OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

July 2013

Feature Article:
Oil market outlook for 2014

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Oil Market Highlights

- The **OPEC Reference Basket** averaged $101.03/b in June, representing an increase of 38¢ over the previous month. In the first half of the year, the Basket averaged $105.09/b, a decline of $6.96. Most component values improved in June, particularly sour grades, which were supported by increased buying interest and better refining margins. Nymex WTI found support from positive economic data from the US, reduced Canadian crude shipments due to flooding, and restricted crude production from oil sand projects. However, later in the month, crude futures prices weakened on data showing slowing economic growth in China and hints from the US Federal Reserve that it may start reining in quantitative easing.
- **World economic growth** for 2013 has been revised down to 3.0% from 3.2%, driven mainly by slowing growth in emerging economies. In 2014, an expected rebound in the OECD economies should lead to global growth of 3.5%. US growth remains at 1.8% for 2013 and is forecast to grow by 2.5% next year. Euro-zone's growth remains unchanged at minus 0.6% for this year, but is expected to rebound to plus 0.6% in 2014. Japan's growth for the current year has been revised up to 1.8% from 1.5%, but is forecast to slow to 1.4% next year. Decelerating total investments and slowing exports continue to impact China and India. China's growth in 2013 has been revised down to 7.7% from 7.9% and is forecast to grow at the same level in 2014. India's growth this year has been revised down to 5.6% from 6.0%, and is expected to expand by 6.0% in the coming year.
- **World oil demand growth** for 2013 now stands at around 0.8 mb/d, following a marginal downward revision. This has been mainly due to the release of the latest actual data for 1Q13 and preliminary data for 2Q13. In 2014, world oil demand is projected to grow at a higher rate of 1.0 mb/d to average 90.7 mb/d. This represents an around 0.3 mb/d rise from the growth predicted for the current year. In 2014, non-OECD countries are projected to lead oil demand growth with 1.2 mb/d, while OECD consumption is seen continuing to decline but at a lower rate, contracting by 0.2 mb/d. The pace of recovery in growth in major economies around the globe is one of the main uncertainties affecting world oil demand projections in 2014.
- **Non-OPEC oil supply** is expected to increase by 1.0 mb/d in 2013, supported by anticipated growth from OECD Americas, the FSU, and China. In 2014, non-OPEC supply is forecast to grow by 1.1 mb/d. The US, Canada, Brazil, the Sudans, Kazakhstan, and Australia are expected to be the main contributors to the supply increase, while Norway, Syria, Mexico, and the UK are forecast to see the largest declines. OPEC NGLs and non-conventional oils are seen averaging 6.0 mb/d in 2014, indicating an increase of 0.1 mb/d over the current year. In June, according to secondary sources, OPEC production is estimated at 30.38 mb/d, a decline of 0.31 mb/d from a month earlier.
- **Product markets** exhibited a mixed performance in June. The top of the barrel weakened in the Atlantic Basin, with gasoline losing ground due to lower demand as the driving season has so far not provided the strong boost expected. In contrast, middle distillates strengthened worldwide on the back of a slight recovery in demand amid temporary tightening in some regions, which allowed the margins to recover in Asia and Europe.
- **Tanker market** sentiment was mixed in June as VLCC freight rates increased, while Suezmax and Aframax spot rates declined. Shipments from the Middle East to Asia supported VLCC rates while low tonnage requirements and delays in the US Gulf influenced the Suezmax and Aframax markets. Product spot freight rates in June fell 10%, reflecting limited activities and ample tonnage availability. OPEC sailing dropped by 0.7% in June.
- Total OECD **commercial oil stocks** rose by 11.7 mb in May for the third consecutive month, but remain broadly in line with the five-year average. Crude stocks stood at a comfortable level, with a surplus of 13 mb over the five-year average, while product stocks remained tight showing a deficit of 17.3 mb. In days of forward cover, OECD commercial inventories stood at 58.9 days, 1.2 days over the five-year average. Preliminary data for June shows that US total commercial oil stocks rose by 14.2 mb, showing a surplus of 48.2 mb over the five-year average. US crude oil stocks at the end of June stood at 33.8 mb above the five-year average, while products showed a surplus of 14.4 mb.
- **Demand for OPEC crude** for this year is forecast to average 29.9 mb/d, almost unchanged from the previous report and a decline of 0.4 mb/d from 2012. Based on the initial 2014 forecasts for world oil demand and non-OPEC supply (including OPEC NGLs), demand for OPEC crude next year is projected to average 29.6 mb/d, representing a decline of 0.3 mb/d.

Oil market outlook for 2014

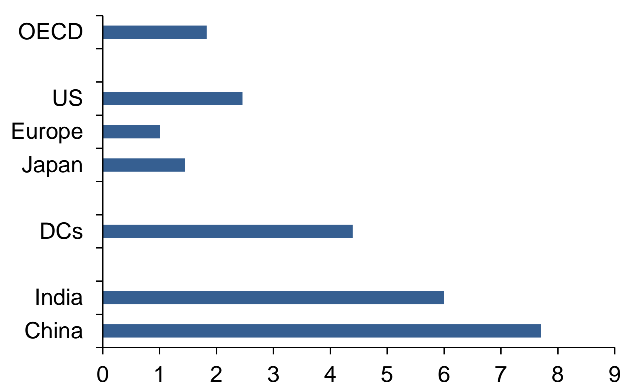
While the softer-than-expected recovery in the global economy this year continues to impact the oil market, the outlook for next year expects some improvement. The initial forecast for global economic growth in 2014 stands at 3.5%, compared to the revised forecast of 3.0% in 2013.

The main underlying assumption is that of a recovery in the OECD, which is expected to grow by 1.8% next year, after 1.2% growth this year. Expected higher growth in the US and a recovery in the Euro-zone are the main drivers behind the forecast. Both should benefit from acceleration in their underlying economies and from less fiscal contraction. Japan's economy should see continued government efforts to support growth, although with some negative impact from next year's rise in the consumption tax.

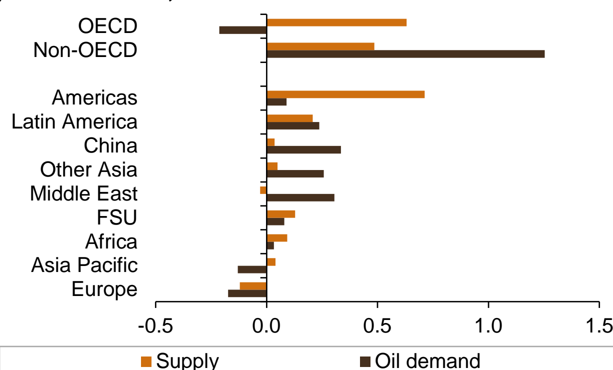
Emerging economies continue to expand at levels below the high rates seen in past years. China's growth is expected to remain at 7.7% in 2014, in line with the revised estimated figure for this year, due to a decline in total investments, offset to some degree by rising net exports. India is forecast to benefit from improving domestic demand and rising exports, leading to a growth forecast of 6.0%, up from the downwardly-revised 5.6% figure for 2013 (***Graph 1***).

Global growth will remain uneven and the continued influence of monetary policies of central banks will need to be carefully monitored. Reduced monetary stimulus in some developed economies as well as developments in China's financial sector might have an impact on growth next year. Fiscal consolidation in the US and the Euro-zone could also have a larger-than-expected negative impact. At the same time, these two economies could provide some upside to next year's growth, particularly if better-targeted budget cuts and easing austerity measures offer greater certainty for investors, potentially leading to higher growth.

Graph 1: GDP growth rate in 2014, %



Graph 2: Source of oil demand and non-OPEC supply growth for 2014, mb/d



World oil demand in 2014 is projected to grow at a higher rate than this year, partially on the back of an improvement in global economic growth. Global demand is projected to increase by 1.0 mb/d to average 90.7 mb/d, representing around 0.2 mb/d higher growth than in the current year (***Graph 2***). This is also the highest growth since 2010 and broadly in line with the historical average seen over the last 10 years. Non-OECD countries are projected to continue to lead oil demand growth with 1.2 mb/d, while OECD economies are expected to remain in decline mode, with a contraction of 0.2 mb/d, or only half the rate expected for this year. OECD Americas' oil demand is projected to see positive growth of around 0.1 mb/d. For oil products, diesel is seen contributing the largest growth share in 2014 on the back of higher demand in the transportation and industrial sectors. However, next year's forecast for world oil demand is subject to uncertainties linked closely to the pace of the recovery in some major economies, particularly the US and Euro-zone, and GDP growth in China. In addition, oil demand growth in 2014 could be capped by the implementation of policies targeting energy efficiency in transportation, as well as subsidies in some countries.

Non-OPEC supply is expected to grow by 1.1 mb/d in 2014 to average 55.1 mb/d, slightly higher than this year's forecast increase of 1.0 mb/d. Among non-OPEC supply, OECD Americas is expected to see the highest growth – supported by tight oil and oil sand developments in the US and Canada – followed by Latin America and the FSU. A high level of risk is associated with the 2014 non-OPEC supply forecast, mainly due to geopolitical and environmental issues, as well as production decline rates, price developments, weather conditions, unplanned shutdowns, and the ability of operators to bring on new volumes as planned. These risk factors could impact supply projections in either direction. OPEC NGLs and non-conventional oils are expected to increase by 0.1 mb/d to average 6.0 mb/d in 2014, following 0.2 mb/d growth this year.

Based on the above forecasts, incremental oil demand in 2014 will be less than the expected increase in non-OPEC supply and OPEC NGLs. As a result, the demand for OPEC crude in 2014 is projected to stand at 29.6 mb/d, representing a decline of around 0.3 mb/d following an expected drop of 0.4 mb/d this year. This would imply a further build in global crude inventories, which currently stand at high levels.

Crude Oil Price Movements

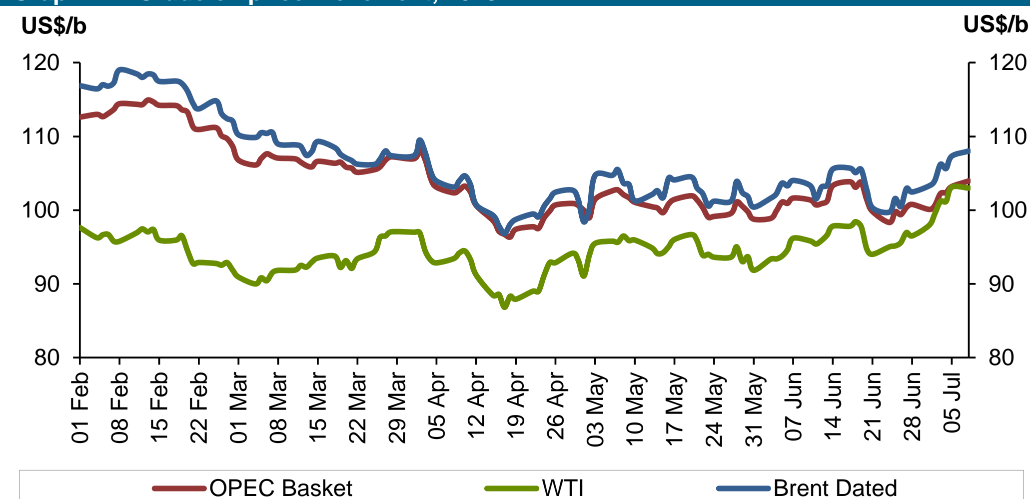
The OPEC Reference Basket showed some improvement in June

OPEC Reference Basket

The value of the **OPEC Reference Basket** (ORB) improved slightly in June, inching higher after three months of consecutive declines. The ORB was supported by improving sentiment in the oil market relative to the previous month, despite a sharp fall in outright prices seen during the last decade of the month. The late slide in crude oil prices was prompted by news of a potential tapering of US stimulus spending later this year and a preliminary reading of the Chinese Purchasing Manager's Index (PMI) falling to a nine-month low in June, suggesting a contracting Chinese economy. Signals from Europe were also bearish, with the downgrading of EU member Greece to emerging market status setting a worrying precedent, while the Euro-zone continues to struggle with spiraling unemployment. Positive developments in US shale oil supplies, which imply further reduced US imports, also contributed to the shift toward a more bearish sentiments at the end of the month.

The OPEC Reference Basket increased to a monthly average of $101.03/b in June, improving marginally by 38¢ or roughly 0.4% over the previous month. Compared to the same period last year, the Basket year-to-date value stood at $105.09/b, representing a drop of $6.96 or around 6%.

Graph 1.1: Crude oil price movement, 2013



Most Basket components improved over the month, particularly sour grades. The uptick in buying interest and strengthening refining margins for the Middle Eastern sour grades contributed heavily to the improvement in the Basket value. Extensive refinery maintenance shutdowns in Asia tightened product markets, lifting refinery margins.

Venezuela's **Merey** moved up by close to $1.50 month-on-month as formula element values improved, particularly WTS and WTI. Support also came from the ongoing healthy European sour market amid supportive refining margins and supply tightness.

Meanwhile, naphtha-rich grades such as **Saharan Blend** — even with support from new destinations in Asia — continued to suffer from the weak European naphtha market, despite improving gasoline and distillate cracks.

The Middle Eastern grades, **Qatar Marine** and **Murban**, decreased by 10¢ over the month, also undermined by weak naphtha cracks and a strong fuel oil market in Asia, despite healthy gasoline and distillate margins.

Multi-destination grades **Iran Heavy**, **Basrah Light**, **Kuwait Export** and **Arab Light** on average strengthened by around 55¢. The value of Brent-related crudes from North and West Africa improved by some 15¢. Ecuador's **Oriente** lost 40¢ over the month.

On 9 July, the OPEC Reference Basket stood at $104.06/b.

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

	May 13	Jun 13	Change Jun/May	Year-to-date 2012	Year-to-date 2013
OPEC Reference Basket	**100.65**	**101.03**	**0.38**	**112.05**	**105.09**
Arab Light	101.06	101.30	0.24	112.67	105.97
Basrah Light	98.23	98.94	0.71	110.41	102.81
Bonny Light	105.83	106.12	0.29	115.97	110.19
Es Sider	102.63	103.07	0.44	114.26	107.48
Girassol	103.69	104.23	0.54	114.78	108.17
Iran Heavy	99.72	100.61	0.89	111.41	104.26
Kuwait Export	99.82	100.22	0.40	111.56	104.13
Marine	100.22	100.20	-0.02	111.73	104.27
Merey	94.02	95.37	1.35	104.16	96.68
Murban	102.83	102.61	-0.22	114.27	107.02
Oriente	96.40	96.01	-0.39	106.66	98.86
Saharan Blend	102.83	102.07	-0.76	113.93	107.89
Other Crudes					
Brent	102.53	102.92	0.39	113.43	107.43
Dubai	100.30	100.32	0.02	111.31	104.42
Isthmus	105.48	104.08	-1.40	110.20	107.38
Mars	99.39	98.36	-1.03	109.73	104.10
Minas	99.11	103.19	4.08	122.62	108.07
Urals	102.52	102.74	0.22	111.91	106.65
WTI	94.60	95.74	1.14	98.15	94.19
Differentials					
WTI/Brent	-7.93	-7.18	0.75	-15.29	-13.24
Brent/Dubai	2.23	2.60	0.37	2.13	3.01

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

Nymex WTI rose more sharply than ICE Brent, further narrowing the spread

In crude futures exchanges, Nymex WTI rose more sharply than ICE Brent in June, based on a monthly average.

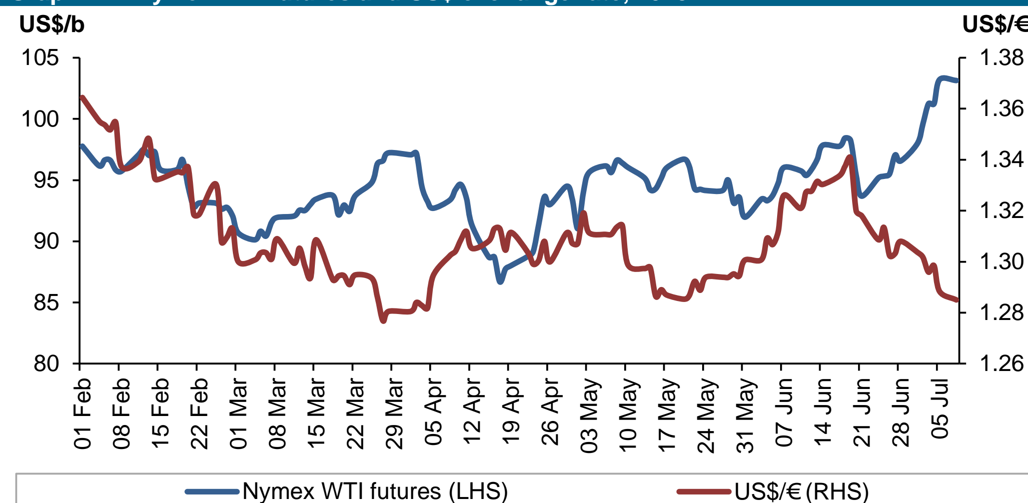
Nymex WTI found support from positive US economic data, reduced Canadian crude shipments due to flooding which led to the shutdown of some export pipelines to the US, and restricted crude production from oil sand projects. At least one bitumen upgrader was out of action. Limited Canadian syncrude shipments and strong rain temporarily shut in production at several heavy crude production sites. The expectation that BP will restart its 410,000 b/d Whiting, Indiana, refinery in July — soaking up more midcontinent crude supplies — also had a supportive effect on the US crude futures.

Meanwhile, in the later part of June, crude futures prices fell sharply on signs of a weaker demand outlook. The World Bank cut its global growth forecast to 2.2% from 2.4%, with data from China pointed to slowing economic growth, the bank of Japan unexpectedly decided not to expand its quantitative easing programme and the US Federal Reserve hinted that it may start reining in quantitative easing, which could limit demand growth. The news shocked traders as fear began to mount that the recovering US economy would stall once the stimulus is removed and that China is beginning to stumble and is not ready to take on the burden of upholding the global economy alone. In addition, the downgrading of EU member Greece to emerging market status set a worrying precedent, and the Euro-zone continues to struggle with high unemployment.

On the Nymex, the **WTI front-month** gained $1.00, to average $95.80/b in June, the highest since April 2012. Compared to the same period in 2012, the WTI value is less by $3.91 or 4% at $94.30/b. The ICE Brent front-month improved marginally by 6¢ to an average of $103.34/b. Year-to-date, ICE Brent was also lower in value compared to the same period last year. Its value weakened by $5.55 or 4.9% to $108.08/b from $113.63/b.

On July 9, ICE Brent stood at $107.81/b and Nymex WTI at $103.53/b.

Graph 1.2: Nymex WTI futures and US$ exchange rate, 2013



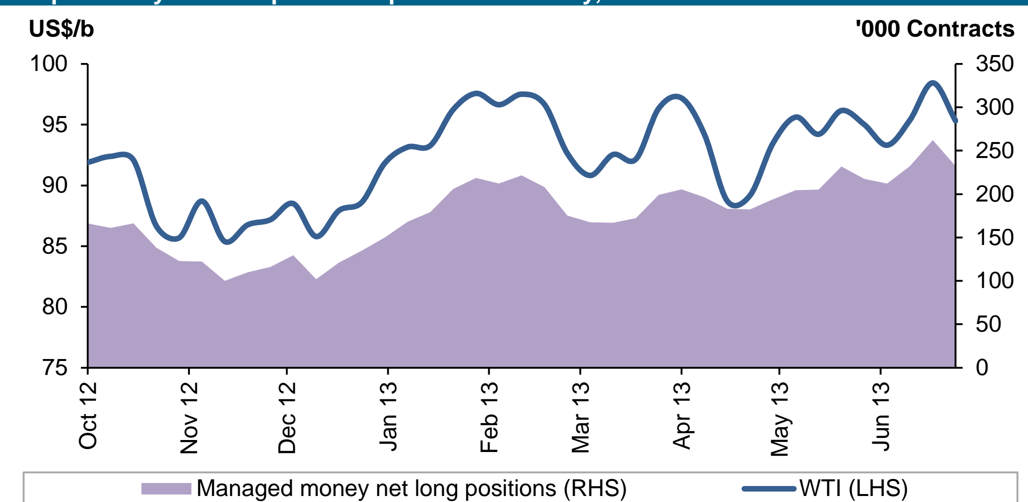
While expanding their net length and open interest in Nymex WTI futures and options in June, **money managers** reduced net length and overall exposure in ICE Brent futures and options. This was broadly in line with price developments over the month, as the Nymex WTI saw its value improving at a much higher rate than that of ICE Brent.

Compared to the previous month, end-of-June data released by the **Commodity Futures Trading Commission** (CFTC) showed speculators took on 4,082 fresh **Nymex WTI** futures and options long positions, and shed 10,581 shorts, expanding their net length by 14,663 contracts to 232,194 contracts.

In contrast, over the same period, money managers in the **ICE Brent** futures market reduced net length by 24,731 lots to 136,809 contracts by the end of June, as long positions fell by 18,822 contracts and short positions increased by 5,909 lots. Overall, managed money exposure in ICE Brent futures decreased by 12,913 lots to 250,997 contracts. Over the same period, front-month Nymex WTI and ICE Brent increased by $4.59/b and $1.77/b, respectively by month-end.

Furthermore, **open interest volume** (OIV) in the two markets followed a similar pattern, as Nymex WTI increased by 51,283 lots to 2.5 million contracts, while ICE Brent open interest dropped by 8,149 lots to 1.8 million contracts.

Graph 1.3: Nymex WTI price vs. speculative activity, 2012-13



In **aggregate traded volumes**, activities in both crude oil futures markets fell by almost 2.9 million lots in June, mainly due to less trading days compared to the previous month. This left total amounts traded on the two exchanges at over 24.5 million contracts.

Trade volumes in ICE Brent futures decreased for the second consecutive month to stand at 11.5 million contracts, falling by 2.4 million contracts to below that of Nymex WTI. This was despite a 0.5 million decline in Nymex WTI traded volumes to total 13.4 million lots. Meanwhile, the ICE Brent daily traded volume averaged 573,499 contracts (573 mb/d), a decline of 29,457 lots or 5% from the previous month. In contrast, Nymex WTI daily volume increased by 40,411 lots to 668,777 contracts in June.

The futures market structure

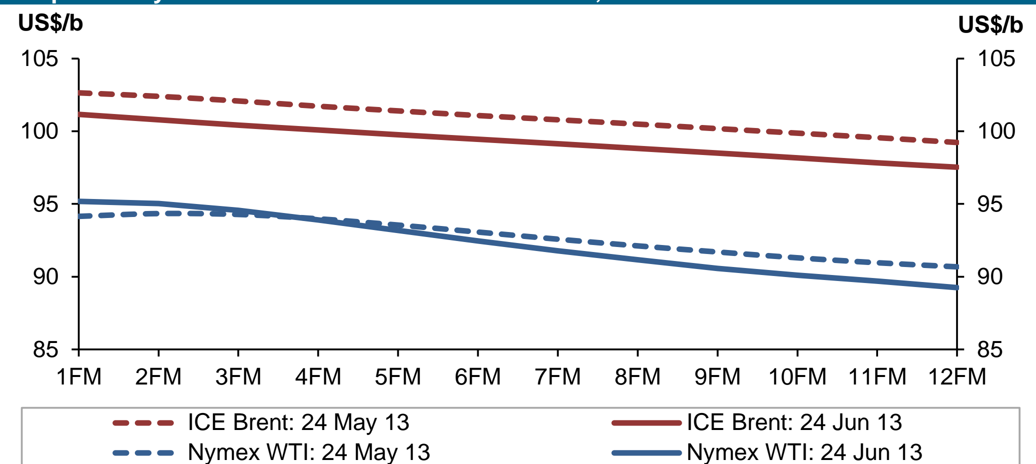
The Nymex WTI market structure temporarily slipped into backwardation, while ICE Brent backwardation remained weak

The **Nymex WTI** market structure continued its narrowing trend for the fourth month in a row. In fact, it flipped into a **backwardation** starting in the second half of June and remains at this status to date. Temporary factors were at play.

Heavy flooding in Canada and a refinery restart near Chicago have cut crude shipments to Cushing, providing support to WTI. These firmer prompt fundamentals pushed first month Nymex WTI to trade at a premium of around 10¢/b to the second month during the last 10 days of June. Moreover, the premium to further months widened out by over $1 in anticipation of further pipeline debottlenecking from the WTI futures pricing point at Cushing. Positive US economic data also supported the WTI market. On a monthly average basis, the Nymex WTI contango market structure narrowed by half compared to the previous month to 10¢/b, a level not seen since October 2011.

ICE Brent backwardation remained weak and did not change over the month amid weak demand from European refiners, ample supply of Atlantic Basin light sweet crudes and resumption of North Sea output. A lack of prompt demand pushed near-month prices below forward months, leaving the market in a **shallow contango**. In June, the spread between the second and first month ICE Brent contract averaged around 25¢/b, the same as in the previous month, and noticeably lower than levels experienced earlier this year when the backwardation was at almost $1/b.

Graph 1.4: Nymex WTI and ICE Brent forward curve, 2013



FM = future month.

Front-month Nymex WTI gained more ground on ICE front-month Brent, narrowing the Brent-WTI spread to a 2-and-a-half-year low of minus $7.54/b.

The Nymex WTI benchmark found support as US refineries returned from maintenance, North Sea output resumed, and signs of a strengthening US economy contrasted with weak EU data. WTI has been further strengthened by higher refinery throughputs and cuts in Canadian production that have reduced supplies to the midcontinent. More crude is moving out of the midcontinent, easing the pressure on storage at Cushing. Prices of local grades such as Light Louisiana Sweet (LLS) are falling relative to WTI, as crude stocks build on the US Gulf coast. Rising production from the Eagle Ford shale formation in Texas, as well as more shipments from the midcontinent, have left Gulf coast refiners with an excess of light crude supplies. LLS traded at around $8/b above WTI, compared with $22/b three months ago.

In contrast, ICE Brent has been in the $100–105/b range for the past two months, with reduced supplies due to offshore maintenance offset by weak demand from European refiners.

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 May 13	94.15	94.34	94.28	93.07	90.68
24 Jun 13	95.18	95.04	94.56	92.47	89.26
ICE Brent					
	1st FM	**2nd FM**	**3rd FM**	**6th FM**	**12th FM**
24 May 13	102.64	102.40	102.08	101.08	99.23
24 Jun 13	101.16	100.79	100.42	99.45	97.53

FM = future month.

The light-sweet/heavy-sour crude spread

The light/sour spread widened in the US and Europe, but remained unchanged in Asia

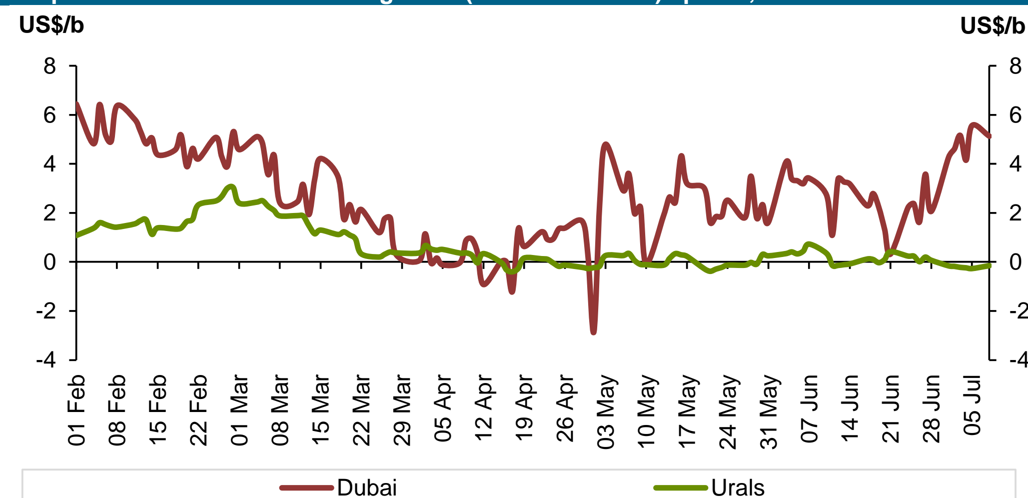
Global **light-sweet/heavy-sour** spreads were mixed in June, with LLS/Mars and Brent/Urals widening, while the Tapis/Dubai spread was unchanged.

For the past two months, the **Tapis/Dubai spread** in Asia was range-bound between $7-8/b. This stability is also seen in the light/heavy product spread, as benefits from strengthening gasoline and middle distillate cracks appeared to be offset by weaker naphtha cracks and slightly stronger fuel oil cracks. Dubai itself has been gaining strength over the latter part of the month and the Dubai differential was seen at around $2/b at the end of June. Some support for Dubai is coming from strengthening refining margins for sour Middle Eastern crude, as well as an uptick in crude buying. The Tapis monthly average premium to Dubai in June was $7.68/b, the same level as in May.

In Europe, **Urals/Dated Brent** spread continued to be strong, supported by the lack of rival sour grades in Europe, less availability of Russian sour crude and occasional outages along the Kirkuk line. Seasonal demand also surged. In contrast, European light crude continues to be pressured by high availability, due to the re-direction of some Atlantic Basin light sweet grades away from the US to Europe. The Urals differential Dated Brent averaged minus 18¢/b in June, and even reaching as high as 50¢/b above Dated Brent.

The US Gulf Coast sweet/sour spread represented by **LLS/Mars** widened significantly over the month. Medium-sour Mars was pressured by the ongoing reversal of the HO-HO pipeline, which has cut it off from Houston refiners, creating something of a bottleneck in the Houma area. The LLS/Mars spread widened by almost $1 to an average of $5.85/b in June.

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



Commodity Markets

Commodities are expected to trade range-bound in coming months, as upside potential is limited, while support from demand remains solid.

Trends in selected commodity markets

In the past weeks, it has become obvious that the past year's **commodity super-cycle** – the multi-year price rise of commodities across the range – was facing a significant **slowdown**. This was led by many factors, but particularly by the obvious slowing down of the major emerging economies, mainly China, which makes up around 25% of demand for key commodities. It seems that emerging economies will continue to grow at lower rates than in the past years. China is currently forecast to grow by 7.7% this year and next year, considerably lower than its average growth over the past decade. This should lead to somewhat lower relative demand changes in the future and while a decline of commodity prices seems unlikely in general, it also points to slower expected price rises in the future. This, interestingly, will probably have important implications – the pressure on global inflation will probably be less accentuated, the fund transfers of commodity importers to commodity producers will be relatively lower, and finances of commodity importers in the developing world will probably be less pressured by ever-rising import prices.

While the slowdown of emerging economies is one of the major or probably even the main aspect that has triggered the softening commodity price development, it should not be overlooked that indeed the reason for this slowdown has been significantly influenced by **decelerating foreign investments**, which have been largely fuelled by the unprecedented rise in monetary supply. Therefore, the rising demand of emerging economies driving commodity prices seems to be the result of the correlation of rising monetary supply – mainly from the developed economies' central banks – and commodity prices through increasing demand for commodities of emerging economies.

Moreover, the unprecedented **increase in monetary supply** has also been supportive for trading **commodities in the paper market**. This was not only due to the fact that investors were investing into this asset class as a pure long-play, but also it served as a protection from rising inflation, which has become less important in the past months as global inflation has decelerated. This paper market channel will also probably not contribute as much as in the past with the likelihood of some reduction in monetary supply particularly by the US Federal Reserve Board. However, this might be compensated at least for some time by still ample monetary supply by other central banks, namely the Bank of Japan (BoJ), the European Central Bank (ECB) and the Bank of England (BoE).

So, in general, it seems that the commodity market is currently in a sort of transition mode, leading to a maturing market with lower but still rising growth rates. Another reason for the recent reaction in commodity prices has certainly been that supply has increased significantly, amid a lower rise in demand.

Finally, the improvements in commodity intensity have been a development not only seen in the developed economies but also in the major emerging economies. While in general, commodity prices should be expected to trade at range-bound levels in the coming months, an exception might be the agricultural sector, where, so far, the lack of weather extremes could lead to a continued decline in prices amid ample supply. Also, inventories for the large commodity groups are currently more than adequate, not providing any upside.

While **energy prices** have been relatively flat in June on an average price level, natural gas has again declined for the second consecutive month, falling by 5.4% m-o-m. The **agricultural sector** was also showing some weakness, falling by 0.5%. **Base metals** were hit by decelerating demand when they fell by 2.6% m-o-m in June, led by falling iron ore prices. Moreover, **precious metals** continued their decline, and both gold and silver declined by 5.0% and 8.4%, respectively. While copper has been almost stable in May, it again fell mainly due to the actual and anticipated slowdown in Chinese demand. It increased by 0.2% on a monthly basis in May but fell by 3.4% in June.

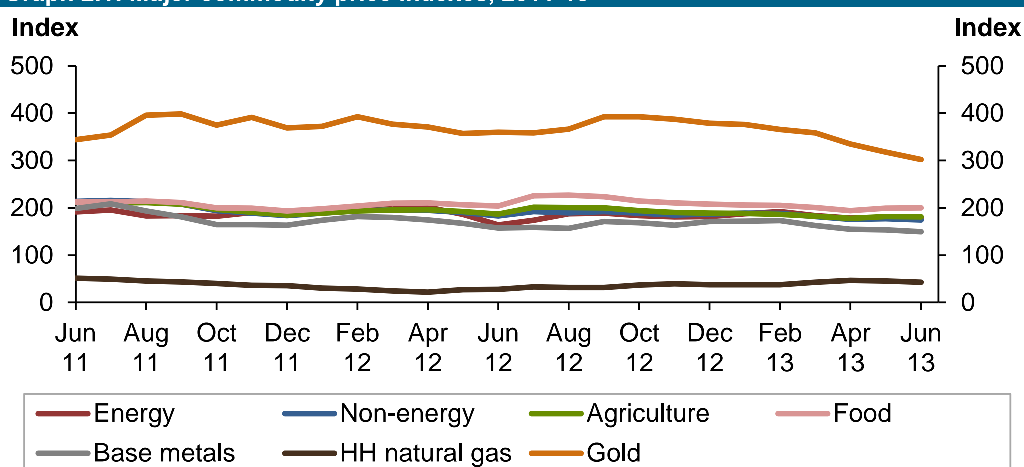
Table 2.1: Commodity price data, 2013

Commodity	Unit	*Monthly averages*			*% Change*		
		Apr 13	May 13	Jun 13	Apr/Mar	May/Apr	Jun/May
World Bank commodity price indices for low and middle income countries (2005 = 100)							
Energy		178.6	178.9	178.7	-2.8	0.2	-0.1
Coal, Australia	$/mt	87.8	87.7	82.8	-3.5	-0.1	-5.7
Crude oil, average	$/bbl	98.9	99.4	99.7	-3.6	0.5	0.4
Natural gas, US	$/mmbtu	4.2	4.0	3.8	9.1	-2.9	-5.4
Non Energy		176.0	176.8	174.2	-3.0	0.4	-1.5
Agriculture		178.0	181.8	181.0	-2.5	2.2	-0.5
Food		193.8	199.0	200.0	-3.5	2.7	0.5
Soybean meal	$/mt	484.0	543.0	558.0	-6.9	12.2	2.8
Soybean oil	$/mt	1,095.0	1,073.0	1,043.0	-1.9	-2.0	-2.8
Soybeans	$/mt	495.0	497.0	524.0	-3.1	0.4	5.4
Grains		234.7	241.6	241.3	-5.2	3.0	-0.1
Maize	$/mt	279.9	295.5	298.4	-9.4	5.6	1.0
Wheat, US, HRW	$/mt	308.3	319.7	313.4	-0.5	3.7	-2.0
Sugar World	¢/kg	39.3	38.9	37.7	-3.7	-1.0	-3.0
Base Metal		154.9	153.7	149.7	-4.9	-0.8	-2.6
Aluminum	$/mt	1,861.7	1,832.0	1,814.5	-2.5	-1.6	-1.0
Copper	$/mt	7,234.3	7,249.4	7,000.2	-5.4	0.2	-3.4
Iron ore, cfr spot	¢/dmtu	137.4	124.4	114.8	-1.8	-9.4	-7.7
Lead	¢/kg	202.7	203.3	210.0	-6.5	0.3	3.3
Nickel	$/mt	15,673.0	14,948.0	14,280.3	-6.3	-4.6	-4.5
Tin	¢/kg	2,166.2	2,077.6	2,026.7	-7.0	-4.1	-2.4
Zinc	¢/kg	185.6	183.2	183.9	-3.6	-1.3	0.4
Precious Metals							
Gold	$/toz	1,487.9	1,414.0	1,343.4	-6.6	-5.0	-5.0
Silver	¢/toz	2,535.5	2,303.8	2,110.9	-11.9	-9.1	-8.4

Source: World Bank, Commodity price data.

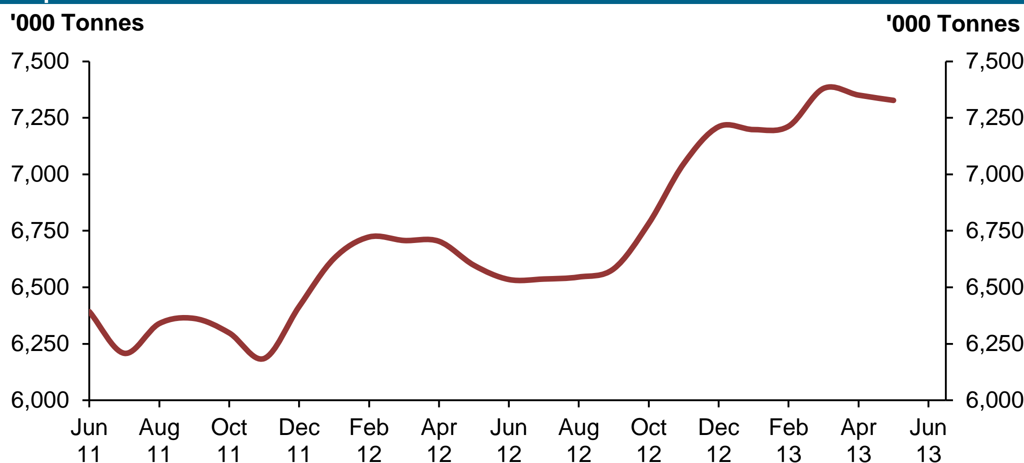
In June, the **Henry Hub (HH) natural gas price index** decreased 5.4% for the second month in a row. Prices were pressured over the month by milder weather for much of the US Midwest and Northeast that dampened cooling demand. Lighter industrial demand also sent prices tumbling earlier in the month. Nevertheless, natural gas prices rose toward the end of the month as warm weather in many areas of the US boosted air conditioning demand, while stronger gas futures kept momentum to the upside.

Graph 2.1: Major commodity price indexes, 2011-13



Source: World Bank, Commodity price data.

Graph 2.2: Inventories at the LME



Source: London Metal Exchange and Haver Analytics.

