OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

March 2013

Feature Article:
Non-OPEC supply prospects

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Helferstorferstrasse 17, A-1010 Vienna, Austria
Tel +43 1 21112 Fax +43 1 2164320 E-mail: prid@opec.org Web site: www.opec.org

Oil Market Highlights

- The **OPEC Reference Basket** reached $112.75/b in February, a gain of $3.47 over the previous month. All Basket component values improved, particularly Venezuela's Merey. Crude futures retained strength in February spurred in the first half of the month by positive economic sentiment, a bullish US gasoline market, output glitches, and expectations of higher global oil demand growth in 2013. The ICE Brent front-month increased by $3.75 in February to $116.07/b. Nymex WTI futures also improved, although by a marginal 50¢ to average $95.32/b. The rise in prices has been accompanied by a surge in managed money net-long positions, which were within sight of last year's peak. However, toward the end of the month, the optimistic mood began to erode due to concerns over the health of the global economy. On 11 March, the Basket stood at $106.96/b.
- **World economic growth** is forecast at 3.2% for 2013 and at 3.0% for 2012, unchanged from the previous report. In the US, implemented budget cuts have triggered a revision in 2013 growth to 1.7% from 1.8%. Japan has been revised up to 0.8% from 0.7%, amid some momentum mainly due to exports. The Euro-zone's challenges continue and growth has been revised down to a contraction of 0.2% from growth of 0.1%. China continues to benefit from rebounding global trade and is forecast to grow by 8.1% in 2013, while India has been revised lower to 6.0% from 6.1%, a rebound from 5.0% growth in 2012. A tender recovery in the global economy has been visible lately, but many mostly fiscal issues could impact growth in either direction over the coming months.
- **World oil demand** growth in 2012 remains almost unchanged at 0.8 mb/d from the previous month, although the fourth quarter has been revised down by 0.1 mb/d as actual data has become available. For 2013, world oil demand growth remains at 0.8 mb/d, steady from the previous assessment. The large portion of this growth is seen coming from China, followed by the Middle East, Other Asia, and Latin America. In contrast, OECD demand is expected to fall further, but by less than in the previous year. However, the current forecast foresees a number of potential downward risks.
- **Non-OPEC oil supply** is expected to increase by 1.0 mb/d in 2013, following growth of 0.6 mb/d in the previous year. The 2013 total non-OPEC supply represents an upward adjustment of 0.1 mb/d from the previous month, mainly due to revisions in forecasts for the US, Canada, Mexico, Syria, and the Sudans, as well as changes in the supply profile of some countries, in addition to updates to historical data. OPEC NGLs and non-conventional oils are expected to average 6.0 mb/d in 2013, an increase of 0.2 mb/d over the previous year and unchanged from the previous report. In February, total OPEC crude oil production, according to secondary sources, increased by 74 tb/d to average 30.31 mb/d.
- **Product markets** continued to move upwards in February. The top of the barrel became more bullish on the back of tightening sentiment in the product market, with gasoline inventories falling in the Atlantic Basin amid healthy cracks in the middle of the barrel. Additionally, refinery margins in Asia continued to recover, supported by strong regional demand and expectations of tightening supplies in the region.
- In the **tanker market**, spot freight rates were mixed in February. VLCC and Suezmax spot freight rates declined, while Afraxmax rates increased. Tonnage availability, lower activity and holidays in the Far East were the main factors behind the drop in spot freight rates. Freight rates for clean tankers declined east of Suez, while increasing slightly west of Suez. In February, OPEC spot fixtures fell, along with OPEC sailings.
- OECD **commercial oil stocks** rose by 3.1 mb in January, representing a slight deficit with the five-year average. Crude stood at 50 mb higher than the seasonal average, while products indicated a deficit of almost the same amount. In terms of days of forward cover, OECD commercial stocks stood at 58.7 days, one-and-a-half days more than the five-year average. In February, US commercial stocks fell 17 mb, but showed a surplus of 45 mb with the seasonal average. This drop was attributed to products, as crude show an increase.
- **Demand for OPEC crude** in 2012 remained unchanged from the previous assessment to stand at 30.1 mb/d, indicating a decline of 0.1 mb/d compared to the previous year. In 2013, required OPEC crude is forecasted to average 29.7 mb/d, a drop of 0.4 mb/d from last year and a downward adjustment of 0.1 mb/d from the previous report.

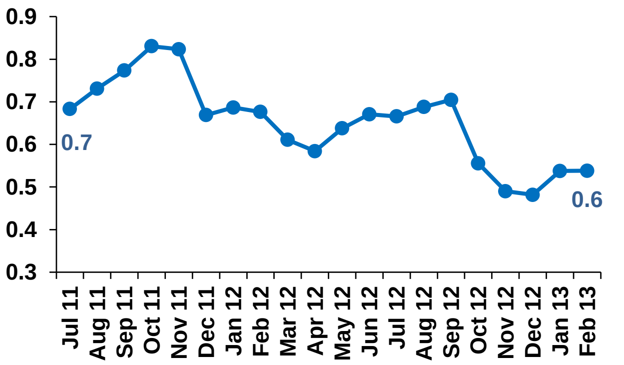
Non-OPEC supply prospects

Non-OPEC supply experienced some improvement in 2012, increasing by 0.6 mb/d over the previous year. The current estimation is slightly lower than the initial forecast in July 2011 of 0.7 mb/d (***Graph 1***). The forecast for non-OPEC supply growth in 2012 encountered several revisions due to the shifting dynamics in the various regions. Weather, technical, and geopolitical factors were the main drivers behind these revisions. While regional forecasts showed some variations from the initial projections, overall non-OPEC supply growth remained relatively steady throughout the forecast period.

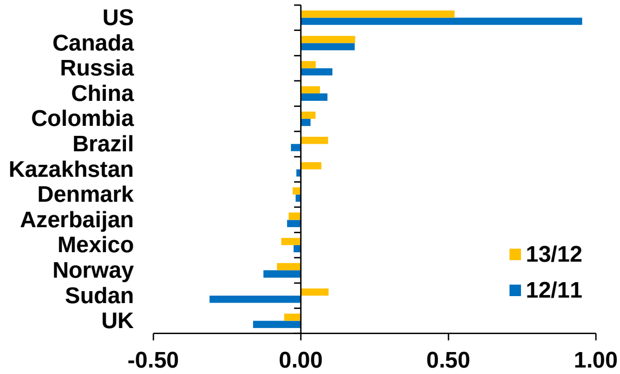
Among the main developments in non-OPEC supply growth in 2012 were downward revisions in the projections for South Sudan and Sudan, Syria, and Yemen, as political unrest in these countries disrupted crude output. Additionally, technical and weather factors negatively impacted the output of Brazil, Azerbaijan, and the North Sea. In contrast, accelerated developments in US tight oil output led to strong upward revisions in its growth in 2012.

Overall, the bulk of the growth in non-OPEC supply in 2012 came from North America, supported by gains in the US and Canada. The increase in supply from Russia came next, followed by China. However, OECD Western Europe, Africa, and Middle East supply fell. At the same time, natural decline from mature fields in Mexico and Brazil led to slightly lower supply from these countries.

Graph 1: Revision of non-OPEC supply growth in 2012, y-o-y change, mb/d



Graph 2: Non-OPEC supply growth by selected countries, y-o-y change, mb/d



In the current year, non-OPEC supply is expected to increase further by 1.0 mb/d, supported mainly by North America (***Graph 2***). As in the previous year, US oil supply in 2013 is expected to achieve the highest growth among all non-OPEC countries. The expected increase is supported by continued developments in tight oil, in the form of both crude oil and NGLs. Additionally, the Gulf of Mexico is seen adding some growth in 2013 supported by new projects, while Alaskan production is estimated to decline. US oil supply growth is currently projected to stand at 0.6 mb/d in 2013, representing an almost 400 tb/d decline in growth compared to the previous year. Expected US growth in 2013 could encounter revisions in either direction in the coming months.

The strong growth achieved from tight oil developments in 2012 is seen slowing in 2013, mainly due to the high decline rates which require continued drilling to maintain a steady output and further drilling to achieve growth. Additionally, infrastructure limitations, water supply, environmental concerns, and price issues could impact some of the growth. On the other hand, improvement in drilling and operational efficiency is seen supporting growth, as increasingly less time is required to complete wells. Furthermore, advances in multi-stage fracking technologies are allowing producers to recover more oil.

The non-OPEC supply forecast is based on a bottom-up approach. Consequently, the projection is associated with varying risks and uncertainties among the individual countries, leading sometimes to opposite trends. Accordingly, to avoid frequent and unnecessary revisions to the non-OPEC supply forecast, time should be given to allow for the individual projections to offset one another before considering any impending revisions to non-OPEC supply. Last year, the relatively complete actual production profile for the early part of the year only began to emerge in the second half of 2012. One potential scenario for 2013 would be for North America to once again see an upward revision, while supply projections from South Sudan, Brazil, and the North Sea encounter downward adjustments. These revisions would be offsetting and thus leave the overall supply forecast broadly unchanged. However, reliable production data would need to be available before carrying out any such change.

