OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

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Feature Article:

Oil market challenges for second half of 2013

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Oil Market Highlights

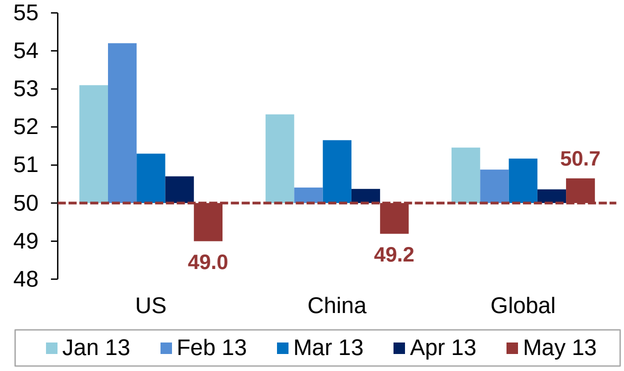
- The **OPEC Reference Basket** averaged $100.65/b in May, representing a slight decline of 40¢ from the previous month. Year-to-date, the Basket value declined $9.75 or 8.4% compared to the same period last year to stand at $105.85/b. The performance of Basket components was mixed. While the Middle Eastern spot-related crudes fell the most, the Latin American grades improved. Nymex WTI and ICE Brent prices moved in opposite directions in May. US light crude futures rose sharply on the easing overhang in inventories in the US Midwest, as well as recent macroeconomic data pointing to a gradual improvement in the US economy. In contrast, the ICE Brent contract was affected by the persistently weak economic outlook in Europe, as well as poor Chinese economic growth, amid improving crude oil supplies. Nymex WTI gained $2.73 to average $94.80/b for the month, while ICE Brent slipped 15¢ to average $103.28/b.
- **World economic growth** is forecast at 3.2% for 2013, unchanged from the previous month, although with some revisions to the individual forecasts. Japan’s forecast has been revised higher to 1.5% from 1.1% amid ongoing stimulus efforts. The Euro-zone’s challenges continue, with the forecast now showing a deeper contraction of 0.6%, although a recovery is expected for later in the year. While the possibility of some adjustment in the Fed's monetary stimulus exists, the recovery in the US housing and labour markets has been positive and GDP growth for 2013 remains unchanged at 1.8%. China has been impacted by decelerating activity and growth has been revised to 7.9% from 8.0%, while India’s forecast is unchanged at 6.0%. While the global economic momentum has started slowing recently, some rebound is currently forecast for the second half of the year.
- **World oil demand** is expected to increase by 0.8 mb/d in 2013, in line with the growth seen last year. The forecast remains unchanged from the previous report, despite a downward revision to the first quarter due to actual data. In the non-OECD, oil consumption is projected to grow by 1.2 mb/d, slightly lower than last year. China is seen continuing to grow at 0.4 mb/d, the Middle East at 0.3 mb/d, and Other Asia and Latin America regions at 0.2 mb/d each. In contrast, OECD demand is expected to see a contraction of 0.4 mb/d, although a slight improvement over 2012.
- **Non-OPEC oil supply growth** is projected at 1.0 mb/d in 2013, unchanged from the last report, supported by strong anticipated growth from the US. Estimated non-OPEC supply growth in 2012 stands at 0.5 mb/d. OPEC NGLs and nonconventional oils are expected to average 5.9 mb/d in 2013, a gain of 0.2 mb/d over the previous year. In May, OPEC crude oil production averaged 30.57 mb/d, according to secondary sources, an increase of 106 tb/d over last month.
- **Product markets** exhibited a mixed performance in May. The top of the barrel strengthened slightly, with gasoline demand beginning to show signs of snapping out of its spring slump. However, the improvement in the top was not enough to offset losses at the middle of the barrel, as distillate demand remained weak, thus preventing any upward movement in refinery margins. Overall, the summer demand season has been off to a slow start on both sides of the Atlantic.
- In the **tanker market**, dirty spot freight rates were mixed in May. Average VLCC rates have increased for both eastern and western destinations, mainly as a result of the end of the refinery maintenance. Meanwhile, average Suezmax and Aframax rates declined from a month earlier. Clean spot freight rates fell East and West of Suez on the back of high tonnage availability. OPEC spot fixtures rose by 10% in May over the previous month and OPEC sailings were 1.2% higher.
- **Total OECD commercial oil stocks** rose for the second consecutive month in April, up 19.2 mb, but remained broadly in line with the five-year average. Crude stocks stood at a comfortable level, with a surplus of 18 mb over the five-year average, while product inventories remained tight with a deficit of 19.0 mb with the seasonal average. In terms of days of forward cover, OECD commercial inventories stood at 59.1 days, some 1.1 days over the five-year average. Preliminary data for May shows that total US commercial oil stocks rose by 15.5 mb to show a surplus of 45.0 mb with the five-year average. US crude oil commercial stocks finished May at 35.9 mb over the five-year average, while products were 8.8 mb higher.
- **Demand for OPEC crude** in 2012 stood at 30.2 mb/d, unchanged from the previous assessment and broadly in line with the 2011 level. Demand for OPEC crude in 2013 is forecast at 29.8 mb/d, unchanged from the previous report and 0.4 mb/d lower than last year.

Oil market challenges for second half of 2013

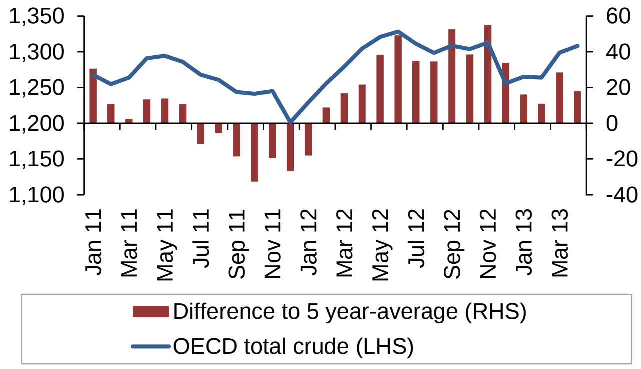
The year 2013 has so far been characterized by slowing momentum in the world economy. This has been due to lower growth not only in the developed countries but also in some emerging economies. As a result, the forecast for global oil demand growth in 1H13 has been revised down from initial projections, as the contraction in OECD demand was larger than expected and the pace of growth in the non-OECD has slowed.

Looking at the second half of the year, the world economy is expected to experience slightly higher growth. This is due to a base-effect from low growth levels in the first and the second quarter of the current year and on the assumption of some recovery in the US, as well as in the major emerging economies and the Euro-zone. Meanwhile, Japan is already enjoying steady growth, as a result of the government's ambitious stimulus initiatives. However, developments such as the slow-down in the major emerging economies and in the US in the first half of the year highlight the continued fragility of the global economy. Recent signs of a lower-than-anticipated expansion in the US and China, such as the latest PMI numbers for manufacturing, underscore this trend, although the global momentum remains intact (***Graph 1***). Whether a host of factors – the recovery in the US labour market and the improvement in the housing sector, the relaxation of austerity measures in the Euro-zone, the stimulus in Japan, improving export opportunities, and expected government-led support in the major emerging economies – will materialize to support the expected rise in growth levels for 2H13 should be clearer as data becomes available.

Graph 1: Manufacturing PMIs, index



Graph 2: OECD commercial crude oil stocks, mb



In the oil market, the second half of the year is expected to see higher demand in absolute terms, primarily due to the structural change in the seasonal pattern. A number of factors are driving these developments, particularly the falling share of winter fuels in total oil demand, as a result of increasing fuel substitution by natural gas. Growing use of air conditioning in the summer, particularly in the developing countries, has also pushed third quarter demand higher. World oil demand is expected to reach 90.5 mb/d in the second half of the year, higher than the estimated 88.8 mb/d in the first half. In terms of demand growth, the expected global economic recovery in the second half of this year could also add more barrels to seasonally higher global consumption.

Growth in the second half is projected to increase by 0.9 mb/d, compared to 0.7 mb/d over the first two quarters. However, risks are skewed towards the downside. In the OECD, this is due largely to the weak economic outlook for Europe, as well as to any possible setbacks in the US economic recovery. For the non-OECD, risks stem from any slowdown in economic growth, especially in the emerging economies, the major contributors to demand growth in recent years. The Middle East and Latin America are the main regions with the potential to surpass current demand expectation, due to expansion in the transportation, power generation, and construction sectors.

On the supply side, non-OPEC supply is expected to continue the healthy performance seen in the first half, supported by anticipated growth in OECD Americas as well as the FSU, Africa, and Latin America. The US and Canada are seen to be the main drivers of non-OPEC supply growth in 2013. In the second half, non-OPEC supply is projected to increase by 1.1 mb/d, outpacing the estimated growth of 0.9 mb/d in the first half of this year. However, this forecast is associated with risks due to weather and technical factors, as well as geopolitics. Over the same period, OPEC NGL and non-conventionals are projected to continue to increase adding 0.2 mb/d.

Taking into account all of these developments, demand for OPEC crude in the second half of 2013 is expected to average 30.5 mb/d. This is broadly in line with current OPEC production as estimated by secondary sources. Overall, existing fundamentals portray a market with ample supply, which is further reflected in comfortable crude oil stock levels (***Graph 2***) and improving gasoline inventories at the start of the driving season. However, uncertainties on both the demand and supply side have the potential to undermine the expected market balance in the second half of 2013.

Crude Oil Price Movements

OPEC Reference Basket slipped slightly to average $100.65/b

OPEC Reference Basket

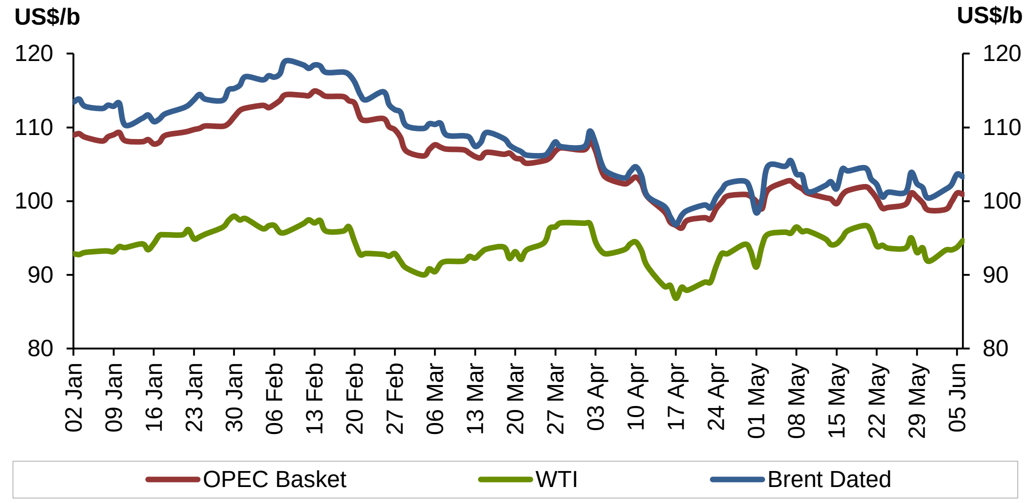
The OPEC Reference Basket (ORB) slipped only marginally in May to average $100.65/b. Hopes for stronger global economic recovery were undermined by weak manufacturing data from China and lacklustre first quarter growth figures across the Euro-zone. Although some support came from the US economy, intermittent fears about an early scale-back in the US Federal Reserve's stimulus programme raised doubts over demand prospects. Fundamentally, a bearish tone for the month was set by lower-than-expected demand data, even as several refiners came back on line after wrapping up spring maintenance.

Crude **inter-grade differentials** also told a very mixed story, with an exceptionally poor market for naphtha and weak demand for gasoline in the Atlantic Basin pressuring lighter crudes, even as medium-sour grades in the Mediterranean enjoyed a brief premium against Dated Brent.

Also on the **fundamental** side, global inventories continue to creep higher, particularly gasoline in the US market, signifying weak demand fundamentals despite the start of the driving season. This took place amid rising crude oil supply in Europe and the US.

On a monthly basis, the Basket dropped to an average of $100.65/b in May, slipping marginally by 40¢ or 0.40% compared to the previous month. Year-to-date, the Basket averaged $105.85/b, a decline of $9.75 or 8.4% from a year ago.

Graph 1.1: Crude oil price movement, 2013



In May, the performance of individual Basket components was mixed. While Middle Eastern spot-related crudes saw their value fall the most, the value of Latin American grades improved, supported by the speedy recovery of the WTI/WTS and WTI/Brent spreads.

Ecuador's Oriente and **Venezuelan Merey** increased about 50¢ at a monthly average of $95.21/b. Despite the falls in refinery maintenance, the Dubai spot market was weak during the month, causing its backwardation to slip from the previous month's level. Meanwhile, **Adnoc's Murban** and Lower Zakum both were below their respective OSP's. These grades, along with some other lighter Middle Eastern sours, have been especially impacted by recent poor middle distillate margins and thin demand from north Asian refiners. On average, **Qatar Marine** and Murban crudes decreased by $1.50 over the month of May, while multi-destinations grades, such as **Iran Heavy, Basrah Light, Kuwait Export** and **Arab Light**, all weakened by an average of around 30¢. Despite plentiful competing supplies and weak refining margins in Europe, on average Brent-related crude values improved marginally, as **Bonny Light** and **Es Sider** prices appreciated, while those of **Saharan Blend** and **Girassol** dropped.

Firmer demand for light sweet crudes in the US and strengthening refining margins opened the transatlantic arbitrage for North Sea crude. Some grades were also supported by tight supply and increasing buying interest from Indian refiners. On average, the prices of Brent-related components from North and West Africa edged up by around 20¢.

On 10 June, the OPEC Reference Basket stood at $101.38/b.

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

			Change	Year-to-date	
	Apr 13	May 13	May/Apr	2012	2013
OPEC Reference Basket	**101.05**	**100.65**	**-0.40**	**115.60**	**105.85**
Arab Light	101.97	101.06	-0.91	116.23	106.85
Basrah Light	98.22	98.23	0.01	114.02	103.54
Bonny Light	105.17	105.83	0.66	119.66	110.95
Es Sider	102.22	102.63	0.41	117.84	108.31
Girassol	103.84	103.69	-0.15	118.38	108.90
Iran Heavy	99.71	99.72	0.01	115.01	104.94
Kuwait Export	100.07	99.82	-0.25	115.14	104.85
Marine	101.55	100.22	-1.33	115.04	105.03
Merey	93.84	94.02	0.18	107.43	96.92
Murban	104.46	102.83	-1.63	117.71	107.84
Oriente	95.56	96.40	0.84	110.08	99.40
Saharan Blend	102.97	102.83	-0.14	117.71	108.97
Other Crudes					
Brent	102.17	102.53	0.36	117.02	108.27
Dubai	101.68	100.30	-1.38	114.62	105.18
Isthmus	105.48	105.48	0.00	113.55	107.99
Mars	100.37	99.39	-0.98	113.32	105.20
Minas	101.25	99.11	-2.14	126.11	108.98
Urals	102.06	102.52	0.46	115.47	107.38
WTI	91.97	94.60	2.63	101.25	93.90
Differentials					
WTI/Brent	-10.20	-7.93	2.27	-15.76	-14.37
Brent/Dubai	0.49	2.23	1.74	2.40	3.09

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 and ICE Brent move in opposite directions in May

International crude oil futures moved in opposite directions over the course of May. Nymex WTI front-month posted a significant expansion over the month, while ICE Brent edged down slightly. Nevertheless, despite increasingly bearish sentiment, the two futures contracts managed to recover from the hefty falls witnessed in the previous month.

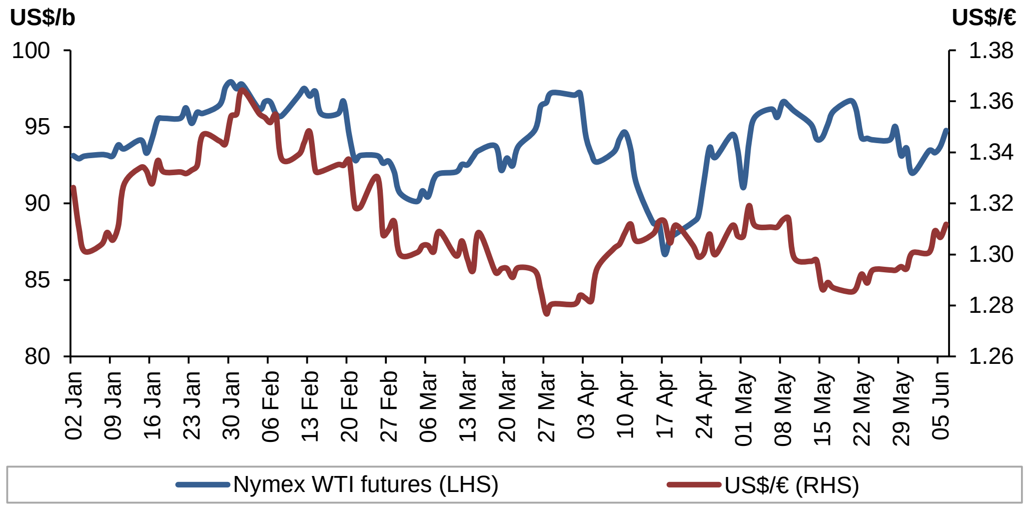
US light crude futures rose sharply as a supply overhang in the US Midwest eased. Improving US pipeline infrastructure and rail transport helped alleviate bottlenecks at Cushing, Oklahoma, the delivery point of the US crude oil futures contract. **Nymex WTI** was also supported by US macroeconomic data which showed the economy expanding by 2.4% in 1Q13, up substantially from 0.4% GDP growth in the final quarter of last year. Data showed consumer confidence in May hitting a five-year high and US home prices increasing 10.9% y-o-y, the biggest rise in almost seven years.

Meanwhile, **ICE Brent** was affected by uncertainties over Chinese growth and a gloomy European economic outlook that depressed demand while oil supplies improved. On top of this, the flash reading of HSBC's Chinese manufacturing Purchasing Manager's Index (PMI) came in at 49.6, well below expectations and also below the 50-level separating an expansion from a contraction. Bearish economic news also came from the IMF which revised China's economic growth downward to 7.75% in 2013, from 8%. The rapid appreciation of the US dollar also had a downward impact on ICE Brent.

On the Nymex, the WTI front-month gained $2.73 to average $94.80/b in May, the highest in three months. Year-to-date, Nymex WTI averaged $93.99/b, a drop of $7.38 or 7.3% from the previous year. In contrast, ICE Brent slipped 15¢ to average $103.28/b. Year-to-date, ICE Brent averaged $108.93/b, down $8.24 or 7% from the same period a year ago.

On 10 June, ICE Brent stood at $103.95/b and Nymex WTI at $95.77/b.

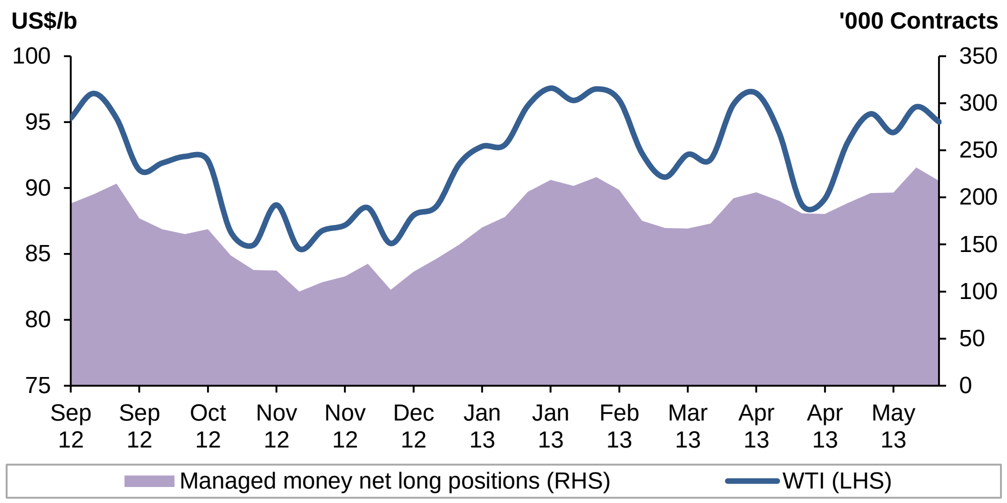
Graph 1.2: Nymex WTI futures and US$ exchange rate, 2013



Money managers expanded their **net length** and reduced their overall exposure in **Nymex WTI** futures and options in May, compared to the previous month. Speculators picked up 10,513 fresh Nymex WTI longs and shed 13,056 shorts, expanding their net length by 23,569 contracts to 217,531 lots. The overall exposure was reduced by a combined 2,543 long and short crude futures, leaving them with a total of 294,791 contracts. During the same period, **money managers** in the **ICE Brent** market added a hefty 52,809 contracts to expand their **net length** to 161,550 contracts by end-May. Speculators reduced short positions by 24,278 contracts and increased longs by 28,531 lots. Overall, managed money exposure in ICE Brent futures was increased by 4,253 to 263,900 lots.

Over this period, the Nymex WTI front-month price decreased by around $1.50, while ICE Brent rose by almost 20¢. Furthermore, **open interest volume** in both exchanges dropped sharply by 91,554 and 84,412 contracts to 2.45 and 1.82 million lots, respectively.

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



The **aggregate traded volume** in both crude oil futures markets decreased by almost 2.4 million contracts in May, removing almost all the previous month's addition. This left the total futures traded at the two exchanges at over 27.7 million contracts, equivalent to around 10 times total world oil demand for one month. ICE Brent futures volume decreased by 2.8 million contracts to bring its volume closer to that of Nymex WTI at 13.9 million contracts. WTI Nymex added 0.5 million to its traded volume to 13.8 million lots. Meanwhile, ICE Brent daily traded volume was on average at 602,606 contracts (602 mb/d), 154,326 lots lower than the previous month or 25% lower. In contrast, the Nymex WTI daily volume increased by 19,031 to 625,978 lots in May.

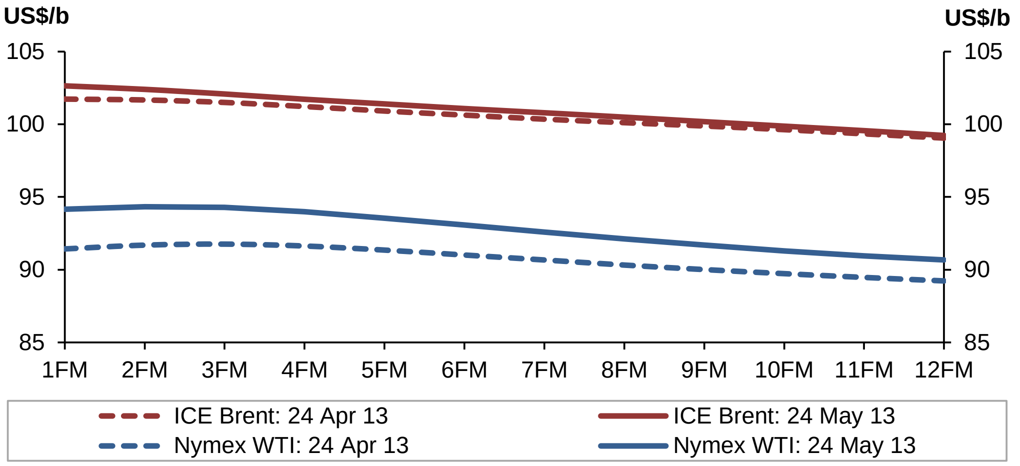
The futures market structure

The WTI market structure continued to improve, while ICE Brent backwardation steadied

The **Nymex WTI market structure** continued its narrowing streak for the third month in a row, as the glut of crude oil at Cushing, Oklahoma, continued to ease. In May, the first month versus second month time spread shrank further to average around 20¢/b, compared to about 30¢/b in the previous month. The Nymex WTI contango market structure level was halved compared to the level seen earlier this year. The vast increase in pipelines and rail takeaway capacity from the US mid-continent to the refining centers in the south, east and north of the US contributed greatly to the easing of storage constraints at Cushing, causing the contango to ease.

The **ICE Brent backwardation** stayed weak over the month, amid a continuation of the previous month's scenario of low demand and ample supply of the Atlantic Basin light sweet crudes. In May, the spread between the second and the first month of ICE Brent contract averaged around 24¢/b, compared to 9¢/b in the previous month, and substantially lower than levels earlier this year when backwardation was at almost $1/b.

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



FM = future month.

The **spread between** the two benchmark grades, **Brent and WTI**, narrowed further to stand at a single digit, reaching its tightest level since January 2011. The spread average stood at $8.48/b in May, $2.88 narrower than the previous month and a hefty $12.27 narrower than earlier this year. The narrowing has been driven by the reduced overhang in Cushing inventories. The main driver for this shift is the completion of several pipeline projects (Permian Express, Longhorn and West Texas Gulf Expansion) that now allow some 0.2 mb/d of crude to be sent from the Permian Basin directly to the refineries on the Texas Gulf coast rather than to Cushing. The glut in supply is migrating south to Houston and the US Gulf Coast (USGC), depressing prices and keeping WTI's value below Brent's. Supplies of crude along the USGC surged to a four-year high of 195.5 mb on 26 April, according to the latest data from the US EIA. Inventories in Cushing were down to 50.5 mb on 24 May from a record of 51.9 mb on 18 January.

The narrowing of the Brent-WTI spread could now threaten the massive investments made by rail and refining companies to move lower priced crudes to higher priced markets, as the key spread now trades far below the $10-15/b level on which many business plans were based. The spread has narrowed as traders bet that increased pipeline capacity will help move crude to the USGC in the second half of the year.

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 Apr 13	91.43	91.69	91.76	91.01	89.23
24 May 13	94.15	94.34	94.28	93.07	90.68

ICE Brent	1st FM	2nd FM	3rd FM	6th FM	12th FM
24 Apr 13	101.73	101.67	101.50	100.63	99.05
24 May 13	102.64	102.40	102.08	101.08	99.23

FM = future month.

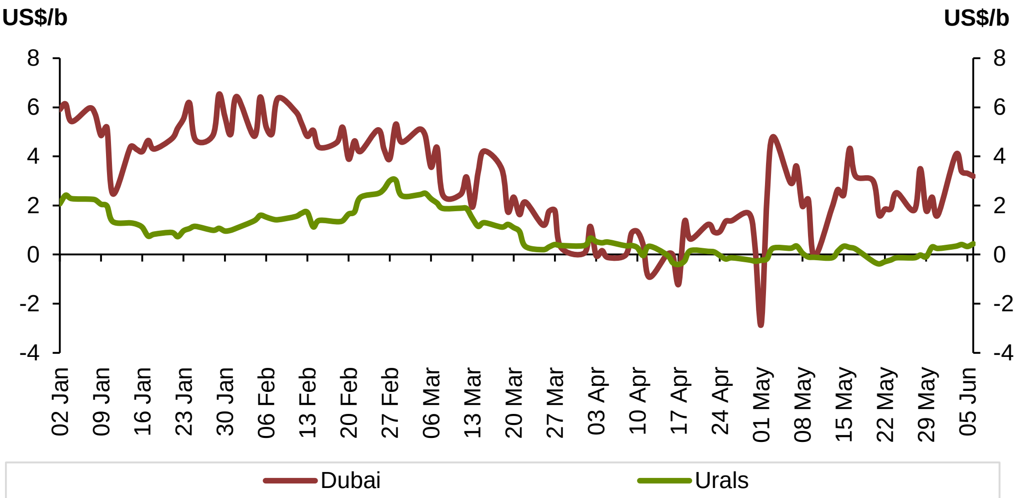
The light-sweet/heavy-sour crude spread

The light-sweet/ heavy-sour spreads were mixed globally

Global light-sweet/heavy-sour spreads were mixed over the month of May with Brent/Urals and LLS/Mars narrowing while TPI/Dubai spread widened. Light distillates continue to be under pressure in Europe due to low demand for naphtha as a petrochemical feedstock, as it has been substituted for cheaper LPG. Asia was also affected by the higher inflow of naphtha from the west. Meanwhile, fuel oil cracks remained stable compared to previous months.

In Asia, this month's healthy performance of light distillates, especially gasoline, lent support to the widening of the light-sweet/heavy-sour spread as represented by the Tapis/Dubai spread. Meanwhile, the reduction of an influx of light sweet crudes into the Atlantic Basin, as a result of a much wider Brent/Dubai spread, supported the lighter sweet crudes in Asia. Despite the incremental falls in refinery maintenance, which will see 300,000 b/d lower offline refining capacity in July, prompt buying interest for Dubai has decreased in May. The level of backwardation in the 1st versus the 3rd month spread for May has narrowed almost 30¢ to an average of less than 90¢/b compared to April. Sour Middle Eastern crudes, particularly lighter grades, were also impacted by recent poor middle distillate margins. The average monthly premium of Tapis to Dubai in May widened to $7.68/b, compared to a premium of about $6.84/b in April, an increase of 84¢.

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



In Europe, the Urals differentials to Dated Brent narrowed further moving from around a 10¢/b discount to Dated Brent in April, to flat in May, on a month-to-month average basis, the lowest in almost four years. The extremely narrow Brent/Urals spread was very much supply-related as refiners had difficulty securing medium-sour crudes due to the continuing lack of rival grades. Russia has also been gradually reducing its Black Sea exports in favour of the Baltic Sea and the Far East. Mediterranean refiners coming back from spring maintenance, therefore, had to look further away for supplies or pay a premium to secure Russian sour crude. Popular alternatives have been Iraqi and Saudi Arabian crude, although buyers of Iraqi crude are increasingly turning to Basrah Light rather than Kirkuk, due to frequent outages along the Kirkuk-Ceyhan pipeline.

The USGC sweet/sour spread represented by the LLS/Mars narrowed marginally by 17¢ to an average of $4.88/b in May. Increasing light sweet crude production has dented LLS's premium to medium sour Mars in the USGC market. Rising light sweet crude production in south Texas and increased pipeline access to more West Texas crude to the USGC refineries has boosted supplies.

Commodity Markets

Commodity prices stabilized in May, following a sharp decline the month before

Trends in selected commodity markets

After the significant decline of commodity prices in April, the momentum has stabilised somewhat in May. This development seems to have been supported by a variety of factors:

First, there have been tentative signs that the slow-down in the global economy might have ended and that slightly higher growth could be expected in the second half of this year.

Secondly, the market seems to have digested the fact that China, constituting the main marginal buyer of commodities, has accepted growth levels which are slightly higher than the 7.5% multi-year growth target. The 1Q13 number of 7.7%, therefore, is at about the level the newly installed leadership supports; but at the same time, it has signalled that it might stimulate the economy if the slow-down would become more accentuated — i.e. falling below 7.5%.

Thirdly, early indicators point at a recovery in the embattled Euro-zone, which has constituted a major source of global growth worries in the past.

Fourthly, the US dollar has declined slightly since the end of May, particularly on average versus the euro and the yen.

Lastly, signs have emerged that investors in physical commodities and selective paper markets have started buying again at current lower levels.

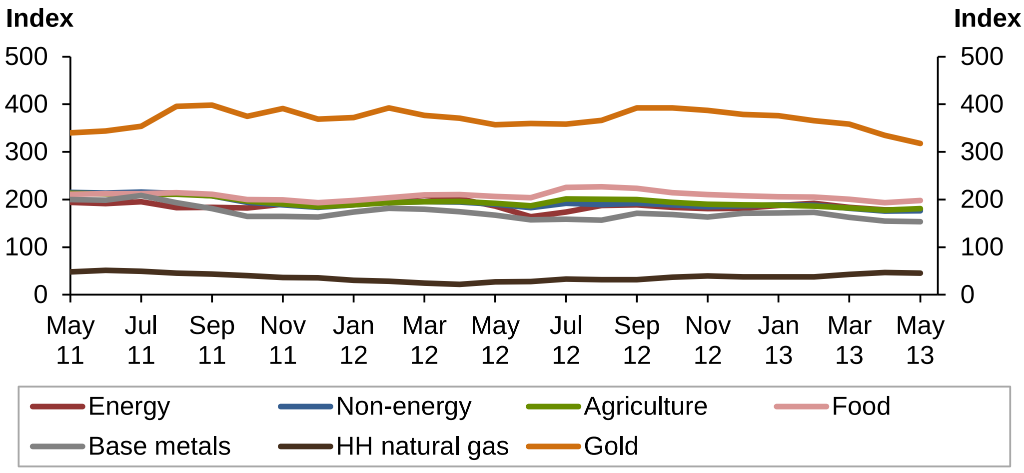
However, it might be too early to be too optimistic, given the latest signals from the US and China, which have pointed at a continued softening of the commodity-intensive manufacturing sector. Both economies have recorded a PMI below the level of 50, which indicates that in the near future the sector is experiencing a decline in output. This is a particularly important signal for Chinese demand. On the other hand, a rebound in the Euro-zone, combined with a larger-than-expected impact from stimulus measures in Japan, might offset such a short-term effect.