Investment flows into commodities

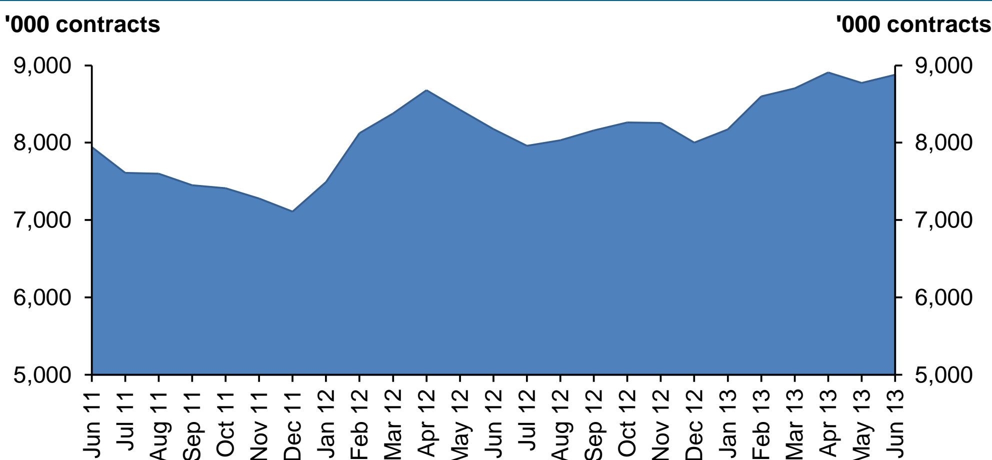
OIV in the US increased by over 7% in June

The total open interest volume (OIV) in major commodity markets in the US increased by over 7% m-o-m to 9.0 million contracts in June, adding to a similar 7% rise in May. The growth was mainly attributed to higher OIV in crude oil, livestock and precious metals. The remaining commodities' OIV decreased marginally over the month.

Total net length speculative positions in commodities decreased marginally by 0.2% m-o-m to 607,621 contracts in June compared to a massive gain of over 33% in the previous month. The data reflected the return of the bearish sentiments in the **natural gas markets, while other** markets were stable to very bullish as in the agriculture and crude oil markets.

Agricultural OIV rose by 3.6% m-o-m to 4,465,282 contracts in June. Money managers' net long positions in agricultural increased by 8.8% to 280,670 lots in June as bearish market sentiments continued to build.

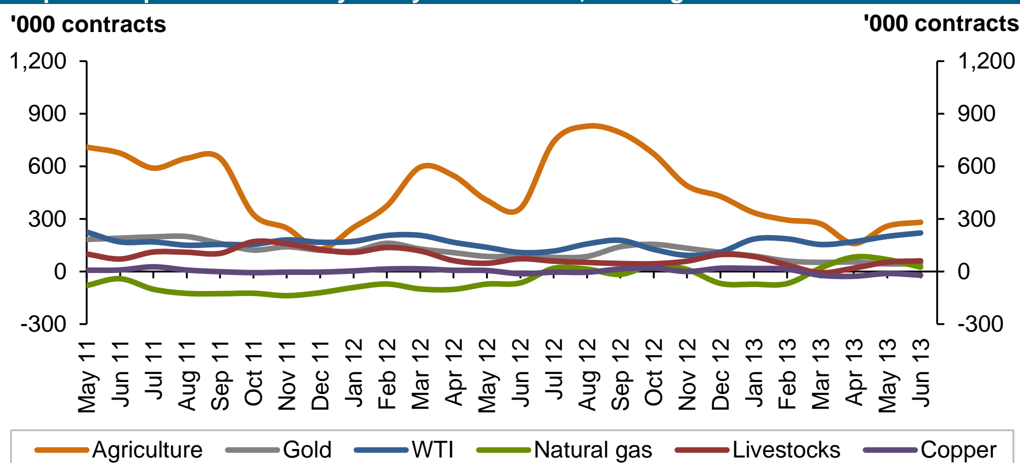
Graph 2.3: Total open interest volume



Source: US Commodity Futures Trading Commission.

Henry Hub natural gas's OIV decreased by 4.8% m-o-m to 1,436,280 contracts in June. Speculative net length positions decreased sharply over the month by a hefty 64% to 24,407 contracts, the lowest in three months, cutting bullish bets in natural gas.

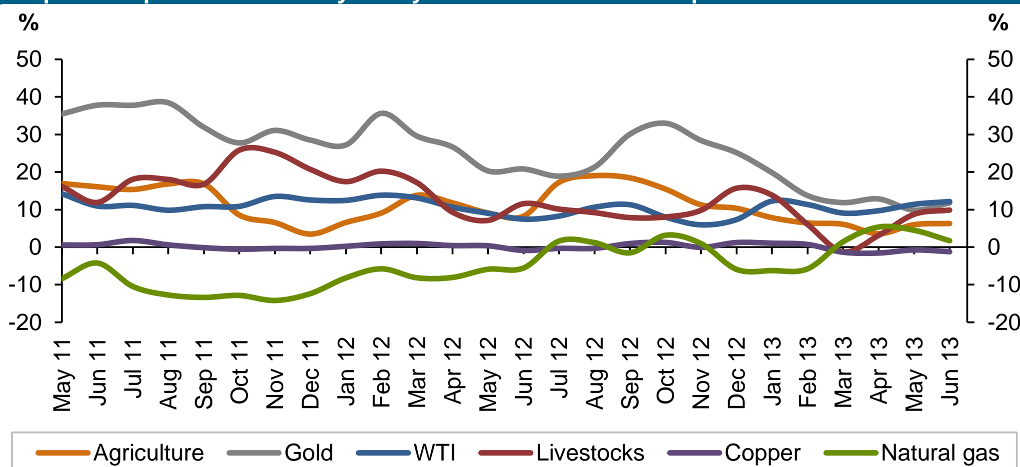
Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

Copper's OIV increased by 11.9% m-o-m to 180,848 contracts in June. The group of investors reduced their short positions sharply by over 80% to 21,744 contracts.

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



Source: US Commodity Futures Trading Commission.

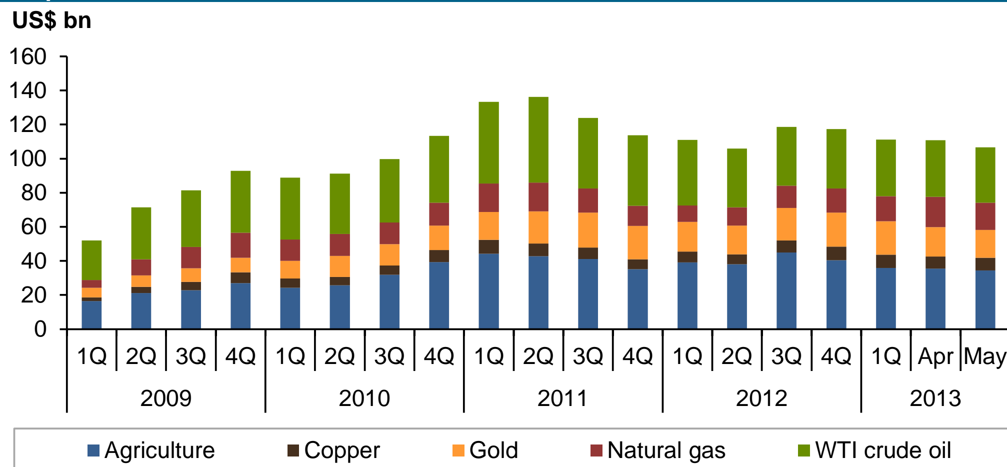
Gold's OIV decreased by 12.9% m-o-m to a record low of 378,664 contracts in June. However, strategic investments in gold rose by 4.2% m-o-m to 44,612 contracts in June, raising their bullish bets. Earlier in the month, hedge funds and money managers slashed their bullish bets in gold futures and options to their lowest levels in six years, as gold prices fell to a three-year low.

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

	Open interest		*Net length*			
	May 13	Jun 13	May 13	% OIV	Jun 13	% OIV
Crude oil	1,754	1,809	200	11	220	12
Natural gas	1,508	1,436	68	4	24	2
Agriculture	4,312	4,465	258	6	281	6
Precious metals	580	525	46	8	45	9
Copper	162	181	-12	-7	-22	-12
Livestock	603	609	53	9	60	10
Total	**8,919**	**9,025**	**612**	**7**	**608**	**7**

Source: US Commodity Futures Trading Commission.

Graph 2.6: Inflow of investment into commodities, 2009 to date



Source: US Commodity Futures Trading Commission.

World Economy

Table 3.1: Economic growth rate 2013-14, %

	World	OECD	US	Japan	Euro-zone	China	India
2013	3.0	1.2	1.8	1.8	-0.6	7.7	5.6
2014	3.5	1.8	2.5	1.4	0.6	7.7	6.0

Industrialised countries

US

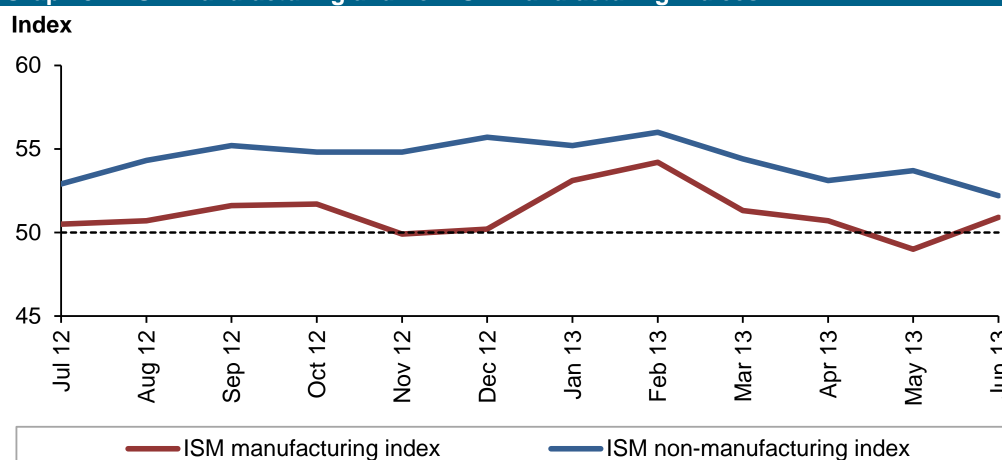
The 2013 forecast remains unchanged at 1.8%. Lingering fiscal issues in combination with reduced monetary support by the Fed, leads to a less favourable investment climate for 2014 and a growth forecast of 2.5%

The US economy continues to expand at low levels and below its estimated current growth potential of more than 3%. The latest and final first quarter of 2013 (1Q13) GDP estimate of only 1.8% was much below the previous estimate of 2.4%, and while momentum in the second quarter is forecast not to exceed this level, there are signals that the economy will see some acceleration in the second half of 2013. Given the rise in recent manufacturing orders and the increase in other lead indicators, this seems to be a likely scenario. The labour market is also continuing to improve, leading to better consumer sentiment. Major uncertainties, therefore, are coming primarily from any near-term decision of the Federal Reserve Board (Fed) to taper off its monetary support measures. This is expected to take place gradually and particularly, when considering that inflation remains low and that the Fed aims at a rate of around 2%. Another important uncertainty is the fiscal issues that remain unsolved, i.e. budget negotiations for 2014 and the likelihood that talks about raising the debt ceiling will need to be resumed in the second half of the year.

While the **1Q13 GDP number** has been revised down sharply to only 1.8%, it still supports the assumption of an improving underlying economy, which continues to gain strength from strong private household consumption, which rose 2.6% on an annualized and seasonally adjusted quarterly growth rate. This added the most to the 1Q13 GDP growth rate, while net exports and government spending were the main negative contributors. While the drag caused by governmental spending is forecast to continue for some time, private household consumption should lead to higher growth levels in the second half of 2013 and in 2014.

Positive development is also supported by the latest improvements in the **labour market**, with job additions continuing to build, and the unemployment rate remaining at 7.6%. Non-farm payrolls rose considerably again by 195,000 in June to stay at the same level as in May. The share of long-term unemployment declined to its lowest level since November 2009 to 36.7%, again lower than the May number of 37.3%. With improvements in the labour market, consumer confidence has also increased once more. The consumer confidence sentiment index of the Conference Board moved to 81.4 in June after reaching 74.3 in May, the highest level of the indicator since February 2008. The same applies to the other very important consumer sentiment indicator of the University of Michigan, which stood at 84.1 in June, only slightly lower than the May number of 84.5.

Graph 3.1: ISM manufacturing and non-ISM manufacturing indices



Source: Institute for Supply Management.

While this paints an encouraging picture, the **manufacturing sector** still feels the drag of fiscal consolidation, though this is improving. The purchasing managers' index (PMI) for the manufacturing sector, as provided by the Institute of Supply Management (ISM), increased to 50.9 in June from 49.0 in May. Moreover, some recovery in manufacturing has been confirmed by manufacturing order numbers — also a very important lead indicator — which increased by 3.6% y-o-y in May, after clocking 0.8% y-o-y in April. The ISM for the services sector — which constitutes more than two-thirds of the economy — fell slightly, however, to 52.2 in June from 53.7 in May.

While momentum in the first half is forecast to be significantly impacted by fiscal drag, the second half is forecast to recover from relatively lower growth levels experienced in the first two quarters. The **2013 forecast**, therefore, remains unchanged at 1.8%. Next year's growth expectation remains uncertain, given the ongoing deadlock over budget issues and the need to finalize the 2014 budget in Congress, as well as the likelihood of upcoming debt ceiling negotiations in the second half. While growth potential for next year is estimated to be somewhat above 3.0%, remaining fiscal issues — in combination with reduced monetary support by the Fed — leads to a **2014 forecast** of 2.5%. In the case of a positive outcome for budget negotiations in the near future, however, and a consequently improving investment climate, growth numbers could be higher than this initial estimate. However, fiscal drag from growth potentials of around 0.7% in the next year, compared to the negative fiscal impact of 1.5% in the current year, seems sensible, given the budgetary uncertainties of the past years.

Japan

The Japanese economy continues to benefit from the large, governmental-led stimulus. The GDP growth forecast has been revised from 1.5% to 1.8%, while 2014 growth is forecast at 1.4%

The Japanese economy continues to benefit from the large government-led stimulus that has been introduced over the past months. Exports and domestic demand have improved, consumer confidence is rising and inflation is slightly better. While these improvements are significant, it still remains to be seen whether this economic traction will continue to accelerate further and keep its momentum in the next year.

Growth in 1Q13 has been revised up and now stands at 4.1%, after an initial estimate of 3.5%. More evidence is building that, at least for now, the effects of unprecedented monetary stimulus and the fiscal stimulus from the end of last year in combination with a significantly falling yen have filtered through into growth activity in the economy. Lead indicators also continue to point to an extension of the current dynamic into the second half, although it is expected to be at lower levels than in 1Q13. So far inflation has improved, still falling by 0.3% y-o-y in June. Negatively for the export-driven economy, the yen started rising again in June, after the Federal Reserve announced that it will potentially reduce its extraordinary monetary supply measures.

After the **government** announced the third arrow of its **growth agenda** — namely removing structural hurdles to growth — it will also need to restructure its public finances, starting in 2014 with a rise in the consumer tax. The third arrow's structural reforms include proposals for special business zones that are able to provide a lower tax rate to companies and less regulation. These special zones are supposed to be relatively large and might include cities such as Tokyo, Osaka and other vast areas. Among other proposals for the national growth strategy to be approved by government soon will be steps to promote trade and investment, liberalize the electricity sector and strengthen the agricultural sector.

While growth is one issue in the Japanese economy, **fiscal balance** is another. In comparison to other major OECD economies, Japan has so far not addressed this issue aggressively. One important step will be the proposal by the former government to double the consumption tax by 2015, with further measures expected to follow in the future. With an ageing population, the highest debt burden of all major OECD economies and the current stimulus, it is certainly a sensible idea that needs to be sorted out as long as it possible to do so without pressure from capital markets. A rise in the **consumption tax** is planned in two steps. It will be increased to 8% by 2014 and to 10% by 2015, from its current level of 5%. But even with a rise in the consumption tax, the gross debt-to-GDP ratio is forecast to stand at almost 300% in 2016, according to an estimate that has been undertaken by Credit Suisse. Finding new sources of revenue should thus be expected to be a key issue in the future. It should also be

noted that a rise in the consumption tax might turn out to be a risky move. In 1997, the last time the tax was increased, it led to a recession and a slump in retail sales, as well as to a steep decline in central government tax revenues.

The latest **export numbers** continue to be encouraging. Exports in May increased by 10.1% y-o-y, after a rise of 3.8% in April. Only February has been negative this year so far, by 2.9%. As the yen started to gain value again versus the US dollar at the end of May and the beginning of June, it remains to be seen whether this development will have an impact on export numbers in the coming months.

Retail sales also turned positive in May, rising 0.8% y-o-y after April's decline of 0.2%.

Industrial production increased significantly on a monthly base in May by 2.0%, after already rising 1.0% m-o-m in April. A positive outlook for the remainder of the year is being echoed in business and consumer sentiment indices alike. The purchasing managers' index (PMI) for manufacturing stood at 52.3 in June, after reaching 51.5 in May, and consumer confidence reached its highest level since June 2007 to stand at 45.6 in May, following 44.4 in April, based on numbers provided by the Cabinet Office.

The positive momentum from 1Q13 — in combination with ongoing support measures — caused an upward revision of **GDP expectations** for **this yea**r. The GDP growth forecast for 2013 has been revised up from 1.5% to 1.8%. While growth for the current year is relatively well-established, the potential for the next year remains to be seen. A consumption tax increase would strongly impact 2Q14 growth, which is now expected to be flat, after a significant rise in 1Q14 ahead of the tax rise. Taking into consideration this negative impact and its continued drag for the remainder of the year and also somewhat slower underlying momentum in **2014**, the economy is **forecast** to grow at 1.4%.

Euro-zone

The forecast for 2013 has been kept unchanged at -0.6%. Growth in 2014 is forecast at 0.6%. Considering the latest softening momentum, some downside risk prevails

While the Euro-zone has faced a decline in the first half of the year, the economy is forecast to rebound in the second half. Some momentum is indeed building up in the Euro-zone, but still it seems that any positive development is counterbalanced by negative momentum elsewhere. Lead indicators point to some improvement, and most peripheral economies have managed to gain some traction again, albeit from very low levels. In general, there has been an improvement over the past weeks in the underlying economy. While on a yearly comparison industrial production for the whole Euro-zone was still in negative territory in April, according to the latest available data, the monthly increase in April is only slightly lower than that of March at 0.4%, after the previous month's rise of 0.9%. Moreover, most recent lead indicators are also pointing to some improvements in the economy, particularly for the manufacturing sector. On the negative side, the most recent data from Germany shows lower-than-expected economic development. Manufacturing orders and industrial production declined in Germany in May in both monthly and yearly comparisons. Also, the most recent spikes in Portugal's sovereign debt yields were not very encouraging. Thus, economic development remains soft and will require close monitoring in the coming months.

This tender improvement in the Euro-zone's economy has also been highlighted by the president of the **European Central Bank** (ECB); the bank is sending a clear signal that it will keep interest rates at low levels for the foreseeable future. After its latest meeting, it elected to keep the key policy rate unchanged at 0.5%. One major issue is the continuously impaired transmission channel of money flow in the Euro-zone's financial system, which is still significant for the ECB. The latest available data from May shows a record decline of 2.3%, from -1.7% in April.

A positive trend has been confirmed by the latest **purchasing managers' index** (PMI), as provided by Markit for the manufacturing sector, which improved to 48.8 in June from 48.3 in May. Although it still points to contraction in the sector, as it remains below the 50-point level, it does show a tender improvement in industrial activity. The composite PMI also rose to 48.7 in June from 47.7 in May.

However lagging **labour market** indicators highlight the challenges facing the economy. Unemployment in May rose to 12.2% from a revised 12.1% in April, again with the highest level in larger Euro-zone economies including Spain, which recorded a rate of 26.9% in May, after reaching 26.8% in April. This situation is still holding back domestic consumption, but with improving industrial activity, continued accommodative monetary policy and some relaxation of the austerity framework, it is likely that the Euro-zone will start moving out of recession at the end of the second half of this year.

Although the **forecast for 2013** has been kept unchanged at -0.6% for 2013, some downside risk prevails. This estimate is based on the assumption of a rebound in the second half. A carry-over of this momentum into **2014** would lead to a low **growth level** of 0.6% next year. This would still be much below the current growth potential of the Euro-zone, which stands above 1%. It remains to be seen to which extent the economy will manage to rebound in the coming months, but it will certainly require improvement of the larger economies — namely Germany and France — with the momentum supported by other peripheral economies.

Emerging Market and Developing Countries

Forecast for 2013 revised down, while 2014 is foreseen to hold higher rates of GDP growth

The GDP growth rates for the four major emerging economies have been revised down this month.

Brazil's 2013 GDP forecast has been revised to 2.5% down from 3.0% in June due to lower than initially expected investment levels, which are needed to drive growth in an economy which is already operating at nearly full capacity. There has also been only limited room for monetary stimulus amid rising inflation rates, as well as sluggish exports, mainly to China. The economy is predicted to grow at a rate of 2.8% in 2014.

Russia's economy is also projected to grow at a slower pace in 2013 than anticipated in June's forecast. The GDP growth rate has been revised down by 0.3 pp from 2.9% to 2.6% this year on lower export revenues in the first quarter and decelerating investment growth. The forecast for 2014 stands at 3.0%, backed by relatively quicker progress in investment and stable commodity prices.

India's 2013 GDP growth rate was downgraded from 6% to 5.6% in July; one major impact came from weakness in the Rupee exchange rate in mid-June. Amid India's rise in its current account deficit, it seems likely that supportive government steps and general investment in infrastructure development for the next year will lead to a higher GDP growth rate, forecast to reach 6% in 2014.

In **China,** the short-term effect of the liquidity crunch in the banking system led to a downgrade in the 2013 growth forecast to 7.7% from 7.9% in June 2013. Given the deceleration in total investments, it seems likely that the GDP growth rate will remain at 7.7% in 2014 as well. The challenges facing China's financial sector will remain a risk in the coming months.

Table 3.2: Summary of macroeconomic performance of BRIC countries

	GDP growth rate		CPI, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Brazil	2.5	2.8	5.8	5.5	-74.2	-76.3	-2.7	-2.6	58.9	59.4
Russia	2.6	3.0	5.9	5.7	50.0	34.2	-0.5	-0.4	8.0	8.1
India	5.6	6.0	8.2	7.6	-88.5	-79.5	-4.9	-4.5	49.4	48.4
China	7.7	7.7	2.9	3.4	159.6	109.9	-2.1	-2.0	16.3	16.7

Source: OPEC Secretariat, Economic Intelligence Unit and Financial Times.

Brazil forecast to grow at 2.5% in 2013, 0.5% down from the previous assessment. The forecast for 2014 stands at 2.8%.

Brazil

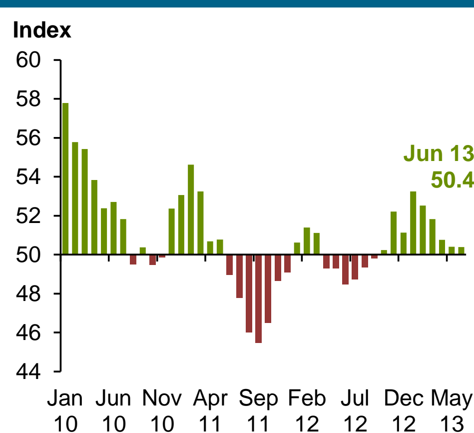
Brazilians' optimism about the state of their economy has shown a retreating trend since October 2012, as indicated by the **consumer confidence index,** which saw only a minor increase of 0.2 points in May from April's 111.8, its lowest reading since February 2010. This sentiment materialized in protesters taking their economic frustration out to the streets. Obviously, this does not suggest a sustained improvement in household spending, which forms the largest share of Brazil's economy, among other streams of output.

Along the same lines, the HSBC's **purchasing managers' index** for manufacturing, seasonally adjusted (SA), was unchanged in June from 50.4 points in May, a seven-month low. The index has been experiencing a downward movement since February from its January 2013 21-month level high of 53.3. Despite this, it has continued to stay above 50. June's PMI shows only minor improvements in operating conditions. Furthermore, the survey also signaled weaker foreign demand and higher rates of inflation, while the quickest growth was noted in the production of consumer goods. In the meantime, the national statistics agency of Brazil announced a fall in **industrial production** of 2% in May from the previous month. This figure, however, is 1.4% above that of the same month last year.

Graph 3.2: Brazilian consumer confidence index, NSA

Source: Fundaçâo Getulio Vargas and Haver Analytics.

Graph 3.3: Brazilian manufacturing PMI, SA



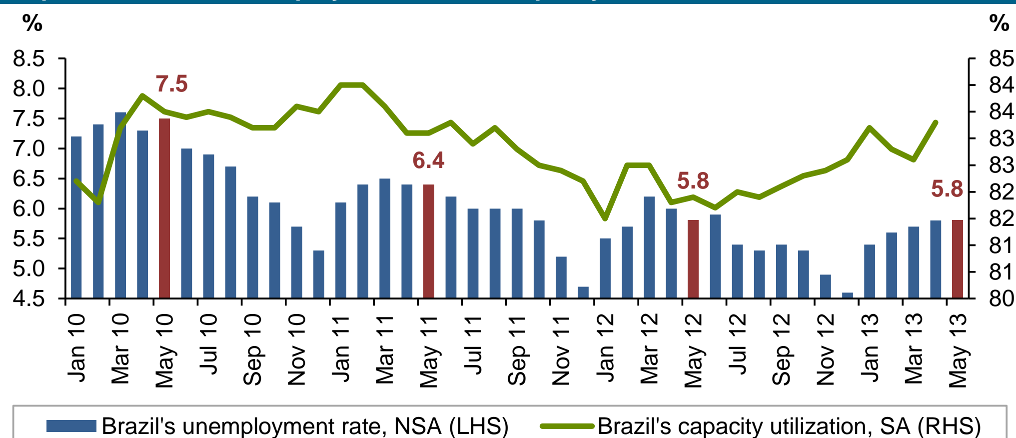
Source: Fundaçâo Getulio Vargas and Haver Analytics.

The decelerating pace of contraction in Brazil's **exports** to its top destination — China — which started in October 2012 reached growth of 18% y-o-y in April. This trend is questionable after total exports growth retreated to the negative again in May. Brazil's exports are suffering since April 2012, as the only expansion seen over the past 14-month period was in April of this year, which was not sustained, dropping by 6% in May. It is worthwhile to note in this context that starting in 2009, China overtook the United States as Brazil's top exporting destination. It is not a coincidence that Brazil's export of primary products — including iron ore and concentrates — became its main export, surpassing both semi-manufactured and manufactured products. In 2001, China imported around 18.3% of Brazil's entire exports, with iron ore and concentrates accounting for nearly 14.3% of total exports. Following months of a more than two-fold growth rally prior to 2012, Brazil's iron ore exports contracted every month since January 2012, with the first month of this year being an exception. Furthermore, iron ore prices have tumbled by around 24% since February of this year, prompted by the supply–demand mechanism. This price slide, combined with deteriorating volumes, is exerting a draining effect on export revenues. Nevertheless, the relatively slower decline in iron ore export revenue since the beginning of the year holds forth slim optimism for better performance in the coming months, though it will always be subject to demand increases from China.

Unemployment stood at 5.8% in May, its lowest May reading since at least 2001. **Manufacturing capacity utilization** was high and improved further over the first four months of 2013 to register 83%, higher than last year's average of 82.1%. These rates

of unemployment and capacity utilization highlight that the economy is operating at nearly full capacity. Despite the fact that low unemployment is a prime macroeconomic objective and that high utilization rates generally reflect firm economic activity, in the case of Brazil, both put a cap on sought-after annual output growth. The low numbers of unemployed people together with tight rules on foreign labour left one channel for a possible output increase — enhancing productivity. This, in turn, requires investment in better education/training and new technology, which does not bear fruit in the short term. On the other hand, high capacity utilization means that more investment into less labour-intensive capital assets is the way towards an output increase.

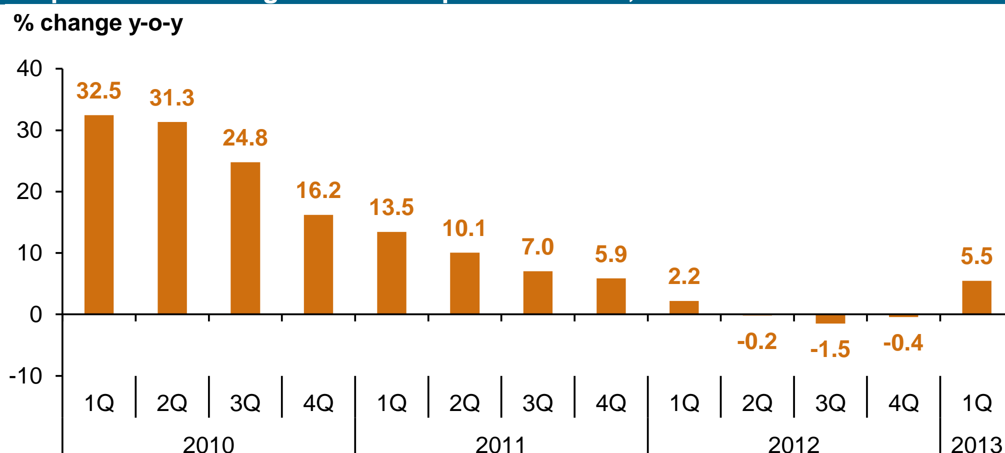
Graph 3.4: Brazilian unemployment rate and capacity utilization



Source: Instituto Brasileiro de Geografia e Estatística, Confederação Nacional da Indústria and Haver Analytics.

Not surprisingly, **inflation** has continued to break the 6.5% upper boundary set by Brazil's monetary council (with a lower limit of 2.5% and a midpoint of 4.5%) since the beginning of this year. From 7.16% in April, inflation took a step down in May to 6.95%, and up compared to the same month in the previous year (based on y-o-y percentage changes in Brazil's national consumer price index). More attention placed on ramping up domestically-driven investment and encouraging household consumption has led to a long stream of rate cuts by the central bank of Brazil starting in July 2011 and concluding only two months ago when the key policy rate, the 'Selic' rate, was raised by half a percentage point to 8%. This loose monetary policy and climbing governmental spending, along with growing salaries and wages, have put more inflationary pressure on the demand side, while fading investment, a low unemployment rate and high capacity utilization have not helped ease pressure from the supply side.

Graph 3.5: Brazilian gross fixed capital formation, SA



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

The 1Q 2013 improvement in **gross fixed capital formation (GFCF)** after three quarters of contraction is a significant contributor to growth momentum this year, especially if it continues into the second quarter and does not retreat during the second half of the year. One important source of optimism in this regard is the undeniable contribution to government **investment** expected this year in World Cup-related infrastructure and preparation.

The Brazilian government — in its attempt to reverse the deceleration of output growth — has decided to make cuts to electricity rates and payroll taxes for many industries. Furthermore, the government is creating a credit line for low-income households of $8.7 billion. It also removed a tax, known as the IOF, on foreign investors who buy Brazilian bonds in the domestic market. In the monetary arena, while the central bank raised the ‘Selic’ interest rate in May by 50 basis points, the national monetary council has kept its inflation target unchanged through 2015, in addition to leaving the long-term lending rate at a record low of 5%.

Taking the above into account, Brazil’s GDP estimate for 2013 has been revised down to 2.5% from an initial figure of 3.0%. Predictions for 2014 point to a growth rate of 2.8%. The range of economic risks is widening for Brazil. It remains to be seen and closely monitored how the government is going to act in coming weeks in response to recent public protests and their socioeconomic triggers.

Russia

Russia’s GDP growth in 2013 revised down by 0.3% to 2.6%. Growth in 2014 is forecast at 3.0%.

Manufacturing growth, as shown by the HSBC manufacturing **PMI**, exhibited better performance in June as it rose for the first time since the beginning of the year. This came after the 1.4% y-o-y slide in May’s **industrial production**. The PMI rose from 50.4 in May to 51.7 in June, its four-month best reading. This notable development indicates better new orders, higher domestic demand and a slight increase in export orders.

Unemployment slid in May to its lowest rate since September 2012 to 5.2% from 5.6% the previous month. The unemployment rate stayed no higher than 6% for 14 months. This positive trend, however, may not sustain amid official signals of the need to reduce the government workforce for the sake of enhancing productivity and curbing operational costs. Russia’s public sector employs around one quarter of the total labour force.

Similar to what other emerging and developing economies experienced last month, Russia suffered from difficulties in bond sales – ruble-denominated assets – actually cancelling two auctions last month due to a lack of competitive bids amid a hike in borrowing costs, stemming from mounting speculation over the US Fed’s potential to taper off its asset purchasing programme aimed at stimulating the economy. This unexpected hurdle, if it continues, would further restrict the **federal budget,** which was running a surplus last year until November. It moved into deficit territory in December on a traditional spending surge.

Inflation, measured by y-o-y consumer price, increased to 7.38% in May from April’s 7.23% while official figures indicated a deceleration in **consumer spending** and disposable incomes in the same month. Real disposable income slipped 1.3% from a year earlier after a revised 7.5% perk up in April. Retail sales rose 2.9% from a year earlier compared to a 4.1% climb in April.

Capital investment experienced no change in the first quarter over last year. In the meantime, first-quarter exports of crude oil, oil products and natural gas cooled by 6.3%, 5.5% and 1.6% from last year’s first quarter, respectively. That said, it seems that global commodity prices are exerting a downward pressure on **export** growth, a central source of revenue.

This year’s GDP projection has been revised down by 0.3 percentage points to 2.6% this month due to not-so-promising total investment development and slowing first quarter export revenues, especially from crude oil, oil products and natural gas. It is expected that the Russian economy will recover and grow by 3.0% in 2014.

India

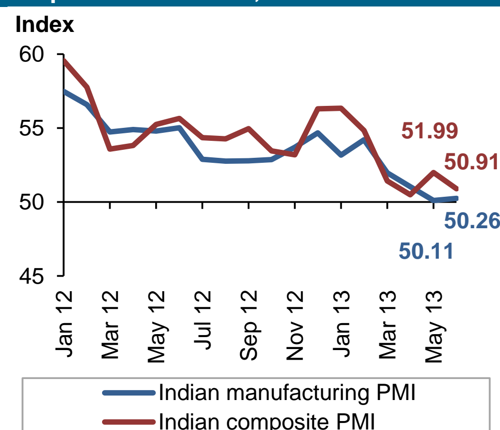
GDP growth forecast for 2013 was revised from 6% in the previous assessment to 5.6%, and is expected to rebound to 6% in 2014

The current parliamentary term ends in May 2014, although there is growing speculation that polls may be held early.

The government's budgetary strategy has been repeatedly blown off course by a series of unfavourable developments since 2008, from the global financial crisis to the recent domestic economic slowdown, exacerbated by Congress's fiscal profligacy. As a result, federal government deficit widened from the equivalent of 2.5% of GDP in the fiscal year 2007/08 (April–March) to 5.7% in 2011/12.

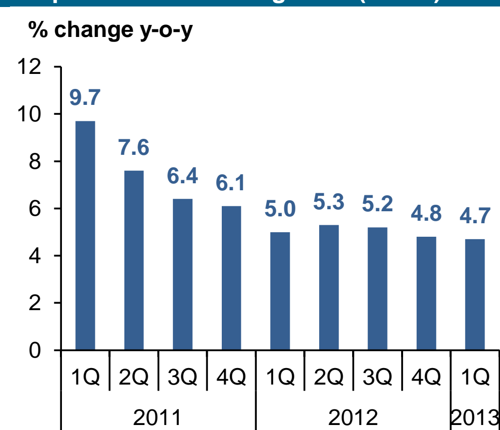
On 3 May, the Reserve Bank of India (RBI, the central bank) cut its main policy interest rate — the repurchasing (repo) rate — by 25 basis points for the third time since January; the rate now stands at 7.25%. The central bank was prompted by a steady deceleration in wholesale price inflation as well as by sluggish economic performance in recent months. However, with consumer price inflation remaining elevated and the current account deficit at historical levels, the RBI highlighted the limited scope for further monetary easing.

Graph 3.6: Indian PMI, SA



Source: HSBC, Markit and Haver Analytics.

Graph 3.7: Indian GDP growth (SAAR)



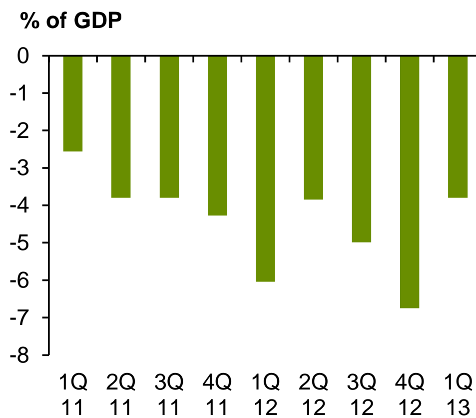
Source: Central statistical office of India and Haver Analytics.

The GDP growth forecast for 2013 was revised from 6% in June to 5.6% in July due to two important issues. First is the development of the rupee, which has fallen sharply in the past few weeks, potentially lifting inflation and limiting the RBI's ability to loosen its monetary policy. Second is the current account deficit; while it has narrowed to 3.8% of GDP in Q1 from 6.7% in the previous quarter, it remains significantly in negative territory.

The pace of economic expansion slowed sharply in 2012/13, owing to a host of domestic factors, including capacity constraints, weaker business and consumer sentiment, and drought in parts of southern and western India. Growth in private consumption (which accounts for more than one-half of nominal GDP) is estimated to have slowed to 4.1% in 2012/13, its slowest pace of expansion since 2004/05. Government consumption is also thought to have decelerated to 4.1%, from 8.5% in 2011/12, as the administration sought to narrow the fiscal deficit. These measures, combined with a loosening of monetary policy, are expected to enable real GDP expansion to rebound to about 6.0% in 2014.

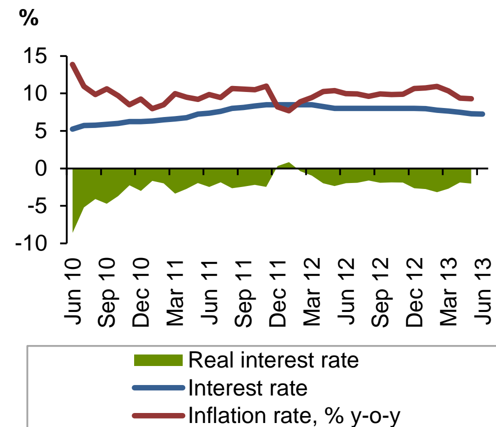
Both consumer and wholesale price inflation eased in April, led by a moderation in food price rises. Wholesale price inflation slowed to a 41-month low of 4.9% y-o-y, from 6% in March, while consumer price increases decelerated from 10.4% to 9.4%. The RBI acknowledged that WPI inflation pressures have moderated meaningfully but in line with projections. However, it indicated that "upside pressures on the way forward from the pass-through of rupee depreciation, recent increases in administered prices, and persisting imbalances, especially relating to food, pose the risk of second round effects."

Graph 3.8: Indian current account deficit



Source: Haver Analytics.

