest of Asia. But its scale has been greater than expected. China's sales to the EU fell by 16.2% in July. Exports to the US rose by just 0.6 %. Given that the EU and the US are China's two largest export markets, weak demand in these two major regions will continue to weigh on the growth prospects of the export sector and the economy as a whole. The latest data suggest that along with the anemic earnings reports recently posted by flagship Chinese companies, jobs could be shed in months ahead if the government's recent efforts to stimulate the economy fail to pay off. These signals might lead policymakers

to increase their intervention to support economic growth in the coming months. However, not all news reports are negative. Despite the central government's refusal to repeal property market restrictions, and prior to the second interest rate cut of the year in July, new home prices posted a m-o-m increase since May 2011.
Although the latest figures suggest that China's economy is stabilizing, they also indicate that the domestic economy has yet to rebound. Against a background of intensifying growth concerns, in recent months a number of local authorities have announced large scale investment plans that total nearly 19 trillion yuan ($3 trillion). But it is expected that this investment plan will have a moderate impact on the near-term growth outlook. Unlike the 2008-09 stimulus packages, this time the initiative comes from local governments. There has been no official endorsement of these projects by the central government. Also, most announcements are related to regional economic development in the country's 12th Five Year Plan or even further into the future, and some of the projects are too ambitious to be feasible. Finally, local governments are facing difficulties with funding current projects, so supporting a new round of significant investment spending will be even more difficult.

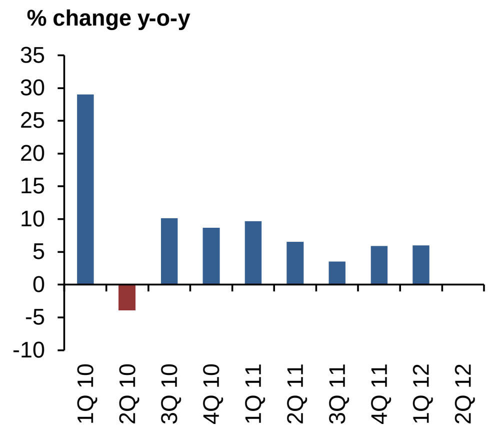
According to the National Bureau of Statistics of China (NBS), from January to August 2012 investment in fixed assets increased by 20.2%, y-o-y. Breaking down the total investment figure to the sectoral level, the report indicates that investment in primary industry (agriculture) rose by 31.5% y-o-y, while in secondary (industry) and tertiary (services) sectors investment went up by 22.6% and 17.8%, respectively. Nevertheless, the rate of growth of investment in fixed assets has been diminishing in first seven months of 2012.

India

Despite the appointment of the pro-economic reform finance minister, Mr. Chidambaram, in a cabinet reshuffle of 1 August 2012, it is unlikely that progress in economic reforms will be anything but modest until the next general election. Mr. Chidambaram has his task cut out for him, with persistently high inflation, a weakening rupee and a slowing domestic economy. He is seen as a competent choice for the post, even though this appointment is unlikely to shift the political calculus that will continue to hamper prospects for economic reforms. The liberalization of the retail sector, and the increase in administered fuel prices and railway fares, were all reversed or stalled last year due to political disagreements. The largest political party of the country, the Congress Party, is more likely to use its political capital on promoting its prime ministerial candidate rather than economic reforms (EIU, October 2012).

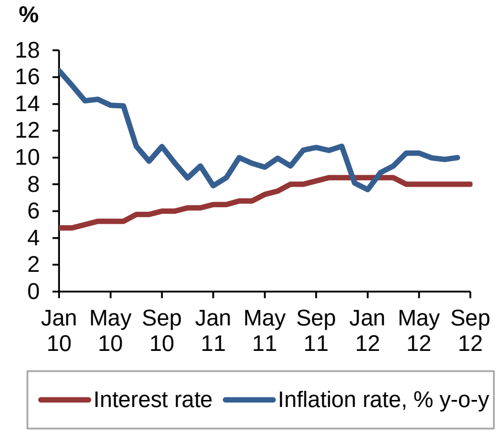
Rainfall during India's monsoon season (June-September) was almost 20% below the long-term average. A poor monsoon season is likely to exert a negative impact on consumer spending particularly in rural areas due to lower agricultural income. The government also may have to increase its subsidies on agricultural inputs, reducing its resources for development and infrastructure projects. Monsoons, however, are expected to have less of an impact on inflation as the importance of the summer monsoon season for agricultural output and overall economic growth has declined in recent years, with crop production in the winter season rising and the government's capacity to respond to inclement weather improving. The agricultural sector is expected to grow by 2.6% on an annual basis.

Graph 3.7: India's GDP growth (SAAR)



Source: Central statistical office of India and Haver analytics.

Graph 3.8: India's interest rate and inflation



Source: Reserve Bank of India and Haver analytics.

India's industrial production fell by 1.8% y-o-y in June. The June figure showed a renewed dip in industrial output, notwithstanding the modest pick-up seen in May, and the index of industrial production which contracted in March and April of 2012. Following revisions to last month's data, capital goods production is now estimated to have fallen by an average of about 19% y-o-y in March-June. On a sectoral basis, manufacturing output declined by 3.2% in June, having posted an uneven performance since the beginning of the year. High interest rates continue to deter capital investments and the central bank is unlikely to ease monetary policy unless inflationary pressures abate. In addition, political instability has stymied much-needed economic reform, thereby depressing business and investor confidence. Wholesale price inflation decelerated for the second consecutive month in July, with prices rising by 6.9% on an annual basis. The moderation in the WPI in July was driven by a sharp slowdown in fuel price inflation, which fell from 10.3% on annual basis in June to 6% in July. This was the result of a high base in the earlier year period, as administered fuel prices were raised in July 2011.

The weak rupee and India's persistent fiscal deficit will constitute further sources of inflationary pressure, although slowing domestic GDP growth will moderate these pressures to some extent. The RBI is unlikely to draw much comfort from the slight deceleration that has occurred recently (EIU, October 2012). India's widening trade gap together with its fiscal deficit has put downward pressure on the rupee. The rupee is forecast to remain weak in the short- to medium-term considering the lack of any sign of improving external demand for the economy's exports. The current account deficit is expected to widen from the equivalent of 3.2% of GDP in 2011 to 4.4% in 2012 (EIU, August 2012). In the first seven months of 2012, merchandise exports shrank by 4.1% on an annual basis, while imports grew by 1.9%. Inward capital flow also is expected to decrease, lowering demand for the rupee. In the medium- to long-term, however, one can expect a stronger rupee, taking into account the relatively bright prospects for the economy. Services exports will retain their vital role in the country's external trade as information technology and business process outsourcing continue to lure Western firms to India.

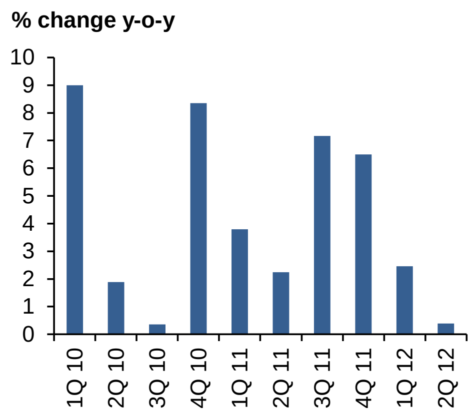
In the budget for the year 2012/13, which was reviled in March, the government outlined a modest programmer of fiscal consolidation, with the budget deficit targeted to narrow to the equivalent of 5.1% of GDP in 2012/13, from an estimated 5.9% in 2011/12. The budget includes an increase in services and excise taxes, as well as import duties, as part of a bid to raise additional tax revenue. On the expenditure side, the budget targets a reduction in subsidy spending to the equivalent of 1.9% of GDP in 2012/13 from an estimated 2.4% in 2011/12. However, the original target for subsidy spending in 2011/12 was 1.6% of GDP. An expected increase in subsidy expenditure due to this year's poor monsoon season means that government targets look optimistic and unlikely to be met. It is expected, therefore, that the budget deficit will remain high and that it will narrow only slightly — to the equivalent of 5.6% of GDP.

The Russian Central Bank increased its benchmark interest rate by 25 basis points to 8.25%

Russia

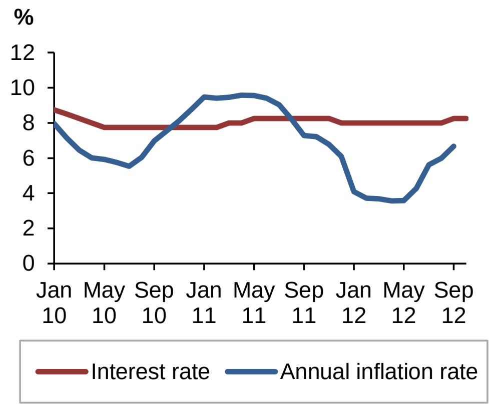
Russia has managed to sustain its economic growth, albeit at a slightly lower rate than expected. GDP grew by slightly more than 4% on a y-o-y basis. Domestic demand remains resilient and the country has obtained World Trade Organization membership after 19 years of negotiations, it is expected that private consumption to strengthen further considering lower tariffs on imports. This will lower tariffs on imports and will push the economy to become more competitive. Foreign direct investment is also expected to increase. Inflation in August rose to 5.9% from 5.6% in July as global crop losses caused a substantial increase in the cost of grain. Concerns about inflation led the Russian Central Bank (RCB) to increase the benchmark interest rate by 25 basis points to 8.25% in mid-September, its first rate increase in 16 months. While growth remains a key consideration, the tightening of monetary policy is a clear signal of the transition to inflation targeting (Consensus Forecasts, 17 September 2012). Industrial production rose 0.9% m-o-m in July after remaining flat in June. The construction industry, however, contracted by 3.2% on annual basis, while gross fixed investment rose by 3.8% in June.

Graph 3.9: Russia's GDP growth (SAAR)



Source: Federal State Statistics Service and Haver analytics.

Graph 3.10: Russia's interest rate and inflation



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

In the early months of the year, high oil prices underpinned a resumption of the underlying trend of a real appreciation of the ruble. The real effective exchange rate appreciates by around 4% in the 1Q (EIU, August 2012). However, in the 2Q, Russia experienced a weakening of its currency as the markets reacted to global uncertainty, capital flight from risk and a decline in oil prices. According to preliminary data, Russia continued to run large current account and trade surpluses in the 1H12. High oil prices are the main reason behind Russia's sustained current account surplus, although exports of other raw materials and basic manufacturing also contributed to its current account surplus.

High oil prices caused a surplus in the 1H12. Fiscal policy for 2013-15 will be based on a new fiscal rule which limits budgetary spending in line with movements in oil prices. The new rule allows planned spending to rise by 5% in 2013. This rule would not decrease dependence of the government budget on the country's oil revenues in the short-run, as it is expected that the non-oil deficit will shrink to only 10% in 2014 from 11.3% in 2011. Monetary policy, on the other hand, has been more prudent as the RCB has left the key refinancing interest rate unchanged at 8% in its latest meeting in July. Rising inflationary expectations have been the main reason for keeping interest rates on hold over the last six months. After higher than expected inflation in June and the increase in utilities tariffs in early July, the RCB is expected to wait for a clear indication of inflation before its possible changes to monetary policy. There is an official commitment to move towards a floating exchange rate with the RCB intervention confined to preventing excessive currency volatility (EIU, September 2012).

Inflation is easing in the Asia Pacific

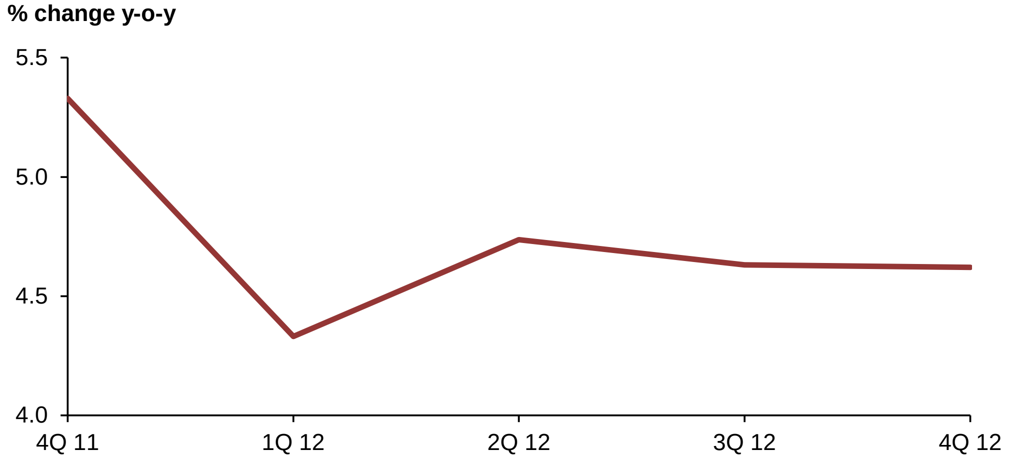
Asia Pacific

The Indonesian economy is facing headwinds from softening external demand and turbulent global financial market conditions but the economy, overall, well-positioned *region after tight monetary policy in 1H12*

to stand these difficulties relatively intact. The economy began 2012 with strong momentum, growing 6.4% y-o-y in the 1H. The domestic economy remains supported by healthy consumer and investment spending. Data released early October 2012 show Indonesia's September inflation rate eased to its lowest level since March, driven by a retreat in food prices. September's CPI inflation rate stood at 4.3% y–o-y, having oscillated in a very tight range between 4.45% and 4.58% over the previous five months. Core inflation eased slightly to 4.12% from 4.16%. According to the Bangko Sentral ng Pilipinas (BSP) the Philippine CPI inflation eased slightly, to 3.6% y-o-y in September, down from August's 3.8% rate. According to newly released balance of payments data Thailand's external balances continued to improve in August. During the first eight months of 2012 exports contracted 0.9% from a year earlier – a reasonable performance given soft external demand. Meanwhile, imports fell 4.0% on the month and 11.0% y-o-y, to $18.0 bn, raising of the trade surplus to $1.5 bn. The current-account surplus rose to $860 million – highest since February, while $3.5 bn were added to foreign exchange reserves over the month, pushing them to nearly $171 bn.

The global slowdown is affecting the region's economy

Graph 3.11: Inflation in the Asia-Pacific excluding Japan and China



Source: IHS CERA.

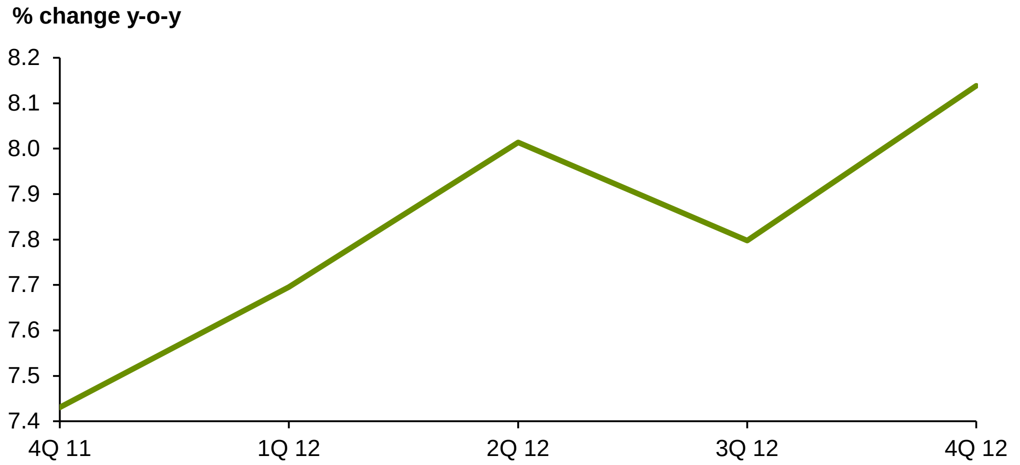
MENA

Inflation in MENA is rising due to robust domestic demand and high public spending

Egypt needs to tap external sources for as much as 60 billion Egyptian pound ($9.8 bn) to finance its projected 2012-13 budget deficit of E£135 bn ($22.2 bn), according to the government. Reviewing the budget situation in the current year, the minister of finance noted that of the total, only E£75 bn ($12.3 bn) could be raised domestically through various debt instruments. The remainder will have to come from foreign borrowing. Egypt's economy is unlikely to grow as quickly as the government has forecast for this financial year. In its budget for the fiscal year that began on 1 July, the government predicted GDP would grow by 4-4.5% in 2012/13, a forecast that the government has regularly reaffirmed. According to the latest data published by Egypt's Central Agency for Public Mobilization and Statistics (CAPMAS), the cumulative merchandise trade deficit for the first seven months of the year came to $20.5 bn, jumping 43.4% relative to the same period in 2011. Exports remain in a chronic weak state, falling 17.7% y-o-y in July, the third consecutive contraction. CAPMAS noted that the decline was largely due to a drop in commodity exports. Imports continued their march higher, climbing 3.6% y-o-y in July, raising the deficit of balance of payments in the 1Q of the new fiscal year as robust internal demand for energy imports remains in place amidst a stagnant economy. The finance ministry on 11 September revised last year's budget deficit figure upwards to 11% of GDP, saying spending was swollen by rising wage demands and revenue was trimmed by a fall in tax receipts. The reform programme includes cutting government costs by directing energy subsidies to those who need them most. The reduction in these subsidies, which make up about a quarter of total government spending, is likely to boost inflation by raising prices of cooking gas, gasoline and diesel.

Oman's CPI rose marginally higher in July, to an annual rate of 2.9%, while the index increased 0.6% compared with the previous month, data from the Ministry of National Economy showed. The trend-reversal was driven by higher food prices, which jumped, on a monthly basis, by 1.2% and 1.1% in June and July, respectively, ending a string of months of food price deflation that began in late 2011.

Graph 3.12: Inflation in the Middle East and North Africa (MENA)



Source: IHS CERA.

Latin America

The Colombian Central Bank Committee decided to keep its policy rate at 4.75% in late September after the release of 2Q economic growth data of 4.9%. Despite the positive news in growth and inflation, the Central Bank acknowledged the effects of a weaker global economy in its external sector figures. Exports fell in July and August, due to lower prices in oil and minerals, but at lower levels than before, showing that terms of trade are still favourable for Colombia and regional markets — especially trade with Venezuela which has been dynamic. Additionally, the rate of growth for banking credit has been diminishing. Colombia's economy proved to be resilient to a synchronized global slowdown as shown in the 2Q of this year, with the deceleration lasting only a few months. Driven by strong domestic demand and an important jump in construction (especially in public works), 2Q GDP was higher than expected.

OPEC Member Countries

The UAE's Central Bank plans to launch a discount window framework

In a recent report, the Central Bank of the United Arab Emirates (CBU) said that credit to the private sector grew at a meagre 0.8% annual rate in April, to AED724.6 bn ($197.3 bn). This is down from growth of 0.9% y-o-y in March and 1.4% at end-2011. On a monthly basis, private sector credit fell 0.3% for the second straight month. This shows that banks in UAE are cautious about significantly boosting lending in light of the vulnerability of financial conditions to the ongoing regional turmoil, the Euro-zone crisis and faltering global growth. The CBU aims to develop its monetary policy framework by launching a discount window to enable banks to borrow intra-day and overnight funds, believing that the country's economic outlook is encouraging. During the financial crisis of late 2008, the CBU provided 25 bn dirhams ($6.8 bn) in special collateralised loans to the banking system, but a discount window, similar to those used in developed money markets, could allow more flexible management by the central bank. The consumer prices in the UAE rose 0.33% in August in a m-o-m comparison on higher food prices. The overall CPI reached 116.86 in August 2012, and in comparison to the base year (2007 = 100), it increased by 0.33% compared to its value at the end of July 2012. It also rose 0.95% compared to August 2011, according to the Abu Dhabi based National Bureau of Statistics.

Headline inflationary pressures in Qatar increased further in August, rising at an annual rate of 2.2% and 0.2% m-o-m, according to data from the Qatar Statistics Authority (QSA). Qatar's economic expansion continues, though at a lesser pace than the recent past, as the country pushes forward with diversification efforts and preparations for hosting the World Cup in 2022.

Saudi real GDP growth has eased to a 5.5% annual rate in 2Q12

The Saudi Central Department of Statistics and Information reported that growth of real GDP has eased to a 5.5% annual rate in the 2Q12, compared to 5.9% in the 1Q and 9.6% in the same quarter a year ago. This comes against a background of weaker external conditions that have led to some cooling of the economy. In contrast, domestic activity is still supported by government spending and investment, while social support measures have also stimulated consumer spending. Saudi Arabia's annual inflation eased to 3.8% in August. This is the lowest level in almost three years, although the monthly increase was the fastest in 10 months. Consumer price growth in the Kingdom has been slowing gradually since peaking at 5.4% in February and March, registering 4.0% in July. The m-o-m rate edged up to 0.4% in August from 0.3% in the previous month, the data from the Central Department of Statistics showed.

The Nigerian Central Bank holds its interest rate steady

Nigeria's central bank kept its base interest rate on hold for the sixth time in September, welcoming improved growth and a slight fall in headline inflation even though core inflation remained stubbornly high. Economic growth in the country accelerated to 6.28% in the 2Q from 6.17% in the first, while inflation fell for the second straight month in August, to 11.7 %.

Oil prices, US dollar and inflation

The US dollar continued to weaken against all major currencies in September.

The US dollar continued to weaken against all major currencies in September at a more considerable margin than in August. On a monthly average it fell by 3.8% versus the euro, by 3.0% compared to the Swiss franc, by 2.5% versus the British pound sterling and by 0.6% versus the Japanese yen. While it looked like last month's reversal of the US dollar's rise was a technical correction after a steady increase of several weeks, it seems that this month's decline was due to a variety of reasons. The weak 2Q numbers of the US economy and the softening economic prospects, combined with almost 0% interest rates and the Euro-zone's expected recovery in 2013, along with higher interest rates in the peripheral economies — and, in the case of the yen and the Swiss franc the flight to safety — might have played an important role.

The euro held up surprisingly well in September and even more so since the beginning of October, when it started to trade very close or above the $1.30/€ level, while averaging $1.2869/€ in September. With the sovereign debt issues continuing, it remains to be seen if this level will be kept. It averaged only $1.2399/€ in August and in the case of a re-emergence of the debt worries, it is still likely that it will touch down back to the $1.20/€ level, which is the support line at the lower end of the current trading band. Of some interest is the recent development of the yen to the US dollar, which remained below the critical ¥80/$ level with the yen again strengthening in September. While the Bank of Japan has communicated that it is willing to intervene in the currency market, the yen has remained incredibly strong.

After accounting for inflation and currency fluctuations, the Basket price fell by 1.1%, or $0.77/b, to $68.26/b from $69.03/b

In nominal terms, the OPEC Reference Basket rose by $1.15/b, or 1.1%, from $109.52/b in August to $110.67/b in September. In real terms, after accounting for inflation and currency fluctuations, the Basket price fell by 1.1%, or $0.77/b, to $68.26/b from $69.03/b (base: June 2001=100). Over the same period, the US dollar fell by 2.2% against the import-weighted modified Geneva I + US dollar basket while inflation remained steady.*

* *The 'modified Geneva I+US$ basket' includes the euro, the Japanese yen, the US dollar, the British 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 is estimated at 0.8 mb/d in 2012

World oil demand in 2012

The world economy still places a great amount of uncertainty upon future world energy consumption. Economic uncertainty in the US, EU and China is determining the fate of the world's energy use not only for the rest of this year but also throughout next year. Slower industrial production world-wide is pushing down the use of oil by a large percentage, with middle distillate consumption plunging in the past month. Furthermore, the transportation sector contributed to the slowdown in oil use this summer due to both slower economic activity and higher retail prices. A few variables will play a major role in world oil demand this winter, such as the weather and the health of the world economy. Should the current situation persist until year-end, then world oil demand growth would be estimated at 0.8 mb/d, a downward adjustment of 80 tb/d compared to last month's estimate.

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

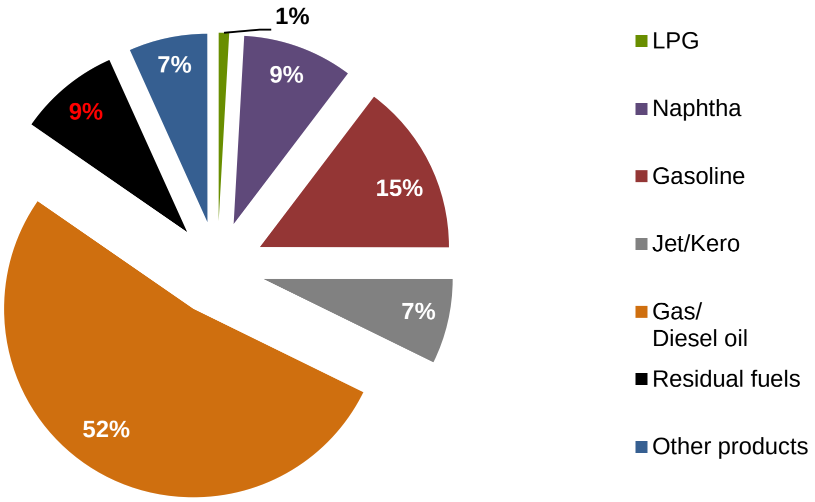


Table 4.1: World oil demand forecast for 2012, mb/d

							Change 2012/11	
	2011	1Q12	2Q12	3Q12	4Q12	2012	Growth	%
North America	23.73	23.18	23.41	23.66	23.66	23.48	-0.25	-1.07
Western Europe	14.28	13.69	13.70	14.33	13.87	13.90	-0.38	-2.69
OECD Pacific	7.87	8.83	7.75	7.94	8.39	8.22	0.36	4.55
Total OECD	**45.88**	**45.70**	**44.86**	**45.93**	**45.92**	**45.60**	**-0.28**	**-0.61**
Other Asia	10.46	10.50	10.74	10.81	10.81	10.72	0.25	2.41
Latin America	6.37	6.31	6.47	6.71	6.66	6.54	0.16	2.59
Middle East	7.57	7.64	7.65	8.11	7.70	7.78	0.21	2.78
Africa	3.36	3.39	3.37	3.28	3.43	3.37	0.01	0.23
Total DCs	**27.76**	**27.83**	**28.23**	**28.90**	**28.60**	**28.39**	**0.63**	**2.29**
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	0.00	0.66
China	9.41	9.47	9.86	9.58	9.97	9.72	0.31	3.29
Total "Other regions"	**14.40**	**14.40**	**14.60**	**14.78**	**15.47**	**14.81**	**0.42**	**2.89**
Total world	**88.04**	**87.93**	**87.69**	**89.61**	**89.99**	**88.81**	**0.77**	**0.88**
Previous estimate	87.89	87.85	87.56	89.61	89.92	88.74	0.85	0.97
Revision	0.15	0.08	0.13	0.00	0.07	0.07	-0.08	-0.09

Totals may not add up due to independent rounding.