Table 2.1: Commodity price data, 2013

Commodity	Unit	*Monthly averages*			*% Change*		
		Mar 13	Apr 13	May 13	Mar/Feb	Apr/Mar	May/Apr
World Bank commodity price indices for low and middle income countries (2005 = 100)							
Energy		183.9	178.5	178.8	-4.2	-2.9	0.2
Coal, Australia	$/mt	91.0	87.8	87.5	-4.2	-3.5	-0.3
Crude oil, average	$/bbl	102.5	98.9	99.4	-4.8	-3.6	0.5
Natural gas, US	$/mmbtu	3.8	4.2	4.0	15.0	9.1	-2.9
Non Energy		181.4	175.8	176.3	-3.5	-3.1	0.3
Agriculture		182.5	177.7	181.0	-2.0	-2.7	1.9
Food		200.8	193.4	197.7	-2.1	-3.7	2.2
Soybean meal	$/mt	520.0	484.0	542.0	-2.8	-6.9	12.0
Soybean oil	$/mt	1,116.0	1,095.0	1,074.0	-5.0	-1.9	-1.9
Soybeans	$/mt	511.0	495.0	496.0	-14.3	-3.1	0.2
Grains		247.5	234.7	241.6	0.3	-5.2	3.0
Maize	$/mt	309.0	279.9	295.5	2.1	-9.4	5.6
Wheat, US, HRW	$/mt	309.7	308.3	319.7	-2.9	-0.5	3.7
Sugar World	¢/kg	40.8	39.3	38.9	1.2	-3.7	-1.0
Base Metal		162.9	154.9	153.7	-5.8	-4.9	-0.8
Aluminum	$/mt	1,909.6	1,861.7	1,832.0	-7.0	-2.5	-1.6
Copper	$/mt	7,645.6	7,234.3	7,249.4	-5.2	-5.4	0.2
Iron ore, cfr spot	¢/dmtu	139.9	137.4	124.4	-9.5	-1.8	-9.4
Lead	¢/kg	216.9	202.7	203.3	-8.3	-6.5	0.3
Nickel	$/mt	16,724.9	15,673.0	14,948.0	-5.5	-6.3	-4.6
Tin	¢/kg	2,329.7	2,166.2	2,077.6	-3.8	-7.0	-4.1
Zinc	¢/kg	192.6	185.6	183.2	-9.5	-3.6	-1.3
Precious Metals							
Gold	$/toz	1,593.1	1,487.9	1,414.0	-2.1	-6.6	-5.0
Silver	¢/toz	2,879.1	2,535.5	2,303.8	-5.1	-11.9	-9.1

Source: World Bank, Commodity price data.

Graph 2.1: Major commodity price indexes, 2011-13



Source: World Bank, Commodity price data.

Gold, base metals and the Henry Hub natural gas price continued falling, while other major commodities remained either flat or witnessed a rebound.

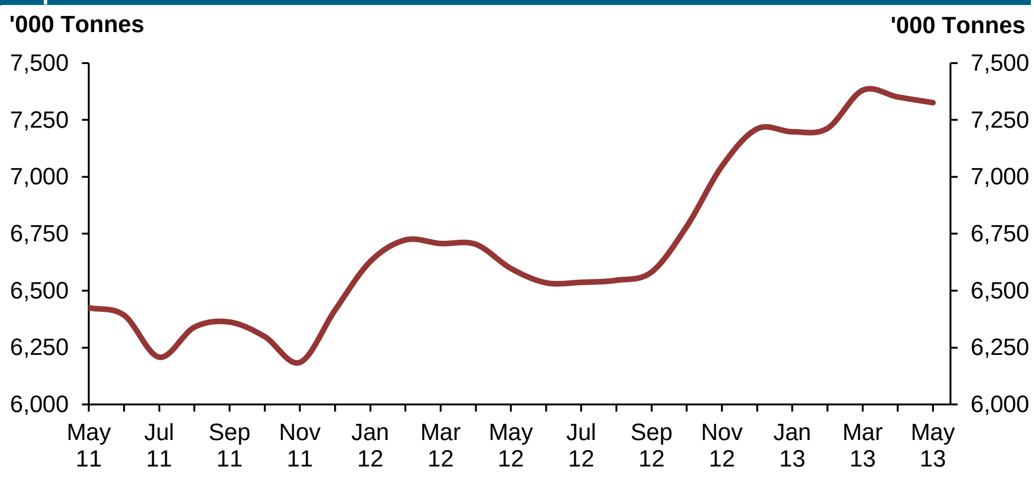
Gold fell by an additional 5.0% in May, according to World Bank data, after having lost already significantly in April, when it declined by 6.6%. With falling consumer prices across the globe, the precious metal's attraction for hedging against rising inflation has been reduced and funds seem to have been diverted into the equity market, which provides an inflation hedge while at the same time allowing participation in an economic recovery. **Silver** prices fell by 9.1% for the same reasons as gold.

Base metals have been also hit by a decline in prices. On average, they fell by 0.8%, while within the group there have been steep declines of **iron ore**, which fell by 9.4%, **nickel** falling by 4.6% and **tin** declining by 4.1%. Most importantly, when it comes to Chinese growth expectations, **copper** has been almost stable. It increased by 0.2% on a monthly base, indicating that the Chinese economy could be expected to continue expanding at around the current levels of slightly below 8%.

Agricultural commodities increased by 1.9% and **food** commodity prices rose by 2.2%.

In May, the **Henry Hub (HH) natural gas price index** slipped 2.9% on a monthly basis, its first drop in three months. US natural gas prices were weak during the latter part of the month, as forecasts for milder weather and slack nuclear plant outages weighed on sentiment. From a fundamental perspective there are less nuclear outages compared to both last year and the five-year average, and as such the call on natural gas to supplement nuclear power generation is less than the historical data. A sizeable build in natural gas inventories over the month also contributed to the decline in prices.

Graph 2.2: Inventories at the LME



Source: London Metal Exchange and Haver Analytics.

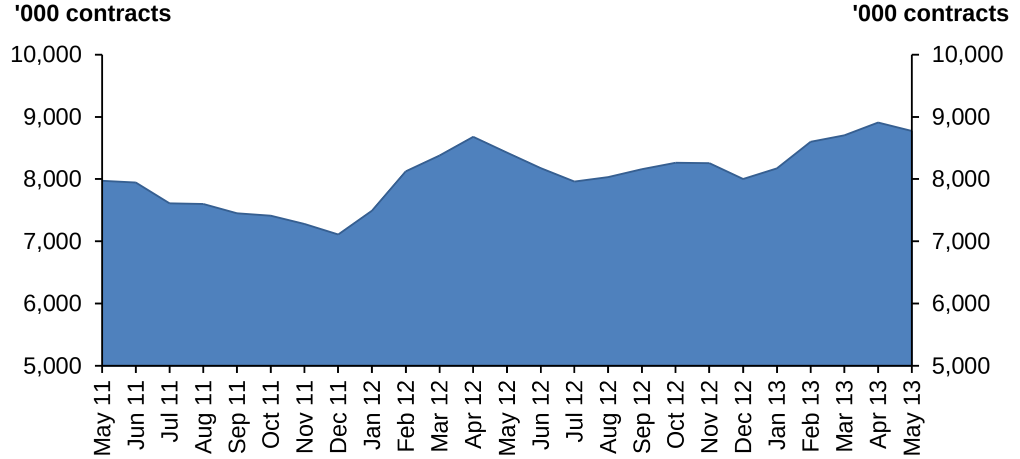
Open interest volume in the major US commodity markets declined for the first time in four months

Investment flows into commodities

The **total open interest volume** (OIV) in major US commodity markets decreased by over 1.5% m-o-m, for the first time in four months, to 8.8 million contracts in May compared to an increase of 2.4% in the previous month. The drop was mainly attributed to an OIV decrease in agriculture, natural gas and copper, while the remaining commodities' OIV increased m-o-m.

Total net length speculative positions in commodities increased significantly by 33.8% m-o-m to 609,095 contracts in May compared to a drop of 2.3% in the previous month. The data reflected significant bullish sentiments in the agricultural and livestock commodities markets, while other markets were bearish, particularly copper where money managers liquidated over 55% of their net length positions.

Graph 2.3: Total open interest volume

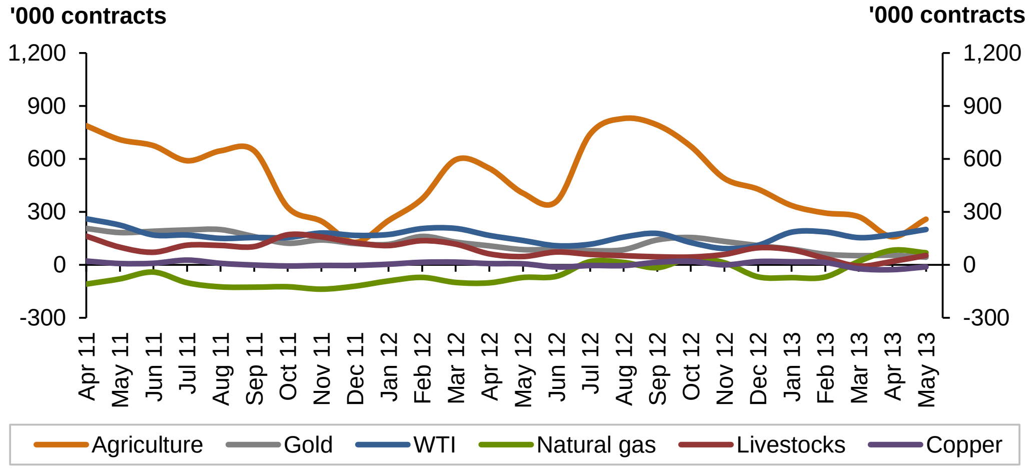


Source: US Commodity Futures Trading Commission.

Agricultural OIV fell again by 2.6% m-o-m to 4,311,733 contracts in May. Money managers' net long positions in agricultural commodities increased by a hefty 62.6% as they bid on higher prices but continued to be much lower than record levels in August. Since August, net length in the agricultural commodities sector dropped close to 70%. The net length reached 828,633 contracts in August to come down to only 258,025 lots in May.

HH natural gas's OIV decreased marginally by 1.7% m-o-m to 1,535,113 contracts in May, the first drop in three months, as the bullish market sentiments faded. Low demand due to milder weather and fewer offline nuclear plants coupled with high inventories pressured the natural gas market during the month of May.

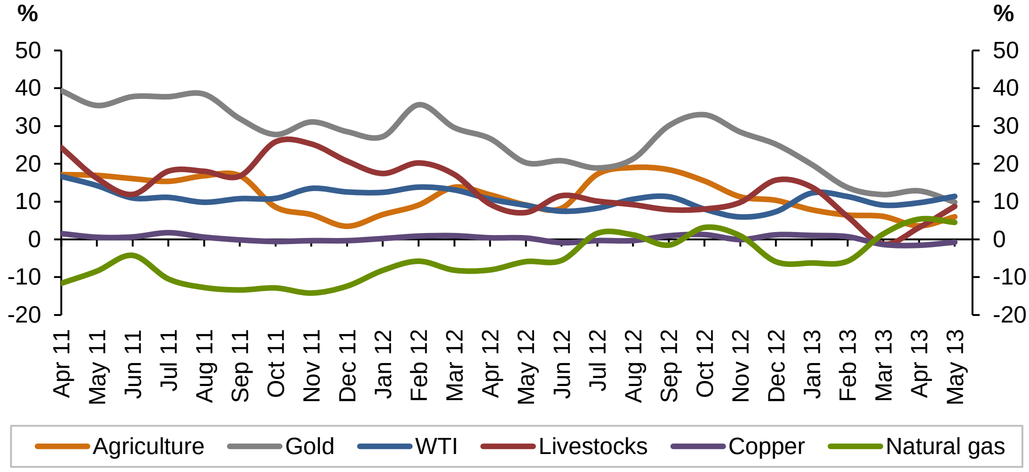
Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

Copper's OIV decreased 9.0% m-o-m to 161,693 contracts in May, reversing April's 7.7% increase. However, investors trimmed their net short positions by more than 55% to 11,911 contracts in line with moderate appreciation in copper prices over the month.

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



Source: US Commodity Futures Trading Commission.

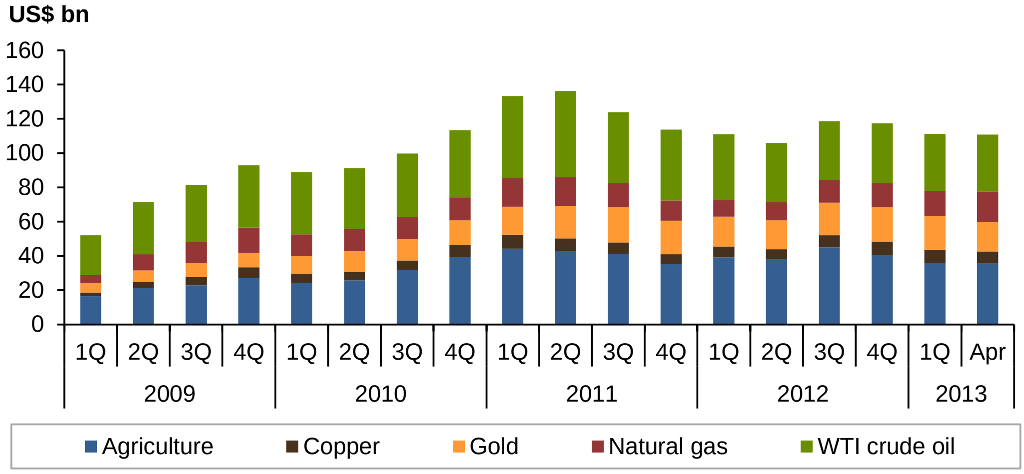
Gold's OIV increased by 4.3% m-o-m to 434,706 contracts in May, while money managers reduced their net length in gold futures by almost 20% to 42,828 contracts compared to an increase of 3.7% in the previous month. Hedge funds and other money managers trimmed their bullish bets on weaker bullion prices and outflows in gold exchange-traded funds.

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

	Open interest		*Net length*			
	Apr 13	May 13	Apr 13	% OIV	May 13	% OIV
Crude oil	1,751	1,754	170	10	200	11
Natural gas	1,535	1,508	82	5	68	4
Agriculture	4,426	4,312	159	4	258	6
Precious metals	572	580	58	10	46	8
Copper	178	162	-28	-16	-12	-7
Livestock	602	603	19	3	53	9
Total	**9,064**	**8,919**	**459**	**5**	**612**	**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 2012-13, %	World	OECD	US	Japan	Euro-zone	China	India
2012	3.0	1.4	2.2	2.0	-0.5	7.8	5.0
2013	3.2	1.2	1.8	1.5	-0.6	7.9	6.0

Industrialised countries

US

The underlying economy of the US continued recovering in 1Q13 from very low growth in 4Q12.

However, this year's fiscal drag is forecast to lead to muted growth in 2013, with GDP expected to expand by 1.8%

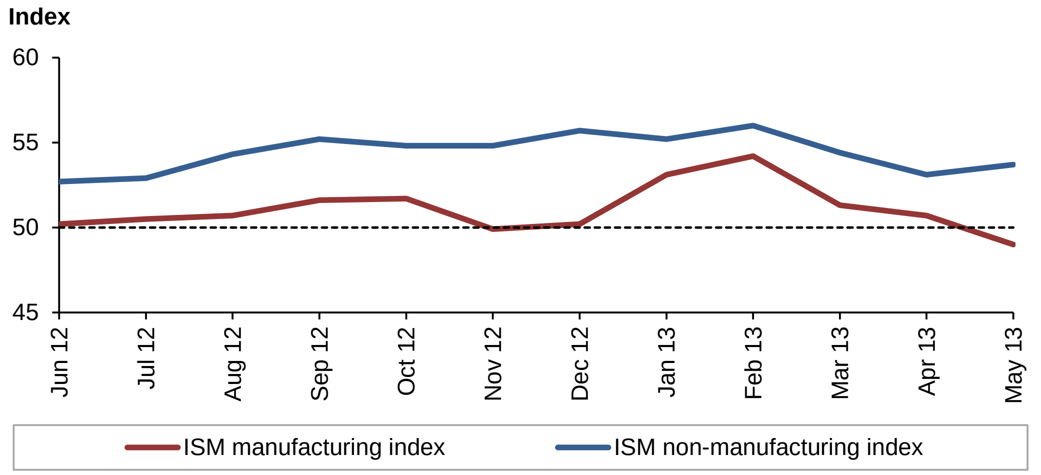
In general, the **US economy** is continuing to recover, with improving consumption supported by a healing labour and housing market. Some weaker-than-expected signals from the manufacturing sector, however, have recently underscored the fact that recovery remains fragile and that challenges lie ahead. A relatively significant uncertainty is still the outcome of fiscal negotiations in Congress, first on the budget for 2014 and second on the subject of the debt ceiling; these have been postponed so far and are expected to re-emerge somewhere in the second half of the year. The impact of the fiscal contraction — which is estimated to drag down GDP by around 1.5% this year, according to the non-partisan Congressional Budget Office (CBO) — might be lower next year, but uncertainty remains. This has already and may continue to influence investment into the economy by what is actually a very cash-rich business sector, which is still relatively reluctant to invest on a larger scale.

The biggest topic of the past weeks has been the potential of the **Federal Reserve Board** (Fed) to decide to reduce extraordinary monetary measures. After the Fed's chairman mentioned this possibility in his congressional testimony, capital markets around the globe reacted largely negatively, since the current momentum in equities and bonds is significantly supported by the monetary policy of the large central banks. He stated that given the low inflation expectations, the magnitude of improvement in the labour market will be the guiding principle for any changes in monetary supply. May's labour market numbers seem to be ideal in the sense that while they improved, they did not signal a swift recovery, hence seeming to guide the Fed not to withdraw its extraordinary monetary supply very soon. Moreover, the Fed had reconfirmed that it will continue to keep its monetary policy accommodative as long as required.

The most recent **labour market** report provided mixed signals, showing a slight increase in the unemployment level to 7.6% from 7.5% over the last month, although other important indicators improved. Non-farm payrolls rose considerably again by 175,000 in May after climbing 149,000 in April. The share of long-term unemployment declined to its lowest level since November 2009 to 37.3%, slightly lower than the April number of 37.4%. With improvements in the labour market, consumer confidence has also started to increase. The consumer confidence sentiment index of the Conference Board moved from 69.0 in April to 76.2 in May, the highest indicator level since March 2008. The other very important University of Michigan consumer sentiment indicator recorded a similar change, improving to 84.5 from 76.4 in April. The May level is the highest since August 2007.

While this paints an encouraging picture, the **manufacturing sector** is still feeling the drag from fiscal consolidation and it should therefore be expected that the economy's momentum will continue to remain below growth potential. The purchasing manager's index (PMI) for the manufacturing sector, as provided by the Institute of Supply Management (ISM), declined again to 49.0, pointing to a contraction in this important sector. Moreover, relative weakness in the manufacturing sector has been confirmed by manufacturing order numbers — also a very important lead indicator — which increased only slightly by 0.6% y-o-y in April, after seeing a decline of 1.3% in March. The ISM for the services sector — which constitutes more than two-thirds of the economy — increased to 53.7 in May from 53.1 in April.

Graph 3.1: ISM manufacturing and non-ISM manufacturing indices



Source: Institute for Supply Management.

The very important **housing sector** improved significantly over the past months, and while momentum has been slower recently, the trend is still improving nicely. After pending home sales rose by 1.5% m-o-m in March, they again posted a slight increase of 0.3% in April, according to the National Association of Realtors. Pending home sales are considered a leading indicator of progress in real estate because they track contract signings. Positively, the Federal Housing Finance Agency (FHFA)'s yearly house pricing index change has continued on its upward trend with a monthly price rise of 7.2% y-o-y in March, following 7.1% y-o-y in February, the largest increase since June 2006.

This year's fiscal drag is forecast to lead to muted growth in 2013. **GDP** is expected to expand by 1.8%, unchanged from the previous month's estimate. While the positive trends in the labour market and the housing sector are encouraging, it remains to be seen if the momentum will continue. Currently, it is too early to consider an upside, particularly in the face of ongoing fiscal uncertainty.

Japan

In Japan, the positive momentum from 1Q13, in combination with ongoing support measures, resulted in an upward revision in GDP expectations for this year.

The GDP growth forecast has been revised from 1.1% to 1.5%

The **Japanese economy** is enjoying unprecedented government-led support, and while some early indicators at the beginning of the year tentatively indicated recovery, it has become obvious with the first quarter 2013 (1Q13) GDP numbers that the growth-related strategy has been successful. Growth in 1Q13 stood at 3.5% annualized quarterly rate, clearly showing that the effects of unprecedented monetary stimulus — fiscal stimulus from the end of last year in combination with a significantly falling yen — have filtered through into economic growth activity. Lead indicators point at approximately the same level of growth for the remainder of the year. While the economy has expanded very positively and this is forecast to continue in the near future, the medium- to long-term effects remain to be seen. The government is aiming at lifting inflation to 2% via a doubling of the monetary base by 2014, but so far inflation has not risen; on the contrary, it continued to decline, reaching minus 0.7% y-o-y in April compared to minus 0.9% in March.

The government has so far implemented **fiscal stimulus measures** primarily in the form of **monetary stimulus** efforts in April, to lift inflation and at the same time weaken the value of the yen in order to support exports. The third arrow of the growth agenda — removing structural growth hurdles in the economy — has only been recently laid-out by the prime minister, and explanations have been relatively superficial so far. These structural reforms have included proposals for special business zones, where companies would benefit from lower tax rates and minimal regulation. These special zones could be relatively large, and might include cities like Tokyo, Osaka and other areas. Among other proposals for the national growth strategy soon to be approved by government are steps to promote trade and investment, liberalize the electricity sector and strengthen the agricultural sector. While market observers have been waiting for more detailed discussion of the upcoming steps, this minimal information has led to some uncertainty by investors, and the stock market continued to decline, while the yen appreciated. This trend had already started at the end of May, after comments from the

US Federal Reserve that it may start to taper some of its extraordinary monetary measures had already led to uncertainty in global asset markets. Japanese asset markets were particularly affected, underscoring the importance of current support by central banks across the globe. It has become obvious that without a relative increase in wages a simple increase in inflation could backfire. Moreover, it has become clear that a lower yen could hurt the trade balance, as the need to import fossil fuels for energy production is not expected to disappear quickly, despite the aim to revive some nuclear power plants in the near future. In addition, Japan's **sovereign debt level** remains the highest of all developed economies, and while the central bank will be able to digest some of this debt pile, it will require repayment at the end, and this could lead to serious spending cuts for the government earlier rather than later, again hurting growth potential. Thus, there are many unknowns that will need to be carefully monitored in the near future. The strategy of monetary stimulus alone, without the creation of excess money, which is indeed causing inflation, might be less successful than wished.

After **exports** fell in 2011 and 2012, the latest numbers are encouraging, once again supported by the falling yen. Exports in April increased by 3.8% y-o-y, after a rise of 1.1% in March. Only February has seen a minus so far this year, of 2.9%, after a rise of 6.3% y-o-y in January. As the yen started again to gain value against the US dollar at the end of May and the beginning of June, it remains to be seen if this development will have an impact on export numbers in the coming months. **Retail trade** remained negative in April, but only by a small margin of minus 0.1%. **Industrial production** increased significantly on a monthly basis in April by 1.7% m-o-m, after rising only 0.9% and 0.6% in March and February, respectively. After being negative for one year, machinery orders also became positive in March, indicating continued expansion in the sector for the near future. Orders rose by 6.1% y-o-y in March, after a decline of 9.9% y-o-y in February. Further positive outlook for the remainder of the year comes from business and consumer **sentiment indices** alike. The purchasing managers' index (PMI) for manufacturing remained above the 50 mark for the third time in May; after standing at 51.1 in April, it reached 51.5 in May. Consumer confidence remained at around April's level at 44.6, slightly down from 44.7 in March, 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 the year. The GDP growth forecast has been revised from 1.1% up to 1.5%. While growth for the current year is relatively well-established, the potential for next year will be reviewed in the coming weeks.

Euro-zone

While the contraction in the Euro-zone has deepened to minus 0.6% due to weak development in the first half of the year, tentative signs are emerging that the economy might move out of its recession at the end of the second half of the year

The **economic development** of the **Euro-zone** remains subdued, but early signs of some improvement confirm the assumption that it will move out of recessionary territory in the second half of the year. Two main aspects should be considered in terms of this assumption.

First, the past weeks have seen an improvement in the underlying economy. While a yearly comparison still placed **industrial production** for the whole Euro-zone in negative territory in March, the latest available data shows that the monthly increase from February to March was the largest since July 2011. Moreover, most recent lead indicators also point to an improving economy, particularly for the **manufacturing sector**. This might lead to some improvement in the record high **unemployment** rate and hence could provide a lift in demand from private households. Despite these potential improvements, the Euro-zone is still in a very weak situation and improvements in the second half will come from a very low base, after a GDP decline in the first quarter of 0.2% quarter-on-quarter (q-o-q) and an estimated decline for the second quarter of 0.1%.

Second, the most recent proposal by the European Commission to lift some strict **austerity rules** for ailing economies should also provide some room to manoeuver and once again allow some stimulating measures for economies. This might lead to some faster improvements due to the provision of more flexibility on the fiscal side in the short-term. The most recently published ex-post evaluation report on the stand-by agreements of the International Monetary Fund (IMF) with Greece, which raised some critical points, might also lead to more intensive scrutiny of austerity measures in the near future. Moreover, this relaxation of the German-led austerity framework also mirrors recent comments by the IMF that economies that can afford it should provide more fiscal flexibility to support the global economy. The IMF estimates that austerity measures will lead to a 2013 budget deficit in the Euro-zone of 2.9%, compared to 4.7% in advanced economies and versus the US 2013 deficit of 6.6%.

This tender improvement in the Euro-zone's economy has also been highlighted by the president of the **European Central Bank** (ECB) after its latest rate decision, which left the **key policy rate** unchanged at 0.5%. While this was most recently anticipated, expectations were different only about four weeks ago, when economic indicators and comments from ECB officials supported the possibility of a further rate cut. Another issue intensively discussed in connection with the ECB's **monetary easing programme** has been the impaired transmission channels of money flow in the Euro-zone's financial system. This is still a significant issue for the ECB. The latest available data from April indicates a decline of 1.7% in financial lending by monetary financial intermediaries to the non-financial sector, at the same record decline as already seen in February this year. This is once again worse than in March. While the ECB has signaled lending conditions will improve — particularly for small and medium enterprises, which are the major source of new jobs in the region and which are hardest hit by current difficulties in the financial system — it has highlighted that these measures will be of a more medium- to long-term character.

Industrial production improved on a monthly base in March by 1.0%, after a rise of 0.3% in February. However, the March number still translates into a yearly decline of -1.6%. This positive trend has also been confirmed by the latest PMI as provided by Markit for the manufacturing sector, which improved to 48.3 in May from 46.7 in April. This still points to a contraction in the sector as it remains below the 50 level, but underlines that some increase in industrial activity is likely. The composite PMI also rose to 47.7 in May from 46.9 in April. Another important positive element of the latest PMI release from Markit is that all 17 Euro-zone nations have seen an increase in PMI numbers, so the rise is far-reaching.

However, lagging **labour market** indicators still point to challenges facing the economy. The unemployment rate for April rose to 12.2% from 12.1% in March, with one of the highest levels again found in Spain, which recorded a rate of 26.8% in May, after reaching 26.7% in April. This situation continues to hold back domestic consumption, but with improving industrial activity, continued accommodative monetary policy and some relaxation in the austerity framework, there is some likelihood that the Euro-zone will move out of recession at the end of the second half of this year.

Considering the latest softening momentum, the **GDP** forecast has been revised down from -0.5% to -0.6% in 2013, but while this is mainly based on past output indicators, a recovery in the second half seems likely and tentative signs for this development are currently noticeable. An in-depth review will be undertaken in the next month, when 2014 forecasts will also be provided. It remains to be seen to which extent the economy will manage to rebound in the coming months, but it will certainly need the larger economies of Germany and France to improve, with other peripheral economies supporting this momentum.

Emerging markets

Output has slowed in most emerging and developing economies, although growth forecasts remain unchanged

The GDP growth rates for the major emerging economies were mostly unchanged with the exception of China's forecast, which was downgraded from 8% to 7.9% due to weakening industrial production. Indeed, output has slowed in most of the emerging and developing economies.

New business growth slowed to the lowest level since last August. Notably, the rate of expansion in the service sector slowed to its weakest point since May 2009, the start of the current growth sequence. Employment barely rose in April, and the volume of outstanding business declined for the twelfth month in a row.

Inflation pressure receded to some extent and cost pressure was at its lowest point in nearly four years of rising input prices. Manufacturers' input prices declined for the first time since September. Despite the fact that some weakening factors have emerged for the major emerging economies, it seems that a few positive drivers will boost their momentum in the second half of 2013.

Due to lower output than expected in China and **continuing weak lead indicators**, the forecast for his year has been slightly downgraded. It seems some additional risks, such as shadow banking and rising house prices, will need to be watched closely. Slight downward revisions to Brazil's growth are possible in the coming weeks, as structural challenges remain, and a deceleration in industrial production might materialize. Russia's forecast is also skewed to the downside, given the negative trend in fixed investment, after a strong year in 2012. However, a better situation is expected for the second half of 2013.

The **seasonal adjusted manufacturing PMI** for all BRIC economies declined in May compared with April. Brazil's PMI moved down from 50.8 to 50.4, Russia's from 50.6 to 50.4, India's from 51.1 to 50.1 and China's from 50.5 to 49.6.

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	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Brazil	0.9	3.0	5.4	6.3	-54.2	-71.6 (3.0%)	-2.4	-2.7	60.5	60.8
Russia	3.4	2.9	5.1	6.3	81.9	52.3 (2.4%)	-0.1	-0.5	7.7	8.0
India	5.0	6.0	9.3	9.4	-93.4	-86.7 (-3.9%)	-5.0	-4.3	49.4	49.0
China	7.8	7.9	2.6	3.4	193.1	163.6 (1.8%)	-1.7	-2.0	16.0	16.5

Source: OPEC Secretariat, Economic Intelligence Unit and Financial Times.
Figures for India are from the fiscal year 2012-2013 and 2013-2014.

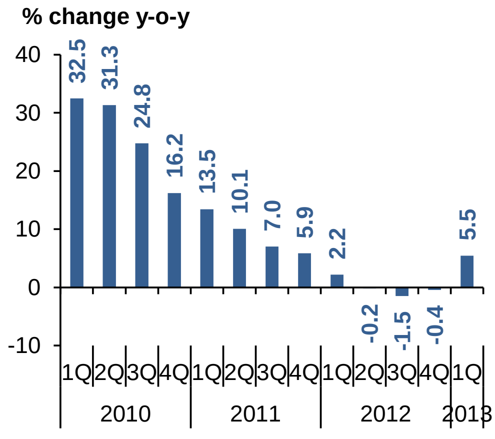
Brazil

Brazil forecast to grow at 3.0% in 2013

Brazil's **fiscal policy** is expected to become more expansionary with the country's electoral cycle. Tax breaks, however, will hamper the primary surplus target achievement (currently set at 3.1% of GDP over the medium term), as the government forgoes revenue in exchange for a reduction in overall production costs. Public sector primary surpluses will fall below 2% of GDP in 2013–14, picking up slightly thereafter.

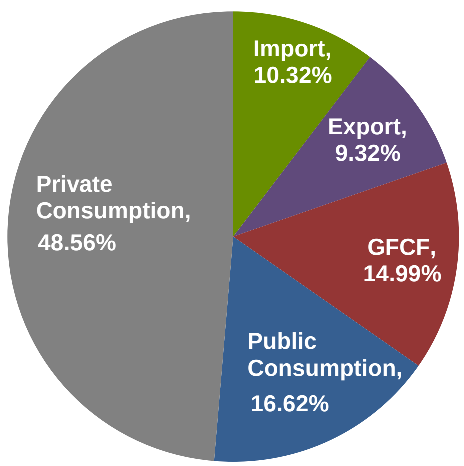
Based on estimates, Brazil's growth rate in 2012 was around 0.9%, and it is forecast to move to around 3.0% in 2013. According to the latest data released, one of the main reasons for the increase in **GDP** is the rise in gross fixed capital formation (GFCF), which has increased significantly since January 2013. Historical data indicated that GFCF was a significant driver behind the slowdown in the 2012 GDP growth rate.

Graph 3.2: Brazilian gross fixed capital formation (GFCF)



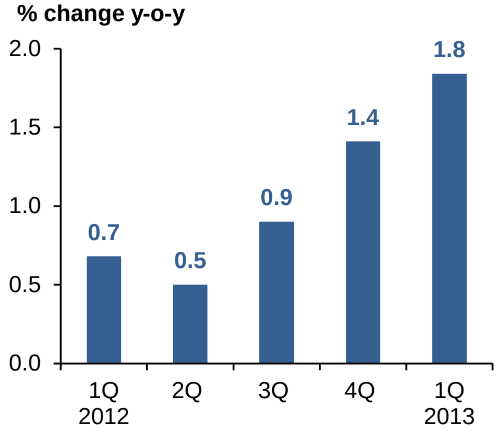
Source: Instituto Brasileiro de Geografia e Estatística and Haver Analytics.

Graph 3.3: Average share of GFCF in Brazil's economy



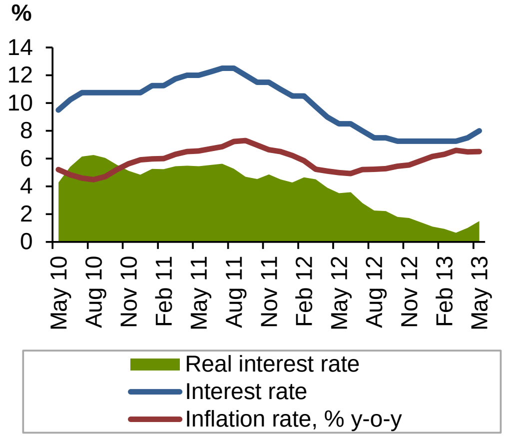
Brazil suffered a drought last year, combined with reaching capacity limits in many areas of the economy, particularly in the labour market. Due to uncertainties both in the global economy and domestically, growth-limiting capacity constraints have not led to increasing investments. These declining investments — constituting up to almost a fifth of GDP — very much depressed GDP development in the past year. A reversal of this trend, in combination with ongoing investments for the upcoming football world championship next year and the 2016 Olympics in Rio, should lead to significant growth in 2013. However, many challenges certainly remain, and the risk to the current forecast of 3.0% is skewed somewhat to the downside.