Graph 3.9: Indian interest rate and inflation



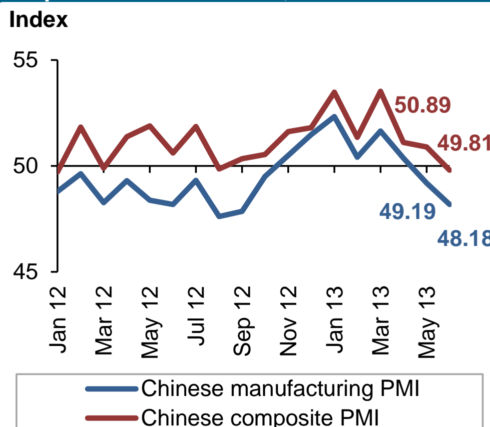
Source: Reserve Bank of India and Haver Analytics.

China

GDP growth revised down to 7.7% for 2013 and forecast to grow at the same rate in 2014

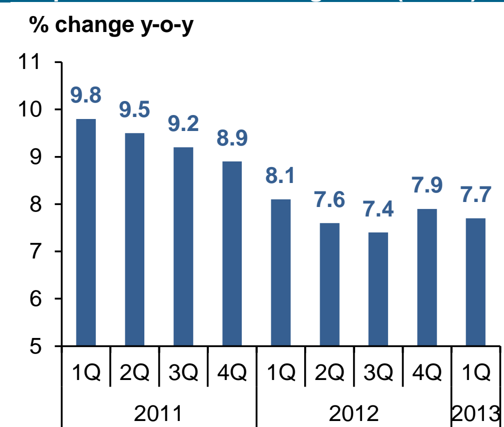
Real GDP grew by 7.6% y-o-y from January–March 2013, indicating that much of the momentum built up in the economy in the fourth quarter of 2012 — when it expanded by 7.9% — has been lost. Given the weakness of first-quarter data, it is forecast that economic growth in 2013 as a whole will average 7.7%. Higher growth in investment in 2012, revealed in recent official data releases, is unlikely to be repeated in 2013, with depressed business confidence serving to dampen real investment growth. Another factor limiting real GDP expansion in 2013 will be the government's campaign against extravagant public spending, which will cause funds to be saved rather than spent. Private consumption growth is forecast to remain strong, however, at 8.8% in 2013, up from an estimated 8% last year. However, the major engines that fueled the Chinese economy in the past — credit-financed investment and exports — are forecast to slow down.

Graph 3.10: Chinese PMI, SA



Source: HSBC, Markit and Haver Analytics.

Graph 3.11: Chinese GDP growth (SAAR)



Source: China National Bureau of Statistics and Haver Analytics.

China's exports to the US decreased from around 15% in May to 1% in April. Also, starting in mid-May, the economy started to face credit financing problems. Interbank rates in China spiked to record levels in June, reflecting high demand for liquidity as banks tried to meet end-quarter reserve requirements. The People's Bank of China (PBoC) took a tough stance initially and decided not to provide extra liquidity, sending a strong signal that it does not want the recent strong growth in shadow banking to continue. Efforts by China to rein in its $3.2 trillion shadow banking system by requiring banks to provide greater disclosure about their off-balance sheet activities triggered a cash crunch at the end of last week, impacting market sentiment and the price of commodities, including oil. With stock markets falling and global repercussions, the PBoC relented and provided more liquidity to calm markets. The recent actions will likely lead to a tightening in effective credit conditions that could have a significant impact on investment in the coming months and a more moderate effect on

consumption. Taking this softening momentum into consideration, the GDP growth rate for China is forecast to be 7.7% in 2013, a revision of 0.2 percentage points from last month. The same level of growth is forecast for 2014.

Other Asia

Other Asia GDP forecast to grow 4.3% in 2013, 0.2% lower than the previous assessment. For 2014, the region's economies are forecast to grow by 4.5%

On the back of mounting concerns that developed economies will scale back liquidity pumping, **Indonesia** has joined other emerging and developing economies in addressing an outflow of capital. For the first time since 2011, the Bank of Indonesia last month raised its reference interest rate by 25 basis percentage points to 6% in a move aimed at supporting the rupiah and easing inflation expectations. The HSBC purchasing managers' index (PMI) signaled continuous improvement in Indonesia's operating conditions during June for the fifth month running, though at slower pace; the index posted 51.0 in June, down from 51.6 in May. The average reading of the index in 2Q2013 is 51.4, which is better than the 50.5 of 1Q2013. The Statistics Bureau of **Taiwan** estimated an increase in private investment to touch a record NT$2.3 trillion this year although a global economic slowdown is hurting exports. The government of Taiwan has taken steps aimed at supporting investment and export via simplifying procedures, cutting taxes, striking trade agreements with the United States and Asian countries as well as relaxing immigration rules. For the second month running, Taiwan's manufacturing PMI experienced a drop in June from 49.5 to 47.1 indicating lower new business starts and less output. The **Philippines'** exports plunged by 12.8% in April, while the unemployment rate increased to 7.5% from February–April. Inflation, however, held at 2.6%, its lowest in 13 months, which gives the monetary policy scope to spur growth. Due to lower shipping of electronic goods by manufacturers in May, **Singapore's** exports slid 4.6% from a year earlier, after hitting a 1% slump in April. Electronics shipments shrank 13.2% from last year. Operating conditions in **Hong Kong** deteriorated in June at their fastest pace since November 2011 as indicated by the PMI, which slid from 49.8 in May to 48.7 in June. The survey showed sharp declines in output and new business starts, as well as the steepest plunge in employment for 21 months.

Africa

GDP forecast for Africa in 2013 reduced to 4.1% from previous assessment of 4.4%. In 2014, growth is forecast at 4.4%.

Overall African economies are projected to grow at 4.1%, down from June's forecast of 4.4%. This revision, however, is mainly due to an upward revision of the 2012 comparison base year on the strong comeback of Libya after its economic contraction in 2011. Moreover, Africa is forecast to post GDP growth of 4.4% in 2014. As with the previous year, political instability is continuing to be the prime source of uncertainty on the continent during 2013 and 2014.

Egypt's GDP forecast is 2.0% for this year, similar to its previous year estimated growth. While developments were initially positively received in the country by stock and currency markets, the latest events have again raised concerns; political unrest is hitting during the tourist season peak, a scenario that is almost surely negatively impacting the economy. Most probably, concrete and tangible improvements are not expected to materialize before the end of this year in the best-case scenario. Egypt's June MPI indicated a further scale down in its non-oil producing private sector. The index stayed in contraction territory for the ninth month in a row. The rate of contraction ramped up in June to 47.5, compared to 48.5 in May. The survey showed that political instability has caused declines in output and new orders.

South Africa is foreseen to grow at a rate of 2.3% in 2013. A weaker currency (the rand) which depreciated around 15% against the dollar this year, as well as lower exports to Europe, bearish gold market and strikes in the mining industry are putting pressure on investment and overall growth in output. Despite that, inflation slowed in May for the first time in four months to 5.6% and the benchmark interest rate has been kept at 5.0%, aimed at taming inflation that at 6% stands near the upper range.

Latin America without Brazil forecast to grow by 3.4% in 2013, down by 0.3% from the previous assessment.

For 2014, GDP growth is estimated at 3.5%

Latin America without Brazil

Argentina's economy posted a promising GDP growth rate in the first quarter of 3.0% from a year earlier. Increasing public spending and handouts to poor families to spur consumption has supported the output growth rate, and consumer spending accelerated 6.1% in the first quarter. However, these measures have not helped tame inflation, estimated to be at more than 10%. Furthermore, higher energy imports are eating up Argentina's narrow trade surplus.

It is estimated that Latin America's exports will benefit from an expected acceleration in the US and Euro-zone economies next year. On the other hand, however, a marginally cooled rate of growth foreseen in China and India will likely negatively affect exports from Latin America. For 2013, **Latin America and the Caribbean** are projected to post GDP growth rates of 3.0%, reaching 3.2% in 2014.

Transition region

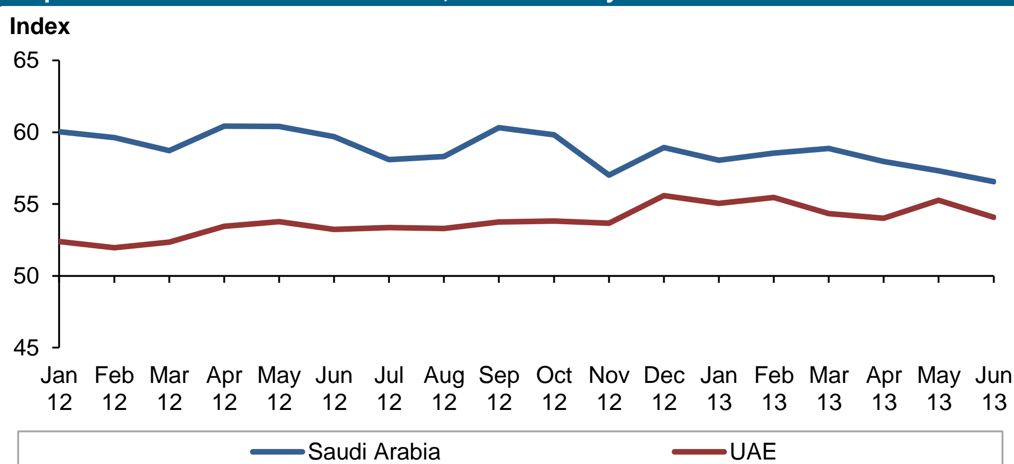
The ongoing Euro-zone recession and austerity measures are dragging down the economies of Central and Eastern Europe this year. With inflation growth at its slowest in 39 years, **Hungary** has cut its main interest rate to a record low of 4.24% from 4.5%, aiming at supporting the economy's rebound from its 2012 recession. **Poland's** GDP growth decelerated in the first quarter to 0.7%. This came about due to the ongoing Euro-zone recession, which is hurting Poland's exports, more than half of which go to the Euro-zone. Inflation in Poland decreased in May to 0.5% from the previous year, the lowest level in seven years. This has provided a comfortable space for the central bank to undertake its eighth interest-rate cut in less than one year. The Polish PMI improved in June to 49.3 from 48.0 a month earlier, though it is still in contraction territory. The survey signaled the first increase in new business since January 2012.

OPEC Member Countries

2013 GDP growth forecast revised down to 3.3% and stands at 4.2% for 2014

The growth rate of OPEC Member Countries for 2013 has been revised down by 0.9 percentage points to 3.3% from June's growth forecast of 4.2%, due to accommodation of the latest available data from 2012 and the first half of 2013. As for 2014, OPEC member countries' GDP growth points towards a solid expansion of 4.2%, with more than half of the improvement coming from an expected acceleration in the economy of **Iran**.

Graph 3.12: Saudi Arabia and UAE PMI, total economy



Source: SAAB, HSBC, Markit and Haver Analytics.

SABB HSBC **Saudi Arabia's** June PMI continued pointing to expansion in the country's non-oil producing private sector. The index, however, signaled slower momentum of growth for the third consecutive month as it slid to 56.6 in June from 57.3 the previous month. In addition, the survey indicated a slowdown in new order growth, accompanied by an increase in input costs. Likewise, the **United Arab Emirates' (UAE)** PMI remained well in expansion territory in June at 54.1, albeit at a slower pace compared to May, when the index stood at 55.3. The survey concluded a marginal rise in export business, acceleration in labour costs, a slower output speed and increases in new business.

Oil prices, US dollar and inflation

The US-dollar's has declined versus its major currency counterparts in June and only recently started to appreciate again at the beginning of July.
In real terms, after accounting for inflation and currency fluctuations, the Basket price declined by 0.9% or $0.56/b to $62.46/b in June.

The US-dollar has declined versus its major currency counterparts in June and only recently started to again strongly appreciate after strong labour market numbers at the beginning of July indicated that the Fed US Federal Reserve Board might start to reduce its extraordinary monetary supply measures in the near future. On average June levels, the US-dollar declined by 4% versus the yen, lost 2% compared to the euro and the pound sterling and depreciated by 1% compared to the Swiss franc.

However, since the likelihood that the Fed's extraordinary supply measures might be reduced in the future has been supported by solid labour market indicators at the beginning of July, the US-dollar started to appreciate again. While the yen has traded at an average level of ¥97.492/$ in June and moved down to reach a level below even ¥95.0/$ in the past weeks, it has moved above ¥100.0/$ in July again. The US-dollar's development compared to the euro has been less dramatic in the past month, while it followed the same path. While it traded at $1.3188/€ on average in June, it moved below the $1.30/€ level at the beginning of July. This has been not only due to the expectation of reduced monetary easing in the US, but was also impacted by the contrary strategy of the ECB, which announced that it will keep interest rates at the 0% level for an extended period of time. In general, currency markets will continue to be influenced by monetary decisions. With currently the US FED to be potentially the first to reduce monetary easing compared to the ECB, the BOE and the BoJ, the US-dollar might continue to be well supported given the forecast of some rebound of the US economy in the second half of the year.

In **nominal terms**, the price of the OPEC Reference Basket remained almost unchanged now on a monthly average for the second consecutive month. It rose by $38¢/b or 0.4% from $100.65/b in May to $101.03/b in June. In real terms, after accounting for inflation and currency fluctuations, the Basket price declined by 0.9% or 56¢/b to $62.46/b from $63.02/b (base June 2001=100). Over the same period, the US dollar declined by 1.3% against the import-weighted modified Geneva I + US dollar basket, while inflation fell by 0.1%. *

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

World Oil Demand

World oil demand

World oil demand growth expected to pick-up in 2014 to reach 1.0 mb/d

World oil demand in 2014 is projected to grow at a higher rate than in the current year, rising by 1.0 mb/d or 1.2% from 2013 levels to average around 90.7 mb/d. This represents roughly a 0.3 mb/d rise over the rate of growth foreseen for the current year. It is also the highest growth rate since 2010 and, at the same time, in line with the historical average of the last 10 years.

Non-OECD countries are projected to lead oil demand growth in 2014 with an increase of 1.2 mb/d, while OECD nations are expected to continue to contract, falling by 0.2 mb/d, despite improved figures for the current year of around 0.17 mb/d. Gasoil and diesel are expected to see the largest share of growth in 2014, due primarily to transportation and industrial sector consumption in non-OECD countries.

The world oil demand estimate for 2014 is subject to uncertainties depending on the pace of recovery in economic growth in the US, Euro-zone, and China. Oil demand in 2014 could be capped by the further implementation of policies targeting energy efficiency in the transportation sector, subsidy developments in some countries in the Far East and elsewhere, global weather conditions – especially in high demand areas – and the restart of nuclear power plants in Japan.

Table 4.1: World oil demand in 2014, mb/d

							Change 2014/13	
	2013	1Q14	2Q14	3Q14	4Q14	2014	Growth	%
Americas	23.79	23.79	23.76	24.03	23.95	23.88	0.09	0.38
Europe	13.40	13.05	13.23	13.38	13.24	13.23	-0.17	-1.30
Asia Pacific	8.40	8.75	7.84	8.06	8.45	8.27	-0.13	-1.54
Total OECD	**45.60**	**45.59**	**44.83**	**45.47**	**45.64**	**45.38**	**-0.21**	**-0.47**
Other Asia	11.06	11.15	11.26	11.41	11.45	11.32	0.26	2.33
Latin America	6.49	6.44	6.69	6.95	6.83	6.73	0.24	3.65
Middle East	7.87	8.11	8.04	8.52	8.03	8.17	0.31	3.89
Africa	3.43	3.45	3.45	3.41	3.56	3.47	0.03	0.96
Total DCs	**28.85**	**29.15**	**29.44**	**30.28**	**29.87**	**29.69**	**0.83**	**2.89**
FSU	4.49	4.41	4.25	4.67	4.93	4.57	0.08	1.78
Other Europe	0.64	0.64	0.58	0.64	0.72	0.64	0.01	0.82
China	10.07	10.10	10.54	10.25	10.72	10.40	0.34	3.33
Total "Other regions"	**15.19**	**15.14**	**15.37**	**15.56**	**16.36**	**15.61**	**0.42**	**2.77**
Total world	**89.64**	**89.88**	**89.64**	**91.31**	**91.87**	**90.68**	**1.04**	**1.16**
Previous estimate	89.65							
Revision	-0.01							

Totals may not add up due to independent rounding.

World oil demand in 2013 expected to increase by 0.8 mb/d

World oil demand growth for 2013 has been revised down by a marginal 12 tb/d from last month's report. The revisions are based on actual and preliminary data for the first half of the year, as well as the more sluggish-than-expected performance of the world economy in the first six months of the year.

Oil demand growth in China has been revised down by 21 tb/d, due to reduced gasoil demand growth in recent months and a moderating economic outlook due to credit and banking concerns. Middle Eastern oil demand growth was also revised down by 18 tb/d.

In contrast, OECD oil demand growth have been revised up by 28 tb/d from the previous assessment, primarily in the first half of the year, due to strong actual demand data for the first quarter from OECD Americas and better-than-expected data on industrial activities in Germany in April. This has been further supported by the recent improvement in car sales in the UK and Germany, particularly in the fourth month of the year.

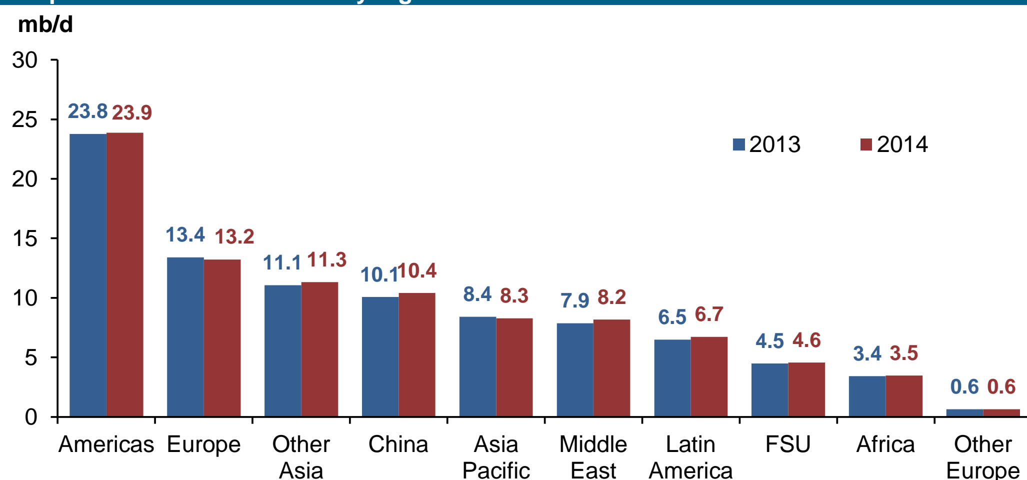
Table 4.2: World oil demand in 2013, mb/d

	2012	1Q13	2Q13	3Q13	4Q13	2013	*Change 2013/12* Growth	%
Americas	23.74	23.70	23.72	23.91	23.84	23.79	0.06	0.24
Europe	13.75	13.23	13.51	13.51	13.35	13.40	-0.35	-2.57
Asia Pacific	8.49	8.88	7.91	8.19	8.64	8.40	-0.09	-1.02
Total OECD	**45.98**	**45.81**	**45.13**	**45.61**	**45.83**	**45.60**	**-0.38**	**-0.84**
Other Asia	10.83	10.89	11.04	11.15	11.17	11.06	0.24	2.18
Latin America	6.26	6.21	6.45	6.70	6.59	6.49	0.23	3.63
Middle East	7.58	7.79	7.75	8.18	7.75	7.87	0.29	3.80
Africa	3.42	3.42	3.42	3.38	3.52	3.43	0.01	0.26
Total DCs	**28.10**	**28.30**	**28.66**	**29.41**	**29.04**	**28.85**	**0.76**	**2.70**
FSU	4.41	4.33	4.18	4.59	4.84	4.49	0.07	1.63
Other Europe	0.64	0.63	0.59	0.63	0.71	0.64	-0.01	-0.81
China	9.74	9.79	10.19	9.89	10.41	10.07	0.33	3.38
Total "Other regions"	**14.80**	**14.75**	**14.95**	**15.10**	**15.96**	**15.19**	**0.40**	**2.68**
Total world	**88.87**	**88.85**	**88.74**	**90.13**	**90.83**	**89.64**	**0.77**	**0.87**
Previous estimate	88.87	88.81	88.71	90.16	90.90	89.65	0.78	0.88
Revision	0.00	0.05	0.04	-0.04	-0.07	-0.01	-0.01	-0.01

Totals may not add up due to independent rounding.

In absolute terms, **total demand in 2013** was estimated to average 88.9 mb/d in the first quarter of 2013 before declining slightly to 88.7 mb/d in the second quarter. The second half of the year is expected to see a pick-up in global oil demand, reaching around 90.1 mb/d and 90.8 mb/d in the third and fourth quarters, respectively, supported by seasonal peaks. For the year as a whole, world oil demand growth will be almost unchanged from the previous month's standing of 89.6 mb/d.

Graph 4.1: World oil demand by region

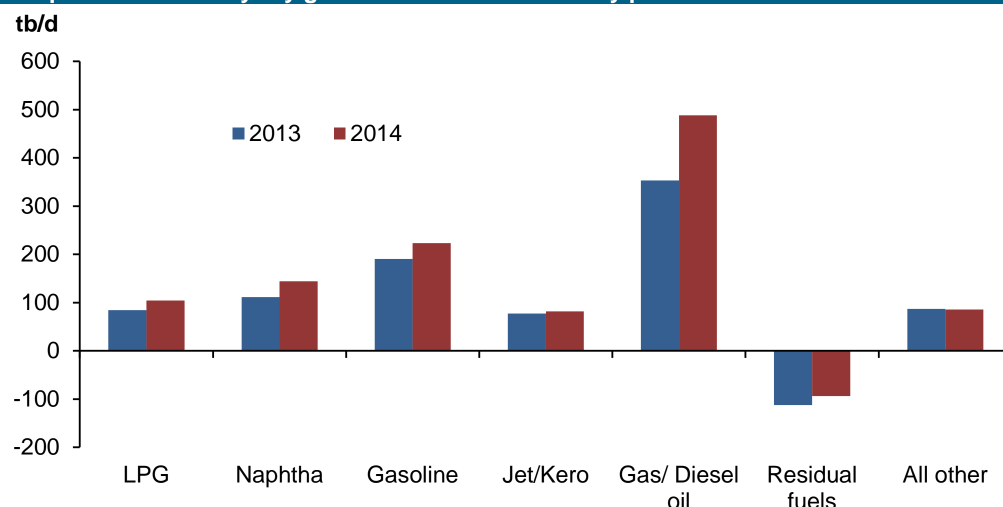


In **OECD Americas**, the key features in 1H13 were increasing distillate fuel requirements as a result of improving industrial production, along with improved employment figures and strong consumer spending which also had an impact on rising oil requirements in the region. In addition, the first half of the year saw a slowdown in the decline in gasoline demand.

In **OECD Europe**, oil demand continues to shrink, but at a slower pace than anticipated, due to continuing economic recession in parts of the region. European "Big Four" oil demand in May 2013 grew slightly from a low base in 2012. General expectations for the region's oil consumption during 2013 have remained stable since last month's projections, showing no major improvement in the economies of several countries.

In **OECD Asia Pacific**, oil in May demand fell year-on-year (y-o-y) as a result of the high base of the previous year due to direct fuel and crude burning needs in 2012. These decreases were partly offset by rising kerosene demand, as well as higher LPG demand for the petrochemical industry.

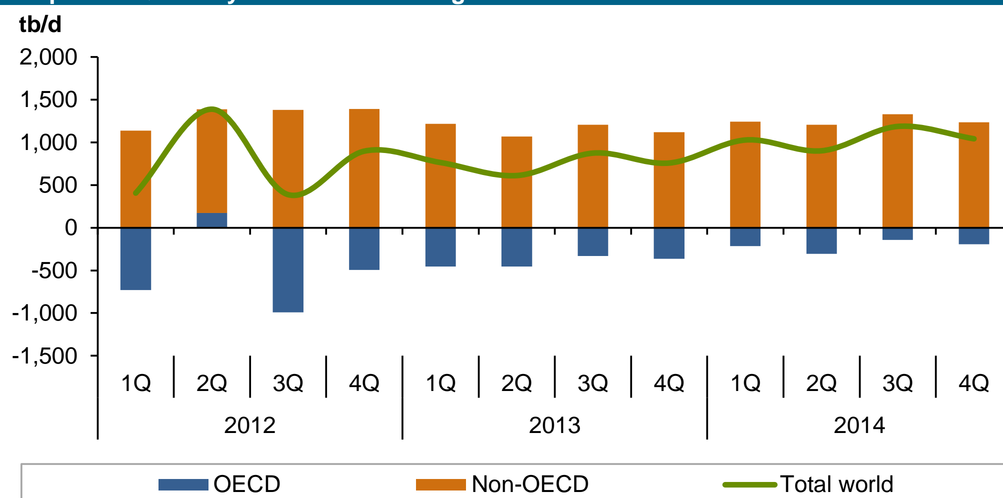
Graph 4.2: Forecast y-o-y growth world oil demand by product



For the **non-OECD** region, and for the first time this year, the Chinese purchasing managers' index (PMI) for the month of May 2013 showed a contraction in Chinese manufacturing activities. The PMI indicator stood at 49.19 for the month of May. From the oil demand side, diesel oil — which accounts for the majority of Chinese oil demand — recorded negative figures for the months of April and May when compared to the same period last year. The product declined by 3.8% and 2.8%, respectively, from April and May of 2012. Cold and rainy weather conditions, which have been delaying agricultural activities in the country, as well major economic worries, have taken a toll on product demand levels.

In **Other Asia**, India's gasoline demand grew substantially by 0.1 mb/d or 31.2% over May 2012 levels. The higher growth was mainly due to low inventory levels during the month of April, combined with slower gasoline demand in the same month a year earlier. However, gasoline demand growth is expected to moderate to average consumption levels due to poor car sales figures in 2013. The cut in gasoil and gasoline subsidies in Indonesia is projected to weigh on product demand.

Graph 4.3: Quarterly world oil demand growth



OECD Americas

US demand higher than in the first four months of this year

April 2013 **US monthly oil demand** data stayed within the upward trend observed in March and in 1Q13. US oil demand in April 2013 grew by 1.3% compared with the same month in 2012. The first four months of the year saw higher oil requirements of around 0.1 mb/d, compared with the same period last year.

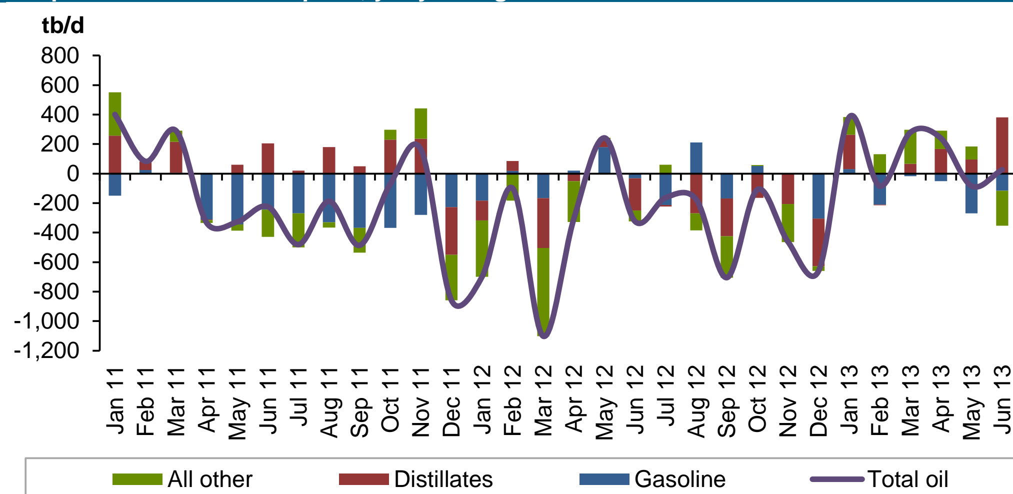
The main characteristics in the first four months of 2013 were growing distillate fuel requirements as a result of improving industrial production and a slowdown in falling

gasoline demand. Moreover, upward revisions in employment figures for the first four months — notably in April, when unemployment rates were at their lowest level since 2008 — and strong consumer spending have also contributed to rising oil requirements.

Preliminary weekly data for May and June 2013, however, show flat oil demand y-o-y, while the product pattern observed for the first four months of 2013 — increasing distillate fuel together with falling gasoline requirements — seemed to persist. Risks in the evolution of 2013 US oil demand remain strongly dependent on the development and pace of recovery of the US economy. These are slightly skewed to the upside compared to last month, as a result of the latest positive developments during the first half of the year.

Nevertheless, there are also considerable downside risks, which are mainly related to pending fiscal issues and the effects of recently approved budget cuts on the overall economy.

Graph 4.4: US oil consumption, y-o-y changes



Driven by higher economic growth, US oil demand in 2014 is projected to grow slightly more than in 2013, by approximately 0.1 mb/d. As was the case for 2013, 2014 forecasts are mainly dependent on the development and pace of the recovery in the US economy.

Supported by a continuing rise in manufacturing activity in the country's automotive sector, **Mexico's oil demand** increased by 1.0% y-o-y in May 2013. As was the case in April 2013, fuel oil and distillates were the products accounting for the bulk of these increases. Mexican auto production rose by almost 12% y-o-y, domestic sales were up by 9% — the highest monthly figure since 2006 — and exports rose by almost 4%, with the US being practically the sole customer. Mexican oil demand in 2013 is expected to grow slightly by 0.5% y-o-y, while almost the same growth is projected for 2014.

Decreasing mileage caused by colder weather was only partly offset by rising requirements for industrial fuels, leading to an overall 2.1% decrease in **Canada's oil requirements** for April 2013, following a strong 1Q13. Projections for 2013 Canada's oil demand remain unchanged from the previous month, leaving oil requirements during 2013 relatively unmoved at the same level as in 2012. For 2014, growth in Canadian oil requirements is also projected to stay at the same levels as in 2013.

OECD Americas projected to grow by 0.1 mb/d in 2014

In 2012, **OECD Americas** oil demand shrank by 0.29 mb/d, while oil demand during 2013 will grow slightly by 0.06 mb/d, compared with 2012. The 2014 OECD Americas oil demand is projected to be higher than that of 2013 by 0.09 mb/d.

OECD Europe

In 2014, OECD Europe's demand expected to contract by 0.2 mb/d, following negative growth of 0.4 mb/d

European oil demand contracted y-o-y in May for another month, connected to the continuing deep economic recession in some parts of the region. However, the magnitude of shrinkage was smaller than in previous months, indicating some improvement in European oil demand.

As in previous months, oil demand contracted much more strongly in **southern European countries**, which are undergoing stringent austerity measures and aim to reduce public debts. Oil requirements fell in all southern European countries, with the largest drops seen in Spain, Italy, Portugal and Greece, while Germany, France and the UK saw some improvements. In addition, the positive momentum in April auto sales stalled, with losses in all major European markets in May. European "**Big Four**" oil demand in May grew by a slight 0.1 mb/d despite the low base in 2012, with the UK accounting for the bulk of the increase.

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

	May 13	May 12	Change from May 12	Change from Apr 12, %
LPG	338	369	-31	-8.5
Gasoline	1,134	1,132	2	0.2
Jet/Kerosene	772	770	2	0.3
Gas/Diesel oil	2,998	2,985	13	0.4
Fuel oil	360	367	-7	-1.9
Other products	1,136	1,070	66	6.1
Total	**6,737**	**6,693**	**45**	**0.7**

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

General expectations for the region's oil consumption during 2013 have remained stable since last month's projections, with no major improvements in the economies of several countries. In 2014, projected improvement in European economies in combination with the very low historical baseline call for a contraction in oil requirements, but smaller in magnitude than the shrinkage experienced in 2013.

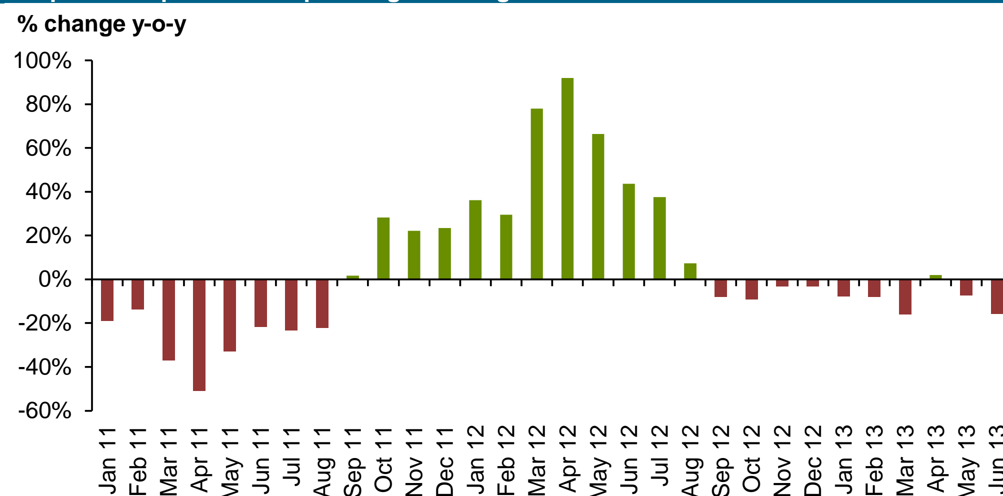
For 2012, European oil demand shrank by 0.6 mb/d, as a result of the economic crisis in several countries, while oil demand in 2013 is projected to again decrease but to a lesser extent by 0.4 mb/d. In 2014, contraction in the region's oil demand will ease to stand at 0.2 mb/d.

OECD Asia Pacific

OECD Asia Pacific expected to fall by 0.1 mb/d

In **Japan**, May y-o-y oil demand decreases once more largely originated from direct fuel and crude burning for electricity generation, coming out of the high base in 2012. The declines were partly offset by rising LPG demand for the petrochemical industry and for kerosene, leading to an overall 0.2 mb/d drop in oil demand y-o-y.

Graph 4.5: Japanese new passenger car registrations



Moreover, hopes for a recovery in Japanese auto sales, stemming from positive April 2013 sales, have been lowered by sharply declining May 2013 auto sales. Household spending also recorded some drop in May 2013, while a positive sign lay in improved consumer confidence.

The status of Japanese nuclear power plants remained unchanged since last month, with any additional operation in 2013 quite unlikely. The Japanese Nuclear Regulatory Authority (NRA) has decided to keep only two reactors in operation — Units 3 and 4 at the Oi nuclear plant — in anticipation of new safety guidelines, which are now legally binding for nuclear operators. These guidelines foresee strengthening of tsunami defenses and checks for active earthquake faults under plants. Moreover, nuclear plant operators are expected to set up emergency command centers and install filtered vents to help reduce the discharge of harmful radioactive substances from reactors. The NRA started accepting applications for restarting nuclear plants as of July 8, 2013, while it is expected to take at least six months for the authority to conduct the necessary checks and approve the re-opening of reactors.

As far as the 2013 outlook for Japanese oil demand is concerned, current indications remain roughly unchanged from last month's forecasts, with risks being skewed more towards the downside. Oil demand projections for 2014 have been reached under the assumption that some nuclear plants will rejoin operation and show shrinkage in oil demand requirements of 0.16 mb/d.

In **South Korea**, April 2013 saw a strong increase of 0.12 mb/d, y-o-y, with the bulk of the increase seen in transportation fuels diesel and gasoline, as well as naphtha for the petrochemical industry. The outlook for South Korean oil consumption during 2013 remains unchanged compared with last month's projections, while expectations for 2014 retain roughly the same growth as in 2013. Korean oil demand growth is largely dependent on the further development of industrial output and the country's exports, including their relation to the strength of the Japanese yen.

OECD Asia Pacific oil consumption grew in 2012 by 0.4 mb/d, resulting mainly from Japanese direct crude/fuel oil burning for electricity generation. For 2013, OECD Asia Pacific oil consumption is projected to fall by 0.09 mb/d, with the fall continuing in 2014, but to a greater extent by 0.13 mb/d, y-o-y.

Other Asia

Other Asia demand expected to grow by 0.3 mb/d in 2014, following 0.2 mb/d

India's oil demand growth is slightly above last year's average. Year-to-date figures show a moderate gain in oil demand consumption in the country. Total oil demand grew by 0.1 mb/d or 2.7% to stand at 3.8 mb/d.

All of the oil product mix has declined on a year-to-date basis, with the exception of gasoline, diesel and other products. Gasoline increased substantially in May compared with the same month last year. Low inventories in April, in anticipation of downward price adjustments, as well as the low base level for gasoline demand in May 2012, promoted this significant gain. The product grew by a staggering 100 tb/d, the highest growth y-o-y ever recorded, according to our calculations.

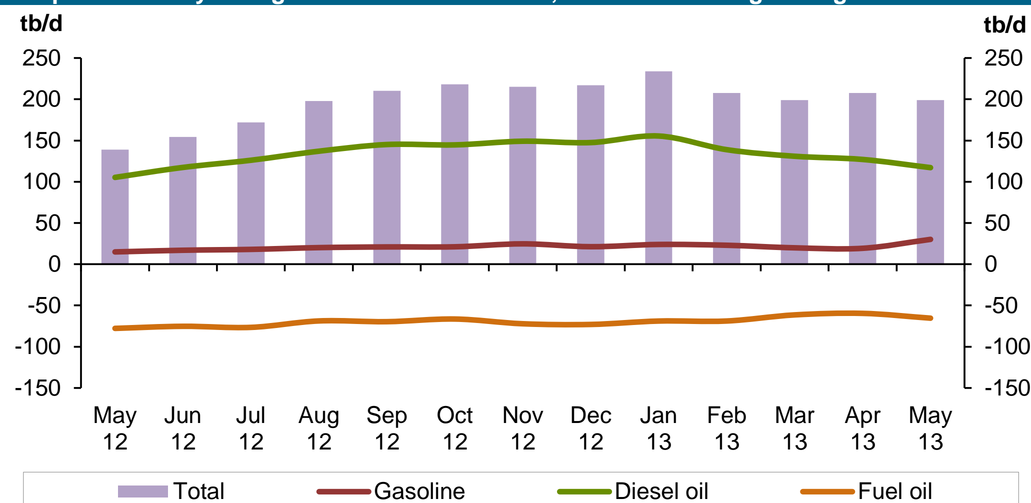
Table 4.4: Indian oil demand by main products, tb/d

	May 13	Apr 13	Jan-May 13	Difference to Jan-May 12	%
LPG	478	495	493	-10	-1.9
Motor gasoline	476	362	404	36	9.7
Jet Kero	323	303	291	-10	-3.4
Gas diesel oil	1,410	1,531	1,510	52	3.6
Residual fuel oil	235	210	292	-61	-17.4
Other products	782	830	796	94	13.4
Total oil demand	**3,704**	**3,732**	**3,787**	**100**	**2.7**

Car sales, on the other hand, have been performing rather poorly in recent months. Passenger car sales failed to grow for six consecutive months, recording a negative percentage growth during the month of May of 8.9% compared with a year earlier. The persistence of negative car sales growth will, undoubtedly, distresses gasoline consumption in the county in the coming months. Slow economic growth in the country is also a factor in this case.

For 2014, projections for Indian oil demand consumption are to grow at similar levels to 2013, with assumptions very much linked to GDP growth in the country.