For the above reasons, fourth-quarter oil demand is forecast to grow by 0.9 mb/d year-on-year (y-o-y). Although non-OECD oil consumption led to a strengthening of summer oil consumption seasonality in the third quarter, the weakness in China's oil demand determined the total estimate. The non-OECD region consumed 44.8 mb/d of oil in July, denoting an increase of 1.1 mb/d y-o-y.

For the second month in a row, Indian diesel demand soared, resulting from the electricity shortage and agricultural seasonal activity. Furthermore, the shut-down of most of Japan's nuclear power plants led to excess use of crude and fuel oil burning during the summer, but by not as much as was seen at the beginning of the summer.

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	23.18	-0.71	-2.97	23.48	23.41	-0.07	-0.31
Western Europe	14.22	13.69	-0.53	-3.72	14.13	13.70	-0.42	-2.99
OECD Pacific	8.35	8.83	0.48	5.76	7.12	7.75	0.63	8.88
Total OECD	**46.45**	**45.70**	**-0.76**	**-1.63**	**44.73**	**44.86**	**0.14**	**0.31**
Other Asia	10.27	10.50	0.23	2.21	10.54	10.74	0.20	1.92
Latin America	6.11	6.31	0.20	3.21	6.34	6.47	0.13	2.08
Middle East	7.49	7.64	0.15	2.06	7.42	7.65	0.23	3.14
Africa	3.39	3.39	-0.01	-0.19	3.38	3.37	-0.01	-0.28
Total DCs	**27.26**	**27.83**	**0.57**	**2.10**	**27.67**	**28.23**	**0.56**	**2.01**
FSU	4.14	4.24	0.10	2.42	3.98	4.09	0.11	2.80
Other Europe	0.69	0.69	0.00	-0.19	0.65	0.65	0.01	0.78
China	9.13	9.47	0.34	3.71	9.54	9.86	0.32	3.38
Total "Other regions"	**13.96**	**14.40**	**0.44**	**3.13**	**14.16**	**14.60**	**0.44**	**3.10**
Total world	**87.68**	**87.93**	**0.25**	**0.29**	**86.56**	**87.69**	**1.13**	**1.31**

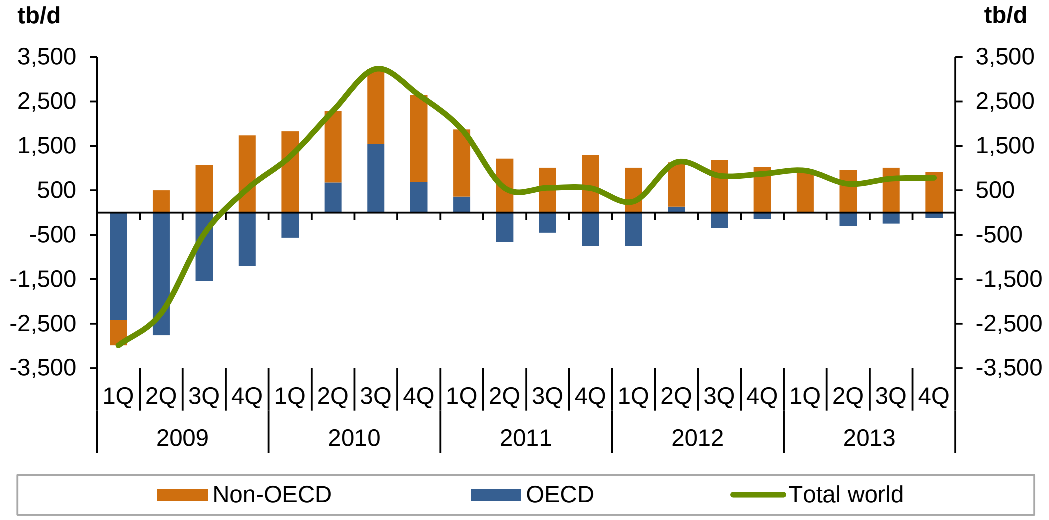
Totals may not add up due to independent rounding.

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	14.33	-0.37	-2.49	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**	**45.93**	**-0.35**	**-0.75**	**46.07**	**45.92**	**-0.15**	**-0.33**
Other Asia	10.44	10.81	0.38	3.61	10.61	10.81	0.20	1.89
Latin America	6.54	6.71	0.17	2.59	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**	**28.90**	**0.85**	**3.03**	**28.04**	**28.60**	**0.56**	**1.99**
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	9.58	0.21	2.20	9.60	9.97	0.37	3.88
Total "Other regions"	**14.45**	**14.78**	**0.33**	**2.26**	**15.00**	**15.47**	**0.46**	**3.09**
Total world	**88.78**	**89.61**	**0.83**	**0.93**	**89.12**	**89.99**	**0.87**	**0.98**

Totals may not add up due to independent rounding.

Graph 4.2: Quarterly world oil demand growth



Alternative fuels

Lower gas and coal prices, along with the heavy burden of subsidies, have forced both the US and Europe to reduce financial support for renewables. This move reduced mergers within the industry by half in the fourth quarter of 2011. Furthermore, due to a high level of competition, the industry is focusing on expanding in other clean technologies rather than just wind and solar. Given the financial turbulence in the region, some governments are cutting the expensive subsidies on renewables.

OECD — North America

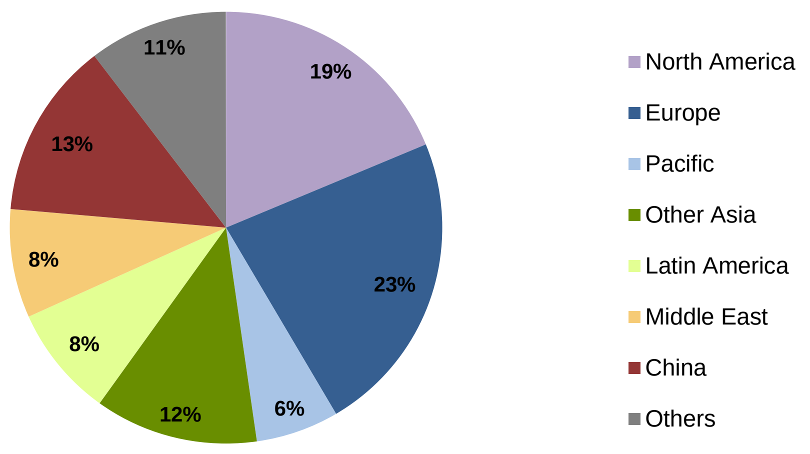
North American oil demand projected to decrease by 0.25 mb/d in 2012

The latest monthly US oil consumption data for July confirmed the downward trend, by showing once more decreases of 0.9% y-o-y. All main product categories, with the exception of propane/propylene and residual fuel oil, recorded declines, and the bulk of the overall decrease was seen in gasoline consumption, as a result of lower mileage. The weak economy and high retail fuel prices have curbed gasoline demand by 0.3% so far this year. Taking into account weekly data for August and September, the first nine months of 2012 looked quite disappointing for US consumption. They showed contractions in all product categories, and mainly in distillates and residual fuel oil. The main factors influencing consumption during the first three quarters of 2012 were weak industrial production, the struggling economy, high fuel prices and fuel-switching, especially towards natural gas. Together with the low mileage driven, a recent decline in industrial production has affected oil use within the country on a massive scale. Apart from in May, US oil demand growth has been negative since November last year. The decline in the first three quarters is almost double that of 2011. Oil demand in North America is totally dependent upon US economic development and the level of gasoline prices. The outlook for US oil consumption for the rest of the year and for 2013 remains rather pessimistic, especially when considering the development of the economy and fuel-switching.

The latest reported figure for Mexican oil consumption in August showed an increase of around 1.5%, compared with the same month last year. All product categories were positive, except gasoline, with increases in industrial fuels dominating the pool of oil demand. Canadian oil demand decreased by 1.4% in July, compared with last year; oil usage in transportation, as well as in industrial products, caused this decrease.

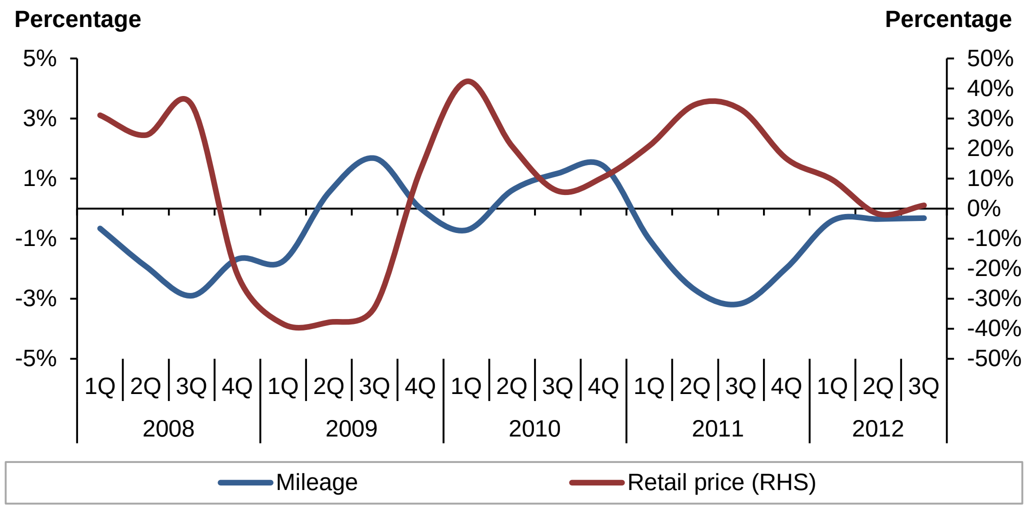
In 2012, oil demand in North America is projected to decrease by 0.25 mb/d, while, in 2013, it will remain at the same levels as this year.

Graph 4.3: Regional shares in diesel consumption 2012



Driven up by generous cash incentives for new automobile purchases, US auto sales increased again in September 2012 by a remarkable 13% y-o-y. This was despite the ongoing pessimistic overall economic outlook, as well as the current high unemployment rates. This was the fourth straight monthly increase. Other reasons for it were low interest rates, strong demand for smaller passenger vehicles as a result of the high fuel prices, and the release of some new car models. US auto sales are expected to show an increase of around 10% y-o-y in 2012, which is lower than last month's estimate because of weaker economic growth during the second half of the year.

Graph 4.4: US mileage vs. prices



Vehicle sales in Canada grew at a solid 6.4% in August y-o-y — the 11th consecutive month of growth — boosted by demand for Japanese and other imported brands, as well as by fuel-efficient models. According to the Mexican Automobile Industry Association, Mexico's auto production, sales and exports grew by a strong 17.7%, 11.4% and 5.3% respectively y-o-y in July. The country's auto market was helped by positive economic developments and by strong declines in imported used vehicles. The bulk of exported vehicles from Mexico headed towards the US and Brazil.

For 2012, European oil consumption is expected to shrink by 0.4 mb/d

OECD — Europe

The troubled European economy is taking its toll on the continent's oil demand. Not only has the decline in industrial production negatively affected oil use, but also the low mileage driven has reduced the use of transport fuel across Europe. European consumption contracted in August for the 12th month in a row, mainly in industrial and transport fuel. August oil 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 industrial production and high fuel prices. Undoubtedly, the short- and medium-term development of European oil consumption does not appear to be positive, as the debt problems in several European economies seem to deteriorate further. Oil demand in Europe's 'Big Four' decreased by 0.24 mb/d in August, compared with August 2011. German oil use declined by 0.03 mb/d in the first three quarters of the year, despite the increase in diesel use.

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

	Aug 12	Aug 11	Change from Aug 11	Change from Aug 11 %
LPG	367	397	-30	-7.5
Gasoline	1,212	1,265	-53	-4.2
Jet/Kerosene	799	790	9	1.2
Gas/Diesel oil	3,184	3,343	-159	-4.7
Fuel oil	389	434	-46	-10.6
Other products	1,145	1,108	37	3.4
Total	**7,097**	**7,337**	**-240**	**-3.3**

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

For 2012, European oil consumption is expected to shrink by 0.4 mb/d, as a result of the turbulence in several regions' economies, while oil consumption in 2013 is projected to decrease again by 0.24 mb/d, thus showing hardly any improvement.

According to the latest figures, European new passenger car registrations decreased in August for the 11th consecutive month by 8.9% y-o-y — with the latest decrease steeper than the ones in previous months. During the first eight months of 2012, sales were down 7.1%, compared with last year. Almost all major markets showed strong declines in August, with the exceptions of the UK (flat) and Spain (with growth at 3.4%). Italy (–20.2%) and France (–11.4%) witnessed double-digit decreases, whereas Germany posted a decline of only 4.7%.

The European auto industry seems to be facing its second severe market downturn in recent years, next to that of 2009. This could have a further dramatic impact on the auto industry that is already facing huge challenges.

OECD Pacific oil consumption is expected to grow in 2012 by 0.36 mb/d y-o-y

OECD — Pacific

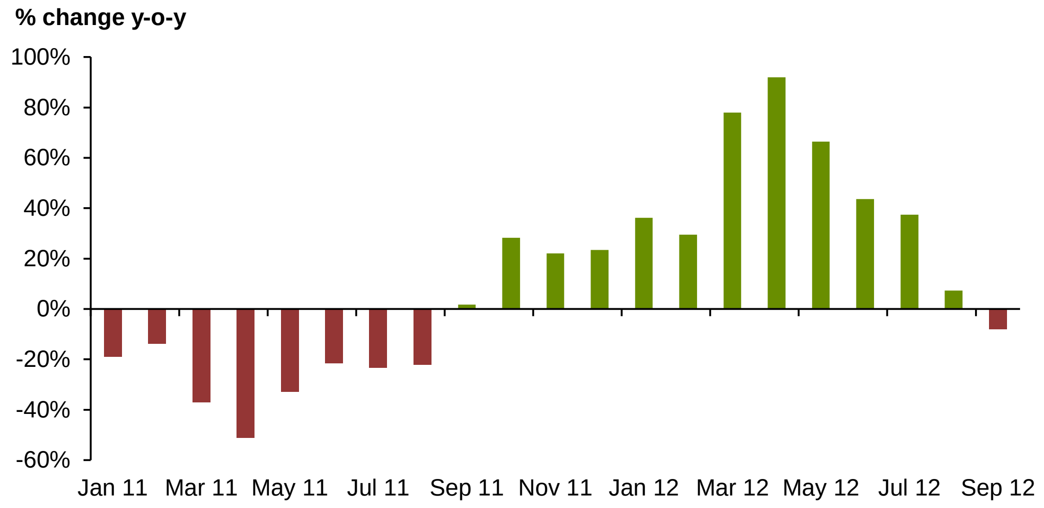
In Japan, the latest August monthly data was once more dominated by strong increases in crude and residual fuel oil direct use. The summer's seasonally higher requirements led to an extra increase in fuel usage. Direct crude and residual fuel burning for electricity production is expected to further continue throughout 2012 and 2013, but with less volume. Although the Japanese government earlier last month announced its decision to phase out nuclear power by 2040, intense opposition from business groups and communities, whose economies depend upon nuclear plants, forced the government to delay its decision. This could weaken the government's initial phase-out plan. It might be some time before the government comes to a final decision, since it remains to be seen in which direction future Japanese energy policy will be heading in the medium and long terms. Nevertheless, 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.

In South Korea, July data pointed towards a strong increase in oil use by 4.7% y-o-y; the biggest additions were observed in industrial products, naphtha for the petrochemical sector and residual fuel oil.

OECD Pacific oil consumption is expected to grow by 0.36 mb/d y-o-y in 2012, and the bulk of the increase will result from direct crude/fuel oil burning for electricity generation and substituting nuclear plants.

During 2013, OECD Pacific oil consumption is projected to grow again, but at a lower level of 0.06 mb/d.

Graph 4.5: Japanese new passenger car registrations



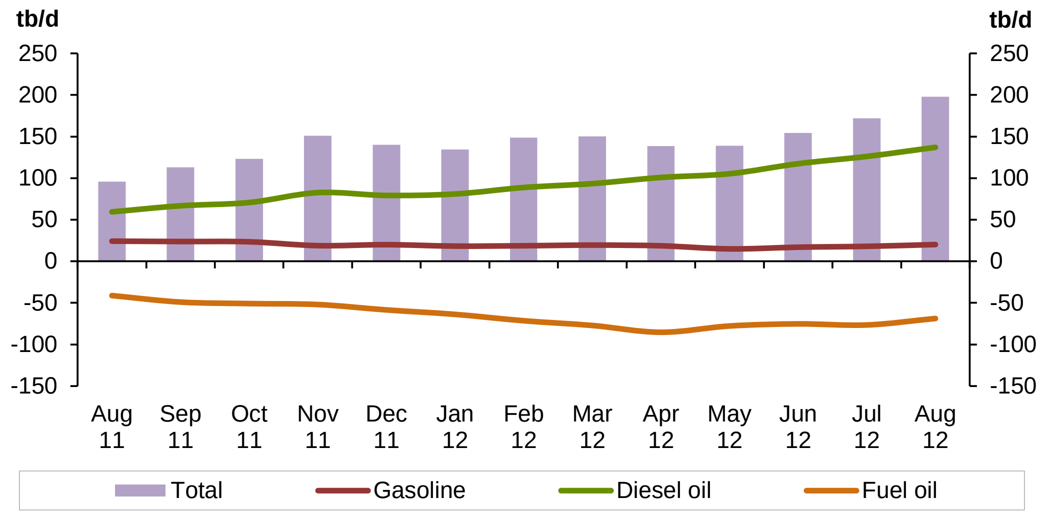
Auto sales in Japan dropped for the first time for more than a year in September, by 8.1% y-o-y, as the desire for fuel-efficient vehicles was hampered by the expiry of government subsidies late in the month. Moreover, the end of the subsidies brings Japanese car-makers back to the difficult state that existed before the government aid programme — maintaining domestic output as a strong yen weighs against increasing production for exports. Finally, Japan's auto industry also faces a gloomy outlook in China, as a result of anti-Japanese sentiment over a territorial dispute. It is expected that the decline in sales in the coming months will be limited to around 10%. South Korean domestic car sales contracted by a strong 7.1% y-o-y in August, due to weak domestic demand as a result of an economic slowdown. For the same month, exports fell by 2.8% y-o-y.

Developing countries

DC oil demand growth is forecast at 0.6 mb/d y-o-y, to average 28.4 mb/d in 2012

Despite an easing of India's recent electricity disruptions, the impact on diesel demand could be seen for a second month in a row. As the country tried to cope with the summer heat, excessive demand of electricity, along with the agricultural seasonality, led to more diesel demand country-wide.

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



India's total oil demand inched up by 6% or 0.2 mb/d in August y-o-y

The use of independent diesel-operated power generation contributed to high diesel consumption in August. As a result, diesel usage increased by a massive 17% in August, adding another 0.2 mb/d to the country's total diesel use. Diesel use in India is attributed not only to electricity usage but also to the transportation, industrial and agricultural sectors. Gasoline demand increased by 6% in August, due to the summer driving season. Despite the decrease of 16% in fuel oil demand, India's total oil demand inched up by 6% or 0.2 mb/d in August y-o-y. The country's agricultural industry is greatly affected by weather changes during the summer. Consequently, the use of energy in this sector is highly dependent upon the weather's variations from the norm.

According to the Society of Indian Automobile Manufacturers, domestic passenger car sales decreased by a strong 18.6% during August, marking the first drop in the last ten months. Sales were hit mainly by the slowdown in economic growth.

Table 4.5: Taiwan oil demand, tb/d

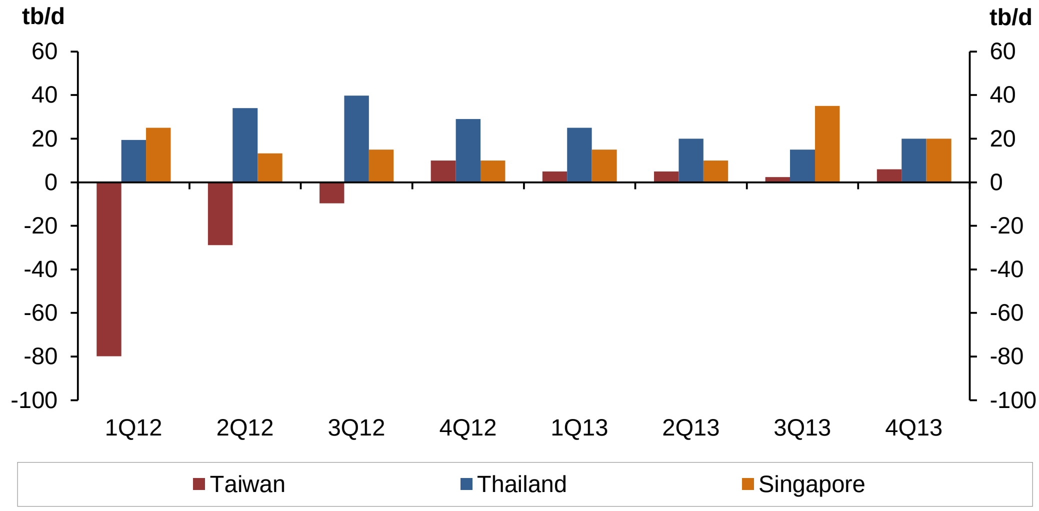
	Jul 12	Jul 11	Change	Change %
LPG	77	64	13	20.3
Gasoline	183	180	2	1.2
Jet/Kerosene	54	51	3	5.6
Gas/Diesel oil	108	104	5	4.5
Fuel oil	114	140	-26	-18.3
Other products	387	405	-18	-4.6
Total	**922**	**943**	**-21**	**-2.3**

Given strong oil demand in India, Other Asia's oil demand growth is estimated at 0.25 mb/d y-o-y in 2012

Efficiency, along with economic slowdown, has led to a decline in oil demand in Taiwan in the year-to-date in 2012. The country's oil demand plunged by 2.3% in July y-o-y. Most of the decline was attributed to the industrial sector. This trend can be seen in some other economies across the globe. And, in the first seven months of the year, Taiwan's oil demand slid by 5% y-o-y. Most of that decline was related to less use of fuel oil, and this reduced the country's total oil usage to an average of 0.94 mb/d.

Given the strong oil demand in India, Other Asia's oil demand growth is estimated at 0.25 mb/d y-o-y in 2012.

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



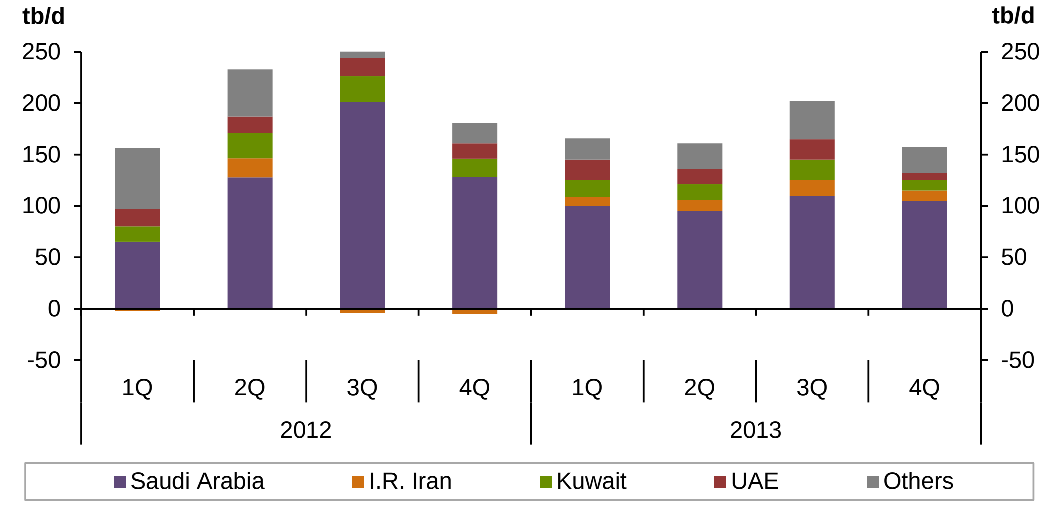
Both the power sector and summer transport fuel demand pushed up Saudi Arabia's total oil demand in August by 14% y-o-y or 0.3 mb/d

Oil consumption within the Middle East has been growing by around 0.2 mb/d or 2.8% annually. Most of the growth is attributed to the transport and industrial sectors. Despite a reduction in Iran's total energy use, the country's total oil demand for the year is forecast to be flat. The partial removal of gasoline subsidies in domestic consumption has led to the easing in the country's use of gasoline.

The excessive summer heat led to massive fuel demand by power generation in Saudi Arabia in August. The country's fuel and diesel oil demand rose by 56% and 16%. Both the power sector and summer transport fuel demand drove up the country's total oil demand by 14% y-o-y or 0.3 mb/d during the month.

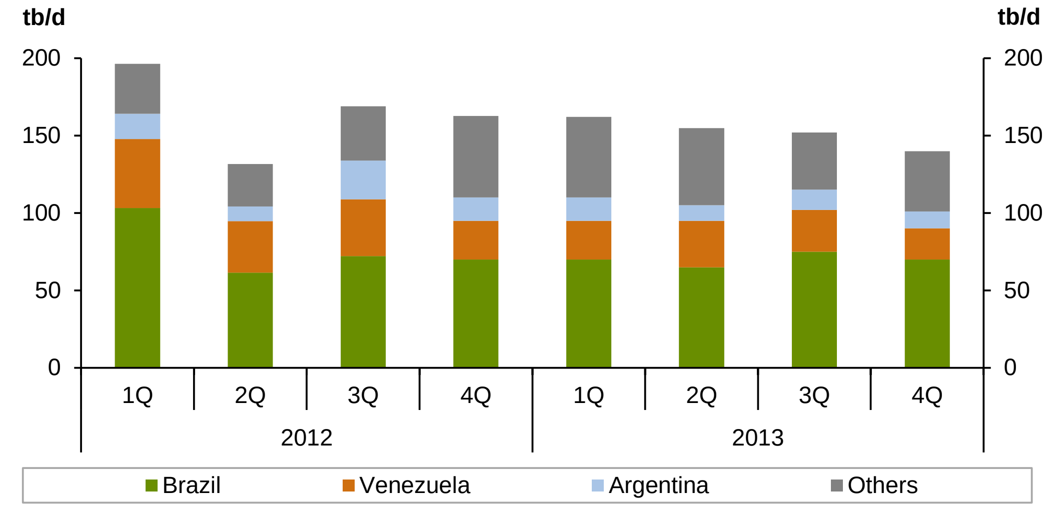
The Middle East will consume 7.8 mb/d at the end of 2012, denoting growth of 0.2 mb/d y-o-y.