Crude Oil Price Movements

OPEC Reference Basket averaged $112.75/b in February

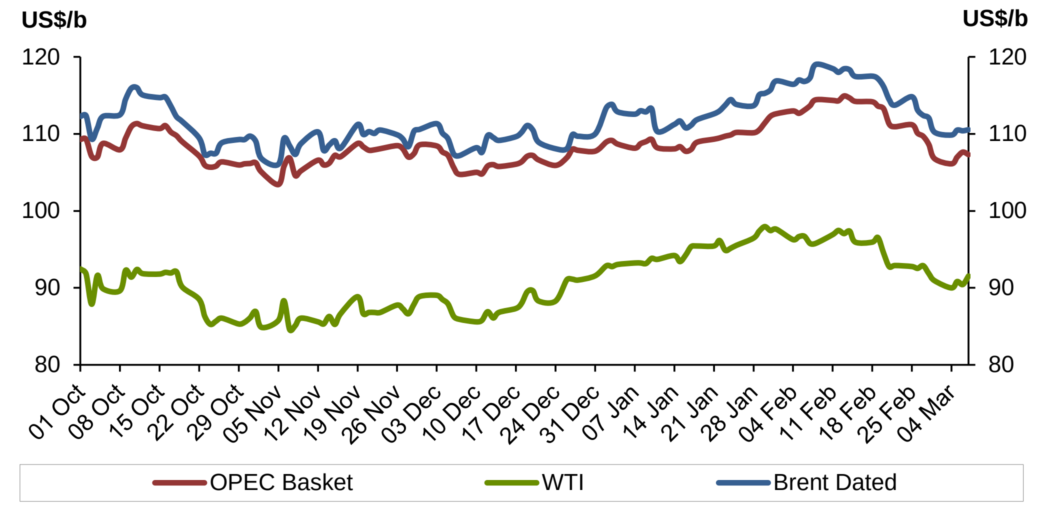
OPEC Reference Basket

The OPEC Reference Basket notched up a second month of gains in February, particularly in the first half of the month. Global crude markets were supported earlier in the month by strong bullish sentiment, driven by growing optimism about the global economic recovery. Signs that the economies of the US and China were recovering at a quicker pace than before bolstered confidence that economic growth and oil demand were accelerating. The oil complex, along with equities and financial markets, rose in this period. The markets also received support from the strength of the refined product market, particularly the gasoline sector in the US East Coast (USEC) amid several refinery glitches.

The oil complex was also boosted by expectations that world oil demand would increase faster than previously projected in 2013. However, towards the end of the month, the market's upward momentum was hampered by a loss in confidence in the global economy, after an unexpected dip in US industrial production spurred concern about lagging economic activity. Political uncertainty in Italy added to bearishness along with lacklustre GDP data out of Europe, raising questions about oil demand. Nevertheless, the Basket managed to improve by over 3%.

On a monthly basis, the Reference Basket improved to an average of $112.75/b in February, constituting an increase of $3.47/b or 3.2% over the previous month. Year-to-date (y-t-d), the Basket averaged $110.93/b, compared with last year's average of $114.62/b for the same period, a decline of $3.61/b or 3.1%.

Graph 1.1: Crude oil price movement, 2012-13



All the Basket's component values increased in February, particularly Venezuelan Merey. For the second consecutive month, Merey, along with all Latin American heavy crudes imported into US Gulf Coast (USGC) rose by over 5%, as West Texas Sour (WTS) – part of its pricing formula – continued to emerge from the record low prices witnessed over the past few months. In two months, WTS prices rose by more than 11% or close to $18/b. Brent-related grades showed a gain of almost 3% during the month. On average, Saharan Blend, Es Sider, Bonny Light and Girassol increased by $3.33/b. Multi-destination grades showed a similar improvement, despite notable end-of-the-month pressure on the medium-sour markets in Europe, at a time of lower demand due to seasonal refinery maintenance and higher supply. These grades — Iran Heavy, Basrah Light, Kuwait Export and Arab Light average — increased by $3.37/b or 3.1%. Middle Eastern crudes Qatar Marine and Murban achieved similar gains as Asian demand recovered from the previous months' slowing crude oil requirements. These Middle Eastern spot market grades increased by 3.1% or $3.41/b in February. Ecuador's Oriente registered the smallest rise, with an increase of $2.02 or 2% over the previous month.

On 11 March, the OPEC Reference Basket weakened and stood at $106.96/b.

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

			Change	Year-to-date	
	Jan 13	Feb 13	Feb/Jan	2012	2013
OPEC Reference Basket	**109.28**	**112.75**	**3.47**	**114.62**	**110.93**
Arab Light	110.64	113.95	3.31	115.41	112.21
Basrah Light	107.51	110.48	2.97	113.21	108.92
Bonny Light	115.41	118.69	3.28	117.72	116.97
Es Sider	113.01	116.29	3.28	115.77	114.57
Girassol	112.24	116.22	3.98	116.76	114.14
Iran Heavy	108.52	112.24	3.72	114.14	110.29
Kuwait Export	108.31	111.79	3.48	114.39	109.97
Marine	107.87	110.94	3.07	113.82	109.33
Merey	96.99	101.94	4.95	108.52	99.35
Murban	110.39	113.92	3.53	116.17	112.07
Oriente	101.39	103.41	2.02	108.28	102.35
Saharan Blend	114.21	116.99	2.78	115.89	115.53
Other Crudes					
Brent	113.01	116.29	3.28	115.07	114.57
Dubai	107.94	111.25	3.31	113.01	109.52
Isthmus	106.48	113.44	6.96	112.22	109.80
Mars	107.87	111.24	3.37	112.32	109.47
Minas	116.92	119.62	2.70	123.36	118.20
Urals	111.62	114.51	2.89	114.20	112.99
WTI	94.77	95.31	0.54	101.33	95.02
Differentials					
WTI/Brent	-18.24	-20.98	-2.74	-13.74	-19.55
Brent/Dubai	5.07	5.04	-0.03	2.06	5.06

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

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

The oil futures market

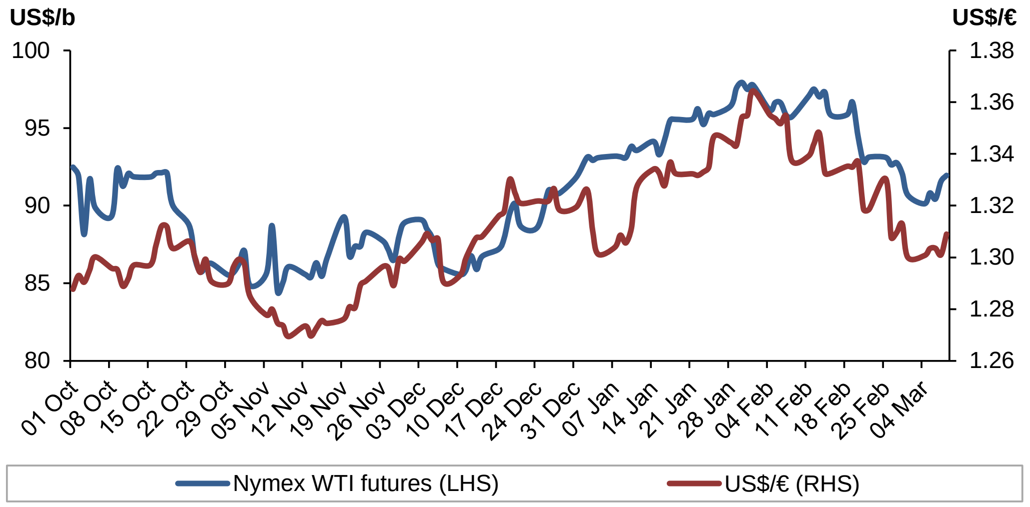
Crude futures prices up in February, with ICE Brent increasing by $3.75 and Nymex WTI by 50¢

International crude oil futures prices retained their strength in February, spurred on during the first half of the month by a more positive economic sentiment, the bullish US gasoline market, production glitches, and expectation of higher global oil demand growth in 2013. The price rises were accompanied by a surge in managed money net-long positions, which were within sight of reaching last year's peak. On the economic front, positive US employment figures, a strong US housing market, a round of optimistic fourth-quarter (4Q) results and a rebound in global manufacturing activity boosted optimism about the global economic recovery. Euro-zone purchasing managers index (PMI) figures, driven by Europe's largest economy, Germany, also indicated that the economic situation in the Euro-zone was not deteriorating as fast as before. The PMI rose to an 11-month high of 47.9 from December's 46.1. The index has been below the 50-mark that separates accelerating growth from slowdown since August 2011.

At the same time, Chinese crude imports for January surged to their third-highest level ever at 5.92 mb/d, up more than 6% from December. OPEC and the US Energy Information Administration (EIA) released their latest monthly demand growth forecasts for 2013. They raised their predictions by a respective 80,000 and 110,000 b/d on the back of the signs of an improving economic outlook, particularly for China. An unseasonably strong US gasoline market also boosted oil prices. The imminent shutdown of Hess' 65,000 b/d Port Reading stand-alone cracking facility in New Jersey is the latest in a long line of US refining shutdowns impacting gasoline supplies. Struggling US ethanol production also supported the US gasoline market. The optimistic mood began to erode during the later decade of the month, and trading in international crude futures started to take on a slightly more bearish tone, as concern grew over the health of the global economy. Political uncertainty in Italy added to lacklustre GDP data out of Europe and raised questions about oil demand. Oil also joined a sell-off in precious metals and copper, as market rumours circulated that a hedge fund had been forced to liquidate substantial commodity positions. The recent price drop came on the back of what was seen as the deflation of a rally that had been driven more by speculative forces than by market fundamentals.

In economic news, HSBC's flash estimate for its Chinese manufacturing PMI for February came in at 50.4, against forecasts of 52.2. This hints at the first slowdown of economic activity in that country in five months and also serves as a reminder that the road to economic recovery could remain bumpy.