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



Indonesia's oil demand is largely influenced by subsidy levels. The country has reduced price subsidies for gasoline and gasoil for the first time since 2008. The cuts in subsidies are projected to weigh down demand for these products, though they performed rather well during the month of April compared to one year ago, possibly in anticipation of subsidy cuts. Data for the month of April supported positive growth, with total demand in the country increasing by 0.1 mb/d to 1.4 mb/d compared with last year. Cumulative data from January to April registered improvement in total product demand by 51 tb/d to stand at 1.3 mb/d, or 3.8% higher than last year's levels.

Other Asia oil demand is expected to grow at a rate of 0.24 mb/d in 2013, lower than the growth level in 2012 of 0.34 mb/d. This is mainly attributed to slower economic activity in India and diminishing subsidies in countries such as Indonesia and Malaysia. In 2014, Other Asia oil demand is projected to be marginally higher by 0.26 mb/d, compared with 2013.

Latin America

Latin America expected to increase by 0.2 mb/d in 2014, in line with the estimation of this year

Oil demand in **Latin America** is projected to grow by 0.23 mb/d in 2013 to reach 6.49 mb/d. The bulk of this demand will come from **Brazil**, which will account for more than 45% of regional demand. Cumulative product growth in Brazil has been moderate, compared with last year. All product demand in the country showed positive growth in 2013, with the exception of jet fuel and kerosene, which weakened marginally. The purchasing managers' index (PMI) indicator for Brazil is sending signs of sliding. The indicator has been on a descending path since the beginning of 2013. It started the year at 53.25, but now stands at 50.41, despite industrial production figures remaining at acceptable levels.

In **Argentina**, which accounts for around 11% Latin America's oil demand. Year-to-date, oil consumption has been quite robust, above last year's levels. This can be attributed mainly to improved industrial and utility output in the country for the third successive month.

In 2012, Latin America's oil demand expanded by 0.2 mb/d, while oil demand during 2013 will grow by a similar amount at 0.23 mb/d. For 2014, Latin America's oil demand is projected to grow at a constant rate of 0.24 mb/d over 2013.

Middle East

Middle East is projected to rise by 0.3 mb/d in 2014

In **Saudi Arabia**, cumulative oil demand figures for 2013 are positive compared with the same period last year. Crude oil burning, however, registered negative growth for the same period, albeit the start of the summer air conditioning season. The transportation and industrial sectors in the country are performing significantly well, promoting an intact projection for 2013.

Demand figures in the Middle East for 1H13 were revised down by 20 tb/d and 30 tb/d for the 1Q13 and 2Q13, respectively. For 2H13, a downward revision of 20 tb/d has also been accounted for, mainly as a result of a downward revision in GDP growth.

In 2012, Middle Eastern oil demand expanded by 0.24 mb/d, while 2013 oil demand will grow only slightly by 50 tb/d compared with 2012. In 2014, Middle Eastern oil demand is projected to rise by 20 tb/d compared with 2013.

China

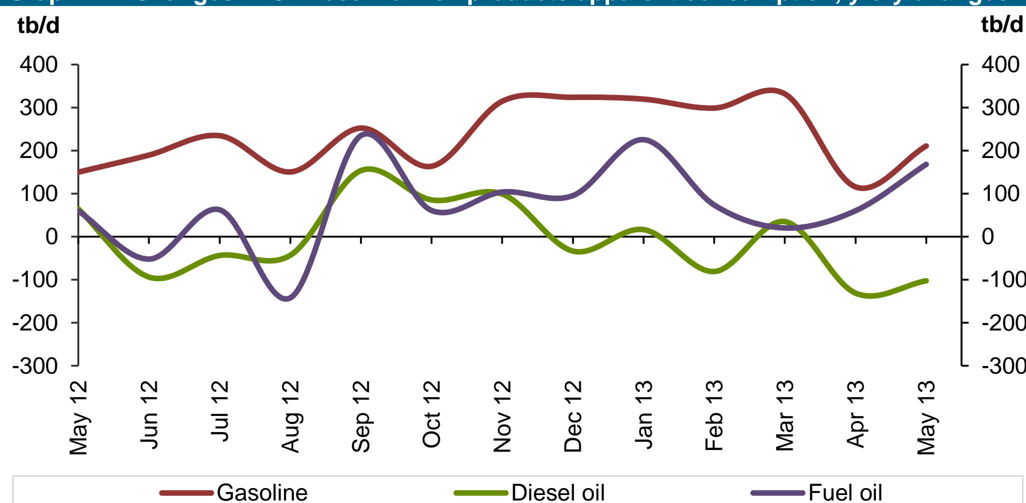
China oil demand expected to increase by around 0.3 mb/d in 2014, almost unchanged from this year

Lower gasoil demand growth figures in **China** — along with softening economic indicators — have raised concern in the industry, promoting downward revision by major forecasters. The data for gasoil, the major product in the country, has continued to disappoint. The product has seen negative growth since late March 2013, compared with 2012. The product declined by 3.8% and 2.8% over April and May 2012, respectively. Cold and wet weather conditions, delayed agricultural activities in the country, as well as major economic fears have had their toll on product demand levels.

The Chinese official manufacturing purchasing managers' index (PMI) stayed above the 50 threshold in April, which indicates expansion, but showed a contraction in Chinese manufacturing activities for the first time this year in May 2013. The indicator stood at 49.19 that month, confirming current weakness in the Chinese economy. Consequently, oil demand figures in China have been revised down by 21 tb/d to stand at growth levels of 0.33 mb/d for 2013.

Positively, gasoline consumption in the country continued to grow at a higher rate. The product grew by 0.2 mb/d or 11% over last year's levels for the month of May. Growth is also noteworthy on a cumulative basis, increasing by around 0.3 mb/d or 14% over the same period last year. This increase is very much supported by passenger car sales in the country, which continue to soar in the face of economic worries. The latest data for car sales in China show figures of around 12% in June y-o-y. It's worth mentioning that diesel and gasoline account for more than 50% of the country's oil demand.

Graph 4.7: Changes in Chinese main oil products apparent consumption, y-o-y changes



Chinese oil consumption grew in 2012 by 0.3 mb/d. For 2013 and 2014, Chinese oil consumption is projected to increase by a similar amount, which is within the country's historical average growth level for the past six years. This growth is subject to economic performance, the oil product pricing mechanism, changes in fuel qualities/standards and the level of fuel substitutions factors which need to be closely monitored.

World Oil Supply

Non-OPEC

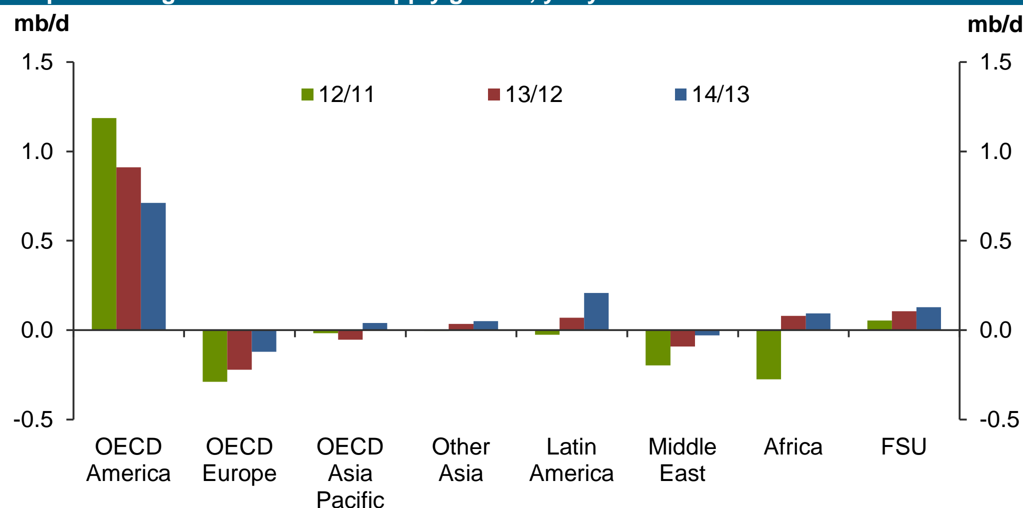
Forecast for 2013

Non-OPEC supply to increase by 0.98 mb/d to average 53.92 mb/d in 2013

Non-OPEC oil supply is expected to average 53.92 mb/d in 2013, an increase of 0.98 mb/d over 2012, indicating a minor downward revision of 15 tb/d from the previous Monthly Oil Market Report (MOMR). Despite this relatively steady state, various upward and downward revisions have been made to individual countries' supply profiles, and these have mostly offset each other. These revisions were introduced partly to adjust for updated production data as well as some historical revisions. Additionally, various changes were incorporated into the third and fourth quarter forecasts that collectively resulted in the subsequent flat position for the entire year.

On a quarterly basis, all quarters — except for the first — were revised from the previous month. Upward revisions affected supply forecasts for the US, Australia, Malaysia, South Sudan and Sudan , Russia, and China on an annual basis, while oil supply projections for Canada, the UK, Brazil, Syria, Yemen , and Kazakhstan were revised down. On a quarterly basis, non-OPEC supply in 2013 is projected to stand at 53.79 mb/d, 53.65 mb/d, 53.88 mb/d and 54.36 mb/d, respectively.

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



Revisions to the 2013 forecast

The **non-OPEC supply** forecast in 2013 continues to be associated with a high degree of risk due to various factors, including political, technical and weather-related issues, maintenance and decline rate developments. The OECD oil supply is expected to average 21.71 mb/d in 2013 — 0.64 mb/d higher than in 2012 — and represents an upward revision of 60 tb/d from the previous month.

US production has been revised up by 80 tb/d from the previous assessment to stand at 10.76 mb/d, indicating a rise of 0.73 mb/d in 2013, the highest growth among all non-OPEC countries. This upward revision has affected all quarters, with the biggest change occurring in the second quarter, due to updated production data that was partly carried over to the rest of the year. The continued healthy growth of tight oil from North Dakota and Texas supported this trend, and the restart of the Thunder Horse project provided further support. The upward revision has come about despite the shutdown of the Mars platform and lower ethanol output. The forecast risk remains high on weather and technical factors, especially with the hurricane season, which could impact output in the Gulf of Mexico.

The 2013 supply forecast for **Canada** has been revised down by 15 tb/d to average 3.99 mb/d, according to updated production data. The downward revision impacted the second quarter, while the rest of the year remained unchanged. The revision was partially due to the Alberta floods, which impacted supply. Maintenance work also impacted output

in the second quarter, necessitating the undertaken adjustment. **Mexico's oil production** is expected to decline 40 tb/d in 2013 to average 2.88 mb/d, unchanged from the previous MOMR. The steady state results from updated production data that are in line with expectations.

Norway's oil supply forecast for 2013 remained unchanged from the previous month at an average of 1.80 mb/d, a decline of 0.12 mb/d compared with previous year. The steady state was supported by updated production figures as well as the restart of the Oseberg field after a short shutdown due to a gas leak. The **UK's oil production** is expected to drop by 60 tb/d in 2013, compared with the previous year, to average 0.89 mb/d, indicating a downward revision of 20 tb/d compared to previous month. The downward revision primarily impacted the first half of the year, and was based on updated production data as well as the shutdown of the Buzzard field because of equipment failure. The continued unplanned shutdown of the Buzzard field is raising concerns about the field's ability to deliver the planned volume. On the other hand, the ramp-up of the Huntington field toward peak level has partially offset this downward revision.

Australia's oil supply is forecast to average 0.43 mb/d in 2013, a decline of 50 tb/d compared with the previous year, representing an upward revision of 20 tb/d compared with the last MOMR. The upward revision came from a historical revision to 2012 supply figures and takes into consideration the end-of-June start of the Montara field.

Other Asia's oil supply is forecast to average 3.66 mb/d in 2013, an increase of 30 tb/d over 2012, flat from the previous MOMR. **Malaysia's** oil supply encountered a minor upward revision that did not affect Other Asia's annual projection. The minor upward revision came on the back of the Gumusut-Kakap ramp-up to full capacity.

Latin America's supply is projected to increase by 0.07 mb/d in 2013 to average 4.76 mb/d, representing a downward revision of 60 tb/d from the previous month. The revision affected all quarters, due to an adjustment from updated production data that was carried over to the rest of the year. **Brazil's** oil supply is expected to decrease by 10 mb/d in 2013 to average 2.59 mb/d, a downward revision of 60 tb/d from the previous MOMR. This change is created by lower-than-expected production data for part of the second quarter on the back of maintenance at several fields in the Campos basin. The start of the Lula Northeast pre-salt field is seen to support Brazil's oil supply, as well as the reported growth of ethanol output. However, the decline experienced in the first quarter and parts of the second quarter were steep, and the expected healthy increase in the second half will not be enough to offset the decrease in the first half. **Argentina's** oil supply projection encountered a minor downward revision due to a labour strike. **Colombia's** oil supply is expected to average 1.04 mb/d in 2013, unchanged from last month. The steady state exists despite a shutdown of some operations due to protests.

Middle Eastern oil production is foreseen to average 1.40 mb/d in 2013, a decline of 90 tb/d compared to the previous year and a downward revision of 20 tb/d from the previous MOMR. The downward revision came from Syria and Yemen. **Syria's** oil supply is estimated to average 90 tb/d in 2013, a drop of 120 tb/d compared with the previous year, and a downward revision of 10 tb/d. The revision came on reports suggesting that Syria's oil supply is standing at 20 tb/d. **Yemen's** oil supply projection encountered a downward revision on updated estimated production data.

Africa's oil production is expected to average 2.40 mb/d in 2013, an increase of 80 tb/d over the previous year and an upward revision of 15 tb/d from the previous month. The upward revision came from the **South Sudan** and **Sudan** supply forecasts, as the two nations reportedly agreed to continue the flow of oil.

The **Former Soviet Union's** (FSU's) oil supply is expected to average 13.40 mb/d in 2013, constituting growth of 0.11 mb/d over one year ago, but showing a downward revision of 20 tb/d from the previous MOMR. **Russia's** oil supply is seen to average 10.45 mb/d in 2013, which is 80 tb/d more than for the previous year and an upward revision of 5 tb/d compared to last month. The upward revision came on the back of updated production data that showed June oil production reaching a new post-Soviet high of 10.51 mb/d. **Kazakhstan's** oil supply is seen to average 1.65 mb/d in 2013, an increase of 60 tb/d compared to last year and a downward revision of 20 tb/d compared to the previous

MOMR. The downward revision came on an adjustment to updated production data in the second quarter, as well as reports of delays until next year for the startup of the Kashagan field.

China's supply is expected to average 4.27 mb/d in 2013, an increase of 90 tb/d over 2012 and an upward revision of 10 tb/d compared to the previous MOMR. The upward revision came in the second quarter, as updated production data indicated slightly higher output than previously expected. Despite reports that Penglai field output will not return to its previous peak of 150 tb/d prior to shutdown in 2011 and will continue to produce at the 100 tb/d level, the ramp-up of the Weizhou 6-12 field is supporting production.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12
Americas	16.74	17.58	17.61	17.63	17.77	17.65	0.91
Europe	3.77	3.63	3.56	3.44	3.59	3.55	-0.22
Asia Pacific	0.56	0.45	0.50	0.53	0.54	0.51	-0.05
Total OECD	**21.07**	**21.66**	**21.67**	**21.60**	**21.91**	**21.71**	**0.64**
Other Asia	3.63	3.64	3.63	3.68	3.69	3.66	0.03
Latin America	4.70	4.70	4.65	4.84	4.87	4.76	0.07
Middle East	1.49	1.47	1.37	1.40	1.37	1.40	-0.09
Africa	2.32	2.33	2.38	2.42	2.45	2.40	0.08
Total DCs	**12.13**	**12.15**	**12.03**	**12.33**	**12.39**	**12.23**	**0.09**
FSU	13.30	13.44	13.36	13.37	13.44	13.40	0.11
Other Europe	0.14	0.13	0.13	0.13	0.13	0.13	0.00
China	4.17	4.24	4.27	4.26	4.30	4.27	0.09
Total "Other regions"	**17.61**	**17.81**	**17.76**	**17.76**	**17.88**	**17.80**	**0.19**
Total Non-OPEC production	**50.82**	**51.61**	**51.46**	**51.69**	**52.18**	**51.74**	**0.92**
Processing gains	2.12	2.18	2.18	2.18	2.18	2.18	0.06
Total Non-OPEC supply	**52.94**	**53.79**	**53.65**	**53.88**	**54.36**	**53.92**	**0.98**
Previous estimate	52.98	53.82	53.69	53.89	54.43	53.96	0.98
Revision	-0.04	-0.03	-0.05	-0.02	-0.07	-0.04	0.00

Forecast for 2014

Non-OPEC supply in 2014 forecast to increase by 1.14 mb/d to average 55.06 mb/d

Non-OPEC oil supply in 2014 is expected to increase by 1.14 mb/d over the current year to average 55.06 mb/d. The strong growth trend seen in 2013 is expected to continue in 2014, supported by OECD Americas, Latin America, the FSU, and Africa, and partly offset by declines in OECD Europe.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014	Change 14/13
Americas	17.65	18.01	18.10	18.43	18.89	18.36	0.71
Europe	3.55	3.56	3.38	3.27	3.52	3.43	-0.12
Asia Pacific	0.51	0.53	0.56	0.56	0.54	0.55	0.04
Total OECD	**21.71**	**22.10**	**22.04**	**22.26**	**22.95**	**22.34**	**0.63**
Other Asia	3.66	3.70	3.72	3.72	3.71	3.71	0.05
Latin America	4.76	4.89	4.92	4.98	5.09	4.97	0.21
Middle East	1.40	1.37	1.37	1.38	1.38	1.37	-0.03
Africa	2.40	2.48	2.49	2.49	2.50	2.49	0.09
Total DCs	**12.23**	**12.43**	**12.50**	**12.57**	**12.68**	**12.55**	**0.32**
FSU	13.40	13.46	13.39	13.51	13.76	13.53	0.13
Other Europe	0.13	0.13	0.13	0.13	0.13	0.13	0.00
China	4.27	4.31	4.28	4.29	4.33	4.30	0.04
Total "Other regions"	**17.80**	**17.91**	**17.80**	**17.93**	**18.23**	**17.97**	**0.16**
Total Non-OPEC production	**51.74**	**52.44**	**52.35**	**52.76**	**53.86**	**52.85**	**1.12**
Processing gains	2.18	2.21	2.21	2.21	2.21	2.21	0.02
Total Non-OPEC supply	**53.92**	**54.65**	**54.55**	**54.96**	**56.06**	**55.06**	**1.14**
Previous estimate	53.96						
Revision	-0.04						

The forecast is associated with a high level of **risk**. While the expectation of capital expenditure in 2013 and 2014 indicates a rising trend, other risk factors — such as politics, environment, price and technical developments — will continue to impact supply growth expectations.

The forecast growth of **biofuels**, which is expected to increase by around 0.13 mb/d in 2014, is also connected to a high degree of risk. Other factors contributing to risks in both directions include weather conditions and decline rate developments. Hence, the forecast is subject to revisions.

On a quarterly basis, non-OPEC supply in 2014 is expected to average 54.65 mb/d, 54.55 mb/d, 54.96 mb/d and 56.06 mb/d, respectively.

OECD

OECD supply to grow 0.63 mb/d in 2014 to average 22.34 mb/d

Total **OECD oil production** is forecast to average 22.34 mb/d in 2014, representing an increase of 0.63 mb/d over 2013. Expected supply growth from Australia, Canada and the US is seen to offset the declines anticipated in other OECD countries. On a quarterly basis, OECD oil supply in 2014 is expected to average 22.10 mb/d, 22.04 mb/d, 22.26 mb/d and 22.95 mb/d, respectively.

Graph 5.2: OECD's quarterly production

OECD Americas

OECD Americas oil production is projected to grow by 0.71 mb/d in 2014 to average 18.36 mb/d. The anticipated output increase from the US and Canada is expected to offset the foreseen decline from Mexico. The risk associated with OECD Americas supply forecast remains on the high side, given the effect of weather conditions and decline rates, as well as technical and economic issues. OECD Americas' oil supply in 2014 is seen to stand at a quarterly amount of 18.01 mb/d, 18.10 mb/d, 18.43 mb/d and 18.89 mb/d, respectively.

US

US tight oil developments to support the expected output increase of 0.56 mb/d in 2014

US oil production is expected to average 11.33 mb/d in 2014, an increase of 0.56 mb/d over 2013. This increase will be the highest among all non-OPEC countries. The outlook in 2014 is supported by anticipated healthy onshore tight oil developments, aided by rising investment. In 2013, oil drilling activities continue to improve, with a relatively steady number of rigs drilling a significantly higher number of wells as operational efficiency improves.

While drilling efficiency is expected to continue to improve in 2014, it will take place at a slower rate than in 2013, when operators achieved more than 40% progress at some locations. The assumed number of wells for 2014 is higher than for 2013, however, the associated high decline rate of tight oil wells is assumed to impact growth and result in lower supply increases compared to the current year.

Supply growth is expected from basins in Texas, North Dakota, New Mexico, Montana, Wyoming, Colorado and others. Additionally, new developments in the Gulf of Mexico are expected to support the outlook, such as Jack S. Malo, Big Foot and Lucius. New offshore and onshore developments are seen as supporting continued strong US supply growth. Despite the anticipated strong growth from tight oil developments in 2014, a certain level of risk remains, mainly in the current oil price, infrastructure and environmental issues. Moreover, weather conditions in the Gulf of Mexico could have a major impact on US supply in 2014 during the hurricane season.

Biofuel production is projected to provide further support to US output in 2014 to meet renewable fuel requirements. However, price levels and blending economics remain risk factors for biofuel growth in 2014 as does the harvest season this year. On a quarterly basis, US oil supply in 2014 is expected to average 11.02 mb/d, 11.14 mb/d, 11.39 mb/d and 11.75 mb/d, respectively.

Canada and Mexico

Canada's supply to increase by 0.20 mb/d in 2014

Oil supplied by **Canada** is foreseen to grow by 0.20 mb/d over 2013 to average 4.20 mb/d in 2014. This will be the second-highest growth level among all non-OPEC countries next year. It is supported by both oil sands and tight oil projects. The output surge from oil sands developments in Canada provides a solid ground for growth in 2014.

The startup and ramp-up of oil sands projects such as Blackgold, Christina Lake E, Cold Lake, Foster Creek F, Hangingstone 1, Jackfish 3, Kearl Lake 1, MacKay River 1, and Sunrise 1 will contribute to expected growth. Additionally, the expected increase in tight oil developments is seen to further support the output increase for 2014. Risks and uncertainties remain related to price levels and environmental, logistical and technical issues. On a quarterly basis, Canada's production is predicted to average 4.14 mb/d, 4.14 mb/d, 4.20 mb/d and 4.31 mb/d, respectively.

Mexico supply to decline by 50 tb/d in 2014

Mexico's oil production is expected to average 2.83 mb/d in 2014, a decline of 50 tb/d from 2013. Limited new volumes in 2014 from projects such as Ayatsil are not seen to offset the declines in mature producing areas.

Ku-Maloob-Zaap (KMZ), the largest of Mexico's fields, is expected to maintain its peak field production level in 2014, while supply from several other fields is seen to decline. Growth in the Chicontepec field is projected to be slow and limited in 2014, due to the field's complexity and various revisions to its development plan. Moreover, the Cantarell field's output is expected to remain stable, although with a tendency to decline in 2014. However, risks remain associated with the forecast, especially from decline rate developments and weather conditions. On a quarterly basis, Mexico's oil supply in 2014 is expected to average 2.84 mb/d, 2.81 mb/d, 2.83 mb/d and 2.83 mb/d, respectively.

OECD Europe

Total OECD Europe oil output is seen to decline 0.12 mb/d from 2013 to average 3.43 mb/d in 2014. Declines are predicted for all the major OECD Europe producers, with quarterly figures expected at 3.56 mb/d, 3.38 mb/d, 3.27 mb/d and 3.52 mb/d respectively.

Norway supply to average 1.73 mb/d in 2014, a decline of 60 tb/d

Norway's oil supply is anticipated to decline by 60 tb/d over 2013 to average 1.73 mb/d in 2014. The foreseen decline in the next year will be the smallest since 2001. The expected production drop is driven mainly by continuing declines in mature producing fields, while the new volumes are not seen to totally offset the decline.

Projects such as Brynhild, Ekofisk South, Goliat, Svalin M & C, Vilje South and Visund North are likely to add new volumes to the country's oil supply; however, declines at mature oil fields, as well as the impact of maintenance, are seen to more than offset the new barrels. The recent impact of technical issues on oil production is projected to continue in 2014. The decline in 2014 is expected to take place despite anticipated increases in investment. Accordingly, the 2014 supply forecast could be revised in the coming period, since the risk level is high, especially regarding issues such as decline

rates, technical difficulties and projects delays. On a quarterly basis, Norway's oil supply in 2014 is seen to average 1.80 mb/d, 1.70 mb/d, 1.64 mb/d and 1.79 mb/d, respectively.

UK supply to drop 40 tb/d in 2014, averaging 0.85 mb/d

The **UK's** oil supply is forecast to average 0.85 mb/d in 2014, a drop of 40 tb/d from 2013 and the smallest drop since 2007. The expected annual production level in 2014 will be the lowest since 1977.

A few projects are expected to add new barrels in 2014, such as Golden Eagle, Kinnoull, Solan, Laggan, and Greater Stella. However, the anticipated declines in mature producing areas are expected to more than offset the new volumes. Moreover, the effects of maintenance and technical difficulties are projected to further support anticipated declines. The expected volumes from new developments are likely to be limited, since the projects are characterized as small and satellite. On a quarterly basis, UK oil supply is expected to stand at 0.90 mb/d, 0.83 mb/d, 0.79 mb/d and 0.89 mb/d, respectively.

Denmark's oil supply is estimated to decline by 20 tb/d over 2013 to average 0.16 mb/d in 2014. The expected output drop comes on the back of decline in mature producing areas coupled with limited new developments.

Other Western European oil supplies are seen to remain steady in 2014, compared with the previous year, to average 0.69 mb/d. Biofuels growth is expected to offset the decline seen in mature areas.

OECD Asia Pacific

OECD Asia Pacific's oil supply is projected to average 0.55 mb/d in 2014, indicating growth of 40 tb/d, compared with the previous year. On a quarterly basis, total oil supply from OECD Asia Pacific in 2014 is estimated to average 0.53 mb/d, 0.56 mb/d, 0.56 mb/d and 0.54 mb/d, respectively.

Australian supply to increase by 50 tb/d in 2014

Australia's oil output is seen to increase by 50 tb/d in 2014 to average 0.48 mb/d. The growth is expected to be driven by new volumes from development projects such as Balnaves, Chinchilla, Coinston, Gorgon, Montara, North Rankin B and Talbot. Expected growth is supported by the assumption that relatively minor weather-related shutdowns will occur during the cyclone season in 2014. On a quarterly basis, Australia's oil supply in 2014 is seen to stand at 0.46 mb/d, 0.49 mb/d, 0.49 mb/d and 0.47 mb/d, respectively.

New Zealand's oil supply is estimated to decline by 10 tb/d over 2013 to average 70 tb/d in 2014. The expected decline at mature fields is seen to drive the expected drop in supply in 2014, coupled with limited new developments.

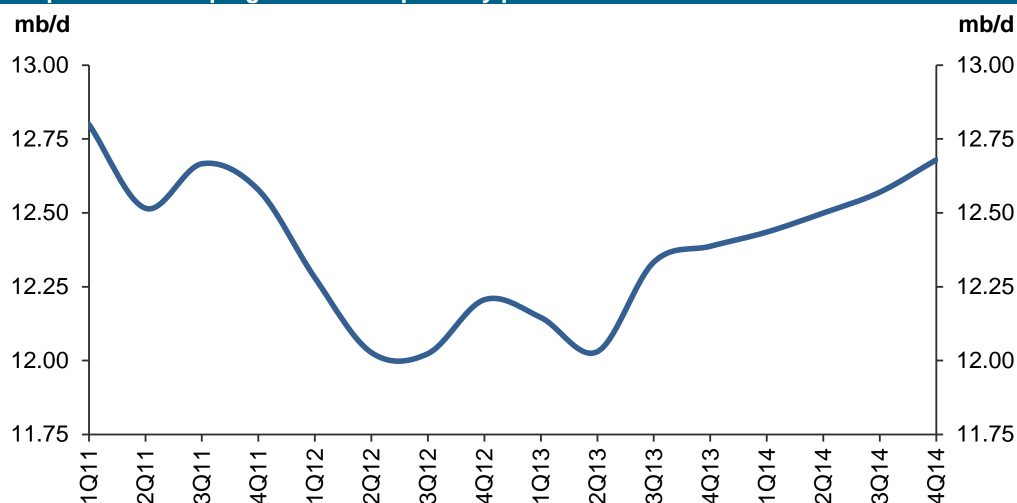
Developing countries

DC supply is seen to increase by 0.32 mb/d in 2014 to average 12.55 mb/d

Total developing countries' (DCs') oil supply is expected to average 12.55 mb/d in 2014, representing growth of 0.32 mb/d over this year. This increase will come mainly from Latin America, supported by growth in Brazil and Colombia, followed by Africa and Other Asia, while the Middle East's supply is seen to decline in 2014.

However, a high level of risk and uncertainty surrounds the DCs' forecast, including political, technical, price, decline-rate and weather issues. Accordingly, it is subject to revision in both directions. On a quarterly basis, total oil supply in the DCs in 2014 is forecast to average 12.43 mb/d, 12.50 mb/d, 12.57 mb/d and 12.68 mb/d, respectively.

Graph 5.3: Developing Countries' quarterly production



Other Asia's supply to increase by 50 tb/d in 2014 supported by Indonesia and Malaysia

Other Asia's oil supply is expected to increase by 50 tb/d over 2013 to average 3.71 mb/d in 2014. **Malaysia's** supply is seen to grow by 30 tb/d to average 0.75 mb/d, supported by an output increase from the Gumusut developments. **India's** supply is expected to increase by 10 tb/d in 2014 over this year and average 0.88 mb/d. The expected production increase is supported by the ramp-up of the Rajasthan fields. **Vietnam's** supply is seen to average 0.40 mb/d in 2014, steady over the previous year. A steady state is expected despite new barrels anticipated from developments such as Dong Do, Dua, and Su Tu Nau, as the decline in mature producing areas is seen to offset new volumes.

Cepu oil development to support Indonesian oil supply in 2014

Indonesia's supply is expected to increase by 30 tb/d in 2014 to average 0.95 mb/d. The expected growth is seen on the back of new barrels from the Cepu development, which is foreseen to add considerable volume in the second half of the year. The new volume is forecast to more than offset the anticipated decline in production from mature areas. **Thailand's** production is forecast to decline by 10 tb/d in 2014 to average 0.35 mb/d. The anticipated decline in mature producing areas is seen as driving the output drop, coupled with limited new developments. On a quarterly basis, Other Asia's oil supply in 2014 is seen to stand at 3.70 mb/d, 3.72 mb/d, 3.72 mb/d and 3.71 mb/d, respectively.

Latin American supply to grow by 0.21 mb/d in 2014

Latin America's oil supply is projected to increase by 0.21 mb/d over 2013 to average 4.97 mb/d in 2014. This growth is supported by Brazil and Colombia, while other countries' supply within the region is seen to remain relatively steady next year. **Colombia's** production is expected to experience growth of 40 tb/d over 2013 to average 1.08 mb/d in 2014. This is supported by the continuing ramp-up of the Rubiales heavy oil project, the La Cira-Infantas project and the Quifa project. However, risks remain associated with the forecast, mainly from security and transport issues.

Argentina's supply is seen to remain steady in 2014, averaging 0.69 mb/d. New volume is expected from the expansion of biofuel production, as well as some barrels from pilot programs at the Vaca Muerta basin. The anticipated decline in mature areas is seen to offset new volume. Furthermore, ongoing protests and a nationalization move are expected to have a negative impact on output in 2014. On a quarterly basis, Latin America's supply in 2014 is seen to average 4.89 mb/d, 4.92 mb/d, 4.98 mb/d and 5.09 mb/d, respectively.

Brazilian production to increase by 0.16 mb/d in 2014

Brazil's production is expected to average 2.75 mb/d in 2014, indicating growth of 0.16 mb/d over the previous year. The growth is supported by a long list of project startups and ramp-ups, such as Bauna, Lula, Papa Terra 61 and 63, Parque Das Baleias 58, Roncador 55 and 62, Sapinhoa Norte and Waimea. Moreover, biofuel supplies are expected to increase in 2014 and support output. However, a high level of risk is associated with the forecast, especially in relation to technical, delay and environmental issues. On a quarterly basis, Brazil's supply in 2014 is expected to average 2.68 mb/d, 2.69 mb/d, 2.78 mb/d and 2.83 mb/d, respectively.

Middle East supply to average 1.37 mb/d in 2014, a decline of 30 tb/d

Middle Eastern oil production is expected to decrease by 30 tb/d in 2014 to average 1.37 mb/d. The decline is driven by an anticipated supply drop from Syria, while production from Oman and Bahrain is likely to experience a minor increase.

Oman's production is expected to rise by 20 tb/d in 2014 to average 0.96 mb/d. This is supported by enhanced oil recovery (EOR) at the Amal and Harweel projects, as well as Daleel developments. The new volume is expected to more than offset foreseen declines in mature producing areas. **Bahrain's** supply is expected to rise by 10 tb/d in 2014 to average 0.20 mb/d, with support from the Awali project. **Yemen's** production is estimated to remain steady in 2014, averaging 0.18 mb/d; the security situation is seen to limit the growth. **Syria's** oil supply is projected to average 30 tb/d in 2014, as per the recently reported production figure, indicating a decline of 50 tb/d from the current year. This assumes that the ongoing political situation will continue in 2014. The risk to Yemen's and Syria's forecasts remains high, given ongoing security issues, as well as limited data. The forecast could encounter significant revision if the political situation changes in 2014 or actual production data is received. On a quarterly basis, the Middle East's 2014 supply is expected to stand at 1.37 mb/d, 1.37 mb/d, 1.38 mb/d and 1.38 mb/d, respectively.

South Sudan's and Sudan's expected output growth is seen to support African supply increase of 90 tb/d in 2014

Africa's oil production in 2014 is forecast to average 2.49 mb/d, an increase of 90 tb/d over 2013. Oil supplies from Chad, Congo, Egypt and South Africa are expected to remain steady in 2014, with minor declines of up to 20 tb/d. This comes on the back of limited new developments and declines in mature producing areas. Oil supplies from Ghana, Gabon, and Equatorial Guinea are forecast to increase slightly in 2014, supported by such developments as the Jubilee and Anguille, and Alen projects.

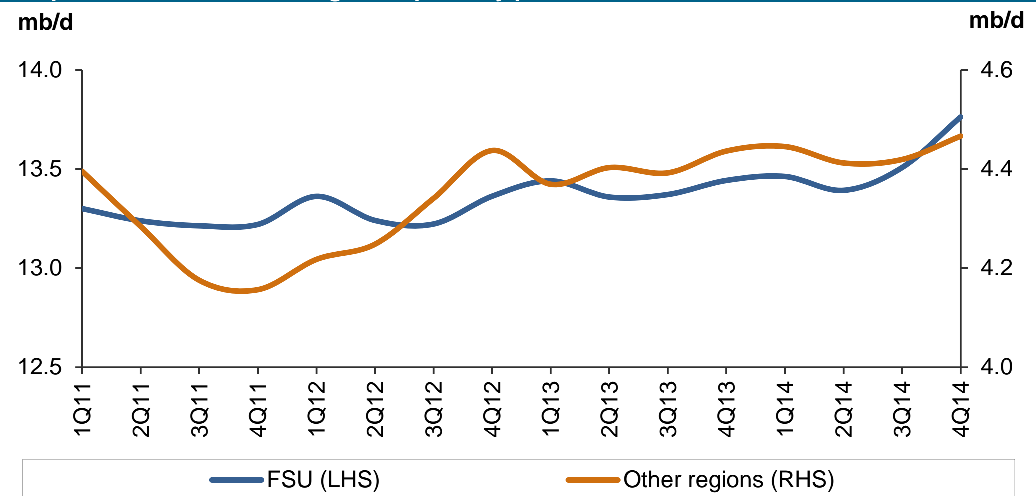
Output from **South Sudan** and **Sudan** is expected to increase by 0 tb/d in 2014 to average 0.28 mb/d, on the assumption that the delicate agreement reached recently on oil transit will continue with possible interruptions. Political risk factors could bring a significant change to the supply forecast, especially from South Sudan and Sudan. On a quarterly basis, total oil supply in Africa in 2014 is estimated to average 2.48 mb/d, 2.49 mb/d, 2.49 mb/d and 2.50 mb/d, respectively.

FSU, Other regions

FSU's supply to grow by 170 tb/d in 2013

The **FSU's** total oil supply is forecast to average 13.53 mb/d in 2014, representing growth of 0.13 mb/d over the previous year. The expected growth will come from Russia, Kazakhstan, Azerbaijan and 'Other FSU'. The projected supply increase is seen to be supported by an increase in capital expenditure in 2013. On a quarterly basis, total oil supply in the FSU in 2014 is expected to average 13.46 mb/d, 13.39 mb/d, 13.51 mb/d and 13.76 mb/d, respectively. China's supply is seen to grow by 40 tb/d in 2014 to average 4.30 mb/d. Other Europe's supply is estimated to remain steady in 2014, averaging 0.13 mb/d.

Graph 5.4: FSU and other region's quarterly production



Russia

Russian production to increase by 30 tb/d in 2014 to average 10.48 mb/d

Russia's oil output is projected to increase by 30 tb/d in 2014 to average 10.48 mb/d. The anticipated growth is supported by new barrels coming from project startups and ramp-ups, which are predicted to exceed natural declines from mature areas. Projects such as Novoportoskoye, Prirazlom, Talakan, Trebs, Vankor and Vladimir Filanosky are expected to add new volume in 2014 and more than offset anticipated natural decline.

The risk to the Russia's supply forecast is high. Price levels will be an important factor for the country's oil supply in 2014, since producers are expected to continue to invest in brown fields to maintain output levels. Furthermore, policy decisions, especially related to the export duty level, will be a key factor in the realization of the 2014 forecast. Projects delays will also be an important issue that could impact the outcome of next year's forecast. On a quarterly basis, Russian supply in 2014 is seen to average 10.47 mb/d, 10.40 mb/d, 10.46 mb/d and 10.60 mb/d, respectively.

Caspian

Kazakhstan's supply to average 1.70 mb/d in 2014, an increase of 50 tb/d

Kazakhstan's production is expected to average 1.70 mb/d in 2014, indicating an increase of 50 tb/d over the previous year. The foreseen growth is supported mainly by the startup of the Kashagan project. The first phase of this project, with a peak output of 0.35 mb/d, is expected to add new significant volumes in the second quarter of 2014. The project has encountered various delays and cost overruns up to now. Output from other fields is expected to remain relatively steady, with only minor declines. The risk to the outlook for Kazakhstan's oil supply is high, on the possibility of further delays and technical issues. On a quarterly basis, Kazakhstan's supply in 2014 is expected to stand at 1.65 mb/d, 1.65 mb/d, 1.71 mb/d and 1.79 mb/d, respectively.