Graph 4.8: Yearly oil demand growth in the Middle East



Venezuela's booming economy of 3.4% growth this year led to growth in the country's oil use of 23% in the first seven months. Most of the growth is attributed to jet kerosene and gasoline demand. More than a third of Venezuela's oil demand is in the form of gasoline. Demand is expected to increase by 0.04 mb/d in 2012 y-o-y.

Graph 4.9: Yearly oil demand growth in Latin America



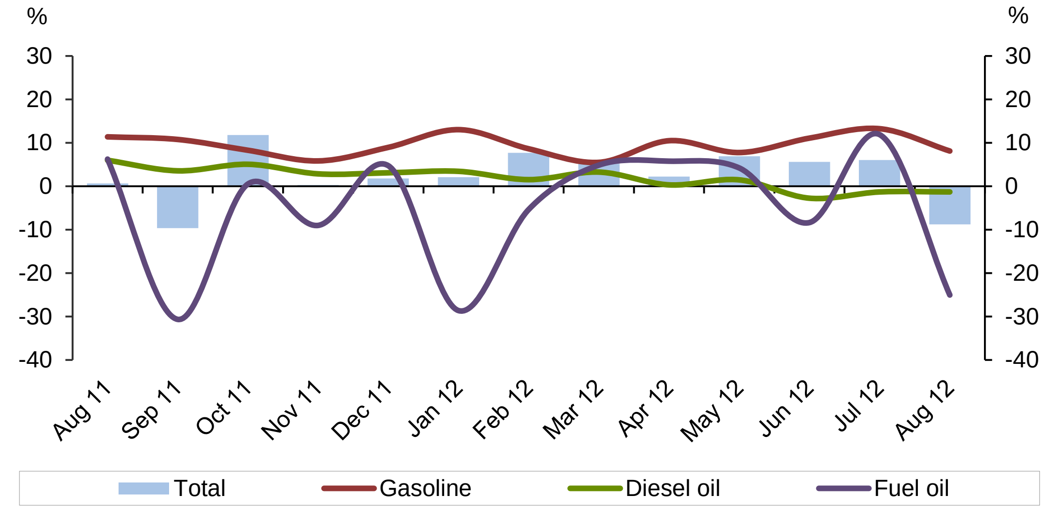
Developing countries' oil demand growth is forecast at 0.6 mb/d y-o-y, averaging 28.4 mb/d in 2012.

Other regions

China's oil demand growth is forecast at 0.3 mb/d in 2012 y-o-y

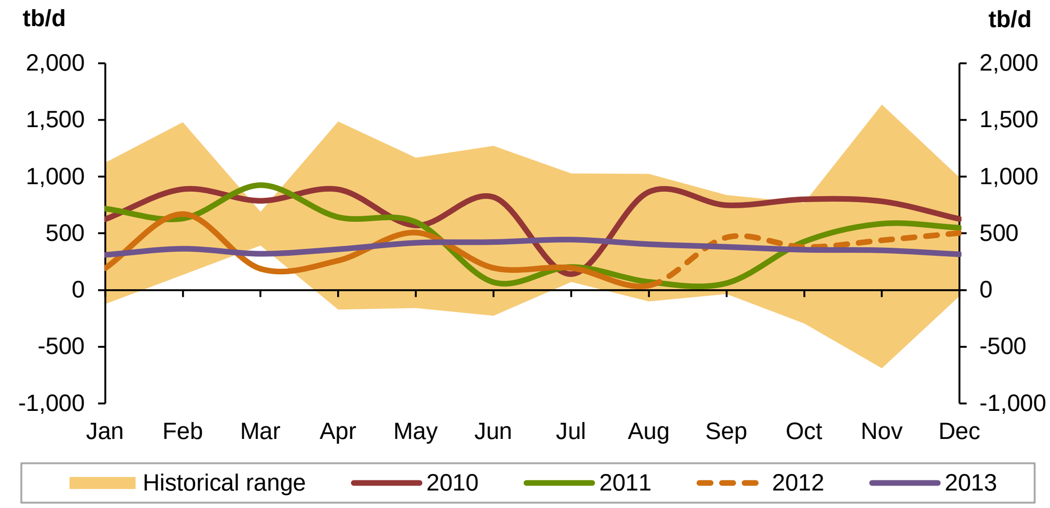
Chinese oil demand weakened this summer to almost a stand-still level. This was caused mainly by the slowdown in the industrial sector, which fell heavily as a result of slower exports. Diesel, fuel oil and other industrial product usage slid down by a substantial amount. Fuel oil imports in August sank by 37% y-o-y as a result of weak orders from several refineries and slower bunker demand. Diesel consumption grew between September 2009 and last May; hence, China added almost half a million barrels of diesel to its consumption pool. Nevertheless, despite the minor decline since May, the country's diesel demand grew by 1% in the year-to-date. Diesel is the most consumed petroleum product in China, totalling 3.3 mb/d, and its consumption is attributed to the industrial, transport and agricultural sectors. The country's slowing economy caused its August oil demand to grow by a slight 40 tb/d y-o-y, the slowest rate since March 2009. Oil demand growth is forecast at 0.3 mb/d in 2012 y-o-y. Should the country's industrial slowdown persist, then the downward risk will be higher than anticipated.

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



The country's latest reduced energy use is not the result of its newly adopted energy savings plan, but rather a consequence of the the economic situation. Part of China's recent energy strategy consists of efficiency and equal distribution to all regions. Furthermore, the country has delayed its decision to alter the domestic retail petroleum pricing mechanism, for political reasons. The new mechanism would adopt changes in international oil prices if these exceeded 2–3% within 10 days, instead of 4% within 22 days. Should this new mechanism be adopted in the near future, then the country's total oil consumption would be slightly affected.

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



Data from the China Association of Automobile Manufacturers shows that China's automobile sales grew at 8.3% in August, y-o-y, while overall sales for the first eight months in 2012 rose by only 4.1%. A number of factors still impose a strong downside risk, as far as the development of the Chinese auto market during 2012 and 2013 is concerned. Factors such as fuel price rises and a slowing economy are discouraging consumers from purchasing new vehicles. Moreover, some Chinese cities in East-Central China, such as Nanjing and Hangzhou, plan to require cleaner gas and diesel, whereas cities near the coast, from Dongguan and Shenzhen in South-eastern China to Wuxi and Suzhou in the Middle and Beijing in the north, are pushing out polluting factories. Others, like Xi'an and Urumqi in North-Western China, are banning and scrapping cars built before 2005, when automotive emission rules were less stringent. These are some of the reasons why the auto industry will not develop as fast as it has in the last few years, with 2013 being projected to see an increase of around 11%.

World oil demand is forecast to continue growing during 2013 to reach 0.8 mb/d y-o-y and average 89.6 mb/d

World oil demand in 2013

World oil demand growth for next year is subject to considerable uncertainty, due primarily to the on-going challenges in the world economy. Hence, the forecast oil demand growth has a downside risk, especially in the first half of the year. The risk is attributed not only to OECD but also to China and India as well. The current unclear economic picture is making next year's oil demand growth forecast a challenging task, not only due to GDP assessments, but also affected by retail petroleum prices, and possible abnormal weather.

These variables could reduce the world oil demand growth forecast by 20% next year. Furthermore, oil demand in the US and China – the key drivers behind next year's world oil demand growth – can change the rhythm of the oil demand pattern. World oil demand is forecast to grow by 0.8 mb/d in 2013 to average 89.6 mb/d.

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

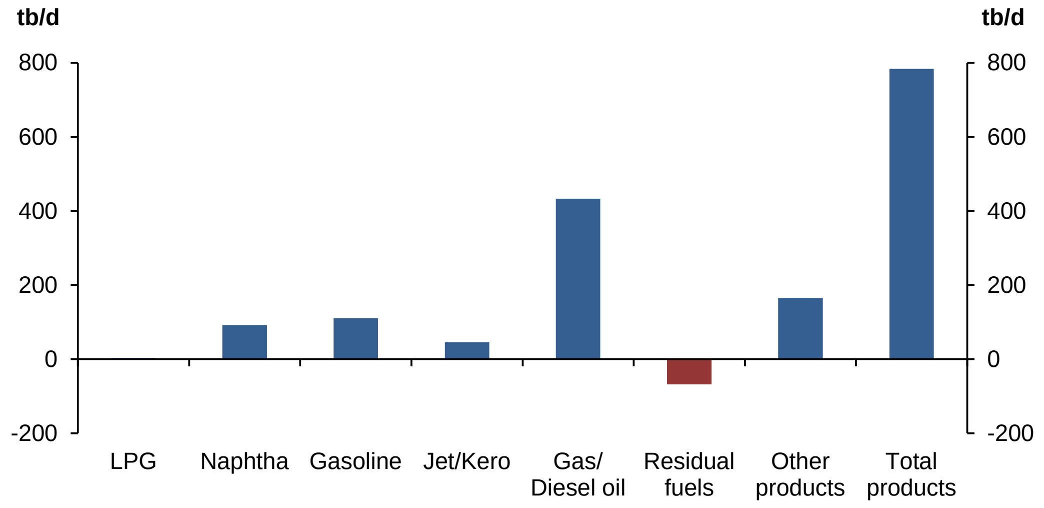


Table 4.6: World oil demand forecast for 2013, mb/d

	2012	1Q13	2Q13	3Q13	4Q13	2013	*Change 2013/12* Growth	%
North America	23.48	23.32	23.31	23.60	23.70	23.49	0.01	0.02
Western Europe	13.90	13.50	13.43	14.07	13.64	13.66	-0.24	-1.71
OECD Pacific	8.22	8.89	7.81	8.01	8.45	8.29	0.06	0.78
Total OECD	**45.60**	**45.71**	**44.56**	**45.68**	**45.79**	**45.44**	**-0.17**	**-0.37**
Other Asia	10.72	10.68	10.92	11.00	10.98	10.90	0.18	1.71
Latin America	6.54	6.47	6.62	6.86	6.80	6.69	0.15	2.33
Middle East	7.78	7.81	7.82	8.31	7.86	7.95	0.17	2.21
Africa	3.37	3.39	3.37	3.28	3.43	3.37	0.00	0.06
Total DCs	**28.39**	**28.35**	**28.73**	**29.45**	**29.07**	**28.90**	**0.51**	**1.79**
FSU	4.39	4.33	4.17	4.58	4.82	4.48	0.09	1.96
Other Europe	0.70	0.70	0.65	0.70	0.78	0.71	0.00	0.68
China	9.72	9.79	10.22	9.96	10.31	10.07	0.35	3.62
Total "Other regions"	**14.81**	**14.82**	**15.04**	**15.24**	**15.91**	**15.26**	**0.44**	**2.98**
Total world	**88.81**	**88.87**	**88.34**	**90.37**	**90.77**	**89.60**	**0.78**	**0.88**
Previous estimate	88.74	88.82	88.21	90.38	90.76	89.55	0.81	0.91
Revision	0.07	0.05	0.13	-0.01	0.01	0.04	-0.02	-0.03

Totals may not add up due to independent rounding.

Auto industry

Given the current economic uncertainty, US auto sales growth is forecast to slow down to approximately 3%. Canadian vehicle sales are projected to increase by just a slight 1% during 2013, as a result of a spillover effect from the neighbouring US economy. The European auto industry will continue to suffer from the region's ailing economy next year. The forecast is looking at another stagnant or slightly declining year for the European car industry. Japanese demand for new vehicles is expected to grow again strongly, but at a lower pace than in 2012, at 8% y-o-y. The outlook for the South Korean market during 2013 is largely dependent upon developments in the US and Euro-zone economies.

US auto sales in 2013 are expected to slow down further to approximately 3%, reflecting lower expectations in the US and European economies.

Canadian vehicle sales are projected to increase by only a slight 1% during 2013, to coincide with a continuing pessimistic market sentiment not only in Canada but also in the US.

Economic factors that are affecting the auto industry this year and in 2013, such as unemployment and the European crisis, are leading to expected declines of as much as 10% y-o-y, with some markets coming close to their 20-year lows. The excess production capacity is placing a great challenge on the industry, leading to an inability to compete with foreign-made autos. Inevitably, automobile production in Europe would need to be adjusted towards future lower demand, with all the consequences implied by this.

For 2013, demand for new cars in Japan is expected to grow again, but at significantly lower levels than in 2012, at around 5% y-o-y. The outlook for the South Korean market during 2013 is largely dependent upon developments in the US and Euro-zone economies and the level of the country's currency exchange rate.

The recent Indian economic troubles resulted in lowering the country's new vehicle registration forecast for 2013. This is now estimated at only 9–10%, compared with the previous 15% estimate.

Graph 4.13: World oil demand by regions for 2013

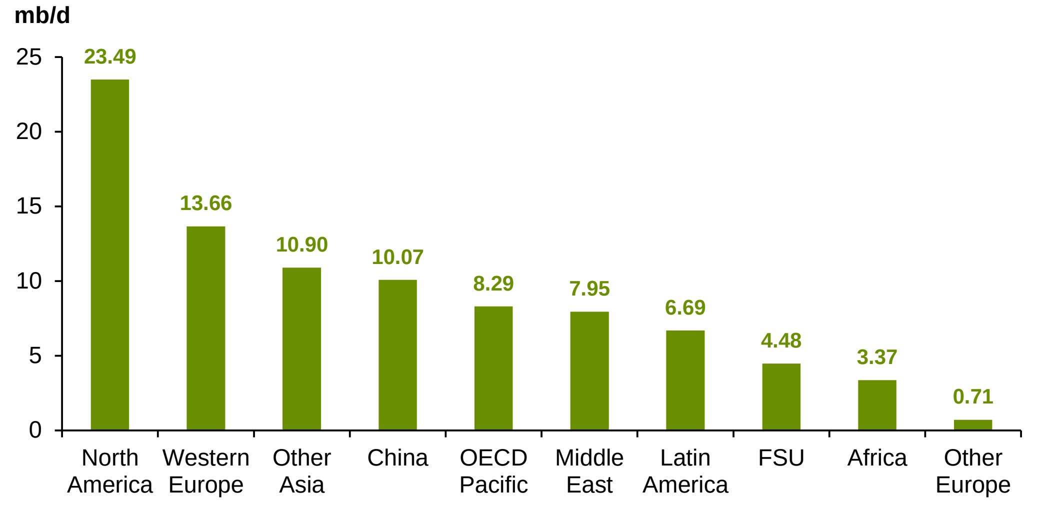


Table 4.7: First and second quarter world oil demand comparison for 2013, mb/d

			Change 2013/12				Change 2013/12	
	1Q12	1Q13	Volume	%	2Q12	2Q13	Volume	%
North America	23.18	23.32	0.14	0.61	23.41	23.31	-0.10	-0.41
Western Europe	13.69	13.50	-0.19	-1.38	13.70	13.43	-0.27	-1.97
OECD Pacific	8.83	8.89	0.06	0.68	7.75	7.81	0.06	0.77
Total OECD	**45.70**	**45.71**	**0.01**	**0.03**	**44.86**	**44.56**	**-0.31**	**-0.68**
Other Asia	10.50	10.68	0.18	1.75	10.74	10.92	0.19	1.72
Latin America	6.31	6.47	0.16	2.57	6.47	6.62	0.15	2.39
Middle East	7.64	7.81	0.17	2.17	7.65	7.82	0.16	2.10
Africa	3.39	3.39	0.00	0.12	3.37	3.37	0.00	0.13
Total DCs	**27.83**	**28.35**	**0.52**	**1.85**	**28.23**	**28.73**	**0.51**	**1.79**
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	0.65	0.00	0.46
China	9.47	9.79	0.32	3.38	9.86	10.22	0.37	3.70
Total "Other regions"	**14.40**	**14.82**	**0.42**	**2.89**	**14.60**	**15.04**	**0.45**	**3.06**
Total world	**87.93**	**88.87**	**0.94**	**1.07**	**87.69**	**88.34**	**0.65**	**0.74**

Totals may not add up due to independent rounding.

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

			Change 2013/12				Change 2013/12	
	3Q12	3Q13	Volume	%	4Q12	4Q13	Volume	%
North America	23.66	23.60	-0.06	-0.24	23.66	23.70	0.04	0.16
Western Europe	14.33	14.07	-0.26	-1.81	13.87	13.64	-0.23	-1.66
OECD Pacific	7.94	8.01	0.07	0.88	8.39	8.45	0.07	0.79
Total OECD	**45.93**	**45.68**	**-0.25**	**-0.54**	**45.92**	**45.79**	**-0.13**	**-0.28**
Other Asia	10.81	11.00	0.19	1.76	10.81	10.98	0.17	1.60
Latin America	6.71	6.86	0.15	2.27	6.66	6.80	0.14	2.10
Middle East	8.11	8.31	0.20	2.49	7.70	7.86	0.16	2.04
Africa	3.28	3.28	0.00	0.13	3.43	3.43	0.00	-0.13
Total DCs	**28.90**	**29.45**	**0.55**	**1.90**	**28.60**	**29.07**	**0.47**	**1.63**
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	9.58	9.96	0.38	3.97	9.97	10.31	0.34	3.41
Total "Other regions"	**14.78**	**15.24**	**0.46**	**3.11**	**15.47**	**15.91**	**0.44**	**2.87**
Total world	**89.61**	**90.37**	**0.76**	**0.85**	**89.99**	**90.77**	**0.78**	**0.87**

Totals may not add up due to independent rounding.

World Oil Supply

Non-OPEC

Forecast for 2012

Non-OPEC supply expected to increase by 0.56 mb/d in 2012

Non-OPEC oil supply is forecast to grow by 0.56 mb/d in 2012 to average 53.00 mb/d. This represents a downward revision of 0.15 mb/d from the previous *Monthly Oil Market Report* (*MOMR*). Many revisions were introduced to the forecast in 2012, with more weight on the second half. Adjustments to updated actual production data in the first half and part of the third quarter affected the outlook, along with various other changes in the second half. The largest revision took place in Latin America, mainly on updated production data. All 2012 quarters were revised down, as the various upward revisions seen in some countries' supply forecasts were insufficient to offset the downward adjustments.

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

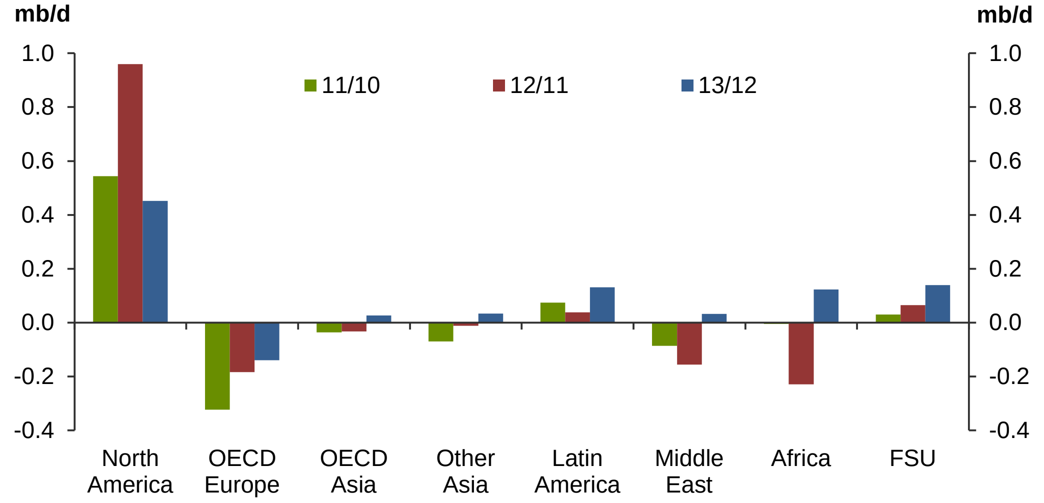


Table 5.1: Non-OPEC oil supply in 2012, mb/d

	2011	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11
North America	15.50	16.48	16.38	16.46	16.53	16.46	0.96
Western Europe	4.07	4.07	3.91	3.66	3.89	3.88	-0.18
OECD Pacific	0.57	0.51	0.53	0.56	0.54	0.54	-0.03
Total OECD	**20.14**	**21.06**	**20.83**	**20.68**	**20.96**	**20.88**	**0.74**
Other Asia	3.63	3.65	3.56	3.62	3.65	3.62	-0.01
Latin America	4.75	4.85	4.71	4.75	4.87	4.79	0.04
Middle East	1.69	1.43	1.53	1.59	1.59	1.54	-0.16
Africa	2.59	2.41	2.31	2.33	2.41	2.36	-0.23
Total DCs	**12.67**	**12.34**	**12.10**	**12.29**	**12.52**	**12.31**	**-0.36**
FSU	13.24	13.36	13.25	13.22	13.39	13.30	0.07
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.13	4.16	4.16	4.17	4.27	4.19	0.06
Total "Other regions"	**17.51**	**17.66**	**17.54**	**17.53**	**17.80**	**17.63**	**0.12**
Total Non-OPEC production	**50.32**	**51.06**	**50.47**	**50.50**	**51.29**	**50.83**	**0.51**
Processing gains	2.12	2.17	2.17	2.17	2.17	2.17	0.05
Total Non-OPEC supply	**52.44**	**53.23**	**52.64**	**52.67**	**53.46**	**53.00**	**0.56**
Previous estimate	52.44	53.30	52.81	52.94	53.55	53.15	0.70
Revision	0.00	-0.07	-0.16	-0.27	-0.09	-0.15	-0.15

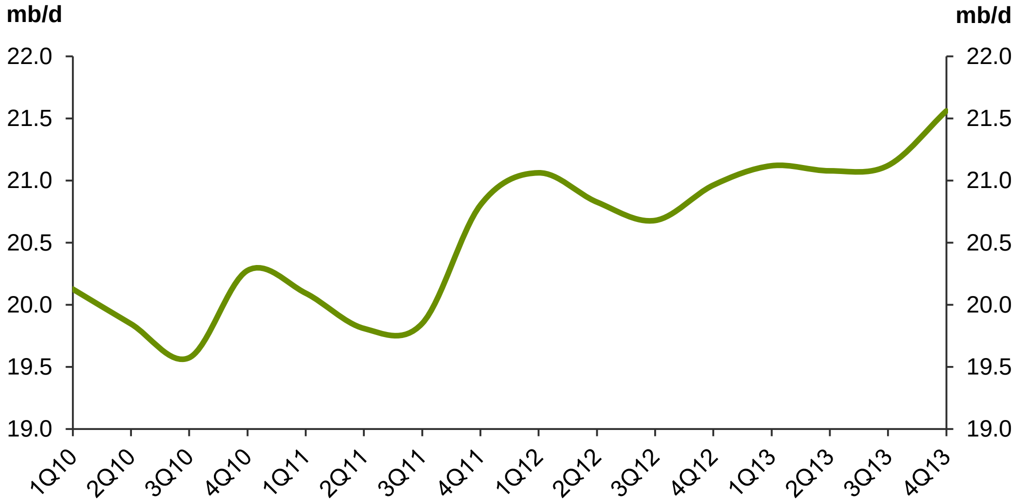
North America is expected to have the highest growth among all non-OPEC regions in 2012, followed by the former Soviet Union (FSU), China, and Latin America, while Africa, OECD Western Europe, and Middle East are projected to be the regions with the biggest supply declines. OECD supply is forecast to rise in 2012, as growth in North America is seen to more than offset the declines in Western Europe and OECD Pacific.

The US, Canada, Russia, China and Colombia are expected to be the main drivers of supply growth in 2012, while Sudan and South Sudan, Syria, the UK, Norway and Indonesia are seen as having the largest declines. On a quarterly basis, non-OPEC supply is seen to average 53.23 mb/d, 52.64 mb/d, 52.67 mb/d and 53.46 mb/d respectively. According to preliminary and estimated data, non-OPEC oil supply averaged 52.84 mb/d during the first three quarters of 2012, indicating growth of 0.56 mb/d, compared with the same period of 2011.

OECD

Total OECD oil supply is expected to increase by 0.74 mb/d to average 20.88 mb/d in 2012, a minor upward revision of 15 tb/d from the previous month. Despite this relatively steady state, there were various upward and downward revisions to regional and national oil supply outlooks in 2012 that mostly offset each other. All quarters, except the first quarter, experienced revisions, with the second and third quarters having the largest. An upward revision in North America offset the downward revisions to OECD Western Europe and OECD Pacific supply. Canada, Mexico and Other Western Europe supply forecasts had upward revisions that mostly offset the downward adjustments in the UK and Australia. In the fourth quarter, OECD supply is expected to increase from the third quarter, as output is seen to improve in North America and OECD Western Europe. On a quarterly basis, OECD oil supply is expected to average 21.06 mb/d, 20.83 mb/d, 20.68 mb/d and 20.96 mb/d respectively.

Graph 5.2: OECD's quarterly production



North America

Oil supply from North America is forecast to increase by 0.96 mb/d in 2012 to average 16.46 mb/d, an upward revision of 35 tb/d from the previous month. Second-quarter oil supply was revised down, while the supply in the third and fourth quarters was revised up, due mainly to updated production data that was carried over to the rest of the year. The upward revision confirms North America as the region with the highest growth among all the non-OPEC regions in 2012. Strong supply growth is now expected from the US and Canada, while Mexico's supply is seen to be stable in 2012, compared with the previous year. On a quarterly basis, North America's oil supply is believed to average 16.48 mb/d, 16.38 mb/d, 16.46 mb/d and 16.53 mb/d respectively.

US

North Dakota and Texas supply to drive growth in US production in 2012

US oil supply is expected to grow by 0.73 mb/d in 2012, the highest growth level among all non-OPEC countries, to average 9.74 mb/d, unchanged from the previous MOMR. Despite the steady state from last month, there were a few revisions to the US supply forecast that offset each other. The supply estimates for the second and third quarters were revised down, while the fourth quarter was revised up. The forecast growth in 2012 is the highest annual growth since the 1970s. The downward revision in the second quarter came on the back of updated production data, while the third quarter's downward revision was introduced because of the impact of Hurricane Isaac and the heavy maintenance in Alaska.

On the other hand, the start-up of a new well at the Chinook project in the Gulf of Mexico supported the upward revision in the fourth quarter. The level of drilling activity in the Gulf is reported to be close to the pre-Macondo level. Moreover, the start-up of the second gas processing train at Lacava Texas, with natural gas liquid (NGL) capacity of 75 tb/d, supported the increase in the fourth quarter. However, biofuel production could be affected by the expected low corn harvest that has come about due to the drought, and this could bring a downward revision in the coming months. The continued increase in shale oil output is seen to support growth in 2012. North Dakota's oil supply reached a record high of 675 tb/d in July, supported by Bakken's output. Growth is expected to continue as a further increase in the Bakken rail capacity is reported. Texas oil supply in July 2012 was the highest since February 1991, supported by the shale oil and NGL developments. During the first seven months of 2012, Texas supply increased by around 0.5 mb/d, compared with the same period of 2011. On a quarterly basis, US oil production is estimated to average 9.76 mb/d, 9.75 mb/d, 9.67 mb/d and 9.78 mb/d respectively. According to preliminary data, it averaged 9.72 mb/d during the first three quarters of 2012, indicating an increase of 0.89 mb/d, compared with the same period of 2011.