Graph 3.4: Brazilian GDP growth (SAAR = seasonally adjusted annual rate)



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

Graph 3.5: Brazilian inflation and interest rate



Source: Banco Central do Brasil and Haver Analytics.

Quarterly **inflation** has continued to trend upward despite sluggish economic activity, thus narrowing nominal interest rates and the level of inflation. The monetary policy of the Banco Central do Brasil (BCB, the Central Bank) suggests that it may be willing to accommodate an inflation rate of 4.5–6.5%, rather than sticking to its 4.5% central target. After inflation reached 6.6% in March, the BCB had already stepped in to increase its key policy rate — the Selic policy rate — by 25 basis points to 7.5% at its monetary policy committee meeting in April. Although the decision appeared to be more motivated by the need to reassure markets and restore some of the BCB's lost credibility on inflation targeting, a mild tightening cycle is now expected to take the Selic rate to 8.00–8.25% by the third quarter of the year. In the remainder of the forecast period, a neutral rate of between 8% and 9% is likely to prevail. In the meantime, GDP expanded by just 1.8% y-o-y in Q113 with investments providing the majority of support. The fixed investment increase was the largest quarterly rise seen since early 2010, but export volumes fell sharply and private spending grew by just 0.1%.

Russia

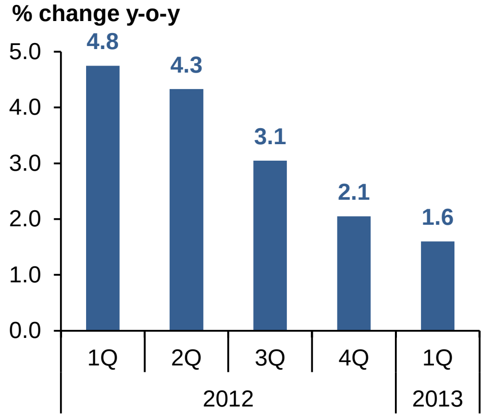
In Russia, growth prospects remain dependent on commodity prices

The **federal budget** saw a small deficit in 2012 of Rb37bn (US$1.2bn), equal to 0.1% of the country's GDP. Excluding oil and gas revenues, the deficit expanded to 10.6% of the GDP in 2012, from 9.5% in 2011. Although the budget remained in surplus until November 2012, the traditional December surge in spending moved it back into deficit.

Year-on-year consumer price **inflation** dropped to 7.1% in March 2013 from 7.4% in February, the first decline in inflation since June 2012. Growth in food prices fell to 8.3% from 8.7% in February, non-food inflation declined to 5.2% (from 5.3% in February) and services inflation fell to 7.9% (from 8.2% in February). A good 2013 harvest will reinforce the expected downward trajectory for inflation in 2013.

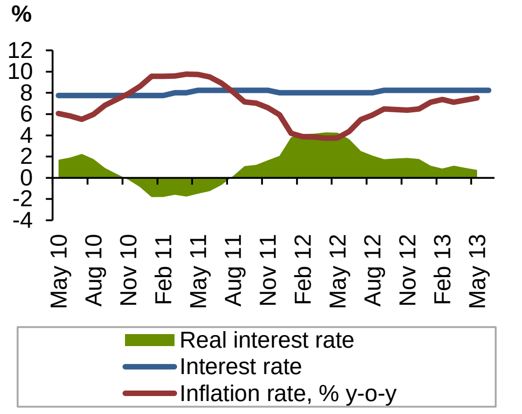
Growth prospects will remain dependent on international commodity prices. Capital investment was unchanged year on year in the first quarter. Notwithstanding the improvement in March, real GDP growth in the first quarter of 2013 was very weak, but growth is expected to pick up in the second half of 2013 because of base effects; a good harvest is expected this year, lower inflation will boost the purchasing power of consumers, and interest-rate cuts might also be supportive. A remaining issue will be the relatively low level of fixed investments, the share in relation to GDP of which is lower than in many emerging economies.

Graph 3.6: Russian GDP growth (SAAR)



Source: Federal State Statistics Service and Haver Analytics.

Graph 3.7: Russian inflation and interest rates



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

While the first two months of the year have provided signals that point to lower growth this year, March output has been encouraging. However, given the impact of the first two months and somewhat lower global commodity prices — a significant source of income for the economy —the economic situation will need to be monitored carefully particularly in April, while the growth forecast for the current month remains unchanged at 2.9%. With fixed investments having fallen after a strong year in 2012 and wage growth slowing to its weakest pace in two years in the first quarter, private household consumption has eased slightly as well. At the same time it should be highlighted that the Russian government's forecast has also been revised — to an even a larger extent — from 3.6% to 2.4% over the past month.

India

Real GDP growth in India to rebound to around 6.0% in the 2013 calendar year

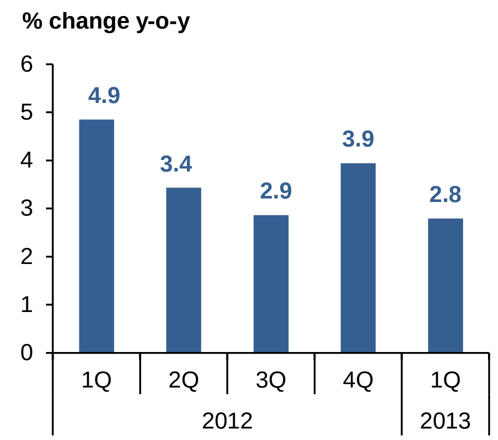
After several starts, the **government** has undertaken a series of **reforms** since September 2012 to tackle the country's burgeoning fiscal deficit and create new jobs. In late February the government presented its last major budget for the current parliamentary term for the fiscal year 2013–14 (April–March). The administration is attempting to balance its development priorities against the need for fiscal consolidation, and has set itself the ambitious target of cutting the budget deficit to the equivalent of 4.8% of the GDP in the coming year. It will be challenging to reach the target, which seems to be based on optimistic projections of revenue growth.

The pace of **economic expansion** slowed sharply in 2012–13, owing to a host of domestic factors, including weaker business and consumer sentiment, a poor monsoon season and tight credit conditions. Growth in **private consumption** (which accounts for more than one-half of the nominal GDP) is estimated to have slowed to 4.1% in 2012–13, its slowest pace of expansion since 2004–05. **Government consumption** also decelerated to 4.1%, as the administration sought to narrow the fiscal deficit. The high cost of financing — given the high interest rates — appears to have held back investment growth, which is estimated to have decelerated for the second consecutive year, to 2.5%.

On a factor/cost basis, **agricultural output growth** — a large part of the economy — slumped to an estimated 1.8% y-o-y in 2012–13 owing to the poor monsoon season. Since September 2012, the government has taken a series of steps to boost the economy. These include moves to lower the public subsidy bill, to open up more sectors to foreign investment and to fast track approvals for infrastructure projects. It is expected these measures, combined with a loosening of monetary policy, will enable real GDP growth to rebound to around 6.0% in the 2013 calendar year.

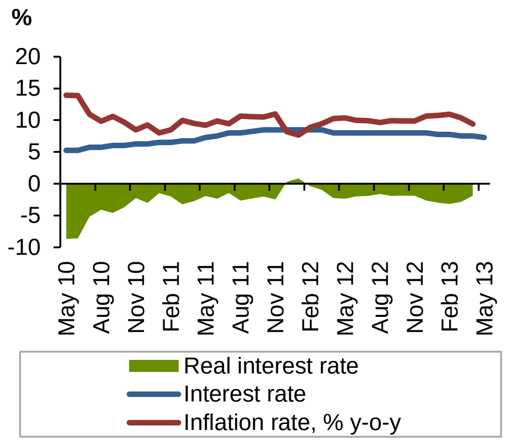
Inflation remains a problem for the economy, also limiting the central bank's ability to further stimulate the economy via monetary expansion. This was highlighted when it recently reduced its key policy rate by a further 25 basis points to 6.25%. While still at high levels, inflation fell in April to 9.4% y-o-y, after reaching 10.4% in March and 10.9% in February. Moreover, the government is attempting to pull back on its fuel subsidy bill by raising administered fuel prices, forcing bulk users of diesel (such as railways and industry) to pay market prices for fuel and allowing oil marketing companies to raise petrol prices.

Graph 3.8: Indian GDP growth (SAAR)



Source: Central statistical office of India and Haver Analytics.

Graph 3.9: Indian inflation and interest rates



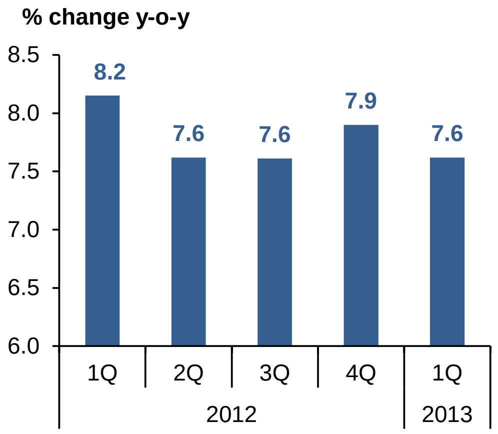
Source: Reserve Bank of India and Haver Analytics.

China

China GDP forecast for 2013 revised down to 7.9%

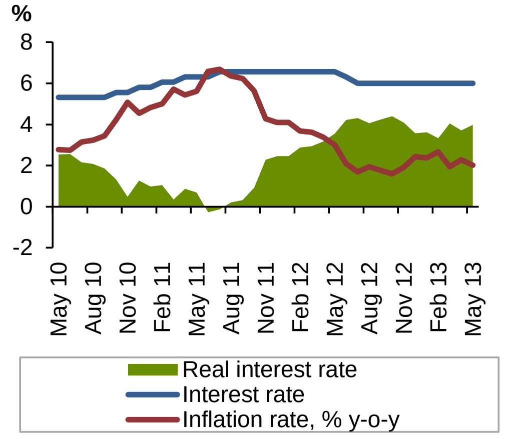
GDP growth in China slowed to 7.7% in 1Q13 and the HSBC manufacturing PMI for May dropped to a seven-month low, with new orders falling, suggesting this weakness has persisted in 2Q13. The new leadership has shown a high degree of tolerance for growth underperformance relative to historical standards and appears committed to balancing the pace and quality of growth. Therefore, no major additional policy action should be expected. However, disappointment in current activity data may be great enough to get policymakers to take action. The pressure to introduce additional stimulus is being amplified by the steady rise in the renminbi. The fast pace of innovation is also expected to slacken as China's economy matures, and there are indications that new investment in China is not as productive as it was, with the boost to growth from a given increase in capital starting to fall off. Over the medium term, China faces the challenging task of moving further up the value-added chain and reforming its financial sector.

Graph 3.10: Chinese GDP growth (SAAR)



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

Graph 3.11: Chinese inflation and interest rates



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

On a positive note, the National Bureau of Statistics announced that **industrial profits** (including all industrial companies with annual sales exceeding 200 million yuan) increased by 11.4% y-o-y in the first four months of the year, compared with growth of 12.1% y-o-y in 1Q13 and 5.3% y-o-y for all of 2012. However, **retail sales** slowed, possibly due to official criticism of conspicuous consumption, which does not help efforts to rebalance the economy away from an over-reliance on investment and towards more consumption.

Some of the softening in 1Q13 has been accommodated in this month's revision of the 2013 **GDP** growth forecast, which moved by 0.1 percentage point from 8.0% to 7.9%. The current softer-than-expected momentum will need to be reviewed over the coming weeks, potentially leading to further downward revisions.

Other Asia

Despite the fact that aggregate anticipation for Other Asia's economic growth points to the upside, disaggregated estimates show a mixed picture. As a result, growth rates in the region are expected to converge this year. Countries of relatively slow (below 1.5%) rates of growth in 2012 (Taiwan, Singapore and Hong Kong) are expected to accelerate by 3.0%, 2.4% and 3.3%, respectively. On the other hand, countries with quick expansion rates in 2012, namely Thailand, the Philippines and Malaysia (6.0%, 6.2% and 5.2%, respectively) are foreseen to grow at a moderately slower pace this year, around 4.7%, 5.6% and 4.8%, respectively.

Following the latest wave in interest rate cuts over the past weeks in Asia, initial indications started to surface about the possibility of loosening monetary policy in response to inflationary pressures. The **Bank of Indonesia** indicated that it is difficult to take further policy easing steps through the rest of this year**. Singapore and Vietnam** sent similar messages. Despite the 6.5% y-o-y fall in **Singapore's** manufacturing activities, services and construction exerted more influence on first quarter GDP to settle positively at 0.2% y-o-y. **Indonesia's** signals that it may take a pause on cuts cannot be separated from its potential plan to reform oil subsidies, which would raise inflation. The HSBC's Indonesia PMI reading for May showed expanding manufacturing activity mainly driven by external demand.

South Korea's trade surplus soared in May around one-and-a-half fold to reach its highest level since October 2010. This was mainly due to exports which, after three consecutive months of deceleration, have shown strong performance, despite downward pressure from the weak yen. Exports, which account for more than half of Korea's GDP, have risen by 4.5% over April (3.0% from last year) on a surge in smartphone sales, as well as healthier demand from China and the US. Imports added to the net export hike, slowing by 3.4% from the previous month. While the recent export increase will be markedly reflected in upside second quarter GDP growth, the weak yen and persistent economic weakness in the Euro-zone are expected to continue to put pressure on the Korean economy.

Thailand's economy expanded at a rate of 5.3% over last year in the first quarter, down from a 19.1% rate of growth y-o-y in 4Q12. Overseas sales growth was down from 18.2% in 4Q12 to 4.5% in 1Q13. Despite that fact that external demand is not providing — as hoped — support to the economy, the government of Thailand communicated no signals regarding new stimulus measures. Thailand is anticipated to grow by 4.7% in 2013, down from 6.0% last year.

Africa

Overall, African economies are expected to register a good rate of growth in 2013 at 4.4%, following an even better performance last year, mainly due to the comeback of Libya's oil production. Supported by expansion in commodity exports, Sub-Saharan Africa is registering quick rates of economic growth, anticipated to reach 4.8% this year up from 4.0% in 2012.

The latest improvement in **Egypt's** May PMI, from 44.2 to 48.5, signals salient slowing in the increasing rate of contraction seen over the past three months. Though still in contraction, Egypt's PMI is now at its closest point to expansion since last December. The Egyptian economy is projected to grow marginally faster this year at 2.0%, after an estimated expansion of 1.9% last year. However, the direction of the economy will remain largely affected by the level of political uncertainty, especially during the tourism season; tourism accounted for around 13% of the country's GDP in 2010.

North Africa is foreseen to receive more economic support from tourism activities this year. Based on this, **Tunisia** and **Morocco** are upwardly revising their economic growth rates by 0.20% each, thereby reaching 3.0% and 3.1%, respectively.

Latin America without Brazil

The Euro-zone debt crisis and recession are continuing to put pressure on Latin America's economies. However, promising US economic performance, if it continues, holds good prospects for the region. On the other hand, China's less-than-strong expected first quarter GDP growth, along with recent downward revisions to its 2013 rate of growth, are serious signals that could adversely affect Latin America's commodity exports to China, hence they need to be closely monitored through the rest of the year. Latin American economies — excluding Brazil — are expected to grow at a rate of 3.7% y-o-y this year, following 3.8% in 2012.

Transition region

The ongoing downward pressure stemming from economic weakness in the Euro-zone is preventing an improved outlook for **Central and Eastern Europe**. Furthermore, sluggish domestic demand is holding **Croatia** and **Slovenia** in recession this year. However, the region may grab some growth momentum from the slow acceleration which may occur in the Euro-zone during the second half of the year.

The **Czech Republic's** manufacturing PMI for April moved upward to 49.5 from 49.1 in the previous month, though it remains below the 50 point line separating expansion from contraction. The survey also pointed out that although new orders continue to drop, output is increasing for the first time since June. Poland's manufacturing PMI continued to decline in April, reaching a 45-month low amid a sharp decrease in both output and new orders.

OPEC Member Countries

Growth in OPEC Member Countries to average 4.3% in 2013

The 6.8% fall in the price of the OPEC Reference Basket in the first quarter of 2013 compared to the same quarter in 2012 is expected to have a less-proportional impact on OPEC countries' overall growth rate due to the comfortable cushion of reserves maintained by some OPEC members. Growth this year is foreseen to be at 4.2% y-o-y, which may seem far below last year's 5.3% y-o-y. However, after removing the distortion caused by **Libya's** strong comeback, which also inflated the figures for 2012, growth in 2013 is likely to in line with that experienced in the previous year.

Both the **United Arab Emirates** (UAE) and **Saudi Arabia** are showing sustained expansion in non-oil producing businesses, as indicated by their May PMI readings. The UAE's PMI increased to 55.3 in May up from 54 the previous month, while in Saudi Arabia, PMI dropped slightly to 57.3 in May compared with 58.0 the month before.

Oil prices, US dollar and inflation

While remaining almost flat compared to the euro and the pound sterling, the US dollar gained compared to the yen and to the Swiss franc.

In real terms, after accounting for inflation and currency fluctuations, the Basket price increased by 0.3% or 17¢/b to $63.15/b

While remaining almost flat compared to the euro and the pound sterling, the US dollar gained significantly compared to the yen and the Swiss franc. In May, the US dollar gained very slightly versus the euro by 0.3%, and was unchanged versus the pound sterling. Compared with the Swiss franc, the dollar gained 2.2%, and it rose 3.5% versus the yen. The deprecation of the yen was once again the dominant development in the foreign exchange market. However, since comments made by several officials of the Fed that extraordinary supply measures might be reduced in the future, the yen's depreciation has been reversed, and while May's average exchange rate stood at ¥101.082/$, it moved below ¥100.0/$ by the end of May.

The development of US dollar has been less dramatic in the past month when compared with the euro, and it continues to trade at around the $1.30/€ level. In the latest ECB meeting, the key policy rate was kept unchanged, contrary to expectations some months ago, when Euro-zone economic indicators were still pointing to a continued recession. The latest information now suggests the recession is likely to end in the coming months. So far, this has supported the value of the euro, which at the beginning of June moved above 1.30/€ again, to stand at around $1.32/€, compared with May's average of $1.298/€. Future developments will remain dominated by decisions on austerity measures — which have been relaxed recently by the European Commission, thus supporting the economy — as well as the monetary policy of the ECB compared with that of the Fed and the near-term decisions taken on US fiscal issues in Congress.

In nominal terms, the price of the OPEC Reference Basket remained at almost the same level in May compared with April. It fell by $0.4/b or 0.4% from $101.05/b in April to $100.65/b in May. In real terms, after accounting for inflation and currency fluctuations, the Basket price increased by 0.3% or 17¢/b to $63.15/b from $62.98/b (base June 2001=100). Over the same period, the US dollar rose by 0.6% 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 in 1Q13 revised lower

World oil demand

Actual data for the OECD combined with preliminary data for the non-OECD for the **first quarter of 2013** indicates that world oil demand growth was lower than estimated in the previous *MOMR* report. As a result, world oil demand in 1Q13 has been revised down by around 144,000 b/d to show growth of 0.7 mb/d. The bulk of the revision came from the OECD where demand was revised down by 136,000 b/d, while non-OECD saw a small downward revision of around 8,000 b/d. Within the OECD regions, OECD Europe and OECD Asia Pacific demand were adjusted lower by 150,000 b/d and 50,000 b/d, respectively. In contrast, OECD America was revised up by 64,000 b/d. In the case of non-OECD countries, the entire downward adjustment was due to Latin America.

Table 4.1: World oil demand in 2012, mb/d

							Change 2012/11	
	2011	1Q12	2Q12	3Q12	4Q12	2012	Growth	%
Americas	24.03	23.48	23.77	23.88	23.87	23.75	-0.28	-1.15
Europe	14.32	13.74	13.83	13.90	13.75	13.80	-0.52	-3.63
Asia Pacific	8.15	9.08	7.97	8.24	8.71	8.50	0.35	4.34
Total OECD	**46.50**	**46.30**	**45.56**	**46.02**	**46.33**	**46.05**	**-0.44**	**-0.95**
Other Asia	10.49	10.59	10.81	10.89	10.90	10.80	0.31	2.94
Latin America	6.06	5.97	6.22	6.47	6.38	6.26	0.20	3.24
Middle East	7.34	7.48	7.48	7.87	7.49	7.58	0.24	3.33
Africa	3.36	3.37	3.39	3.31	3.46	3.38	0.02	0.67
Total DCs	**27.25**	**27.41**	**27.89**	**28.54**	**28.22**	**28.02**	**0.77**	**2.83**
FSU	4.29	4.26	4.12	4.52	4.75	4.41	0.12	2.85
Other Europe	0.64	0.63	0.59	0.63	0.72	0.64	0.00	-0.01
China	9.41	9.46	9.88	9.54	10.08	9.74	0.33	3.50
Total "Other regions"	**14.34**	**14.35**	**14.59**	**14.69**	**15.55**	**14.80**	**0.45**	**3.15**
Total world	**88.09**	**88.06**	**88.05**	**89.25**	**90.10**	**88.87**	**0.78**	**0.89**
Previous estimate	88.09	88.06	88.05	89.25	90.10	88.87	0.78	0.89
Revision	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Totals may not add up due to independent rounding.

In the second quarter, global oil consumption is likely to continue to slow given the weakening of the world economy. However, it should increase in the final two quarters, driven by structural changes in the seasonal pattern. The expected economic recovery in the second half of the year could also add more barrels to the already higher seasonal demand. Projected oil demand growth is estimated to slip to 0.7% y-o-y in the second quarter before rebounding to 1.0% in the third and 0.9% in the fourth.

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

							Change 2013/12	
	2012	1Q13	2Q13	3Q13	4Q13	2013	Growth	%
Americas	23.75	23.66	23.73	23.93	23.88	23.80	0.05	0.20
Europe	13.80	13.27	13.48	13.58	13.42	13.44	-0.37	-2.65
Asia Pacific	8.50	8.88	7.88	8.20	8.67	8.41	-0.09	-1.08
Total OECD	**46.05**	**45.81**	**45.09**	**45.71**	**45.97**	**45.64**	**-0.41**	**-0.89**
Other Asia	10.80	10.85	11.03	11.13	11.12	11.03	0.24	2.18
Latin America	6.26	6.21	6.44	6.70	6.59	6.49	0.23	3.63
Middle East	7.58	7.81	7.78	8.18	7.77	7.89	0.31	4.03
Africa	3.38	3.39	3.38	3.32	3.47	3.39	0.01	0.26
Total DCs	**28.02**	**28.25**	**28.63**	**29.33**	**28.95**	**28.80**	**0.78**	**2.77**
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	10.23	9.91	10.43	10.09	0.35	3.59
Total "Other regions"	**14.80**	**14.75**	**14.99**	**15.12**	**15.98**	**15.21**	**0.42**	**2.81**
Total world	**88.87**	**88.81**	**88.71**	**90.16**	**90.90**	**89.65**	**0.78**	**0.88**
Previous estimate	88.87	88.95	88.66	90.14	90.87	89.66	0.79	0.89
Revision	0.00	-0.14	0.04	0.02	0.03	-0.01	-0.01	-0.01

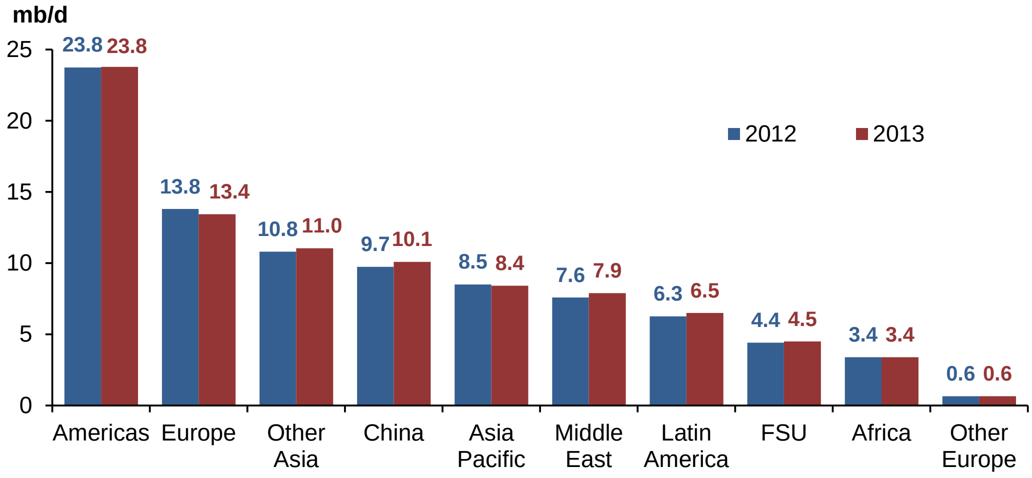
Totals may not add up due to independent rounding.

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

In **absolute terms**, total demand is estimated to average 88.8 mb/d in the first quarter, before declining to 88.7 mb/d in the second. The second half of the year will see much higher volumes, reaching 90.2 mb/d and 90.9 mb/d in the third and fourth quarter, respectively. For the whole year, world oil demand growth remains almost unchanged from the previous month at 0.8 mb/d, broadly in line with growth estimates for 2012 and averaging 89.6 mb/d.

The current forecast is subject to **downward revisions** not only in the OECD but also in emerging economies. For OECD countries, any potential delay in the economic recovery combined with further deterioration of the European economy could lead to a widening contraction in oil demand growth. In addition, the use of direct burning and fuel oil in Japan has been weakening in the first fourth months of this year, mainly due to its substitution with natural gas and coal, as well as energy conservation efforts. If this trend continues in the coming months, oil consumption in Japan will be much lower than currently expected.

Graph 4.1: World oil demand by region



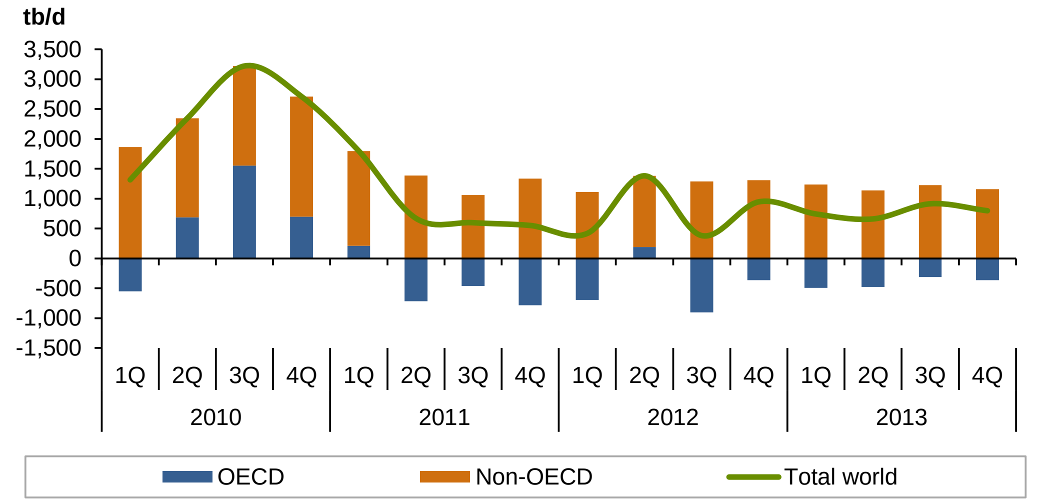
In the case of the non-OECD, **China's** Purchasing Managers' Index (PMI) was below 50 in May following a decline in April from the previous month. This indicates on-going weakness in China's economic recovery, which is not encouraging for additional gas/diesel oil demand. Lower investment growth observed in recent months, which is expected to continue for the rest of 2013, could also negatively impact oil consumption in the country.

For **Other Asia** countries, **India's** oil demand has held up despite a series of price reforms, but the fall in car sales along with increasing substitution to other fuel oils may dampen demand in the coming quarters. The cut in subsidies in **Indonesia**, **Thailand** and other countries in the region could also impact demand over the course of the year.

The **Middle East** and **Latin America** could see higher oil demand growth than currently projected as more consumption is expected in the transportation, construction and power generation sectors. **Saudi Arabia** alone accounts for more than one-third of all Middle East oil consumption. If the weather were to turn out warmer, additional direct crude burning would be required to cover the necessary increase in air conditioning.

Overall, **world oil demand** is expected to increase by 0.8 mb/d to average 88.6 mb/d in **2013**. Non-OECD oil consumption is projected to increase by 1.2 mb/d, or slightly lower than the growth estimated in 2012. China continues to increase by 0.35 mb/d, roughly in line with last year's growth to average 10.1 mb/d. Middle East oil demand growth is projected at 0.31 mb to stand at 7.9 mb/d, while Other Asia and Latin America regions will see growth of 0.2 mb/d each to average 11.0 mb/d and 6.5 mb/d, respectively. In contrast, OECD demand is expected to see a contraction of 0.4 mb/d, slightly lower than 2012 growth, to average 45.6 mb/d.

Graph 4.2: Quarterly world oil demand growth



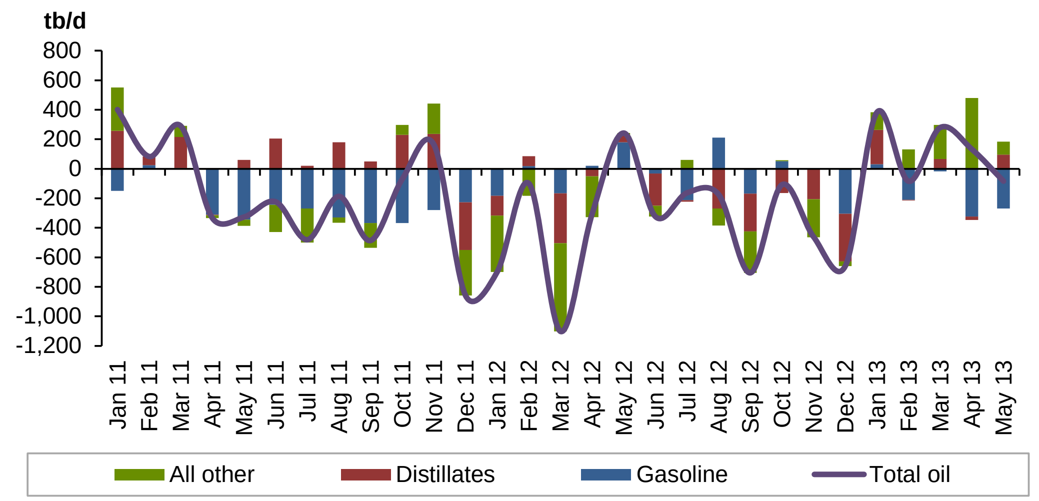
Demand in OECD America seen remaining flat in 2013

OECD Americas

The latest monthly data shows **US oil demand** increasing by 1.5% in March compared with the same month a year ago. Supported by a low baseline, this results in positive growth for the first quarter for the first time in two years. During the last three months, the bulk of the growth came from industrial fuel products, especially propane/propylene and distillates, partly reflecting the more seasonal temperatures during last winter, which has led to increased heating oil demand. In contrast, motor gasoline, residual fuel oil and jet fuel requirements stagnated. Improving industrial activity and consumer confidence were the main reasons behind the increase in industrial fuels, whereas the growth in auto sales, notably trucks, implied improving diesel demand.

Slight increases in US oil demand can also be found in **preliminary weekly data** for April 2013, which shows a general continuation of March trends in product demand, with propane/propylene and distillates improving, and gasoline remaining flat. However, preliminary weekly data for May indicates negative growth, which is in line with the contraction in PMI.

Graph 4.3: US oil consumption, y-o-y changes



For the **remainder of 2013**, the outlook for US oil demand will depend on the development and recovery in the pace of the US economy. Pending fiscal issues and recent lower manufacturing activity are also factors pointing towards the downside. Nevertheless, some positive indications also have been observed, such as better-than-expected recent employment data. Hence, projections for 2013 US oil demand remain in line with those of a month ago, with risks equally distributed between up- and downsides. Gasoline demand over the driving season will be a critical factor determining market direction over the coming months.

Supported by increasing manufacturing activity, especially in the automotive sector, **Mexico's oil demand** in April came up solidly to 3.8% y-o-y growth. Fuel oil and distillates accounted for the bulk of these increases. Mexican auto production rose by almost 16% y-o-y, domestic sales were up by a remarkable 19%, and exports – almost solely to the US – rose by almost 3%.

Decreasing manufacturing activity and mileage traveled, implied by colder weather, shrank **Canada's oil requirements** in March 2013, following a strong January and February. Oil usage in transportation and industrial fuels dominated these decreases. Projections for 2013 Canadian oil demand remain unchanged from those of the previous month, leaving oil requirements during 2013 relatively unchanged at the same level of 2012.

In 2012, **OECD Americas oil demand** shrank by 0.28 mb/d, while oil demand in 2013 is seen growing by a slight 0.05 mb/d over the previous year.

OECD — Europe

In 2013, OECD European demand forecast to contract by 0.4 mb/d

European oil demand in April contracted for the twentieth month in a row. This was matched with a continuing deep economic recession in some parts of the region. As in previous months, oil demand contracted much more strongly in the southern countries, which are undergoing stringent austerity measures aimed at a reduction of public debts.

Although oil demand losses were the largest in Spain, Italy, Portugal and Greece, oil requirements also fell in Germany and France. The UK was the only exception with positive momentum in manufacturing as indicated by PMI which rose to 50.2 from 49.4 a month earlier. An increase in auto sales in the UK also signaled some positive developments in that country.