Azeri oil production to increase 20 tb/d in 2014 to average 0.87 mb/d

Azerbaijan's oil supply is predicted to average 0.87 mb/d in 2014, a growth of 20 tb/d from the current year. The expected supply increase is supported by the Chirag oil project, part of the Azeri-Chirag-Guneshli (ACG) fields. The operator of the ACG fields has reported that the output plateau will be maintained at 750 tb/d in the coming years by adding new developments to counter the decline in mature areas. Azerbaijan's forecast for 2014 is associated with a high risk, due to technical issues. On a quarterly basis, Azerbaijan's supply in 2014 is estimated to average 0.87 mb/d, 0.86 mb/d, 0.87 mb/d and 0.90 mb/d, respectively.

The oil output of '**FSU Others**' is projected to average 0.47 mb/d in 2014, an increase of 20 tb/d over this year. The expected growth is supported by Turkmenistan's and Uzbekistan's output from the Dzheitune and Ustyurt projects. Natural declines in mature producing areas are expected to offset part of the growth in 2014.

China

Chinese supply to grow by 40 tb/d in 2014 to average 4.30 mb/d

China's oil production is estimated to increase by 40 tb/d in 2014 to average 4.30 mb/d. The expected growth is supported by startups and ramp-ups of different projects, such as Liwan 3-1, Pearl Lufeng, Changqing and Qinghai. Risks to the forecast remain associated with technical and delay issues, as well as decline rate development. On a quarterly basis, China's 2014 oil supply is expected to stand at 4.31 mb/d, 4.28 mb/d, 4.29 mb/d and 4.33 mb/d, respectively.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are expected to grow by 0.21 mb/d in 2013 to average 5.87 mb/d. In 2014, OPEC NGLs and non-conventional oils are projected to increase by 0.15 mb/d to average 6.01 mb/d. The expected growth in 2014 is expected to come mainly from Algeria, Angola, Nigeria, Qatar, Saudi Arabia and the UAE.

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

	2011	2012	Change 12/11	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12	2014	Change 14/13
Total OPEC	**5.37**	**5.66**	0.29	5.83	5.85	5.88	5.92	**5.87**	0.21	**6.01**	0.15

OPEC crude oil production decreased by 0.31 mb/d in June

OPEC crude oil production

Total OPEC crude oil production averaged 30.38 mb/d in June, representing a decline of 0.31 mb/d, compared with the previous month, according to secondary sources. OPEC crude oil production, excluding Iraq, averaged 27.32 mb/d, a drop of 0.28 mb/d over the same period. Libya, Nigeria, Angola, and Iraq, led the crude oil output decrease, while crude oil production from Saudi Arabia, and the UAE experienced the increase in June.

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

	2011	2012	4Q12	1Q13	2Q13	Apr 13	May 13	Jun 13	Jun/May
Algeria	1,240	1,210	1,186	1,169	1,168	1,176	1,167	1,163	*-3.3*
Angola	1,667	1,738	1,728	1,754	1,741	1,744	1,770	1,708	*-62.3*
Ecuador	490	499	502	502	506	506	505	505	*0.0*
Iran, I.R.	3,628	2,973	2,680	2,709	2,673	2,682	2,669	2,669	*0.0*
Iraq	2,665	2,979	3,118	3,031	3,106	3,164	3,094	3,060	*-33.6*
Kuwait	2,538	2,793	2,820	2,787	2,832	2,830	2,832	2,835	*3.4*
Libya	462	1,393	1,468	1,399	1,349	1,437	1,407	1,200	*-206.7*
Nigeria	2,111	2,073	1,965	1,988	1,914	1,951	1,930	1,861	*-69.7*
Qatar	794	753	732	736	731	730	726	736	*10.0*
Saudi Arabia	9,296	9,737	9,436	9,105	9,457	9,270	9,525	9,575	*50.0*
UAE	2,516	2,624	2,650	2,690	2,722	2,705	2,721	2,741	*20.1*
Venezuela	2,380	2,359	2,328	2,345	2,337	2,342	2,343	2,326	*-17.1*
Total OPEC	**29,788**	**31,132**	**30,613**	**30,214**	**30,537**	**30,538**	**30,688**	**30,379**	***-309.1***
OPEC excl. Iraq	**27,122**	**28,152**	**27,495**	**27,183**	**27,431**	**27,374**	**27,595**	**27,319**	***-275.5***

Totals may not add up due to independent rounding.

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

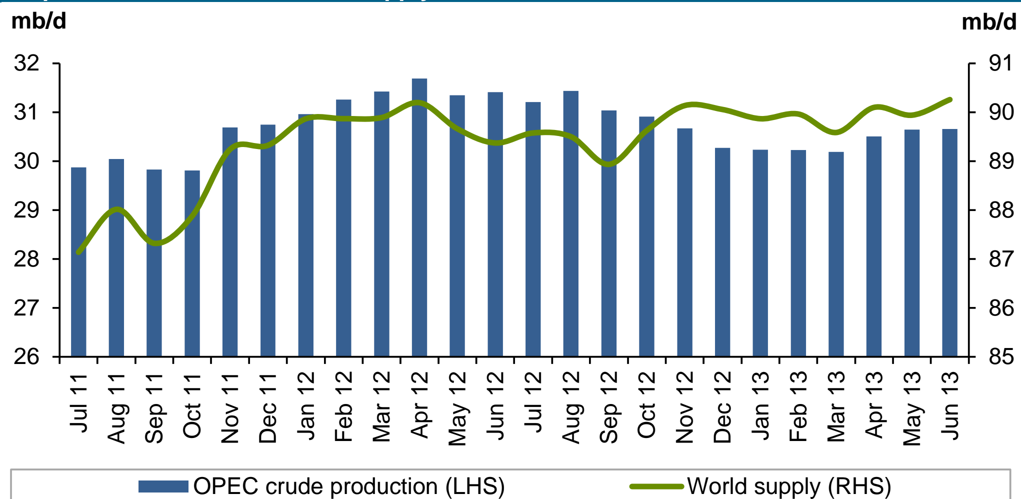
	2011	2012	4Q12	1Q13	2Q13	Apr 13	May 13	Jun 13	Jun/May
Algeria	1,173	1,203	1,184	1,199	1,202	1,195	1,204	1,207	*3.0*
Angola	1,618	1,704	1,690	1,734	..	1,711	1,730	..	*..*
Ecuador	500	504	503	506	520	516	522	524	*2.5*
Iran, I.R.	3,576	3,740	3,713	3,704	3,711	3,715	3,710	3,708	*-2.0*
Iraq	2,653	2,944	3,058	2,957	3,042	3,061	3,070	2,994	*-76.0*
Kuwait	2,660	2,977	2,967	2,813	2,970	2,970	2,960	2,980	*20.0*
Libya	462	1,450	1,498	1,489	1,415	1,518	1,441	1,286	*-155.1*
Nigeria	1,896	1,954	1,864	1,820	1,706	1,727	1,676	1,716	*40.2*
Qatar	734	734	727	728	724	727	723	721	*-2.7*
Saudi Arabia	9,311	9,763	9,413	9,111	9,538	9,310	9,657	9,642	*-15.3*
UAE	2,565	2,652	2,664	2,823	2,792	2,771	2,770	2,836	*65.6*
Venezuela	2,795	2,804	2,785	2,743	2,762	2,754	2,758	2,774	*16.3*
Total OPEC	**29,942**	**32,429**	**32,066**	**31,626**	**..**	**31,974**	**32,221**	**..**	**..**
OPEC excl. Iraq	**27,290**	**29,485**	**29,008**	**28,669**	**..**	**28,913**	**29,151**	**..**	**..**

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

World Oil Supply

Preliminary figures indicate that global oil supply averaged 89.98 mb/d in June, relatively flat from the previous month. The estimated steady state was driven by OPEC crude oil output decline and non-OPEC output increase. OPEC crude is estimated to have a 33.8% share in global supply, lower than last month. The estimate is based on preliminary data from non-OPEC supply, estimates for OPEC NGLs and OPEC production are derived from secondary sources.

Graph 5.5: OPEC and world oil supply

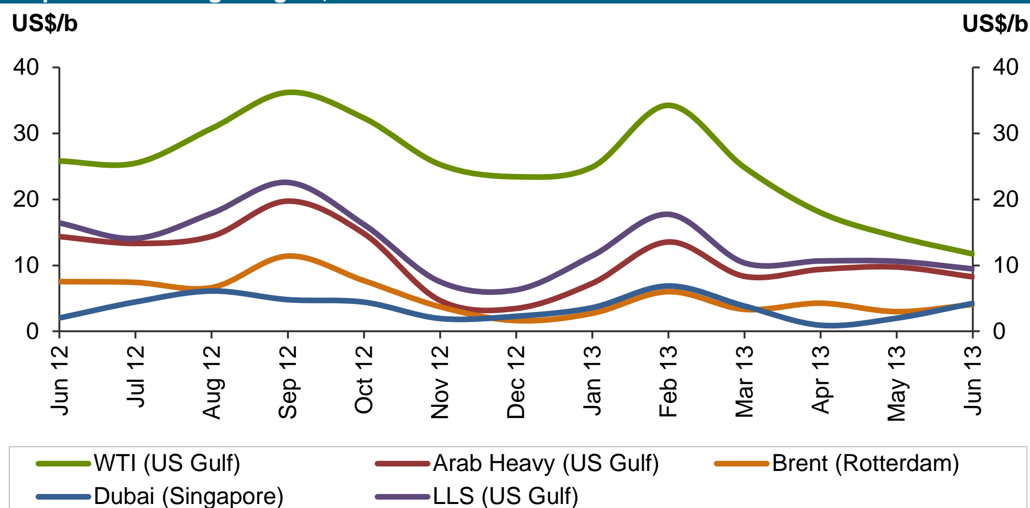


Product Markets and Refinery Operations

Refinery margins supported by middle distillate cracks were strengthened in Asia and Europe

Product markets exhibited a mixed performance in June. The top of the barrel weakened in the Atlantic Basin with gasoline losing ground due to limited demand on the Atlantic Coast which has not so far provided the strong boost that was seasonally expected. On the other hand, the middle distillates strengthened worldwide on the back of a slight recovery in demand amid temporary tightening in some regions, which allowed the margins to recover in Asia and Europe.

Graph 6.1: Refining margins, 2012-13



US product cracks showed a mixed performance. While middle distillates recovered on the back of increasing demand, losses were seen at the top and bottom of the barrel.

Gasoline witnessed the most pronounced fall due to slim demand in a slow start to the US summer driving season amid rising supplies from refineries returning from maintenance. Gasoline stocks remained above the typical level, which also kept pressure on the market.

The margin for WTI continued falling during June, losing more than $2 to average around $12/b, while the margin for Light Louisiana Sweet (LLS) fell $1 to average $9.5/b.

The refinery margin for Arab Heavy crude on the US Gulf Coast (USGC) showed a drop of $1.5 in June to average $8.3/b.

European product markets also registered a mixed performance, with gasoline cracks losing ground as limited demand from the US Atlantic Coast and the US in general has not provided the strong boost that is seasonally expected. Ultra-light sulphur diesel (ULSD) showed a strong crack improvement, as flooding hit the region, which caused prompt market tightness due to the loading delays caused by congestion on the river Rhine and limited imports.

Middle distillates drove the refining margins, allowing the margin for Brent crude in Northwest Europe to recover more than $1 to average $4/b in June.

In Asia, product cracks exhibited a sharp recovery, with fundamentals being quite healthy, and with strong regional demand to meet higher seasonal requirements in gasoline and middle distillates. A temporarily tight sentiment was due to some persistent refinery disruptions, which limited supplies and thus helped boost regional products markets.

Refinery margins in Asia recovered more than $2 to reach an average of $4/b in June, and it is expected that demand will continue to pick up ahead of the Ramadan holiday

season. This could lend additional support to the Asian refining margins in the coming weeks.

Refinery operations

Some European refineries were hit by the flooding in the region

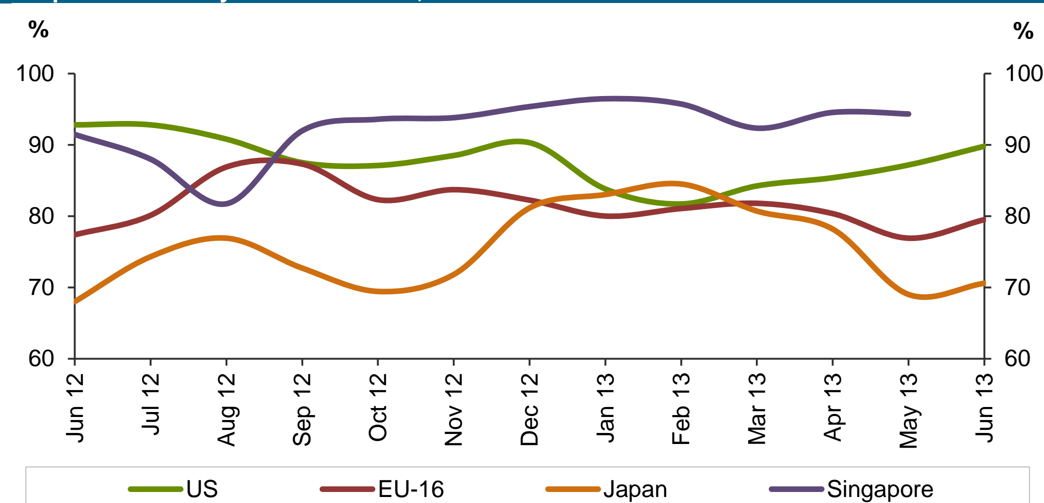
Refinery throughputs continued to hold at moderate levels worldwide despite the maintenance season ending in some regions. Refineries adjusted their throughput and operational modes to developments in demand and inventory levels, meanwhile operational problems and outages caused by flooding affected some refineries last month.

Gasoline demand started to increase in the **US** but remained lower versus last year, and refiners started to increase output to average around 90% of capacity in June, rising 2 percentage points (pp) over the previous month.

Runs were on the rise during the last weeks, following the slight drop in inventories since mid-June, despite being above average. Re-starts of refineries after maintenance, mainly in the mid-continent area, also contributed to throughputs.

Unplanned crude unit shutdowns in the West Coast region and maintenance in the mid-continent region attracted shipments and caused an increase in the inter-PADD arbitrage, although a lack of space on the Colonial pipeline limited the flows.

Graph 6.2: Refinery utilisation rates, 2012-13



Demand in the **European** market had been hit by the region's weak economic outlook during the last months, however during June, margins have been driven by the middle distillates recovery.

This recovery was due to the tightening supply situation generated by the flooding in the region, which also affected some refineries and terminals, resulting in a continued decrease in supply.

Refinery utilisation averaged around 79.5% in June, recovered from lower levels seen in previous months. Moderate throughput levels are expected to continue unless an uptick in distillate demand during the driving season helps margins to remain healthy in the Atlantic Basin.

The flooding suffered by the region temporarily affected barge trade, as limited navigation due to the flooded Danube, Elbe and Vlatava rivers impacted Central European refineries. River navigation to and from chemical giants in Basel was also affected, but Rotterdam ports were not impacted by the flooding.

In **Asia**, several refineries continued returning from their scheduled maintenance; however some outages affected some refineries in the region.

Chinese and Indian refineries have dropped runs to levels below 86% during the last months.

In Singapore, runs continued above 94%, while Japanese throughputs rose to 71% of capacity in June.

US market

The gasoline crack dropped with the slow start of the driving season

US gasoline demand stood at around 8.8 mb/d in June, 70 tb/d higher than the previous month, but down by around 240 tb/d from the same month a year earlier.

The gasoline crack lost ground, despite a slight improvement seen in the implied demand, although remaining far below the previous year's level.

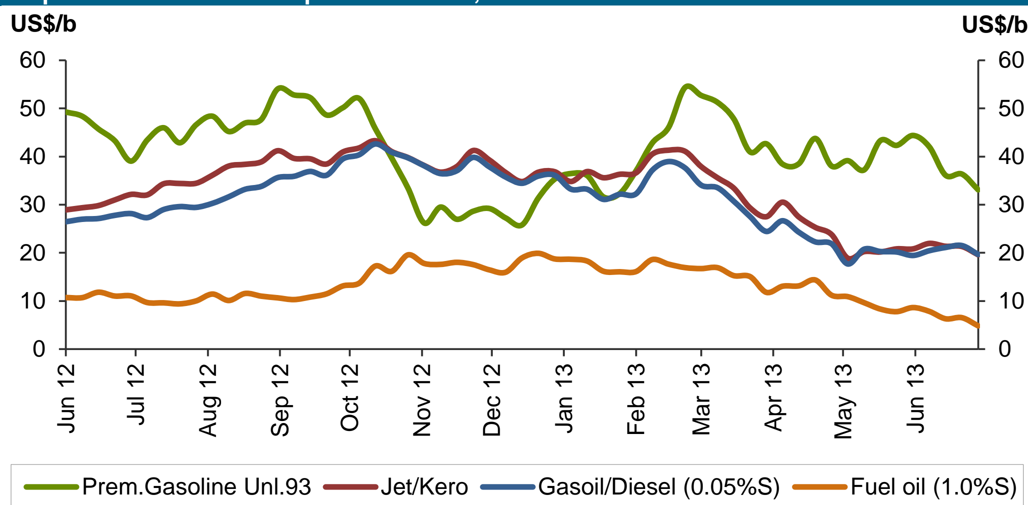
Gasoline inventories in the US were last seen at around 224 mb, the highest level since the beginning of March with particularly high levels in PADD-1 on the back of higher imports since the middle of May. Higher volumes coming from Europe, along with higher refinery runs after a return from maintenance, contributed to keeping gasoline in storage elevated, thus likely putting pressure on the crack.

US gasoline inventories have been on the rise, especially on the Atlantic Coast, where inventories reached almost 64 mb, the highest level since February 2012, partially limiting trans-Atlantic arbitrage, although a respite came from the diversion of some European cargoes to other areas like South America, Canada and Florida.

Additional pressure came from the supply side due to higher refinery runs and higher production. Some refiners raised yields to 60% while others returned from maintenance such as the Joliet refinery in Illinois and the start of the Whiting refinery in Indiana.

The gasoline crack showed a loss of $4 in June, to average $37/b.

Graph 6.3: US Gulf crack spreads vs. WTI, 2012-13



Middle distillate demand stood at around 4.1 mb/d in June, 270 tb/d higher than in the previous month, and around 380 tb/d above the same month a year earlier.

Middle distillate cracks strengthened over the last month amid domestic demand recovering from the low levels seen in the first quarter of 2013.

The ULSD crack trended upwards over June, with the improvement in demand playing the main role in this development, with latest EIA data showing middle distillate demand around 4 mb/d.

Support has also stemmed from Chile, where import requirements have increased due to a continuing drought, leading to imports of around 1.5 mb diesel from US West Coast refineries. Additional export opportunities to Ecuador and Mexico have also been supporting the market.

The **middle of the barrel** found additional support from the demand side, particularly from the trucking sector, as the ATA Truck Tonnage Index came in at 126 index points in May, which is 6.7% above last year's levels and the highest yearly growth rate since December 2011. This suggests that trucking activity has picked up pace in the US in recent months given that year-to-date, the index grew by 4.5%.

Production rose on the back of higher refining runs, and inventories continued to rise, boosted by lower exports to Europe, although it started to increase during the last weeks.

The USGC gasoil crack exhibited a recovery of $1 to stand at around $21/b in June.

At the **bottom of the barrel**, fuel oil cracks continued losing ground, affected by weaker demand along with higher crude prices. Bunker demand continued to weaken due to thin shipping activity, causing heavy bunker fuel prices to fall.

The losses were limited by the support stemming from arbitrage opportunities to the East, with some volumes of bunker fuel being sent to the UAE port of Fujairah.

The fuel oil crack averaged $6.4/b in June, losing more than $2 from the previous month.

European market

Middle distillates drove the margins in Europe

Product market fundamentals remained mixed in Europe. Middle distillates drove the margins to healthy levels, on the back of tightening supply due to the barge trade being temporarily affected by flooding in Central Europe, while the top of the barrel has retreated as gasoline has so far not provided the strong boost that is seasonally expected.

The **gasoline crack** in Northwest Europe lost part of the recovery seen last month due to the drop in gasoline prices and margins resulting from slack demand in Europe and a slow start to the US summer driving season.

Gasoline cracks took a hit as arbitrage economics related to the US Atlantic Coast came under pressure due in part to high US gasoline stocks. Thus, the US Atlantic Coast has thus far not provided the strong seasonal boost that is normally expected at this time of year. However, the market got some support coming from West Africa requirements and also from ARA independent gasoline stocks being somewhat below the five-year average.

The losses were limited by some export opportunities to MENA. However, a softer US market and the lower arbitrage opportunities increase competition for more far-flung export destinations such as Mexico and South America, which limited the upside potential for the heavily export-dependent light distillate region.

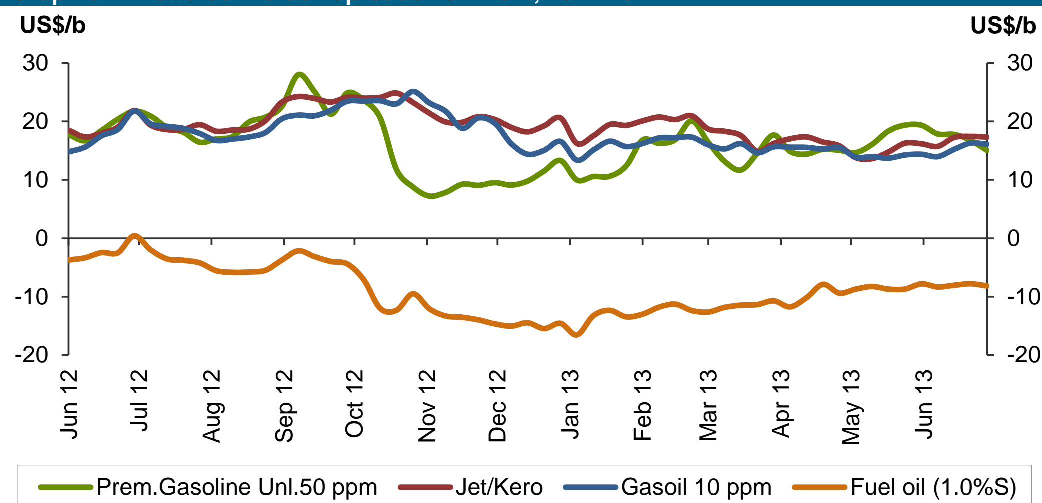
The gasoline crack spread against Brent crude dropped slightly by 60 cents to remain around $17/b in June.

Weak demand and oversupply continued to dominate the Northwest European and Mediterranean naphtha markets. However, the naphtha crack edged up marginally over the month, supported by the supply side.

Tight propane supplies provided some additional support at a time of year when petrochemical producers in Europe typically switch feedstock to LPG from naphtha.

However, the outlook remains bearish as both Asian and European petrochemical demand remains soft, and demand for reforming into gasoline and the arbitrage to East Asia is limited.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2012-13



The **middle of the barrel** recovered the ground lost last month allowing the middle distillate cracks to drive the refining margins with the ULSD to show a strong improvement, as the supply side in the region has been supported by the reduced barge trade due to the flooding in the region.

The gasoil crack has been moving steadily upwards, supported by demand in key export regions for power generation in Europe, where gasoil has shown a steady demand pattern. Additional support came from demand in West and North Africa.

The gasoil crack spread against Brent crude at Rotterdam recovered more than $1 to average $15/b in June.

At the **bottom of the barrel**, fuel oil cracks continued to rise on the back of strong fuel oil demand in the Mediterranean region, which allowed for drawing volumes from Northwest Europe.

On the other hand, although the HSFO arbitrage to Asia was limited due to the softening in the Singapore market, exports to the UAE have become viable, with bunker fuel prices in Fujairah above Singapore values.

The Northwest European fuel oil crack spread against Brent gained $1 in June to stand at minus $8/b.

Asian market

Asian product cracks strengthened on increasing regional demand

The Asian market continued to gain ground over June, as the cracks strengthened across all parts of the barrel. Seasonal demand increased, amid some supply limitations due to refinery outages in the region allowing product cracks to rebound from their lows witnessed in previous months.

The **gasoline crack** continued to recover ground in June on the back of firmer demand and tight supply, causing the stock in Singapore to remain low.

The Asian gasoline market became bullish, and fundamentals have been quite healthy, with strong demand from India to cover a domestic shortfall and lower regional exports, as shutdowns at gasoline making units in Taiwan cut some volumes and fuelled tightening sentiment.

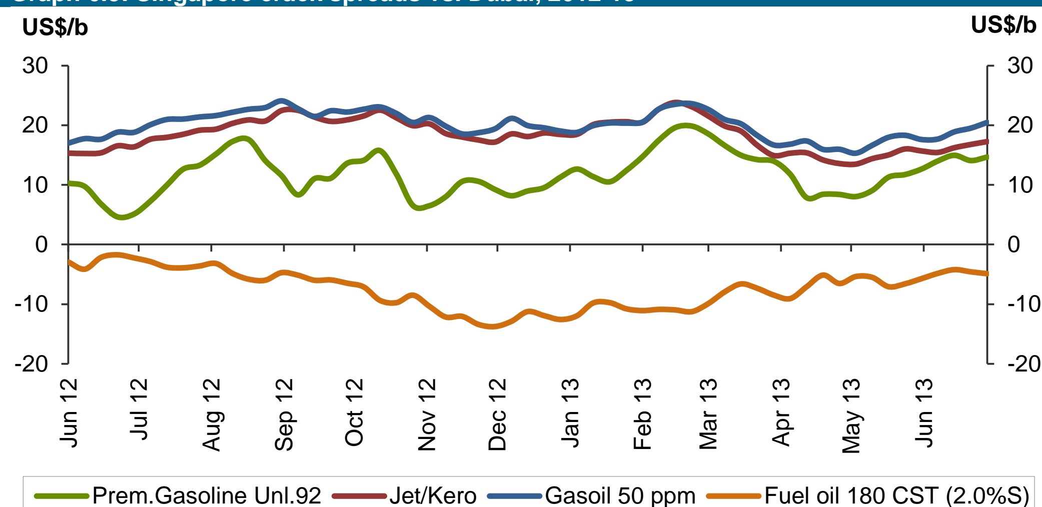
Additionally, imports have also been rising in Sri Lanka, Malaysia, Pakistan and the Middle East, with the latter also looking to import gasoline to meet higher seasonal demand.

The gasoline crack strengthened, supported by the demand side as well as low stocks in Singapore Onshore light distillate as they still remain relatively low at slightly below nine million barrels, almost 10% lower than the previous month.

The gasoline crack spread against Dubai crude in Singapore showed a sharp recovery of more than $4 to average $14/b in June.

The Asian naphtha market continues to be weak as supply-side pressure continues to weigh, with the Asian naphtha supplies remaining ample due to a lull in refinery maintenance, elevated arbitrage arrivals from the West, substantial imports from Europe and the US persisting since the start of this year.

Graph 6.5: Singapore crack spreads vs. Dubai, 2012-13



At the **middle of the barrel**, the gas oil crack continued to extend gains over June on the back of higher seasonal demand supporting fundamentals as the run-up to summer and Ramadan is boosting import requirements in the region.

The improving demand situation has also helped to draw down middle distillate stocks in Singapore, which last stood at an almost one-year low.

Imports have strengthened across the region with India, Sri Lanka, Vietnam and the Philippines all upping their import requirements during the last weeks.

Support was also seen stemming from Saudi Arabia, importing additional gas oil volumes for power generation to meet higher electricity demand over the summer months.

Meanwhile, the recent cut in Chinese diesel prices could also add a short-term lift to diesel demand, which has so far been below-average.

The gasoil crack spread in Singapore against Dubai gained more than $2 to average around $19/b in June.

At the **bottom of the barrel**, fuel oil cracks continued strengthening, mostly due to increasing demand from South Korea for power generation in order to offset lower nuclear power output.

Additional support came from the expectation of lower Western arbitrage arrivals in Asia over summer due to higher seasonal demand in the Mediterranean, and the beginning of the summer cooling season in the Middle East.

The fuel oil crack spread in Singapore against Dubai gained more than $1 to average minus $5/b in June.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			Refinery utilization, %		
	May 13	Jun 13	Jun/May	May 13	Jun 13	Jun/May
US	15.23	15.64	0.41	87.18	89.80	2.62
France	1.20	-	-	68.73	-	-
Germany	1.84	-	-	81.74	-	-
Italy	1.20	-	-	54.71	-	-
UK	1.23	-	-	69.32	-	-
Euro-16	10.10	10.40	0.30	76.90	79.50	2.60
Japan	3.09	3.16	0.07	69.00	70.58	1.58

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

Table 6.2: Refined product prices, US$/b

		Apr 13	May 13	Jun 13	*Change* Jun/May
US Gulf (Cargoes):					
Naphtha		102.15	98.81	94.18	-4.63
Premium gasoline	*(unleaded 93)*	131.65	136.02	133.55	-2.47
Regular gasoline	*(unleaded 87)*	118.53	119.04	117.28	-1.76
Jet/Kerosene		118.07	114.97	117.71	2.74
Gasoil	*(0.05% S)*	115.15	114.64	117.33	2.70
Fuel oil	*(1.0% S)*	98.17	97.88	97.37	-0.51
Fuel oil	*(3.0% S)*	91.49	91.10	90.93	-0.17
Rotterdam (Barges FoB):					
Naphtha		90.19	92.13	94.24	2.11
Premium gasoline	*(unleaded 10 ppm)*	102.83	105.74	106.18	0.44
Premium gasoline	*(unleaded 95)*	116.92	120.23	120.73	0.50
Jet/Kerosene		118.43	117.44	120.80	3.36
Gasoil/Diesel	*(10 ppm)*	117.31	116.51	119.21	2.70
Fuel oil	*(1.0% S)*	92.30	94.09	95.77	1.69
Fuel oil	*(3.5% S)*	92.19	92.26	92.82	0.56
Mediterranean					
Naphtha		86.06	88.18	90.35	2.18
Premium gasoline	*(50 ppm)*	121.22	122.69	123.85	1.16
Jet/Kerosene		111.68	111.26	114.50	3.24
Gasoil/Diesel	*(50 ppm)*	100.29	100.48	102.45	1.97
Fuel oil	*(1.0% S)*	91.24	93.79	95.32	1.54
Fuel oil	*(3.5% S)*	91.18	91.19	91.60	0.41
Singapore (Cargoes):					
Naphtha		93.43	93.56	95.06	1.50
Premium gasoline	*(unleaded 95)*	113.95	114.40	118.75	4.35
Regular gasoline	*(unleaded 92)*	110.77	111.08	115.65	4.57
Jet/Kerosene		116.20	115.37	117.65	2.28
Gasoil/Diesel	*(50 ppm)*	118.11	117.66	120.36	2.70
Fuel oil	*(180 cst 2.0% S)*	96.42	95.87	97.76	1.89
Fuel oil	*(380 cst 3.5% S)*	95.45	94.19	94.68	0.49

Tanker Market

OPEC spot fixtures decreased compared with last month to average 13.0 mb/d

In June, estimated **OPEC spot fixtures** decreased by 8% compared with last month to average 13.0 mb/d. Global spot fixtures declined by 10% in June compared with the previous month to average 17.8 mb/d. This decline came as a result of a reported decrease in all chartering activities in June, with the greatest drop registered on tankers out of the Middle East, declining by 0.91 mb/d or 18% from the previous month.

OPEC sailings followed the same suit, declining by 0.16 mb/b in June, compared with last month, to stand at 23.74 mb/d. The OPEC sailing drop came mainly as Middle East sailing dropped by 0.14mb/d. Nevertheless, arrivals showed a mixed pattern in June as North American and Far Eastern arrivals increased by 0.48 mb/d and 0.46 mb/d, respectively, while European and West Asian arrivals exhibited a decline of 0.12 mb/d and 0.33 mb/d to stand at 9.03 mb/d and 0.46 mb/d, respectively.

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

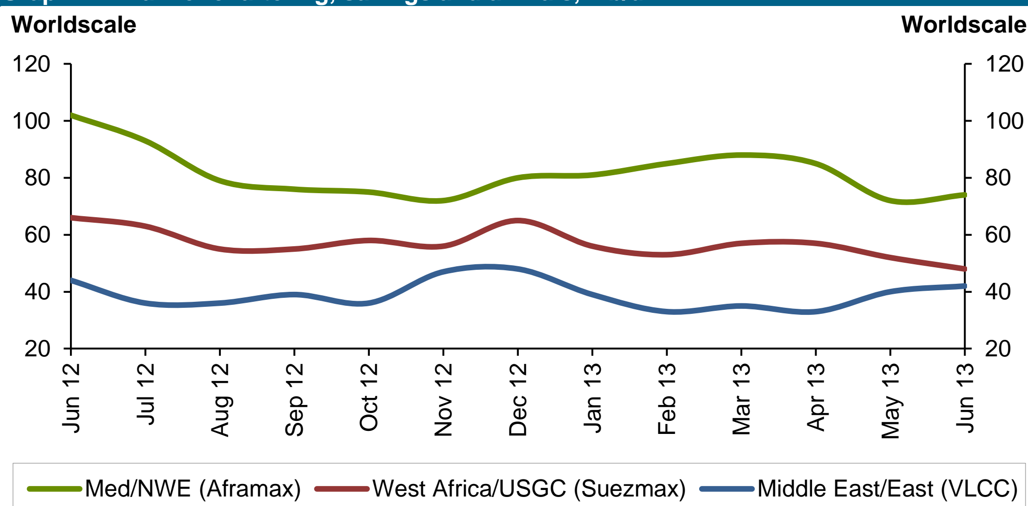
	Apr 13	May 13	Jun 13	*Change* Jun/May 13
Spot Chartering				
All areas	17.43	19.85	17.79	-2.06
OPEC	12.80	14.09	12.99	-1.10
Middle East/East	6.00	6.43	6.28	-0.15
Middle East/West	2.39	2.71	2.67	-0.04
Outside Middle East	4.41	4.95	4.04	-0.91
Sailings				
OPEC	23.64	23.90	23.74	-0.16
Middle East	17.31	17.57	17.43	-0.14
Arrivals				
North America	8.36	8.55	9.03	0.48
Europe	12.26	12.11	11.99	-0.12
Far East	8.10	7.97	8.43	0.46
West Asia	4.56	4.74	4.41	-0.33

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

Dirty tanker market showed mixed trends in June

The **dirty tanker market** showed mixed trends in June, with VLCC spot freight rates reporting a gain of 5% while both Suezmax and Aframax rates experienced losses of 6% and 2%, respectively, compared with last month. Clean spot freight rates were very weak in comparison to a month earlier with West of Suez rates declining by 12%, the highest among the all groups, and East of Suez rates ending the month 5% lower.

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



VLCC spot freight rates decreased by 12% compared with a year ago

For **VLCC**s, the month started with demand seen lower as the June requirement was about to be covered, with charterers keeping their slow pace in covering their requirements to maintain the pressured freight rate levels as they did in the past couple of months The first week of June also witnessed an inactive market for West Africa loadings, however the situation improved at a later stage as there was steady demand on West Africa-to-East with prompt windows resulting in higher freight rates registered on that market. Therefore, West Africa-to-East edged up by 5% to stand at 40 WS points. Despite the charterer's constant attempts to take advantage of the quiet market, it was not completely successful as the owners' resistance helped in holding up the market and preventing freights from declining.

The third week of June saw a busy market for Middle East-to-West routes, gaining 4% to stand at 25 WS points. Similarly, Middle East-to-East spot freight rates increased by 5% from the previous month to stand at 42 WS points. At that point, and since VLCC rates were firming, charterers were considering the option of splitting their cargoes to benefit from lower Suezmax freight rates. However, by the end of the month, freight rates were seen weaker for Middle East loadings, while West African market activity thinned with fewer fixtures and freight rates were often reported at last done levels. On the other hand, compared with a year ago, all selected route spot freight rates exhibited declines. On average, VLCC spot freight rates decreased by 12% compared with a year ago.

Suezmax spot freight rates down in June

Suezmax spot freight rates reported a negative performance in June as all reported routes saw lower freight rates from a month earlier. Suezmax freight rates in West Africa were under pressure despite the adequate amount of activity seen in that market at the beginning of the month but which lessened later on. While tonnage availability was increasing in the west, activity in Northwest Europe was slimming. The Suezmax activity in USGC was moderate, mainly involving lighterage operations. Middle East loadings, on the other hand, have shown stable activity to both eastern and western destinations, however freight rates kept flat. The end of the month, registered higher activity for Suezmax in the Mediterranean in addition to some delays at Trieste, however, freight rates did not benefit from these factors as vessel supply remains abundant. In general, Suezmax fixtures were done at lower levels, dictating a weak market as even prompt replacements were done at prevailing levels with no premiums. Therefore, freight rates for tankers operating from NW Europe to the US lost 14% in June, compared with the previous month to average 48 WS points, and rates from West Africa to the US decreased by 8%. On an annual basis, Suezmax spot freight rates declined 26% in June, compared with the same period a year ago.

Aframax spot freight rates mixed in June

In June, **Aframax** spot freight rates reported a mixed performance as rates from the Caribbean to the US declined while freight rates on all other reported routes gained as the market was balanced to a certain extent on the back of some delays and prompt replacements. Activity reported for the North Sea was stable, however freight rates strengthened slightly afterwards on the back of higher crude and fuel activity in the Baltics. Tankers engaged in longer voyages and thus caused a shorter positions' list, particularly for a prompt loadings. Freight rates for tanker operations on the Mediterranean-to-Mediterranean, Mediterranean-to-NW Europe and Indonesia-to-East routes increased by 3%, 6% and 4%, respectively, from a month earlier. While on a contrary pattern, freight rates for Aframax trading on the Caribbean-to-US route declined by 15% to stand at WS 94 points. This decline came as a result of limited cargo requirements in the area. Freight rates kept falling despite delays seen in the USGC as ullage was insufficient. The expectation that the delays might encourage lighterage activity and give support to freight rates did not materialise.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size 1,000 DWT	Apr 13	May 13	Jun 13	Change Jun/May 13
Crude					
Middle East/East	230-280	33	40	42	2
Middle East/West	270-285	20	24	25	1
West Africa/East	260	35	38	40	2
West Africa/US Gulf Coast	130-135	57	52	48	-4
NW Europe/USEC-USGC	130-135	50	48	46	-2
Indonesia/US West Coast	80-85	71	69	72	3
Caribbean/US East Coast	80-85	88	110	94	-16
Mediterranean/Mediterranean	80-85	85	72	74	2
Mediterranean/North-West Europe	80-85	83	66	70	4

Source: Galbraith's tanker market report and Platts.