Canada and Mexico

Canada's output to grow by 0.25 mb/d in 2012

Oil production from Canada is forecast to increase by 0.25 mb/d in 2012 to average 3.81 mb/d, an upward revision of 25 tb/d from the previous assessment. The second quarter was revised down on the back of updated production data, while the third and fourth quarters were revised up on updated preliminary production figures that were carried over to the rest of the year. The preliminary data in the early part of the third quarter indicated a healthy supply increase from the previous quarter for crude, oil sand and NGL output. Shale oil supply growth, as well as the ramp-up of the Fire Bag project, supported the upward revision. Canada's expected growth in 2012 is thus at the highest annual level since 1973. On a quarterly basis, the country's supply is seen to average 3.81 mb/d, 3.70 mb/d, 3.86 mb/d and 3.85 mb/d respectively. During the first half of 2012, it increased by 0.32 mb/d, compared with the same period in 2011.

Mexico's output increased in August

Mexico's oil output is forecast to decline by 0.02 mb/d in 2012 to average 2.92 mb/d, indicating a minor upward revision of 20 tb/d from the previous MOMR. This revision affected third-quarter oil supply, on updated production data for August and part of September. August oil supply reached the highest level so far in 2012, supported by minor increases from the Cantarell, Chicontepec and Ku-Maloob-Zaap fields, compared with the previous month. According to preliminary data, Mexico's oil supply averaged 2.93 mb/d during the first three quarters of 2012, down 20 tb/d from the same period of 2011. So far in 2012, the country's supply stabilization effort is showing positive signs. Moreover, the output increase experienced at the Chicontepec field is seen to support production, in spite of the difficulties surrounding the field's development. On a quarterly basis, Mexico's supply is seen to stand at 2.92 mb/d, 2.93 mb/d, 2.93 mb/d and 2.89 mb/d respectively.

Western Europe

Total OECD Western Europe oil supply is forecast to drop 0.18 mb/d in 2012 and average 3.88 mb/d, representing a downward revision of 10 tb/d from the previous month. The ongoing output decline in North Sea production is expected to continue in 2012. On a quarterly basis, oil output is estimated to average 4.07 mb/d, 3.91 mb/d, 3.66 mb/d and 3.89 mb/d respectively.

Maintenance in Norwegian supply sharply affects output in third quarter

Norway's oil supply is projected to decline by 0.08 mb/d in 2012 and average 1.96 mb/d, unchanged from the previous MOMR. The expected average supply in 2012 is at the lowest level since 1990, as the declining output trend that started in 2002 continues. Production is seen to have declined in the third quarter from the second, as maintenance intensified in the summer season. Maintenance during the third quarter affected output from Asgard, Glitne, Grane, Gulfaks, Snorre, Tordis and Troll. Production was shut down at the Valhall and Hod project in August, in preparation for a new platform. Preliminary data indicated that Norway's oil production remained steady in August from the previous month, while output was expected to increase from the strike-affected level in July. During the first three quarters, Norway's supply is seen to have averaged 1.96 mb/d, a decline of 80 tb/d from the same period a year earlier. On a quarterly basis, it is expected to average 2.08 mb/d, 1.98 mb/d, 1.83 mb/d and

1.95 mb/d respectively.

UK's Elgin/Franklin production to restart in December

The UK's oil production is forecast to decline by 0.11 mb/d in 2012 to average 1.01 mb/d, representing a downward revision of 15 tb/d from the previous month. This is the lowest annual average level since 1977. According to preliminary production data, UK crude oil output has remained below 1 mb/d so far in 2012, with the August level being the lowest so far in 2012. Maintenance sharply influenced output, in addition to ongoing declines in mature producing fields. The Buzzard field was shut down during most of September for maintenance, and the field is also expected to be shut during parts of October. On the other hand, Elgin/Franklin is set to restart during December, supporting the fourth quarter outlook. The move by the UK government to provide tax breaks to encourage investment in mature fields is not expected to support the short-term outlook. According to preliminary data, UK oil supply averaged 1.0 mb/d during the first three quarters of 2012, a decline of 0.13 mb/d from the same period of 2011. On a quarterly basis, it is seen to average 1.08 mb/d, 1.01 mb/d, 0.92 mb/d and 1.04 mb/d respectively.

Asia Pacific

Total OECD Pacific oil supply is forecast to decline by 30 tb/d and average 0.54 mb/d in 2012, representing a minor downward revision of less than 10 tb/d compared with the previous month. The forecast for OECD Pacific supply calls for an increase in the second half of 2012, as new volumes and the previously operationally restricted output from the first half are seen to support production. On a quarterly basis, total OECD Pacific supply is seen to average 0.51 mb/d, 0.53 mb/d, 0.56 mb/d and 0.54 mb/d respectively.

Australian supply to decline by 30 tb/d in 2012

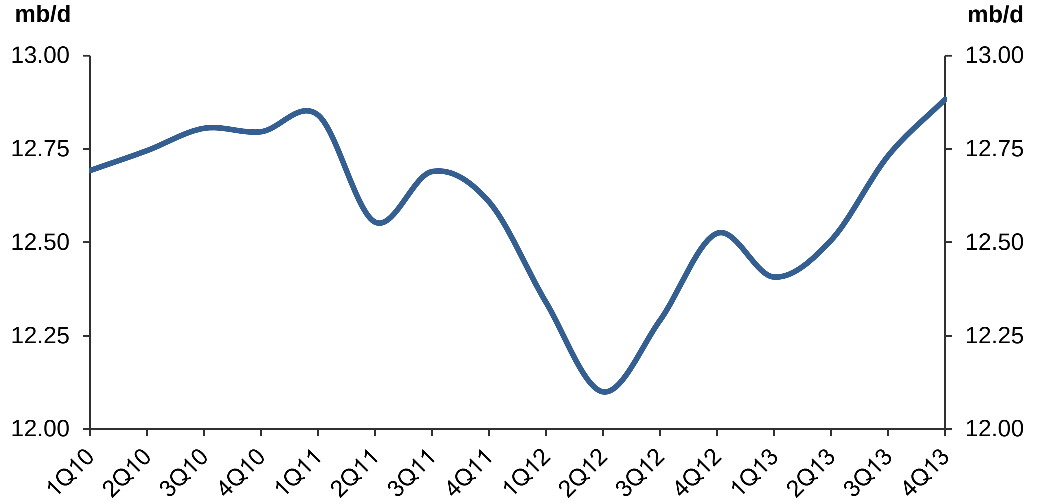
Australia's oil supply is expected to average 0.45 mb/d in 2012, a decline of 30 tb/d, indicating a minor downward revision of less than 10 tb/d from the previous MOMR. Updated production data for the second quarter showed that Australia's supply remained below the expected level, which required the downward revision. Lower output from Enfield supported the revision. However, output is expected to improve in the third quarter of 2012, supported by the expected return of some shutdown production, as well as barrels from new developments. During the first half of 2012, Australia's oil supply averaged 0.44 mb/d, a decline of 40 tb/d from the same period a year earlier. On a quarterly basis, supply is seen to average 0.43 mb/d, 0.45 mb/d, 0.47 mb/d and 0.45 mb/d respectively.

Developing countries

Colombia, Oman and Vietnam to lead growth among DCs in 2012

Total developing countries' (DCs) oil supply is estimated to decline by 0.36 mb/d in 2012 to average 12.31 mb/d, indicating a downward revision of 90 tb/d from last month. This revision came from all the quarters in 2012, with the third quarter experiencing the largest adjustment. Latin America and Other Asia experienced downward revisions, while the Middle East was revised up and Africa remained flat, compared with the previous month. Latin America is the only region expected to achieve supply growth, while Africa, the Middle East and Other Asia are seen to decline in 2012. Colombia, Oman and Vietnam are expected to achieve the highest growth among all DC countries, while Sudan and South Sudan, Syria, Indonesia and Yemen are expecting the largest declines. On a quarterly basis, DC oil output is seen to stand at 12.34 mb/d, 12.10 mb/d, 12.29 mb/d and 12.52 mb/d respectively. According to preliminary data, DCs' first-half supply averaged 12.22 mb/d, a decline of 0.48 mb/d from the same period a year earlier.

Graph 5.3: Developing Countries' quarterly production



Brunei, India, Indonesia, Malaysia and 'Asia Others' supply forecasts revised down

Oil supply from Other Asia is expected to average 3.62 mb/d in 2012, a minor decline of 10 tb/d from the previous year. Updated production data indicated lower-than-expected output from Brunei, India, Indonesia, Malaysia and 'Asia Others'. Accordingly, the necessary adjustments were completed and the Other Asia oil supply forecast experienced a downward revision of 30 tb/d, compared with the previous assessment. India's oil production in August reached the lowest level since January, indicating a decline from the previous month that supported the downward revision. Oil production from India is expected to remain steady in 2012 and average 0.89 mb/d, being revised down by 10 tb/d from the previous MOMR. Thailand's oil supply is estimated to increase by 20 tb/d in 2012 to average 0.35 mb/d, an upward revision of 10 tb/d from the previous month. This revision came on the back of updated production data that was partially carried over to the rest of the year. On a quarterly basis, Other Asia's oil supply is seen to stand at 3.65 mb/d, 3.56 mb/d, 3.62 mb/d and 3.65 mb/d respectively.

Indonesia's oil supply is forecast to decline by 50 tb/d in 2012 to average 0.98 mb/d, flat from the previous month. A downward revision in the third quarter did not affect the annual figure. This revision came on the back of adjusted production data. Additionally, the government indicated that the output target might not be achieved in 2012. On the other hand, one of the major operators announced a new wells reactivation recovery programme that will increase output by a few thousand barrels. 'Asia Others' oil supply forecast was revised down from the previous month on updated production data. Vietnam's oil supply is expected to increase by 30 tb/d in 2012 to average 0.38 mb/d, unchanged from the previous month. Vietnam's expected growth is the highest among the region's countries.

Colombia's supply growth is highest in Latin America

Latin American oil supply is anticipated to increase by 40 tb/d in 2012 to average 4.84 mb/d, indicating a significant downward revision of 75 tb/d from the previous MOMR. Argentina's oil supply forecast was revised up, but this was more than offset by downward revisions to Brazil's and Colombia's supply outlooks. Argentina's oil supply is expected to average 0.74 mb/d in 2012, steady from the previous year and an upward revision of 10 tb/d from the previous month. This revision was mainly to adjust for updated production data in the third quarter that was partially carried over to the rest of the year. Additionally, the start-up of a new ethanol plant supported the revision. Colombia's supply is projected to increase 40 tb/d in 2012, the largest growth in the region, to average 0.97 mb/d, indicating a downward revision of 15 tb/d from the previous MOMR. The revision adjusted for updated production data in the third quarter. Despite the improved output in September, August's oil supply was low. Colombia's supply growth is slowing due to security issues. During the first half of 2012, Latin America's oil supply averaged 4.78 mb/d, an increase of 70 tb/d from the same period a year earlier. On a quarterly basis, production is seen to stand at 4.85 mb/d, 4.71 mb/d, 4.75 mb/d and 4.87 mb/d respectively.

Maintenance and poor sugarcane harvest to sharply affect Brazil supply in 2012

Brazil oil supply's is projected to increase by 10 tb/d in 2012 to average 2.65 mb/d, indicating a significant downward revision of 70 tb/d from the previous month. This revision affected all quarters in 2012. A major revision was introduced to Brazil biofuel production. A poor sugarcane harvest is having an impact on Brazil's ethanol production for the second successive year. Moreover, maintenance and declines at mature fields in the Campos basin are sharply influencing output, in addition to the Frade field shutdown. The increase of subsalt output, as well as the start-up of the Baleia Azul project in the Campos basin, is seen to offset the decline. The court action to lift an injunction against a deepwater driller is also supporting growth. However, declining production in three consecutive months to August, as well as the weak ethanol production, is expected to more than offset growth in other areas in 2012. According to preliminary and estimated data, Brazil's oil supply averaged 2.63 mb/d in the first three quarters of 2012, a minor increase of 20 tb/d from the same period a year earlier. On a quarterly basis, it is seen to average 2.72 mb/d, 2.58 mb/d, 2.60 mb/d and 2.70 mb/d respectively.

Middle East production to decline by 0.16 mb/d in 2012 and average 1.54 mb/d

Middle East oil production is estimated to decline by 0.16 mb/d in 2012 to average 1.54 mb/d, an upward revision of 10 tb/d from the last month. Bahrain's supply experienced a minor downward revision, while Oman's and Yemen's forecasts were revised up. Bahrain's supply outlook was revised down by 15 tb/d on historical changes. Oman's supply forecast was revised up on updated production data in the third quarter that was carried over to the rest of the year. Yemen's supply experienced a minor upward revision of 5 tb/d on an updated production estimation. It is expected to average 0.19 mb/d in 2012, a decline of 40 tb/d from the previous year. Security issues continue to be the major factor behind the oil supply level, with further damage reported on the Marib pipeline after repairs had been completed. On a quarterly basis, Middle East oil production is seen to stand at 1.43 mb/d, 1.53 mb/d, 1.59 mb/d and 1.59 mb/d respectively.

African supply to average 2.36 mb/d in 2013, a decline of 0.23 mb/d

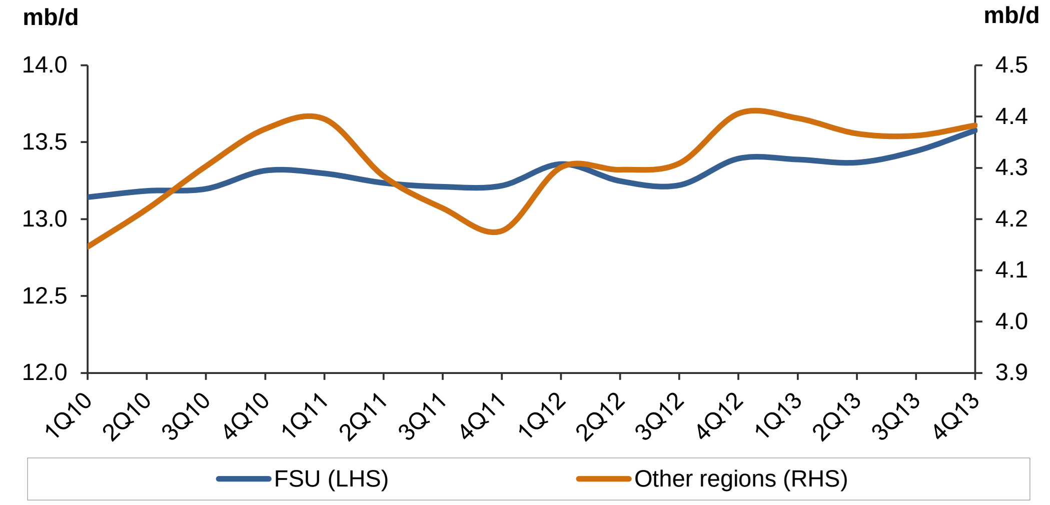
African oil supply is forecast to decline by 0.23 mb/d in 2012 to average 2.36 mb/d, unchanged from the previous MOMR. Despite this steady state, there were a few upward and downward revisions to individual countries' oil supply forecasts that offset each other. Egypt's and South Africa's supply forecasts were revised up slightly on updated production data, while those of Equatorial Guinea and Ghana had minor downward revisions on updated data. South Sudan's and Sudan's oil supply forecasts were revised up, on the agreement reached between the two countries and on reports from operators of the restart of some shutdown volumes before the end of the year. On a quarterly basis, Africa's supply is estimated to average 2.41 mb/d, 2.31 mb/d, 2.33 mb/d and 2.41 mb/d respectively.

FSU, Other regions

Russia is seen as main contributor to growth in FSU supply in 2012

Total FSU oil production is projected to increase by 70 tb/d in 2012 and average 13.30 mb/d, a downward revision of 50 tb/d from the previous month. The forecast experienced two downward revisions on an annual basis for Azerbaijan's and Kazakhstan's supply. The revisions took place in the third and fourth quarters as updated production data became available. The FSU's supply growth is supported mainly by Russia, while Azerbaijan's and Kazakhstan's production is expected to decline in 2012. According to preliminary data, FSU supply increased by 30 tb/d during the first three quarters in 2012, compared with the same period a year earlier. On a quarterly basis, total production in the FSU is estimated to average 13.36 mb/d, 13.25 mb/d, 13.22 mb/d and 13.39 mb/d respectively. China's oil output is expected to increase by 60 tb/d in 2012 and average 4.19 mb/d. Other Europe's supply is seen to remain flat from 2011 and average 0.14 mb/d in 2012.

Graph 5.4: FSU and other region's quarterly production



Russia

Russian supply reached record high of 10.39 mb/d in September

Russian oil supply is expected to increase by 80 tb/d in 2012 to average 10.35 mb/d, unchanged from the previous month. Russian production, according to preliminary data, reached a record high in September with a minor increase over the previous month. This strong performance was supported by new volumes coming from green fields. The continued ramp-up of the Vankor project supported the increase. Production is expected to remain at the current level in the fourth quarter. During the first three quarters of 2012, Russian supply averaged 10.34 mb/d, indicating growth of 0.10 mb/d from the same period in 2011. Third-quarter supply increased by 80 tb/d, compared with the same period of 2011. On a quarterly basis, Russian supply is estimated to average 10.34 mb/d, 10.32 mb/d, 10.36 mb/d and 10.38 mb/d respectively. It averaged 10.39 mb/d in September, up 30 tb/d from a month earlier.

Caspian

Maintenance at Tengiz reduced August output

Kazakh oil supply is forecast to decline by 20 tb/d in 2012 to average 1.58 mb/d, indicating a downward revision of 30 tb/d from the previous month. This revision came on the back of updated production data in part of the third quarter, as August oil supply came sharply down. Kazakh supply in August declined by 0.2 mb/d from the previous month. This monthly decline came from the Tengiz field which was under maintenance. The downward revision was partially carried over to the fourth quarter. During the first eight months, Kazakh production declined by 30 tb/d from the same period a year earlier. On a quarterly basis, it is seen to stand at 1.62 mb/d, 1.57 mb/d, 1.52 mb/d and 1.62 mb/d respectively.

ACG output sharply down in first half of 2012

Azerbaijan's oil supply is forecast to drop 20 tb/d in 2012 to average 0.94 mb/d, which is a downward revision of 20 tb/d from the previous MOMR. This revision was introduced to the second half supply estimates. Updated production data for the early parts of the third quarter showed that output remained below expectations, which necessitated the downward revision in the third quarter. The weak production data is seen on the back of maintenance and an unscheduled shutdown at the Azeri-Chirag-Guneshli (ACG) facilities. Reports indicated that the ACG field produced 685 tb/d during the first half of 2012, sharply below the average of 823 tb/d in 2010. On a quarterly basis, Azerbaijan's output is seen to stand at 0.96 mb/d, 0.92 mb/d, 0.91 mb/d and 0.96 mb/d respectively.

China

China's output expected to rise by 60 tb/d in 2012 to average 4.19 mb/d

China's oil production is expected to increase by 60 tb/d in 2012 to average 4.19 mb/d, a downward revision of 20 tb/d from the previous month. This revision was to adjust for updated production data in the third quarter that was partially carried over to the rest of the year. Preliminary production data indicated that China's output increased in August from the previous month, supported by an increase in offshore production that was curtailed in June. The restart of the Peng Lai field remains unknown, and yet it is expected within 2012. According to preliminary and estimated data, China's supply averaged 4.16 mb/d during the first three quarters, unchanged from the same period a year earlier. On a quarterly basis, it is expected to average 4.16 mb/d, 4.16 mb/d, 4.17 mb/d and 4.27 mb/d respectively.

Forecast for 2013

Non-OPEC supply to grow by 0.89 mb/d in 2013 to average 53.89 mb/d

Non-OPEC oil supply is forecast to increase by 0.89 mb/d in 2013 to average 53.89 mb/d, representing a downward revision of 0.20 mb/d from the previous month. Despite this adjustment, the growth in non-OPEC supply was revised down by 60 tb/d from the previous *MOMR*. Changes to the 2012 supply forecast were carried over to 2013, hence, affecting the total non-OPEC supply figure. North America remains the area with the highest expected growth among all non-OPEC regions, supported by forecast growth in the US and Canada. The FSU is next in terms of growth, due to projected supply increases from Russia and Kazakhstan. OECD Western Europe's supply is expected to experience the biggest decline in 2013 compared with other non-OPEC regions. On a quarterly basis, non-OPEC supply is expected to average 53.52 mb/d, 53.53 mb/d, 53.87 mb/d and 54.61 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	16.46	16.68	16.80	16.92	17.25	16.92	0.45
Western Europe	3.88	3.90	3.71	3.62	3.75	3.74	-0.14
OECD Pacific	0.54	0.54	0.57	0.58	0.56	0.56	0.03
Total OECD	**20.88**	**21.12**	**21.08**	**21.12**	**21.56**	**21.22**	**0.34**
Other Asia	3.62	3.62	3.65	3.66	3.68	3.65	0.03
Latin America	4.79	4.84	4.86	4.97	5.03	4.92	0.13
Middle East	1.54	1.55	1.53	1.58	1.62	1.57	0.03
Africa	2.36	2.40	2.47	2.53	2.55	2.49	0.12
Total DCs	**12.31**	**12.41**	**12.51**	**12.73**	**12.88**	**12.63**	**0.32**
FSU	13.30	13.39	13.37	13.44	13.58	13.44	0.14
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.19	4.26	4.23	4.22	4.24	4.24	0.05
Total "Other regions"	**17.63**	**17.78**	**17.73**	**17.81**	**17.96**	**17.82**	**0.19**
Total Non-OPEC production	**50.83**	**51.31**	**51.32**	**51.66**	**52.40**	**51.68**	**0.85**
Processing gains	2.17	2.21	2.21	2.21	2.21	2.21	0.04
Total Non-OPEC supply	**53.00**	**53.52**	**53.53**	**53.87**	**54.61**	**53.89**	**0.89**
Previous estimate	53.15	53.73	53.73	54.07	54.82	54.09	0.94
Revision	-0.15	-0.20	-0.20	-0.20	-0.20	-0.20	-0.06

Revisions to 2013 forecast

The main changes to the non-OPEC supply forecast in 2013 were experienced by the US, India and Other Africa. US oil supply in 2013 is expected to average 10.10 mb/d, an increase of 0.36 mb/d from 2012 and indicating an upward revision of 15 tb/d from the previous *MOMR*. The change was driven mainly by updated actual and forecast data for 2012. The outlook for production from India and Other Africa in 2013 were revised down on the back of updated data in 2012, which provided an insight into the expectations for 2013. The US remains the country with the highest expected growth in 2013, followed by Canada and South Sudan and Sudan, while Norway, Mexico and the UK are seen to experience the largest declines in 2013 among all non-OPEC countries.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are forecast to increase by 0.35 mb/d in 2012 to average 5.67 mb/d. In 2013, OPEC NGLs and non-conventional oils are expected to grow by 0.24 mb/d to average 5.91 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**	**5.32**	0.34	5.49	5.60	5.73	5.86	**5.67**	0.35	**5.91**	0.24

OPEC crude oil production decreased 265 tb/d in September

OPEC crude oil production

Total OPEC crude oil production averaged 31.08 mb/d in September, according to secondary sources, down by around 265 tb/d from the previous month. OPEC crude oil production, not including Iraq, averaged 27.95 mb/d in September, a decline of 276 tb/d from the previous month. Crude output of Angola, Nigeria, and Venezuela experienced declines in September, compared to the previous month, while crude production from Saudi Arabia and Libya showed increases.