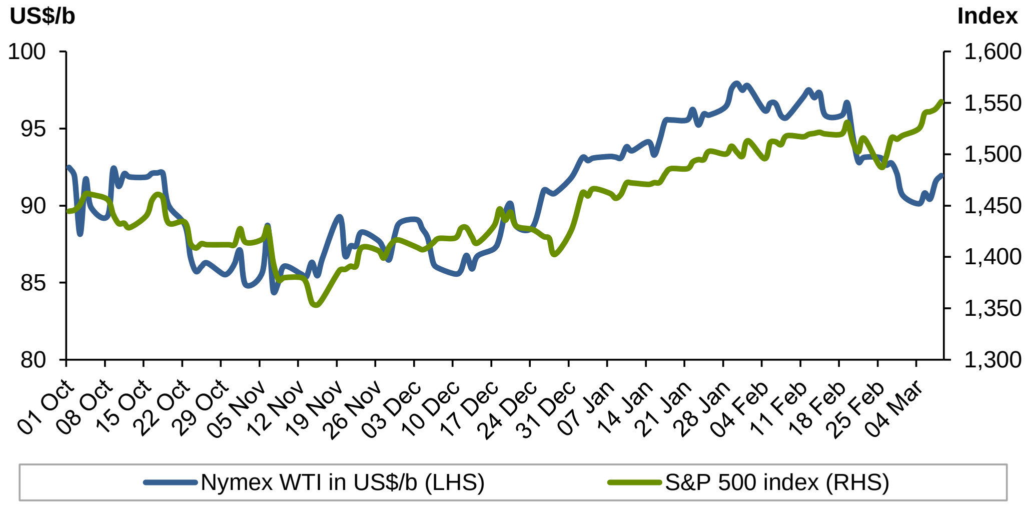
Graph 1.2: Nymex WTI futures and US$ exchange rate, 2012-13



The ICE Brent front-month increased by 3.75/b or 3.3% to average $116.07/b, the highest monthly average in ten months. Nymex WTI futures also rose, although marginally, by 50¢/b to average $95.32/b, a level last seen in April. Compared with the previous year, both international futures front-months were lower. The WTI y-t-d average was down by more than 6% to $95.08/b, while ICE Brent was slightly lower by almost 1% at $114.20/b.

Crude oil futures prices kept their downward trends in the first week of March, when Nymex WTI settled above $90/b and ICE Brent moved down to $110/b. On 11 March, ICE Brent stood at $110.22/b and Nymex WTI at $92.06/b.

Graph 1.3: Nymex WTI futures and S&P 500 index, 2012-13

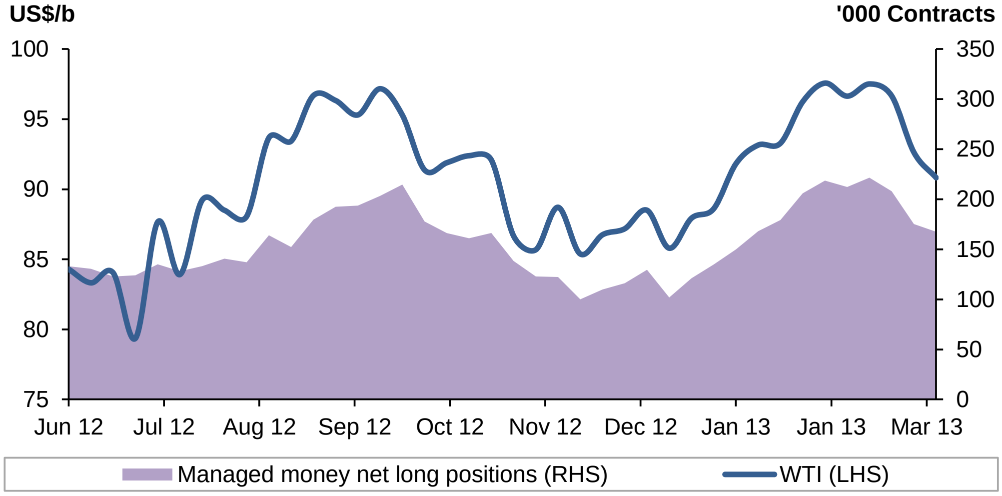


The recent falls in crude prices were tracked by money managers cutting their net lengths for the Nymex WTI and ICE Brent contracts in recent weeks. Net long positions for the former were last seen at 175,211 contracts in the week to 26 February (down from a high of 209,000 lots), while, for the latter, they were last seen at 159,816 lots, down by 32,380 in the last three weeks. Prior to the declines, US crude futures had risen by more than $10 in the two months since 11 December. Over the next seven weeks, speculators continually added to their net long bets, which topped out at

241,141 contracts as of 12 February. That was equivalent to about 240 million barrels of crude oil. The build-up prompted anger among some motorists, who blamed speculators for rising prices at the pump. The increases mirrored a speculative build-up in another crude oil benchmark, North Sea Brent, which saw speculators' net long positions reach a recent peak of 192,154 contracts as of 12 February. Taken together, the speculators' net long bets on US and Brent crudes represented about 415 million barrels' worth of crude as of 12 February, the data shows. Furthermore, amid recent bearish speculative activity in the oil futures market, the open interest volume for the two major contracts decreased by around 19,000 lots to 4.2 contracts at the end of the previous month.

The daily average traded futures volume during February for WTI Nymex contracts increased by 33,343 lots to average 615,769 contracts, or more than 615 mb/d. For ICE Brent, the volume also increased to 606,860 contracts, marginally higher than in the previous month.

Graph 1.4: Nymex WTI price vs. speculative activity, 2012-13

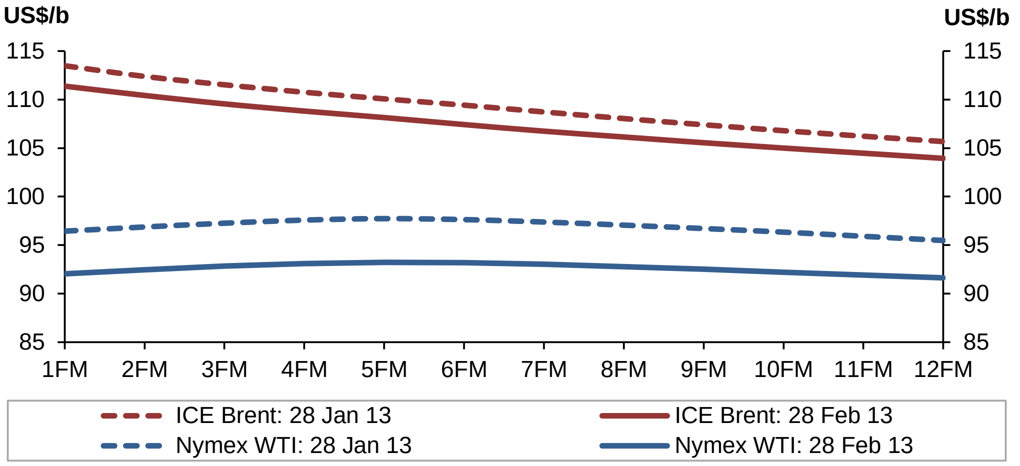


The futures market structure

Nymex contango widened and ICE Brent backwardation fell back in February

The backwardation in the Brent market structure fell back in February under pressure from both the demand side and the supply side. Global demand was being hit by some 4 mb/d of idle refining capacity over the first half of 2013. Pressure also stemmed from the supply side in the Atlantic Basin, with West African barrels plentiful on the back of reduced US crude import requirements, due to the shale oil boom and the wide Brent/Dubai spreads keeping more crude in the region. The spread between the second and the first month of the ICE Brent contract averaged around 90¢/b in February, compared with almost $1/b in the previous month, narrowing by 10¢. In the US, the infrastructure aimed at freeing up Cushing congestion and bringing crude to the USGC did not materialize, with operational limitations at the end-point of the reversed Seaway pipeline in Texas forcing the pipeline to operate well below its capacity of 400,000 b/d. Meanwhile, booming shale production was still adding to the backlog at the Nymex delivery point, with stocks last seen at over 50 mb, way above the four-year January average of 35 mb. This abundance of steady feedstock will continue to weigh on the benchmark and will serve to diminish the US need for light sweet crudes from other sources, such as West Africa. Nymex WTI's market structure widened its contango, as the first-versus-second-month spread moved from minus 45¢ in January to an average of minus 50¢, thus increasing by 5¢.

Graph 1.5: Nymex WTI and ICE Brent forward curve, 2013



FM = future month.

ICE Brent's premium over WTI Nymex reversed its previous month's course and widened by a sizeable $3.25 to an average close to $20.75 in February. In contrast with what had been widely expected, the expansion of the Seaway pipeline to a nameplate capacity of 400,000 b/d did not result in removing the bottleneck at Cushing by taking markedly more crude to the US Gulf coast. This has been one of the more specific factors at play weighing on the US crude market.

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

Nymex WTI	**1st FM**	**2nd FM**	**3rd FM**	**6th FM**	**12th FM**
28 Jan 13	96.44	96.87	97.26	97.63	95.48
28 Feb 13	92.05	92.46	92.84	93.20	91.62
ICE Brent	**1st FM**	**2nd FM**	**3rd FM**	**6th FM**	**12th FM**
28 Jan 13	113.48	112.38	111.52	109.42	105.67
28 Feb 13	111.38	110.42	109.55	107.42	103.94

FM = future month.

The light-sweet/heavy-sour crude spread

Light-sweet/ heavy-sour spreads widened globally in February

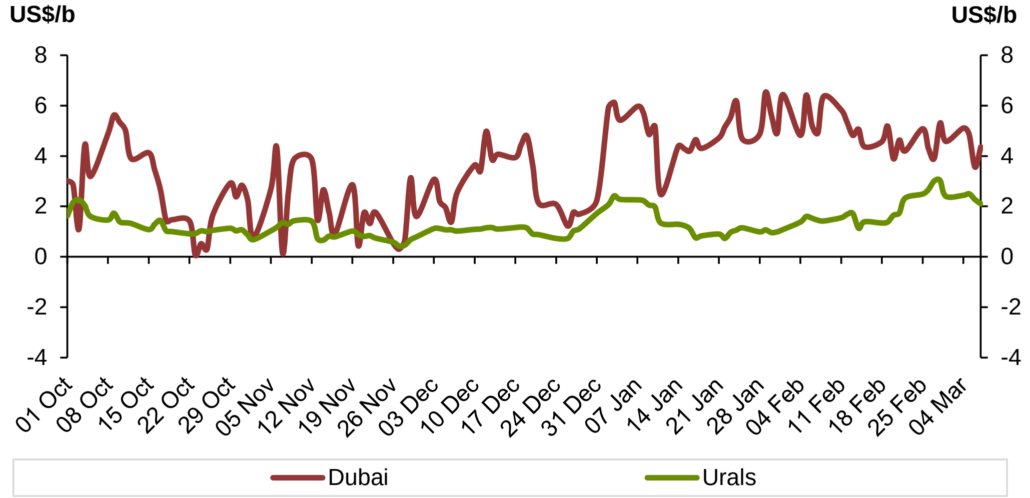
Sweet/sour spreads widened globally in February. Tapis versus Dubai and Dated Brent versus Urals Med managed to pull off gains over the month, benefiting from persistent weakness in sour crude differentials, particularly in Europe and Asia. Some support came from product markets, where light distillates performed well.