Clean freight tanker rates weak in June

Clean tanker market sentiment was bearish in June on all reported routes. On average, East of Suez declined by 5% while the decline was seen greater on West of Suez as it declined by 12%. Clean tanker freight rates were weak throughout the whole month. Despite relatively high activity seen on the continent at some point, activity levels were stable at best for both medium-range and long-range tankers, however tonnage availability for eastbound were less than those for the west, which confirmed more availability even for prompt dates. Therefore, Mediterranean-to-Mediterranean clean spot freight rates decreased by 9%, and Mediterranean-to-NW Europe dropped by 8% from a month earlier, standing at WS 128 points and WS 138 points, respectively. The huge tonnage buildup cast its shadows even on freight rates for vessels trading on Middle East-to-East and Middle East-to-West routes as both declined by 3% and 7%, respectively, from a month ago. MR's trading on the NW Europe-to-US route experienced the greatest decline at 28 WS points or 19% from a month ago as a result mainly of lower activity and limited cargoes. The low freight levels seen on that route created a low interest from owners in moving their vessels to the west.

Graph 7.2: Monthly averages of clean spot freight rates

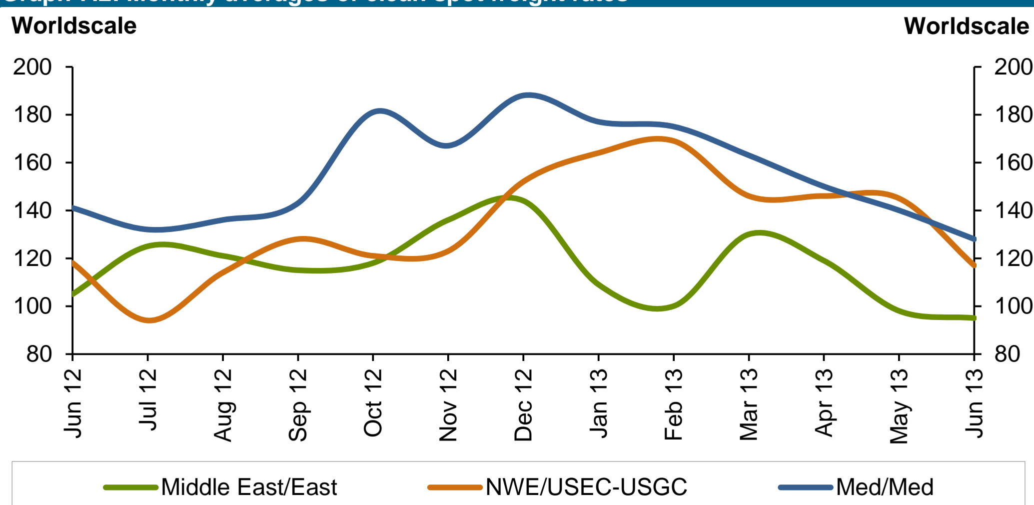


Table 7.3: Spot tanker product freight rates, Worldscale

	Size 1,000 DWT	Apr 13	May 13	Jun 13	Change Jun/May 13
Products					
Middle East/East	30-35	119	98	95	-3
Singapore/East	30-35	157	130	121	-9
NW Europe/USEC-USGC	33-37	146	145	117	-28
Mediterranean/Mediterranean	30-35	150	140	128	-12
Mediterranean/North-West Europe	30-35	160	150	138	-12

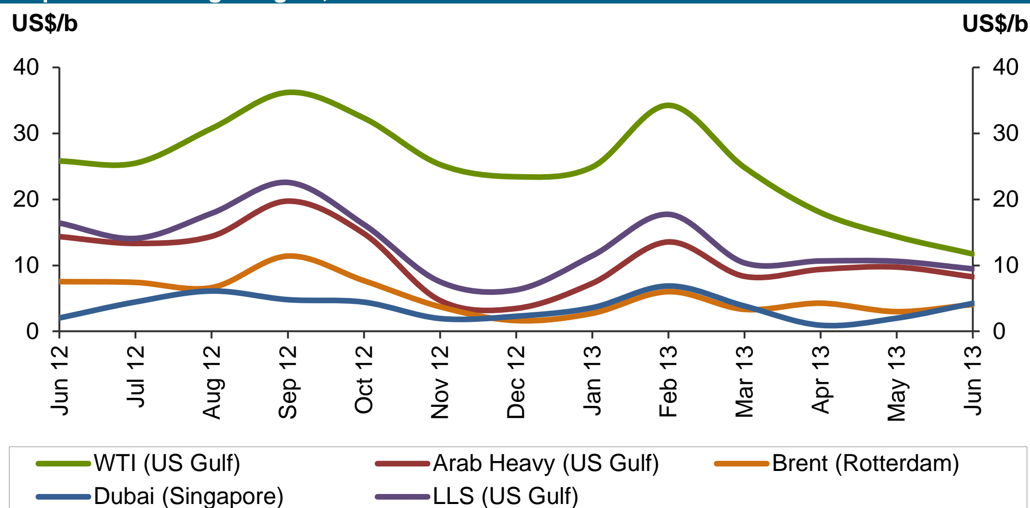
Source: Galbraith's tanker market report and Platts.

Product Markets and Refinery Operations

Refinery margins supported by middle distillate cracks were strengthened in Asia and Europe

Product markets exhibited a mixed performance in June. The top of the barrel weakened in the Atlantic Basin with gasoline losing ground due to limited demand on the Atlantic Coast which has not so far provided the strong boost that was seasonally expected. On the other hand, the middle distillates strengthened worldwide on the back of a slight recovery in demand amid temporary tightening in some regions, which allowed the margins to recover in Asia and Europe.

Graph 6.1: Refining margins, 2012-13



US product cracks showed a mixed performance. While middle distillates recovered on the back of increasing demand, losses were seen at the top and bottom of the barrel.

Gasoline witnessed the most pronounced fall due to slim demand in a slow start to the US summer driving season amid rising supplies from refineries returning from maintenance. Gasoline stocks remained above the typical level, which also kept pressure on the market.

The margin for WTI continued falling during June, losing more than $2 to average around $12/b, while the margin for Light Louisiana Sweet (LLS) fell $1 to average $9.5/b.

The refinery margin for Arab Heavy crude on the US Gulf Coast (USGC) showed a drop of $1.5 in June to average $8.3/b.

European product markets also registered a mixed performance, with gasoline cracks losing ground as limited demand from the US Atlantic Coast and the US in general has not provided the strong boost that is seasonally expected. Ultra-light sulphur diesel (ULSD) showed a strong crack improvement, as flooding hit the region, which caused prompt market tightness due to the loading delays caused by congestion on the river Rhine and limited imports.

Middle distillates drove the refining margins, allowing the margin for Brent crude in Northwest Europe to recover more than $1 to average $4/b in June.

In Asia, product cracks exhibited a sharp recovery, with fundamentals being quite healthy, and with strong regional demand to meet higher seasonal requirements in gasoline and middle distillates. A temporarily tight sentiment was due to some persistent refinery disruptions, which limited supplies and thus helped boost regional products markets.

Refinery margins in Asia recovered more than $2 to reach an average of $4/b in June, and it is expected that demand will continue to pick up ahead of the Ramadan holiday

season. This could lend additional support to the Asian refining margins in the coming weeks.

Refinery operations

Some European refineries were hit by the flooding in the region

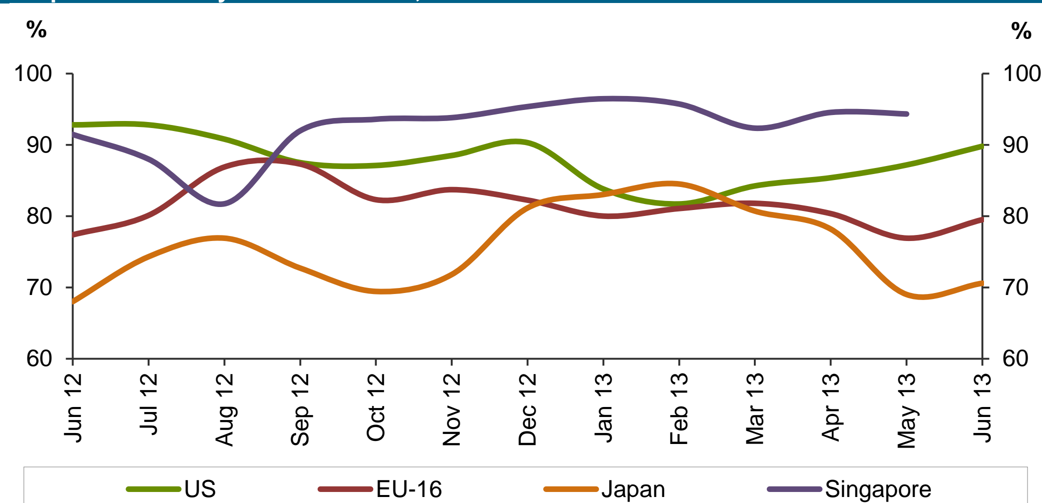
Refinery throughputs continued to hold at moderate levels worldwide despite the maintenance season ending in some regions. Refineries adjusted their throughput and operational modes to developments in demand and inventory levels, meanwhile operational problems and outages caused by flooding affected some refineries last month.

Gasoline demand started to increase in the **US** but remained lower versus last year, and refiners started to increase output to average around 90% of capacity in June, rising 2 percentage points (pp) over the previous month.

Runs were on the rise during the last weeks, following the slight drop in inventories since mid-June, despite being above average. Re-starts of refineries after maintenance, mainly in the mid-continent area, also contributed to throughputs.

Unplanned crude unit shutdowns in the West Coast region and maintenance in the mid-continent region attracted shipments and caused an increase in the inter-PADD arbitrage, although a lack of space on the Colonial pipeline limited the flows.

Graph 6.2: Refinery utilisation rates, 2012-13



Demand in the **European** market had been hit by the region's weak economic outlook during the last months, however during June, margins have been driven by the middle distillates recovery.

This recovery was due to the tightening supply situation generated by the flooding in the region, which also affected some refineries and terminals, resulting in a continued decrease in supply.

Refinery utilisation averaged around 79.5% in June, recovered from lower levels seen in previous months. Moderate throughput levels are expected to continue unless an uptick in distillate demand during the driving season helps margins to remain healthy in the Atlantic Basin.

The flooding suffered by the region temporarily affected barge trade, as limited navigation due to the flooded Danube, Elbe and Vlatava rivers impacted Central European refineries. River navigation to and from chemical giants in Basel was also affected, but Rotterdam ports were not impacted by the flooding.

In **Asia**, several refineries continued returning from their scheduled maintenance; however some outages affected some refineries in the region.

Chinese and Indian refineries have dropped runs to levels below 86% during the last months.

In Singapore, runs continued above 94%, while Japanese throughputs rose to 71% of capacity in June.

US market

The gasoline crack dropped with the slow start of the driving season

US gasoline demand stood at around 8.8 mb/d in June, 70 tb/d higher than the previous month, but down by around 240 tb/d from the same month a year earlier.

The gasoline crack lost ground, despite a slight improvement seen in the implied demand, although remaining far below the previous year's level.

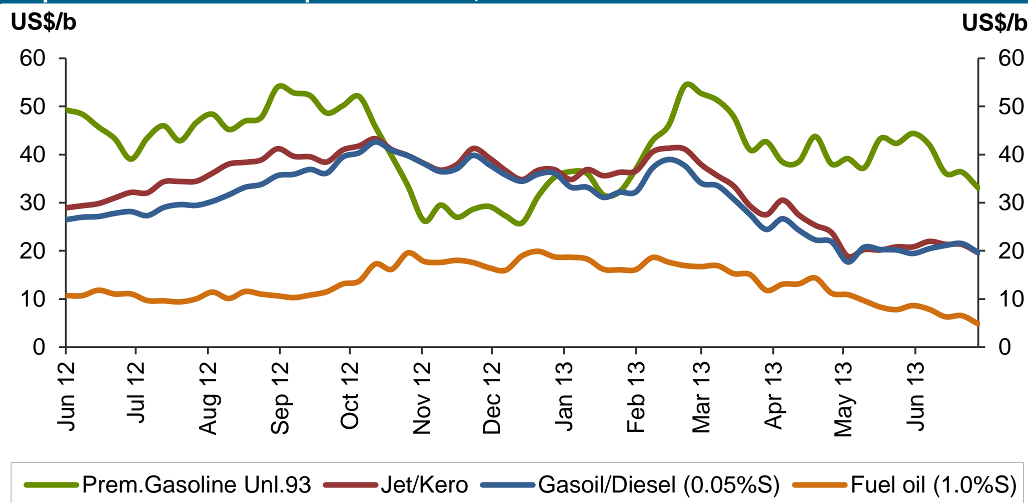
Gasoline inventories in the US were last seen at around 224 mb, the highest level since the beginning of March with particularly high levels in PADD-1 on the back of higher imports since the middle of May. Higher volumes coming from Europe, along with higher refinery runs after a return from maintenance, contributed to keeping gasoline in storage elevated, thus likely putting pressure on the crack.

US gasoline inventories have been on the rise, especially on the Atlantic Coast, where inventories reached almost 64 mb, the highest level since February 2012, partially limiting trans-Atlantic arbitrage, although a respite came from the diversion of some European cargoes to other areas like South America, Canada and Florida.

Additional pressure came from the supply side due to higher refinery runs and higher production. Some refiners raised yields to 60% while others returned from maintenance such as the Joliet refinery in Illinois and the start of the Whiting refinery in Indiana.

The gasoline crack showed a loss of $4 in June, to average $37/b.

Graph 6.3: US Gulf crack spreads vs. WTI, 2012-13



Middle distillate demand stood at around 4.1 mb/d in June, 270 tb/d higher than in the previous month, and around 380 tb/d above the same month a year earlier.

Middle distillate cracks strengthened over the last month amid domestic demand recovering from the low levels seen in the first quarter of 2013.

The ULSD crack trended upwards over June, with the improvement in demand playing the main role in this development, with latest EIA data showing middle distillate demand around 4 mb/d.

Support has also stemmed from Chile, where import requirements have increased due to a continuing drought, leading to imports of around 1.5 mb diesel from US West Coast refineries. Additional export opportunities to Ecuador and Mexico have also been supporting the market.

The **middle of the barrel** found additional support from the demand side, particularly from the trucking sector, as the ATA Truck Tonnage Index came in at 126 index points in May, which is 6.7% above last year's levels and the highest yearly growth rate since December 2011. This suggests that trucking activity has picked up pace in the US in recent months given that year-to-date, the index grew by 4.5%.

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At the **bottom of the barrel**, fuel oil cracks continued losing ground, affected by weaker demand along with higher crude prices. Bunker demand continued to weaken due to thin shipping activity, causing heavy bunker fuel prices to fall.

The losses were limited by the support stemming from arbitrage opportunities to the East, with some volumes of bunker fuel being sent to the UAE port of Fujairah.

The fuel oil crack averaged $6.4/b in June, losing more than $2 from the previous month.

European market

Middle distillates drove the margins in Europe

Product market fundamentals remained mixed in Europe. Middle distillates drove the margins to healthy levels, on the back of tightening supply due to the barge trade being temporarily affected by flooding in Central Europe, while the top of the barrel has retreated as gasoline has so far not provided the strong boost that is seasonally expected.

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Gasoline cracks took a hit as arbitrage economics related to the US Atlantic Coast came under pressure due in part to high US gasoline stocks. Thus, the US Atlantic Coast has thus far not provided the strong seasonal boost that is normally expected at this time of year. However, the market got some support coming from West Africa requirements and also from ARA independent gasoline stocks being somewhat below the five-year average.

The losses were limited by some export opportunities to MENA. However, a softer US market and the lower arbitrage opportunities increase competition for more far-flung export destinations such as Mexico and South America, which limited the upside potential for the heavily export-dependent light distillate region.

The gasoline crack spread against Brent crude dropped slightly by 60 cents to remain around $17/b in June.

Weak demand and oversupply continued to dominate the Northwest European and Mediterranean naphtha markets. However, the naphtha crack edged up marginally over the month, supported by the supply side.

Tight propane supplies provided some additional support at a time of year when petrochemical producers in Europe typically switch feedstock to LPG from naphtha.

However, the outlook remains bearish as both Asian and European petrochemical demand remains soft, and demand for reforming into gasoline and the arbitrage to East Asia is limited.

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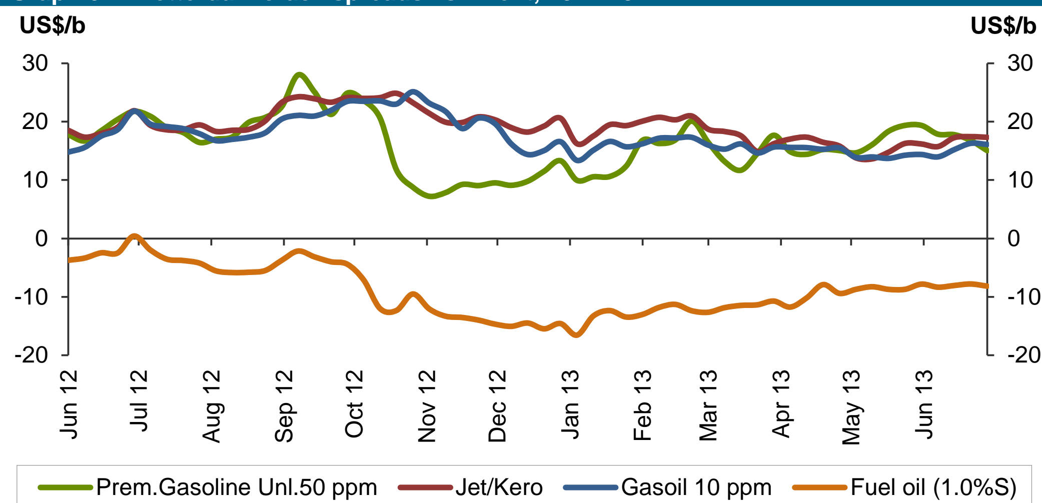


The **middle of the barrel** recovered the ground lost last month allowing the middle distillate cracks to drive the refining margins with the ULSD to show a strong improvement, as the supply side in the region has been supported by the reduced barge trade due to the flooding in the region.

The gasoil crack has been moving steadily upwards, supported by demand in key export regions for power generation in Europe, where gasoil has shown a steady demand pattern. Additional support came from demand in West and North Africa.

The gasoil crack spread against Brent crude at Rotterdam recovered more than $1 to average $15/b in June.

At the **bottom of the barrel**, fuel oil cracks continued to rise on the back of strong fuel oil demand in the Mediterranean region, which allowed for drawing volumes from Northwest Europe.

On the other hand, although the HSFO arbitrage to Asia was limited due to the softening in the Singapore market, exports to the UAE have become viable, with bunker fuel prices in Fujairah above Singapore values.

The Northwest European fuel oil crack spread against Brent gained $1 in June to stand at minus $8/b.

Asian market

Asian product cracks strengthened on increasing regional demand

The Asian market continued to gain ground over June, as the cracks strengthened across all parts of the barrel. Seasonal demand increased, amid some supply limitations due to refinery outages in the region allowing product cracks to rebound from their lows witnessed in previous months.

The **gasoline crack** continued to recover ground in June on the back of firmer demand and tight supply, causing the stock in Singapore to remain low.

The Asian gasoline market became bullish, and fundamentals have been quite healthy, with strong demand from India to cover a domestic shortfall and lower regional exports, as shutdowns at gasoline making units in Taiwan cut some volumes and fuelled tightening sentiment.

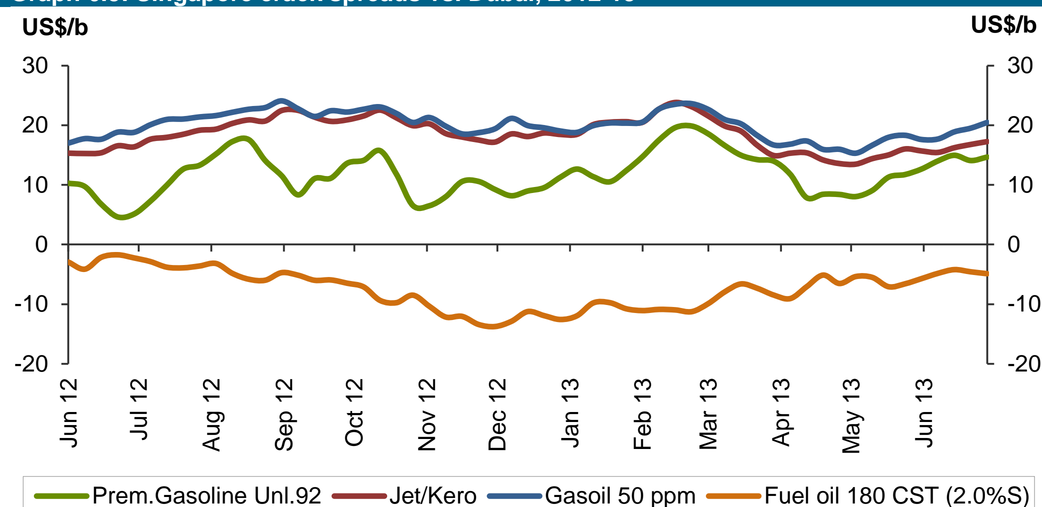
Additionally, imports have also been rising in Sri Lanka, Malaysia, Pakistan and the Middle East, with the latter also looking to import gasoline to meet higher seasonal demand.

The gasoline crack strengthened, supported by the demand side as well as low stocks in Singapore Onshore light distillate as they still remain relatively low at slightly below nine million barrels, almost 10% lower than the previous month.

The gasoline crack spread against Dubai crude in Singapore showed a sharp recovery of more than $4 to average $14/b in June.

The Asian naphtha market continues to be weak as supply-side pressure continues to weigh, with the Asian naphtha supplies remaining ample due to a lull in refinery maintenance, elevated arbitrage arrivals from the West, substantial imports from Europe and the US persisting since the start of this year.

Graph 6.5: Singapore crack spreads vs. Dubai, 2012-13



At the **middle of the barrel**, the gas oil crack continued to extend gains over June on the back of higher seasonal demand supporting fundamentals as the run-up to summer and Ramadan is boosting import requirements in the region.

The improving demand situation has also helped to draw down middle distillate stocks in Singapore, which last stood at an almost one-year low.

Imports have strengthened across the region with India, Sri Lanka, Vietnam and the Philippines all upping their import requirements during the last weeks.

Support was also seen stemming from Saudi Arabia, importing additional gas oil volumes for power generation to meet higher electricity demand over the summer months.

Meanwhile, the recent cut in Chinese diesel prices could also add a short-term lift to diesel demand, which has so far been below-average.

The gasoil crack spread in Singapore against Dubai gained more than $2 to average around $19/b in June.

At the **bottom of the barrel**, fuel oil cracks continued strengthening, mostly due to increasing demand from South Korea for power generation in order to offset lower nuclear power output.

Additional support came from the expectation of lower Western arbitrage arrivals in Asia over summer due to higher seasonal demand in the Mediterranean, and the beginning of the summer cooling season in the Middle East.

The fuel oil crack spread in Singapore against Dubai gained more than $1 to average minus $5/b in June.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			*Refinery utilization, %*		
	May 13	Jun 13	Jun/May	May 13	Jun 13	Jun/May
US	15.23	15.64	0.41	87.18	89.80	2.62
France	1.20	-	-	68.73	-	-
Germany	1.84	-	-	81.74	-	-
Italy	1.20	-	-	54.71	-	-
UK	1.23	-	-	69.32	-	-
Euro-16	10.10	10.40	0.30	76.90	79.50	2.60
Japan	3.09	3.16	0.07	69.00	70.58	1.58

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

Table 6.2: Refined product prices, US$/b

		Apr 13	May 13	Jun 13	*Change* Jun/May
US Gulf (Cargoes):					
Naphtha		102.15	98.81	94.18	-4.63
Premium gasoline	*(unleaded 93)*	131.65	136.02	133.55	-2.47
Regular gasoline	*(unleaded 87)*	118.53	119.04	117.28	-1.76
Jet/Kerosene		118.07	114.97	117.71	2.74
Gasoil	*(0.05% S)*	115.15	114.64	117.33	2.70
Fuel oil	*(1.0% S)*	98.17	97.88	97.37	-0.51
Fuel oil	*(3.0% S)*	91.49	91.10	90.93	-0.17
Rotterdam (Barges FoB):					
Naphtha		90.19	92.13	94.24	2.11
Premium gasoline	*(unleaded 10 ppm)*	102.83	105.74	106.18	0.44
Premium gasoline	*(unleaded 95)*	116.92	120.23	120.73	0.50
Jet/Kerosene		118.43	117.44	120.80	3.36
Gasoil/Diesel	*(10 ppm)*	117.31	116.51	119.21	2.70
Fuel oil	*(1.0% S)*	92.30	94.09	95.77	1.69
Fuel oil	*(3.5% S)*	92.19	92.26	92.82	0.56
Mediterranean					
Naphtha		86.06	88.18	90.35	2.18
Premium gasoline	*(50 ppm)*	121.22	122.69	123.85	1.16
Jet/Kerosene		111.68	111.26	114.50	3.24
Gasoil/Diesel	*(50 ppm)*	100.29	100.48	102.45	1.97
Fuel oil	*(1.0% S)*	91.24	93.79	95.32	1.54
Fuel oil	*(3.5% S)*	91.18	91.19	91.60	0.41
Singapore (Cargoes):					
Naphtha		93.43	93.56	95.06	1.50
Premium gasoline	*(unleaded 95)*	113.95	114.40	118.75	4.35
Regular gasoline	*(unleaded 92)*	110.77	111.08	115.65	4.57
Jet/Kerosene		116.20	115.37	117.65	2.28
Gasoil/Diesel	*(50 ppm)*	118.11	117.66	120.36	2.70
Fuel oil	*(180 cst 2.0% S)*	96.42	95.87	97.76	1.89
Fuel oil	*(380 cst 3.5% S)*	95.45	94.19	94.68	0.49

Tanker Market

OPEC spot fixtures decreased compared with last month to average 13.0 mb/d

In June, estimated **OPEC spot fixtures** decreased by 8% compared with last month to average 13.0 mb/d. Global spot fixtures declined by 10% in June compared with the previous month to average 17.8 mb/d. This decline came as a result of a reported decrease in all chartering activities in June, with the greatest drop registered on tankers out of the Middle East, declining by 0.91 mb/d or 18% from the previous month.

OPEC sailings followed the same suit, declining by 0.16 mb/b in June, compared with last month, to stand at 23.74 mb/d. The OPEC sailing drop came mainly as Middle East sailing dropped by 0.14mb/d. Nevertheless, arrivals showed a mixed pattern in June as North American and Far Eastern arrivals increased by 0.48 mb/d and 0.46 mb/d, respectively, while European and West Asian arrivals exhibited a decline of 0.12 mb/d and 0.33 mb/d to stand at 9.03 mb/d and 0.46 mb/d, respectively.

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

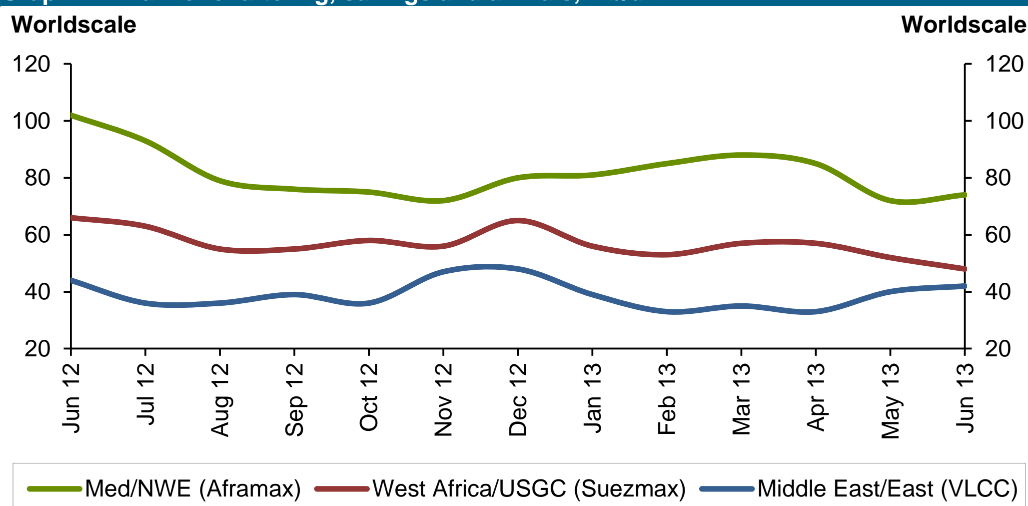
	Apr 13	May 13	Jun 13	*Change Jun/May 13*
Spot Chartering				
All areas	17.43	19.85	17.79	-2.06
OPEC	12.80	14.09	12.99	-1.10
Middle East/East	6.00	6.43	6.28	-0.15
Middle East/West	2.39	2.71	2.67	-0.04
Outside Middle East	4.41	4.95	4.04	-0.91
Sailings				
OPEC	23.64	23.90	23.74	-0.16
Middle East	17.31	17.57	17.43	-0.14
Arrivals				
North America	8.36	8.55	9.03	0.48
Europe	12.26	12.11	11.99	-0.12
Far East	8.10	7.97	8.43	0.46
West Asia	4.56	4.74	4.41	-0.33

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

Dirty tanker market showed mixed trends in June

The **dirty tanker market** showed mixed trends in June, with VLCC spot freight rates reporting a gain of 5% while both Suezmax and Aframax rates experienced losses of 6% and 2%, respectively, compared with last month. Clean spot freight rates were very weak in comparison to a month earlier with West of Suez rates declining by 12%, the highest among the all groups, and East of Suez rates ending the month 5% lower.

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



VLCC spot freight rates decreased by 12% compared with a year ago

For **VLCC**s, the month started with demand seen lower as the June requirement was about to be covered, with charterers keeping their slow pace in covering their requirements to maintain the pressured freight rate levels as they did in the past couple of months The first week of June also witnessed an inactive market for West Africa loadings, however the situation improved at a later stage as there was steady demand on West Africa-to-East with prompt windows resulting in higher freight rates registered on that market. Therefore, West Africa-to-East edged up by 5% to stand at 40 WS points. Despite the charterer's constant attempts to take advantage of the quiet market, it was not completely successful as the owners' resistance helped in holding up the market and preventing freights from declining.

The third week of June saw a busy market for Middle East-to-West routes, gaining 4% to stand at 25 WS points. Similarly, Middle East-to-East spot freight rates increased by 5% from the previous month to stand at 42 WS points. At that point, and since VLCC rates were firming, charterers were considering the option of splitting their cargoes to benefit from lower Suezmax freight rates. However, by the end of the month, freight rates were seen weaker for Middle East loadings, while West African market activity thinned with fewer fixtures and freight rates were often reported at last done levels. On the other hand, compared with a year ago, all selected route spot freight rates exhibited declines. On average, VLCC spot freight rates decreased by 12% compared with a year ago.

Suezmax spot freight rates down in June

Suezmax spot freight rates reported a negative performance in June as all reported routes saw lower freight rates from a month earlier. Suezmax freight rates in West Africa were under pressure despite the adequate amount of activity seen in that market at the beginning of the month but which lessened later on. While tonnage availability was increasing in the west, activity in Northwest Europe was slimming. The Suezmax activity in USGC was moderate, mainly involving lighterage operations. Middle East loadings, on the other hand, have shown stable activity to both eastern and western destinations, however freight rates kept flat. The end of the month, registered higher activity for Suezmax in the Mediterranean in addition to some delays at Trieste, however, freight rates did not benefit from these factors as vessel supply remains abundant. In general, Suezmax fixtures were done at lower levels, dictating a weak market as even prompt replacements were done at prevailing levels with no premiums. Therefore, freight rates for tankers operating from NW Europe to the US lost 14% in June, compared with the previous month to average 48 WS points, and rates from West Africa to the US decreased by 8%. On an annual basis, Suezmax spot freight rates declined 26% in June, compared with the same period a year ago.

Aframax spot freight rates mixed in June

In June, **Aframax** spot freight rates reported a mixed performance as rates from the Caribbean to the US declined while freight rates on all other reported routes gained as the market was balanced to a certain extent on the back of some delays and prompt replacements. Activity reported for the North Sea was stable, however freight rates strengthened slightly afterwards on the back of higher crude and fuel activity in the Baltics. Tankers engaged in longer voyages and thus caused a shorter positions' list, particularly for a prompt loadings. Freight rates for tanker operations on the Mediterranean-to-Mediterranean, Mediterranean-to-NW Europe and Indonesia-to-East routes increased by 3%, 6% and 4%, respectively, from a month earlier. While on a contrary pattern, freight rates for Aframax trading on the Caribbean-to-US route declined by 15% to stand at WS 94 points. This decline came as a result of limited cargo requirements in the area. Freight rates kept falling despite delays seen in the USGC as ullage was insufficient. The expectation that the delays might encourage lighterage activity and give support to freight rates did not materialise.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size 1,000 DWT	Apr 13	May 13	Jun 13	Change Jun/May 13
Crude					
Middle East/East	230-280	33	40	42	2
Middle East/West	270-285	20	24	25	1
West Africa/East	260	35	38	40	2
West Africa/US Gulf Coast	130-135	57	52	48	-4
NW Europe/USEC-USGC	130-135	50	48	46	-2
Indonesia/US West Coast	80-85	71	69	72	3
Caribbean/US East Coast	80-85	88	110	94	-16
Mediterranean/Mediterranean	80-85	85	72	74	2
Mediterranean/North-West Europe	80-85	83	66	70	4

Source: Galbraith's tanker market report and Platts.

Clean freight tanker rates weak in June

Clean tanker market sentiment was bearish in June on all reported routes. On average, East of Suez declined by 5% while the decline was seen greater on West of Suez as it declined by 12%. Clean tanker freight rates were weak throughout the whole month. Despite relatively high activity seen on the continent at some point, activity levels were stable at best for both medium-range and long-range tankers, however tonnage availability for eastbound were less than those for the west, which confirmed more availability even for prompt dates. Therefore, Mediterranean-to-Mediterranean clean spot freight rates decreased by 9%, and Mediterranean-to-NW Europe dropped by 8% from a month earlier, standing at WS 128 points and WS 138 points, respectively. The huge tonnage buildup cast its shadows even on freight rates for vessels trading on Middle East-to-East and Middle East-to-West routes as both declined by 3% and 7%, respectively, from a month ago. MR's trading on the NW Europe-to-US route experienced the greatest decline at 28 WS points or 19% from a month ago as a result mainly of lower activity and limited cargoes. The low freight levels seen on that route created a low interest from owners in moving their vessels to the west.

Graph 7.2: Monthly averages of clean spot freight rates

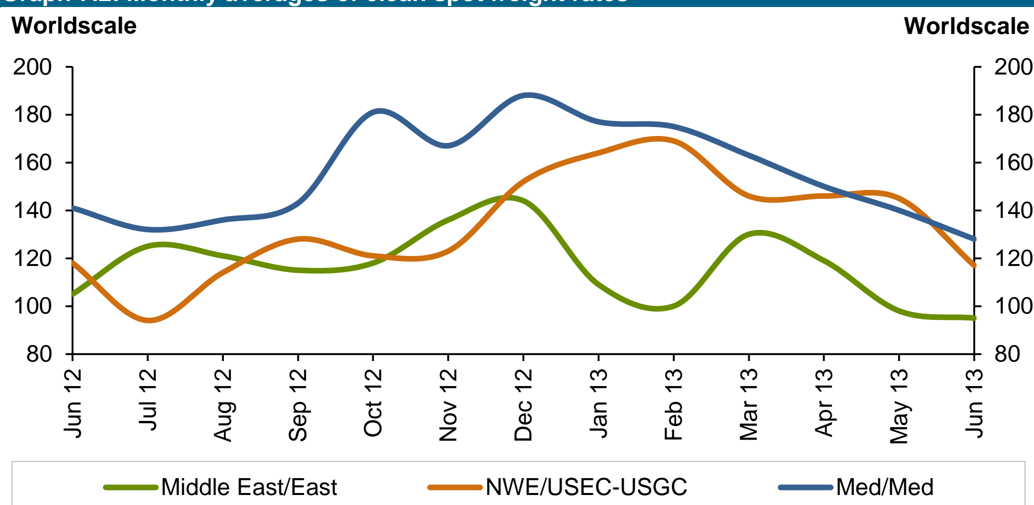


Table 7.3: Spot tanker product freight rates, Worldscale

	Size 1,000 DWT	Apr 13	May 13	Jun 13	Change Jun/May 13
Products					
Middle East/East	30-35	119	98	95	-3
Singapore/East	30-35	157	130	121	-9
NW Europe/USEC-USGC	33-37	146	145	117	-28
Mediterranean/Mediterranean	30-35	150	140	128	-12
Mediterranean/North-West Europe	30-35	160	150	138	-12

Source: Galbraith's tanker market report and Platts.

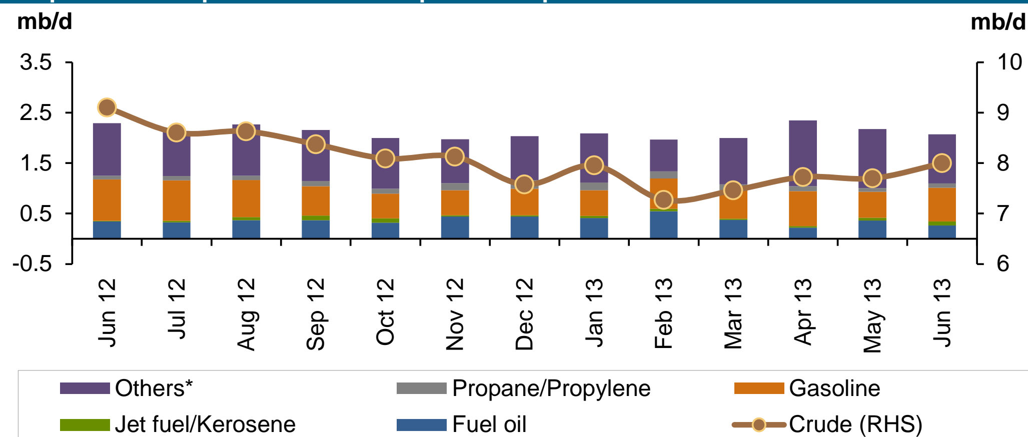
Oil Trade

US imports increase in June by 0.3 mb/d to average 8 mb/d

US

Preliminary data show an increase in **US crude oil imports** to average 8 mb/d in June, the highest level seen this year so far and up by 298 tb/d or 4% from last month. On an annual basis, this still reflects a loss of 1.1 mb/d or 12% from one year earlier.