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

	2010	2011	1Q12	2Q12	3Q12	Jul 12	Aug 12	Sep 12	Sep/Aug
Algeria	1,250	1,240	1,233	1,214	1,204	1,214	1,206	1,191	*-14.4*
Angola	1,786	1,667	1,763	1,738	1,693	1,644	1,806	1,627	*-179.6*
Ecuador	475	490	492	493	497	493	500	499	*-1.7*
Iran, I.R.	3,706	3,628	3,391	3,086	2,748	2,797	2,724	2,723	*-0.8*
Iraq	2,401	2,665	2,705	2,956	3,104	3,066	3,119	3,129	*10.8*
Kuwait	2,297	2,538	2,768	2,793	2,809	2,800	2,807	2,821	*14.4*
Libya	1,559	462	1,213	1,424	1,460	1,434	1,464	1,485	*21.0*
Nigeria	2,061	2,111	2,075	2,143	2,129	2,136	2,193	2,056	*-136.6*
Qatar	791	794	786	748	744	745	746	743	*-3.0*
Saudi Arabia	8,263	9,293	9,819	9,925	9,836	9,847	9,807	9,854	*46.8*
UAE	2,304	2,517	2,564	2,574	2,622	2,626	2,614	2,626	*12.0*
Venezuela	2,338	2,380	2,379	2,366	2,349	2,363	2,358	2,325	*-33.8*
Total OPEC	**29,231**	**29,786**	**31,189**	**31,460**	**31,196**	**31,165**	**31,343**	**31,078**	***-264.8***
OPEC excl. Iraq	**26,831**	**27,120**	**28,484**	**28,504**	**28,092**	**28,099**	**28,224**	**27,949**	***-275.6***

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	Jul 12	Aug 12	Sep 12	Sep/Aug
Algeria	1,184	1,173	1,215	1,213	1,201	1,204	1,203	1,195	*-8.0*
Angola	1,691	1,618	1,734	1,716	..	1,576	1,744	..	..
Ecuador	475	500	502	500	509	508	512	506	*-5.6*
Iran, I.R.	3,544	3,576	3,742	3,758	..	3,751	3,747	..	..
Iraq	2,358	2,653	2,628	2,936	3,150	3,051	3,166	3,235	*69.0*
Kuwait	2,312	2,660	2,995	2,990	2,957	2,945	3,025	2,900	*-125.1*
Libya	1,487	462	1,296	1,503	1,504	1,423	1,552	1,537	*-14.8*
Nigeria	1,968	1,896	1,880	1,971	..	1,999	1,988	..	..
Qatar	733	734	745	737	726	719	723	735	*11.0*
Saudi Arabia	8,166	9,311	9,883	10,002	9,760	9,801	9,753	9,724	*-28.6*
UAE	2,324	2,565	2,602	2,615	2,727	2,776	2,713	2,691	*-21.8*
Venezuela	2,779	2,795	2,792	2,818	..	2,832	2,828	..	..
Total OPEC	**29,020**	**29,942**	**32,015**	**32,758**	**..**	**32,585**	**32,955**	**..**	**..**
OPEC excl. Iraq	**26,662**	**27,290**	**29,387**	**29,823**	**..**	**29,534**	**29,789**	**..**	**..**

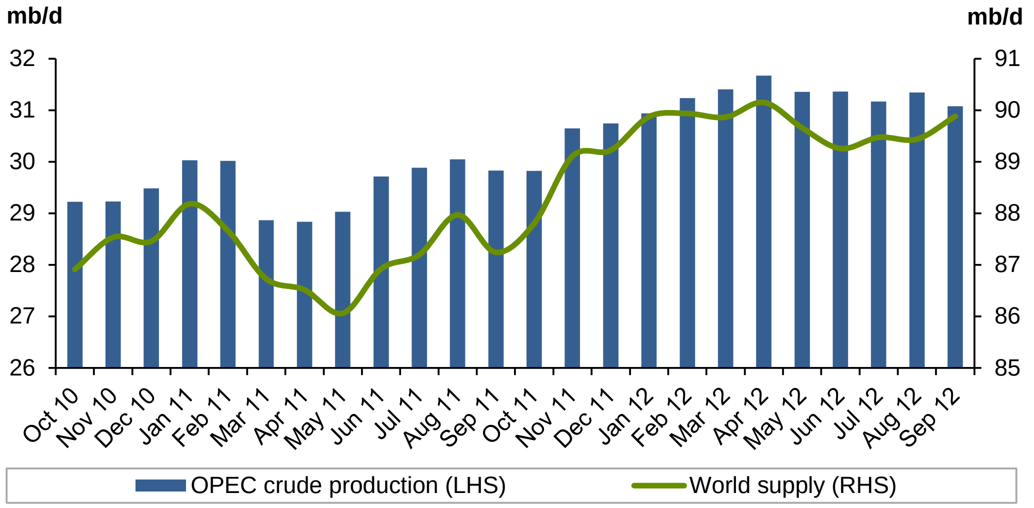
Totals may not add up due to independent rounding.
.. Not available

Global oil supply estimated at 89.9 mb/d in September, an increase of 0.4 mb/d

World Oil Supply

Preliminary figures show that global oil supply averaged 89.88 mb/d in September, a gain of 0.44 mb/d from the previous month, supported by estimated increases in non-OPEC supply. OPEC crude is estimated to have a 34.6% share in global supply. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production according to secondary sources.

Graph 5.5: OPEC and world oil supply



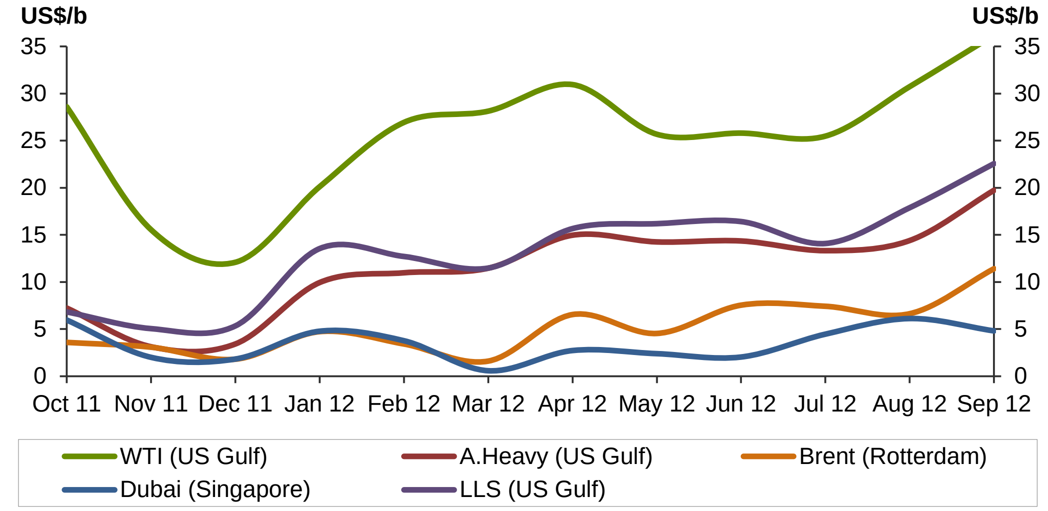
Product Markets and Refinery Operations

Refinery margins continued to strengthen in Atlantic Basin amid tighter product sentiment

Product markets continued to show a positive movement across the barrel in September. This was on the back of tightening product sentiment fuelled by the upcoming European maintenance season and by gasoline continuing to take advantage of the tightness in the Atlantic, which allowed refinery margins to continue increasing in Europe and the US.

However, in Asia, the market eased, with increasing supplies causing cracks to retreat.

Graph 6.1: Refining margins, 2011-2012



US Gulf Coast refining margins continued to perform positively over the month. The rise was witnessed across the product slate, led by gasoline, which remained firm on the Atlantic coast amid a tightened sentiment due to the switch to winter-grade production as well as stocks continuing to fall.

Another pillar of support was the solid demand from Latin America, which kept sentiment firm. With Ecuador increasing its buying interest, Brazil's and Mexico´s appetite for gasoline remained healthy.

The margins for West Texas Intermediate (WTI) and Light Louisiana Sweet (LLS) crudes on the US Gulf Coast increased sharply, by more than $5, to stand at around $36/b and $23/b respectively in September.

European product cracks also increased sharply over the month, on the back of supply tightness fuelled by the autumn refinery maintenance season underway in Europe and Russia.

Light distillate cracks in Europe continued showing an upward trend, as support came from the tight gasoline market in the Atlantic and the continued recovery of the naphtha market, with demand from the petrochemical sector increasing.

With the improvement in product cracks, refining margins for Brent in Northwest Europe exhibited a sharp rise of $4 in September to stand at $10.6/b, the highest level for several months.

Singapore refining margins lost part of the ground gained last month in bearish sentiment, as the markets helped ease the tight situation and as increasing supplies caused the cracks to retreat, despite healthy demand. Gasoline and fuel oil weakened while naphtha and gasoil remained relatively stable.

These developments, along with more expensive crude, caused refinery margins in Singapore to lose $1.3 and average $4.8/b in September.

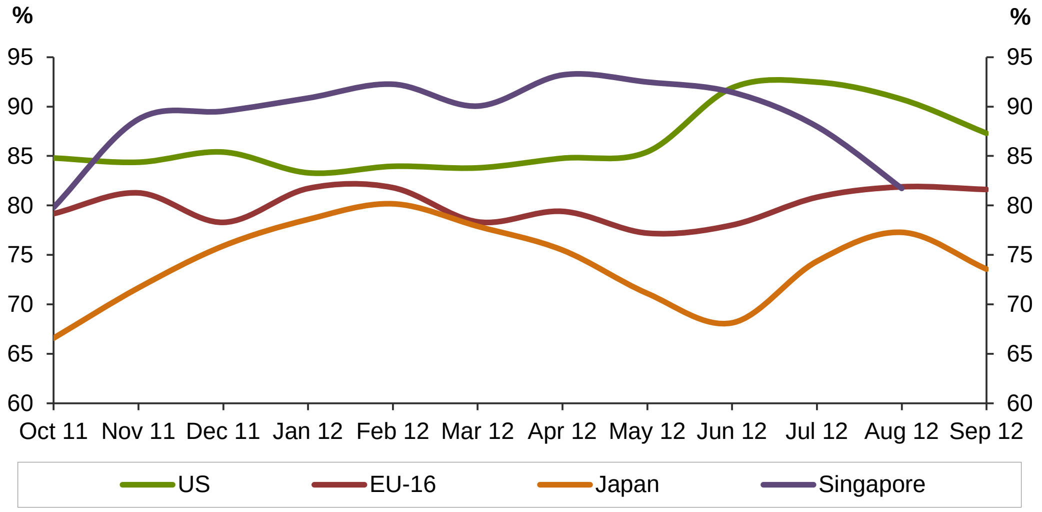
Refinery operations

Despite healthy margins, refinery runs fell in US due to Hurricane Isaac

US refinery utilization continued to fall in September, after several refineries were temporarily shut down as a preventive measure when Hurricane Isaac threatened the region.

US refinery runs declined from the record level of 92.5% of utilization in July to an average of 90.7% in August and 87.3% in September. This situation, along with the high export levels from the US to markets in Latin America and Europe, continued keeping distillate and gasoline inventories below the five-year average. In order to recover the inventory levels, some US refiners raised gasoline yields during the month, presumably to make up for the production lost due to the hurricane's impact.

Graph 6.2: Refinery utilization rates, 2011-2012



Since June, a relative tightening of the Atlantic Basin balance has allowed margins to become healthier in Europe, hitting the highest level during in September and encouraging refiners to cash in those higher margins. Despite some closures in the region, throughputs have also been on the rise.

During the last two months, refinery utilization increased by around three percentage points (pp) to average over 81%, the highest level seen so far this year.

The refinery maintenance season in Asia was coming to an end and, despite some unplanned shutdowns of units in the region, increasing supplies eased the tight environment, affecting product cracks.

China and India were running their refineries at around 86% and 91% respectively.

Japanese throughputs dropped 3.7% to average around 73.6% of capacity in September, after some maintenance and shutdowns.

US market

US products supported by higher exports in tight market

US gasoline demand stood at around 8.7 mb/d in September, after peaking in August at 9.1 mb/d, and were down by around 30 tb/d from the same month a year earlier.

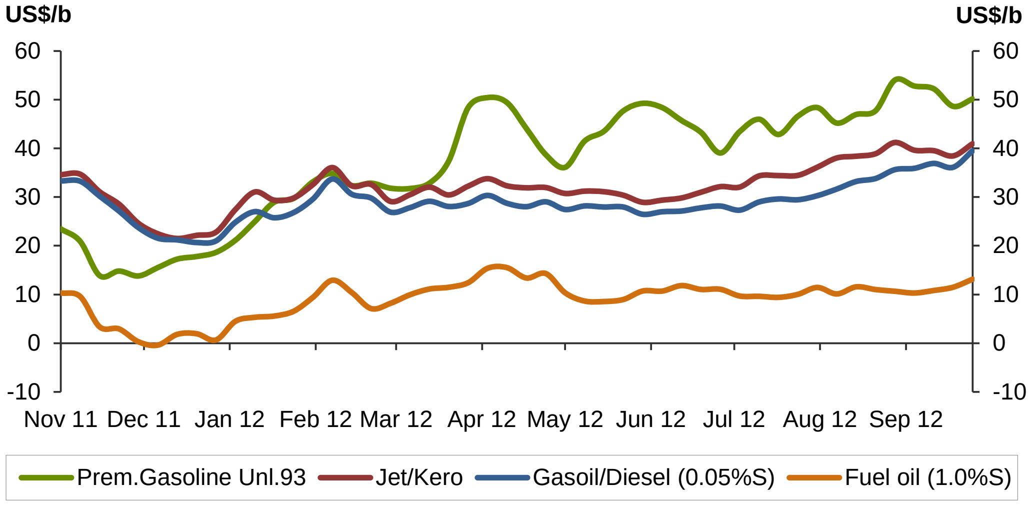
It picked up in August with the summer driving season, recovering to over 9 mb/d. However, by the end of the driving season, domestic demand returned to a lower level on a y-o-y basis.

Despite lower domestic demand in the US, the gasoline market remained firm on the Atlantic Coast. This happened as refiners began to produce winter-grade gasoline amid a number of refinery shutdowns in the region, which fuelled tightening sentiment, and as US gasoline stocks continued to fall due to summer-grade barrels being cleared out, as well as being affected by the disruptions caused by Hurricane Isaac — although this latter impact was only temporary.

Another pillar of support was the solid demand from Latin America, keeping sentiment firm, with Ecuador increasing buying interest, and as Brazil and Mexico´s appetite for gasoline remained healthy.

The gasoline crack averaged $51/b in September, gaining around $2 from the previous month's average.

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



Middle distillate demand stood at around 3.7 mb/d in September, 200 tb/d over the previous month, but 370 tb/d down from the same month a year ago.

Despite domestic diesel demand remaining unsupportive because of the slowdown in economic activity, middle distillate cracks posted an improvement 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 distillates market. In fact, according to the US Energy Information Administration (EIA), US gasoil/diesel net exports in June broke the one million barrel a day mark for the first time.

The gasoil crack on the US Gulf Coast gained almost $4 to stand at around $37/b in September.

At the bottom of the barrel, fuel oil cracks showed a slight improvement, amid expectations of reduced flows from South America to Asia.

Fuel oil prices were stable and demand for high-sulphur grades was muted, despite reduced operations at Venezuela´s 635,000 b/d Amuay refinery, following a fire. The spot fuel oil arbitrage from the Gulf Coast to the Asia-Pacific was limited, as Petróleos de Venezuela SA (PDVSA) continued supplying fuel oil to Singapore from storage instead of from Amuay.

The fuel oil crack averaged $11.4/b in August, a gain of $0.5 from the previous month.

European market

Middle distillates in Europe supported by upcoming maintenance season

Product market sentiment showed a rise in Europe across the barrel, at a time of tightening sentiment fuelled by the upcoming European maintenance season and gasoline continuing to take advantage of the tightness in the Atlantic.

European gasoline cracks increased sharply over the month in a climate of supply tightness, fuelled by the autumn refinery maintenance season getting underway in Europe and Russia.
The upcoming maintenance season in Europe, as well as strong demand from the Americas due to Hurricane Isaac and the Amuay outage, ahead of the switch to winter-grade specifications, buoyed the market and led to concern about supply constraints in

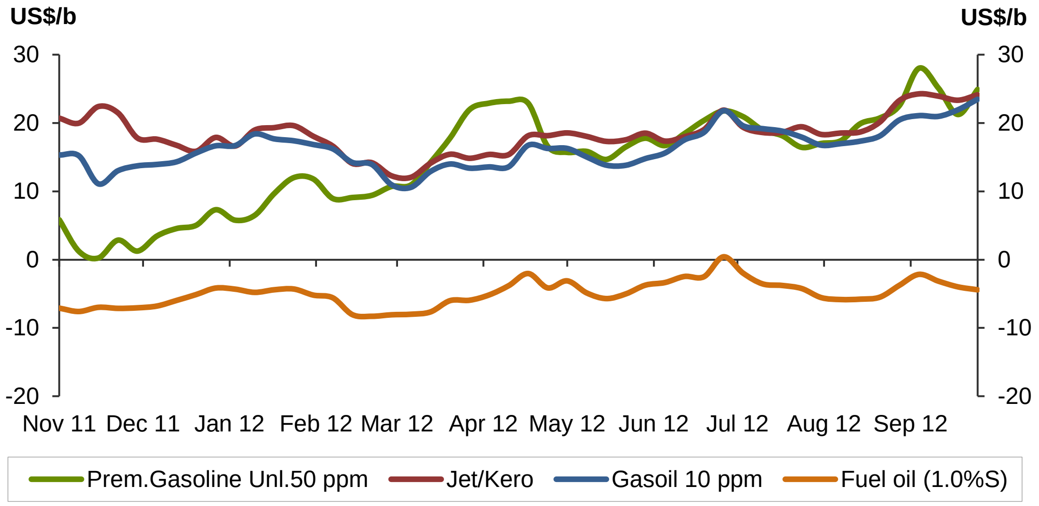
the Amsterdam-Rotterdam-Antwerp (ARA) region.

In addition, exports to West Africa remained high, despite fuel subsidy issues. Further support came at the end of the month from news of an explosion at the Irving refinery in New Brunswick.

The gasoline crack spread against Brent crude showed a sharp gain of $5, to average around $25/b in September.

The naphtha crack in Europe continued to show an upward trend, with the market being driven mainly by increased demand from the petrochemical industry. Falling propane supplies from the Middle East and North Africa thus pushed up prices, encouraging petrochemical firms in Europe to buy cheaper naphtha.

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



In the middle of the barrel, the gasoil crack moved up amid tighter supplies. Gasoil market sentiment improved, with positive signs in the German heating oil market and the expectations of increasing import requirements from the US during the peak maintenance season.

Although, at the beginning of the month, supplies from the Baltic remained healthy — and were partly counteracting any shortage created by refinery issues in the US Gulf Coast and Venezuela — the market was supported somewhat by supply concerns associated with the upcoming maintenance season in Europe and the expected decline in diesel exports from Primorsk.

Additionally, ultra light sulphur diesel exhibited a solid crack gain, with an unplanned outage at a desulphurization unit at Pernis Refinery.

The gasoil crack spread against Brent crude at Rotterdam gained $4 to remain around an average of $22/b in September.

At the bottom of the barrel, fuel oil cracks recovered the ground lost last month. The steady supplies that were arriving with the restart of the Ras Lanuf refinery in Libya were offset by firm demand, with increasing flows from Europe to Asia.

The low-sulphur fuel oil market was supported by tightening supplies in the region due to the introduction of the North American Emission Control Area in August, which caused the high/low-sulphur fuel oil differential to remain wide.

The Northwest European fuel oil crack spread against Brent gained $2 in September, to stand at minus $3.4/b.

Plentiful supplies affected product cracks in Asia

Asian market

Asian markets led to an easing of the tight situation, with increasing supplies causing cracks to retreat, despite healthy demand. Gasoline and fuel oil weakened, while naphtha and gasoil remained relatively stable.

At the top the barrel, gasoline lost the ground gained last month, while naphtha continued the positive trend on the back of stronger demand in the region.

The gasoline crack retreated over the month as the tight market eased, with steady exports from India keeping the market sufficiently supplied and additional availability from the Taiwanese refiner CPC Corp. catalytic unit in the Talin refinery back on line.

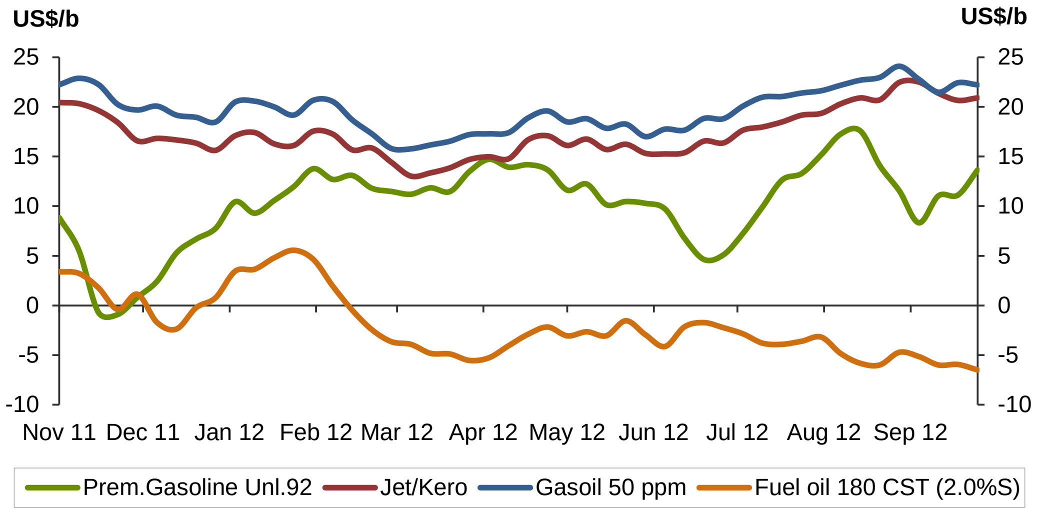
Another supply source consisted of the additional volumes available from the Mailiao refinery, which was increasing runs to over 90%.

Gasoline crack spreads weakened on plentiful supplies which outweighed the healthy regional demand, due mainly to buying interest from Indonesia, Sri Lanka and Vietnam. In addition, arbitrage exports were limited, despite production problems on the US West Coast.

The gasoline crack spread against Dubai crude in Singapore showed a sharp loss of $4 to average $11/b in September.

The naphtha market continued to show a positive development, with its crack rising for a fourth consecutive month as sentiment remained healthy. Fundamentals were supported by ongoing robust demand driven by improving petrochemical margins and lower regional exports, with South Korea increasing operating rates at its main naphtha cracker to full capacity.

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 tight gasoil market. Market sentiment was particularly positive as supplies remained tight in the region at a time of refinery maintenance and shutdowns, while demand continued strong.

The supply side was putting pressure on the market due to the increasing availability from India. The heavy rainfall in the country made more hydropower available, thus reducing the use of gasoil for oil-fired power-generation. Furthermore, expectations of higher supplies becoming available from Pulau Bukom refinery in Singapore put pressure on the market. However, this pressure was partly counterbalanced by buying interest from Vietnam, Sri Lanka, Indonesia and Australia.

Additional backing came from the falling Singapore onshore middle distillate stocks. The gasoil crack spread in Singapore against Dubai averaged around $22/b in September, losing 70¢ from the previous month.

Looking forward, some support may come from Australia and China as gasoil/diesel requirements are expected to increase with the harvesting season. However, this could be offset if the demand in India were affected by the increase in diesel prices, since subsidies for the domestic market have been reduced.

At the bottom of the barrel, the fuel oil crack continued to lose ground in September, most likely due to higher inflows from the West into the region, amid limited demand. Moreover, exports from the Middle East were expected to rise, as seasonal demand from the power-generation sector declined.

Despite Chinese fuel oil demand remaining lacklustre, the demand side was supported by healthy demand from Pakistan, which was experiencing a natural gas shortage.

The loss was capped by expectations of lower oil shipments to the Asia-Pacific from the Amuay refinery in Venezuela for the coming months, although PDVSA has been supplying fuel oil from storage so far.

The fuel oil crack spread in Singapore against Dubai dropped by $1 to average minus $6/b in September.

Table 6.1: Refined product prices, US$/b

		Jul 12	Aug 12	Sep 12	*Change* Sep/Aug
US Gulf (Cargoes):					
Naphtha		102.69	120.32	124.84	4.53
Premium gasoline	*(unleaded 93)*	133.03	142.54	145.35	2.80
Regular gasoline	*(unleaded 87)*	115.99	129.93	129.17	-0.77
Jet/Kerosene		121.94	132.88	134.13	1.25
Gasoil	*(0.05% S)*	116.92	127.25	131.66	4.41
Fuel oil	*(1.0% S)*	96.04	107.28	108.75	1.47
Fuel oil	*(3.0% S)*	91.51	99.52	100.97	1.45
Rotterdam (Barges FoB):					
Naphtha		91.27	103.46	106.90	3.43
Premium gasoline	*(unleaded 10 ppm)*	103.28	117.07	121.08	4.01
Premium gasoline	*(unleaded 95)*	121.02	133.11	137.67	4.56
Jet/Kerosene		121.58	133.19	136.77	3.58
Gasoil/Diesel	*(10 ppm)*	121.32	131.33	134.72	3.39
Fuel oil	*(1.0% S)*	99.09	108.06	109.44	1.38
Fuel oil	*(3.5% S)*	93.14	100.94	102.07	1.13
Mediterranean					
Naphtha		89.07	101.31	109.43	8.12
Premium gasoline	*(50 ppm)*	115.56	129.64	139.12	9.48
Jet/Kerosene		112.56	123.92	131.05	7.13
Gasoil/Diesel	*(50 ppm)*	102.12	110.67	116.11	5.44
Fuel oil	*(1.0% S)*	95.12	102.13	107.41	5.28
Fuel oil	*(3.5% S)*	89.77	97.26	101.04	3.78
Singapore (Cargoes):					
Naphtha		91.13	102.89	106.81	3.92
Premium gasoline	*(unleaded 95)*	113.37	127.20	125.97	-1.23
Regular gasoline	*(unleaded 92)*	110.19	123.78	122.25	-1.53
Jet/Kerosene		117.52	129.51	132.57	3.06
Gasoil/Diesel	*(50 ppm)*	120.06	131.42	133.44	2.02
Fuel oil	*(180 cst 2.0% S)*	96.70	104.59	106.40	1.81
Fuel oil	*(380 cst 3.5% S)*	95.30	103.09	104.70	1.61

Table 6.2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			Refinery utilization, %		
	Aug 12	Sep 12	Sep/Aug	Aug 12	Sep 12	Sep/Aug
US	15.35	14.68	-0.67	90.74	87.30	-3.44
France	1.34	1.34	0.00	78.08	77.85	-0.23
Germany	1.91	1.94	0.03	78.89	80.05	1.16
Italy	1.61	1.61	0.00	69.01	68.71	-0.30
UK	1.43	1.39	-0.04	80.64	78.49	-2.15
Euro-16	11.17	11.14	-0.03	81.88	81.61	-0.27
Japan	3.46	3.29	-0.17	77.28	73.56	-3.72

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

Tanker Market

Global spot fixtures almost stable at 17.02 mb/d in September

In September, global spot fixtures were almost stable to average 17.02 mb/d, up by 0.1% from August and a rise of 7.2% from a year earlier. OPEC fixtures increased in September from the previous month, by 270 tb/d or 2.5%, to average 10.81 mb/d, but showed a drop of 3.7% from the same period a year ago. Middle East-to-East fixtures rose by 11.7% from the previous month, while Middle East-to-West fixtures declined by 34.4%. OPEC sailings were once again almost steady at 23.89 mb/d in September, which was 0.11 mb/d or 0.4% lower than a month earlier, but 5.9% higher than the same month a year ago. Middle East sailings saw a similar monthly decline of 0.14 mb/d or 0.8% to stand at 17.52 mb/d. Crude oil arrivals in North America fell by 0.32 mb/d or 3.3% from the previous month, but rose by 13.4% y-o-y. Far East arrivals dropped by 0.26mb/d or 3% from a month ago, yet saw a gain of 5.3% over the same month last year. Europe and Asia arrivals increased by 0.8 mb/d and 0.17 mb/d, reflecting monthly gains of 7% and 3.9%, yet drops of 8.6% and 5.4% from last year's levels respectively.