In April, oil demand in the European "**Big Four**" can be best summarized by strong declines in transportation fuels, notably gasoline, as well as flat distillate requirements despite a very weak baseline. Lower manufacturing orders in Germany in March signal a further deterioration in oil demand requirements in the region. The positive news came from slight improvements in the European auto industry, with sales growing for the first time since September 2011, up 1.7% y-o-y in April. However, these increases could be mostly due to the two additional working days that month compared to the same month last year. Figures varied across countries with Germany, Spain and the UK expanding, while France and Italy were on the decline.

General expectations for the region's oil consumption during 2013 have once more weakened since last month's projections. This was mainly due to the worsening economies of several countries. One factor which might offset some of the expected decline in oil demand is the very low historical baseline which will start to come into effect in the latter half of the year.

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

	Apr 13	Apr 12	Change from Apr 12	Change from Apr 12, %
LPG	401	402	-1	-0.2
Gasoline	1,120	1,157	-38	-3.2
Jet/Kerosene	725	743	-18	-2.4
Gas/Diesel oil	3,015	3,021	-6	-0.2
Fuel oil	372	379	-8	-2.1
Other products	1,081	1,027	54	5.3
Total	**6,713**	**6,728**	**-16**	**-0.2**

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

After shrinking by 0.52 mb/d in 2012, **European oil demand** is projected to see a further **contraction of 0.37 mb/d in 2013**, with risks being skewed to the downside.

OECD — Asia Pacific

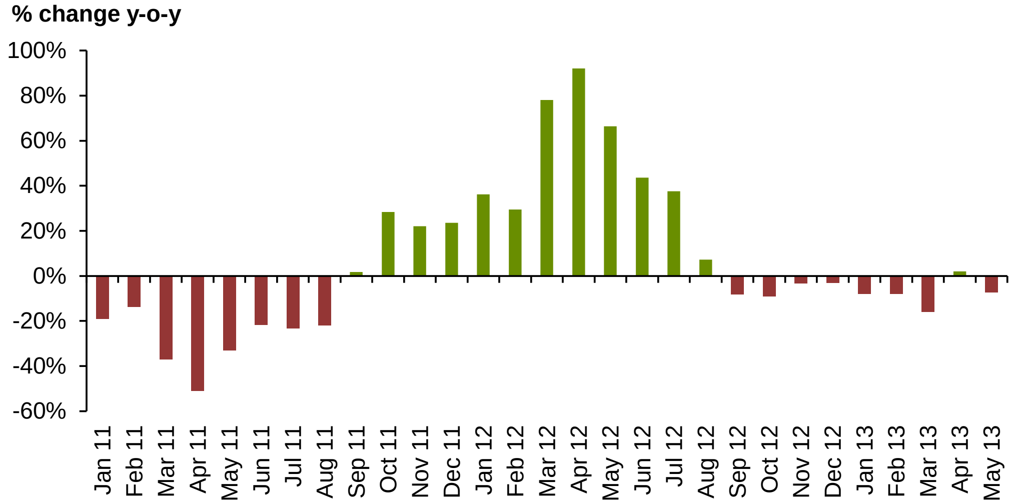
OECD Asia Pacific expected to fall by 0.1 mb/d in 2013

In **Japan**, the contraction in oil demand in April was lower in magnitude than in the same month of the previous year at minus 0.13 mb/d, while in February and March, demand contracted by 0.27 mb/d and 0.41 mb/d, respectively. Increasing naphtha demand, which grew by almost 13.5% y-o-y, as a result of higher ethylene and aromatics, was more than offset by falling requirements in direct crude/fuel oil burning for electricity generation. Moreover, transportation fuels rose in line with encouraging news from the auto industry, which showed domestic auto sales increasing for the first time in eight months. Also, household spending recorded some considerable improvements in April.

As far as the status of **Japanese nuclear power plants** is concerned, it seems that it is rather unlikely that operations will resume in 2013, as the planned regulatory checks will require time for their implementation. This is estimated to take between six months and one year at the minimum. Moreover, these new standards are likely to entail significant costs, which are estimated to be at least ¥1.1 trillion. The only company which has provided an estimated starting date has been Kyushu Electric Power, which has stated that it could restart operations in July 2013, under the assumption that regulatory checks would resume swiftly.

Based on current indications, **oil demand in 2013** is expected to remain roughly unchanged from last month's forecasts with the risks being skewed more towards the downside. It should be highlighted that the significant growth in direct burning and fuel oil for power generation last year will diminished this year as a result of increased substitution with natural gas and coal, as well as increased energy conservation.

Graph 4.4: Japanese new passenger car registrations



South Korea saw a decline in oil demand of 0.06 mb/d y-o-y in March, as increases in gasoline and diesel were more than offset by shrinking requirements in all other major product categories, notably LPG, residual fuel oil and jet fuel. The outlook for South Korean oil consumption during 2013 is largely dependent on industrial output, as well as the country's exports and their relation to the strength of the Japanese yen. South Korean oil demand in 2013 is projected to remain roughly unchanged from the level seen in 2012.

Finally, the latest data shows oil requirements in **New Zealand** also decreasing marginally y-o-y in March.

OECD Asia Pacific oil consumption grew by 0.35 mb/d in 2012, 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, unchanged from last month's *MOMR*.

Other Asian oil demand expected to increase by 0.2 mb/d in 2013

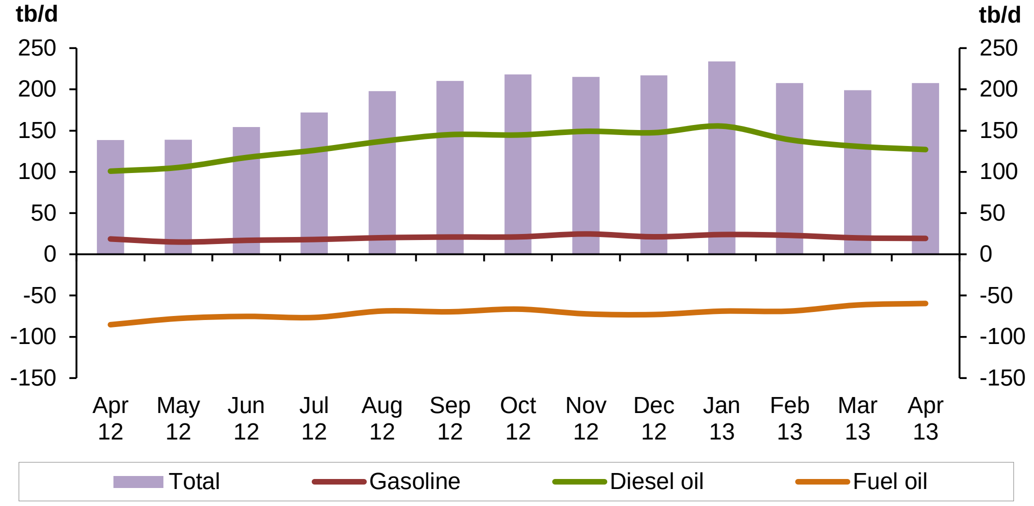
Other Asia

In **India**, the beginning of the 2013/14 financial year in April saw growth of 3.0% y-o-y in oil demand. The growth in gasoline continued its downward trend to stand at 1.9% – with the overall growth for the preceding 12 months pegged at 5.0%. This was impacted by decreasing passenger vehicle sales and sluggish economic growth. Distillate demand grew at 4.2% y-o-y and was impacted by improving supply in the power sector. However, negative port traffic growth due to slowing exports, with 7 out of 12 major ports in the country registering negative growth, limited any further increase in diesel oil consumption.

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

	Apr 13	Mar 13	Jan-Apr 13	Difference to Jan-Apr 12	%
LPG	495	532	497	-5	-1.0
Motor gasoline	362	422	386	16	4.5
Jet Kero	303	272	283	-13	-4.4
Gas diesel oil	1,531	1,504	1,536	65	4.5
Residual fuel oil	210	279	306	-59	-16.1
Other products	830	872	800	100	14.3
Total oil demand	**3,732**	**3,881**	**3,808**	**105**	**2.8**

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



In **Indonesia**, increasing transportation fuels requirements, notably gasoline, were partly offset by decreasing distillates requirements, resulting in an overall 1.8% increase in oil requirements during March 2013 y-o-y. Indonesian oil demand, particularly transportation fuels demand, has been greatly subjected to changes in the current domestic subsidy policy. The Indonesian government submitted a proposal to parliament to raise subsidized gasoline and gasoil prices by 44% and 22%, respectively, in order to limit the fiscal deficit. The proposal specifically included raising the price of 88 RON gasoline and gasoil to 6,500 rupiah/liter and 5,500 rupiah/liter, respectively.

Discussions about subsidies reductions also took place in **Malaysia**, referring to 95 RON gasoline and diesel, whose prices were last raised at the end of 2010. Malaysia removed subsidies on 97 RON gasoline in July 2010 and since then the fuel price has been determined by an automatic pricing mechanism following international oil price movements.

In **Thailand**, oil requirements in March 2013 grew strongly again, this time by 8%. The bulk of this increase came from LPG, gasoline and distillates mostly driven by industrial activities and transportation.

Other Asia's oil demand grew strongly at 0.31 mb/d y-o-y in 2012, as a result of additional Indian diesel demand for the power generation sector and a flourishing petrochemical industry. As for 2013, oil demand is forecast to grow solidly once more at 0.24 mb/d.

Latin America

Latin American demand growth projected at 0.2 mb/d in 2013

In **Brazil**, deceleration of manufacturing output growth and stagnating export orders have implied flat oil requirements during March 2013 y-o-y, following strong months in oil demand growth for January and February. Residual fuel oil demand grew strongly, but this positive growth was offset by falling requirements in jet fuel/kerosene, diesel and LPG. The latest information, however, shows that ethanol production and domestic sales increased strongly in April 2013.

In **Argentina,** oil demand in March 2013 grew strongly by 10.7%. Fuel oil, LPG and gasoline have been the product categories with the greatest demand.

The latest **Ecuadorian** data for April 2013 shows a solid increase of 8.5% y-o-y in oil requirements, with gasoline and diesel requirements raised substantially, while jet/kerosene demand shrank slightly.

In 2012, **Latin America's** oil demand grew by 0.20 mb/d. During 2013, Latin American oil demand is projected to increase roughly by the same volume, around 0.23 mb/d.

Middle East

Middle East oil demand growth expected at 0.3 mb/d in 2013

In **Saudi Arabia**, the available data for the first four months of 2013 indicate that oil demand has been strongly increasing by 5.1% y-o-y. This growth has been driven by healthy economic activities. On a sectorial basis, the industrial, transportation and petrochemical sectors saw the bulk of the increase, while relatively mild weather implied less direct crude burning. Similarly, strong oil demand in 1Q13 has been observed in Qatar, as oil consumption there rose substantially with the bulk originating in the aviation sector. Saudi Arabia alone accounts for more than one-third of all Middle East oil consumption, and if the weather were to turn out warmer, additional direct crude burning would be required to cover the necessary increase in air conditioning usage. Hence, the outlook for 2013 Middle East oil demand has been once more slightly revised up since last month's projections and its risk remains skewed to the upside.

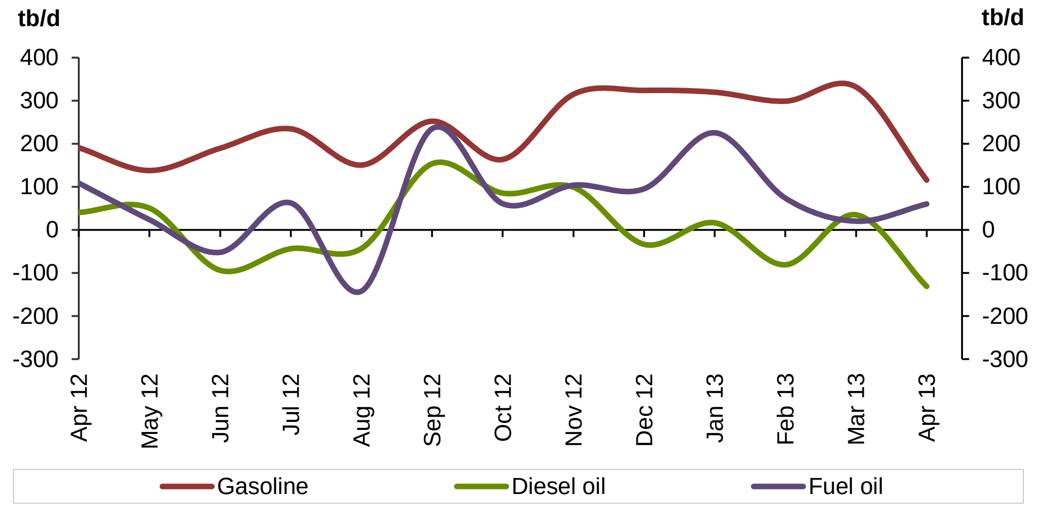
For 2012, **Middle East oil demand** grew by 0.25 mb/d. In 2013, oil demand growth is projected to increase further to 0.31 mb/d.

China

China's oil demand projected to increase by 0.35 mb/d in 2013

The growth in **China's oil demand** in April continued at a slower pace of 2.5% y-o-y. Oil demand growth has eased from 8% y-o-y from the period of September 2012 to January 2013 to just around 3% from February to April 2013. This reduced pace could be attributed to slowing economic growth, which has mainly affected industrial fuel demand. Chinese manufacturing activities have entered a period of soft expansion in April. Furthermore, the latest PMI data even indicated a contraction in May.

Graph 4.6: Changes in Chinese main oil products apparent consumption, y-o-y changes



As in previous months, demand for transportation fuels, especially gasoline, grew on account of rising auto sales, up 13% y-o-y in April, but less than growth in the previous months. Fuel oil has been used mainly in the so-called ‘teapot’ refineries located in Shandong whose capacities do not exceed 100 million metric tons per year. Moreover, jet fuel demand rose significantly due to a growing aviation sector. Most recently, the policy-setting National Development and Reform Commission (NDRC) announced cuts in gasoline and diesel retail prices by 95 and 90 yuan per metric tonne, respectively, representing decreases in the range of around 1% from current prices.

While Chinese oil demand is expected to continue to show softness in May due to weaker manufacturing activities and refinery turnarounds, oil demand is projected to pick up over the coming months. However, the overall 2013 outlook remains rather skewed to the downside, based on recent economic indicators.

For 2012, **China’s oil consumption** grew by 0.33 mb/d, while oil consumption in 2013 is projected to increase by 0.35 mb/d.

World Oil Supply

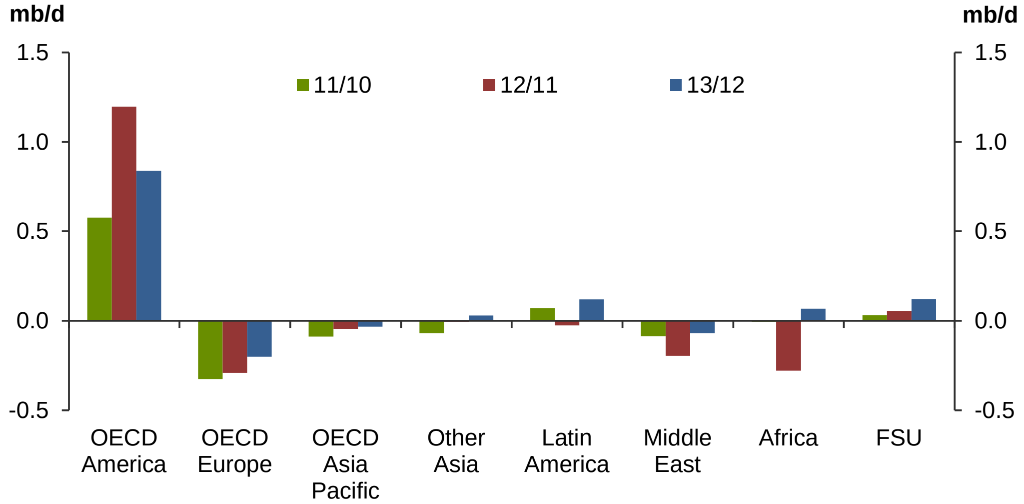
Non-OPEC

Estimate for 2012

Non-OPEC supply rose by 0.53 mb/d in 2012

Non-OPEC oil production is estimated to have averaged 52.98 mb/d in 2012, an increase of 0.53 mb/d over the previous year, unchanged from the previous *Monthly Oil Market Report* (*MOMR*). Among non-OPEC suppliers, OECD supply grew by 0.86 mb/d in 2012 over the previous year. This was supported by the increase in US oil supply, which is estimated at 1.01 mb/d, the highest among all non-OPEC countries. Canada's oil supply experienced healthy growth of 0.21 mb/d in 2012. The rest of the OECD countries' supply varied between declining and stagnant, with more weight on declining. On a quarterly basis, non-OPEC supply in 2012 is estimated to have averaged 53.16 mb/d, 52.61 mb/d, 52.37 mb/d and 53.77 mb/d, respectively.

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



Non-OPEC's supply growth in 2012 of 0.53 mb/d was within the average of the growth experienced during the last five and ten years. The main **driver of output growth** was OECD Americas, increasing by 1.20 mb/d in 2012 compared to the previous year. The estimated growth achieved in OECD Americas' supply in 2012 is the highest on record; the second highest was in 1967. The record supply increase from the US of 1.01 mb/d in 2012 drove the growth of non-OPEC supply as well as the highest growth from Canada since 1979. The tight oil and oil sand developments drove the growth in 2012 in OECD America. Outside OECD America, the growth in 2012 came from China and the Former Soviet Union (FSU), yet it was relatively small compared to the output increase realized from OECD Americas. Other regions experienced supply declines in 2012, and Other Asia production remained steady. China oil production increased by 70 tb/d in 2012 from the previous year supported by offshore developments. The FSU supply rose 60 tb/d in 2012 driven by growth in Russian oil production while output from other major producers in the region declined.

OECD Europe, Africa, Middle East, OECD Asia Pacific and Latin America **supply declined** in 2012 from the previous year. OECD Europe production decreased by 0.29 mb/d in 2012 from the previous year as output declined from all major producers in the region on unplanned shutdowns, maintenance and decline from mature areas. Africa oil production dropped 0.28 mb/d in 2012 as the halt in South Sudan production largely impacted the region output. Middle East production decreased by 0.20 mb/d in 2012, on the back of political issues in Syria and Yemen. OECD Asia Pacific production dropped 50 tb/d in 2012, as Australia oil supply suffered from limited new additions and severe weather conditions. Latin America oil production declined by 30 tb/d in 2012 as the production increase from Colombia did not offset the declines from Brazil and other countries.

On a **country basis**, the US, Canada, Russia and China were the main countries where supply experienced healthy growth in 2012, while South Sudan and Sudan, the UK, Syria, Norway, Azerbaijan and Yemen encountered significant declines. The tight oil and oil sand developments were the main factors that supported the growth in 2012 while political, technical and weather factors had a strong impact on non-OPEC output.

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

	2011	1Q12	2Q12	3Q12	4Q12	2012	*Change* 12/11
Americas	15.55	16.53	16.42	16.54	17.50	16.75	1.20
Europe	4.06	4.08	3.92	3.49	3.61	3.77	-0.29
Asia Pacific	0.57	0.51	0.53	0.55	0.49	0.52	-0.05
Total OECD	**20.18**	**21.12**	**20.86**	**20.58**	**21.61**	**21.05**	**0.86**
Other Asia	3.63	3.66	3.59	3.62	3.64	3.63	0.00
Latin America	4.73	4.79	4.66	4.63	4.73	4.70	-0.03
Middle East	1.69	1.44	1.51	1.52	1.51	1.50	-0.20
Africa	2.59	2.39	2.28	2.28	2.30	2.31	-0.28
Total DCs	**12.65**	**12.29**	**12.04**	**12.05**	**12.18**	**12.14**	**-0.50**
FSU	13.24	13.36	13.24	13.23	13.36	13.30	0.06
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.11	4.08	4.16	4.20	4.30	4.19	0.07
Total "Other regions"	**17.49**	**17.58**	**17.53**	**17.57**	**17.81**	**17.62**	**0.13**
Total Non-OPEC production	**50.32**	**50.99**	**50.44**	**50.20**	**51.60**	**50.81**	**0.48**
Processing gains	2.12	2.17	2.17	2.17	2.17	2.17	0.05
Total Non-OPEC supply	**52.45**	**53.16**	**52.61**	**52.37**	**53.77**	**52.98**	**0.53**
Previous estimate	52.45	53.16	52.61	52.37	53.77	52.98	0.53
Revision	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Forecast for 2013

Non-OPEC supply to grow by 0.98 mb/d in 2013 to average 53.96 mb/d

Non-OPEC supply is forecast to average 53.96 mb/d in 2013, representing growth of 0.98 mb/d over the previous year, relatively unchanged from the previous *MOMR*. Despite the steady overall figure, there have been various **revisions in both directions** that offset each other. Updates on actual production data in the first and early part of the second quarter, as well as changes to individual countries' supply elements, necessitated the revisions. The first quarter supply estimate encountered a downward revision, while the other three quarters experienced upward revisions.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013	*Change* 13/12
Americas	16.75	17.56	17.51	17.61	17.67	17.59	0.84
Europe	3.77	3.66	3.58	3.44	3.61	3.57	-0.20
Asia Pacific	0.52	0.45	0.48	0.50	0.52	0.49	-0.03
Total OECD	**21.05**	**21.67**	**21.57**	**21.55**	**21.80**	**21.65**	**0.60**
Other Asia	3.63	3.64	3.65	3.67	3.68	3.66	0.03
Latin America	4.70	4.72	4.74	4.88	4.94	4.82	0.12
Middle East	1.50	1.46	1.42	1.41	1.42	1.43	-0.07
Africa	2.31	2.32	2.36	2.41	2.44	2.38	0.07
Total DCs	**12.14**	**12.14**	**12.16**	**12.36**	**12.48**	**12.29**	**0.15**
FSU	13.30	13.44	13.38	13.38	13.49	13.42	0.12
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.19	4.24	4.23	4.26	4.30	4.26	0.07
Total "Other regions"	**17.62**	**17.81**	**17.75**	**17.77**	**17.93**	**17.82**	**0.19**
Total Non-OPEC production	**50.81**	**51.61**	**51.48**	**51.68**	**52.22**	**51.75**	**0.94**
Processing gains	2.17	2.21	2.21	2.21	2.21	2.21	0.04
Total Non-OPEC supply	**52.98**	**53.82**	**53.69**	**53.89**	**54.43**	**53.96**	**0.98**
Previous estimate	52.98	53.85	53.68	53.88	54.41	53.96	0.98
Revision	0.00	-0.02	0.01	0.01	0.02	0.01	0.01

The OECD's oil supply forecast has been revised up, while developing country supply projections have been revised down. The first quarter's supply forecast has been revised down by around 20 tb/d, mainly due to developments in the OECD and FSU.

The other three quarters have seen upward revisions, mainly to the figures for the OECD, FSU and China. It is worth highlighting that the associated risks and uncertainties in the forecast are on the high side, given the current global market situation, as well as the other factors influencing supply. Political, technical, environmental and weather issues are expected to be the main risk factors for non-OPEC supply in 2013.

On a quarterly basis, non-OPEC supply is expected to average 53.82 mb/d, 53.69 mb/d, 53.89 mb/d and 54.43 mb/d, respectively. According to preliminary data, non-OPEC supply increased by 0.66 mb/d in the 1Q13 compared to the same period a year earlier.

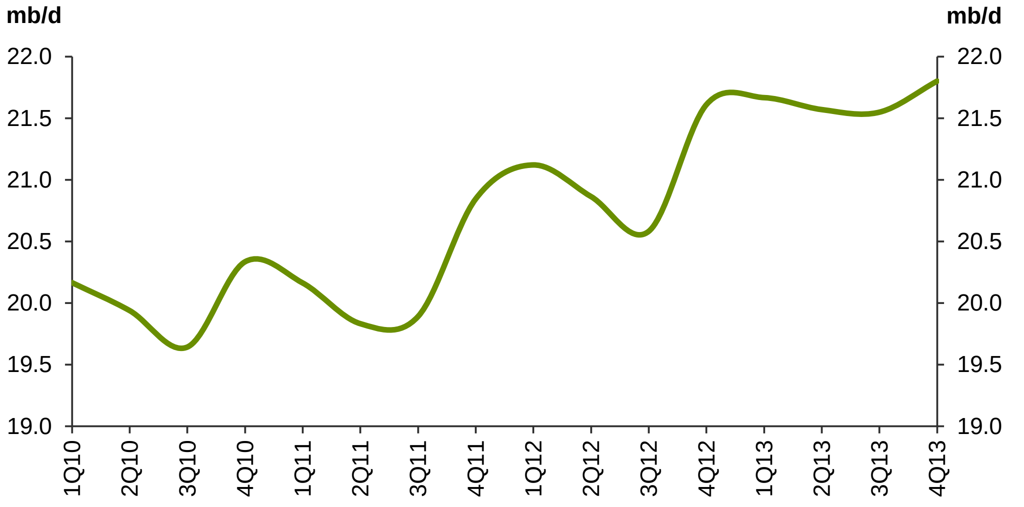
OECD

OECD supply to grow by 0.60 mb/d in 2013 to average 21.65 mb/d

Total OECD supply is expected to average 21.65 mb/d in 2013, representing an increase of 0.60 mb/d and an upward revision of 30 tb/d from the previous month. The anticipated OECD average supply in 2013 is the highest since 2003. The upward revision came on the back of a re-evaluation of the individual countries supply profile as well as updated production figures in the 1Q and the early part of the second, which was partly carried over to the second half. The upward revisions were concentrated in the second half of 2013, mainly in the US and Canada. OECD Europe's supply forecast experienced a minor upward revision while OECD Asia Pacific's supply projection has had minor downward revisions from the last MOMR. The OECD forecast remains the main driver of the growth in 2013, as anticipated increase in OECD Americas is projected to more than offset the decline forecast in OECD Europe's and OECD Asia Pacific's supply. Yet risks and uncertainties remain high, especially in OECD Americas, which requires careful monitoring over the coming period.

On a quarterly basis, OECD oil supply is forecast to average 21.67 mb/d, 21.57 mb/d, 21.55 mb/d and 21.80 mb/d, respectively. According to preliminary data, OECD oil production increased by 0.55 mb/d in the 1Q compared to the same period a year earlier.

Graph 5.2: OECD's quarterly production



OECD Americas

Oil supply from **OECD Americas** is projected to increase by 0.84 mb/d to average 17.59 mb/d in 2013, indicating an upward revision of 30 tb/d from last month. The current forecast average supply for 2013 is the highest on record. The anticipated growth in OECD Americas is seen to be supported by the US and Canada, while Mexico is likely to experience a minor decline.

On a quarterly basis, OECD Americas oil supply in 2013 is forecast to stand at 17.56 mb/d, 17.51 mb/d, 17.61 mb/d and 17.67 mb/d, respectively. During the 1Q, OECD Americas supply increased by 1.03 mb/d compared to the same period a year earlier, as per preliminary data.

US

Tight oil development driving US supply to increase by 0.64 mb/d in 2013 to average 10.68 mb/d

US oil production is expected to average 10.68 mb/d in 2013, representing growth of 0.64 mb/d over last year and following an upward revision of 50 tb/d from the previous report. The current forecast for US supply is the highest since 1973. A minor downward revision impacted first quarter output due to adjustments to actual production figures, while an upward revision was introduced to the other three quarters of the year, which more than offset the downward one. US supply growth in 2013 is the highest among all non-OPEC countries and is expected to be a strong contributor to total non-OPEC supply growth. The forecast is supported by strong growth from tight oil developments. Anticipated maintenance at Gulf of Mexico production sites is seen to impact growth in 2013. The closure of a gas processing plant in early May for over a month is expected to impact the output of few fields such as Thunder Horse and Na Kika. However, the increase in deep-water drilling activities in the Gulf of Mexico could support output.

Texas oil supply averaged 2.33 mb/d in 1Q13, an increase of 0.55 mb/d from the same period a year ago, according to preliminary data. This growth is supported by the increase in tight oil supply, mainly from Eagle Ford, where production reached 0.53 mb/d in March, more than 70% higher than the same month a year earlier. Moreover, North Dakota oil production increased by 0.21mb/d in the first quarter, compared with the same quarter last year. This increase is supported by developments in the Bakken area. However, risks remain on the high side for the US supply forecast, since the hurricane season has begun and the official forecast expects an “active or extremely active” hurricane season this year, which could impact production in the coming period. On a quarterly basis, US oil supply is seen to average 10.61 mb/d, 10.73 mb/d, 10.70 mb/d, and 10.68 mb/d, respectively.

Canada and Mexico

Canada production to grow by 0.24 mb/d in 2013 to average 4.01 mb/d

Canada’s oil supply is forecast to increase by 0.24 mb/d over 2012 to average 4.01 mb/d in 2013, indicating a downward revision of 20 tb/d from the previous *MOMR*. The expected growth in 2013 is the highest since 1973 and the average is the highest in record. This revision has come about on the back of a maintenance programme in the second quarter that is expected to impact production. However, Canada’s oil supply is seen to achieve the second highest growth in 2013 among all non-OPEC countries. The growth is supported by the projected increase from oil sands as well as tight oil production. On a quarterly basis, Canada’s production is seen to average 4.02 mb/d, 3.88 mb/d, 4.02 mb/d and 4.12 mb/d, respectively.

Mexico oil output to decline by 40 tb/d in 2013 to average 2.88 mb/d

Mexico’s oil supply is projected to decline by 40 tb/d from 2012 to average 2.88 mb/d in 2013, unchanged from the previous assessment. This steady state has come about as April’s output was relatively steady from the previous month. In April and part of May, reports suggest that supply from the Cantarell and Chicontepec fields were in slight gradual decline while output from the Ku-Maloop-Zaap increased. Supply is expected to remain relatively steady in 2013, as production stabilization efforts seem to be having positive results. However, risks and uncertainties remain high, especially related to natural declines. On the other hand, the national operator informed that Chicontepec field spending will be reduced in 2013 and diverted to other areas in order to improve output. During the first four months of 2013, Mexico’s oil supply fell by around 30 tb/d from the same period a year ago. On a quarterly basis, it is expected to average 2.91 mb/d, 2.89 mb/d, 2.88 mb/d and 2.86 mb/d, respectively.

OECD Europe

OECD Europe’s total oil supply is seen to average 3.57 mb/d in 2013, representing a decline of 0.20 mb/d from 2012 and a minor upward revision of 10 tb/d from last month. This revision has come from Norway and the UK. The Other OECD Europe supply forecast encountered a downward revision. The revisions were necessary to adjust for actual production data. This region’s oil supply is expected to experience the largest decline among all the non-OPEC regions. On a quarterly basis, OECD Europe supply in 2013 is seen to average 3.66 mb/d, 3.58 mb/d, 3.44 mb/d and 3.61 mb/d, respectively.

Norway supply to average 1.79 mb/d in 2013, a drop of 120 tb/d from 2012

Norway's oil production is expected to drop by 0.12 mb/d to average 1.79 mb/d in 2013, indicating an upward revision of 15 tb/b from last month's assessment. Its currently expected supply average for 2013 marks the lowest level since 1990. The upward revision has come about partly to adjust for 1Q updated production data that was carried over to the rest of the year. The startup of the small Jette field supported the upward revision as well as new barrels from the Valhall, Skuld and Hyme. However, the maintenance work on the Norpipe is seen to impact output from the Ekofisk field which expected to impact the forecast in coming period. Preliminary April production was higher than March. Norway's supply is seen to decline in the 2Q due to seasonal maintenance. On a quarterly basis, supply is anticipated to average 1.83 mb/d, 1.79 mb/d, 1.73 mb/d and 1.83 mb/d respectively. During the first four months of 2013, Norway oil production averaged 1.84 mb/d, a decline of 0.24 mb/d compared to the same period a year earlier, as per the preliminary data.

New barrels coming from restart of Gryphon

The **UK**'s oil supply is anticipated to average 0.91 mb/d in 2013, representing a drop of 40 tb/d from 2012, representing a minor upward revision of 5 tb/d from previous month. The upward revision came on back of updated production figures in the early part of the 2Q which indicated higher production level than previously expected. In April the Forties crude oil production reach 14 months high and supported the upward revision. Additionally, the restart of the Gryphon field further supported the upward revision. The anticipated supply decline in 2013 for the UK is the lowest since 2007. However, the shutdown and maintenance of oil facilities have heavily affected supply. The Buzzard field experienced the second shutdown within a week in early June, which is seen to impact output. This is reflected in the reduced loading program.

On a quarterly basis, supply is expected to stand at 0.96 mb/d, 0.93 mb/d, 0.85 mb/d, and 0.92 mb/d, respectively. According to preliminary data, UK oil production averaged 0.95 mb/d during the first four months of 2013, indicating a decline of 0.13 mb/d compared to the same period a year earlier.

OECD Asia Pacific

OECD Asia Pacific's oil production is forecast to average 0.49 mb/d in 2013, a decline of 30 tb/d over 2012 and a downward revision of 10 tb/d from a month ago. Australia's and New Zealand's oil supply are expected to encounter minor declines in 2013. On a quarterly basis, OECD Pacific's oil supply is seen to average 0.45 mb/d, 0.48 mb/d, 0.50 mb/d and 0.52 mb/d, respectively.

Australia production to drop 30 tb/d in 2013 to average 0.41 mb/d

Australia's oil supply is expected to average 0.41 mb/d in 2013, a decline of 30 tb/d from the previous year, indicating a downward revision of 10 tb/d from the previous MOMR. This revision has occurred on the back of updated production data for the 1Q, which was partly carried over to the rest of the year. According to preliminary data, Australia oil production averaged 0.37 mb/d during the 1Q13, a decline of 50 tb/d compared to the same period a year ago. The experienced severe weather conditions impacted the production during the 1Q. However, output is seen to gradually increase in the coming period supported by new volume. The startup of the Fletcher field is seen to support the expected increase as well as other fields.