Graph 8.1: US imports of crude and petroleum products

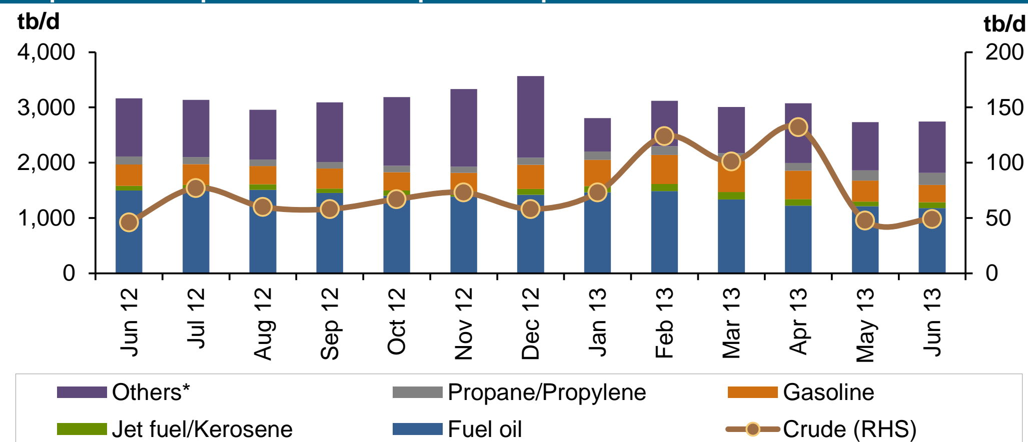


**Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.*

In June, US **product imports** dropped by 103 tb/d or 5% to average 2 mb/d, the lowest level seen since March 2013, while an annual comparison shows a fall of 218 tb/d or 10%. On a year-to-date comparison, both crude and product imports declined by 12% and 0.2%, respectively. US product exports in June were stable, averaging 2.7 mb/d from the previous month. Annual comparison reflects a drop in figures of 418 tb/d or 12%. As a result, **US total net imports increased in June to average 7.5 mb/d, 6.4% higher than the previous month and 10% less than last year's level.**

April data shows that y-o-y crude imports were 10% lower, while US production was 17% higher. In April, the first- and second-largest suppliers to the US maintained their positions in relation to the previous month. Canada remained the premier crude supplier to the US, accounting for 32% of total US crude imports; monthly volumes maintained the same levels seen a month earlier. Saudi Arabia maintained its position as second-largest supplier to the US in April, with lower volumes than seen in March by 177 tb/d, or 14%. Mexico came in as third-biggest supplier, accounting for 12% of total US crude imports, up by 297 tb/d or 50% from last month's level.

Graph 8.2: US exports of crude and petroleum products



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

Crude imports from OPEC Member Countries remained almost steady in April, accounting for 45.5% of total US crude imports. Although US product imports from OPEC Member Countries increased by 118 tb/d or 81% over last month, annually the figure reflects a drop of 50 tb/d or 16%. Canada and Russia maintained their positions as first- and second-largest suppliers to the US, accounting for 28% and 21%. Canada increased its product exports to the US by 32% over the previous month, and Russia increased its volumes by 12%. The UK was the third-largest supplier to the US, increasing its exported volumes by 20 tb/d or 21% over the previous month.

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

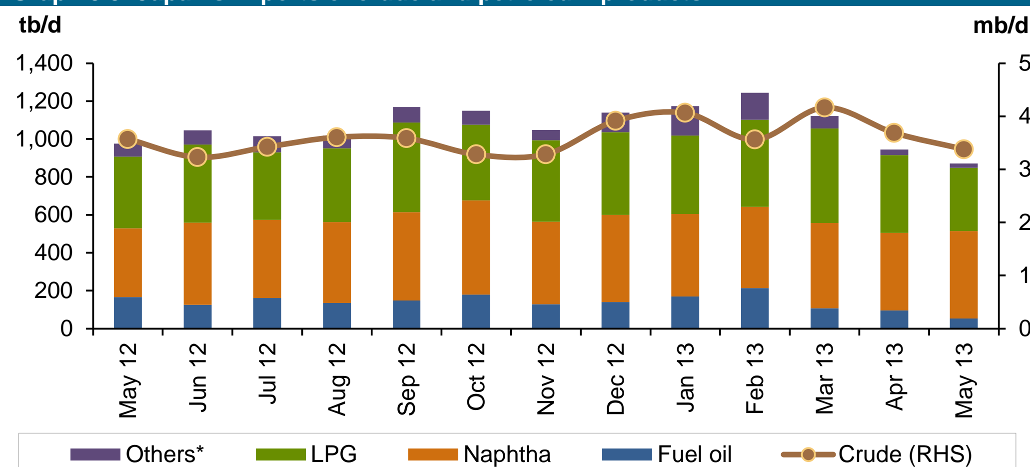
	Apr 13	May 13	Jun 13	*Change* Jun/May
Crude oil	7,594	7,652	7,949	297
Total products	-726	-558	-671	-113
Total crude and products	**7,072**	**7,094**	**7,549**	**454**

Japan

Japan's crude improts dropped in May by 0.3 mb/d to average 3.4 mb/d

Japan's crude oil imports saw a drop in May of 309 tb/d or 8% to average 3.4 mb/d. This drop came partially as a result of falling crude runs due to the refinery maintenance season in the East.

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



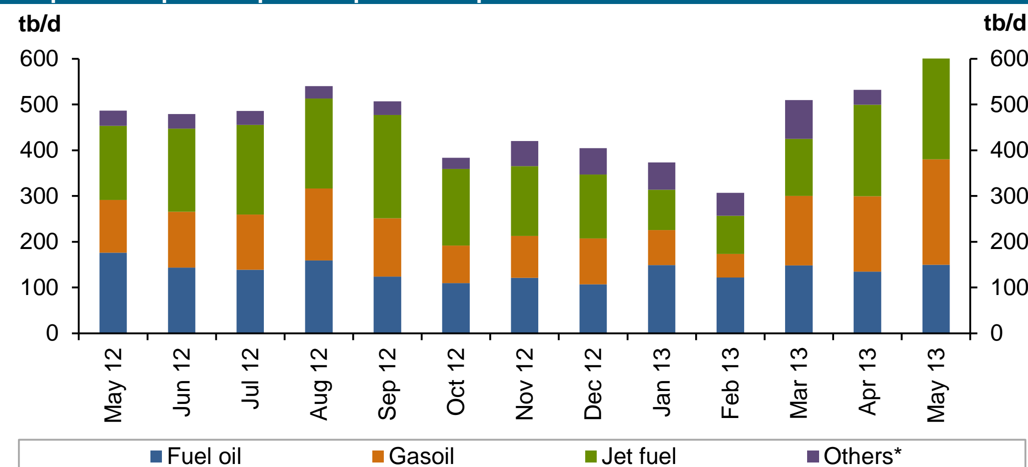
**Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.*

In a y-o-y comparison, **crude imports** also declined in May by 192 tb/d or 5%. Monthly crude import volumes are the lowest since November 2012. Qatar, Saudi Arabia and the United Arab Emirates (UAE) were the top suppliers to Japan in May. Saudi Arabia was the main supplier to Japan, as in the previous month, accounting for 30.5% of total crude exports to Japan. UAE was the second largest supplier to Japan, with a share of 21% of total crude exports, while Qatar held the third position in May with a share of 13%. Saudi Arabia, the UAE and Qatar saw a reduction in volumes exported to Japan from the previous month of 14%, 3% and 11%, respectively.

On the other hand, **product imports** increased in May by 4 tb/d to average 538 tb/d, reflecting a gain of 0.7% month-on-month (m-o-m), yet a drop of 10% y-o-y**. Product imports** were the lowest since May 2011. Product sales were also lower as a result of lower demand for fuel oil.

Japan's **product exports** in May increased by 130 tb/d or 25% to average 654 tb/d. In a y-o-y comparison, the gain equals 176 tb/d or 37%. Accordingly, **Japan's net imports dropped in May by 435 tb/d to average 32 mb/d,** reflecting a monthly and annual drop of 12% each.

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

	Mar 13	Apr 13	May 13	*Change* May/Apr
Crude oil	4,165	3,688	3,379	-309
Total products	118	10	-116	-126
Total crude and products	**4,283**	**3,698**	**3,263**	**-435**

China

China's May crude imports rose a slight 24 tb/d to average 5.7 mb/d

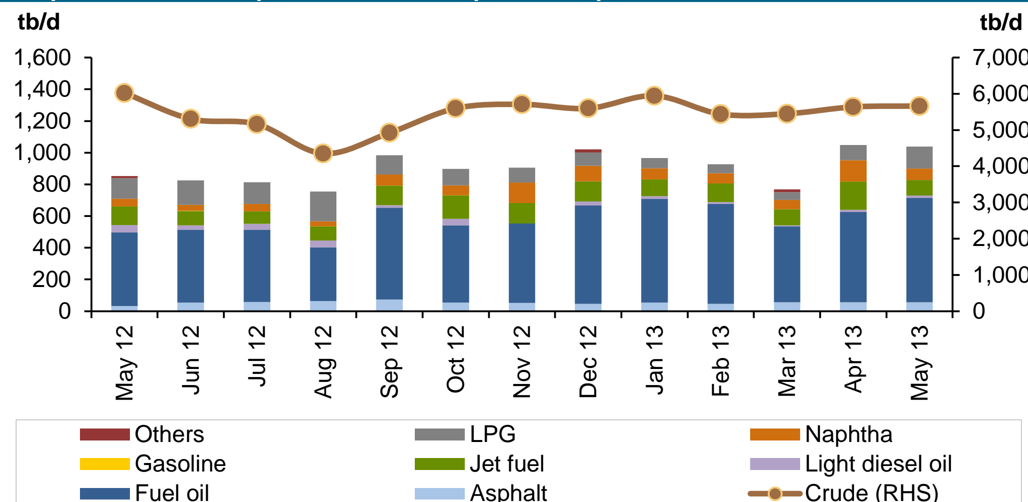
China's May crude oil imports were nearly stable, increasing by 24 tb/d or 0.4% from the previous month to average 5.7 mb/d. Crude imports increased while crude refining levels in China declined.

In an annual comparison, Chinese crude imports declined by 362 tb/d, or 6% lower than levels seen last year. Additionally, on a year-to-date analysis, the figures reflects a minor drop of 74 tb/d or 1%.

In terms of supplier share, Saudi Arabia, Angola, Iran and Iraq were the top suppliers to China in May, accounting for 17%, 14%, 10% and 10%, respectively. Volumes exported from Saudi Arabia and Angola were lower than last month by 21% and 9%, while volumes from Iran and Iraq increased by 50% and 67%.

China's product imports in May were stable from a month ago, though higher by 130 tb/d or 15% over last year.

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



China's crude exports were 5 tb/d higher in May than one month earlier, to average 25 tb/d, while a y-o-y decrease of 17tb/d or 40% was reflected. However, China's product exports saw an increase of 19 tb/d or 3% m-o-m and 170 tb/d or 32% y-o-y. China's product exports reached a three year peak in May, while product stocks dropped. As a result, **China's net oil imports decreased slightly by 5 tb/d from the previous month**, and 386 tb/d from one year earlier.

Graph 8.6: China's exports of crude and products

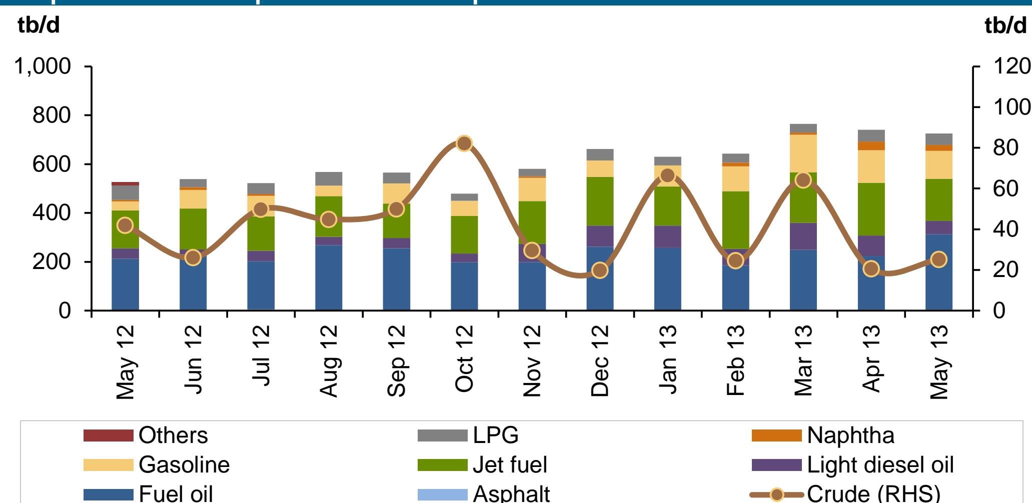


Table 8.3: China's crude and product net imports, tb/d

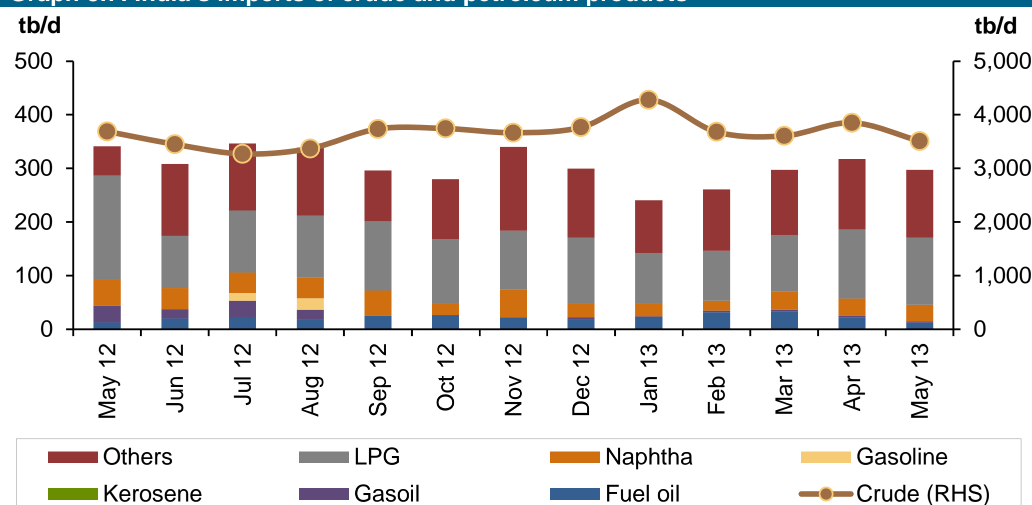
	Mar 13	Apr 13	May 13	Change May/Apr
Crude oil	5,386	5,618	5,637	19
Total products	117	309	285	-24
Total crude and products	**5,503**	**5,927**	**5,923**	**-5**

India

India's crude imports declined by 342 tb/d to average 3.5 mb/d in May

In May, **India's crude imports** declined by 342 tb/d or 9% from the previous month to average 3.5 mb/d. India's crude imports in May are the lowest since August 2012. Additionally, crude imports reflect an annual drop of 180 tb/d or 5%.

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



India's May product imports saw a decrease of 20 tb/d or 6% m-o-m to average 297 tb/d, while y-o-y they decreased by 44 tb/d or 13%. The decrease seen in product imports comes mainly as a result of decreased volumes in fuel oil, which dropped by 12 tb/d or 46%, as well as declines in naphtha, LPG and diesel, which all fell by 3% from one month earlier. India's product exports declined in May by 73 tb/d or 5%, to average 1.27 mb/d. On a y-o-y basis, product exports increased by 152 tb/d or 13%. A drop in

product monthly exports was registered for both diesel and fuel exports. Consequentially, **India's net imports declined by 289 tb/d to average 2.5 mb/d, reflecting a drop of 10% m-o-m and 13% y-o-y**.

Graph 8.8: India's exports of petroleum products

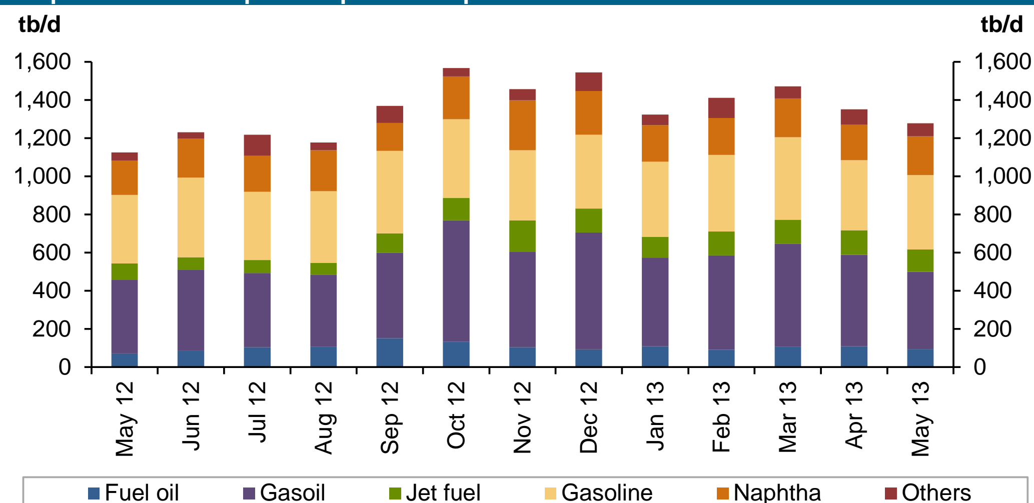


Table 8.4: India's crude and product net imports, tb/d

	Mar 13	Apr 13	May 13	Change May/Apr
Crude oil	3,606	3,851	3,509	-342
Total products	-1,174	-1,033	-980	53
Total crude and products	**2,432**	**2,818**	**2,529**	**-289**

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

Former Soviet Union (FSU)

In May, total crude oil exports from the former Soviet Union (FSU) declined by 338 tb/d or 5% to average 6.5 mb/d. Crude exports travelling through Russian pipelines declined as well, by 305 tb/d or 7%, to average 4.1 mb/d.

Shipments from the Black Sea dropped by 16 tb/d or 2% to average 757 tb/d; the Kozmino shipments increased by 35 tb/d or 9%. Exports transported via Russian and Kazakh rail lines both dropped last month by 86 tb/d and 85 tb/d, or 40% and 41%, respectively. Loadings of CPC and BTC blend increased by 115 tb/d and 58 tb/d, respectively, to average 709 tb/d and 736 tb/d. FSU total product exports decreased by 131 tb/d or 4% from last month to average 3 mb/d. This drop in product exports came on the back of lower export quantities of VGO and naphtha; these decreased from last month's level by 106 tb/d and 44 tb/d, respectively.

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

	2011	2012	3Q12	4Q12	1Q13	Apr 13	May 13*
Crude							
Russian pipeline							
Black Sea	918	858	932	774	769	751	735
Baltic	1,511	1,747	1,611	1,665	1,574	1,959	1,612
Druzhba	1,170	1,079	1,006	980	991	982	1,035
Kozmino	309	331	315	380	438	421	456
Total	**4,224**	**4,322**	**4,174**	**4,100**	**4,086**	**4,430**	**4,125**
Other routes							
Russian rail	173	107	87	195	196	217	131
Russian-Far East	283	258	249	242	243	264	276
Kazakh rail	158	97	78	165	183	208	123
Vadandey	82	66	57	104	103	122	101
Kaliningrad	23	20	22	17	18	20	19
CPC	685	656	654	614	672	694	709
BTC	695	654	638	590	601	678	736
Kenkiyak-Alashankou	222	210	213	252	240	241	238
Caspian	170	173	198	166	189	210	202
Total crude exports	**6,558**	**6,466**	**6,292**	**6,280**	**6,349**	**6,876**	**6,538**
Products							
Gasoline	162	130	113	124	141	115	121
Naphtha	259	313	307	345	339	376	332
Jet	10	9	12	10	14	19	11
Gasoil	773	791	734	787	977	857	862
Fuel oil	1,305	1,416	1,415	1,314	1,339	1,515	1,533
VGO	211	250	281	234	219	324	218
Total	**2,721**	**2,909**	**2,863**	**2,814**	**3,028**	**3,207**	**3,076**
Total oil exports	**9,279**	**9,375**	**9,154**	**9,095**	**9,377**	**10,083**	**9,614**

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

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

Stock Movements

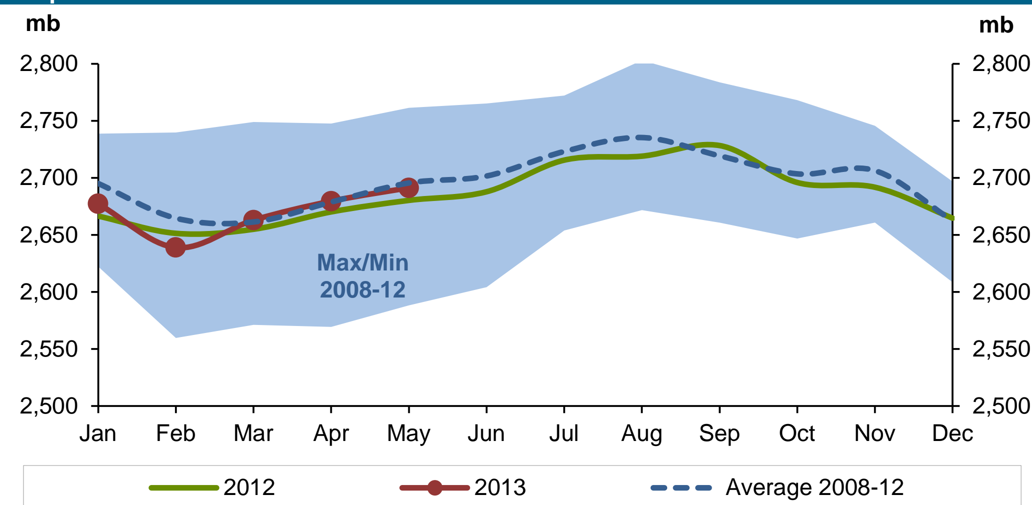
Preliminary data for May shows total OECD commercial oil stocks rising by 11.7 mb for the third consecutive month

OECD

Preliminary data for May shows **total OECD commercial oil stocks** rose by 11.7 mb for the third consecutive month, ending May at 2,691 mb, which is the highest level since December 2012. At this level, inventories were almost in line with the five-year average, but they showed a surplus of 11.0 mb compared to the same time a year ago. Within the components, crude declined in May by 1.3 mb, while products increased by 13.0 mb.

At 1,302 mb, **OECD crude commercial stocks** stood at a comfortable level, with a surplus of 13.0 mb over the five-year average, but remained 16.1 mb below the same time a year earlier. In contrast, **product stocks** ended the month of May at 1,390 mb, remaining tight and showing a deficit of 17.3 mb with the seasonal average. However, they are at healthy levels compared with the previous year, indicating a surplus of 27.1 mb. Within the three regions of the OECD, the bulk of the build in May was in the Americas, which rose by 10.6 mb, followed by a 1.1 mb build in Europe, while OECD Asia-Pacific remained unchanged versus the previous month.

Graph 9.1: OECD's commercial oil stocks



OECD Americas' inventories rose by 10.6 mb for the third consecutive month to end the month at 1,375 mb. With this build, inventories are at comfortable levels, indicating a surplus of 28.5 mb over the same time last year and nearly 56.0 mb higher than the seasonal norm. This surplus was divided between crude and products, which indicated a surplus of 35.2 mb and 20.8 mb, respectively. In May, the total stock build came from products increasing by 15.2 mb, while crude abated this build to decline by 4.2 mb. A rise in US refinery runs boosted product stocks, while crude oil stocks slowed in May, following an approximate 30.0 mb build in crude oil stocks during the first fourth months of this year.

OECD Europe's inventories rose slightly by 1.1 mb to end the month of May at 908 mb. Despite this build, OECD Europe's inventories still indicate a deficit of nearly 62 mb with the five-year average and stood around 8.5 mb lower than in the same period the year before. The deficit with the seasonal average is attributed to both crude and products, which were down by 25.4 mb and 36.9 mb, respectively. The shortage with the previous year was divided between crude and products, showing a deficit of around 2.2 mb and 6.3 mb, respectively.

Commercial inventories in **OECD Asia-Pacific** remained almost unchanged in May, following a drop in April to end the month at 408 mb. At this level, they were 9.0 mb below the same period a year ago and stood at 2.0 mb higher than the last five-year average. Within the components, crude saw a build of 2.3 mb in May, while products fell by almost the same amount. Crude inventories stood at 9.4 mb below a year ago,

but 3.3 mb higher than the seasonal average. On the product side, OECD Asia-Pacific total product inventories started to improve, indicating a small gain over a year ago, however, they remained 1.3 mb below the last five-year average.

In terms of **days of forward cover**, OECD commercial stocks dropped by 0.3 days in May to stand at 58.9 days, with demand expected to improve in the next three months. At this level, inventories were around 1.1 days above the same period last year and 1.2 days more than the latest five-year average. Despite the lower absolute level of OECD Europe's inventories, in terms of days of forward cover, they stood at around 67 days in May, reflecting the weakness of demand in this region.

Table 9.1: OECD commercial stocks, mb

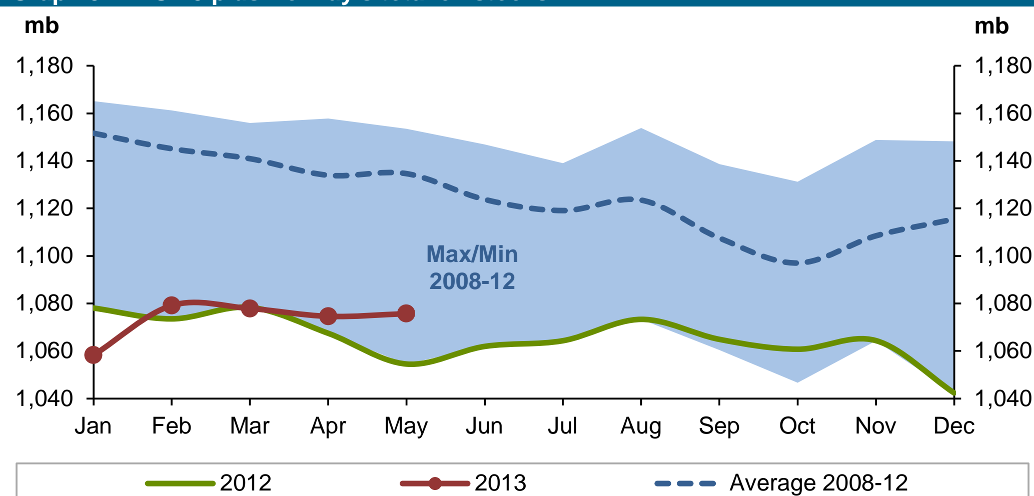
	Mar 13	Apr 13	May 13	Change May 13/Apr 13	May 12
Crude oil	1,289	1,303	1,302	-1.3	1,318
Products	1,374	1,377	1,390	13.0	1,363
Total	**2,663**	**2,680**	**2,691**	**11.7**	**2,680**
Days of forward cover	**59.0**	**59.2**	**58.9**	**-0.3**	**57.9**

EU plus Norway

Preliminary data for May shows that European stocks reversed the fall of the last two months to increase by 1.1 mb

Preliminary data for May shows that **European stocks** reversed the fall of the last two months and increased by 1.1 mb to stand at 1,075.7 mb. With this build, stocks ended the month 21.2 mb, or 2.0%, above the same time last year, but they are still 40.0 mb, or 3.6%, below the five-year average. The bulk of stock-build came mainly from crude, while products saw a slight build.

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



European crude inventories rose by 1.0 mb in May following a build for the last five months and ended May at 461.1 mb, which is the highest level since November 2012. This represents a surplus of 5.0 mb, or 1.1%, above the year before, but is still 13.2 mb, or 2.8%, below the latest five-year average. The increase in crude oil stocks came on lower crude runs, which fell by almost 200,000 b/d to stand bellow 10 mb/d. At this level, crude throughput was also around 350,000 b/d lower than the same time a year ago. In May, European refiners cut average utilisation rates by one percentage point to 79%. Shortfall in the output from the UK's Buzzard field early in May limited further build in crude oil inventories.

Product stocks in Europe saw a slight build of 0.1 mb in May, ending the month at 614.6 mb. This level represented a surplus of 16.2 mb, or 2.7%, over the same period last year. They remained some 26.8 mb, or 4.2%, below the five-year average. Within products, the picture was mixed: distillate and residual fuel oil saw builds, while gasoline and naphtha witnessed draws.

Gasoline stocks fell by 1.1 mb in May after dropping by 3.9 mb in April to stand at 112.4 mb. Despite this stock-draw, they represent a surplus of 6.2 mb or 5.8% over a year ago, but they are still 1.9 mb or 1.7% below the five-year average. Lower gasoline production was the main reason behind the decrease in gasoline stocks, however continued weaker demand in the region limited further gasoline stock-draws.

Distillate stocks rose by 1.1 mb, reversing the fall of the last two months and ended the month of May at 387.4 mb. With this build, the surplus with last year has widened to 2.3% from 1.1% a month earlier. However, the deficit with the seasonal norm remained at 2.1 mb or 0.6%. The stock draw reflected mainly lower gasoline imports from Russia combined with some relative improvement in demand in the region. Lower refinery output limited further stock builds in distillate inventories.

Residual fuel oil stocks also saw a build of 0.5 mb, reversing the drop of last month and ended May at 86.7 mb. This build helped inventories to switch the deficit of the previous month to a surplus of 4.4%. But they still remained at 20.0 mb or 18.8% below the seasonal average. The build in residual fuel oil stocks came on the back of lower bunker fuel demand. Higher exports to the region also contributed to the build in fuel oil stocks. Naphtha stocks fell by 0.4 mb to end May at 28.2 mb, and stood 2.3 mb, or 7.5%, below the same period last year and 2.7 mb, or 8.7%, lower than the five-year average.

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

	Mar 13	Apr 13	May 13	Change May 13/Apr 13	May 12
Crude oil	**457.7**	**460.1**	**461.1**	**1.0**	**456.1**
Gasoline	117.4	113.5	112.4	-1.1	106.2
Naphtha	28.6	28.6	28.2	-0.4	30.4
Middle distillates	387.0	386.3	387.4	1.1	378.8
Fuel oils	87.2	86.1	86.7	0.5	83.0
Total products	620.2	614.5	614.6	0.1	598.4
Total	**1,077.9**	**1,074.6**	**1,075.7**	**1.1**	**1,054.5**

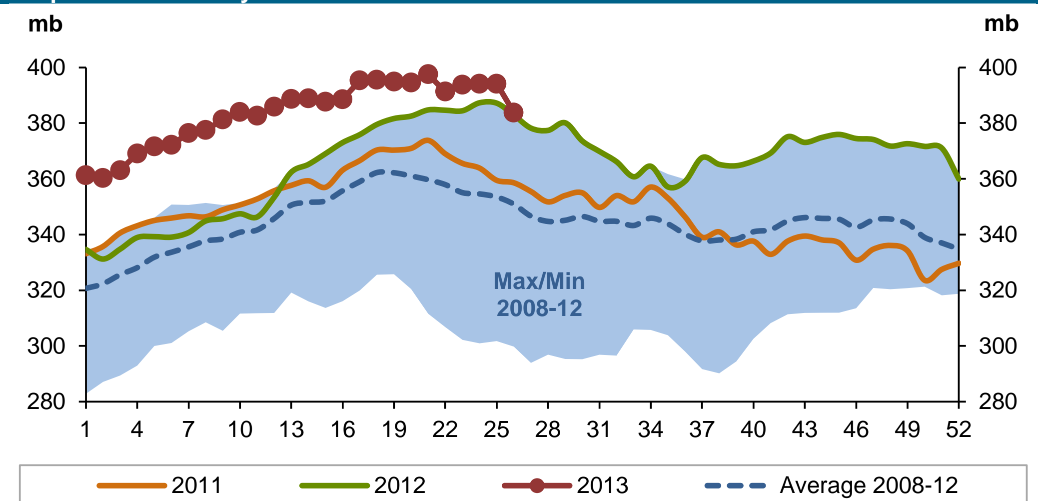
Source: Argus and Euroilstock.

US

Preliminary data for June shows that US total commercial oil stocks rose by 14.2 mb for the fourth consecutive month

Preliminary data for June shows that **US total commercial oil stocks** rose by 14.2 mb for the fourth consecutive month, accumulating almost 35 mb since March. At 1,129.3 mb, inventories stood at 16.9 mb or 1.5% above last year at the same time and indicated a gain of 48.2 mb or 4.2% over the five-year average. The stock-build was attributed to products, which increased by 21.7 mb, while crude abated this build, declining by 7.5 mb.

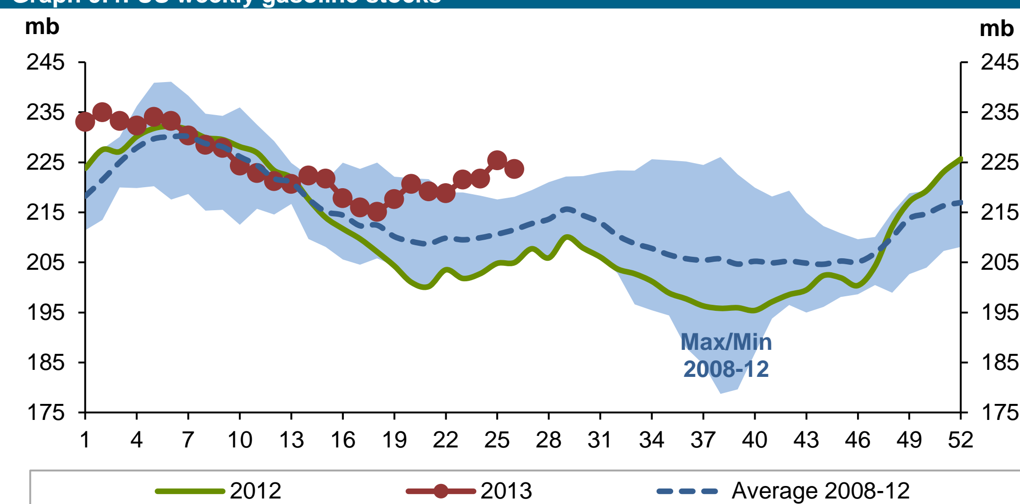
Graph 9.3: US weekly commercial crude oil stocks



US commercial crude stocks fell by 7.5 mb for the second month to end the month of June at 383.3 mb. Despite this drop, US crude oil commercial stocks finished the month at 33.8 mb or 9.7% above the five-year average, while they stood at 2.2 mb or 0.6% lower than a year ago at the same time.

The total of the stock draw in US crude came during the week ending 28 June, driven by the fall in **crude oil imports** over the previous week, which declined by almost 900,000 b/d to average 7.4 mb/d. Over the whole month of June, crude oil imports averaged 7.9 mb/d, which were 1.1 mb/d below the same period last year. Increased refinery inputs in June have also contributed to the drop in crude oil stocks. Indeed, US crude oil **refinery inputs** rose by almost 400,000 b/d to average 15.6 mb/d, almost at the same level as last year. In June, US refineries operated at around 89.8%, which was 2.6 percentage points (pp) higher than in May, but still 2.3 pp less than last year at the same time. It should be highlighted that during the week ending 28 June, US crude oil refinery inputs reached 16.1 mb/d, the highest since mid-June 2006 and almost 400,000 b/d more than the previous week. This corresponds to a refinery utilisation rate of 92.2% of total capacity. Inventories in **Cushing** also fell by around 1.0 mb in June from the previous month to stand at 49.6 mb.

Graph 9.4: US weekly gasoline stocks



Total product stocks rose in June, following a build of the last two months to stand at 745.6 mb. With this build, product inventories widened the surplus with a year ago to 19.2 mb from 11.2 mb a month earlier. Compared to the seasonal average, product stocks stood at 14.4 mb or 2.0% above the five-year average. With the expectation of distillate, all other products saw a build, with the bulk of the increase coming from unfinished products and propylene.

Gasoline stocks rose by 4.9 mb, reversing the drop of the last fourth months and ended June at 223.7 mb. With this build, gasoline stocks stood at 16.0 mb or 7.7% above a year ago, and 11.2 mb or 5.3% higher than the seasonal average. The build in gasoline stocks was driven mainly by higher gasoline production, which increased by nearly 100,000 b/d to average 9.2 mb/d. However, higher gasoline demand limited a further build in gasoline stocks.

In contrast, **distillate stocks** fell by 2.5 mb, reversing the build of the last month and ended June at 120.8 mb. Despite this drop, distillate stocks indicate a gain of 0.7% over a year ago at the same time, while they still remained 20.4 mb or 14.5% less than the five-year average. Higher demand, which increased by around 270,000 b/d to average 4.1 mb/d, was behind the drop in distillate stocks. The slight increase in distillate production limited a further drop in distillate inventories.

Residual fuel oil stocks rose by 1.0 mb to finish the month of June at 38.0 mb. At this level, they were 0.7 mb or 0.6% higher than a year ago but indicated a deficit of 1.0 mb or 2.5% over the seasonal norm. Jet fuel stocks also increased by 0.7 mb in June to stand at 39.8 mb and remained at 1.4 mb or 3.5% higher than the same month a year ago, but stood at 2.2 mb or 5.3% below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

	Apr 13	May 13	Jun 13	Change Jun 13/May 13	Jun 12
Crude oil	395.9	391.3	383.8	-7.5	386.0
Gasoline	221.1	218.8	223.7	4.9	207.7
Distillate fuel	118.1	123.3	120.8	-2.5	120.0
Residual fuel oil	40.2	37.0	38.0	1.0	36.9
Jet fuel	41.3	39.1	39.8	0.7	38.5
Total	**1,110.5**	**1,115.1**	**1,129.3**	**14.2**	**1,112.4**
SPR	696.0	696.0	696.0	0.0	696.0

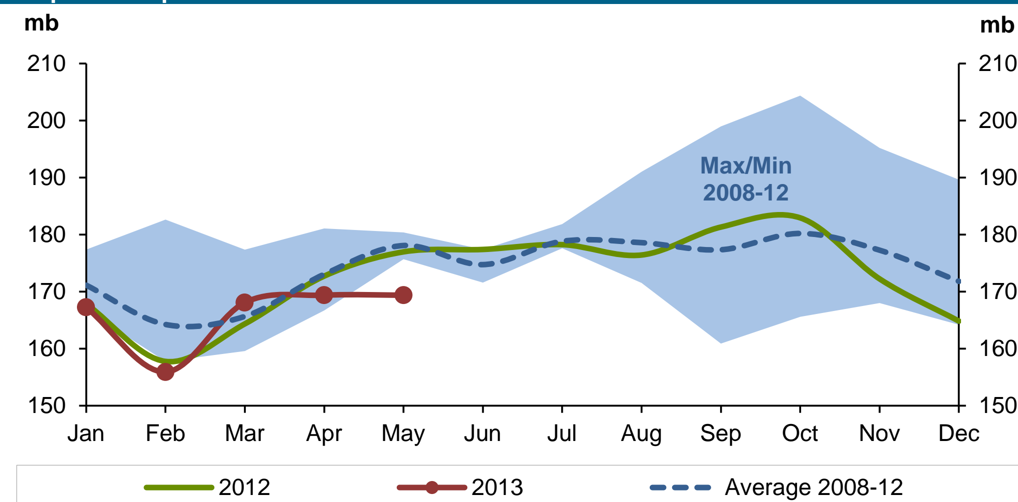
Source: US Department of Energy's Energy Information Administration.

Japan

In May, total commercial oil stocks in Japan remained unchanged following a build during the last two months

In May, **total commercial oil stocks** in Japan remained unchanged following a build during last two months and ended the month at 169.4 mb. As this level, they are 7.6 mb or 4.3% below a year ago at the same period, and they stood at 8.7 mb or 4.9% lower than the last five-year average. Within the components, crude saw a build of 2.3 mb in May, while products fell by almost the same amount.