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

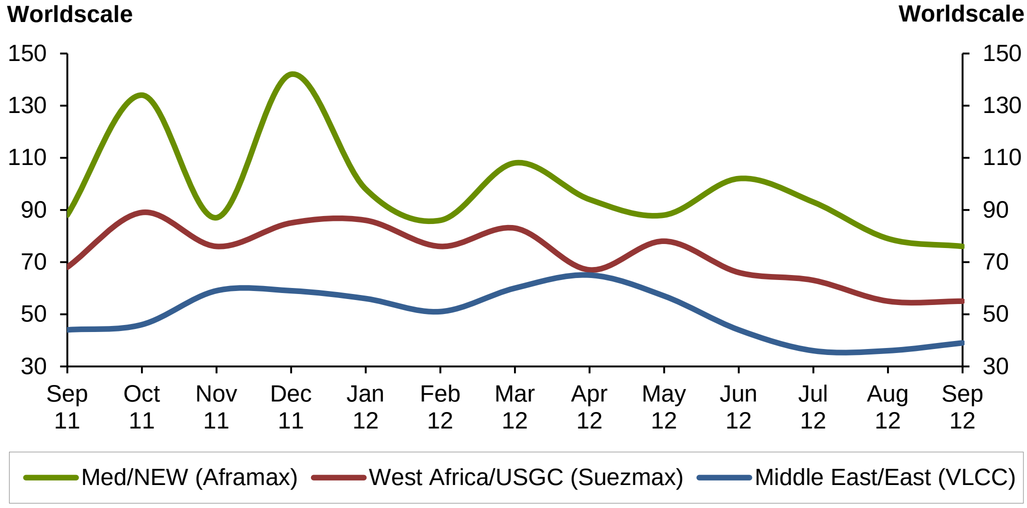
	Jul 12	Aug 12	Sep 12	*Change* Sep/Aug
Spot Chartering				
All areas	20.43	17.01	17.02	0.01
OPEC	11.58	10.54	10.81	0.27
Middle East/East	5.06	5.37	6.00	0.63
Middle East/West	2.35	1.86	1.22	-0.64
Outside Middle East	4.17	3.32	3.59	0.28
Sailings				
OPEC	23.98	24.00	23.89	-0.11
Middle East	17.64	17.66	17.52	-0.14
Arrivals				
North America	8.95	9.82	9.50	-0.32
Europe	11.27	11.36	12.15	0.80
Far East	8.52	8.64	8.38	-0.26
West Asia	4.32	4.41	4.58	0.17

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

Both dirty and clean freight rates saw some recovery in September as tanker owners held firm against low rates

Following months of under-pressure freight rates reaching the lowest levels seen so far this year for several classes in the summer, both dirty and clean sector tanker spot freight rates saw some recovery in September. The decline in freight rates, which had prevailed in recent months, reached rock-bottom levels that could not cover operational costs and thus often made voyages of no interest to the owners. September freight rate gains — though marginal — offered some hope to owners who had been putting up with depressed freight rates for some time. They had been waiting a long time to see an improvement in rates after the losses incurred when freight rates fell below operational cost levels. In September, there was a strong trend from owners to resist the prevailing low rates after they hit low levels which were not acceptable any more, with some owners refraining from fixing their vessels as "last done". Charterers had to reduce or postpone their inquiries at a certain point, faced with the resistance shown by owners. Another factor which strengthened the owners' stance towards the rates was the increase in bunker prices which frequently squeezed the daily return to a negative figure, despite of the common practice of slow steaming. Generally in September, the position list remained plentiful for most of the time and vessel delays and replacements were easily covered. The vessel surplus remained the main reason preventing freight rates from improving significantly.

Graph 7.1: Tanker chartering, sailings and arrivals



In September, **VLCC** spot freight rates gained on all reported routes. While these gains, which had been sought by VLCC ship-owners who had suffered from a weak market and depressed rates for a significant period of time, were not big enough, they nevertheless brought some optimism to the VLCC tanker market in general. On average, VLCC spot freight rates rose in September by 9.2% from the previous month to average WS36, although remaining 13% lower than the same month a year earlier. Rates for VLCC trading on the Middle East-to-East route increased by 8.3%. Similarly, on the West Africa-to-East route they rose by 8.1% from a month earlier, while the Middle East-to-West route saw a greater gain of 12%. Despite these monthly gains, freight rates on all reported routes showed a drop, by 11%, 7% and 22% respectively, from the same month a year earlier. The increase in rates was registered mainly in the first two weeks of the month. The first week of September witnessed a rush of inquiries and fixtures for VLCCs on a scale that had not been seen for some time. The influx of activity had a modest positive effect on freight rates in an over-supplied tonnage market, which limited the outcome to gains of only a few WS points. And the second week of September maintained the gains registered in the first week, despite a lower level of activity which came about with the completion of September cargo-fixing. The ample supply of vessels continued to be the main factor controlling the VLCC rates in September, although the tonnage list was in better condition than what had been seen during the summer.

Table 7.2: Spot tanker crude freight rates, Worldscale

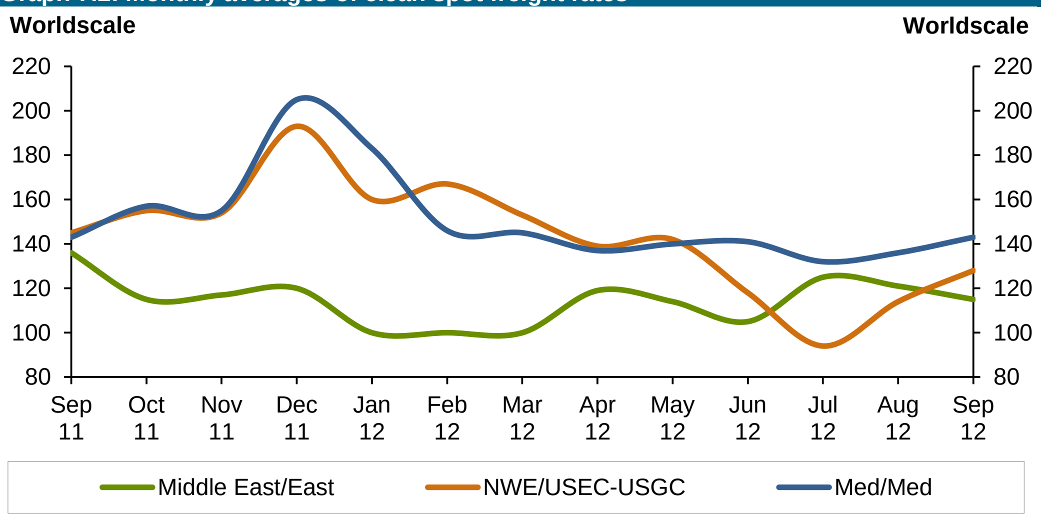
	Size *1,000 DWT*	Jul 12	Aug 12	Sep 12	Change Sep/Aug
Crude					
Middle East/East	230-280	36	36	39	3
Middle East/West	270-285	26	25	28	3
West Africa/East	260	38	37	40	3
West Africa/US Gulf Coast	130-135	63	55	55	0
NW Europe/USEC-USGC	130-135	55	54	52	-2
Indonesia/US West Coast	80-85	86	90	101	11
Caribbean/US East Coast	80-85	94	93	89	-4
Mediterranean/Mediterranean	80-85	92	80	77	-3
Mediterranean/North-West Europe	80-85	93	79	76	-3

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

Following the already low levels in August, **Suezmax** average freight rates declined by a further 1.8% in September. Spot freight rates for the West Africa-to-US Gulf Coast route ended the month flat, to stand at WS55 points. Suezmax trading in the West Africa market was stable in September, with no improvement from the previous month. West African tonnage demand remained quiet, with a growing list of available vessels. The same applied to the Northwest Europe-to-US route, which dropped by 3.7% from the previous month to WS52 points. In an annual comparison, the two routes dropped by 19% and 4% respectively. Mid-September saw more activity, as October inquiries came alongside a slight improvement in freight rates. Towards the end of the month, the inquiry flow was steady, yet it hardly achieved any rate improvement.

As seen in previous months, the **Aframax** market in September continued to be over-supplied, with ships remaining idle due to a lack of cargoes and an increase in bunker prices, and this resulted in daily earnings reaching zero in some cases. Aframax saw the weakest performance this month among the dirty sectors. Aframax spot freight rates declined on all reported routes in September, with the exception of the Indonesia-to-East route, which increased by 12.2% from August to average WS101 points, offsetting the drops seen on other routes. Annually, this reflected an increase of 10%. The Caribbean-to-US East Coast fell by 4.3% in September to average WS89 points, despite a fair amount of activity and a reasonable number of inquiries. However, freight rates did not improve, even though the ship list was shorter by the end of September as some vessels were cleared, in addition to the fact that the influence of the hurricane season had been totally absorbed. Rates seen for Aframax in the Caribbean have reached their lowest level in 2012 so far. The Mediterranean to Mediterranean route saw limited inquiries and weak Aframax demand in general. Even the increase in activity in the third week of September had no real tangible effect on rates in the Mediterranean area. Aframax saw less demand to load from Primorsk, due to scheduled maintenance in mid-September.

Graph 7.2: Monthly averages of clean spot freight rates



The clean tanker market increased by 3.9% on average in September. This was due to an increase in freight rates seen in August on all reported routes, excluding the Middle East-to-East route, which declined by 5% in September to average WS115. Freight rates for the Singapore-to-East route increased by 2.5% from the previous month to average WS124 points. While both Mediterranean routes saw close increases in freight rates of 5.1% and 5%, annual freight rates on all reported routes dropped by a percentage ranging from 1% to 19%.

Following the ambiguity that surrounded the clean tanker market after the Amuay refinery explosion at the beginning of September, it became clear that the incident would have no real impact on rates. On the contrary, the freight rate dropped further in the first week of September after the effects of the Venezuelan refinery fire had been evaluated. Following the second half of the month, medium range (MR) freight rates firmed on the back of tightness in available vessels and higher tonnage demand, and prompt requirements were secured with difficulty as tightness prevailed for some days.

Owners were hoping that the stronger activity seen on the MR market would spread to other classes as well.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size				Change
	1,000 DWT	Jul 12	Aug 12	Sep 12	Sep/Aug
Products					
Middle East/East	30-35	125	121	115	-6
Singapore/East	30-35	124	121	124	3
NW Europe/USEC-USGC	33-37	94	114	128	14
Mediterranean/Mediterranean	30-35	132	136	143	7
Mediterranean/North-West Europe	30-35	142	141	148	7

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

Oil Trade

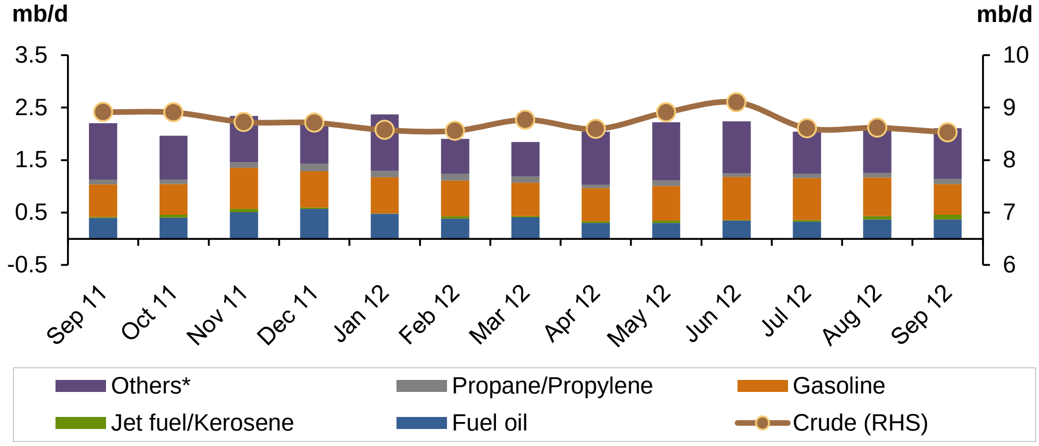
US crude oil imports declined by 86.3 tb/d m-o-m and 385 tb/d y-o-y to average 8.5 mb/d in September

US

According to preliminary data, US crude oil imports averaged 8.5 mb/d in September, down 86.3 tb/d or 1% from August and 385 tb/d or 4.3% from the same month last year. Year-to-date, crude imports averaged 8.7 mb/d, reflecting a decline of 3.3% from the same period last year. US product imports also fell by 50 tb/d or 2.3% from last month to 2.1 mb/d, and were 247 tb/d or 10% down from last year. In contrast, US product exports increased by a slight 27 tb/d or 1% m-o-m to average 2.7 mb/d, yet registered a y-o-y decline of 278 tb/d or 9%. Consequently, US net imports averaged 7.7 mb/d in September, reflecting monthly and annual declines of 2% and 4% respectively.

As per the latest monthly government data release, crude oil imports fell in July by 495 tb/d or 5.4% m-o-m, the lowest level since April 2012, and 670 tb/d or 7.2% y-o-y to average 8.6 mb/d. Y-o-y, this represents the largest drop since April 2011.

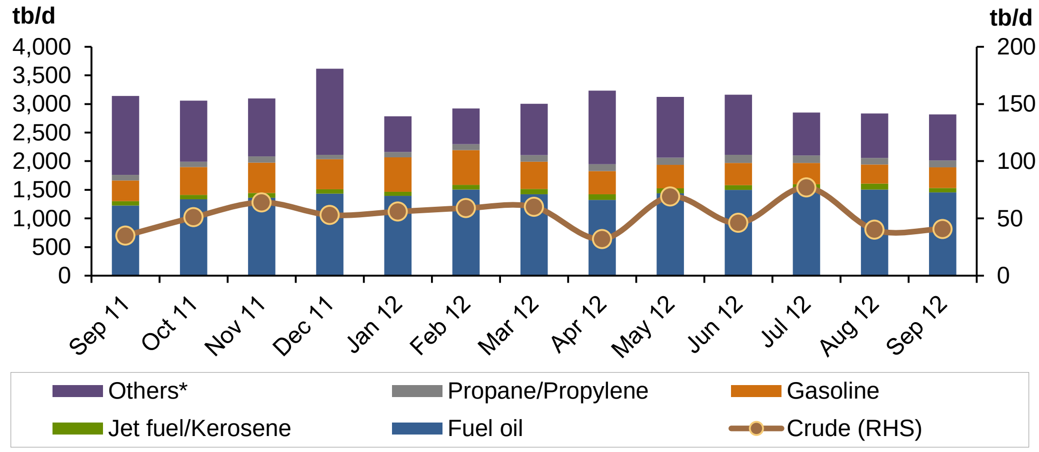
Graph 8.1: US imports of crude and petroleum products



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

Canada continued to be the top supplier of crude to the US in July, averaging 2.5 mb/d, up by 16 tb/d or 0.6% from the previous month, and thus accounted for 29% of total US crude imports. Imports from Saudi Arabia, the second-largest supplier to the US, were almost flat at 17% of total imports. Venezuela increased its exports to the US in July by 249 tb/d or 33% from the previous month, as the third-largest crude supplier in July, accounting for 8% of total US crude imports. Year-on-year, Venezuela raised its crude exports to the US by 14%. Mexico was fourth, to average 960 tb/d, up by 11% m-o-m, still a decline of 14% y-o-y.

Graph 8.2: US exports of crude and petroleum products



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

Crude imports from OPEC Member Countries declined by 274 tb/d or 6% in July to average 4.1 mb/d, accounting for 48% of total US imports. US product imports from Member Countries decreased by 13 tb/d or 5% from the previous month to average 227 tb/d; Member Countries accounted for 11% of total US product imports. As for product supplier shares, Canada and Russia maintained their positions as top suppliers to the US, with 23% and 17% respectively; however, both countries saw declines in their exports to the US in monthly and annual comparisons by between 3% and 16%. Algeria was the third-largest product supplier to the US in July, increasing its monthly product exports by 28 tb/d or 26% to average 137 tb/d.

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

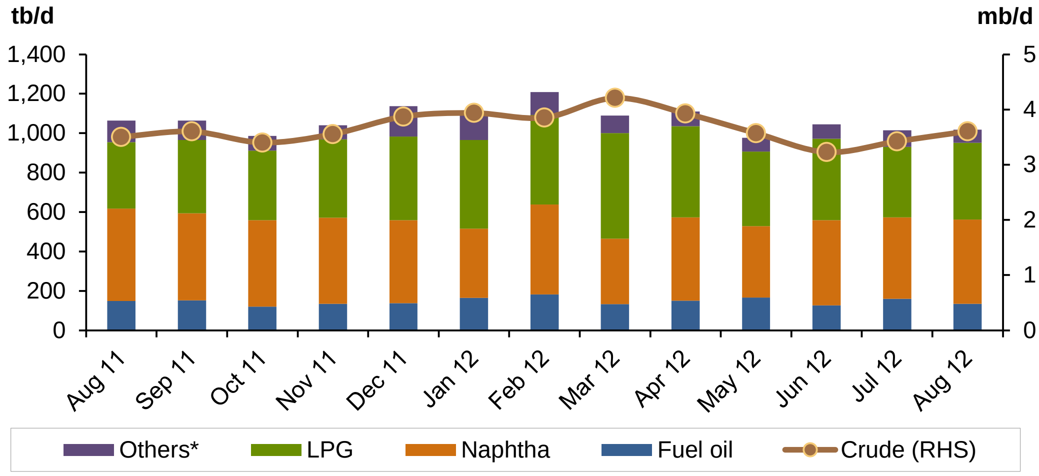
	Jul 12	Aug 12	Sep 12	Change Sep/Aug
Crude oil	8,529	8,575	8,488	-87
Total products	-992	-674	-752	-77
Total crude and products	**8,064**	**7,900**	**7,736**	**-164**

Japan

In August, Japan crude imports increase by 182 tb/d or 5.3%, the highest monthly imports since April 2012

Japan saw a 182 tb/d or 5.3% m-o-m increase in its crude oil imports to average 3.6 mb/d in August, the highest figure since April. In an annual comparison, crude imports gained 101 tb/d or 2.9%. As for crude supplier shares to Japan, Saudi Arabia and the United Arab Emirates maintained their top positions, accounting for 30% and 21% respectively. However, both suppliers saw a decline in their monthly exported volumes to Japan of 3.5% and 6.2% respectively. On the other hand, Kuwait increased its exports to Japan by 111% from July; this increase of 177% from the previous year resulted in the largest monthly export from Kuwait in 2012 so far. Product imports fell in August by 30 tb/d or 4.5% m-o-m to 629 tb/d, the lowest level for four months. Y-o-y they dropped by 97 tb/d or 13.4%, although year-to-date they were 26 tb/d or 4.2% higher.

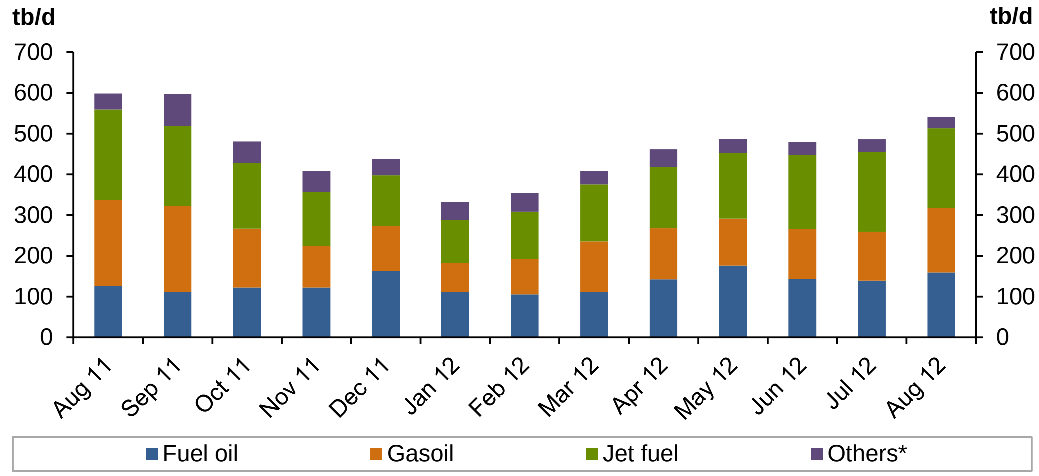
Graph 8.3: Japan's imports of crude and petroleum products



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

Product exports gained 57 tb/d in August to average 535 tb/d, up 11.8% m-o-m, but down 10.2% y-o-y. As a result, Japan's net trade imports increased by 95 tb/d in August to average 37 mb/d, which was 2.6% higher than in July and the highest figure for four months. In addition, this reflected an increase of 1.8% on an annual basis.

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

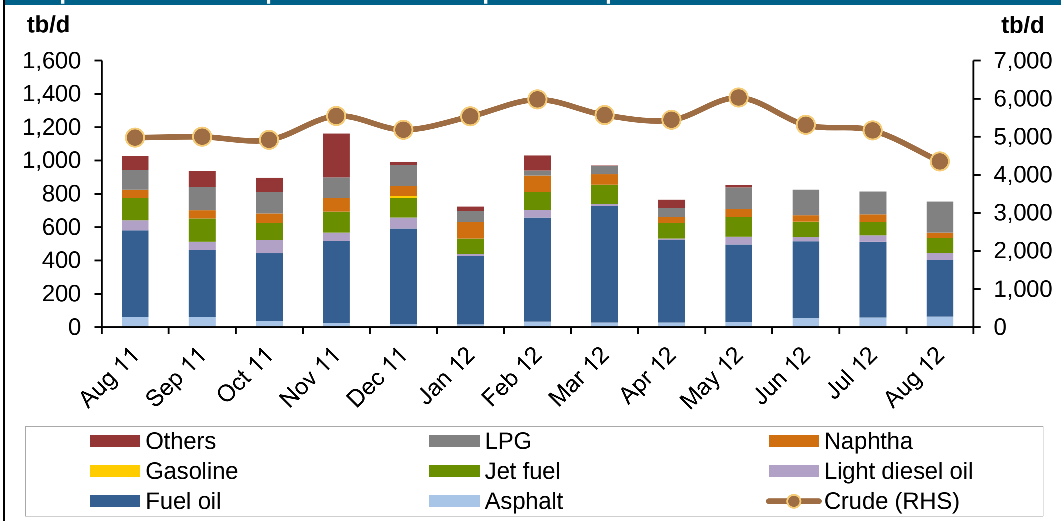
	Jun 12	Jul 12	Aug 12	*Change Aug/Jul*
Crude oil	3,228	3,424	3,605	182
Total products	159	181	95	-87
Total crude and products	**3,387**	**3,605**	**3,700**	**95**

China

China crude oil imports dropped for the third consecutive month in August

China's crude oil imports dropped for the third consecutive month in August, by 812 tb/d or 15.7%, to average 4.4 mb/d, the lowest level for 22 months. The decline came as a result of lower demand amid the economic downturn in general. Also, imports were 626 tb/d or 12.6% lower than the same month a year earlier. Year-to-date, however, the figures show an increase of 388 tb/d or 7.7%. Regarding crude import sources, Saudi Arabia, Angola and Russia were the first, second and third suppliers to China, accounting for 16%, 14% and 9% of total Chinese imports. However, these three suppliers reduced their monthly export volumes to China by 33%, 24% and 6.5% respectively. Iran and Venezuela, the fourth and fifth ranked suppliers to China, saw drops of 18% and 5% respectively from a month earlier. On the other hand, Iraq increased its crude exports to China in August by 109 tb/d or 57%.

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



China's product imports also fell from the previous month to average 549 tb/d, down 210 tb/d or 27.6%. Y-o-y, they were down by a considerable 477 tb/d or 46.5%. China's crude exports declined in August by 5 tb/d or 10% from the previous month, while showing a y-o-y gain of 16 tb/d or 53.4%. In contrast, product exports saw a monthly gain of 84 tb/d or 19.3%, while decreasing by 15 tb/d or 2.9% from the previous year. Accordingly, China's net oil trade saw a drop of 1100 tb/d, or 20.3%, on both a monthly and an annual basis.

Graph 8.6: China's exports of crude and products

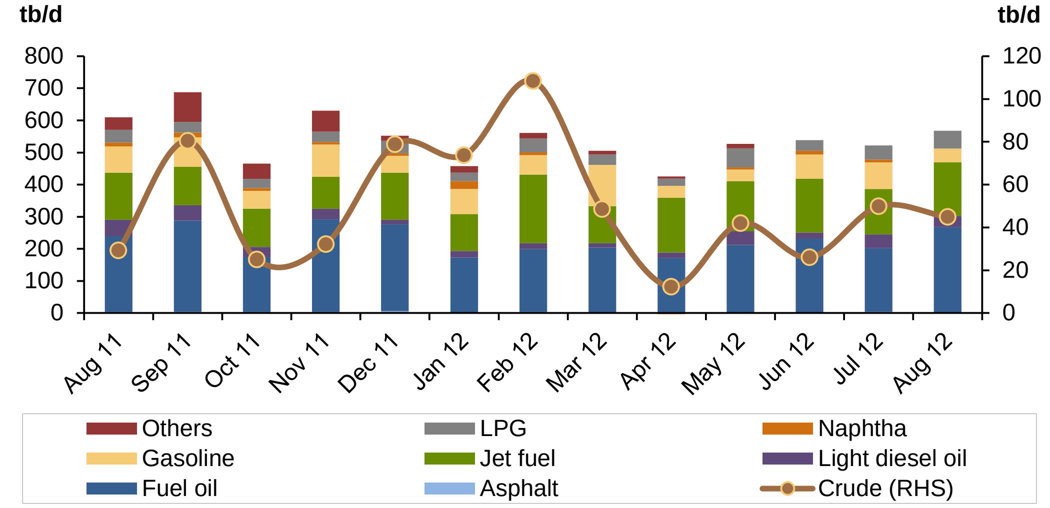


Table 8.3: China's crude and product net imports, tb/d

	Jun 12	Jul 12	Aug 12	Change Aug/Jul
Crude oil	5,281	5,112	4,306	-807
Total products	219	325	32	-293
Total crude and products	**5,500**	**5,437**	**4,338**	**-1,100**

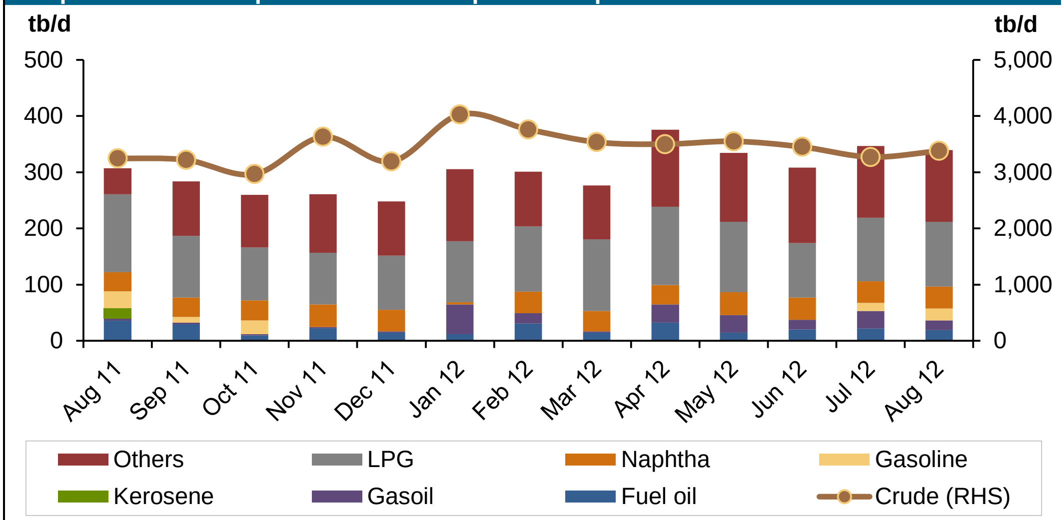
India

India crude oil imports increased in August by 108 tb/d or 3% and 130 tb/d or 4% y-o-y to average 3.4 mb/d; product imports dropped by 7 tb/d or 2.1% to average 339 tb/d

India's crude oil imports increased in August by 108 tb/d or 3% m-o-m and by 4% y-o-y, to average 3.4 mb/d. The increase came as a result of an expansion in the country's refining capacity.