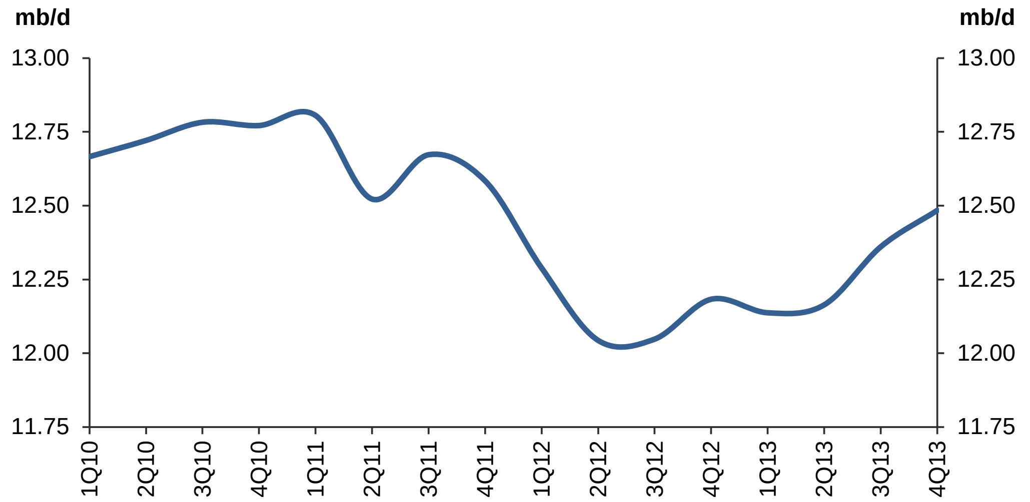
On a quarterly basis, Australian supply is seen to average 0.37 mb/d, 0.41 mb/d, 0.43 mb/d and 0.45 mb/d, respectively.

Developing countries

DC supply growth driven by Latin America and Africa in 2013

Developing countries' (DC) total oil supply is projected to increase by 0.15 mb/d from 2012 to average 12.29 mb/d in 2013, indicating a downward revision of 55 tb/d from the previous month. The downward revisions have affected all quarters of 2013, except the 1Q which experienced an upward revision, on the back of updated production data in the 1Q and changes in some countries' supply profiles. The anticipated growth is driven mainly by supply from the Latin America, Africa and Other Asia, while the Middle East supply is seen to decline. On a quarterly basis, DCs' total oil production is seen to stand at 12.14 mb/d, 12.16 mb/d, 12.36 mb/d and 12.48 mb/d, respectively. During the first quarter, preliminary data indicated that DC oil supply decreased by 0.15 mb/d, compared with the same period of 2012.

Graph 5.3: Developing Countries' quarterly production



Vietnam startup Hai Su Trang and Hai Su Den

Other Asia's oil supply is estimated to increase by 30 tb/d in 2013 to average 3.66 mb/d, unchanged from the previous assessment. This steady state came despite minor revisions that offset each other mainly on updated production data. Oil supply from **Malaysia** and **Vietnam** is expected to increase in 2013, while supply from Indonesia is seen to decline. Malaysia's oil production is expected to average 0.72 mb/d in 2013, indicating an increase of 60 tb/d compared to last year, the largest growth among the region. The growth is supported by the new volume from the Gumusut developments. Vietnam oil production is forecast to increase by 10 tb/d in 2013, to average 0.39 mb/d. This minor increase is supported by the startup of the Hai SU Trang and Sai SU Den, which brought online recently. On a quarterly basis, Other Asia's supply is expected to stand at 3.64 mb/d, 3.65 mb/d, 3.67 mb/d and 3.68 mb/d, respectively. Preliminary data suggests that Other Asia supply decreased by 20 tb/d during the 1Q compared to the same period a year earlier.

Indonesia's oil supply is forecast to decline by 50 tb/d in 2013 to average 0.92 mb/d, unchanged from the previous month. This drop is expected on the back of aging fields and natural declines, coupled with limited new developments. Additionally, the imposed anti-dumping tax on the country biodiesel export to Europe could impact the production. The government plans to propose cutting the 2013 production target by 7% less than the current level in the budget. The national regulator provided that it would be impossible to reach the budget output level. India oil production is expected to experience a decline of 10 tb/d in 2013 and average 0.88 mb/d, indicating a downward revision of 5 tb/d compared to previous MOMR. The downward revision came on the back of carrying over the production adjustment from the 1Q.

Latin America production to increase by 0.12 in 2013 to average 4.82 mb/d

Oil production from **Latin America** is anticipated to increase by 0.12 mb/d over 2012 to average 4.82 mb/d in 2013, an upward revision of 5 tb/d from the previous MOMR. Latin America current expected growth level is the third highest among all non-OPEC after OECD America and the FSU.

Argentina's supply is expected to decline by 20 tb/d to average 0691 mb/d, indicating an upward revision from the previous month. The upward revision came on the back of updated production data in the 1Q that was partially carried over to the rest of the year. The ongoing shale developments in the Vaca Muerta area is seen to support the output as reports indicating production in May averaged 7 tb/d compared to 4 tb/d at the beginning of the year. On the other hand, the imposed anti-dumping tax on Argentina biodiesel to Europe could impact the supply.

Colombia's production is expected to increase by 70 tb/d in 2013 to average 1.04 mb/d, indicating an upward revision of 10 tb/d compared to previous assessment. The upward revision came on the back of updated production figure. Colombia oil supply in May compared to previous month. The commissioning of the Bicentennial pipeline first phase, which is expected in coming period, is seen to support the expected growth. However, the continued attacks on oil infrastructure bring a higher risk level. On a quarterly basis, Latin American supply is seen to stand at 4.72 mb/d, 4.74 mb/d, 4.88 mb/d and 4.94 mb/d, respectively.

Brazil's April production remains below 2012 level

Brazil's oil supply is projected to increase by 40 tb/d over 2012, to average 2.65 mb/d in 2013, a downward revision of 10 tb/d from the previous *MOMR*. This revision is due to updated production data for the 1Q as well as the early part of the 2Q. Actual production data in April indicated an increase from the previous month yet remained below 2012 level. The monthly increase in April was supported by return of production from the P-9, PCE-1 and P-54 platforms in the Campos basin as well as ramp-up of the Baunna field in the Santos Basin. Brazil sub-salt production indicated a minor increase in April compared to the previous month and averaged 294 tb/d. On the other hand, the limited output from the Frade field as well as the technical difficulties in bringing new volume from some fields such as the Lara is seen to limit Brazil oil supply growth in 2013. According to preliminary data, Brazil oil supply averaged 2.53 mb/d during the first four months of 2013, a decline of 140 tb/d compared to the same period a year earlier. On a quarterly basis, Brazil production is expected to stand at 2.54 mb/d, 2.59 mb/d, 2.70 mb/d and 2.75 mb/d, respectively.

Syria production reported at 70 tb/d in early May

Middle East oil production is estimated to average 1.43 mb/d in 2013, a decrease of 70 tb/d from 2012 and indicating a downward revision of 60 tb/d from last month. This revision comes from **Syria**, where the oil supply forecast has been revised down by 60 tb/d from the previous month. Syria's production is expected to decline by 110 tb/d in 2013 to average 0.10 mb/d, on the back of its political issues. The downward revision was introduced on the back of a report indicating that production stood at 70 tb/d in early May, which was lower than previous estimate and was carried over to the rest of the year. Further attacks were reported on a Yemen pipeline, which is seen to impact the output in 2013. **Oman**'s production is expected to increase by 30 tb/d in 2013 to average 0.94 mb/d, unchanged from the previous assessment. This steady state has occurred despite a drop in April oil production compared to previous month. On a quarterly basis, Middle East supply is forecast to average 1.46 mb/d, 1.42 mb/d, 1.41 mb/d, and 1.42 mb/d, respectively.

On-going political issues impede South Sudan production

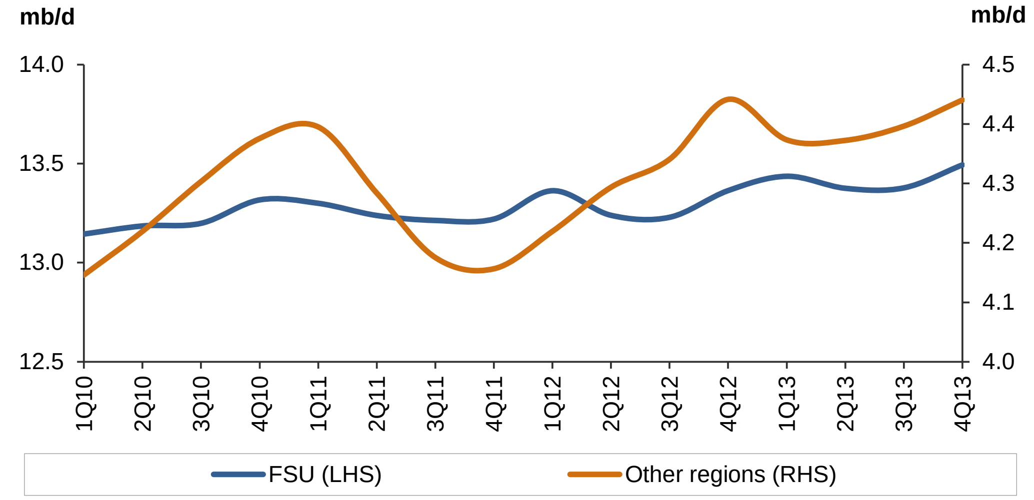
Africa's oil supply is forecast to average 2.38 mb/d in 2013, an increase of 70 tb/d from 2012, flat from the previous MOMR. Despite the steady state, there were few upward and downward revisions that offset each other compared to last month. **Congo's** oil production forecast experienced a downward revision on the back of changes to the expected output in the second half. Oil supply from Congo is expected to average 0.28 mb/d in 2013, a decline of 20 tb/d from previous year. **Equatorial Guinea's** oil supply encountered an upward revision of 10 tb/d on the back adjustment to actual production figures in the first quarter that was carried over to the rest of the Year. Output from Equatorial Guinea is seen to average 0.31 mb/d in 2013, steady from the previous year. **South Sudan's** and **Sudan's** oil production is expected to increase by 80 tb/d in 2013 and average 0.19 mb/d, steady from previous assessment. The restart of the Palogue oil field from South Sudan would have brought an upward revision to the forecast. However, the short shutdown due to technical difficulties, as well as the ongoing political issues between South Sudan and Sudan suggest maintaining current projection with careful monitoring in the coming period. On a quarterly basis, Africa's supply is expected to average 2.32 mb/d, 2.36 mb/d, 2.41 mb/d and 2.44 mb/d, respectively.

FSU, Other regions

FSU supply to average 13.40 mb/d in 2013

Total **FSU oil supply** is projected to average 13.42 mb/d in 2013, representing growth of 0.12 mb/d over 2012 and an upward revision of 20 tb/d from last month. This revision is due to changes to Russia and Kazakhstan supply forecasts on the back of updated production data. In terms of volume, the FSU remains the region with the second-highest supply after OECD Americas. The expected growth in 2013 supply is supported by Russia and Kazakhstan while Azerbaijan is seen to decline. On a quarterly basis, total supply from the FSU is expected to stand at 13.44 mb/d, 13.38 mb/d, 13.38 mb/d and 13.49 mb/d, respectively. Other Europe's supply is seen to remain steady in 2013 and average 0.14 mb/d. China's oil supply is forecast to increase by 70 tb/d over the previous year to average 4.26 mb/d in 2013.

Graph 5.4: FSU and other region's quarterly production



Russia

Russia oil production increased slightly in May

Russia's oil supply is projected to average 10.45 mb/d in 2013, an increase of 70 tb/d over 2012, indicating an upward revision of 10 tb/d from last month's report and the highest since 1989. The upward revision came in the 2Q to adjust for updated production data that was carried over to the rest of the year. Russia oil supply in May, as per preliminary data, reached the highest level so far in 2013, with a minor increase from the previous month. Russian oil production maintained a healthy level, supported by the ramp-up of the Vankor project and stabilization in mature producing areas. On a quarterly basis, supply is estimated at 10.45 mb/d, 10.45 mb/d, 10.44 mb/d and 10.44 mb/d, respectively. According to preliminary data, Russia oil output averaged 10.46 mb/d in May, slightly higher than in the previous month. Russia oil supply in January-May grew by 120 tb/d, compared with the same period of 2012.

Caspian

Kazakhstan supply to increase 80 tb/d in 2013 to average 1.67 mb/d

Kazakhstan's oil supply is expected to increase by 80 tb/d over 2012 to average 1.67 mb/d in 2013, representing a minor upward revision of 10 tb/d from the previous month. The upward revision came in the 2Q to adjust for updated production data in the early part of the quarter. Kazakhstan expected supply growth in 2013 is seen coming from the startup of the Kashagan oil field. The first phase of the projected is seen adding around 350 tb/d. January-April production, according to a preliminary sounding, indicates that Kazakhstan supply increased by 50 tb/d from the same period last year. On a quarterly basis, Kazakhstan's supply is seen to stand at 1.68 mb/d, 1.63 mb/d, 1.64 mb/d and 1.72 mb/d, respectively.

ACG output averaged 660 tb/d in 1Q 2013

Azerbaijan's oil supply is anticipated to decrease by 40 tb/d in 2013 to average 0.85 mb/d, unchanged from the previous month. Despite the steady state, there were upward and downward revisions on quarterly basis that offset each other. First quarter oil supply encountered a downward revision to adjust for updated production data while the rest of the year encountered a minor upward revision. The operator of the Azeri–Chirag–Guneshli (ACG) field, which is aiming to stabilize the field's output at around 650 tb/d to 700 tb/d, reported that first quarter production stood at 660 tb/d. ACG production in the 1Q13, which accounts for 78% of Azerbaijan oil output, declined by 50 tb/d from the same period a year earlier. On a quarterly basis, supply is estimated to average 0.87 mb/d, 0.85 mb/d, 0.84 mb/d and 0.86 mb/d, respectively.

China

China supply to grow by 70 tb/d in 2013 to average 4.26 mb/d

China's oil production is forecast to average 4.26 mb/d in 2013, a new record high and an increase of 70 tb/d over 2012, indicating an upward revision of 10 tb/d from the previous assessment. The upward revision came on the back updated production data in the early part of the second quarter, which came in higher than expected. China oil supply averaged 4.25 tb/d in April, a minor increase over the previous month and a rise of 60 tb/d from the same month a year ago. The increase in April was supported by offshore fields. During January-April, China's oil supply increased by 130 tb/d over the same period a year ago. On a quarterly basis, China's supply is projected to average 4.24 mb/d, 4.23 mb/d, 4.26 mb/d and 4.30 mb/d, respectively.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils averaged 5.66 mb/d in 2012, an increase of 0.29 mb/d over the previous year. In 2013, OPEC NGLs and non-conventional oils are forecast to grow by 0.21 mb/d over the previous year to average 5.87 mb/d.

Table 5.3: OPEC NGLs + non-conventional oils, 2010-13

	2010	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	2013	Change 13/12
Total OPEC	**4.98**	**5.37**	0.39	5.52	5.72	5.79	5.58	**5.66**	0.29	**5.87**	0.21

OPEC crude oil production

OPEC crude oil production increased in May to average 30.57 mb/d

OPEC total crude oil production averaged 30.57 mb/d in May, according to secondary sources, representing an increase of 106 tb/d over the previous month. The increase came mainly from Saudi Arabia, Angola, and the UAE, while crude production from Iran, Libya, Iraq, and Nigeria saw a decline. OPEC crude oil production, not including Iraq, stood at 27.45 mb/d in May, up 128 tb/d from the previous month.

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

	2011	2012	3Q12	4Q12	1Q13	Mar 13	Apr 13	May 13	May/Apr
Algeria	1,240	1,210	1,209	1,186	1,169	1,165	1,176	1,177	*0.7*
Angola	1,667	1,738	1,719	1,728	1,754	1,782	1,767	1,796	*29.1*
Ecuador	490	499	501	502	502	500	504	506	*2.2*
Iran, I.R.	3,628	2,973	2,742	2,680	2,706	2,685	2,682	2,644	*-37.7*
Iraq	2,665	2,979	3,135	3,118	3,028	3,025	3,145	3,123	*-22.2*
Kuwait	2,538	2,793	2,799	2,820	2,791	2,784	2,835	2,842	*7.0*
Libya	462	1,393	1,466	1,468	1,399	1,398	1,429	1,402	*-27.3*
Nigeria	2,111	2,073	2,110	1,965	1,988	1,939	1,923	1,902	*-21.0*
Qatar	794	753	745	732	736	732	730	730	*-0.2*
Saudi Arabia	9,290	9,737	9,792	9,436	9,110	9,138	9,223	9,367	*143.4*
UAE	2,516	2,624	2,653	2,650	2,690	2,700	2,705	2,734	*29.0*
Venezuela	2,380	2,360	2,348	2,343	2,358	2,355	2,344	2,347	*2.7*
Total OPEC	**29,782**	**31,132**	**31,217**	**30,628**	**30,229**	**30,202**	**30,462**	**30,567**	***105.6***
OPEC excl. Iraq	**27,116**	**28,153**	**28,082**	**27,509**	**27,201**	**27,177**	**27,317**	**27,445**	***127.8***

Totals may not add up due to independent rounding.

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

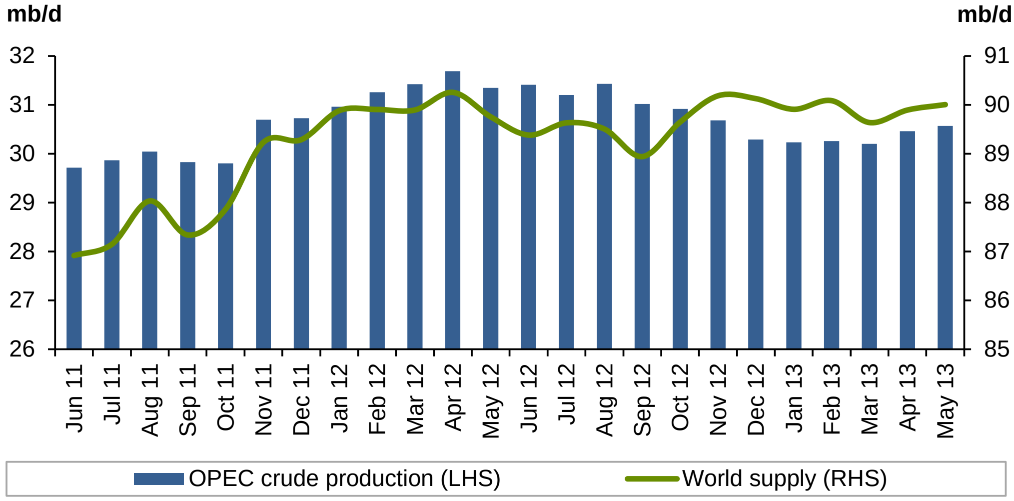
	2011	2012	3Q12	4Q12	1Q13	Mar 13	Apr 13	May 13	May/Apr
Algeria	1,173	1,203	1,201	1,184	1,199	1,203	1,195	..	..
Angola	1,618	1,704	1,677	1,690	1,734	1,749	1,711	1,730	*19.0*
Ecuador	500	504	509	503	506	504	516	522	*5.8*
Iran, I.R.	3,576	3,740	3,746	3,713	3,704	3,705	3,715	..	..
Iraq	2,653	2,944	3,150	3,058	2,957	2,988	3,061	3,070	*9.0*
Kuwait	2,660	2,977	2,957	2,967	2,813	2,725	2,970	2,960	*-10.0*
Libya	462	1,449	1,504	1,493	1,487	1,516	1,513	1,441	*-72.2*
Nigeria	1,896	1,954	2,026	1,864	1,820	1,746	1,727	1,736	*9.5*
Qatar	734	734	726	727	728	720	727	723	*-4.0*
Saudi Arabia	9,311	9,763	9,760	9,413	9,111	9,137	9,310	9,657	*347.7*
UAE	2,565	2,652	2,727	2,664	2,823	2,801	2,771	2,770	*-0.7*
Venezuela	2,795	2,804	2,820	2,785	2,743	2,738	2,754	2,758	*4.2*
Total OPEC	**29,942**	**32,428**	**32,802**	**32,061**	**31,624**	**31,532**	**31,969**	**..**	**..**
OPEC excl. Iraq	**27,290**	**29,485**	**29,652**	**29,003**	**28,667**	**28,544**	**28,908**	**..**	**..**

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

World Oil Supply

Preliminary figures indicate that global oil supply averaged 90.00 mb/d in May, around 110 tb/d higher than the previous month. OPEC crude is estimated to have a 34% share in global supply, steady from the previous 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



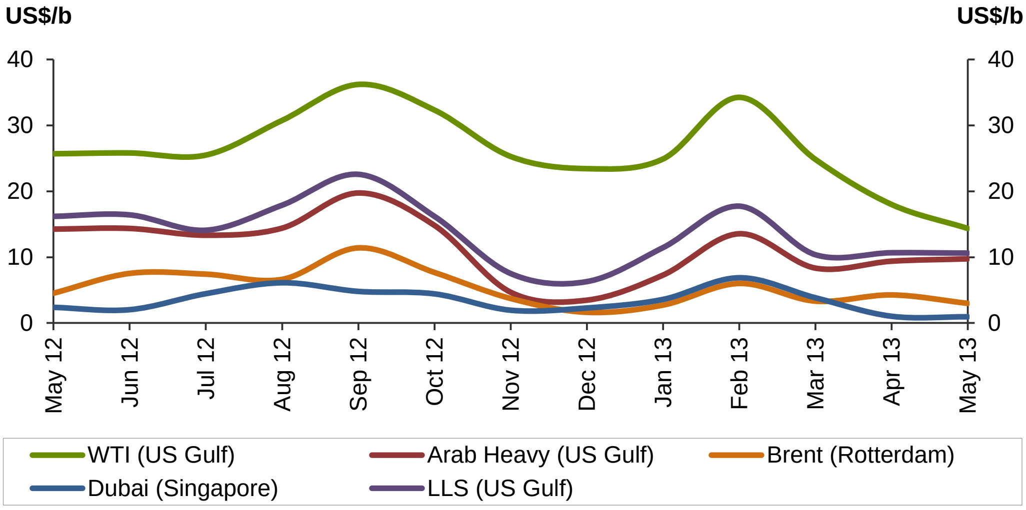
Product Markets and Refinery Operations

Refinery margins remained weak on the lack of demand for middle distillates

Product markets exhibited mixed performance in May. The top of the barrel strengthened slightly due to gasoline starting to snap out of its spring slump. However, this was not enough to offset losses at the middle of the barrel. As a result, refinery margins remained weak on the lack of demand for middle distillates.

Although summer consumption is emerging, gasoline demand – which typically jumps in the spring – has so far been moderate on both sides of the Atlantic.

Graph 6.1: Refining margins, 2012-13



US product cracks also showed a mixed performance. While gasoline recovered amid the start of the driving season, high losses were seen at the bottom and middle of the barrel, as gasoil remained weak in the Atlantic Basin.

Gasoline cracks recovered part of the ground lost last month on the back of relative increasing demand perspectives in the market and a temporary tightening situation in the PADD-2, thus easing the pressure exerted by increasing volumes from Europe on the US East Coast (USEC).

Meanwhile, middle distillates continued losing ground due to weaker demand and reduced export opportunities to Europe. Inventories also continued to rise and the resulting bearish sentiment led to large net short positions in Nymex heating oil futures.

The margin for WTI continued falling during May, losing more than $3 to average around $14/b, while the margin for Light Louisiana Sweet (LLS) remained at the same level seen the previous month – around $10/b.

The refinery margin for Arab Heavy crude on the US Gulf Coast (USGC) showed a slight gain of 30¢ in May to average $9.7/b.

Refining margins in Northwest Europe fell throughout the month due to losses at the middle of the barrel.

European product markets registered a mixed performance, with gasoline being supported by strong exports to the USEC, allowing gasoline crack spreads to continue to rise. However, product market fundamentals remained weak due to lacklustre domestic demand in the middle of the barrel, causing the refinery margin for Brent crude in Northwest Europe to drop more than $1 to average $3/b in May.

In Asia, product cracks exhibited a slight recovery, with regional demand emerging amid refinery shutdowns in the region. However, generally product cracks are still not faring particularly well and, as a result, margins remain weak.

Refinery margins in Asia did not recover from the low level of the previous month and remained around $1/b in May, the lowest level this year. Import demand from key buyers in the region is expected to pick up ahead of the Ramadan holiday season, when transport fuel consumption typically rises, and it could cause a revival in Asian refining margins in the coming weeks.

Refinery operations

Refiners remain cautious, adjusting runs to match product market developments

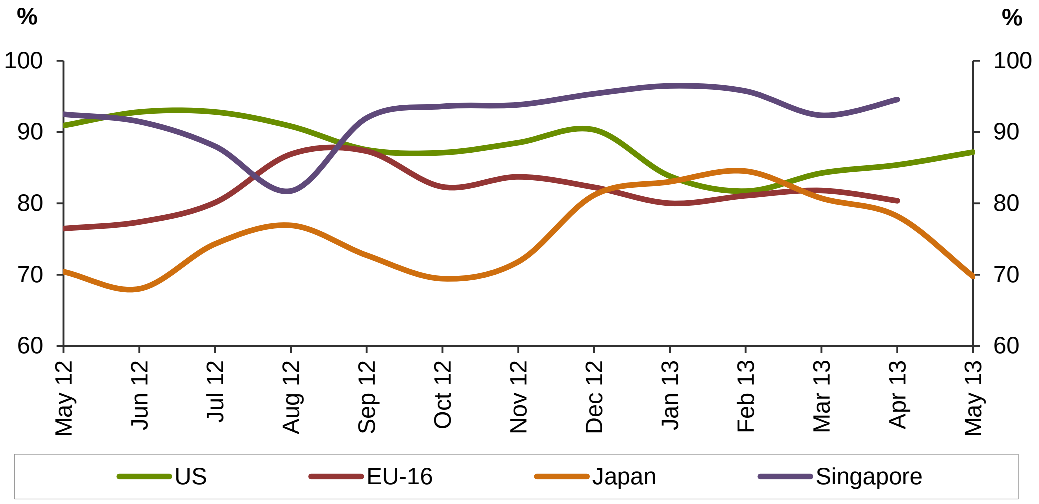
Refinery throughputs continued to hold at moderate levels, due to weak margins worldwide, despite the maintenance season ending in some regions. Refineries adjusted their throughput and operational modes to developments in demand and inventory levels.

The WTI margin fell during the last months, while gasoline inventories stood above average at the start of the driving season. This situation encouraged refiners to keep utilization rates at moderate levels in order to reduce inventories and improve margins. Gasoline demand started to increase mid-month and as inventories stopped falling, refiners started to increase output, to average 87% of capacity in May, rising two percentage points (pp) over the previous month.

US refiners in PADD-1 and PADD-3 were running at high rates of above 90% with the start of the driving season, in contrast to PADD-2, where refinery runs remained lower due to some maintenance, causing a temporarily tight gasoline situation in the area.

Runs will remain high if demand holds — particularly if gasoline becomes a supportive factor, as it typically does during summer — otherwise refineries will cut runs again to protect margins.

Graph 6.2: Refinery utilization rates, 2012-13



Demand in the **European** market has been hit by the region's weak economic outlook, and increasing inflows into the region have kept the market well supplied, causing margins to remain low. In response, refiners have continued to **moderate throughputs,** and refinery utilization averaged around 80% in April, additionally affected by some turnarounds. Despite the end of the maintenance season, moderated throughput levels are expected to continue unless an uptick occurs in distillate demand during the driving season in the Atlantic Basin.

In **Asia**, several refineries are returning from their scheduled April and May maintenance. However, some refineries have moderated runs in response to declining refinery margins in the region. Chinese refineries have dropped runs to levels below 87% during the last months.

In Singapore, runs continued above 94%, while Japanese throughputs fell to 70% of capacity in May, due to weaker margins and lack of demand.

Gasoline cracks in the US recovered slightly with the start of the driving season

US market

US gasoline demand stood at around 8.7 mb/d in May, 230 tb/d higher than the previous month, but down by around 270 tb/d from the same month a year earlier.

The downward trend in gasoline cracks seen during April stopped and, despite rising inventories, saw some recovery.

Imports from Europe jumped in the middle of May because of a more favorable arbitrage window, although they dropped during the last days of the month. Higher volumes coming from Europe, along with higher refinery runs after a return from maintenance, continued exerting pressure on the market.

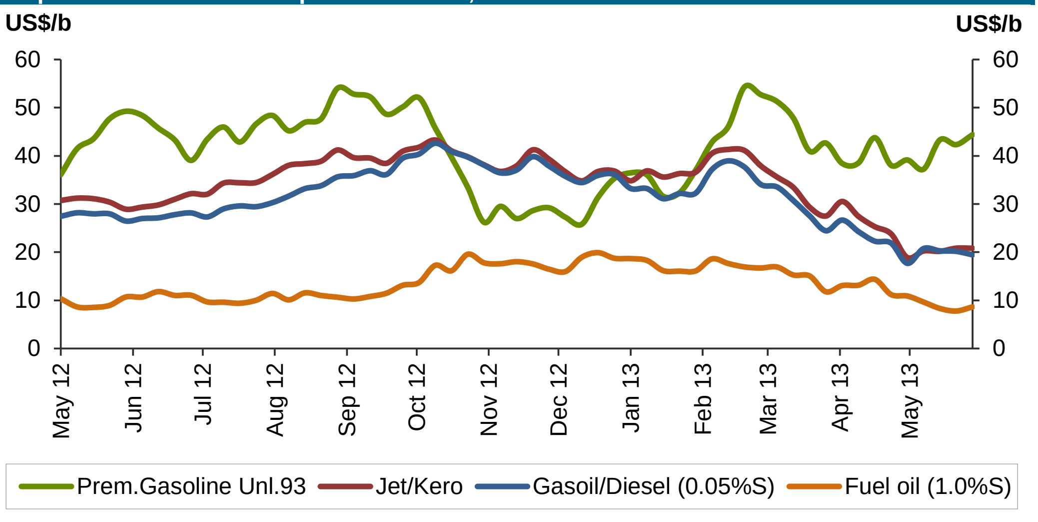
US gasoline inventories have been on the rise, especially in the Atlantic Coast (PADD-1) and USGC areas (PADD-3); however, the tightening environment generated by PADD-2 allowed the market to recover slightly.

This was partially due to some reduction in operating capacity related to maintenance, while low runs in PADD-2 pushed product stocks down, with gasoline stocks remaining below last year's level in this area. Besides lower runs, stocks also declined on the back of delays at the Explorer pipeline, which carries gasoline, diesel and jet fuel from the USGC to the Midwest.

The gasoline crack showed a slight rise of $1 in May to average $41/b.

On the other hand, although gasoline demand was lower in May on a weekly averaged basis over the same month last year, reflecting sluggish development, it has risen by over 200 tb/d in the last two weeks, suggesting the long-awaited start of the driving season may have finally arrived. If demand remains high, it could allow gasoline to become the supportive factor it has typically been during the summer season.

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



Middle distillate demand stood at around 3.8 mb/d in May, around 160 tb/d higher than the previous month and around 100 tb/d above the same month a year earlier.

Middle distillate cracks continued a downward trend over the last month due to a lack of demand and weaker export opportunities. Domestic demand, although recovering from the low levels seen in the first quarter of 2013 (1Q13), remained below 4 mb/d.

Production rose on the back of higher refining runs, and inventories continued to rise.

The middle of the barrel found some support from the demand side; the trucking sector index has been especially supportive, rising 4.3% year-on-year (y-o-y) in April, according to data from the American Trucking Association. However, a switch to natural gas in the trucking sector is slowly taking place, thus this sector will gradually switch from middle distillates to natural gas.

Additionally, exports from Latin America — primarily to Argentina, Chile, Colombia and Ecuador — continued to grow. This trend was offset, however, by weak import requirements from Europe.

On the other hand, Nymex heating oil futures continued with money managers becoming shorter, thus providing no support for the middle distillates market.

The USGC gasoil crack exhibited a sharp loss of $3 to stand at around $20/b in May.

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

The fuel oil crack averaged $9/b in May, losing more than $4 from the previous month.

European market

The gasoline market continues to be weak in Europe, but has received support from exports to the US

Product market fundamentals remained weak in Europe due to lacklustre domestic demand, despite the start of driving season. Middle distillates remained under pressure from increasing inflows in the region while gasoline continued to receive support from the USEC market.

The **gasoline crack** in Northwest Europe managed to continue its recovery during May, supported by strong export opportunities, mainly to the USEC and West Africa.