The Tapis/Dubai spread continued its upward trend and ended the month at an average of $10.70, which was 55¢ wider than in the previous month. Resilient Asian light distillate cracks provided support to Tapis for the better part of the month. The gasoline crack in the region even soared to multi-month highs. Much of the wider spread came on the back of a weakening Dubai market. The Dubai inter-month spread fell into contango during the month for the first time for several months, as the Asian market still struggled from peak refinery maintenance in March/April. In addition, March official selling price formulae (OSPFs) fell to the lowest levels for several months and this weighed on the regional price environment.

Dated Brent also managed to widen its premium over Urals Med in February by 40¢ to $1.80. European sour crude differentials were equally damaged by the turnaround season, with close to 850,000 b/d of capacity idle that month in the region and more than 1.3 mb/d expected in March and April, most of which will come in the Mediterranean. Coupled with declining regional fuel oil differentials, a considerably longer February Urals Med loading schedule and ample overall loadings of Iraqi crude, this put some pressure on Urals differentials. Although the Brent market also encountered some problems, including a considerable tightening of backwardation in the inter-month spread, it still managed to widen its spread to Urals.

The Light Louisiana Sweet (LLS)/Mars spread fluctuated wildly over the period, by between $3 and $6, but ended the month at an average of around $5, gaining close to 30¢ over the previous month. Towards the end of the month, the premium of LLS over Mars was at its lowest since mid-2012. The US gasoline crack lent support to the light complex, while naphtha levels fell steeply mid-month; also middle distillate cracks trended upwards. Shale oil production from the Bakken yet again reached a record level. Meanwhile, production of US sour grades kept soaring.

Graph 1.6: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2012-13



Commodity Markets

Commodity prices continued to be determined by weak fundamentals and mixed macro developments

Trends in selected commodity markets

In February, the World Bank's **energy price index** rose by 2.2%, compared with a 3.5% rise the previous month, on higher petroleum and coal prices. The **non-energy price index** fell by 0.31%, following a 0.73% gain January. Agriculture eased by 0.94%, after a 0.6% drop the earlier month, with food down by 0.21%, compared with a 0.97% loss in January. The base metal price index rose again slightly, by 0.5%, while gold prices dropped by 2.4%, which was more than the 0.8% fall one month ago.

Several commodity markets felt the negative impact of some loss of momentum due to still-pending macroeconomic uncertainties, such as renewed concern about fiscal issues in the US, sovereign debt growth in the Euro-zone and the Italian election, as well as decelerated global industrial production. The US dollar's strengthening also worked against commodity prices in February. The lack of confidence among investors continued too.

Other relevant issues for commodity markets were fear over Chinese property tightening, concern about broader economic tightening and a weaker-than-expected purchasing managers index (PMI), owing largely to Chinese New Year in mid-February. There was a correction in stock indices in developing countries over February too.

Table 2.1: Commodity price data, 2012-13

Commodity	Unit	Monthly averages			% Change		
		Dec 12	Jan 13	Feb 13	Dec/Nov	Jan/Dec	Feb/Jan
World Bank commodity price indices for low and middle income countries (2005 = 100)							
Energy		181.5	187.8	192.0	0.3	3.5	2.2
Coal, Australia	$/mt	92.9	92.8	94.9	8.1	-0.1	2.3
Crude oil, average	$/bbl	101.2	105.1	107.6	0.0	3.9	2.4
Natural gas, US	$/mmbtu	3.3	3.3	3.3	-5.6	0.0	-0.5
Non Energy		187.0	188.4	187.8	1.1	0.7	-0.3
Agriculture		189.0	187.8	186.0	-0.6	-0.6	-0.9
Food		207.6	205.6	205.1	-1.2	-1.0	-0.2
Soybean meal	$/mt	580.0	538.0	535.0	0.2	-7.2	-0.6
Soybean oil	$/mt	1,163.0	1,190.0	1,175.0	2.5	2.3	-1.3
Soybeans	$/mt	607.0	592.0	596.0	3.1	-2.5	0.7
Grains		253.8	250.1	246.8	-3.1	-1.4	-1.3
Maize	$/mt	308.6	303.1	302.7	-4.0	-1.8	-0.1
Wheat, US, HRW	$/mt	325.2	309.0	298.0	-6.2	-5.0	-3.6
Sugar World	¢/kg	42.6	41.6	40.3	-0.2	-2.3	-3.2
Base Metal		171.1	172.0	172.9	4.8	0.5	0.5
Aluminum	$/mt	2,086.8	2,037.8	2,053.6	7.1	-2.3	0.8
Copper	$/mt	7,966.5	8,047.4	8,060.9	3.3	1.0	0.2
Iron ore, cfr spot	¢/dmtu	128.5	150.8	154.7	6.8	17.3	2.6
Lead	¢/kg	228.0	233.4	236.6	4.5	2.4	1.4
Nickel	$/mt	17,448.5	17,472.5	17,690.1	6.8	0.1	1.2
Tin	¢/kg	2,288.1	2,454.6	2,421.2	10.5	7.3	-1.4
Zinc	¢/kg	204.0	203.2	212.9	6.7	-0.4	4.7
Precious Metals							
Gold	$/toz	1,684.8	1,671.8	1,627.6	-2.1	-0.8	-2.6
Silver	¢/toz	3,187.5	3,106.2	3,032.9	-2.7	-2.5	-2.4

Source: World Bank, Commodity price data.

The **Henry Hub (HH) natural gas** price index was 0.5% down in February, following no change in the previous month (versus 0.0%), due to warmer-than-normal winter weather and weak fundamentals, especially high production. In February, US natural gas prices dropped.

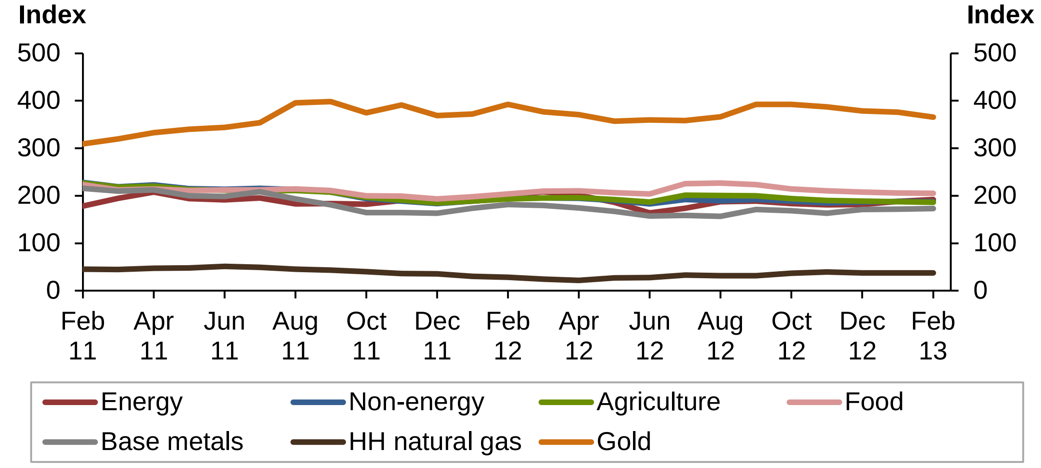
The expected positive impact of the retirement of coal-fired generation on natural gas demand is not likely to materialise until 2015. Fundamentals are likely to weaken until production starts to decrease by the second half of this year.

The **agricultural price index** eased by 0.94%, compared with a 0.6% decline the previous month, with food down by 0.21%, compared with a 0.97% drop in January. Lower speculative activity was also posted in several agricultural markets, as a high level of production for 2013 and the dollar's appreciation weighed on several agricultural markets.

The **wheat price** dropped by a further 4.9% in February, following a 3.6% fall in January, partly on an expected large level of production. According to Bloomberg, India, the world's second-biggest wheat producer, is considering exporting wheat from state inventories.

The **corn price** fell by 0.1% in February, which compared favourably with a 1.8% drop the previous month. The US Department of Agriculture projected lower exports, increased non-ethanol food, seed and industrial use, and increased ending stocks for the "new crop" 2012/13 marketing year. This combined with higher imports from China on a monthly basis for January. Nevertheless, corn imports from China were lower on a yearly basis.

Graph 2.1: Major commodity price indexes, 2011-13



Source: World Bank, Commodity price data.

Almost no growth for base metal prices in February

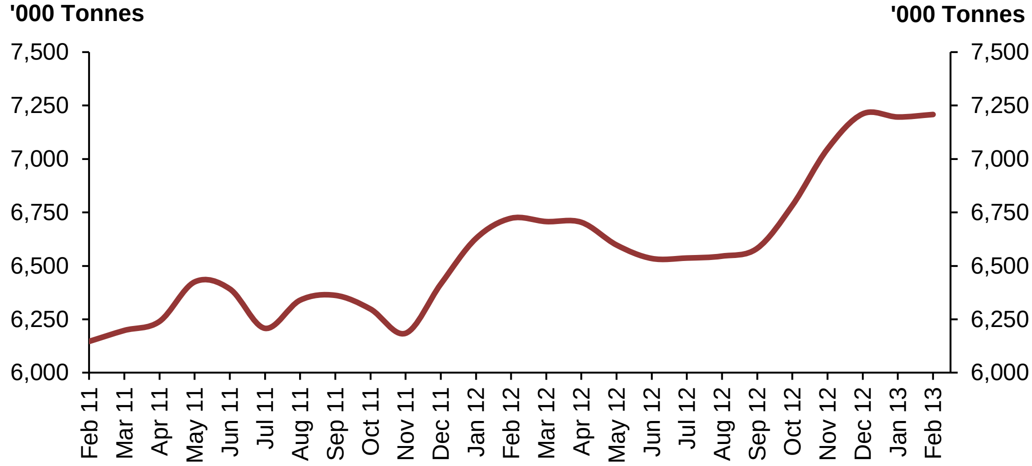
The **World Bank's base metal price index** rose by 0.5% in February, just as it had in January. **Copper** prices rose by 0.2%, compared with a 1% rise in January. Lead prices rose by 1.4%, which was lower than a 2.4% rise the previous month. Nickel and zinc prices rose by 1.2% and 4.7% respectively. Finally, aluminium prices saw a slight rise of 0.8%, compared with a previous fall of 2.3%, while a 7% monthly gain in tin prices for January turned into a 1.4% decline in February.