India's product imports dropped in August by 7 tb/d or 2.1% to average 339 tb/d, which was, however, a gain of 10.5% y-o-y. This drop came on the back of lower imports of diesel and fuel oil, which declined in August by 46.2% and 11.1% respectively. With regard to India's product exports, there were declines on a both monthly and an annual basis. They dropped by 4.2% from the previous month to average 12.2 mb/d, and they were 5.5% down from a year earlier. The monthly drop was due to lower exported volumes of petrol and fuel oil. Diesel was the only product which saw an increase in exports, at 5.1%, while exports of naphtha and fuel ended the month flat

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



Graph 8.8: India's exports of petroleum products

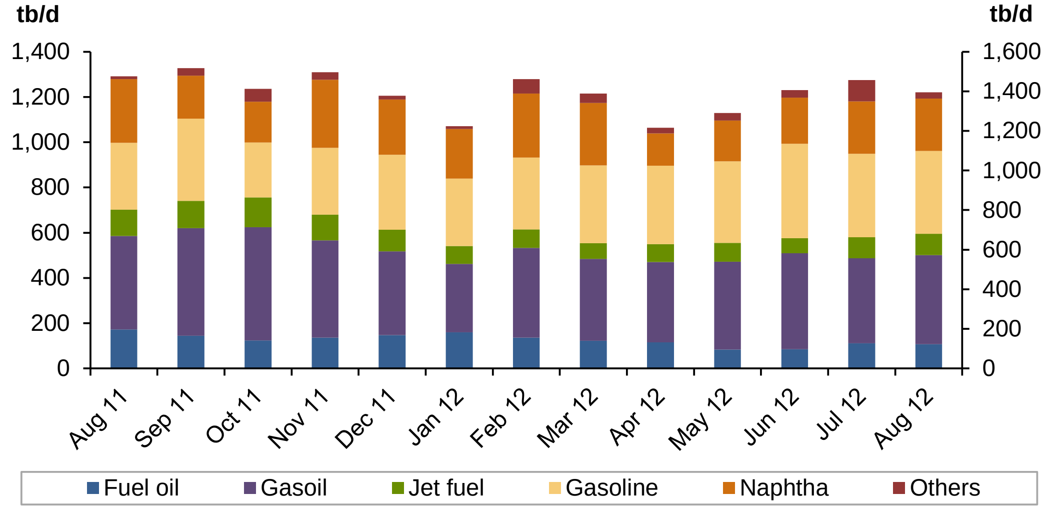


Table 8.4: India's crude and product net imports, tb/d

	Jun 12	Jul 12	Aug 12	*Change Aug/Jul*
Crude oil	3,450	3,270	3,378	108
Total products	-923	-928	-882	47
Total crude and products	**2,527**	**2,342**	**2,496**	**154**

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

FSU

In August, total crude oil exports from the FSU increased by 74 tb/d or 1.2% to average 63 mb/d. Crude exports through Russian pipelines rose by 271 tb/d or 6.7% to average 43 mb/d. Crude exports from the Black Sea, the Baltics and Druzhba were up in August by 12%, 6.1% and 7.2% respectively, while those from Kozmino ended the month flat from a month earlier. Outflows by Russian rail saw a decline of 100 tb/d or 80.6% from last month. Similarly, Kazakh rail supplies fell by 98 tb/d or 86.7% in August. The Caspian and CPC blends dropped from last month by 74 tb/d and 30 tb/d.

On the other hand, total product exports increased in August by 460 tb/d or 16.6% to average 32.4 mb/d. All product exports rose by between 8% and 39% from the previous month, with the only exception being jet fuel, which fell by 7.7%.

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

	2010	2011	1Q12	2Q12	3Q12	Jul 12	Aug 12*
Crude							
Russian pipeline							
Black Sea	994	935	876	900	932	867	971
Baltic	1,564	1,461	1,444	1,725	1,611	1,610	1,709
Druzhba	1,126	1,170	1,243	1,109	1,006	939	1,007
Kozmino	309	306	307	317	315	312	312
Total	**4,005**	**4,178**	**4,161**	**4,356**	**4,174**	**4,042**	**4,313**
Other routes							
Russian rail	330	173	176	137	87	124	24
Russian-Far East	276	279	269	265	249	255	231
Kazakh rail	123	157	167	128	78	113	15
Vadandey	152	82	46	41	57	49	68
Kaliningrad	24	23	24	18	22	19	27
CPC	743	679	622	685	654	648	618
BTC	775	695	727	681	638	617	635
Kenkiyak-Alashankou	204	222	207	186	213	228	213
Caspian	239	170	169	168	198	252	178
Total crude exports	**6,750**	**6,500**	**6,401**	**6,538**	**6,292**	**6,233**	**6,307**
Products							
Gasoline	141	149	155	113	113	100	131
Naphtha	253	243	277	295	307	276	383
Jet	18	10	3	5	12	13	12
Gasoil	809	716	848	744	734	705	809
Fuel oil	1,129	1,201	1,260	1,277	1,415	1,409	1,605
VGO	228	198	180	264	281	274	297
Total	**2,578**	**2,518**	**2,723**	**2,697**	**2,863**	**2,777**	**3,237**
Total oil exports	**9,328**	**9,018**	**9,124**	**9,235**	**9,154**	**9,010**	**9,544**

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

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

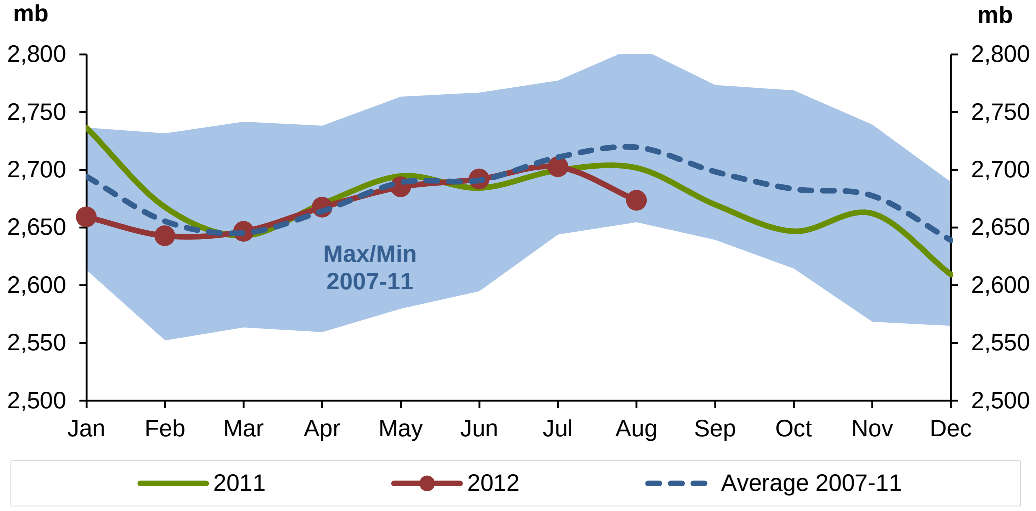
Stock Movements

Total OECD commercial stocks dropped sharply in August, driven by both crude and products

OECD

Preliminary data for August shows that total OECD commercial oil stocks dropped by 29.0 mb over the previous month. Crude oil led the fall, declining by almost 20.0 mb, while products saw a stock-draw of 9.3 mb. At 2,674 mb, OECD commercial stocks were 46 mb below the five-year average. But the picture among the components had two sides to it. Crude commercial stocks showed a surplus of 26.3 mb, while product stocks saw a deficit of 72 mb. At the end of August, OECD commercial stocks slipped to 28.0 mb below the level of the same period a year ago.

Graph 9.1: OECD's commercial oil stocks



On a regional basis, the bulk of the drop in OECD commercial inventories came from stocks in North America falling by 21.6 mb, reflecting lower imports into the US combined with falling US production due to Hurricane Isaac. OECD Europe's inventories saw a decline of 5.6 mb, following a weak performance in North Sea production as well as the backwardation structure of Brent which does not encourage stockpiling. OECD Pacific's commercial stocks declined by a marginal 1.8 mb, reversing the build of last month. When compared with the five-year average, the picture within the OECD regions was mixed. Europe and the Pacific saw deficits of 65.4 mb and 8.4 mb respectively, while commercial stocks in North America stood 27.7 mb above the latest five-year average. It should be noted that the deficit observed in OECD commercial stocks could diminish in coming months, as global supply is expected to be running ahead of demand and the market will continue to be well supplied, especially with crude.

In terms of days of forward cover, OECD commercial stocks stood at around 58.4 days at the end of August, 0.4 days higher than the last five-year average. This level looks comfortable and is not expected to fall, since demand in the OECD is considered likely to continue to decline in 2013. Indeed, OECD demand for next year is expected to fall by 170,000 b/d vis-à-vis this year.

Table 9.1: OECD commercial stocks, mb

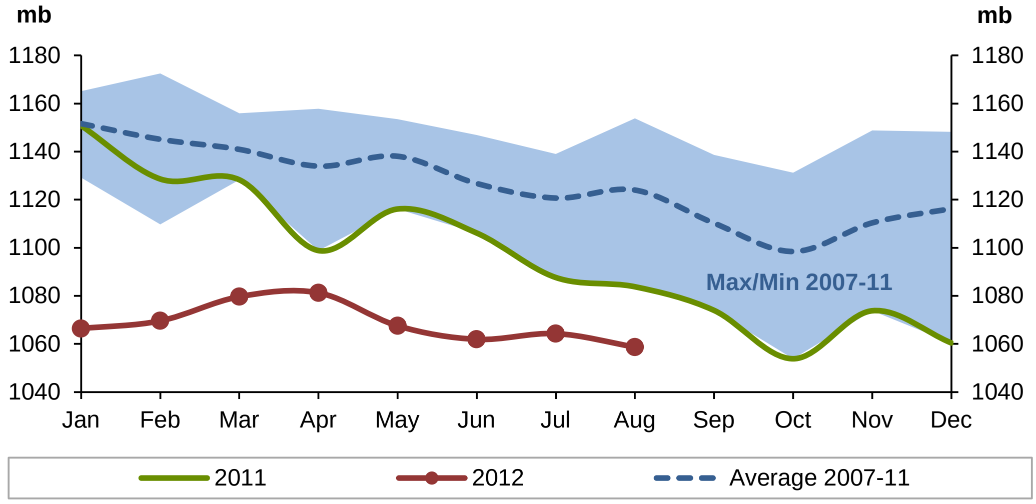
	Jun 12	Jul 12	Aug 12	Change Aug 12/Jul 12	Aug 11
Crude oil	1,327	1,304	1,285	-19.7	1,254
Products	1,365	1,398	1,389	-9.3	1,447
Total	**2,692**	**2,703**	**2,674**	**-29.0**	**2,702**
Days of forward cover	**58.2**	**58.4**	**58.1**	**-0.3**	**59.0**

European stocks in August reversed the build of last month, falling by 5.6 mb

Europe

The latest available data for August shows that European stocks reversed the build of the last month and fell by 5.6 mb to stand at 1,058.7 mb. At this level, they ended the month 22.5 mb or 2.1% lower than a year ago and 65 mb or 5.8% below the five-year average. Both crude and products contributed to this draw, declining by 3.9 mb and 1.6 mb respectively.

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



European crude inventories edged lower in August for the second consecutive month to stand at 453.0 mb, which was 5.5 mb or 1.2% higher than a year ago for the second time in 20 months. However, they still remained 15 mb or 3.2% below the seasonal norm. The drop in crude oil stocks was attributed to the North Sea disruptions following the Norwegian strike in July. Limited exports from Iraq due to pipeline sabotage also contributed to the drop in European stocks. However, this decline happened despite a fall in refinery throughputs. Indeed, refinery runs processed 10.9 mb/d, around 175,000 b/d less than in the previous month, when they reached 11 mb/d for the first time since January 2011.

At 605.7 mb, product stocks in Europe were 28.0 mb or 4.4% below the same period last year and 50 mb or 7.6% lower than the five-year average. Within products, the picture was mixed. Gasoline and residual fuel saw draws, while distillate and naphtha stocks witnessed a build. Gasoline stocks fell 1.3 mb to end August at 105.7 mb, almost in line with a year ago, but they remained 9.0 mb or 8.2% below the seasonal average. Lower output, following a decline in refinery runs, along with export opportunities to the US, was behind the drop in gasoline. Distillate stocks ended August slightly higher than the previous month, following the 3.4 mb build in July. At 375.8 mb, they dropped by 12.0 mb or 3.1% from a year earlier, and they remained 25 mb or 6.1% lower than the five-year average. With diesel fundamentals expected to remain bullish throughout the winter months, the trend for distillate stocks will likely be downward. Fuel oil stocks declined by 1.2 mb to end August at 89.5 mb, which was 14 mb below the same period last year and 18.5 mb lower than the five-year average. This stock-draw was driven by higher exports to Asia.

Table 9.2: Western Europe's oil stocks, mb

	Jun 12	Jul 12	Aug 12	Change Aug 12/Jul 12	Aug 11
Crude oil	458.8	457.0	453.0	-3.9	447.6
Gasoline	105.7	106.9	105.7	-1.3	106.2
Naphtha	34.3	34.3	34.8	0.4	35.9
Middle distillates	372.0	375.4	375.8	0.4	387.7
Fuel oils	91.1	90.7	89.5	-1.2	103.9
Total products	603.1	607.3	605.7	-1.6	633.6
Total	**1,061.9**	**1,064.3**	**1,058.7**	**-5.6**	**1,081.2**

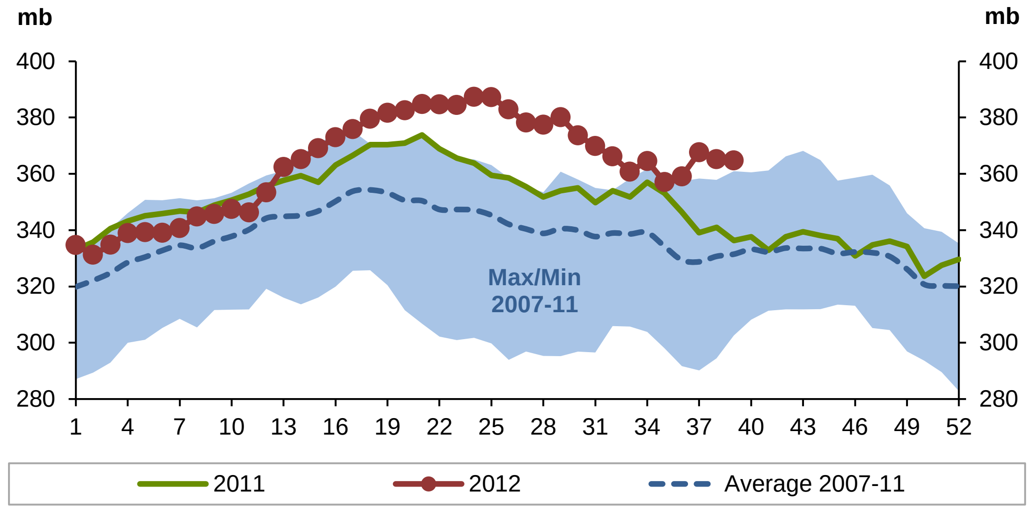
Source: Argus and Euroilstock.

US total commercial oil stocks rose by 9.7 mb in September, driven by builds in crude and products

US

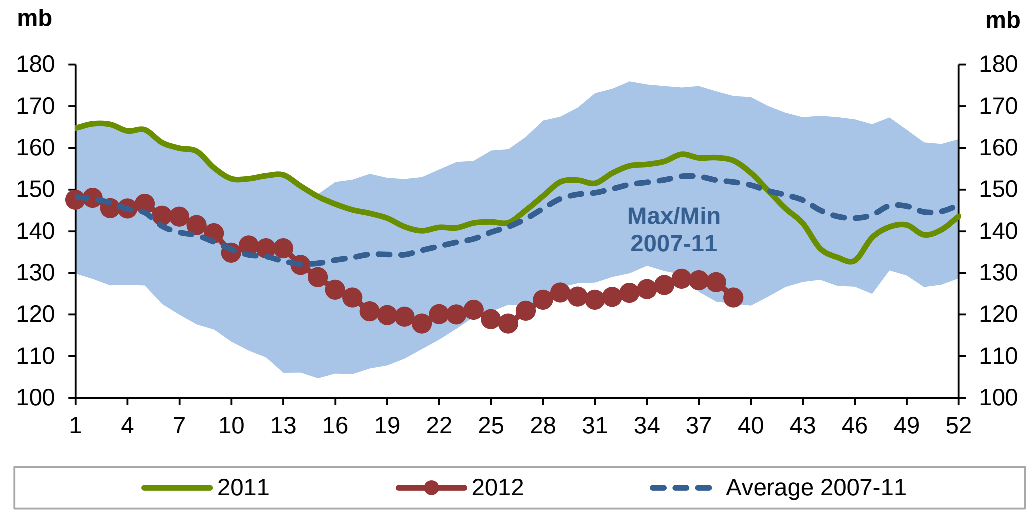
US total commercial oil stocks rose in September after a substantial draw in August, increasing by 9.7 mb to stand at 1,101.4 mb/d. With this build, they switched the deficit with a year ago last month to a surplus of 16.5 mb or 1.5%. However, the difference with the five-year average remained at a comfortable level, indicating a surplus of 28.6 mb or 2.7%. The build in US total commercial oil stocks was attributed to both crude and products, as they increased by 7.6 mb and 2.1 mb respectively.

Graph 9.3: US weekly commercial crude oil stocks



In September, **US commercial crude stocks** reversed the downward trend of the last two months and increased by 7.6 mb to stand at 364.7 mb. With this build, they widened the surplus with a year ago to 32.9 mb from only 7.8 mb last month. The surplus with the five-year average also remained at a healthy level, at 36.3 mb or 11.1%. This build came mainly from lower crude oil refinery inputs, which declined by more than 600,000 b/d to average 14.7 mb/d, reflecting the refinery maintenance that had usually occurred at this time of the year. The level of US crude runs was also lower than the same period a year ago, by more than 480,000 b/d. 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. Lower crude oil imports limited a further build in crude oil inventories. In fact, US crude oil imports decreased in September by around 86,000 b/d or 0.9% from the previous month to average 8.5 mb/d. This level was also lower, by about 390,000 b/d or 4.3%, from the same time last year. In contrast with the build in total crude commercial stocks, inventories in Cushing showed a decline of about 1.1 mb to stand at 43.9 mb, but they were still significantly above last year's level.

Graph 9.4: US weekly distillate stocks



Product inventories also increased by 2.1 mb in September, reversing the draw of 8.9 mb observed last month. At 736.7 mb, they remained 16.5 mb or 2.2% below last year's level and 7.7 mb or 1.0% lower than the five-year average. Within products, the picture was mixed; gasoline and distillates saw declines, while all other products experienced builds. Gasoline stocks fell for the second consecutive month, declining by 3.0 mb to finish the month at 195.9 mb. At this level, inventories were 20.2 mb or 9.3% below those of a year ago and 12.0 mb or 5.8% below the historical average. The fall in gasoline stocks came mainly from lower gasoline production which declined by 260,000 b/d to average 9.0 mb/d, and it was also 250,000 b/d below last year's level at the same time. With the driving season coming to an end, the decline in gasoline demand should contribute to the build in gasoline stocks in the coming months. Indeed, US gasoline demand declined in September by around 470,000 b/d to average 8.7 mb, about 30,000 lower than the same period a year ago. Strong exports at almost 400,000 b/d limited the build in gasoline stocks. Distillate stocks reversed the build of the last two months and declined by 3.0 mb, to end September at 124.1 mb. With this draw, they were now 29.6 mb or 19.3 %, below the year-ago level and 26.9 mb or 17.8% lower than the seasonal norm. Lower distillate production averaged 4.5 mb/d, around 50,000 b/d less than the previous month, and supported the stock-draw in distillates. The continued strength of distillate exports also contributed to the draw on distillate stocks. The draw was also supported by higher apparent demand, which rose by about 200,000 b/d to 3.7 mb/d. Distillate inventories are at the bottom of the range ahead of peak demand winter season, but, with the expectation of increasing production, inventories should start building in the coming weeks.

Table 9.3: US onland commercial petroleum stocks, mb

	Jul 12	Aug 12	Sep 12	Change Sep 12/Aug 12	Sep 11
Crude oil	369.8	357.1	364.7	7.6	330.2
Gasoline	209.5	198.9	195.9	-3.0	214.8
Distillate fuel	126.6	127.1	124.1	-3.0	153.4
Residual fuel oil	35.9	33.1	35.1	2.0	34.7
Jet fuel	40.0	43.0	44.4	1.3	45.9
Total	**1113.4**	**1091.8**	**1101.4**	**9.7**	**1085.0**
SPR	696.0	696.0	695.0	-1.0	696.0

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

Jet fuel stocks rose for the third month running, by 1.3 mb from a month ago. At 44.4 mb, they stood at the highest level since October 2011 and were 1.6 mb or 3.6% lower than a year ago, but they switched the deficit with the seasonal norm during the previous month to a surplus of 0.4 mb or 1.0%. Residual oil stocks rose by 2.0 mb in September, after two months of draws. At 35.1 mb, they were 0.6 mb or 1.6% lower than the same month a year ago and 2.0 mb or 5.4% below the latest five-year average.

Japan

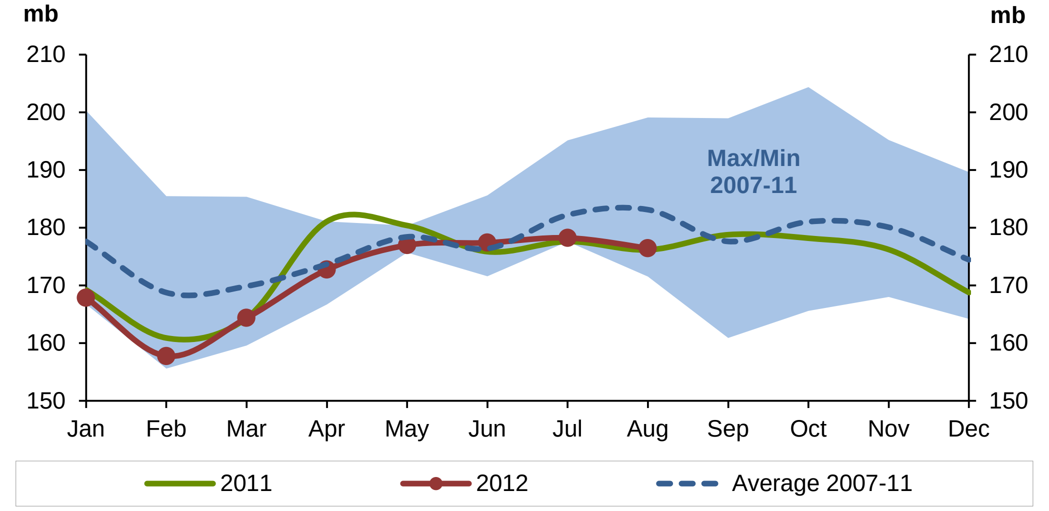
In August, commercial oil stocks in Japan declined by 1.9 mb

In August, **commercial oil stocks** in Japan reversed the builds incurred over the last five months, declining by 1.9 mb to 176.4 mb. Despite this draw, they remained 0.3 mb or 0.2% above a year ago, but still showed a deficit of 6.7 mb or 37% with the five-year average. The total stock-draw came from crude, which declined by 3.0 mb, while product stocks abated this fall, increasing by 1.3 mb.

Japanese commercial crude oil stocks fell by 3.0 mb for the third consecutive month to end August at 101.4 mb. At this level, they were 3.9 mb or 4.0% above the same time a year ago and around 1.0 mb above the latest five-year average.

The drop was due mainly to higher crude throughput, which increased by around 200,000 b/d or 3.6% over the previous month to average 3.4 mb/d, although remaining 2.8% below the year-ago level. In August, Japan's refineries were running at 76.9%, which was 2.6 percentage points (pp) higher than in the previous month and 0.2 pp higher than in the same period last year. It should be noted that direct crude burning in power plants in August reversed the downward trend seen over the last two months and increased by 53% from the previous month to 257,180 b/d, which was 35.1% above the level of August 2011. The crude stock-draw in August was limited by higher imports, which increased by nearly 200,000 b/d or 5.3% from the previous month to average 3.6 mb/d, and was 2.9% above the same period last year.

Graph 9.5: Japan's commercial oil stocks



Japan's total product inventories continued their upward trend, rising by 1.3 mb for the fifth consecutive month to end August at 75.1 mb, the highest level since November 2011. Despite this build, they showed a deficit of 3.6 mb or 4.6% with a year ago and were 7.4 mb or 9.0% below the seasonal average. This stock-build for total products came mainly from higher output, reflecting improved refinery utilization rates. This build came despite healthy oil product sales in August, which increased by almost 190,000 b/d or 5.9% to average 3.4 mb/d. At this level, product sales in Japan were 2.1% above the same level a year earlier and represented the ninth straight month of y-o-y gains, helped by robust demand for kerosene and fuel oil used for power generation.