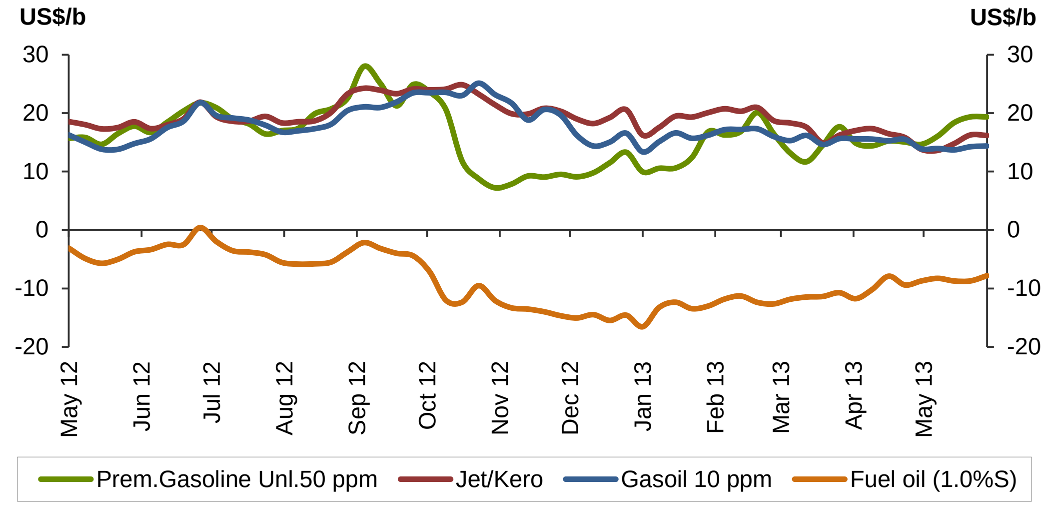
Memorial Day signaled the start of the summer driving season across the Atlantic basin, however the US market has been rather imbalanced due to higher imports in recent months. Nevertheless, exports from Europe to the USEC were sustained by a tightening gasoline market in PADD-2, which partially contained the ongoing increases in US gasoline inventories seen during last weeks.

The gasoline crack was up as export demand compensated for the relatively weak domestic market. Additionally, the market received support from increasing buyer interest in West Africa.

The gasoline crack spread against Brent crude gained $2.7 from an average of $14.8/b in April to reach around $17.5/b in May.

Weak demand and oversupply continued to dominate the Northwest European and Mediterranean naphtha markets. However, naphtha crack edged up marginally over the month, supported by added strength in the gasoline market, export opportunities to Asia and a force majeure on naphtha shipments from the Algerian Skikda Refinery.

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



The middle of the barrel continued losing ground due to increasing supplies, despite temporary signs of increasing demand in some countries.

The recent cold snap boosted dual-purpose kerosene demand in some countries. On the other hand, the bad weather has also been suppressing diesel demand, thus keeping sentiment generally bearish in the middle distillates market.

The Northwest Europe diesel crack continued its downward trend, despite some indications of an apparent recovery in demand with the driving season starting in some of the bigger markets such as Germany, the UK and France, fuelling hope at the end of the month that demand will pick up in line with seasonal patterns.

Supply outweighed demand in a poor market at the end of the refinery turnaround season, despite some refiners cutting back production in the face of weak margins. This action has been offset by increasing exports from the Former Soviet Union (FSU), thus reducing the need for shipments from USGC refineries.

The gasoil crack spread against Brent crude at Rotterdam lost around $1 to average $14/b in May.

At the bottom of the barrel, both fuel oil cracks — high sulphur fuel oil (HSFO) and low sulphur fuel oil (LSFO) — continued to rise on the back of Europe-to-Asia Pacific arbitrage.

Additionally, straight run fuel oil continued to be strong, with arbitrage to the US remaining supportive and some additional demand coming from the UK and the Mediterranean.

The Northwest European fuel oil crack spread against Brent gained $1 in May to stand at minus $9/b.

Asian market

Asian product cracks stop falling on emerging regional demand

The Asian market continued to be bearish, although cracks stopped falling on the back of increasing regional demand amid some supply limitations due to refinery outages in the region. This allowed product cracks to slightly rebound from their lows.

The **gasoline crack** stopped moving downward, slightly recovering in May on the back of firmer demand and tight supply, causing a stock draw in Singapore.

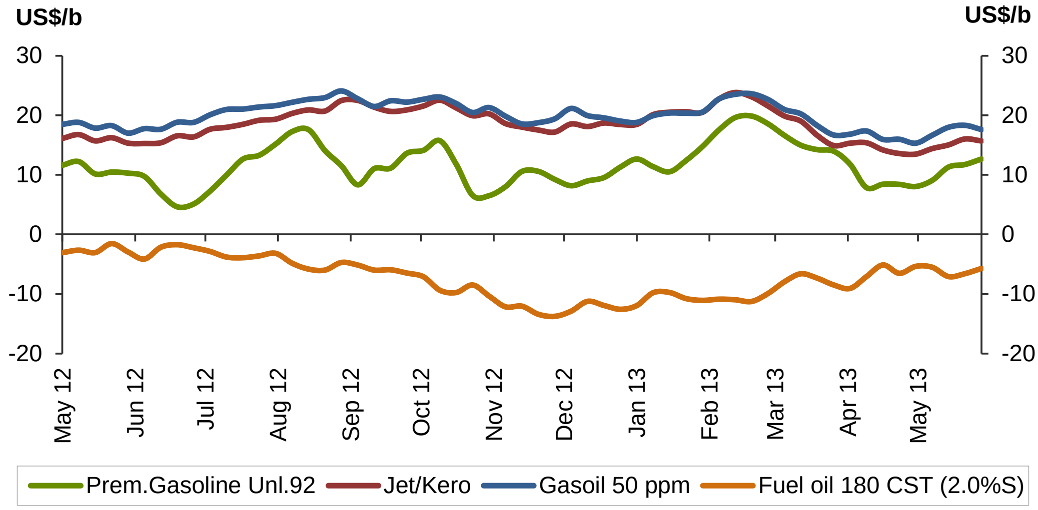
The Asian gasoline market was relatively balanced over the reporting week, with emerging demand from India, Sri Lanka and Indonesia countering the improving regional supply situation following maintenance season. Higher seasonal requirements from India supported the gasoline market, while several unscheduled refinery outages in recent weeks have boosted import requirements.

The gasoline crack spread against Dubai crude in Singapore recovered by $1 to average $10/b in May.

The Asian naphtha market continues its struggle to find positive supporting factors, with the prospect of growing supplies weighing heavily, although the weak naphtha crack stopped falling in May, due to the buying interest of some regional petrochemical players.

However, although demand remains stable to firm, naphtha supplies in Asia continue to be ample due to high inflows from the West, while a weaker outlook for Asian petrochemical demand added to concerns. One of the region´s key spot buyers, Formosa Petrochemical, lowered run rates at its three naphtha crackers in Taiwan.

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



At the **middle of the barrel**, the gasoil crack stopped falling in a relatively balanced market.

The supply side exerted pressure due to some continuing gasoil exports from China; although these are expected to fall soon. However exports from South Korea and Taiwan remained stable, as refineries returned from maintenance.

On the other hand, the arbitrage to Europe remained marginal, thus capping potential Asian diesel crack gains.

Supply side pressure eased temporarily, as exports from India dropped this month due to a seasonal peak in power consumption, amid shorter supply because of refinery disruption in the region.

Asian gasoil crack received some demand support from Vietnam, the Philippines and Sri Lanka, as well as from a decline of stocks in Singapore. Additional support came from stronger demand in the Middle East, where the requirement for gasoil rises in the summer to meet higher power consumption. This contributed to market balance and offset pressure from the supply side.

The gasoil crack spread in Singapore against Dubai remained around $16/b in May, a level similar to that of the previous month.

At the **bottom of the barrel**, fuel oil cracks continued strengthening mostly due to increasing demand from South Korea for power generation, after three more nuclear reactors were shut down in that country. Additional support came from the expectation of tightening supplies over the coming weeks due to lower arbitrage arrivals from the West, higher seasonal demand in the Mediterranean for fuel oil in the shipping and power sectors, and the beginning of the summer cooling season in the Middle East.

The fuel oil crack spread in Singapore against Dubai gained 20¢ to average minus $7/b in May.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			*Refinery utilization, %*		
	Apr 13	May 13	May/Apr	Apr 13	May 13	May/Apr
US	14.87	15.23	0.36	85.20	87.00	1.80
France	1.17	-	-	66.84	-	-
Germany	1.69	-	-	75.25	-	-
Italy	1.29	-	-	58.76	-	-
UK	1.31	-	-	74.35	-	-
Euro-16	10.07	-	-	80.35	-	-
Japan	3.50	3.12	-0.38	78.70	70.10	-8.60

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

Table 6.2: Refined product prices, US$/b

		Mar 13	Apr 13	May 13	*Change* May/Apr
US Gulf (Cargoes):					
Naphtha		124.84	102.15	98.81	-3.33
Premium gasoline	*(unleaded 93)*	139.46	131.65	136.02	4.38
Regular gasoline	*(unleaded 87)*	124.87	118.53	119.04	0.51
Jet/Kerosene		124.89	118.07	114.97	-3.10
Gasoil	*(0.05% S)*	122.42	115.15	114.64	-0.51
Fuel oil	*(1.0% S)*	102.44	98.17	97.88	-0.29
Fuel oil	*(3.0% S)*	95.79	91.49	91.10	-0.39
Rotterdam (Barges FoB):					
Naphtha		100.70	90.19	92.13	1.94
Premium gasoline	*(unleaded 10 ppm)*	107.77	102.83	105.74	2.91
Premium gasoline	*(unleaded 95)*	122.54	116.92	120.23	3.30
Jet/Kerosene		125.31	118.43	117.44	-0.98
Gasoil/Diesel	*(10 ppm)*	123.85	117.31	116.51	-0.79
Fuel oil	*(1.0% S)*	96.98	92.30	94.09	1.79
Fuel oil	*(3.5% S)*	95.40	92.19	92.26	0.07
Mediterranean					
Naphtha		97.71	86.06	88.18	2.11
Premium gasoline	*(50 ppm)*	125.94	121.22	122.69	1.48
Jet/Kerosene		119.87	111.68	111.26	-0.43
Gasoil/Diesel	*(50 ppm)*	107.43	100.29	100.48	0.20
Fuel oil	*(1.0% S)*	96.65	91.24	93.79	2.54
Fuel oil	*(3.5% S)*	94.53	91.18	91.19	0.01
Singapore (Cargoes):					
Naphtha		102.09	93.43	93.56	0.14
Premium gasoline	*(unleaded 95)*	124.00	113.95	114.40	0.45
Regular gasoline	*(unleaded 92)*	120.78	110.77	111.08	0.31
Jet/Kerosene		123.50	116.20	115.37	-0.83
Gasoil/Diesel	*(50 ppm)*	124.88	118.11	117.66	-0.45
Fuel oil	*(180 cst 2.0% S)*	99.53	96.42	95.87	-0.54
Fuel oil	*(380 cst 3.5% S)*	98.49	95.45	94.19	-1.26

Tanker Market

Growth came as a result of an increase in all fixtures, but more obviously in OPEC fixtures.

Global oil fixtures increased by 14% in May to stand at 19.88 mb/d over the previous month. This growth came as a result of an increase in all fixtures, but more obviously in **OPEC fixtures**, which increased by 10% over April to average 14.11 mb/d.

The increase in OPEC fixtures was driven by both westbound and eastbound fixtures, mainly due to the return of refineries from maintenance.

Preliminary data showed that **OPEC sailings** increased in May by 0.27 mb/d to average 23.91 mb/d. OPEC sailings were 1% lower than one year earlier.

North American arrivals increased by 2.4% in May to average 8.56 mb/d, as refineries get set for the summer driving season, according to preliminary estimated data.

European and Far Eastern arrivals declined in May by 1% and 2%, respectively, while West Asian arrivals increased by 4%.

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

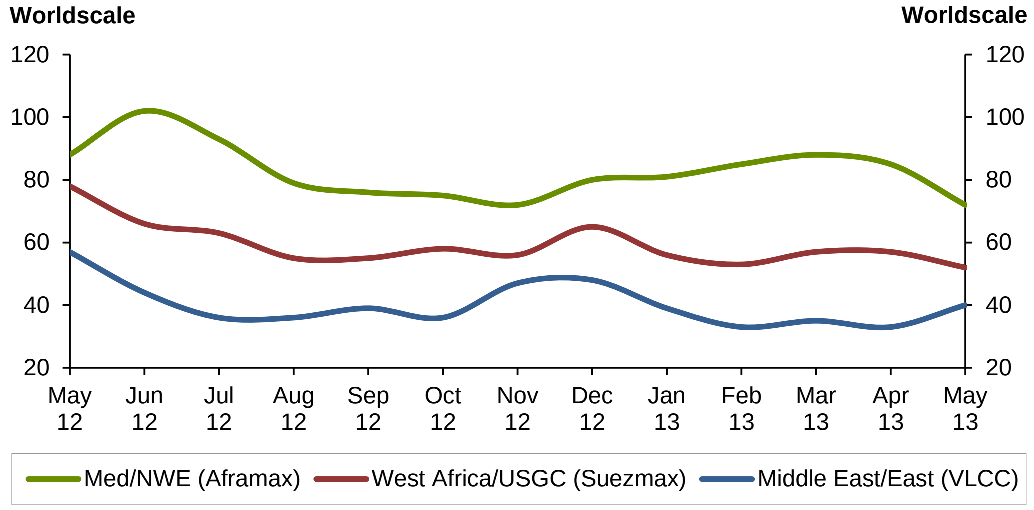
	Mar 13	Apr 13	May 13	*Change* May/Apr
Spot Chartering				
All areas	17.87	17.43	19.88	2.45
OPEC	12.81	12.80	14.11	1.31
Middle East/East	5.85	6.00	6.44	0.45
Middle East/West	2.69	2.39	2.71	0.32
Outside Middle East	4.27	4.41	4.96	0.55
Sailings				
OPEC	23.82	23.64	23.91	0.27
Middle East	17.46	17.31	17.58	0.27
Arrivals				
North America	8.70	8.36	8.56	0.20
Europe	12.44	12.26	12.11	-0.15
Far East	8.44	8.10	7.97	-0.14
West Asia	4.58	4.56	4.74	0.17

Source: Oil movements and Lloyd's marine intelligence unit.

Crude oil tanker market sentiment exhibited a mixed pattern in May compared to a month ago, while VLCC spot freight rates experienced a gain of 16% over the same period. Although the VLCC market as a whole saw positive performance in May on all reported routes, Middle East loading to eastern and western destinations was comparatively higher. Middle East-to-East rates were back to 40 WS points, a level not seen in the market over the past few months. The return in the East of refineries from maintenance in May led to an increase in activity and fixtures.

Suezmax and Aframax did not share the same rising trend. On the contrary, both segments saw a decline in freight rates from one month earlier by 6% and 3%, respectively. Clean spot freight rates also experienced declines on all reported routes without exception, being strongly influenced by the persistent tonnage oversupply, which continued to pressure long- and medium-range tanker spot freight rates, thus weakening the market.

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



VLCC rates improve with the end of refinery maintenance in Asia

VLCC spot freight rates increased on all reported routes in May from the previous month, with freight rates on Middle East-to-East and Middle East-to-West routes experiencing the largest gains of 21% and 20%, to stand at 40 WS and 24 WS points, respectively.

Spot freight rates registered on the West Africa-to-East route showed a lesser gain, increasing by 9% to average 38 WS points. This increase, which has been long-awaited by tanker owners, still remains below what they had hoped for. Nonetheless, it brought VLCC segment performance back into a corrective direction.

The general improvement seen on the VLCC market was registered mainly in the first and fourth weeks of May. Freight rate gains came as a result of higher activity in May, which is linked to the return from the refinery maintenance season in Asia. Additionally, total fixtures were found to be higher in number than one month earlier. Tanker supply remains generally more than sufficient; any lessening in vessel availability would be a payoff to the tanker market though, as it would have a direct effect on freight rates.

In May, the tonnage position list shortened as a result of the active market as well as an increase of vessels undertaking longer voyages and employing slow steaming practices. This leads to longer sailing times and therefore a reduction in the number of available vessels, as well as lower bunker consumption. Delays reported at Chinese ports were another factor that helped reduce tonnage availability. The gains achieved in the VLCC market would have been higher if charterers had not released their inquiries slowly and intermittently; a well-established tactic aimed at dampening any potential increase in freight rates.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	**Mar 13**	**Apr 13**	**May 13**	***Change*** **May/Apr**
Crude					
Middle East/East	230-280	35	33	40	7
Middle East/West	270-285	20	20	24	4
West Africa/East	260	36	35	38	3
West Africa/US Gulf Coast	130-135	57	57	52	-5
NW Europe/USEC-USGC	130-135	47	50	48	-2
Indonesia/US West Coast	80-85	72	71	69	-2
Caribbean/US East Coast	80-85	106	88	110	22
Mediterranean/Mediterranean	80-85	88	85	72	-13
Mediterranean/North-West Europe	80-85	88	83	66	-17

Source: Galbraith's tanker market report and Platts.

Suezmax freight rates did not follow VLCC freight rates in May; no spillover effect was detected in the market, despite the fact that May started with a fair amount of activity for Suezmax Middle East loading. This was not reflected in any freight rates, as no increase was registered and "last done" levels were often maintained.

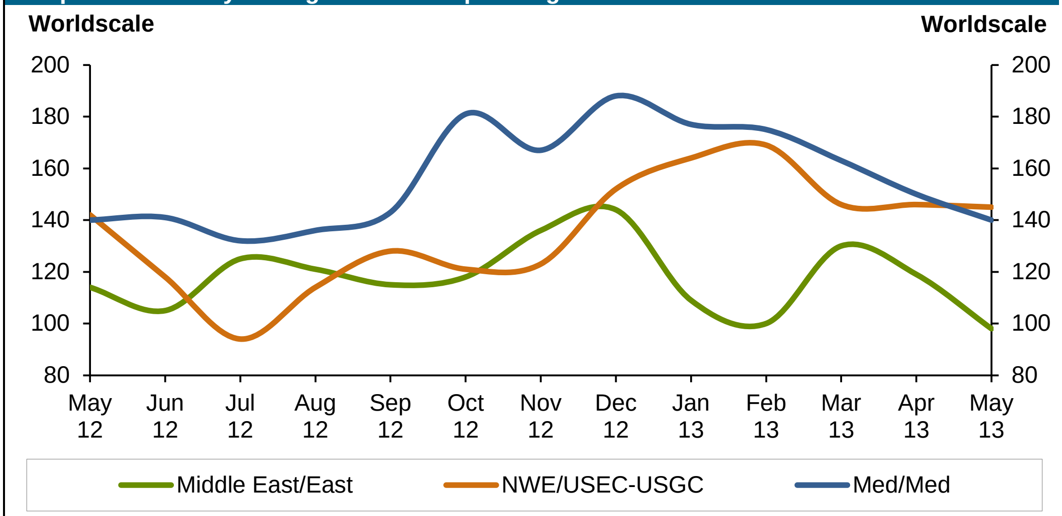
West Africa Suezmax loading did not see any improvement over last month, as market activity was slow and freight rates remained under pressure during the month, showing a lack of activity and no improvement, even for June fixtures. Consequentially, freight rates for tankers operating on the West Africa-to-US route fell by 9% to average WS52 points, while rates for operations on the Northwest Europe-to-US route saw less of a decline, dropping by 4% to average WS48 points.

Aframax freight rates were mixed in May; most reported routes showed a decline in freight rates from a month ago. The greatest decline was seen on the Mediterranean-to-Northwest Europe route, which suffered a loss of 20% from April to average WS66 points, while Mediterranean-to-Mediterranean rates declined by 15% to average WS72 points. The decline registered on the Indonesia-to-East route was lower at WS69 points, down by 3% from the previous month.

The decline seen on reported routes was mainly attributed to tanker oversupply, which weighed freight rates down even during active days with increased inquiries.

The only positive freight rate performance in the Aframax class was registered on the Caribbean-to-US route, where freight rates increased by 25% over April to stand at WS110 points. This increase came mainly as the result of a balanced market, as activity increased while vessel supply thinned, due to an increase in lightering activities in the area, as well as some delays in the US Gulf.

Graph 7.2: Monthly averages of clean spot freight rates



Clean tanker market sentiment was weak in May; the market was quiet the entire month, with no factor found to support rates. Clean spot freight rates declined on all reported routes, without exception.

East-of-Suez average clean spot freight rates dropped by 17% in May from the previous month, while West-of-Suez clean rates saw a smaller drop of 5%. The decline in both East and West clean spot freight rates came on the back of ample tonnage availability, low tonnage demand and slow market movement. In East of Suez, clean spot freight rates for tankers operating on both the Middle East-to-East and the Singapore-to-East routes showed a drop of 17% from a month ago, to average 98 and 130 WS points, respectively. In West of Suez, clean spot freight rates experienced a decline as well, however to a lesser degree than in the East.

Mediterranean-to-Mediterranean rates declined by 7%, and Mediterranean-to-Northwest Europe rates by 6%. Improved weather conditions that reduced delays in the Turkish straits and tonnage oversupply were partially behind the decline in rates.

Freight rates for tankers operating on the Northwest Europe-to-US route were almost flat from a month earlier, despite an increase in gasoline and naphtha cargoes to the US, as tonnage availability remained ample and absorbed any increase in activity, preventing rates from achieving any gains. Severe competition between medium-range tanker owners supported the rate decline in general, as even prompt replacements received numerous offers.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	Mar 13	Apr 13	May 13	*Change* May/Apr
Products					
Middle East/East	30-35	130	119	98	-21
Singapore/East	30-35	158	157	130	-27
NW Europe/USEC-USGC	33-37	146	146	145	-1
Mediterranean/Mediterranean	30-35	163	150	140	-10
Mediterranean/North-West Europe	30-35	173	160	150	-10

Source: Galbraith's tanker market report and Platts.

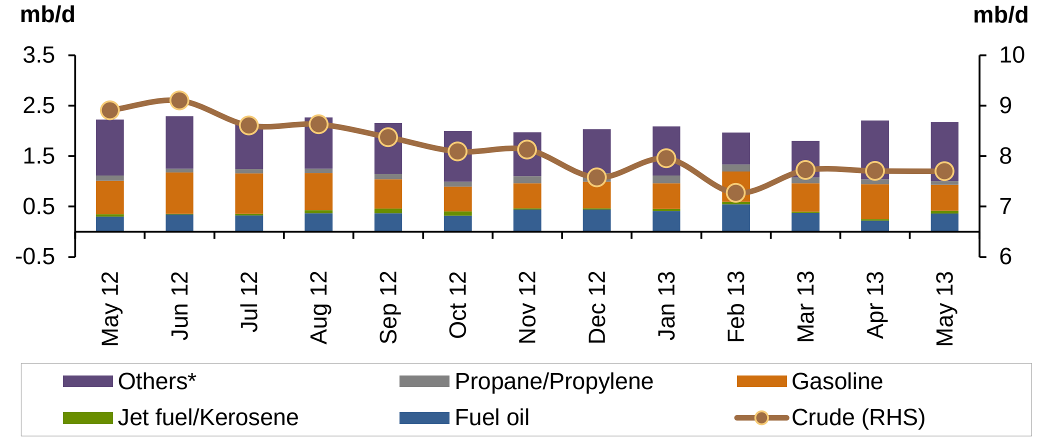
Oil Trade

US crude imports remained flat in May to average 7.7 mb/d

US

Preliminary data shows that US crude oil imports remain almost unchanged in May from the previous month, to average 7.7 mb/d. On an annual basis, this reflects a decline of 1.2 mb/d, or 14%, from a year earlier.

Graph 8.1: US imports of crude and petroleum products

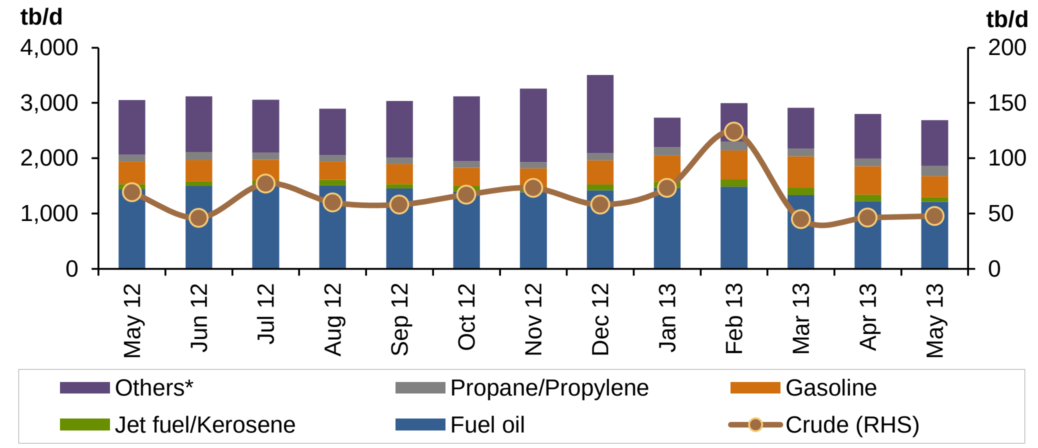


**Others: Contains natural gas liquids, liquefied refinery gases (LRG's), other liquids and all finished petroleum products except gasoline, jet fuel/kerosene, fuel oil and propane/propylene.*

US product imports dropped by 82 tb/d, or 3.7%, to average 2.2 mb/d on m-o-m, while y-o-y they dropped by 46 tb/d or 2%. On a year-to-date comparison, both crude and product imports were lower by 12% and 1%, respectively.

In May, US product exports registered a decline by 112 tb/d, or 4%, to average 2.7 mb/d from the previous month. On an annual comparison, the figures reflect a greater drop of 390 tb/d or 12%. As a result, **total US net imports declined in May to average 7.1 mb/d,** close to the previous month's level, however 11% less than last year.

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.*

In March, the top first and second supplier to the US maintained the same order as seen last month. Canada remained the premier crude supplier to the US, accounting for 34% of total US crude imports. However, in terms of volume, imports from Canada were lower by 297 tb/d, or 11%, from a month earlier. Saudi Arabia, the second largest supplier to the US, maintained its position with an increase of 256 tb/d, or 25%, over the previous month. Venezuela also increased its crude exports to the US from a month ago to come in third with a share of 10% of total US imports.

Crude imports from OPEC Member Countries increased in March, accounting for 48% of total US crude imports.

On the other hand, US product imports from OPEC Member Countries declined by 2% from last month. As to the product supplier share, Canada and Russia maintained their position as first and second supplier to the US. Nevertheless, in March Canada's share of US product imports decreased by 20% while Russia's product exports to the US increased by 9% from levels seen a month ago. The Netherlands' product exports to the US were stable from a month earlier with a share of 6%.

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

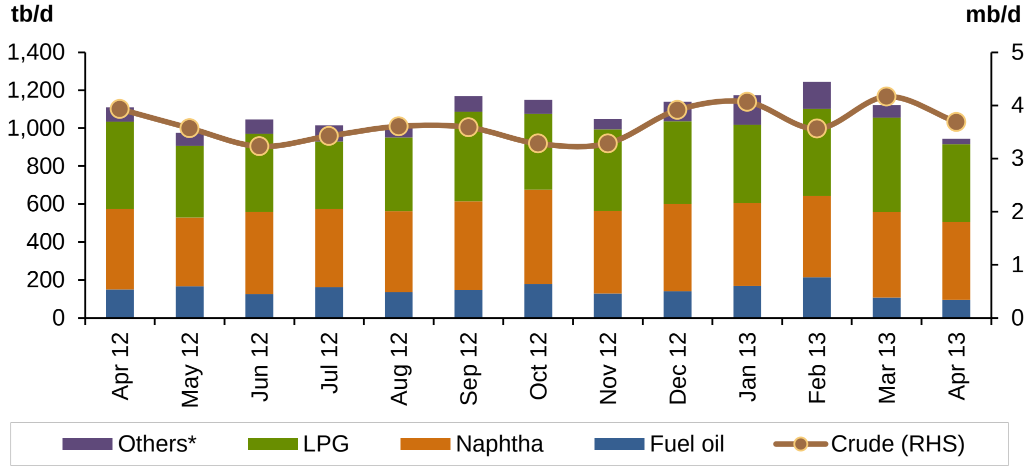
	Mar 13	Apr 13	May 13	*Change* May/Apr
Crude oil	7,676	7,659	7,652	-7
Total products	-1,154	-587	-558	29
Total crude and products	**6,522**	**7,072**	**7,094**	**22**

Japan

Japan crude imports in April dropped by around 480 tb/d to average 3.7 mb/d

Japan crude oil imports saw a large decline in April by around 480 tb/d or 11% to average 3.7 mb/d. This decline was a fallback after the increase in March. On a y-o-y comparison, crude imports saw a decline from last year as they dropped by 243 tb/d or 6%.

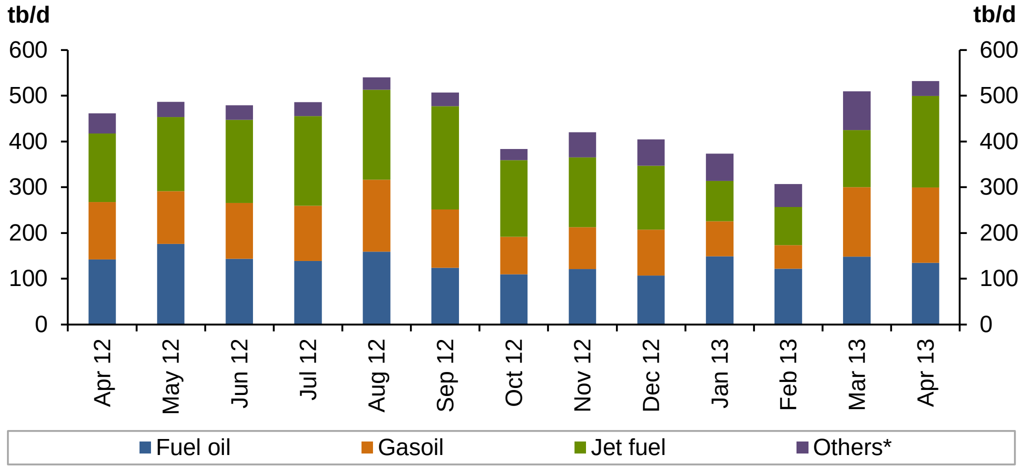
Graph 8.3: Japan's imports of crude and petroleum products



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

As in the previous month, Saudi Arabia was the top crude supplier to Japan in April, with a share of 32% of total crude imports. The UAE came in second with a share of 20% and Qatar held the third position with a share of 13%. While Saudi Arabia increased its exports to Japan in April by 3%, the UAE and Qatar saw a drop in export volumes to Japan from the previous month of 8% and 7%, respectively.

Graph 8.4: Japan's exports of petroleum products



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

Product imports also decreased in April by 87 tb/d to average 535 tb/d, reflecting a drop of 14% m-o-m and 17% y-o-y. The monthly product imports are considered to be the lowest since May 2011.

Japan's product exports increased by 21 tb/d, or 4%, to average 525 tb/d. On a y-o-y comparison, the gain is equal to 70 tb/d or 15%. Product imports in April were the highest in eight months. Accordingly, **Japan's net imports dropped in April by 585 tb/d to average 3.7 mb/d, the lowest level since November 2012**, reflecting a monthly and annual decline of 14% and 10%, respectively.

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

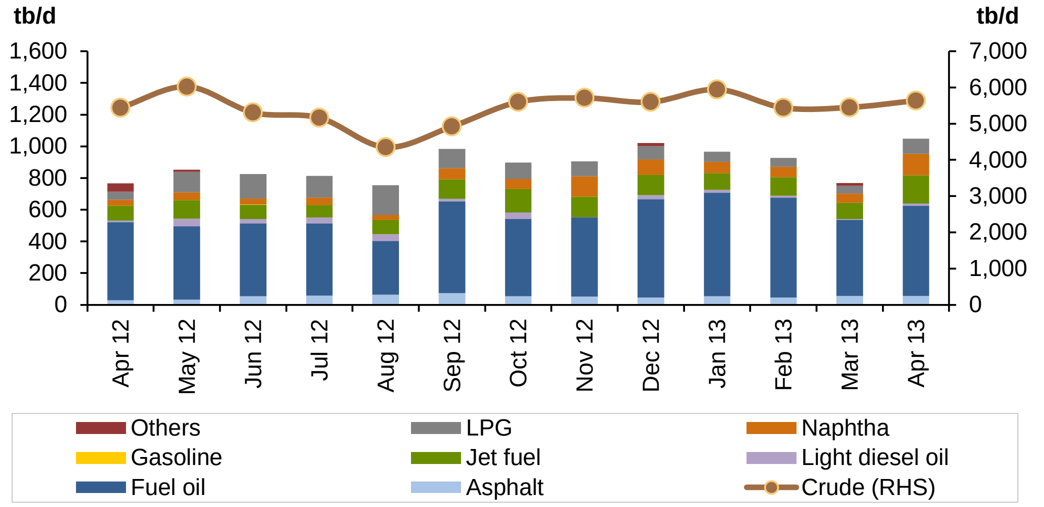
	Feb 13	Mar 13	Apr 13	*Change* Apr/Mar
Crude oil	3,561	4,165	3,688	-477
Total products	482	118	10	-108
Total crude and products	**4,043**	**4,283**	**3,698**	**-585**

China

China's crude imports rose in April by 189 tb/d to average 5.6 mb/d

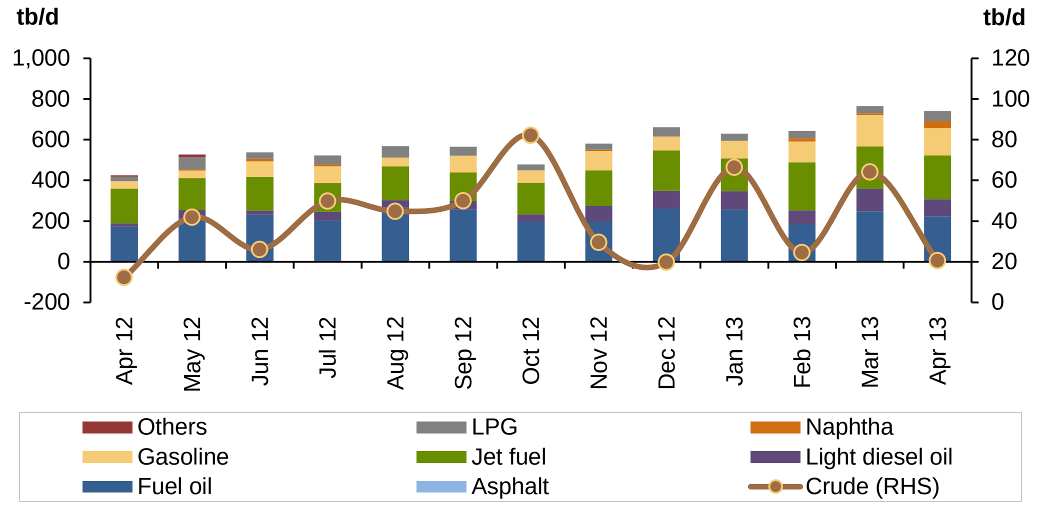
China's crude oil imports increased in April by 189 tb/d, or 3.5%, from the previous month, to average 5.6 mb/d, despite lower refining levels. On an annual comparison, China's crude imports increased by 199 tb/d, up by 4%. On a year-to-date basis, the figures were stable from the same period a year ago. In terms of supplier share, Saudi Arabia, Angola and Iraq were the top suppliers to China accounting for 22%,16% and 6%, respectively. While Saudi Arabia and Angola increased their exported volumes to China from the previous month, Iraq's volumes were down by 145 tb/d, or 31%.