The price performance of commodity markets resulted largely from an important sell-off in base metals consistent with a broader risk-off across commodity and equity markets globally. This was due to fears about Chinese property tightening, concern over broader economic tightening and a weaker than-expected PMI, owing largely to the Chinese New Year in mid-February. It seems that we are watching over the transition to a more stable growth model in China. Imports of major base metals from China were down significantly, compared with the year-ago level, in January. High stocks in copper and aluminium continued being reported in China during February.

In the second week of February, base metal prices remained in a holding pattern, as markets awaited confirmation — or not — that the return of the Chinese from the Lunar New Year holiday would herald an uptick in demand. There was a pocket of tightness in aluminium time-spreads, but this was not supported by underlying fundamentals, since demand remained weak in China.

A positive piece of news recently from China was the release of the details of China's central budget and economic targets for 2013, and this suggests a moderate increase in infrastructure outlays, which points to our base-case scenario of a steady, but modest pick-up in commodity demand this year.

Graph 2.2: Inventories at the LME



Source: London Metal Exchange and Haver analytics.

Gold prices tumbled by a further 2.4% in February, compared with a 0.8% drop the previous month, worsening to seven-month lows. Some indications of an improvement in physical demand were outpaced by weaker investment demand, with longer-term investor interest also posting increasing signs of waning.

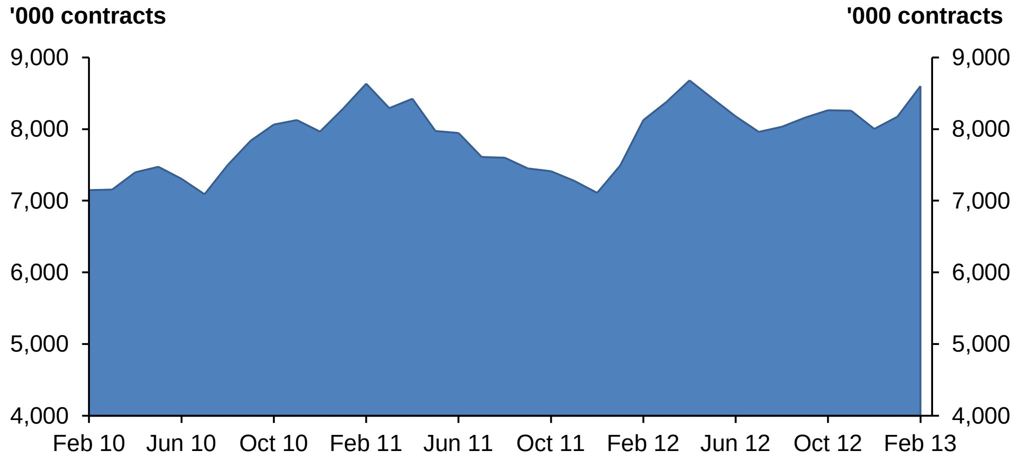
Investment flows into commodities

Some recovery in OIV, but still cautious mood in most commodity markets

The **total open interest volume (OIV)** in major commodity markets in the US continued the rebound that started in January and increased by 5.2% to 8,599,214 contracts in February. Except for precious metals, most of the market groups reported a rise in OIV.

Total net length speculative positions in commodities plummeted by 18.7% to 518,334 contracts in February, compared with a more modest 8% decline the previous month. While long positions rose by 2.9% to 1,668,417 contracts in February, short positions increased by 16.8% to 1,150,083 contracts.

Graph 2.3: Total open interest volume

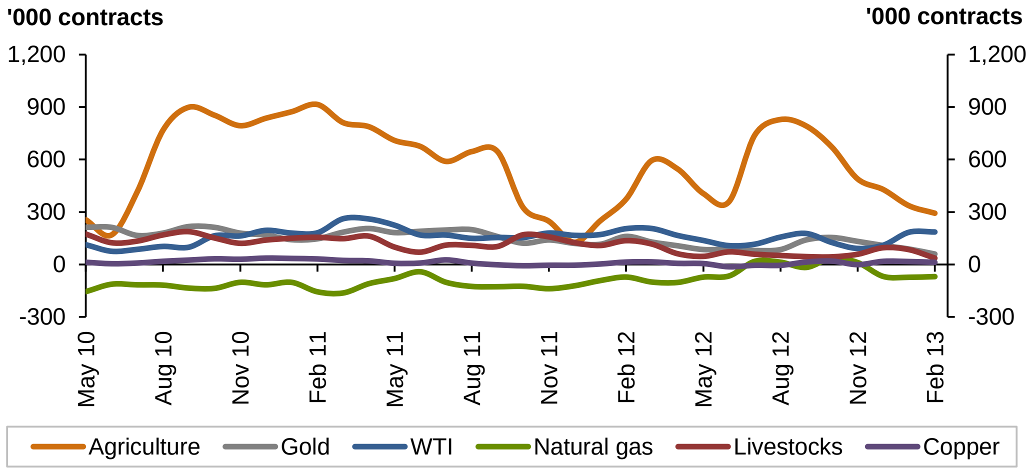


Source: US Commodity Futures Trading Commission.

Agricultural OIV increased by a further 6.2% to 4,548,802 contracts in February, compared with a 3% rise the previous month. Money managers' net long positions in agricultural markets decreased by 12.6% to 293,093 contracts in February, following a 21.6% loss in January. This was the result of a 19.5% rise in short positions, compared with a 7% gain in long positions.

HH natural gas's OIV increased by 2.7% to 1,199,108 contracts in February, after a 0.92% rise the previous month. Strategic investment increased by 5% to -69,246 contracts in February, compared with -72,900 contracts in January.

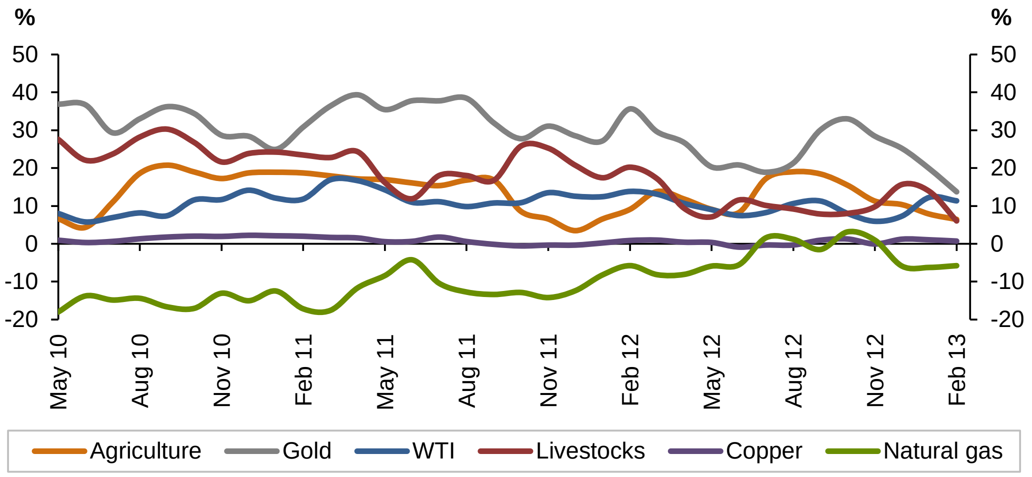
Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

Copper's OIV gained 8.6% to 174,484 contracts in February, following a 7.9% rise in January. Strategic investments in copper tumbled by 25.6% to 12,500 in February. And, while short positions jumped by 36.8%, longs rose by 7.5%.

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



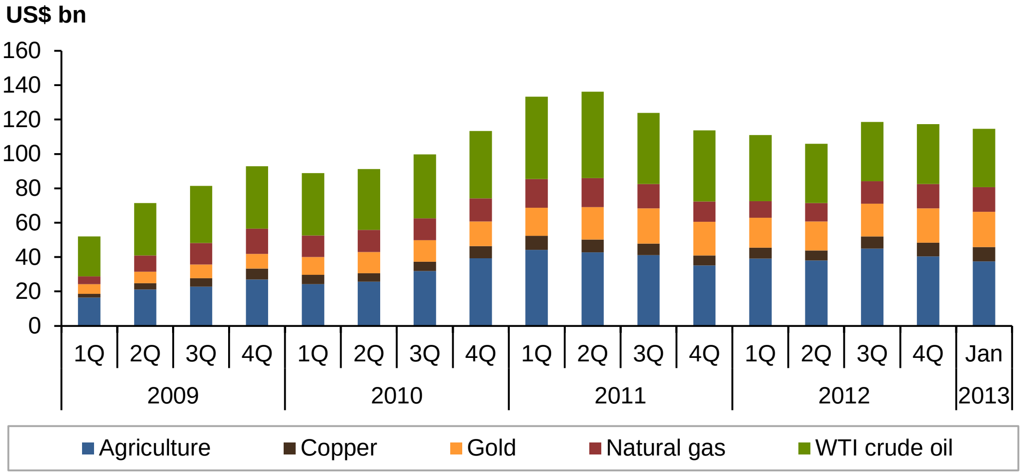
Source: US Commodity Futures Trading Commission.

Gold's OIV decreased by 2.3% to 435,054 contracts in February, after a 3.2% rise the previous month. Strategic investments in gold fell by a further 32.3% to 59,698 contracts in February, following a 18.7% drop the previous month. An 81.5% jump in short positions combined with a 4% decline in long positions.