Within products, distillates saw a build, while naphtha, gasoline and residual fuel oil experienced falls. Distillate stocks rose for the fifth consecutive month, up by 3.2 mb to end August at 34.5 mb, the highest level since November 2011. Despite this build, they still showed a deficit of 3.1 mb or 8.2%, compared with a year ago, and were 4.5 mb or 11.6% below the five-year average. All distillate components saw builds, with the bulk of the overall increase coming from kerosene stocks as they rose by nearly 19%. This build was due mainly to higher production of almost 22%, while the rise of 8.6% in kerosene sales limited the build in inventories. Jet fuel inventories rose by 5.4%, driven by an increase of 13% in production. Gasoil stocks also rose by 1.6%, supported by a huge jump in imports, which doubled the level from the previous month. Higher output, which rose by 5.7%, contributed to the build in gasoil stocks too. Gasoline stocks fell slightly by 0.2 mb, reversing the build of the previous month. At 13.9 mb, gasoline stocks were 0.7 mb or 5.1% higher than a year ago, representing a surplus of 0.7 mb or 5.6% with the seasonal average. The build in gasoline stocks could be attributed mainly to higher production, which increased by 9.5%. Healthy domestic sales limited the build in gasoline inventories. Residual fuel oil stocks declined by a slight 0.1 mb in August to 17.2 mb. At this level, they were 0.2 mb or 1.4% above the same period a year ago and 1.0 mb or 5.7% below the five-year average. Within the components of fuel oil, fuel oil A saw a decline of 1.3%, while fuel oil B.C stocks remained unchanged. Higher imports, combined with lower domestic sales, were behind the build in fuel oil inventories. Naphtha inventories saw a fall of 1.6 mb, ending August at 9.5 mb. At this level, they remained 1.5 mb or 13.4% below a year ago and 2.6 mb or 21.3% lower than the five-year average. The fall in naphtha stocks came from higher domestic sales, combined with lower production.

Preliminary weekly data from PAJ showed Japanese total commercial oil stocks rose in September by 6.8 mb to end the month at 183.2 mb. The build was driven by both crude and products as they increased by 5.7 mb and 1.1 mb respectively. Within products, the picture is mixed as gasoline, distillate and naphtha saw builds, while residual fuel oil stocks experienced a draw. The bulk of the build in product stocks came from distillates, which increased by 1.1 mb, followed by naphtha with a build of 0.8 mb, while gasoline saw a minor build of 0.3 mb. In contrast, residual fuel oil declined in September by 1.1 mb.

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

	Jun 12	Jul 12	Aug 12	Change Aug 12/Jul 12	Aug 11
Crude oil	106.6	104.4	101.4	-3.0	97.5
Gasoline	13.6	14.1	13.9	-0.2	13.2
Naphtha	11.1	11.1	9.5	-1.6	10.9
Middle distillates	30.0	31.3	34.5	3.2	37.6
Residual fuel oil	16.2	17.3	17.2	-0.1	17.0
Total products	70.8	73.8	75.1	1.3	78.7
Total**	**177.4**	**178.3**	**176.4**	**-1.9**	**176.2**

* *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)

In August, product stocks in Singapore declined for the second consecutive month, down 3.3 mb

At the end of August, **product stocks in Singapore** declined for the second consecutive month, falling by 3.3 mb to end at 35.7 mb. With this drop, they remained below the level of the same time a year ago, showing a deficit of 7.9 mb or 18.1%.

Within products, middle distillate stocks saw a build, while light distillate and fuel oil stocks experienced drops. Light distillate stocks ended August 1.7 mb lower than in the previous month to stand at 8.6 mb, the lowest level for almost three years. Also, they were 0.2 mb or 1.8% below the year-ago level. The fall in light distillate stocks came from strong gasoline demand from Malaysia and Indonesia, combined with low imports of naphtha from Taiwan. Fuel oil stocks also dropped, by 2.2 mb, to stand at 17.6 mb at the end of August. At this level, they were 3.9 mb or 18.1 mb below the same period a year ago. Lower imports from Latin America, combined with strengthening Chinese demand, were behind the drop in fuel oil stocks. Middle distillate stocks rose by a slight 0.5 mb to 9.4 mb, the highest level since March. At this level, they were 3.8 mb or 29.0% below the same time last year. This build was due mainly to higher imports from the Middle East as demand was firm during this period of the year.

Product stocks in ARA rose by just 0.3 mb at end of August

Product stocks in **ARA** at the end of August rose by just 0.3 mb to 32.0 mb, the highest level for five months. This meant that they were 1.2 mb or 3.7% below last year's level over the same period.

Within products, the picture was mixed, as gasoline, gasoil and jet fuel saw builds, while fuel oil and naphtha witnessed declines. Gasoline stocks rose by 0.2 mb to 5.3 mb, leaving inventories 0.4 mb or 8.2% above the same time a year ago. The build in gasoline came from lower demand from West Africa and the Mediterranean. However, this build was limited by the backwardation structure of the gasoline forward curve, which did not encourage an increase in stocks. Jet fuel inventories rose for the third consecutive month by 0.4 mb, ending August at 3.1 mb, and this represented a decline of 1.2 mb or 28.0% from the same period last year. This build occurred as imports from South Korea outpaced exports to the US. Fuel oil stocks fell for the second consecutive month by 0.3 mb to stand at 4.7 mb, representing a deficit of 1.7 mb or almost 27% with a year ago. The drop was mainly due to VLCCs, which left for Singapore. Naphtha inventories reversed the build of the previous month and declined by 0.4 mb to end August at 1.1 mb, nearly double the level of a year ago.

Balance of Supply and Demand

Required OPEC crude for 2012 estimated at 30.1 mb/d, a decline of 0.1 mb/d

Forecast for 2012

Demand for OPEC crude for 2012 is projected to average 30.1 mb/d, representing an upward revision of 0.2 mb/d from the previous month, driven by the upward adjustment in demand combined with the downward revision in non-OPEC supply. Within quarters, the first quarter saw an upward revision of 0.1 mb/d, while both the second and third quarters were revised up by 0.3 mb/d. The fourth quarter was revised up by 0.2 mb/d. The demand for OPEC crude in 2012 represents a decrease of 0.1 mb/d from the previous year. The first and fourth quarters are estimated to decline by 0.6 mb/d and 0.1 mb/d, respectively, versus the same quarter last year. The second quarter is estimated to increase by 0.2 mb/d, while the third quarter is projected to remain unchanged.

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

	2011	1Q12	2Q12	3Q12	4Q12	2012
(a) World oil demand	**88.04**	**87.93**	**87.69**	**89.61**	**89.99**	**88.81**
Non-OPEC supply	52.44	53.23	52.64	52.67	53.46	53.00
OPEC NGLs and non-conventionals	5.32	5.49	5.60	5.73	5.86	5.67
(b) Total supply excluding OPEC crude	**57.76**	**58.72**	**58.24**	**58.40**	**59.32**	**58.67**
Difference (a-b)	**30.27**	**29.21**	**29.45**	**31.21**	**30.67**	**30.14**
OPEC crude oil production	29.79	31.19	31.46	31.20		
Balance	-0.49	1.98	2.01	-0.01		

Totals may not add up due to independent rounding.

Demand for OPEC crude in 2013 forecast at 29.8 mb/d, a decline of 0.3 mb/d

Forecast for 2013

Demand for OPEC crude for 2013 has been revised up by 0.2 mb/d, reflecting the downward revision to non-OPEC supply as global demand remained unchanged. Within the quarters, the first and second quarter saw an upward adjustment of 0.3 mb/d, while the third and fourth quarters experienced an upward revision of 0.2 mb/d each. The demand for OPEC crude is forecast to average 29.8 mb/d, representing a decline of 0.3 mb/d from the previous year. The first quarter is estimated to increase by 0.3 mb/d versus the same quarter last year. All other quarters are expected to see negative growth, with the bulk of the decrease coming from the third quarter, contracting by 0.6 mb/d, while the second and fourth quarters are forecast to decline by 0.5 mb/d.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013
(a) World oil demand	**88.81**	**88.87**	**88.34**	**90.37**	**90.77**	**89.60**
Non-OPEC supply	53.00	53.52	53.53	53.87	54.61	53.89
OPEC NGLs and non-conventionals	5.67	5.87	5.89	5.92	5.96	5.91
(b) Total supply excluding OPEC crude	**58.67**	**59.39**	**59.42**	**59.79**	**60.58**	**59.80**
Difference (a-b)	**30.14**	**29.48**	**28.92**	**30.58**	**30.20**	**29.80**

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

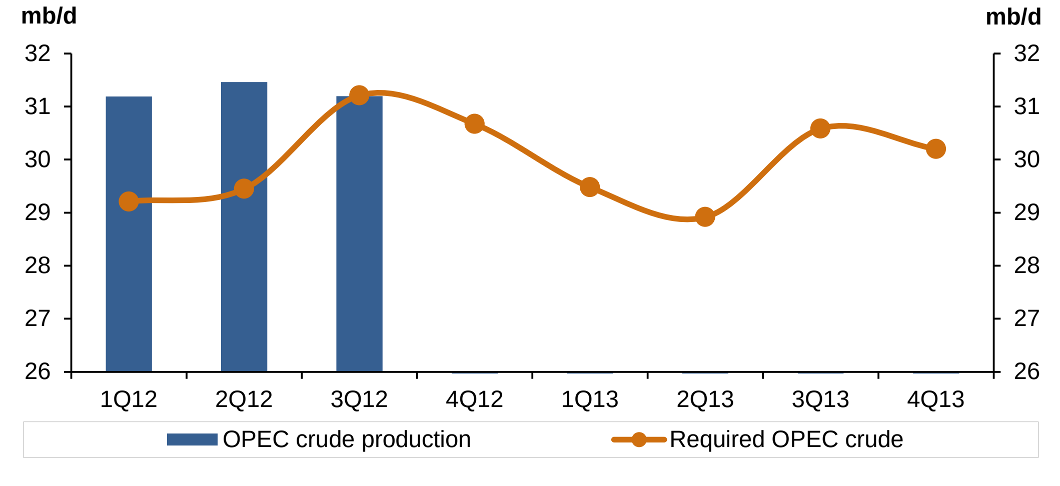


Table 10.3: World oil demand/supply balance, mb/d

	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	45.7	44.9	45.9	45.9	45.6	45.7	44.6	45.7	45.8	45.4
North America	25.5	24.2	23.3	23.8	23.7	23.2	23.4	23.7	23.7	23.5	23.3	23.3	23.6	23.7	23.5
Western Europe	15.5	15.4	14.7	14.6	14.3	13.7	13.7	14.3	13.9	13.9	13.5	13.4	14.1	13.6	13.7
Pacific	8.4	8.1	7.7	7.8	7.9	8.8	7.8	7.9	8.4	8.2	8.9	7.8	8.0	8.5	8.3
DCs	24.8	25.6	26.1	27.1	27.8	27.8	28.2	28.9	28.6	28.4	28.3	28.7	29.5	29.1	28.9
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	9.6	10.0	9.7	9.8	10.2	10.0	10.3	10.1
(a) Total world demand	86.6	86.1	84.8	87.2	88.0	87.9	87.7	89.6	90.0	88.8	88.9	88.3	90.4	90.8	89.6
Non-OPEC supply															
OECD	20.0	19.5	19.7	20.0	20.1	21.1	20.8	20.7	21.0	20.9	21.1	21.1	21.1	21.6	21.2
North America	14.3	13.9	14.4	15.0	15.5	16.5	16.4	16.5	16.5	16.5	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	3.7	3.9	3.9	3.9	3.7	3.6	3.7	3.7
Pacific	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.5	0.5	0.5	0.6	0.6	0.6	0.6
DCs	11.9	12.2	12.4	12.8	12.7	12.3	12.1	12.3	12.5	12.3	12.4	12.5	12.7	12.9	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	50.3	51.1	52.3	52.4	53.2	52.6	52.7	53.5	53.0	53.5	53.5	53.9	54.6	53.9
OPEC NGLs + non-conventional oils	3.9	4.1	4.3	5.0	5.3	5.5	5.6	5.7	5.9	5.7	5.9	5.9	5.9	6.0	5.9
(b) Total non-OPEC supply and OPEC NGLs	54.4	54.4	55.4	57.3	57.8	58.7	58.2	58.4	59.3	58.7	59.4	59.4	59.8	60.6	59.8
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	85.7	84.2	86.5	87.6	89.9	89.7	89.6							
Balance (stock change and miscellaneous)	-2.0	-0.4	-0.6	-0.6	-0.5	2.0	2.0	0.0							
OECD closing stock levels (mb)															
Commercial	2,565	2,690	2,651	2,680	2,609	2,647	2,692								
SPR	1,524	1,527	1,564	1,561	1,532	1,532	1,535								
Total	4,089	4,216	4,216	4,241	4,141	4,178	4,227								
Oil-on-water	948	969	919	871	825	787	812								
Days of forward consumption in OECD															
Commercial onland stocks	54	59	57	58	57	59	59								
SPR	32	33	34	34	34	34	33								
Total	86	92	91	92	91	93	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	9.1	9.2	8.9	8.8	9.0
(a) - (b)	32.2	31.7	29.4	29.9	30.3	29.2	29.4	31.2	30.7	30.1	29.5	28.9	30.6	30.2	29.8

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	-	0.1	-	0.1	-	-	0.1	-	0.1	-
North America	-	-	-	-	0.1	-	0.1	-0.1	0.1	-	-	0.1	-0.1	0.1	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	0.1	-	-	-	0.2	-	0.1	-	-	0.2	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-0.1	-	-	-	-	-0.1	-	-
(a) Total world demand	-	-	-	0.1	0.1	0.1	0.1	-	0.1	0.1	-	0.1	-	-	-
World demand growth	*-*	*-*	*-*	*0.07*	*0.08*	*-*	*-*	*-0.25*	*-0.14*	*-0.08*	*-*	*-*	*-*	*-0.06*	*-*
Non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD	-	-	-	-	-	-	-0.1	0.1	0.1	-	-	-	-	-	-
North America	-	-	-	-	-	-	-0.1	0.1	0.1	-	-	-	-	-	-
Western Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
FSU	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-0.1	-0.2	-0.3	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2
Total non-OPEC supply growth	*-*	*-*	*-*	*-*	*-*	*-0.07*	*-0.16*	*-0.27*	*-0.09*	*-0.15*	*-0.14*	*-*	*0.07*	*-0.11*	*-0.06*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-0.1	-0.2	-0.3	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-							
Total supply	-	-	-	-	-	-0.1	-0.1	-							
Balance (stock change and miscellaneous)	-	-	-	-0.1	-0.1	-0.1	-0.3	-							
OECD closing stock levels (*mb*)															
Commercial	11	11	11	11	8	-	8	-							
SPR	-	-	-	-	-	-	4	-							
Total	11	11	11	11	8	-	12	-							
Oil-on-water	-	-	-	-	-	-	-18	-							
Days of forward consumption in OECD	-	-	-	-	-	-	-	-							
Commercial onland stocks	-	-	-	-	-	-	-	-							
SPR	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-	-							
Memo items															
FSU net exports	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
(a) - (b)	-	-	-	0.1	0.1	0.1	0.3	0.3	0.2	0.2	0.3	0.3	0.2	0.2	0.2

** This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the September 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	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Closing stock levels, *mb*																							
OECD onland commercial	2,565	2,690	2,651	2,680	2,609	2,563	2,595	2,652	2,690	2,742	2,755	2,774	2,651	2,686	2,767	2,757	2,680	2,643	2,684	2,670	2,609	2,647	2,692
North America	1,198	1,269	1,273	1,318	1,299	1,185	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	1,354
Western Europe	960	1,014	995	971	921	984	977	975	1,014	1,014	999	994	995	998	1,005	969	971	973	951	928	921	949	925
OECD Pacific	407	407	383	392	390	394	409	431	407	408	401	419	383	387	405	402	392	382	406	413	390	377	413
OECD SPR	1,524	1,527	1,564	1,561	1,532	1,529	1,526	1,522	1,527	1,547	1,561	1,564	1,564	1,567	1,562	1,549	1,561	1,558	1,561	1,526	1,532	1,532	1,535
North America	699	704	729	729	697	702	708	704	704	715	726	727	729	729	729	728	729	727	727	696	697	697	697
Western Europe	421	416	426	423	422	423	414	414	416	424	427	429	426	429	422	419	423	420	423	420	422	421	424
OECD Pacific	404	406	409	410	414	404	404	403	406	408	408	408	409	409	411	402	410	411	411	409	414	414	413
OECD total	4,089	4,216	4,216	4,241	4,141	4,093	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	4,227
Oil-on-water	948	969	919	871	825	935	925	885	969	899	899	869	919	919	897	926	871	891	853	835	825	787	812
Days of forward consumption in OECD																							
OECD onland commercial	54	59	57	58	57	54	56	56	58	61	61	60	58	59	59	59	58	59	58	58	57	59	59
North America	50	54	54	56	56	48	51	52	54	58	58	58	54	55	56	58	55	55	56	56	56	56	57
Western Europe	62	69	68	68	67	65	63	63	67	70	68	68	69	70	67	65	68	69	65	66	67	69	65
OECD Pacific	50	53	49	50	44	50	54	54	50	55	55	52	46	53	53	50	47	54	53	50	44	49	52
OECD SPR	30	30	31	31	30	30	30	30	30	30	31	31	31	31	31	30	31	31	31	30	30	30	30
North America	29	30	31	31	30	29	30	29	30	31	31	31	31	31	30	31	30	31	30	29	30	30	29
Western Europe	27	28	29	30	31	28	27	27	28	29	29	30	30	30	28	28	30	30	29	30	31	31	30
OECD Pacific	50	53	52	52	47	51	54	51	50	56	56	51	49	55	54	50	49	58	53	49	47	53	52
OECD total	86	92	91	92	91	86	88	88	90	96	96	94	91	94	93	92	91	94	92	91	91	93	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	7.50	8.14	8.64	0.50	8.71	8.91	8.89	9.51	9.00	0.36	9.76	9.75	9.67	9.78	9.74	0.73	9.94	10.05	10.08	10.31	10.10	0.36
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	3.70	3.86	3.85	3.81	0.25	3.86	3.91	4.00	4.11	3.97	0.17
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	2.93	2.89	2.92	-0.02	2.88	2.83	2.84	2.82	2.84	-0.08
North America	14.26	13.92	14.35	14.96	0.61	15.22	15.19	15.42	16.18	15.50	0.54	16.48	16.38	16.46	16.53	16.46	0.96	16.68	16.80	16.92	17.25	16.92	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	1.83	1.95	1.96	-0.08	1.98	1.87	1.81	1.89	1.88	-0.08
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	0.92	1.04	1.01	-0.11	1.02	0.95	0.92	0.97	0.97	-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	3.66	3.89	3.88	-0.18	3.90	3.71	3.62	3.75	3.74	-0.14
Australia	0.53	0.53	0.54	0.51	-0.03	0.47	0.49	0.48	0.49	0.48	-0.03	0.43	0.45	0.47	0.45	0.45	-0.03	0.46	0.49	0.50	0.49	0.49	0.04
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	0.60	-0.03	0.56	0.57	0.57	0.58	0.57	-0.04	0.51	0.53	0.56	0.54	0.54	-0.03	0.54	0.57	0.58	0.56	0.56	0.03
Total OECD	20.03	19.49	19.72	19.96	0.23	20.09	19.81	19.85	20.80	20.14	0.18	21.06	20.83	20.68	20.96	20.88	0.74	21.12	21.08	21.12	21.56	21.22	0.34
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	0.17	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	0.89	0.03	0.87	0.88	0.88	0.91	0.89	0.00	0.90	0.91	0.91	0.91	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	0.97	0.98	0.98	-0.05	0.95	0.95	0.94	0.93	0.94	-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	0.64	0.00	0.64	0.66	0.69	0.72	0.68	0.03
Thailand	0.33	0.36	0.37	0.35	-0.02	0.34	0.34	0.33	0.33	0.33	-0.01	0.35	0.35	0.36	0.34	0.35	0.02	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	0.38	0.39	0.38	0.03	0.40	0.40	0.40	0.40	0.40	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	3.65	3.63	-0.07	3.65	3.56	3.62	3.65	3.62	-0.01	3.62	3.65	3.66	3.68	3.65	0.03
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	2.60	2.70	2.65	0.01	2.68	2.70	2.79	2.84	2.75	0.10
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	0.98	1.00	0.97	0.04	1.01	1.02	1.03	1.05	1.03	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	4.75	4.87	4.79	0.04	4.84	4.86	4.97	5.03	4.92	0.13
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	0.95	0.96	0.93	0.04	0.96	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	1.59	1.59	1.54	-0.16	1.55	1.53	1.58	1.62	1.57	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	0.70	0.69	0.69	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	2.33	2.41	2.36	-0.23	2.40	2.47	2.53	2.55	2.49	0.12
Total DCs	11.94	12.23	12.43	12.76	0.33	12.84	12.55	12.69	12.61	12.67	-0.09	12.34	12.10	12.29	12.52	12.31	-0.36	12.41	12.51	12.73	12.88	12.63	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	13.22	13.39	13.30	0.07	13.39	13.37	13.44	13.58	13.44	0.14
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	10.38	10.39	10.41	10.43	10.40	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	0.95	0.92	0.92	0.94	0.93	0.00
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	0.14	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	4.08	4.04	4.13	0.01	4.16	4.16	4.17	4.27	4.19	0.06	4.26	4.23	4.22	4.24	4.24	0.05
Non-OPEC production	48.43	48.31	49.09	50.19	1.10	50.63	49.88	49.97	50.81	50.32	0.13	51.06	50.47	50.50	51.29	50.83	0.51	51.31	51.32	51.66	52.40	51.68	0.85
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	50.42	50.28	51.09	52.30	1.21	52.75	52.01	52.09	52.93	52.44	0.14	53.23	52.64	52.67	53.46	53.00	0.56	53.52	53.53	53.87	54.61	53.89	0.89
OPEC NGL	3.86	4.04	4.24	4.87	0.63	5.02	5.14	5.28	5.20	5.16	0.29	5.27	5.36	5.44	5.52	5.40	0.24	5.53	5.55	5.57	5.59	5.56	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	5.14	5.30	5.46	5.38	5.32	0.34	5.49	5.60	5.73	5.86	5.67	0.35	5.87	5.89	5.92	5.96	5.91	0.24
Non-OPEC & OPEC (NGL+NCF)	54.37	54.42	55.44	57.28	1.84	57.90	57.30	57.55	58.31	57.76	0.49	58.72	58.24	58.40	59.32	58.67	0.91	59.39	59.42	59.79	60.58	59.80	1.13

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	Aug	Sep	Change Sep/Aug
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	1,914	1,859	-55
Canada	91	177	277	218	-161	470	166	364	389	347	129	587	188	443	474	423	76	599	172	326	315	355	40
Mexico	128	135	123	128	26	118	106	84	80	97	-31	83	87	103	104	94	-3	98	110	108	112	103	-9
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	2,341	2,317	-24
Norway	18	18	20	20	0	21	18	13	20	18	-2	21	17	16	16	17	-1	17	18	14	14	13	-1
UK	19	16	15	18	-4	15	20	21	21	19	1	18	17	15	15	16	-3	14	19	18	20	20	0
Western Europe	82	76	85	83	-15	87	96	92	100	94	11	118	112	123	119	118	24	112	117	117	118	124	6
OECD Pacific	25	26	23	25	-11	22	18	23	22	21	-4	17	17	17	18	17	-4	19	25	25	25	23	-2
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	2,484	2,464	-20
Other Asia	212	213	233	217	1	235	249	253	255	248	31	257	234	232	233	239	-9	231	216	205	202	207	5
Latin America	147	149	169	157	-34	183	203	220	213	205	48	191	192	196	201	195	-10	191	190	172	171	174	3
Middle East	151	139	147	150	-18	152	150	163	159	156	6	101	107	102	107	104	-52	116	112	110	113	106	-7
Africa	11	9	12	10	-2	20	19	19	18	19	9	1	2	0	5	2	-17	3	3	9	8	10	2
Total DCs	520	510	561	534	-52	589	621	655	645	628	93	549	535	530	546	540	-88	542	522	496	494	497	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	2,978	2,961	-17
Algeria	30	27	27	27	1	23	28	24	24	25	-2	29	33	30	33	31	6	31	31	44	46	42	-4
Angola	3	3	4	4	-1	10	8	9	9	9	5	11	11	11	8	10	1	10	12	7	9	5	-4
Ecuador	10	10	10	10	0	11	11	11	11	11	1	11	11	11	15	12	1	17	17	22	23	24	1
Iran**	52	52	52	52	2	52	52	52	52	52	0	54	54	54	54	54	2	54	54	36	54	0	-54
Iraq**	36	36	36	36	7	36	36	36	36	36	0	36	36	36	36	36	0	36	50	76	77	70	-7
Kuwait**	11	14	13	13	0	19	18	21	23	20	8	56	56	57	60	57	37	56	56	58	55	57	2
Libya**	13	14	15	14	-1	17	17	14	15	16	1	10	3	8	9	8	-8	12	11	11	11	13	2
Nigeria	6	6	7	6	-1	11	13	18	17	15	8	35	35	36	36	36	21	37	35	37	37	38	1
Qatar	9	9	9	9	-2	8	8	9	9	9	0	10	8	7	7	8	-1	8	7	8	9	6	-3
Saudi Arabia	67	67	66	68	-9	68	67	67	65	67	-1	98	98	98	105	100	33	106	114	111	108	112	4
UAE	12	13	12	12	0	13	13	13	13	13	1	17	21	24	22	21	8	22	24	23	23	27	4
Venezuela	64	54	54	60	-20	66	64	70	80	70	10	125	125	125	113	122	52	126	122	112	111	110	-1
OPEC rig count	314	302	305	311	-24	334	335	344	355	342	31	493	490	495	498	494	152	515	534	546	563	504	-59
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	3,541	3,465	-76
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	2,692	2,641	-51
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	803	772	-31
Others	35	34	37	35	3	43	40	42	46	43	8	48	49	47	52	49	6	54	46	51	49	55	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 October 2012

OPEC Basket average price

US$ per barrel

up $1.15 in September

September 2012	**110.67**
August 2012	109.52
Year-to-date	110.18

September OPEC crude production

in million barrels per day, according to secondary sources

down 0.26 in September

September 2012	**31.08**
August 2012	31.34

World economy

Global growth expectations for 2012 have been revised down by 0.2 percentage points to 3.1% but remain at 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 is seen returning to growth next year with a 0.1% increase, after a contraction of 0.5% in 2012. Growth expectations for China stand at 7.6% in 2012 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	53.0	**0.6**
OPEC NGLs	5.7	**0.4**
Difference	**30.1**	**–0.1**

2013		13/12
World demand	89.6	**0.8**
Non-OPEC supply	53.9	**0.9**
OPEC NGLs	5.9	**0.2**
Difference	**29.8**	**–0.3**

Totals September not add due to independent rounding.

Stocks

Preliminary data showed that total OECD commercial oil stocks dropped sharply in August to stand 46 mb below the five-year average. Commercial crude stocks showed a surplus of 26.3 mb, while products stocks indicated a deficit of 72 mb. In days of forward cover, OECD commercial stocks at the end of August stood at around 58.4, or 0.4 days higher than the five-year average. In September, US total commercial oil stocks rose by 9.7 mb, indicating a surplus of 28.6 mb with the five-year average and 16.5 mb above a year ago. Both crude and products contributed to this build, increasing by 7.6 mb and 2.1 mb respectively.

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