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



Product imports were the highest this year so far, increasing by 220 tb/d, or 29%, from last month to average 988 tb/d. This came mainly as a result of increased imported volumes of fuel oil, jet fuel and naphtha. Fuel oil saw the highest rise in product imports, rising by 90 tb/d from a month ago, as a result of a surge in bunker fuel usage.

Graph 8.6: China's exports of crude and products



China crude exports declined in April by 44 tb/d to average 20 tb/d, to return to the February level following a surge in March.

In contrast, China's product exports saw an increase of 27 tb/d, or 4%, m-o-m and 257 tb/d, or 61%, y-o-y. As a result, **China's net oil imports in April increased by 425 tb/d, or 8%, from the previous month** but increased by 266 tb/d, or 61%, from a year earlier.

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

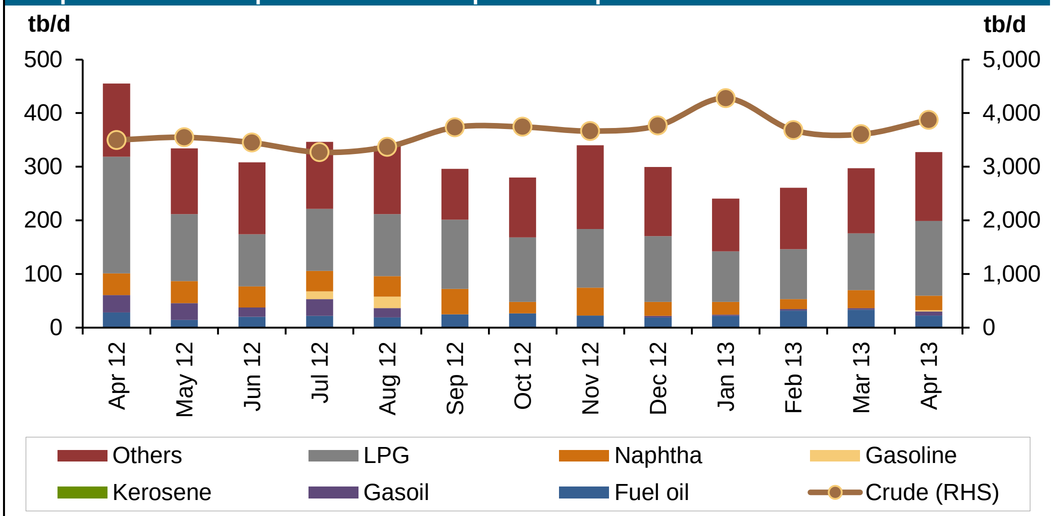
	Feb 13	Mar 13	Apr 13	*Change* Apr/Mar
Crude oil	5,416	5,386	5,618	232
Total products	322	117	309	192
Total crude and products	**5,738**	**5,503**	**5,927**	**425**

India

India's crude imports rose by 269 tb/d in April

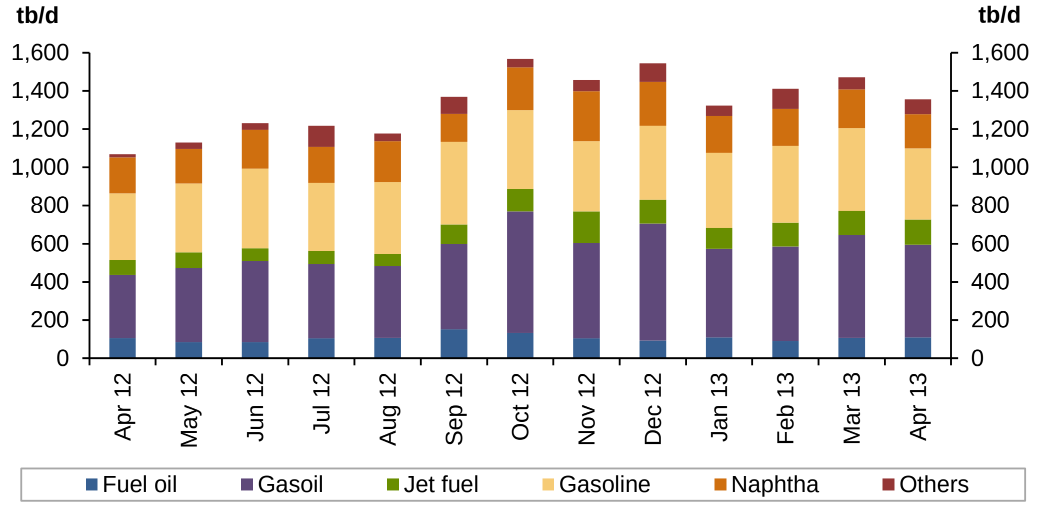
In April, India's crude imports rose by 269 tb/d, or 7.5%, from the previous month to average 3.9 mb/d. India's crude imports were the highest since January 2013. Crude imports reflect an annual increase of 235 tb/d or 6.4%.

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



On the product side, India's imports saw an increase on a monthly basis by 30 tb/d, or 10%, to average 327 tb/d, while y-o-y imports declined by 56 tb/d or 15%. At the same time, India's product sales were 3% higher in April. The gain seen in product imports came mainly as a result of increased import volumes of LPG, which increased by 31% from previous month. While fuel oil imports declined by 34%, no kerosene imports were registered in April.

Graph 8.8: India's exports of petroleum products



In terms of exports, India's product exports declined in April by 116 tb/d, or 8%, to average 1.3 mb/d. On a y-o-y basis, product exports saw a greater decline, as they dropped by 287 tb/d or 27%. The decline in product exports has been registered on all products with the exception of jet fuel and fuel oil, which saw a slight gain in exports from last month by 3% and 1%, respectively. Consequently, **India net imports increased by 415 tb/d to average 2.8 mb/d, reflecting a gain of 17% m-o-m** but a decline of 4% from last year.

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

	Feb 13	Mar 13	Apr 13	*Change Apr/Mar*
Crude oil	3,681	3,606	3,875	269
Total products	-1,150	-1,174	-1,028	146
Total crude and products	**2,530**	**2,432**	**2,847**	**415**

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

FSU

Total crude oil exports from the Former Soviet Union (FSU) increased by 482 tb/d or 7% in April to average 6.9 mb/d. This is close to the high level seen for the same month a year earlier. The increase came mainly as crude exports through Russian pipelines increased by 266 tb/d, or 6%, to average 4.4 mb/d.

Shipments of Black Sea, Druzhba and Kozmino crudes all dropped by 7%, 2% and 3%, respectively, from previous month. The main increase was seen in the Baltic which gained 348 tb/d, or 22%, from the previous month to average 1.9 mb/d. Exports through the Russian and Kazakh railway system both dropped 12 tb/d each from last month. Loadings from BTC saw a significant increase of 111 tb/d, or 20%, to average 678 tb/d. CPC blend gained 214 tb/d, or 2%, to average 694 tb/d, while Varandey increased by 21tb/d or 20%.

Total FSU product exports increased by 273 tb/d, or 9%, from March to average 3.2 mb/d. This increase in product exports came on the back of more exported quantities seen on fuel oil, VGO and naphtha, which increased from last month's levels by 64%, 34% and 18%, respectively. In contrast, gasoil exports registered a drop of 156 tb/d, or 15%, from last month.

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

	2011	2012	3Q12	4Q12	1Q13	Mar 12	Apr 12*
Crude							
Russian pipeline							
Black Sea	918	858	932	774	769	810	751
Baltic	1,511	1,747	1,611	1,665	1,574	1,611	1,959
Druzhba	1,170	1,079	1,006	980	991	1,005	982
Kozmino	309	331	315	380	438	432	421
Total	**4,224**	**4,322**	**4,174**	**4,100**	**4,086**	**4,164**	**4,430**
Other routes							
Russian rail	173	107	87	195	196	229	217
Russian-Far East	283	258	249	242	243	249	264
Kazakh rail	158	97	78	165	183	220	208
Vadandey	82	66	57	104	103	101	122
Kaliningrad	23	20	22	17	18	11	20
CPC	685	656	654	614	672	680	694
BTC	695	654	638	590	601	567	678
Kenkiyak-Alashankou	222	210	213	252	240	237	241
Caspian	170	173	198	166	189	155	210
Total crude exports	**6,558**	**6,466**	**6,292**	**6,280**	**6,349**	**6,394**	**6,876**
Products							
Gasoline	162	130	113	124	141	143	115
Naphtha	259	313	307	345	339	280	376
Jet	10	9	12	10	14	24	19
Gasoil	773	791	734	787	977	1,013	857
Fuel oil	1,305	1,416	1,415	1,314	1,339	1,279	1,515
VGO	211	250	281	234	219	197	324
Total	**2,721**	**2,909**	**2,863**	**2,814**	**3,028**	**2,934**	**3,207**
Total oil exports	**9,279**	**9,375**	**9,154**	**9,095**	**9,377**	**9,328**	**10,083**

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

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

Stock Movements

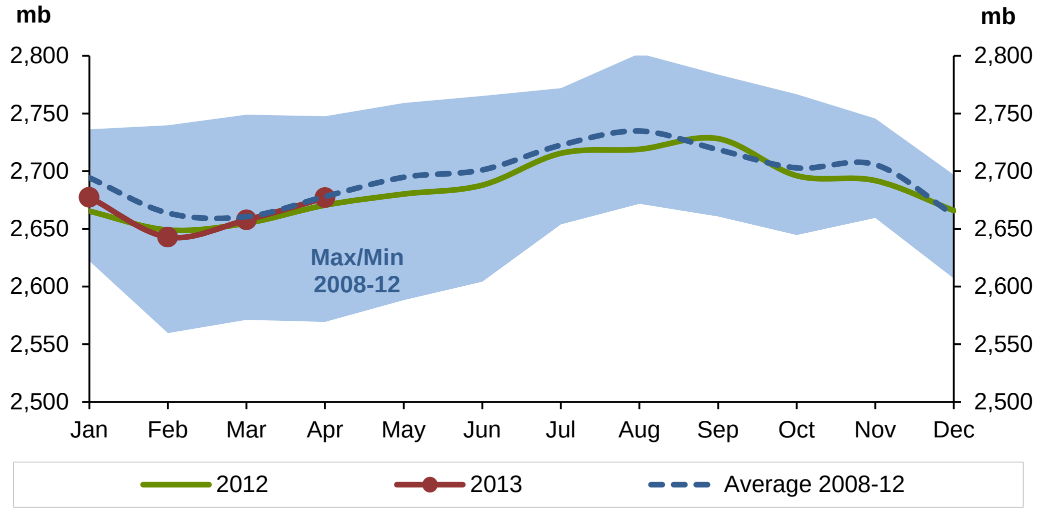
Preliminary data for April shows OECD commercial oil stocks rose by 19.2 mb for the second consecutive month

OECD

Preliminary data for April shows **total OECD commercial oil stocks** rising by 19.2 mb for the second consecutive month, ending the month at 2,677 mb. At this level, inventories were in line with the five-year average, but showed a surplus of 6.4 mb compared to the same time a year ago. Within the components, crude and products increased by 9.2 mb and 10.0 mb, respectively.

At 1,308 mb, **OECD crude commercial stocks** stood at a comfortable level, with a surplus of 17.9 mb over the five-year average and 3.7 mb above the same time a year earlier. In contrast, **product stocks** ended the month of April at 1,369 mb, remaining tight and showing a deficit of 19.0 mb with the seasonal average. However, they started to improve compared with the previous year as they indicated a surplus of 2.8 mb. The three regions within the OECD saw a build in April, with the bulk of the increase coming from OECD America stocks which rose by 12.5 mb, followed by a 5.4 mb build in Europe and a 1.3 mb build in OECD Asia-Pacific.

Graph 9.1: OECD's commercial oil stocks



OECD Americas' inventories rose by 12.5 mb, reversing the drop of the last two months to end April at 1,353 mb. With this build, inventories widened the surplus over the same time last year to 25.2 mb from 11.0 mb a month earlier. In addition, they are nearly 50.0 mb higher than the seasonal norm. This surplus was mainly driven by **crude stocks**, which stood at 15.9 mb above a year ago and nearly 41 mb above the five-year average. US crude oil inventories continued to climb since the beginning of this year, reaching a 30-year high and ending the month at around 395 mb. This comfortable level of US crude commercial stocks came mainly on a continued increase in US domestic production averaging 7.3 mb. Higher crude oil imports, especially in the last week of the month, also contributed to this build.

Total **product stocks** in April saw a build of 9.1 mb, reversing the drop of the last three months and ending April at 666.0 mb. At this level, OECD America's product inventories indicated a surplus of 9.3 mb with a year ago and 8.8 mb with the seasonal average. However, within products some tightness came mainly from middle distillates, which were reduced due to the increase in exports to Latin America. At the end of April, middle distillates were still 20 mb below the seasonal norm, while gasoline stocks started to improve, indicating a minor surplus of 2.0 mb.

OECD Europe's inventories reversed the downward trend of the last two months and increased by 5.4 mb, ending the month of April at 902 mb. Despite this build, OECD Europe's inventories are still indicating a deficit of nearly 70 mb with the five-year average and stood around 35.7 mb lower than at the same period the year before. The deficit with the seasonal average is attributed to both crude and products, which were down by 33.2 mb and 37.6 mb, respectively. The shortage with the previous year was divided between crude and products, showing a deficit of around 18 mb each.

Commercial inventories in **OECD Asia-Pacific** rose slightly by 1.3 mb in April, following a significant build of 26.2 mb in March to end the month at 421 mb. At this level, they were 16.9 mb above levels during the same period a year ago and stood 20.2 mb higher than the last five-year average. Both crude and products saw a build of 0.5 mb and 0.8 mb, respectively. Lower Japanese crude runs contributed to the build in Asia-Pacific crude inventories, which stood at 6.5 mb above a year ago and 10.4 mb higher than the seasonal average. On the product side, OECD Asia-Pacific total product inventories started to improve, indicating a gain of 10.4 mb over a year ago and 9.7 mb with the last five-year average.

In term of **days of forward cover**, OECD commercial stocks remained unchanged in April to stand at 59.1 days. At this level, inventories were around 1 day above the same period last year and 1.1 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 April, reflecting the weakness of demand in this region.

Table 9.1: OECD commercial stocks, mb

	Feb 13	Mar 13	Apr 13	Change Apr 13/Mar 13	Apr 12
Crude oil	1,264	1,299	1,308	9.2	1,304
Products	1,379	1,359	1,369	10.0	1,366
Total	**2,643**	**2,658**	**2,677**	**19.2**	**2,671**
Days of forward cover	**58.9**	**59.0**	**59.1**	**0.0**	**58.1**

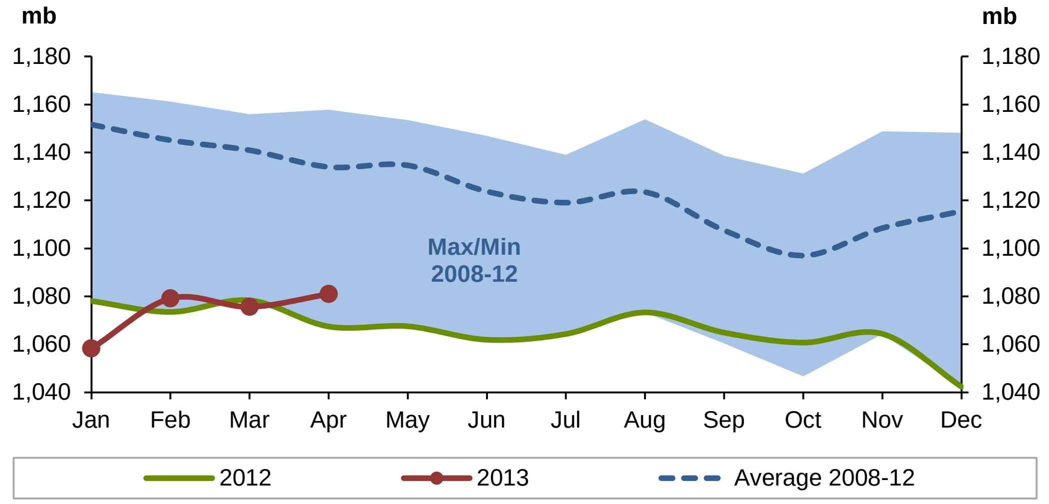
EU plus Norway

Preliminary data for April shows European stocks reversed last month's drop and increased by 5.3 mb

Preliminary data for April shows that **European stocks** reversed the fall of last month and increased by 5.3 mb to stand at 1,081.0 mb, which is the highest level since August 2011. With this build, stocks ended the month 13.5 mb, or 1.3%, above the same time last year, but are still 37.7 mb, or 3.4%, below the five-year average. The total stock-draw came mainly from crude as products remained almost unchanged.

European crude inventories rose in April ending the month at 458.1 mb. This represents a surplus of 10.4 mb, or 2.3%, above the year before, but is still 15.9 mb, or 3.3%, below the latest five-year average. The increase in crude oil stocks came on lower crude runs reflecting refinery maintenance. At 10.1 mb/d, crude throughput fell by 180,000 b/d from the previous month, also 280,000 b/d lower than the same time a year ago. In April, European refiners cut average utilization rates to 80%.

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



Product stocks in Europe remained almost unchanged in April ending the month at 622.9 mb. This level represented a surplus of 3.1 mb, or 0.5%, over the same period last year. They remained some 21.8 mb, or 3.4%, below the five-year average. Within products, and with the exception of gasoline, all other products witnessed draws.

Gasoline stocks rose by 3.2 mb in April after being almost flat in March to stand at 117.6 mb. With this build, they widened the surplus with a year ago to 8.4% from 6.6% a month earlier. This build also helped to switch the deficit with the five-year average incurred last month to a surplus of 0.7%. Weak demand combined with a contango structure of the forward gasoline market contributed to the increase in gasoline stocks; however, low refinery throughputs limited a further build.

Distillate stocks fell by 1.9 mb for the second consecutive month to end April at 392.3 mb. Despite this fall, they are at 10.4 mb, or 2.7%, lower than a year ago and 5.9 mb, or 1.5%, below the seasonal average. The stock draw reflected mainly lower refinery output as continued weak gasoline demand, combined with higher imports from Russia, limited further stock draws in distillate inventories.

Residual fuel oil stocks dropped by 0.4 mb for the second consecutive month ending April at 84.8 mb. With this drop, they were 7.3 mb, or 7.8%, lower than the year before and 22.4 mb, or 20.9%, below the seasonal average. The fall in residual fuel oil stocks came on the back of higher exports to Asia-Pacific, driven by strong demand for bunker fuel. Naphtha stocks also fell by 0.9 mb to end April at 28.2 mb, and stood 13.6 mb, or 33%, below the same period last year and 6.1 mb, or 17.8%, lower than the five-year average.

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

	Feb 13	Mar 13	Apr 13	Change Apr 13/Mar 13	Apr 12
Crude oil	**455.6**	**452.8**	**458.1**	**5.3**	**447.6**
Gasoline	114.5	114.4	117.6	3.2	108.5
Naphtha	28.2	29.0	28.2	-0.9	41.8
Middle distillates	394.9	394.1	392.3	-1.9	381.9
Fuel oils	86.0	85.2	84.8	-0.4	87.6
Total products	623.5	622.8	622.9	0.1	619.8
Total	**1,079.1**	**1,075.6**	**1,081.0**	**5.3**	**1,067.4**

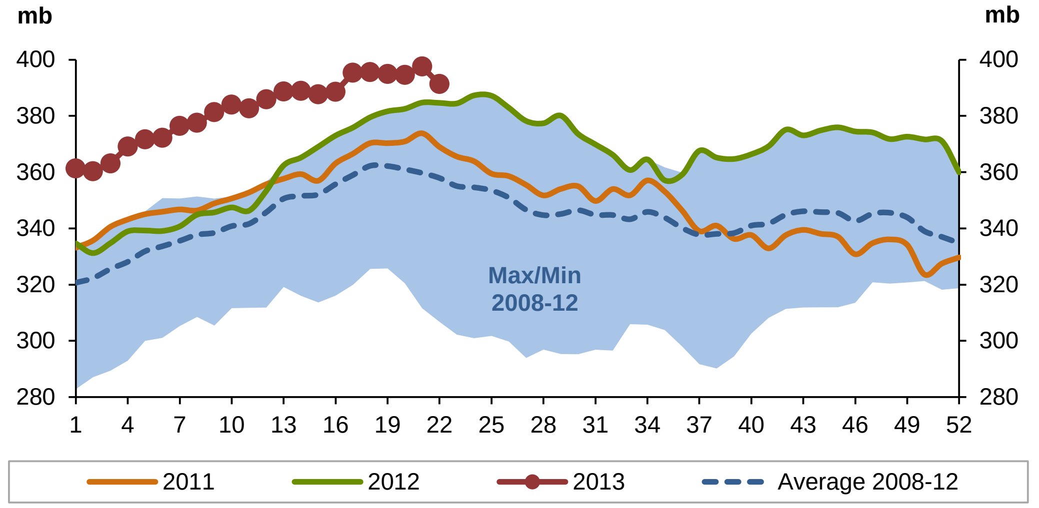
Source: Argus and Euroilstock.

US

Preliminary data for May shows that US total commercial oil stocks rose by 15.5 mb, for the third consecutive month

Preliminary data for May shows that **US total commercial oil stocks** rose by 15.5 mb, for the third consecutive month to stand at 1,115.1 mb. With this build, inventories stood at 17.5 mb or 1.6% above last year at the same time and indicate a gain of 45.0 mb or 4.2% over the five-year average. The stock-build was attributed to products, which increased by 19.7 mb, while crude abated this build, declining by 4.2 mb.

Graph 9.3: US weekly commercial crude oil stocks



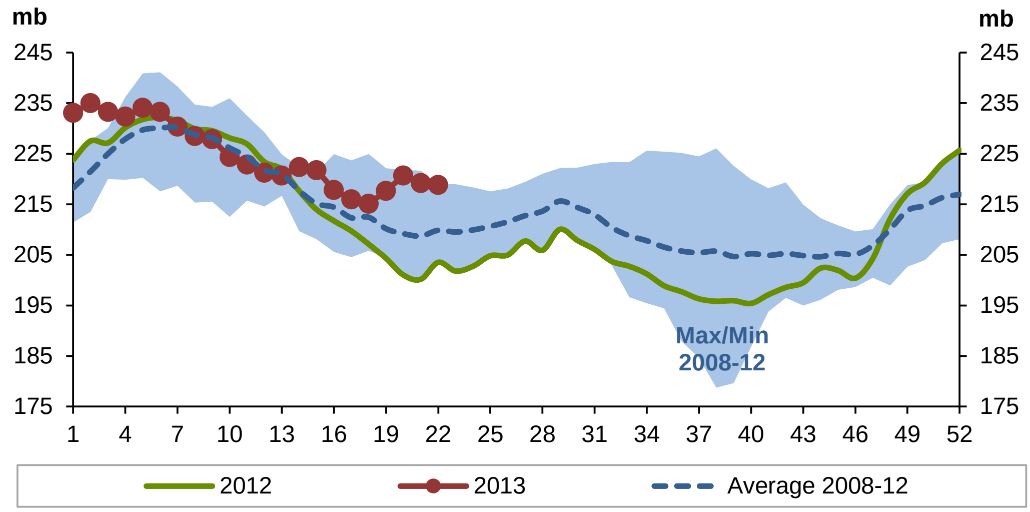
US commercial crude stocks dropped in May, but remained well above the five-year average

US commercial crude stocks reversed the build of the last three months and fell by 4.2 mb in May to end the month at 391.3 mb. Despite this drop, US crude oil commercial stocks finished the month at 5.6 mb or 1.5% above a year ago and 35.9 mb or 10.1% higher than the five-year average.

The total of the stock draw in US crude came during the week ending 31 May, driven by the fall in **crude oil imports** over the previous week, which declined by more than 500,000 b/d to average 7.3 mb/d. Over the whole month of May, crude oil imports averaged 7.7 mb/d, almost unchanged from the previous month, but were 1.2 mb/d below the same period last year. Increased refinery inputs in May have also contributed to the drop in crude oil stocks. Indeed, US crude oil **refinery inputs** rose by almost 390,000 b/d to average 15.2 mb/d, around 100,000 b/d higher than in the same period last year. In May, US refineries operated at around 87.5%, which was 0.3 percentage points (pp) higher than in April, but still 1.6 pp less than last year at the same time. It should be highlighted that during the week ending 31 May, US crude production exceeded imports for the first time since early 1997 as rising output from shale plays cut the country's dependence on foreign oil. Imports of crude dipped to 7.268 mb/d, while crude oil production rose slightly to 7.300 mb/d.

In contrast to the decline in national crude oil stocks, inventories in **Cushing** rose by of 0.9 mb in May from the previous month, however, during the week ending 31 May, stocks in Cushing declined by 0.5 mb from the previous week to stand at 50.0 mb reflecting the increased flows from Seaway which helped to draw down inventories in Cushing.

Graph 9.4: US weekly gasoline stocks



Product stocks in the US rose in May, increasing their surplus with the five-year average

Total product stocks saw a build in May, reversing the drop of the last four months, and ended the month at 723.8 mb. With this build, product inventories switched the deficit with a year ago a month earlier, to a surplus of 11.9 mb or 1.7%. Compared to the seasonal average, product stocks stood at 8.8 mb or 12% above the five-year average. With the exception of jet and residual fuel oil, all other products saw a build, with the bulk of the increase coming from unfinished products, distillates and gasoline.

Gasoline stocks rose by 3.7 mb reversing the drop of the last three months and ending May at 218.8 mb. With this build, gasoline stocks stood at 13.5 mb or 6.6% above a year ago, and 9.3 mb or 4.5% higher than the seasonal average. The build in gasoline stocks was driven mainly by higher gasoline production, which increased by more than 280,000 b/d to average 9.1 mb/d. However, higher demand limited a further build in gasoline stocks.

Distillate stocks rose by 5.7 mb, reversing the drop of the last five months and ending the month of May at 123.3 mb. This build has helped distillate stocks to switch the deficit with a year ago during the previous month to a surplus of 1.6 mb or 1.3%. However, distillate stocks remained at 14.2 mb or 10.3% below the seasonal norm. Higher distillate output was behind the build in distillate stocks, as higher domestic demand abated a further build. Indeed, the four weekly averages of May show that distillate output rose by 350,000 b/d to average 4.7 mb/d.

Residual fuel oil stocks fell by 2.2 mb to finish the month of May at 37.0 mb. At this level, they were 3.9 mb or 11.9% higher than a year ago, but indicated a deficit of 1.8 mb or 4.7% over the seasonal norm. Jet fuel stocks also decreased by 1.2 mb in May to stand at 39.1 mb, and remain at 0.7 mb or 1.8% lower than the same month a year ago, and 3.0 mb or 7.1% below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

	Mar 13	Apr 13	May 13	Change May 13/Apr 13	May 12
Crude oil	392.1	395.5	391.3	-4.2	385.6
Gasoline	224.9	215.1	218.8	3.7	205.3
Distillate fuel	118.6	117.6	123.3	5.7	121.7
Residual fuel oil	36.9	39.2	37.0	-2.2	33.0
Jet fuel	39.9	40.3	39.1	-1.2	39.8
Total	**1,097.2**	**1,099.7**	**1,115.1**	**15.5**	**1,097.6**
SPR	696.0	696.0	696.0	0.0	696.0

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

Japan

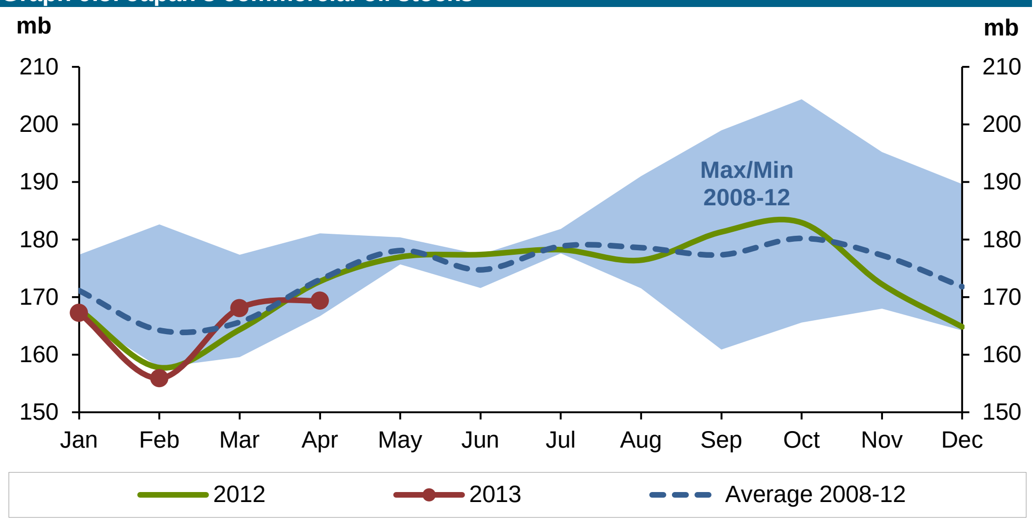
April data indicates total commercial oil stocks in Japan rose by 1.3 mb, following a 12.2 mb drop in March

In April, total **commercial oil stocks** in Japan rose by 1.3 mb following a 12.2 mb drop in March and ending the month at 169.4 mb. As this level, they are 3.3 mb, or 1.9%, below the same period a year ago, and are 3.7 mb, or 2.1%, higher than the last five-year average. Both crude and products saw a build as they increased by 0.5 mb and 0.8 mb, respectively.

Japanese commercial crude oil stocks saw a build of 0.5 mb in April for the second consecutive month to stand at 99.1 mb. Despite this build, they are still 4.4 mb below a year ago at the same time and 2.8 mb below the five-year average.

The build in crude oil stocks was driven by the decline in crude throughput, which fell by around 106,000 b/d, or 3.0%, averaging 3.5 mb/d. At this level, they are 1.6% lower than levels in April 2012. Japan's refiners were running at 77.6%, around 2.4 pp lower than in the previous month and 1.2 pp less than the same period last year. Lower crude oil imports limited a further build in crude oil stocks. In fact, crude oil imports decreased by around 480,000 b/d, or 11.4%, in April from the previous month, to average 3.7 mb/d. At this level, they are 6.2% below the same time a year ago. Direct crude burning in power plants rose by 5.1% to end April at around 194,560 b/d, but is down by almost 40% from the same period last year.

Graph 9.5: Japan's commercial oil stocks



On the product side, **Japan's total product inventories** saw a build of 0.8 mb, reversing the fall of last month and ending April at 70.3 mb. At this level, they indicated a surplus of 1.1 mb, or 1.6%, over a year ago, but they are still 0.9 mb, or 1.2%, lower than the five-year average. The decline of 10.3% in Japanese oil product sales was behind the increase in product stocks. However, the fall of 5.1% in refinery output from a month earlier, limited a further build. Within products, the picture was mixed, with gasoline and distillates seeing an increase, while naphtha and residual fuel oil stocks witnessed draws.

Distillate stocks also rose by 1.4 mb, ending the month of April at 29.6 mb, which is the highest level since November 2012. At this level, they are 2.3 mb, or 8.6%, higher than a year ago and 1.9 mb, or 7.0%, above the seasonal average.

Within distillate components, all the products went up, with **gasoil** rising the most by 16.3%. This build was driven by higher output, which increased by 2.7%, combined with a decline of 10% in gasoil demand. **Kerosene** stocks also rose by 0.7%, reflecting lower domestic sales which fell by more than 30%. **Jet fuel** oil rose by 10% on the back of higher production, which increased by 13%. The fall of 12% in demand also contributed to the build in jet fuel inventories.

In contrast, **naphtha** stocks fell by 0.5 mb to finish April at 10.4 mb. At this level, they show a deficit of 0.6 mb, or 5.1%, with a year ago, and 1.1 mb, or 9.5%, below the seasonal norm. The 6.6% drop in naphtha stocks came from lower production. The fall of 12% in imports also contributed to this drop; however, lower domestic sales limited a further build. Total **residual fuel oil** stocks went down by 0.3 mb to end the month at 16.1 mb. At this level, they were 1.4% less than a year ago and 8.2% lower than the five-year average. Fuel oil A inventories fell by 6.7%, while fuel oil B.C fell by 4.0%. The fall in the two components of fuel oil stocks came on the back of lower output of around 20%.