Graph 9.5: Japan's commercial oil stocks



Japanese commercial **crude oil stocks** saw a build of 2.3 mb in May for the third consecutive month to stand at 101.4 mb. Despite this build, they are still 6.1 mb or 5.7% below a year ago at the same time and 3.2 mb or 3.0% below the five-year average. The build in crude oil stocks in May was driven by lower crude throughputs. Indeed, crude inputs to refinery declined by 386,000 b/d to average 3.1 mb/d. In May, Japan's refineries were running at 69%, around 8.6 pp lower than in the previous month and 1.4 pp less than the same period last year. The decline in crude imports, which fell by around 309,000 b/d or 8.4%, averaging 3.4 mb/d, limited a further buld in stocks. At this level, they are also 5.4% lower than May 2012 Direct crude burning in power plants rose in April by 21.0% to end the month of May at around 235,507 b/d, but this is almost 24% less than the same period last year.

On the product side, Japan's **total product inventories** saw a drop of 2.3 mb, reversing the build of last month and ended May at 68.0 mb. At this level, they indicated a deficit of 1.5 mb or 2.1% with a year ago and they are 5.6 mb or 7.6% lower than the five-year average. The decline of 6.2% in refinery output in May was behind the decline in product stocks, however, lower Japanese total oil product sales, which fell by 6.6% from a month earlier to average of 3.1 mb/d, limited a further drop in product stocks. Within products, the picture was mixed: distillates and residual fuel oil saw a decrease, while naphtha witnessed builds. Gasoline stocks remained unchanged in May from the previous month.

Distillate stocks fell by 2.1 mb, ending the month of May at 27.5 mb. At this level, they are 2.3 mb or 7.6% below a year ago and 3.0 mb or 9.9% above the seasonal average. Within distillate components, jet fuel oil and gasoil stocks fell, while kerosene

stocks went up.

Kerosene inventories rose by 1.9% driven by lower domestic sales, which declined by almost 30%, while lower output limited a further build in kerosene stocks.

Jet fuel fell by 12% on the back of lower production. **Gasoil** stocks also fell by 12.2%, reflecting lower output, which declined by 1.4%. Higher domestic sales also contributed to the drop in gasoil inventories.

In contrast, **naphtha** stocks rose by 0.6 mb to finish May at 11.0 mb. At this level, they represent a surplus of 2.2 mb or 24.8% over a year ago, and 0.3 mb or 3.2% above the seasonal norm. The build in naphtha stocks came from lower domestic sales as they declined by 5.7%. The increase of 16% in imports also contributed to this build.

Total **residual fuel oil** stocks went down by 0.8 mb to end the month of May at 15.3 mb. At this level, they were 9.2% less than a year ago and 14.6% lower than the five-year average. Fuel oil A inventories fell by 10.2%, while fuel oil B.C fell by 8.6%. The fall in the two components of fuel oil stocks came on the back of lower outputs.

Gasoline stocks remained unchanged in May, ending the month at 14.3 mb. At this level, they are 1.0% above the same time last year, but they are still 2.0% less than the five-year average. Higher production was offset by increasing domestic sales, leading to an unchanged stock level in May versus April.

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

	Mar 13	Apr 13	May 13	Change May 13/Apr 13	May 12
Crude oil	**98.7**	**99.1**	**101.4**	**2.3**	**107.5**
Gasoline	13.9	14.2	14.3	0.0	14.1
Naphtha	10.9	10.4	11.0	0.6	8.8
Middle distillates	28.2	29.6	27.5	-2.1	29.7
Residual fuel oil	16.4	16.1	15.3	-0.8	16.8
Total products	**69.4**	**70.3**	**68.0**	**-2.3**	**69.5**
Total**	**168.1**	**169.4**	**169.4**	**0.0**	**177.0**

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

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of May, product stocks in Singapore rose by 1.1 mb for the second consecutive month

At the end of May, **product stocks in Singapore** reversed the declining trend and rose by 1.1 mb for the second consecutive month, ending the month at 40.4 mb. This stock-build indicated a surplus of 2.4 mb, or 6.4%, over a year ago. Within products, the picture was mixed: fuel oil saw a build, while middle and light distillates witnessed a drop.

Residual fuel oil rose by 2.2 mb in May following the same build of the previous month and ended the month at 21.0 mb. With this build, they switched the deficit with the same month a year ago to a surplus of 0.8 mb. The stock-build was driven by lower bunker demand in the region after prices rose above $600 per tonne. Higher exports from the Middle East due to weak demand in China also contributed to the build in Singapore fuel oil stocks.

Light distillate stocks fell by 0.5 mb for the second consecutive month, ending May at 9.8 mb. Despite this stock-draw, light distillate stocks stood at 0.9 mb or 10.2% above a year ago at the same period. This stock-draw was driven by higher demand for gasoline from Malaysia. At the same time, lower imports, especially from India, also contributed to the fall in light distillate stocks.

Middle distillate stocks also fell by 0.7 mb, reversing the slight build of last month and finishing the month of May at 9.5 mb. Despite this stock-draw, middle distillate stocks remained at 0.8 mb or 8.8% above the same period last year. Lower diesel imports from China and South Korea were behind this stock-draw.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) fell by 3.4 mb in May for the second consecutive month

Product stocks in **Amsterdam-Rotterdam-Antwerp (ARA)** fell by 3.4 mb in May for the second consecutive month and ended the month at 31.0 mb. This stock-draw narrowed the surplus over a year ago from 10.3% a month earlier to only 0.1%. Within products, with the exception of fuel oil, all other products witnessed a drop.

Gasoline stocks fell the most within products as they declined by 2.1 mb to end the month at 6.4 mb. At this level, gasoline stocks still remained at 0.5 mb or 9.3% higher than the same period last year. The fall in gasoline stocks reflects mainly higher gasoline demand during the start of the driving season. Additionally, declining output during refinery maintenance in Europe also contributed to the fall in gasoline stocks. **Jet fuel** stocks saw a slight drop of 0.1 mb to end the month of May at 2.8 mb, but they remained at 0.5 mb or 21% above a year ago at the same period. **Naphtha** stocks also declined by 0.3 mb in May to finish the month at 1.0 mb, standing at 0.1 mb or 12.6% below the level seen at the same time last year. Gasoil fell by 1.2 mb for the second consecutive month to end the month of May at 15.3 mb, which is 1.6 mb, or 9.6%, lower than a year ago over the same period. The fall in gasoil stocks reflects partly higher demand as well as the backwardated structure of the forward market, which limits the incentive to store more gasoil stocks.

In contrast, **Residual fuel oil** stocks saw a build of 0.3 mb, reversing the draw of last month and ended May at 5.5 mb. At this level, ARA fuel oil stocks stood at 0.7 mb, or 16%, higher than a year ago over the same period. Higher exports to the ARA hub were the main drivers behind the build in fuel oil stocks.

Balance of Supply and Demand

Required OPEC crude for 2013 estimated at 29.9 mb/d, down 0.4 mb/d from 2012

Forecast for 2013

Demand for OPEC crude for 2013 saw little change from the previous report with 1Q13 and 2Q13 seeing an upward revision of around 0.1 mb/d, while 3Q13 and 4Q13 remained almost unchanged.

The demand for OPEC crude stood at 29.9 mb/d in 2013, representing a decline of 0.4 mb/d from last year. The first quarter is estimated to fall by 0.2 mb/d versus the same quarter last year, while the second and third quarters are expected to see negative growth of 0.6 mb/d and 0.7 mb/d, respectively. The four quarter is forecast to drop by 0.2 mb/d versus the same quarter last year.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013
(a) World oil demand	**88.87**	**88.85**	**88.74**	**90.13**	**90.83**	**89.64**
Non-OPEC supply	52.94	53.79	53.65	53.88	54.36	53.92
OPEC NGLs and non-conventionals	5.66	5.83	5.85	5.88	5.92	5.87
(b) Total supply excluding OPEC crude	**58.59**	**59.62**	**59.49**	**59.75**	**60.27**	**59.79**
Difference (a-b)	**30.28**	**29.23**	**29.25**	**30.37**	**30.55**	**29.86**
OPEC crude oil production	31.13	30.21	30.54			
Balance	0.85	0.98	1.29			

Totals may not add up due to independent rounding.

Demand for OPEC crude in 2014 forecast at 29.6 mb/d, a decline of 0.3 mb/d from the current year

Forecast for 2014

Based on the initial forecasts for world oil demand, non-OPEC oil supply, and OPEC NGLs in 2014, demand for OPEC crude is projected to decline by 0.3 mb/d to average 29.6 mb/d.

The first quarter is expected to increase by 0.1 mb/d, while the following quarters are projected to decline, with the bulk of the decrease expected in the fourth quarter, which is forecast to decline by 0.8 mb/d.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014
(a) World oil demand	**89.64**	**89.88**	**89.64**	**91.31**	**91.87**	**90.68**
Non-OPEC supply	53.92	54.65	54.55	54.96	56.06	55.06
OPEC NGLs and non-conventionals	5.87	5.95	6.00	6.04	6.08	6.01
(b) Total supply excluding OPEC crude	**59.79**	**60.59**	**60.55**	**61.00**	**62.14**	**61.07**
Difference (a-b)	**29.86**	**29.28**	**29.10**	**30.31**	**29.73**	**29.61**

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

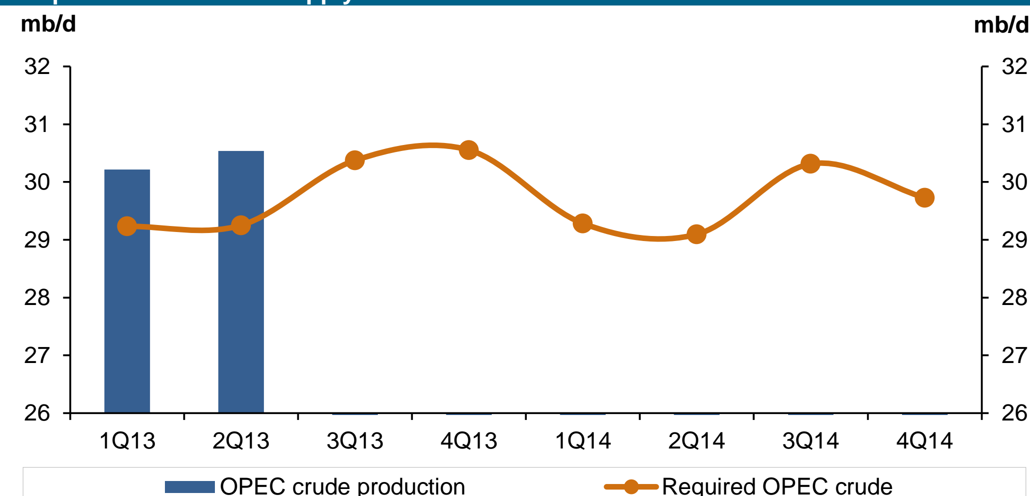


Table 10.3: World oil demand/supply balance, mb/d

	2008	2009	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
World demand															
OECD	48.3	46.3	46.9	46.5	46.0	45.8	45.1	45.6	45.8	45.6	45.6	44.8	45.5	45.6	45.4
Americas	24.5	23.7	24.1	24.0	23.7	23.7	23.7	23.9	23.8	23.8	23.8	23.8	24.0	23.9	23.9
Europe	15.5	14.7	14.7	14.3	13.8	13.2	13.5	13.5	13.3	13.4	13.1	13.2	13.4	13.2	13.2
Asia Pacific	8.3	8.0	8.1	8.1	8.5	8.9	7.9	8.2	8.6	8.4	8.7	7.8	8.1	8.5	8.3
DCs	25.0	25.5	26.5	27.3	28.1	28.3	28.7	29.4	29.0	28.9	29.1	29.4	30.3	29.9	29.7
FSU	4.1	4.0	4.2	4.3	4.4	4.3	4.2	4.6	4.8	4.5	4.4	4.2	4.7	4.9	4.6
Other Europe	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.6
China	8.0	8.3	9.0	9.4	9.7	9.8	10.2	9.9	10.4	10.1	10.1	10.5	10.2	10.7	10.4
(a) Total world demand	86.1	84.8	87.2	88.1	88.9	88.9	88.7	90.1	90.8	89.6	89.9	89.6	91.3	91.9	90.7
Non-OPEC supply															
OECD	19.6	19.8	20.0	20.2	21.1	21.7	21.7	21.6	21.9	21.7	22.1	22.0	22.3	23.0	22.3
Americas	14.0	14.4	15.0	15.6	16.7	17.6	17.6	17.6	17.8	17.6	18.0	18.1	18.4	18.9	18.4
Europe	4.9	4.7	4.4	4.1	3.8	3.6	3.6	3.4	3.6	3.6	3.6	3.4	3.3	3.5	3.4
Asia Pacific	0.6	0.6	0.7	0.6	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.5	0.5
DCs	12.2	12.4	12.7	12.6	12.1	12.1	12.0	12.3	12.4	12.2	12.4	12.5	12.6	12.7	12.5
FSU	12.6	13.0	13.2	13.2	13.3	13.4	13.4	13.4	13.4	13.4	13.5	13.4	13.5	13.8	13.5
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.8	4.1	4.1	4.2	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Processing gains	2.0	2.0	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	50.4	51.1	52.3	52.4	52.9	53.8	53.6	53.9	54.4	53.9	54.6	54.6	55.0	56.1	55.1
OPEC NGLs + non-conventional oils	4.1	4.3	5.0	5.4	5.7	5.8	5.8	5.9	5.9	5.9	5.9	6.0	6.0	6.1	6.0
(b) Total non-OPEC supply and OPEC NGLs	54.5	55.4	57.3	57.8	58.6	59.6	59.5	59.8	60.3	59.8	60.6	60.5	61.0	62.1	61.1
OPEC crude oil production (secondary sources)	31.3	28.8	29.2	29.8	31.1	30.2	30.5								
Total supply	85.8	84.2	86.5	87.6	89.7	89.8	90.0								
Balance (stock change and miscellaneous)	-0.3	-0.6	-0.6	-0.5	0.9	1.0	1.3								
OECD closing stock levels (mb)															
Commercial	2,697	2,662	2,679	2,608	2,665	2,663									
SPR	1,530	1,568	1,565	1,536	1,547	1,580									
Total	4,227	4,231	4,244	4,145	4,212	4,243									
Oil-on-water	969	919	871	825	801	895									
Days of forward consumption in OECD															
Commercial onland stocks	58	57	58	57	58	59									
SPR	33	33	34	33	34	35									
Total	91	90	91	90	92	94									
Memo items															
FSU net exports	8.5	9.0	9.1	9.0	8.9	9.1	9.2	8.8	8.6	8.9	9.1	9.1	8.8	8.8	9.0
(a) - (b)	31.6	29.3	29.9	30.3	30.3	29.2	29.3	30.4	30.6	29.9	29.3	29.1	30.3	29.7	29.6

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

	2008	2009	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
World demand															
OECD	-	-	-	-	-0.1	-	-	-0.1	-0.1	-	-	-	-	-	-
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	0.1	-	-	0.1	0.1	0.1	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
World demand growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-OPEC supply															
OECD	-	-	-	-	-	-	0.1	-	0.1	0.1	-	-	-	-	-
Americas	-	-	-	-	-	-	0.1	-	0.1	0.1	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Total non-OPEC supply growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-								
Total supply	-	-	-	-	-	-	-								
Balance (stock change and miscellaneous)	-	-	-	-	-	-0.1	-								
OECD closing stock levels (mb)															
Commercial	-	-	1	1	-1	5									
SPR	-	-	-	-	-	29									
Total	-	-	1	1	-1	34									
Oil-on-water	-	-	-	-	-	-									
Days of forward consumption in OECD															
Commercial onland stocks	-	-	-	-	-	-									
SPR	-	-	-	-	-	1									
Total	-	-	-	-	-	1									
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	0.1	0.1	-	-	-	-	-	-	-	-

* This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the June 2013 issue.
This table shows only where changes have occurred.

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

	2008	2009	2010	2011	2012	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13
Closing stock levels, mb																						
OECD onland commercial	2,697	2,662	2,679	2,608	2,665	2,749	2,765	2,784	2,662	2,684	2,765	2,753	2,679	2,648	2,686	2,671	2,608	2,655	2,688	2,728	2,665	2,663
Americas	1,278	1,285	1,329	1,308	1,362	1,329	1,364	1,369	1,285	1,312	1,367	1,396	1,329	1,298	1,338	1,341	1,308	1,330	1,359	1,382	1,362	1,347
Europe	1,012	995	959	908	906	1,013	1,000	996	995	986	994	957	959	962	941	916	908	946	915	919	906	904
Asia Pacific	406	383	391	392	397	408	401	419	383	386	404	400	391	388	407	415	392	379	413	428	397	413
OECD SPR	1,530	1,568	1,565	1,536	1,547	1,550	1,565	1,568	1,568	1,571	1,566	1,553	1,565	1,562	1,565	1,529	1,536	1,536	1,539	1,542	1,547	1,580
Americas	704	729	729	697	696	715	726	727	729	729	729	728	729	727	727	696	697	697	697	696	696	697
Europe	420	431	427	426	436	427	430	433	431	433	426	423	427	424	427	424	426	426	429	433	436	472
Asia Pacific	406	409	410	414	414	408	408	408	409	409	411	402	410	411	411	409	414	414	413	414	414	411
OECD total	**4,227**	**4,231**	**4,244**	**4,145**	**4,212**	**4,300**	**4,330**	**4,352**	**4,231**	**4,255**	**4,330**	**4,306**	**4,244**	**4,210**	**4,251**	**4,201**	**4,145**	**4,191**	**4,227**	**4,271**	**4,212**	**4,243**
Oil-on-water	969	919	871	825	801	899	904	869	919	919	897	926	871	891	853	835	825	787	812	797	801	895
Days of forward consumption in OECD																						
OECD onland commercial	58	57	58	57	58	61	60	60	57	58	58	58	57	58	57	57	56	58	59	59	58	59
Americas	54	53	55	55	57	57	58	57	54	54	56	58	55	55	55	56	56	56	57	58	58	57
Europe	69	68	67	66	67	70	68	68	69	69	66	64	67	68	64	65	66	69	66	67	68	67
Asia Pacific	51	47	48	46	47	54	53	50	44	50	51	48	46	52	51	48	43	48	50	49	45	52
OECD SPR	33	33	34	33	34	34	34	34	34	34	33	33	33	34	33	33	33	34	34	33	34	35
Americas	30	30	30	29	29	31	31	30	31	30	30	30	30	31	30	29	30	29	29	29	29	29
Europe	29	29	30	31	32	29	29	30	30	30	28	28	30	30	29	30	31	31	31	32	33	35
Asia Pacific	51	50	50	49	49	54	54	49	47	53	52	48	48	56	51	48	46	52	50	48	47	52
OECD total	**91**	**90**	**91**	**90**	**92**	**95**	**94**	**93**	**90**	**92**	**91**	**91**	**90**	**93**	**91**	**90**	**90**	**92**	**92**	**92**	**92**	**94**

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

	2008	2009	2010	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12	1Q14	2Q14	3Q14	4Q14	2014	Change 14/13
US	7.57	8.17	8.64	9.04	0.39	9.77	9.82	9.93	10.61	10.03	1.00	10.63	10.90	10.72	10.79	10.76	0.73	11.02	11.14	11.39	11.75	11.33	0.56
Canada	3.25	3.23	3.36	3.56	0.20	3.81	3.64	3.67	3.96	3.77	0.21	4.02	3.82	4.02	4.12	3.99	0.22	4.14	4.14	4.20	4.31	4.20	0.20
Mexico	3.17	2.98	2.96	2.95	-0.02	2.92	2.94	2.93	2.90	2.92	-0.02	2.91	2.88	2.88	2.86	2.88	-0.04	2.84	2.81	2.83	2.83	2.83	-0.05
OECD Americas*	**14.01**	**14.39**	**14.97**	**15.55**	**0.58**	**16.52**	**16.41**	**16.54**	**17.48**	**16.74**	**1.19**	**17.58**	**17.61**	**17.63**	**17.77**	**17.65**	**0.91**	**18.01**	**18.10**	**18.43**	**18.89**	**18.36**	**0.71**
Norway	2.47	2.35	2.14	2.04	-0.10	2.09	1.98	1.75	1.85	1.92	-0.12	1.83	1.80	1.73	1.83	1.80	-0.12	1.80	1.70	1.64	1.79	1.73	-0.06
UK	1.57	1.48	1.37	1.12	-0.25	1.09	1.02	0.82	0.89	0.95	-0.17	0.92	0.89	0.85	0.91	0.89	-0.06	0.90	0.83	0.79	0.89	0.85	-0.04
Denmark	0.28	0.26	0.25	0.22	-0.02	0.22	0.22	0.21	0.20	0.21	-0.01	0.20	0.19	0.18	0.18	0.19	-0.02	0.17	0.17	0.16	0.16	0.16	-0.02
Other OECD Europe	0.62	0.63	0.64	0.68	0.04	0.69	0.70	0.70	0.69	0.69	0.01	0.68	0.67	0.68	0.68	0.68	-0.02	0.69	0.69	0.69	0.69	0.69	0.01
OECD Europe	**4.94**	**4.73**	**4.39**	**4.06**	**-0.33**	**4.08**	**3.92**	**3.49**	**3.62**	**3.77**	**-0.29**	**3.63**	**3.56**	**3.44**	**3.59**	**3.55**	**-0.22**	**3.56**	**3.38**	**3.27**	**3.52**	**3.43**	**-0.12**
Australia	0.53	0.54	0.56	0.49	-0.07	0.47	0.49	0.50	0.45	0.48	-0.01	0.37	0.42	0.46	0.47	0.43	-0.05	0.46	0.49	0.49	0.47	0.48	0.05
Other Asia Pacific	0.10	0.10	0.10	0.09	-0.01	0.09	0.09	0.08	0.08	0.08	0.00	0.08	0.08	0.07	0.07	0.07	-0.01	0.07	0.07	0.07	0.07	0.07	-0.01
OECD Asia Pacific	**0.63**	**0.64**	**0.66**	**0.58**	**-0.08**	**0.55**	**0.57**	**0.59**	**0.52**	**0.56**	**-0.02**	**0.45**	**0.50**	**0.53**	**0.54**	**0.51**	**-0.05**	**0.53**	**0.56**	**0.56**	**0.54**	**0.55**	**0.04**
Total OECD	**19.58**	**19.76**	**20.02**	**20.19**	**0.17**	**21.16**	**20.91**	**20.61**	**21.62**	**21.07**	**0.88**	**21.66**	**21.67**	**21.60**	**21.91**	**21.71**	**0.64**	**22.10**	**22.04**	**22.26**	**22.95**	**22.34**	**0.63**
Brunei	0.17	0.16	0.17	0.17	0.00	0.16	0.14	0.16	0.17	0.16	-0.01	0.17	0.16	0.16	0.16	0.16	0.00	0.16	0.16	0.16	0.16	0.16	-0.01
India	0.80	0.78	0.86	0.89	0.03	0.88	0.89	0.88	0.88	0.88	-0.01	0.87	0.87	0.88	0.88	0.88	-0.01	0.88	0.88	0.88	0.89	0.88	0.01
Indonesia	1.05	1.03	1.04	1.02	-0.02	1.00	0.99	0.97	0.95	0.98	-0.05	0.94	0.93	0.92	0.91	0.92	-0.05	0.94	0.96	0.96	0.95	0.95	0.03
Malaysia	0.76	0.73	0.70	0.64	-0.06	0.68	0.63	0.63	0.68	0.66	0.02	0.68	0.70	0.74	0.77	0.72	0.07	0.76	0.75	0.75	0.74	0.75	0.03
Thailand	0.36	0.37	0.34	0.33	-0.01	0.35	0.34	0.35	0.36	0.35	0.02	0.37	0.37	0.36	0.35	0.36	0.01	0.35	0.35	0.35	0.35	0.35	-0.01
Vietnam	0.33	0.37	0.35	0.35	0.00	0.37	0.37	0.39	0.39	0.38	0.03	0.39	0.39	0.40	0.40	0.40	0.01	0.40	0.40	0.40	0.41	0.40	0.00
Asia others	0.26	0.25	0.23	0.23	0.00	0.22	0.22	0.22	0.22	0.22	-0.01	0.21	0.22	0.22	0.22	0.22	0.00	0.22	0.21	0.21	0.22	0.22	0.00
Other Asia	**3.73**	**3.69**	**3.70**	**3.63**	**-0.07**	**3.67**	**3.58**	**3.60**	**3.66**	**3.63**	**-0.01**	**3.64**	**3.63**	**3.68**	**3.69**	**3.66**	**0.03**	**3.70**	**3.72**	**3.72**	**3.71**	**3.71**	**0.05**
Argentina	0.78	0.75	0.75	0.72	-0.03	0.72	0.71	0.71	0.70	0.71	-0.01	0.68	0.68	0.70	0.69	0.69	-0.02	0.68	0.69	0.69	0.69	0.69	0.00
Brazil	2.38	2.51	2.66	2.64	-0.03	2.71	2.57	2.53	2.60	2.60	-0.03	2.54	2.50	2.65	2.67	2.59	-0.01	2.68	2.69	2.78	2.83	2.75	0.16
Colombia	0.60	0.68	0.80	0.93	0.13	0.93	0.96	0.95	0.99	0.96	0.03	1.02	1.03	1.04	1.05	1.04	0.08	1.06	1.08	1.05	1.12	1.08	0.04
Trinidad & Tobago	0.16	0.15	0.15	0.14	-0.01	0.12	0.12	0.12	0.12	0.12	-0.02	0.12	0.11	0.11	0.11	0.11	0.00	0.10	0.10	0.10	0.10	0.10	-0.01
L. America others	0.28	0.30	0.31	0.30	-0.01	0.30	0.30	0.31	0.33	0.31	0.01	0.33	0.33	0.33	0.35	0.34	0.03	0.35	0.36	0.36	0.36	0.36	0.02
Latin America	**4.20**	**4.39**	**4.66**	**4.72**	**0.06**	**4.77**	**4.66**	**4.62**	**4.74**	**4.70**	**-0.03**	**4.70**	**4.65**	**4.84**	**4.87**	**4.76**	**0.07**	**4.89**	**4.92**	**4.98**	**5.09**	**4.97**	**0.21**
Bahrain	0.21	0.21	0.20	0.21	0.01	0.20	0.18	0.20	0.19	0.19	-0.02	0.20	0.20	0.20	0.20	0.20	0.01	0.21	0.21	0.20	0.20	0.20	0.01
Oman	0.76	0.81	0.86	0.89	0.02	0.89	0.92	0.93	0.94	0.92	0.03	0.94	0.93	0.95	0.95	0.94	0.02	0.95	0.96	0.96	0.97	0.96	0.02
Syria	0.41	0.41	0.42	0.37	-0.05	0.22	0.24	0.19	0.18	0.21	-0.16	0.16	0.09	0.07	0.03	0.09	-0.12	0.03	0.03	0.03	0.03	0.03	-0.05
Yemen	0.30	0.30	0.29	0.23	-0.06	0.14	0.18	0.21	0.19	0.18	-0.05	0.18	0.16	0.18	0.20	0.18	0.00	0.18	0.18	0.18	0.18	0.18	0.00
Middle East	**1.68**	**1.73**	**1.78**	**1.69**	**-0.09**	**1.44**	**1.51**	**1.52**	**1.50**	**1.49**	**-0.20**	**1.47**	**1.37**	**1.40**	**1.37**	**1.40**	**-0.09**	**1.37**	**1.37**	**1.38**	**1.38**	**1.37**	**-0.03**
Chad	0.15	0.14	0.15	0.14	0.00	0.14	0.14	0.13	0.13	0.13	-0.01	0.13	0.13	0.13	0.13	0.13	0.00	0.13	0.13	0.12	0.12	0.13	-0.01
Congo	0.26	0.27	0.30	0.30	0.00	0.30	0.30	0.30	0.29	0.30	0.00	0.28	0.28	0.28	0.28	0.28	-0.02	0.28	0.27	0.27	0.26	0.27	-0.01
Egypt	0.69	0.69	0.71	0.70	-0.01	0.71	0.71	0.71	0.71	0.71	0.01	0.71	0.72	0.69	0.69	0.70	-0.01	0.68	0.68	0.68	0.67	0.68	-0.02
Equatorial Guinea	0.38	0.36	0.32	0.30	-0.02	0.32	0.31	0.31	0.31	0.32	0.01	0.32	0.32	0.30	0.31	0.31	0.00	0.32	0.33	0.32	0.32	0.32	0.01
Gabon	0.24	0.24	0.25	0.25	0.00	0.25	0.24	0.24	0.24	0.24	-0.01	0.23	0.23	0.23	0.23	0.23	-0.01	0.24	0.24	0.24	0.24	0.24	0.01
South Africa	0.18	0.17	0.18	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	0.19	0.18	0.18	0.18	0.18	0.00
Sudans	0.46	0.48	0.46	0.43	-0.03	0.19	0.09	0.10	0.10	0.12	-0.31	0.12	0.18	0.24	0.26	0.20	0.08	0.26	0.27	0.29	0.30	0.28	0.08
Africa other	0.27	0.25	0.23	0.29	0.06	0.30	0.30	0.30	0.32	0.31	0.01	0.35	0.34	0.35	0.37	0.35	0.05	0.38	0.38	0.39	0.40	0.39	0.04
Africa	**2.62**	**2.60**	**2.60**	**2.59**	**-0.01**	**2.39**	**2.28**	**2.28**	**2.31**	**2.32**	**-0.28**	**2.33**	**2.38**	**2.42**	**2.45**	**2.40**	**0.08**	**2.48**	**2.49**	**2.49**	**2.50**	**2.49**	**0.09**
Total DCs	**12.22**	**12.41**	**12.74**	**12.64**	**-0.10**	**12.28**	**12.03**	**12.02**	**12.21**	**12.13**	**-0.51**	**12.15**	**12.03**	**12.33**	**12.39**	**12.23**	**0.09**	**12.43**	**12.50**	**12.57**	**12.68**	**12.55**	**0.32**
FSU	**12.60**	**12.95**	**13.21**	**13.24**	**0.03**	**13.36**	**13.24**	**13.22**	**13.36**	**13.30**	**0.05**	**13.44**	**13.36**	**13.37**	**13.44**	**13.40**	**0.11**	**13.46**	**13.39**	**13.51**	**13.76**	**13.53**	**0.13**
Russia	9.78	9.92	10.14	10.27	0.12	10.34	10.32	10.36	10.47	10.37	0.11	10.45	10.47	10.44	10.44	10.45	0.08	10.47	10.40	10.46	10.60	10.48	0.03
Kazakhstan	1.41	1.54	1.60	1.60	0.01	1.62	1.57	1.52	1.63	1.59	-0.02	1.68	1.60	1.64	1.67	1.65	0.06	1.65	1.65	1.71	1.79	1.70	0.05
Azerbaijan	0.94	1.06	1.07	0.95	-0.12	0.96	0.91	0.91	0.82	0.90	-0.05	0.87	0.85	0.84	0.86	0.85	-0.04	0.87	0.86	0.87	0.90	0.87	0.02
FSU others	0.46	0.44	0.41	0.42	0.02	0.44	0.44	0.44	0.44	0.44	0.02	0.44	0.44	0.45	0.47	0.45	0.01	0.47	0.48	0.47	0.47	0.47	0.02
Other Europe	0.15	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.13	0.14	0.00	0.13	0.13	0.13	0.13	0.13	0.00	0.13	0.13	0.13	0.13	0.13	0.00
China	3.84	3.84	4.12	4.11	-0.01	4.08	4.11	4.20	4.30	4.17	0.06	4.24	4.27	4.26	4.30	4.27	0.09	4.31	4.28	4.29	4.33	4.30	0.04
Non-OPEC production	**48.38**	**49.10**	**50.23**	**50.33**	**0.10**	**51.02**	**50.42**	**50.20**	**51.62**	**50.82**	**0.49**	**51.61**	**51.46**	**51.69**	**52.18**	**51.74**	**0.92**	**52.44**	**52.35**	**52.76**	**53.86**	**52.85**	**1.12**
Processing gains	1.97	2.00	2.11	2.11	0.00	2.12	2.12	2.12	2.12	2.12	0.01	2.18	2.18	2.18	2.18	2.18	0.06	2.21	2.21	2.21	2.21	2.21	0.02
Non-OPEC supply	**50.35**	**51.10**	**52.34**	**52.44**	**0.10**	**53.14**	**52.54**	**52.32**	**53.74**	**52.94**	**0.50**	**53.79**	**53.65**	**53.88**	**54.36**	**53.92**	**0.98**	**54.65**	**54.55**	**54.96**	**56.06**	**55.06**	**1.14**
OPEC NGL	4.04	4.24	4.87	5.23	0.36	5.33	5.53	5.60	5.36	5.46	0.22	5.59	5.61	5.63	5.65	5.62	0.16	5.67	5.71	5.75	5.79	5.73	0.11
OPEC Non-conventional	0.11	0.11	0.11	0.13	0.02	0.19	0.20	0.19	0.23	0.20	0.07	0.24	0.24	0.25	0.27	0.25	0.05	0.28	0.29	0.29	0.29	0.29	0.04
OPEC (NGL+NCF)	**4.14**	**4.35**	**4.98**	**5.37**	**0.39**	**5.53**	**5.72**	**5.79**	**5.58**	**5.66**	**0.29**	**5.83**	**5.85**	**5.88**	**5.92**	**5.87**	**0.21**	**5.95**	**6.00**	**6.04**	**6.08**	**6.01**	**0.15**
Non-OPEC & OPEC (NGL+NCF)	**54.49**	**55.45**	**57.32**	**57.80**	**0.48**	**58.66**	**58.26**	**58.11**	**59.32**	**58.59**	**0.79**	**59.62**	**59.49**	**59.75**	**60.27**	**59.79**	**1.20**	**60.59**	**60.55**	**61.00**	**62.14**	**61.07**	**1.29**

* Chile has been included in OECD Americas.

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

Table 10.7: World Rig Count

	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	1Q13	2Q13	May 13	Jun 13	Change Jun/May
US	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	1,809	1,919	39	1,757	1,761	1,767	1,761	-6
Canada	166	364	389	347	129	587	188	443	474	423	76	599	172	326	367	366	-57	536	154	127	183	56
Mexico	106	84	80	97	-31	83	87	103	104	94	-3	98	110	108	108	106	12	114	107	110	99	-11
Americas	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	2,285	2,391	-6	2,407	2,023	2,004	2,043	39
Norway	18	13	20	18	-2	21	17	16	16	17	-1	17	18	14	20	17	0	21	19	18	19	1
UK	20	21	21	19	1	18	17	15	15	16	-3	14	19	18	21	18	2	21	17	15	18	3
Europe	96	92	100	94	11	118	112	123	119	118	24	112	117	117	129	119	1	134	133	124	138	14
Asia Pacific	18	23	22	21	-4	17	17	17	18	17	-4	19	25	25	27	24	7	30	28	29	27	-2
Total OECD	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	2,441	2,534	2	2,571	2,184	2,157	2,208	51
Other Asia	249	253	255	248	31	257	234	232	233	239	-9	231	216	205	215	217	-22	215	224	220	223	3
Latin America	203	220	213	205	48	191	192	196	201	195	-10	191	190	172	165	180	-15	167	170	167	167	0
Middle East	150	163	159	156	6	101	107	102	107	104	-52	116	112	110	100	110	6	72	78	74	89	15
Africa	19	19	18	19	9	1	2	0	5	2	-17	3	3	9	11	7	5	9	15	12	18	6
Total DCs	621	655	645	628	93	549	535	530	546	540	-88	542	522	496	491	513	-27	463	487	473	497	24
Non-OPEC rig count	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	2,931	3,047	-26	3,034	2,670	2,630	2,705	75
Algeria	28	24	24	25	-2	29	33	30	33	31	6	31	31	44	38	36	5	44	48	46	48	2
Angola	8	9	9	9	5	11	11	11	8	10	1	10	12	7	7	9	-1	9	10	11	13	2
Ecuador	11	11	11	11	1	11	11	11	15	12	1	17	17	22	25	20	8	25	26	27	28	1
Iran**	52	52	52	52	0	54	54	54	54	54	2	54	54	36	54	54	0	54	54	54	54	0
Iraq**	36	36	36	36	0	36	36	36	36	36	0	36	50	76	69	58	22	66	80	80	89	9
Kuwait**	18	21	23	20	8	56	56	57	60	57	37	56	56	58	58	57	0	59	58	56	60	4
Libya**	17	14	15	16	1	10	3	8	9	8	-8	12	11	11	14	12	4	16	15	15	15	0
Nigeria	13	18	17	15	8	35	35	36	36	36	21	37	35	37	33	36	0	36	40	40	39	-1
Qatar	8	9	9	9	0	10	8	7	7	8	-1	8	7	8	7	8	0	9	8	7	8	1
Saudi Arabia	67	67	65	67	-1	98	98	98	105	100	33	106	114	111	115	112	12	116	114	114	113	-1
UAE	13	13	13	13	1	17	21	24	22	21	8	22	24	23	26	24	3	28	27	27	26	-1
Venezuela	64	70	80	70	10	125	125	125	113	122	52	126	122	112	110	117	-5	119	122	120	129	9
OPEC rig count	335	344	355	342	31	493	490	495	498	494	152	515	534	546	556	542	48	582	601	597	622	25
Worldwide rig count*	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	3,487	3,589	23	3,616	3,271	3,227	3,327	100
of which:																						0
Oil	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	2,682	2,654	397	2,781	2,544	2,523	2,598	75
Gas	1,276	1,356	1,337	1,325	200	1,319	1,187	1,257	1,286	1,262	-63	1,116	879	799	749	886	-376	795	672	654	669	15
Others	40	42	46	43	8	48	49	47	52	49	6	54	46	51	59	52	3	44	58	54	64	10

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 July 2013

OPEC Basket average price

US$ per barrel

up 38¢ in June

June 2013	**101.03**
May 2013	**100.65**
Year-to-date	**105.09**

June OPEC crude production

in million barrels per day, according to secondary sources

down 0.31 in June

June 2013	**30.38**
May 2013	30.69

World economy

Global growth expectations now stand at 3.0% for 2013 and 3.5% for 2014. OECD economies are forecast to rebound to 1.8% in 2014, after low growth of 1.2% in 2013. Growth expectations for China now stand at 7.7% for both 2013 and 2014. Growth in India is forecast at 5.6% for this year and 6.0% in 2014.

Supply and demand

in million barrels per day

2013		12/13
World demand	89.6	**0.8**
Non-OPEC supply	53.9	**1.0**
OPEC NGLs	5.9	**0.2**
Difference	**29.9**	**–0.4**

2014		13/14
World demand	90.7	**1.0**
Non-OPEC supply	55.1	**1.1**
OPEC NGLs	6.0	**0.1**
Difference	**29.6**	**–0.3**

Totals may not add due to independent rounding.

Stocks

OECD commercial oil stocks rose by 11.7 mb in May, broadly in line with the five-year average. Crude stocks showed a surplus of 13 mb, while product inventories indicated a deficit of 17.3 mb. In terms of days of forward cover, OECD commercial stocks stood at 58.9 days. Preliminary data for June shows that US total commercial oil stocks rose by 14.2 mb for a surplus of 48.2 mb with the five-year average. US crude and product stocks were at 33.8 mb and 14.4 mb, respectively, both above the five-year average.

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Data covered up to the end of June 2013 unless otherwise stated.