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

	Open interest		*Net length*			
	Jan 13	Feb 13	Jan 13	% OIV	Feb 13	% OIV
Crude Oil	1,505	1,638	185	12	186	11
Natural Gas	1,168	1,199	-73	-6	-69	-6
Agriculture	4,281	4,549	335	8	293	6
Precious Metals	587	586	113	19	81	14
Copper	161	174	17	10	13	7
Livestock	613	604	85	14	36	6
Total	**8,314**	**8,751**	**662**	**8**	**540**	**6**

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



Source: US Commodity Futures Trading Commission.

World Economy

Table 3.1: Economic growth rates 2012-13, %	World	OECD	US	Japan	Euro-zone	China	India
2012	3.0	1.3	2.2	1.9	-0.5	7.8	5.0
2013	3.2	1.2	1.7	0.8	-0.2	8.1	6.0

Industrialised countries

US

The US economy continues recovering, although the 2013 growth forecast has been revised to 1.7% from 1.8% and uncertainty surrounding fiscal negotiations continue

While the US economy continues recovering, it is mainly the sustained uncertainty about the budgetary negotiations in Congress that are holding back the momentum to continue at its full potential. With the automatic budget cuts known as "sequester" implemented as of 1 March, negotiations in Congress have resumed. The sequester could have a potential negative impact of around 0.5 percentage points on this year's assumed GDP, but it seems too early to take all this impact into account for several reasons: First, negotiations on the many budgetary issues have recently exhibited a positive tone. Second, the underlying economy is doing relatively well with the labour market improving. Third, companies are holding record high cash reserves and might start to invest again, after the budgetary uncertainties have been solved. Nevertheless, the near future will need close monitoring as the potential impact of the sequester might be significant, on both the positive and the negative side. The issue of the budget resolution for the current year and negotiations on next year's budget will need to be finalized. Also, the debt ceiling issue now has been postponed up to 18 May. So uncertainty prevails and it remains to be seen what the impact of the decisions that have to be taken will be.

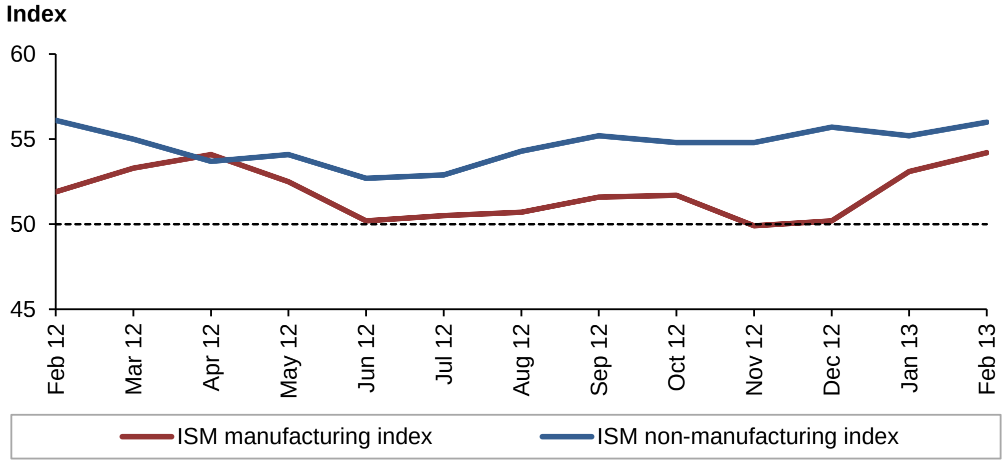
4Q12 GDP numbers have been revised from -0.1% to 0.1%. This upward revision of only 0.2 percentage points (PP) is smaller than the average revision from the advance to second estimate of 0.5 pp. The revision reflects an upward revision to exports, a downward revision to imports and an upward revision to non-residential fixed investment that were partly offset by a downward revision to private inventory investment. The underlying momentum of private consumption remains intact at 2.1%, almost at the same level as in the previous first release. It has been confirmed that it was the sharp drop in governmental spending — mainly defence spending from 3Q12 — which caused this sharp and unexpected move down to almost no growth. After governmental spending increased in the 3Q12 by 3.9%, the revised number showed a decline of 6.9% in 4Q12, which is even worse than in the first release of the numbers, when the decline was estimated at 6.6%. Defence spending, which has increased by almost 13% in 3Q12, declined by a stunning 22% in 4Q12. The reasons for this unusual pattern may be manifold, but it highlights mainly the fact that despite the underlying recovery in the economy — and hence the better trend in consumption — the governmental sector has still a large impact on the economy's growth.

The main support in the economy has come from the labour market and continuing positive developments in the housing market. This was accompanied by some better consumer confidence and industrial production numbers, as well as a continuation of an accommodative monetary policy by the Federal Reserve Board (FED). This, in combination with a record high cash level in the business sector, leads to the conclusion that if the fiscal issues in Congress are being finalized in a positive manner, this could unleash currently unexpected further upside already for the current year.

The labour market has continued improving, when analysing the job creation numbers that have been at 119,000 in January and 236,000 in February. The unemployment rate declined back again from 7.9% to 7.7%. Some more negative developments still highlight the ongoing fragility of the labour market, with for example long-term unemployment increasing again from 38.1% to 40.2%. With slight improvements in the labour market, consumer confidence also increased. The consumer confidence sentiment index of the Conference Board moved from 58.4 in January to 69.6 in February, while the consumer sentiment index of the University of Michigan increased from 73.8 in January to 77.6 in February.

Backed by this underlying momentum and the general expectation that the fiscal issues that are currently being negotiated in Congress will be sorted out in a positive manner, the Purchasing Managers' Index (PMI) for the manufacturing sector as provided by the Institute of Supply Management (ISM) increased to 54.2 in February from 53.1 in the previous month. The ISM for the services sector even increased to 56.0 from 55.2.

Graph 3.1: ISM manufacturing and non-ISM manufacturing indices



Source: Institute for Supply Management.

The very important housing sector continues improving. Pending home sales increased by 4.5% in January, after an upward revision of the January number of -1.9%, 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. The yearly change of the house price index tracked by the Federal Housing Finance Agency (FHFA) has continued its rising trend with a monthly price rise of 5.8% y-o-y in December, the largest increase since July 2006.

The current environment of political uncertainty might lead to muted growth in 2013, which is expected to be below this year's level of 2.2%. It is estimated that 2013 GDP will rise by 1.7%, which is a downward revision of the previous month's forecast, which stood at 1.8%. This mainly takes into consideration some slight effect from the sequester, which actually could push GDP levels down by 0.5 percentage points. If, however, a general agreement on the fiscal issues could be worked out relatively soon, the economy should benefit via increased business spending and investment, leading to higher growth.

Japan

The 2013 growth forecast for Japan's economy has been revised to 0.8% from 0.7%, benefiting from the global recovery and a push by the new government for improvements in the domestic economy

Japan's economy is benefiting from the global recovery and from the newly elected government's push for improvements in the domestic economy. Indicators across the board have improved in previous weeks and this, in combination with a new presidency at the Bank of Japan (BoJ) that is dedicated to more monetary easing and a stated inflation target of 2%, as well as a weakening yen, provides optimism for more to come. However, it remains to be seen whether the global recovery in trade will continue considering the weakness in the Euro-zone and the fiscal uncertainties in the US. Furthermore, it is not entirely clear yet that the push for inflation and increasing domestic consumption will work so easily.

Historically, the correlation of the yen and inflation has been relatively low and the effect on GDP remains to be seen. While the yen has weakened by around 20% since November of last year, and even though some of its effects have been visible already in improving exports, higher import prices might put pressure on the economy. This could be the case at least in the short-term and as long as fossil fuels need to be imported to compensate for the shortfall in nuclear capacity, which provided around a third of the electricity supply for the economy before the tragic events of 2011. Moreover, it remains to be seen if the BoJ will quickly adjust its policy — after its announcements — after many years of actually having pursued a less aggressive strategy, especially given its experiences from the 1990s when large monetary easing was not necessarily significantly successful. In addition, it must also consider the aging population that is probably fearful of negative interest rates eroding their personal wealth. There is a lot of pressure being put on the BoJ as the fiscal side will be hardly able to support the economy given the very strained debt situation of the government. This debt situation, in combination with the ageing population, might make it difficult to see significant short-term improvements without additional more structurally focused measures.

The economy continues to improve slightly from its lows of the 2H12. It is too early to gauge the exact magnitude of the rebound, but while most of the indicators have been pointing to a decline — or at least a deceleration — in most areas of the economy over the past months, the recovery in global trade combined with the stimulus efforts of the newly elected government seems to suggest that the momentum has accelerated. In the past, Japan has remained highly dependent on its foreign trade and domestic stimulus efforts had a limited impact over the medium-term. This time, however, the government has announced aggressive measures to stimulate the economy. The inflation target of 2% compares with the yearly inflation in December of -0.2% and one would need to go back for quite some time to find inflation levels in Japan significantly above the 0% level. The current plan of reviving the economy has been compared to the effective stimulus that was enacted in the 1930s by then Finance Minister Takahashi, which included foreign exchange rate adjustments, as well as monetary and fiscal measures. At that time, the BoJ also underwrote government bonds as a strategy of supporting sovereign debts. The main difference today is certainly that the current high debt level seems not to allow such bold measures on the fiscal side.

Exports increased 6.4% y-o-y on a non-seasonally adjusted base in January, while on a monthly comparison the positive trend is even more visible, with a seasonally adjusted increase of 3.5% and 3.6% in December and January, respectively. Retail sales, however, declined in January by 1.1% on a yearly base, after an increase of 0.3% y-o-y in December. Industrial production increased in January on a monthly base by 1.0%, after 2.4% in December on a seasonally adjusted rate. All these indicators point to a trend of soft recovery, which seems to need more momentum to really push the economy above its medium-term trend growth level of around 1.0%. This current recovery is also reflected in the PMI for manufacturing, which remains largely below the growth indicating 50 level for the ninth consecutive month at 48.5 in February, after posting 47.7 in January. The services sector PMI remains at an encouraging level of 51.1 in February, after an already solid 51.5 in January.