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

	Feb 13	Mar 13	Apr 13	Change Apr 13/Mar 13	Apr 12
Crude oil	**86.2**	**98.7**	**99.1**	**0.5**	**103.6**
Gasoline	13.6	13.9	14.2	0.3	14.1
Naphtha	10.1	10.9	10.4	-0.5	10.9
Middle distillates	29.2	28.2	29.6	1.4	27.2
Residual fuel oil	16.9	16.4	16.1	-0.3	16.9
Total products	**69.7**	**69.4**	**70.3**	**0.8**	**69.2**
Total**	**155.9**	**168.1**	**169.4**	**1.3**	**172.7**

* *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 April, product stocks in Singapore reversed the fall of the last two months, increasing by 1.5 mb

At the end of April, **product stocks in Singapore** reversed the fall of the last two months and increased by 1.5 mb ending the month at 39.3 mb. With this stock-build, they indicated a surplus of 0.8 mb, or 2.1%, with a year ago. Within products, the picture was mixed; light distillates saw a drop, while fuel oil stocks and middle distillates witnessed a build.

Light distillate stocks fell by 0.8 mb ending the month of April at 10.3 mb. This stock-draw has caused inventories to switch to a deficit of 0.8% from a surplus of 6.7% a month earlier. It should be noted that the last week of the month saw an increase in light distillate stocks, which comprised mostly gasoline, driven by higher arrivals in Singapore, combined with softer demand in the region.

Residual fuel oil rose by 2.2 mb, reversing the strong drop of the last month and ending the month at 18.8 mb. Despite this build, residual fuel stocks remained at 0.4 mb, or 2.1%, below levels at the same time last year. The stock build reflected mainly higher flows of Western exports to Singapore.

Middle distillate stocks rose slightly by 0.1 mb in April, ending the month at 10.2 mb. With this stock-build, they represented a surplus of 1.3 mb, or 14.7%, over a year ago at the same period. Lower demand from Australia and Malaysia has contributed to the build in in diesel stocks.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) fell by 0.9 mb in April, reversing the build of the last four months

Product stocks in **Amsterdam-Rotterdam-Antwerp (ARA)** fell by 0.9 mb in April reversing the build of the last four months and ending the month at 34.4 mb. Despite this fall, product stocks stood at 3.2 mb, or 10.3%, higher than last year at the same time. Within products, the picture was mixed, with gasoline, naphtha and jet fuel experiencing a build, while gasoil and fuel oil witnessed a drop.

Gasoline rose by 0.6 mb, reversing the fall of the last month and ending April at 8.5 mb. At this level, gasoline stocks stood 3.1 mb higher than last year at the same time. **Jet fuel** stocks also saw a build of 0.6 mb and ended the month of March at 2.9 mb, but remained 11% below the same level last year. The build in jet fuel stocks came in preparation for the rise in demand from the aviation sector, which is expected to increase ahead of the summer season. **Naphtha** stocks rose by 0.2 mb from the previous month and ended April at 1.3 mb, standing at 0.4 mb above the level seen at the same time last year.

In contrast, **gasoil** fell by 1.7 mb, reversing the build of the last month and ending April at 16.5 mb, which is 1.3 mb, or 7.1%, higher than a year ago over the same period. Higher gasoil demand, combined with strong flows to Argentina, were the main contributors of the draw in gasoil stocks. **Residual fuel oil** stocks saw a drop of 0.5 mb in April after a build in March. At 5.2 mb, ARA fuel oil stocks stood at 1.3 mb, or 34%, higher than a year ago over the same period. Higher exports from the ARA hub were the main drivers behind the fall in fuel oil stocks.

Balance of Supply and Demand

Demand for OPEC crude in 2012 estimated at 30.2 mb/d, almost unchanged from 2011

Estimate for 2012

Demand for OPEC crude in 2012 remains unchanged from the previous report at 30.2 mb/d, representing a minor decline compared to 2011.

The quarterly figures are also unchanged. The first quarter is estimated to have averaged 29.4 mb/d, representing a decline of 0.3 mb/d compared to the same quarter in the previous year. The second quarter is estimated to have increased by 0.4 mb/d to stand at 29.7 mb/d, while the third and fourth quarters are seen to have declined by 0.2 mb/d and 0.1 mb/d, respectively, to average 31.1 mb/d and 30.7 mb/d.

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

	2011	1Q12	2Q12	3Q12	4Q12	2012
(a) World oil demand	**88.09**	**88.06**	**88.05**	**89.25**	**90.10**	**88.87**
Non-OPEC supply	52.45	53.16	52.61	52.37	53.77	52.98
OPEC NGLs and non-conventionals	5.37	5.52	5.72	5.79	5.58	5.66
(b) Total supply excluding OPEC crude	**57.81**	**58.69**	**58.33**	**58.16**	**59.35**	**58.63**
Difference (a-b)	**30.27**	**29.37**	**29.71**	**31.08**	**30.75**	**30.23**
OPEC crude oil production	29.78	31.21	31.48	31.22	30.63	31.13
Balance	-0.49	1.84	1.77	0.13	-0.12	0.90

Totals may not add up due to independent rounding.

Demand for OPEC crude in 2013 is forecast at 29.8 mb/d, representing a decline of 0.4 mb/d

Forecast for 2013

Demand for OPEC crude in 2013 remains unchanged from the previous assessment to stand at 29.8 mb/d, representing a decline of 0.4 mb/d compared with the previous year.

Within quarters, the first quarter was revised down by 0.1 mb/d, reflecting the downward revision in world oil demand as non-OPEC supply remained unchanged. The other three quarters remained unchanged from the previous report. The first quarter is now estimated to have fallen by 0.2 mb/d, compared to the same quarter last year. The second and third quarters are expected to see a negative growth of 0.5 mb/d and 0.7 mb/d respectively, while the fourth quarter is forecast to decline by 0.2 mb/d.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013
(a) World oil demand	**88.87**	**88.81**	**88.71**	**90.16**	**90.90**	**89.65**
Non-OPEC supply	52.98	53.82	53.69	53.89	54.43	53.96
OPEC NGLs and non-conventionals	5.66	5.83	5.85	5.88	5.92	5.87
(b) Total supply excluding OPEC crude	**58.63**	**59.65**	**59.54**	**59.77**	**60.35**	**59.83**
Difference (a-b)	**30.23**	**29.15**	**29.17**	**30.39**	**30.55**	**29.82**
OPEC crude oil production	31.13	30.23				
Balance	0.90	1.07				

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

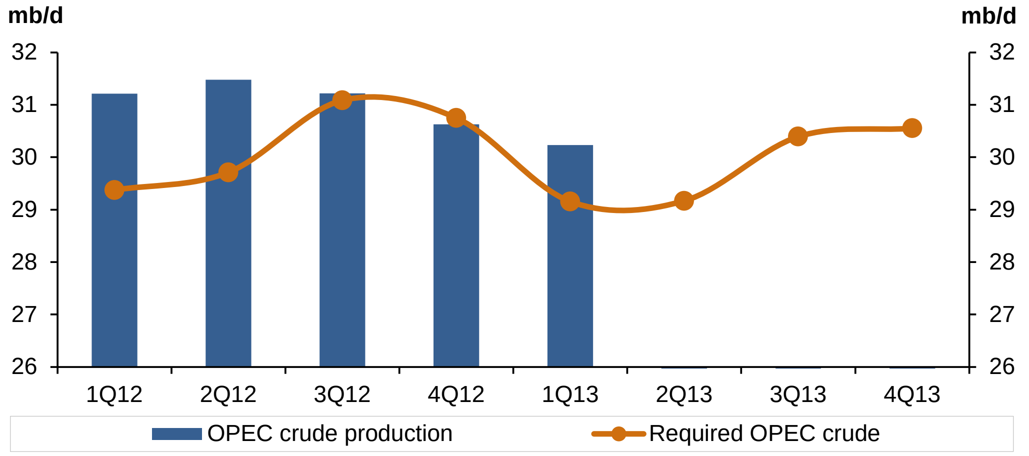


Table 10.3: World oil demand/supply balance, mb/d

	2007	2008	2009	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
World demand															
OECD	50.1	48.3	46.3	46.9	46.5	46.3	45.6	46.0	46.3	46.1	45.8	45.1	45.7	46.0	45.6
Americas	25.8	24.5	23.7	24.1	24.1	23.5	23.8	23.9	23.9	23.8	23.7	23.7	23.9	23.9	23.8
Europe	15.6	15.5	14.7	14.7	14.3	13.7	13.8	13.9	13.7	13.8	13.3	13.5	13.6	13.4	13.4
Asia Pacific	8.7	8.3	8.0	8.1	8.1	9.1	8.0	8.2	8.7	8.5	8.9	7.9	8.2	8.7	8.4
DCs	24.2	25.0	25.6	26.5	27.2	27.4	27.9	28.5	28.2	28.0	28.3	28.6	29.3	29.0	28.8
FSU	4.0	4.1	4.0	4.2	4.3	4.3	4.1	4.5	4.8	4.4	4.3	4.2	4.6	4.8	4.5
Other Europe	0.7	0.7	0.7	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	7.6	8.0	8.3	9.0	9.4	9.5	9.9	9.5	10.1	9.7	9.8	10.2	9.9	10.4	10.1
(a) Total world demand	86.6	86.1	84.8	87.2	88.1	88.1	88.0	89.2	90.1	88.9	88.8	88.7	90.2	90.9	89.6
Non-OPEC supply															
OECD	20.0	19.6	19.8	20.0	20.2	21.1	20.9	20.6	21.6	21.0	21.7	21.6	21.5	21.8	21.6
Americas	14.3	14.0	14.4	15.0	15.6	16.5	16.4	16.5	17.5	16.7	17.6	17.5	17.6	17.7	17.6
Europe	5.2	4.9	4.7	4.4	4.1	4.1	3.9	3.5	3.6	3.8	3.7	3.6	3.4	3.6	3.6
Asia Pacific	0.6	0.6	0.6	0.7	0.6	0.5	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5
DCs	11.9	12.2	12.4	12.7	12.6	12.3	12.0	12.0	12.2	12.1	12.1	12.2	12.4	12.5	12.3
FSU	12.5	12.6	13.0	13.2	13.2	13.4	13.2	13.2	13.4	13.3	13.4	13.4	13.4	13.5	13.4
Other Europe	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.8	3.8	4.1	4.1	4.1	4.2	4.2	4.3	4.2	4.2	4.2	4.3	4.3	4.3
Processing gains	2.0	2.0	2.0	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	50.4	50.4	51.1	52.3	52.4	53.2	52.6	52.4	53.8	53.0	53.8	53.7	53.9	54.4	54.0
OPEC NGLs + non-conventional oils	3.9	4.1	4.3	5.0	5.4	5.5	5.7	5.8	5.6	5.7	5.8	5.8	5.9	5.9	5.9
(b) Total non-OPEC supply and OPEC NGLs	54.4	54.5	55.5	57.3	57.8	58.7	58.3	58.2	59.4	58.6	59.7	59.5	59.8	60.3	59.8
OPEC crude oil production (secondary sources)	30.2	31.3	28.8	29.2	29.8	31.2	31.5	31.2	30.6	31.1	30.2				
Total supply	84.6	85.8	84.2	86.6	87.6	89.9	89.8	89.4	90.0	89.8	89.9				
Balance (stock change and miscellaneous)	-2.0	-0.3	-0.6	-0.6	-0.5	1.8	1.8	0.1	-0.1	0.9	1.1				
OECD closing stock levels (mb)															
Commercial	2,582	2,697	2,663	2,678	2,607	2,655	2,688	2,728	2,666	2,666	2,658				
SPR	1,528	1,530	1,568	1,565	1,536	1,536	1,539	1,542	1,547	1,547	1,551				
Total	4,110	4,227	4,231	4,243	4,143	4,191	4,227	4,271	4,213	4,213	4,209				
Oil-on-water	948	969	919	871	825	787	812	797	801	801	895				
Days of forward consumption in OECD															
Commercial onland stocks	53	58	57	58	57	58	58	59	58	58	59				
SPR	32	33	33	34	33	34	33	33	34	34	34				
Total	85	91	90	91	90	92	92	92	91	92	93				
Memo items															
FSU net exports	8.5	8.5	9.0	9.1	9.0	9.1	9.1	8.7	8.6	8.9	9.1	9.2	8.8	8.7	8.9
(a) - (b)	32.2	31.6	29.3	29.9	30.3	29.4	29.7	31.1	30.7	30.2	29.2	29.2	30.4	30.6	29.8

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

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

	2007	2008	2009	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
World demand															
OECD	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Americas	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
World demand growth	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-0.14*	*-*	*-*	*-*	*-*
Non-OPEC supply															
OECD	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
Americas	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply growth	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-	-				
Total supply	-	-	-	-	-	-	-	-	-	-	-				
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-	-	-	-	0.1				
OECD closing stock levels (*mb*)															
Commercial	-	-	-	-	2	3	-1	-1	-	-	-2				
SPR	-	-	-	-	-	-	-	-	-	-	-3				
Total	-	-	-	-	2	3	-1	-1	-	-	-5				
Oil-on-water	-	-	-	-	-	-	-	-	-	-	91				
Days of forward consumption in OECD															
Commercial onland stocks	-	-	-	-	-	-	-	-	-	-	-				
SPR	-	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-	-	-	-	-	-				
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-

** This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the May 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	2,663	2,678	2,607	2,666	2,749	2,765	2,784	2,663	2,682	2,763	2,751	2,678	2,646	2,685	2,669	2,607	2,655	2,688	2,728	2,666	2,658
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	1,341
Europe	1,012	995	959	908	907	1,013	1,000	996	995	986	994	957	959	962	941	916	908	947	916	919	907	897
Asia Pacific	406	383	390	390	397	408	401	419	383	384	402	399	390	386	406	413	390	378	413	427	397	420
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	1,551
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	444
Asia Pacific	406	409	410	414	414	408	408	408	409	409	411	402	410	411	411	409	414	414	413	414	414	410
OECD total	4,227	4,231	4,243	4,143	4,213	4,300	4,330	4,352	4,231	4,253	4,329	4,305	4,243	4,207	4,250	4,199	4,143	4,191	4,227	4,271	4,213	4,209
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	58	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	68	66	67	68	67
Asia Pacific	51	47	48	46	47	54	53	50	44	50	51	48	45	52	51	48	43	48	50	49	44	53
OECD SPR	33	33	34	33	34	34	34	34	34	34	33	33	33	34	33	33	33	34	33	33	34	34
Americas	30	30	30	29	29	31	31	30	31	30	30	30	30	31	30	29	30	29	29	29	30	29
Europe	29	29	30	31	32	29	29	30	30	30	28	28	30	30	29	30	31	31	31	31	33	33
Asia Pacific	51	50	50	49	49	54	54	49	47	53	52	48	48	55	51	48	46	52	50	48	46	52
OECD total	91	90	91	90	92	95	94	93	90	92	91	91	90	93	91	90	89	92	92	92	92	93

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

	2007	2008	2009	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12
US	7.47	7.57	8.17	8.64	0.47	8.77	8.93	8.91	9.53	9.04	0.39	9.78	9.82	9.94	10.63	10.04	1.01	10.61	10.73	10.70	10.68	10.68	0.64
Canada	3.31	3.25	3.23	3.36	0.13	3.54	3.32	3.62	3.75	3.56	0.20	3.81	3.64	3.67	3.96	3.77	0.21	4.02	3.88	4.02	4.12	4.01	0.24
Mexico	3.49	3.17	2.98	2.96	-0.02	2.97	2.96	2.92	2.93	2.95	-0.02	2.92	2.93	2.92	2.90	2.92	-0.02	2.91	2.89	2.88	2.86	2.88	-0.04
OECD Americas*	14.28	14.01	14.39	14.97	0.58	15.29	15.22	15.46	16.22	15.55	0.58	16.53	16.42	16.54	17.50	16.75	1.20	17.56	17.51	17.61	17.67	17.59	0.84
Norway	2.55	2.47	2.36	2.14	-0.22	2.14	1.98	1.99	2.05	2.04	-0.10	2.08	1.98	1.75	1.85	1.91	-0.12	1.83	1.79	1.73	1.83	1.79	-0.12
UK	1.69	1.57	1.48	1.37	-0.12	1.27	1.16	0.95	1.11	1.12	-0.25	1.09	1.02	0.83	0.89	0.96	-0.16	0.96	0.93	0.85	0.92	0.91	-0.04
Denmark	0.31	0.28	0.26	0.25	-0.02	0.23	0.24	0.22	0.21	0.22	-0.02	0.22	0.22	0.21	0.20	0.21	-0.01	0.20	0.19	0.18	0.17	0.18	-0.03
Other OECD Europe	0.62	0.62	0.63	0.64	0.01	0.67	0.66	0.70	0.68	0.68	0.04	0.69	0.70	0.70	0.68	0.69	0.01	0.67	0.67	0.68	0.68	0.68	-0.01
OECD Europe	5.17	4.94	4.74	4.39	-0.35	4.31	4.04	3.86	4.05	4.06	-0.33	4.08	3.92	3.49	3.61	3.77	-0.29	3.66	3.58	3.44	3.61	3.57	-0.20
Australia	0.53	0.53	0.54	0.56	0.02	0.47	0.49	0.48	0.49	0.48	-0.08	0.43	0.45	0.47	0.42	0.44	-0.04	0.37	0.41	0.43	0.45	0.41	-0.03
Other Asia Pacific	0.08	0.10	0.10	0.10	0.00	0.09	0.08	0.09	0.09	0.09	-0.01	0.09	0.09	0.08	0.07	0.08	0.00	0.08	0.07	0.07	0.07	0.07	-0.01
OECD Asia Pacific	0.60	0.63	0.64	0.66	0.02	0.56	0.57	0.57	0.58	0.57	-0.09	0.51	0.53	0.55	0.49	0.52	-0.05	0.45	0.48	0.50	0.52	0.49	-0.03
Total OECD	20.05	19.58	19.76	20.02	0.26	20.16	19.83	19.89	20.85	20.18	0.16	21.12	20.86	20.58	21.61	21.05	0.86	21.67	21.57	21.55	21.80	21.65	0.60
Brunei	0.19	0.17	0.16	0.17	0.00	0.17	0.16	0.17	0.17	0.17	0.00	0.16	0.14	0.16	0.17	0.16	-0.01	0.17	0.17	0.16	0.16	0.17	0.01
India	0.80	0.80	0.78	0.86	0.08	0.90	0.89	0.89	0.88	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
Indonesia	1.02	1.05	1.03	1.04	0.02	1.03	1.02	1.03	1.02	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
Malaysia	0.76	0.76	0.73	0.70	-0.03	0.68	0.59	0.63	0.65	0.64	-0.06	0.68	0.63	0.64	0.67	0.66	0.02	0.68	0.70	0.73	0.76	0.72	0.06
Thailand	0.33	0.36	0.37	0.34	-0.02	0.34	0.34	0.33	0.33	0.33	-0.01	0.35	0.35	0.36	0.35	0.35	0.02	0.37	0.37	0.36	0.35	0.36	0.01
Vietnam	0.35	0.33	0.37	0.35	-0.02	0.35	0.33	0.34	0.38	0.35	0.00	0.38	0.38	0.39	0.39	0.38	0.03	0.39	0.40	0.39	0.40	0.39	0.01
Asia others	0.26	0.26	0.25	0.23	-0.02	0.23	0.23	0.23	0.23	0.23	0.00	0.22	0.22	0.22	0.22	0.22	-0.01	0.21	0.22	0.22	0.22	0.22	0.00
Other Asia	3.70	3.73	3.69	3.70	0.01	3.70	3.56	3.63	3.65	3.63	-0.07	3.66	3.59	3.62	3.64	3.63	0.00	3.64	3.65	3.67	3.68	3.66	0.03
Argentina	0.77	0.78	0.75	0.75	0.00	0.75	0.67	0.73	0.74	0.72	-0.02	0.72	0.71	0.72	0.70	0.71	-0.01	0.70	0.68	0.70	0.69	0.69	-0.02
Brazil	2.22	2.38	2.51	2.66	0.16	2.61	2.62	2.61	2.70	2.64	-0.03	2.71	2.57	2.53	2.60	2.60	-0.03	2.54	2.59	2.70	2.75	2.65	0.04
Colombia	0.54	0.60	0.68	0.80	0.11	0.88	0.94	0.94	0.96	0.93	0.13	0.95	0.96	0.95	0.99	0.96	0.03	1.02	1.03	1.04	1.05	1.04	0.07
Trinidad & Tobago	0.16	0.16	0.15	0.15	-0.01	0.14	0.14	0.13	0.13	0.14	-0.01	0.12	0.12	0.12	0.12	0.12	-0.02	0.12	0.11	0.11	0.11	0.11	-0.01
L. America others	0.27	0.28	0.30	0.31	0.01	0.30	0.30	0.30	0.30	0.30	-0.01	0.30	0.30	0.31	0.32	0.31	0.01	0.33	0.33	0.33	0.35	0.33	0.03
Latin America	3.96	4.20	4.39	4.66	0.27	4.69	4.67	4.72	4.83	4.73	0.07	4.79	4.66	4.63	4.73	4.70	-0.03	4.72	4.74	4.88	4.94	4.82	0.12
Bahrain	0.21	0.21	0.21	0.20	0.00	0.21	0.21	0.21	0.22	0.21	0.01	0.20	0.18	0.20	0.19	0.19	-0.02	0.19	0.20	0.20	0.20	0.20	0.01
Oman	0.71	0.76	0.81	0.86	0.05	0.89	0.87	0.89	0.89	0.89	0.02	0.89	0.92	0.93	0.94	0.92	0.03	0.94	0.94	0.95	0.95	0.94	0.03
Syria	0.42	0.41	0.41	0.42	0.01	0.42	0.42	0.37	0.26	0.37	-0.05	0.22	0.24	0.19	0.18	0.21	-0.16	0.16	0.09	0.07	0.07	0.10	-0.11
Yemen	0.33	0.30	0.30	0.29	-0.01	0.29	0.19	0.24	0.18	0.23	-0.06	0.14	0.18	0.21	0.19	0.18	-0.05	0.18	0.18	0.19	0.20	0.19	0.01
Middle East	1.66	1.68	1.73	1.78	0.05	1.81	1.69	1.72	1.55	1.69	-0.09	1.44	1.51	1.52	1.51	1.50	-0.20	1.46	1.42	1.41	1.42	1.43	-0.07
Chad	0.15	0.15	0.14	0.15	0.01	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.13	0.13	0.13	0.13	-0.01	0.13	0.12	0.13	0.13	0.13	0.00
Congo	0.24	0.26	0.27	0.30	0.02	0.29	0.29	0.30	0.30	0.30	0.00	0.30	0.30	0.30	0.30	0.30	0.00	0.29	0.28	0.28	0.28	0.28	-0.02
Egypt	0.66	0.69	0.69	0.71	0.01	0.70	0.70	0.71	0.70	0.70	-0.01	0.71	0.71	0.71	0.71	0.71	0.01	0.70	0.71	0.69	0.69	0.70	-0.01
Equatorial Guinea	0.37	0.38	0.36	0.32	-0.03	0.31	0.30	0.29	0.30	0.30	-0.02	0.32	0.31	0.31	0.31	0.32	0.01	0.32	0.32	0.30	0.31	0.31	0.00
Gabon	0.25	0.24	0.24	0.25	0.01	0.26	0.24	0.25	0.25	0.25	0.00	0.25	0.24	0.24	0.24	0.24	-0.01	0.23	0.23	0.23	0.23	0.23	-0.01
South Africa	0.18	0.18	0.17	0.18	0.01	0.18	0.18	0.18	0.19	0.18	0.00	0.19	0.19	0.19	0.19	0.19	0.01	0.19	0.19	0.19	0.18	0.19	-0.01
Sudans	0.48	0.46	0.48	0.46	-0.01	0.45	0.45	0.43	0.38	0.43	-0.03	0.19	0.09	0.10	0.10	0.12	-0.31	0.12	0.16	0.24	0.26	0.19	0.08
Africa other	0.28	0.27	0.25	0.23	-0.02	0.27	0.30	0.31	0.30	0.29	0.06	0.30	0.30	0.30	0.32	0.31	0.01	0.35	0.34	0.35	0.37	0.35	0.04
Africa	2.60	2.62	2.60	2.60	0.00	2.61	2.60	2.61	2.55	2.59	-0.01	2.39	2.28	2.28	2.30	2.31	-0.28	2.32	2.36	2.41	2.44	2.38	0.07
Total DCs	11.93	12.22	12.41	12.74	0.33	12.81	12.52	12.67	12.58	12.65	-0.09	12.29	12.04	12.05	12.18	12.14	-0.50	12.14	12.16	12.36	12.48	12.29	0.15
FSU	12.54	12.60	12.95	13.21	0.26	13.30	13.24	13.21	13.22	13.24	0.03	13.36	13.24	13.23	13.36	13.30	0.06	13.44	13.38	13.38	13.49	13.42	0.12
Russia	9.87	9.78	9.92	10.14	0.22	10.21	10.23	10.28	10.34	10.27	0.12	10.34	10.32	10.36	10.47	10.37	0.11	10.45	10.45	10.44	10.44	10.45	0.07
Kazakhstan	1.35	1.41	1.54	1.60	0.06	1.66	1.60	1.54	1.61	1.60	0.01	1.62	1.57	1.52	1.63	1.59	-0.02	1.68	1.63	1.64	1.72	1.67	0.08
Azerbaijan	0.87	0.94	1.06	1.07	0.01	1.02	0.99	0.96	0.84	0.95	-0.12	0.96	0.91	0.91	0.82	0.90	-0.05	0.87	0.85	0.84	0.86	0.85	-0.04
FSU others	0.45	0.46	0.44	0.41	-0.03	0.42	0.41	0.43	0.43	0.42	0.02	0.44	0.44	0.44	0.44	0.44	0.02	0.44	0.44	0.46	0.47	0.45	0.01
Other Europe	0.15	0.15	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00
China	3.77	3.84	3.84	4.12	0.28	4.25	4.14	4.04	4.02	4.11	-0.01	4.08	4.16	4.20	4.30	4.19	0.07	4.24	4.23	4.26	4.30	4.26	0.07
Non-OPEC production	48.44	48.38	49.11	50.23	1.12	50.66	49.88	49.95	50.81	50.32	0.09	50.99	50.44	50.20	51.60	50.81	0.48	51.61	51.48	51.68	52.22	51.75	0.94
Processing gains	1.99	1.97	2.00	2.11	0.11	2.12	2.12	2.12	2.12	2.12	0.01	2.17	2.17	2.17	2.17	2.17	0.05	2.21	2.21	2.21	2.21	2.21	0.04
Non-OPEC supply	50.43	50.35	51.11	52.34	1.24	52.79	52.00	52.08	52.93	52.45	0.11	53.16	52.61	52.37	53.77	52.98	0.53	53.82	53.69	53.89	54.43	53.96	0.98
OPEC NGL	3.86	4.04	4.24	4.87	0.63	5.06	5.21	5.37	5.29	5.23	0.36	5.33	5.53	5.60	5.36	5.46	0.22	5.59	5.61	5.63	5.65	5.62	0.16
OPEC Non-conventional	0.08	0.11	0.11	0.11	0.00	0.11	0.11	0.15	0.17	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
OPEC (NGL+NCF)	3.95	4.14	4.35	4.98	0.63	5.17	5.32	5.52	5.45	5.37	0.39	5.52	5.72	5.79	5.58	5.66	0.29	5.83	5.85	5.88	5.92	5.87	0.21
Non-OPEC & OPEC (NGL+NCF)	54.37	54.49	55.45	57.32	1.87	57.95	57.32	57.59	58.38	57.81	0.49	58.69	58.33	58.16	59.35	58.63	0.82	59.65	59.54	59.77	60.35	59.83	1.19

** Chile has been included in OECD Americas.*

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

Table 10.7: World Rig Count

	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	1Q13	Apr 13	May 13	Change May/Apr
US	1,345	1,508	1,622	1,687	1,541	459	1,717	1,829	1,945	2,031	1,881	340	1,990	1,971	1,906	1,809	1,919	39	1,757	1,755	1,767	12
Canada	470	166	364	389	347	129	587	188	443	474	423	76	599	172	326	367	366	-57	536	153	127	-26
Mexico	118	106	84	80	97	-31	83	87	103	104	94	-3	98	110	108	108	106	12	114	113	110	-3
Americas	1,933	1,780	2,070	2,156	1,985	557	2,386	2,104	2,492	2,609	2,398	413	2,688	2,253	2,340	2,285	2,391	-6	2,407	2,021	2,004	-17
Norway	21	18	13	20	18	-2	21	17	16	16	17	-1	17	18	14	20	17	0	21	20	18	-2
UK	15	20	21	21	19	1	18	17	15	15	16	-3	14	19	18	21	18	2	21	19	15	-4
Europe	87	96	92	100	94	11	118	112	123	119	118	24	112	117	117	129	119	1	134	136	124	-12
Asia Pacific	22	18	23	22	21	-4	17	17	17	18	17	-4	19	25	25	27	24	7	30	29	29	0
Total OECD	2,042	1,893	2,185	2,278	2,100	543	2,521	2,232	2,632	2,745	2,532	433	2,819	2,395	2,483	2,441	2,534	2	2,571	2,186	2,157	-29
Other Asia	235	249	253	255	248	31	257	234	232	233	239	-9	231	216	205	215	217	-22	215	228	220	-8
Latin America	183	203	220	213	205	48	191	192	196	201	195	-10	191	190	172	165	180	-15	167	176	167	-9
Middle East	152	150	163	159	156	6	101	107	102	107	104	-52	116	112	110	100	110	6	72	72	74	2
Africa	20	19	19	18	19	9	1	2	0	5	2	-17	3	3	9	11	7	5	9	14	12	-2
Total DCs	589	621	655	645	628	93	549	535	530	546	540	-88	542	522	496	491	513	-27	463	490	473	-17
Non-OPEC rig count	2,632	2,514	2,840	2,924	2,727	636	3,070	2,768	3,161	3,291	3,072	345	3,361	2,916	2,979	2,931	3,047	-26	3,034	2,676	2,630	-46
Algeria	23	28	24	24	25	-2	29	33	30	33	31	6	31	31	44	38	36	5	44	49	46	-3
Angola	10	8	9	9	9	5	11	11	11	8	10	1	10	12	7	7	9	-1	9	7	11	4
Ecuador	11	11	11	11	11	1	11	11	11	15	12	1	17	17	22	25	20	8	25	24	27	3
Iran**	52	52	52	52	52	0	54	54	54	54	54	2	54	54	36	54	54	0	54	54	54	0
Iraq**	36	36	36	36	36	0	36	36	36	36	36	0	36	50	76	69	58	22	66	72	80	8
Kuwait**	19	18	21	23	20	8	56	56	57	60	57	37	56	56	58	58	57	0	59	57	56	-1
Libya**	17	17	14	15	16	1	10	3	8	9	8	-8	12	11	11	14	12	4	16	14	15	1
Nigeria	11	13	18	17	15	8	35	35	36	36	36	21	37	35	37	33	36	0	36	41	40	-1
Qatar	8	8	9	9	9	0	10	8	7	7	8	-1	8	7	8	7	8	0	9	8	7	-1
Saudi Arabia	68	67	67	65	67	-1	98	98	98	105	100	33	106	114	111	115	112	12	116	114	114	0
UAE	13	13	13	13	13	1	17	21	24	22	21	8	22	24	23	26	24	3	28	27	27	0
Venezuela	66	64	70	80	70	10	125	125	125	113	122	52	126	122	112	110	117	-5	119	116	120	4
OPEC rig count	334	335	344	355	342	31	493	490	495	498	494	152	515	534	546	556	542	48	582	583	597	14
Worldwide rig count*	2,965	2,849	3,184	3,278	3,069	667	3,563	3,258	3,656	3,789	3,566	497	3,876	3,451	3,524	3,487	3,589	23	3,616	3,259	3,227	-32
of which:																						0
Oil	1,590	1,534	1,783	1,896	1,701	479	2,197	2,023	2,354	2,453	2,257	556	2,709	2,528	2,677	2,682	2,654	397	2,781	2,512	2,523	11
Gas	1,333	1,276	1,356	1,337	1,325	200	1,319	1,187	1,257	1,286	1,262	-63	1,116	879	799	749	886	-376	795	694	654	-40
Others	43	40	42	46	43	8	48	49	47	52	49	6	54	46	51	59	52	3	44	57	54	-3

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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Disclaimer

Data Summary

June 2013

OPEC Basket average price

US$ per barrel

down 40¢ in May

May 2013	**100.65**
April 2013	101.05
Year-to-date	105.85

May OPEC crude production

in million barrels per day, according to secondary sources

up 0.11 in May

May 2013	**30.57**
April 2013	30.46

World economy

Global growth expectations are unchanged at 3.2% for 2013, and at 3.0% for 2012. The US forecast remains at 1.8%, while the contraction in the Euro-zone now stands at 0.6%. Japan's forecast has been revised to 1.5% from 1.1%. Growth expectations for China have been revised to 7.9% from 8.0% and India's remains unchanged at 6.0%.

Supply and demand

in million barrels per day

2012		11/12
World demand	88.9	**0.8**
Non-OPEC supply	53.0	**0.5**
OPEC NGLs	5.7	**0.3**
Difference	**30.2**	**0.0**

2013		12/13
World demand	89.6	**0.8**
Non-OPEC supply	54.0	**1.0**
OPEC NGLs	5.9	**0.2**
Difference	**29.8**	**–0.4**

Totals may not add due to independent rounding.

Stocks

OECD commercial oil stocks rose by 19.2 mb, but remained broadly in line with the five-year average. Crude showed a surplus of 18 mb over the five-year average, while product inventories stood at a deficit of 19.0 mb. In terms of forward cover, OECD commercial oil stocks stood at 59.1 days, some 1.1 days above the five-year average. Preliminary data shows that US commercial oil stocks rose by 15.5 mb in May, a surplus of 45.0 mb over the five-year average, with crude at 35.9 mb and products at 8.8 mb above the five-year average.

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