By considering these slight improvements and, to some extent, in anticipation of further monetary stimulus, the growth forecast has been revised to 0.8% for this year from 0.7% in the past month. 2012 has been adjusted — based on the recent actual numbers — to 1.9% from 2.0%. It remains to be seen what the detailed effect of the just announced stimulus and policy measures will be. While currently there is a positive momentum, most indicators remain negative when comparing them on a yearly base. If, however, the tender momentum from the past weeks is able to continue, growth might potentially have to be revised upwards again.

Euro-zone

The assessment that the economy will rebound at 0.1% in 2013 had to be revised to a negative growth forecast of -0.2%

The Euro-zone seems to continue to be significantly entangled in its sovereign debt crisis. With the 4Q12 GDP showing a decline of -0.6%, as well as a political gridlock in Italy after the most recent elections and a European Central Bank (ECB) which is still rather downbeat about this year's recovery, it is unclear when — and if — the Euro-zone this year will start showing any considerable improvements. Most indicators are still pointing at a continued deceleration. A recession this year is more likely than positive GDP growth.

The Italian elections were certainly the latest act in the Euro-zone drama, which made clear that due to the fragile political situation in some of the member states a change in policy could easily lead to the re-emergence of the previous year's sovereign debt challenges. Sovereign debt yields of Italy and Spain have risen in anticipation of the election and shortly after. It remains to be seen how the political gridlock in Italy will end and what the future of the economic strategy will be, as it is clear that any significant disruption in the Italian economy could have a global impact. Italy is the third largest debtor in the global economy, after the US and Japan, and it could have an impact, particularly within the Euro-zone, since its debt sits largely on balance sheets of banks and insurance companies, which are very sensitive to any change in the bond valuations.

The weaknesses of Germany, as well as, to some extent, the deceleration in France, remain the major forces keeping growth in negative territory in the Euro-zone. While some of the ailing peripheral economies are improving, the two largest economies have so far provided a backstop for the Euro-zone. But it became obvious that by the 2H12 these larger economies were facing a lagging effect from the decline of their peripheral trading partners. Industrial production from October to January in Germany has been negative on a yearly base, reaching -1.3% y-o-y on a seasonally and workday adjusted rate. The trend in manufacturing orders has been negative for a year and only recently in January reached a new multi-month low of -2.1%, pointing at continued challenges. In France, the negative trend for manufacturing orders ended already in September and increased by 0.9% y-o-y in January. Industrial production, however, remained negative since May 2012 and the latest available number shows again a decline of 2.1% for December.

Despite the ongoing issues and the recovery losing steam again, the ECB has again kept its key policy rate at 0.75% at the March meeting but amid low inflation in February of only 1.8%. With this recent softening in the economy, the likelihood of further monetary easing has risen. The still dire situation in the credit sphere could also support the decision to increase the monetary supply. The lending of financial intermediaries to the private sector has been negative now since the beginning of the previous year and had a record decline of 1.6% y-o-y in January, the largest decline over the past several months — and even bigger than the decline in October 2009, shortly after the bankruptcy of Lehman Brothers.

Industrial production in the Euro-zone has declined in all of the past twelve months and reached the largest decline in the month of November with -4.0% y-o-y, while it improved to "only" -2.2% in December. The main indicator for future production developments, the PMI, remains below the growth indicating level of 50, with the latest PMI number for manufacturing standing at 47.9 in February, the same as in January, after 46.1 in December. The PMI for the services sector declined to only 47.9 in February, after 48.6 in January. It seems that a lot more momentum will be needed for lifting the index above the 50-line and keep the economy growing again. This low industrial activity again leads to a high unemployment rate of 11.9% in January, the highest on record.

The assessment that the economy will rebound at 0.1% in 2013 had to be revised to a negative growth forecast of -0.2%. This is certainly subject to revisions over the coming weeks and the risk here seems to be currently skewed clearly to the downside. The estimate for GDP in 2012 has been revised further based on the official number to -0.5% from -0.4%.

Emerging economies are forecast to remain the major GDP growth drivers for the global economy in 2013. However, troubles in the Euro-zone and fiscal issues in the US might weigh on this growth expectation.

Emerging markets

The outlook for economic growth is gradually improving in most parts of the world, led by evidence of a more sustainable recovery in the US and also a modest rebound in Chinese growth. But troubles in the Euro-zone continue to overshadow economic prospects in **Transition regions**. Several countries contracted in 2012 and the Commonwealth of Independent States (CIS) is the sub-region that has been least affected, as its trade and investment linkages to Western Europe are less strong and its economies have reaped benefits from high energy prices. Recession and uncertainty about the future of the Euro-zone have been acting as a brake on economic activity in the region, through declines in trade, investment and bank financing. Exports and industrial output have weakened, and business and consumer sentiment are fragile. There is some scope for countries in the region to provide stimulus by loosening monetary policy, as Poland is currently doing. But most governments have been tightening fiscal policy as part of consolidation programmes designed to put their public debt dynamics on a declining path.

In 2012, growth in **Asia and Australasia** moderated compared to 2011. In those regions, there has been a broad-based slowdown due to sluggish demand in the West. The region's two largest economies, China and India, both decelerated. China's slowdown in particular has had ramifications for other countries in the region given its size and role as a catalyst of regional and global growth. **Asia's** economic fundamentals are sound. Levels of debt (both government and private) are in most cases low compared with those in the West, and Asian banks are in good shape. Even though China has entered a new phase of its development, which will be characterized by more balanced and slower output growth, it will still have a galvanizing effect on other economies in the region (EIU, March 2013).

China's recovery will also benefit **South American** economies. Chinese demand will sustain volumes and prices at high levels, even if the era of sustained annual increments has now run its course as China enters a less-commodity phase of its development. Historically low OECD interest rates, coupled with growing investor interest in the region, will continue to benefit those Latin American economies that are integrated into global financial markets. One striking development in the past two years has been the reversal of fortunes in the region's two largest economies, Brazil and Mexico. Brazil, the poster child of the boom period, has faltered as it has run into capacity constraints stemming from policy deficiencies. Mexico, which fared poorly for much of the past decade, is experiencing a period of stronger growth based on its success in regaining a larger share of the US market. Previously, it was only Brazil, the region’s biggest economy that complained about the competitive devaluations generated by money-printing in the West, the so-called currency wars. Now, however, as Japan joins the rush to print money and devalue, the more orthodox and free-trading Latin economies such as Mexico, Chile, Colombia and Peru also fear being a victim of interventions into currency markets. The issue was also raised in recent G20 meetings in Moscow, given that Asian exporters such as South Korea are also worried about currency appreciation.

As the second anniversary of the onset of the Arab Spring approaches, the political landscape across the **Middle East and North Africa** remains fragile. In the face of the turmoil surrounding the Arab Spring, governments initially implemented a host of fiscal measures, including a raft of tax cuts, pay rises for public-sector workers and new infrastructure programmes. However, the inevitable corrosive impact on the fiscal accounts is now forcing a number of governments to reverse these measures, with, for example, Egypt raising taxes and hiking petrol prices and Jordan ending fuel subsidies entirely.

In the first week of March 2013, **emerging market** stocks fell the most that they have in seven months, erasing 2013 gains, after the US Federal Reserve sparked concerns that the US may curtail its monetary stimulus programme and declining commodity prices dragged producers lower. Even the index of shares for the BRICs slipped lower with the MSCI BRIC Index of shares sank 1.9% to the lowest level since 27 December. Emerging market stocks may enter a more “significant correction” after underperforming developed nation shares this year, according to JPMorgan (March 2013). Macroeconomic performance of the BRICs is given in the ***table 3.2*** below.

Table 3.2: Summary of macroeconomic performance of BRIC countries

	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Brazil	0.9	3.2	5.5	5.6	-51.6	-64.5	-2.4	-1.9	58.6	58.7
Russia	3.4	3.4	6.6	5.9	88.2	64.5	0.0	-0.4	7.8	7.7
India	5.0	6.0	9.6	7.5	-77.4	-61.9	-5.4	-5.0	49.9	49.7
China	7.8	8.1	2.7	3.2	226.6	220.3	-1.6	-2.0	15.6	16.0

Source: Data Services Department, OPEC Secretariat for GDP growth rates; Consensus Forecasts, February 2013, for prices and current accounts; Economic Intelligence Unit, February and March 2013, for government fiscal balance.

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

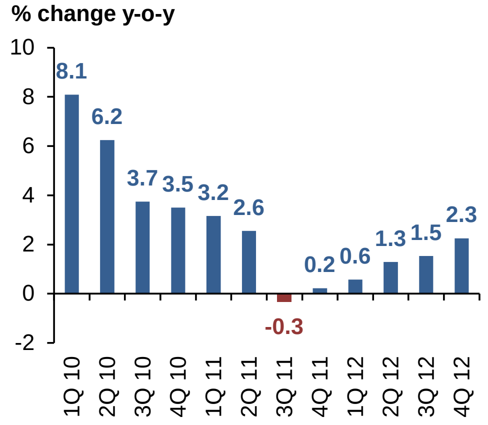
Brazil

Government has tried to stimulate a rebound by reducing interest rates, now at 7.25%, the lowest since 2009

After a weak 4Q, Brazil's GDP grew by less than 1% in 2012. Our forecast that GDP growth will reach 3.2% in 2013 assumes that private investment will accelerate owing to a reduction in electricity tariffs, cuts in payroll costs and improving global conditions. Policies will be supportive: Interest rates have been at a historical low of 7.25% since October 2012 in spite of the mounting inflationary pressures. It is expected that Brazilian Central Bank will maintain rates for the time being. Even so, risks to our 2013 forecast are on the downside. An electoral cycle and the staging of the World Cup in 2014 should boost the economy in that year, before it moderates afterwards. Among the challenges for the economy in the medium-term are a deceleration in labour force growth, a tighter labour market, less dynamic Chinese demand (dampening the terms-of-trade gains that Brazil has enjoyed in recent years), and slower credit growth. This leaves growth to be driven more by productivity gains, which Brazil will continue to struggle to generate. However, in spite of a slowing economy, unemployment is still at quite a low level. According to the Financial Times (5 March 2013), it is hard to find an ordinary Brazilian who is concerned about the future of the economy. More Brazilians have formal jobs than ever before, with unemployment hovering near a record low in January of 5.4%. Wages are still rising, people are shopping and the government's popularity ratings are at highs. The 4Q growth for last year, at 0.6% compared with the 3Q, was below analysts' expectations, placing the economy on track for growth this year of 3% or slightly above — below Brazil's potential growth rate of 4% or higher.

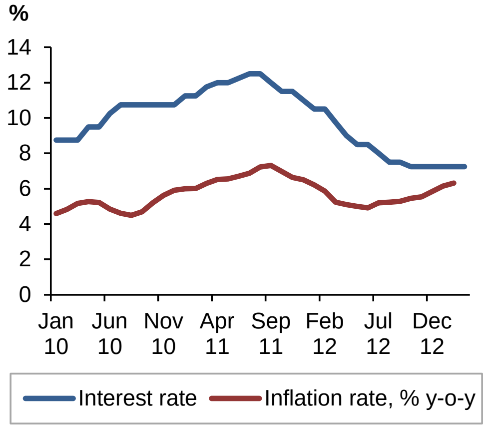
The government has tried to stimulate a rebound by pushing down interest rates, encouraging state bank lending to consumers, slashing taxes on new cars and home appliances, cutting social welfare taxes on salaries and reducing energy prices. It has also tried to boost investment through tax breaks and by tendering grand infrastructure schemes. But investors have remained on the sidelines, with fixed investment declining 4% last year compared with a year earlier as industry contracted because of Brazil's high costs. In the meantime, the economy has been saved from recession by its alternative engine of growth, services. As Brazilians have gotten richer, they have increased their consumption of services. This has pushed down the unemployment rate and boosted consumption. The country's President has released a series of stimulus measures to encourage consumption while also trying to kick-start flagging investment through the privatization of big infrastructure projects. Returning the economy closer to its long-term growth pattern of around 4% is seen as an urgent priority for a president who is expected to stand for a second term in elections next year. In addition to agricultural and livestock activity, there are signs of strength in the industrial sector. But while some commodity and consumer-related imports to Brazil remained strong, trade related to domestic industry or global manufacturing was weak. Brazilian export and import volumes by sea grew a total of 2% last year against a year earlier but contracted 1.2% in the 4Q versus a year earlier after growing only 0.2% in the 3Q. In the 4Q, while exports fell 3.1%, imports rose 0.6%.

Graph 3.2: Brazilian GDP growth (SAAR = seasonally adjusted annual rate)



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

Graph 3.3: Brazilian interest rate and inflation rate



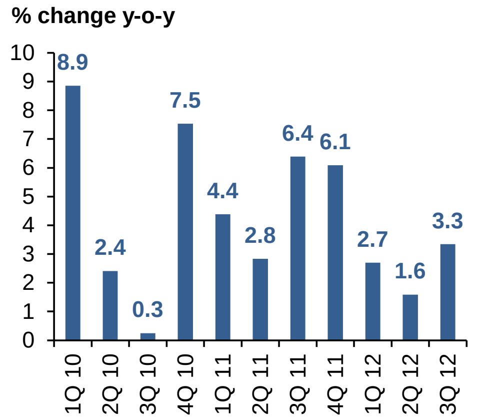
Source: Banco Central do Brasil and Haver analytics.

Russia

Inflationary pressures rise amid accelerating capital outflows with disappointing figures for GDP growth in January

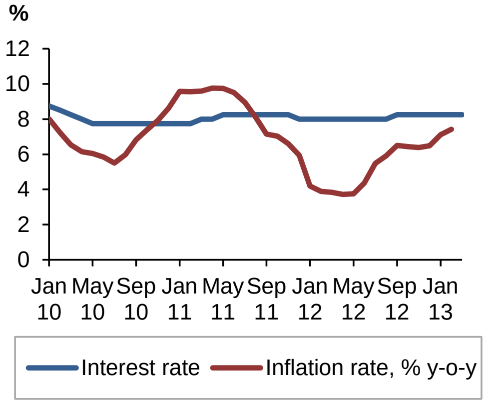
Consumer inflation rose to 7.3% on annual basis in February pulling the inflation rate up from 7.1%. Food inflation increased only marginally to 8.7% on annual basis from 8.6%. The transmission of higher grain prices into end product while alcohol prices continued to increase on the back of an excise tax increase in January. The indexation of regulated tariffs and energy prices continued to push up headline inflation. Petrol prices increased on the back of a higher global oil price and the increase in the excise tax at the start of the year. Seasonally adjusted core CPI also accelerated by 0.43% m-o-m from 0.39% the prior month. Still, the dynamics remain fairly moderate and, given the weakness in the real economy, it is expected that this uptick will be temporary. Food prices have continued rising but are gradually losing steam, while alcohol prices continue to increase on the back of an excise tax hike in January (JP Morgan, 8 March 2013). The Russian Central Bank (RCB) is targeting inflation of 5-6% for 2013. Deflation is likely to be slow, as a result of increased demand and adjustments in regulated prices. Strong nominal wage growth resulted in double digit increases in annual average real wages during the past decade. Following a crisis-induced decline in 2009, real wage growth has resumed and will continue, albeit at much lower rates than before 2009.

Graph 3.4: Russian GDP growth (SAAR)



Source: Federal State Statistics Service and Haver analytics.

Graph 3.5: Russian interest rate and inflation rate



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

In early 2012, the rise in oil prices underpinned a resumption in the underlying trend of real appreciation. The real effective exchange rate (REER) appreciated by more than 5% in the 1Q. However, as in other emerging economies, Russia experienced some weakening of its currency in the 2Q in reaction to the uncertain global outlook and flight from risk, as well as decline in oil prices. The REER was then broadly stable in the 2H12. The RCB estimate for the January-September current account surplus was revised downwards, from $74.6 bn to $63.9 bn and this impacted on the full- year figure. During the 4Q of 2012, $9.4 bn left Russia, a slight increase from the outflows in the 2Q and 3Q, which stood at $6.4 bn and $7.6 bn, respectively. Pre-election political uncertainty contributed to a $33.3 bn outflow in the 1Q. In 2012, capital inflows were boosted by a sharp increase in foreign fundraising by Russian banks, which borrowed heavily and recorded net inflows of $23.6 bn for the year. This compares with a $24.2 bn outflow in 2011. In the non-financial sector, however, there was a net outflow of $80.4 bn, the highest on record and well above the $56.4 bn recorded in 2011. The biggest outflow in the non-financial sector was in the 4Q, undermining hopes that the investment climate is improving (EIU, March 2013). Meanwhile, business surveys continue to indicate firm growth in manufacturing. The manufacturing PMI was unchanged at 52.0 in February, with output and new orders inching down but employment recovered from 47.1 to 49.4. Importantly, both input and output price indices continued to move down, indicating decreasing supply-side inflation pressures.

India

New fiscal year budget bill meets government's deficit targets but disappoints on tangible measures to stimulate savings and investment

According to EIU (March 2013) the perception of both current and future economic conditions worsened in the 4Q12. Around 41% of those surveyed felt that current conditions were worse than a year ago, up from just under 39% of those surveyed in September. More worryingly, nearly 32% of respondents believed that economic conditions would worsen in the next 12 months, compared with 28% in the previous quarter. However, the outlook for income and households improved slightly: when questioned about their household circumstances, 46% of respondents thought that these would improve in the coming year, up from 44.1% in September, while 54.5% felt that their income would rise, compared with 51.9% previously. A slim majority of consumers (51.5%) anticipated increased future expenditure, compared with 57.9% in the 3Q. According to the survey, the cost of services and durable goods were the most commonly cited factors influencing changes in spending.

In January, India's automotive industry recorded its worst performance in almost a decade as car sales fell by 12.5% y-o-y to 173,420 units, according to data released on 11 February by the Society of Indian Automobile Manufacturers (SIAM). This marks the third consecutive month that car sales have fallen, after an average decline of 10.4% y-o-y in November-December 2012. Meanwhile, sales of vans were 5.9% lower on an annual basis in January, while total sales of commercial vehicles fell by 9.5% to 63,218 units. However, SIAM noted that overall vehicle sales grew by 5.3% to 1.56 million units in January. Overall, car sales in the first nine months of fiscal year 2012-13 (April-March) fell by 1.8% y-o-y, even as overall passenger vehicle sales grew by 6.8% in the period, largely driven by sales of utility vehicles.

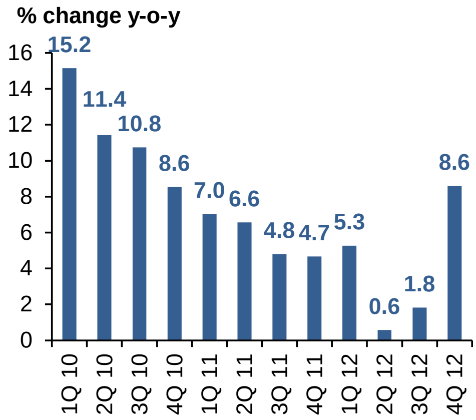
Even though the government kept to its fiscal targets in late February, there were no bold measures to restore macroeconomic stability and boost growth by spurring infrastructure investment. Boosting infrastructure investment and household financial savings, and inducing more capital flows to fund the current account deficit, were rightly seen as key imperatives in many economic surveys. However, the budget laid out several measures. On infrastructure, it indicated tax-free bonds of Rs 500 billion (0.4% of GDP) will be permitted this year. In addition, Infrastructure Debt Funds (IDF) are to be encouraged and a regulatory authority for the road sector is to be introduced. More generally on the investment side, companies will be able to deduct an investment allowance of 15% on investments on plant and machinery. And on the savings side, the Rajiv Gandhi Equity Savings Scheme (which offers incentives for first-time equity investors below a certain income level) was liberalized. The government's budget also said the government would introduce inflation-indexed bonds in the near future and proposed the creation of a policy framework to help accelerate coal production, which has been a key constraint for the power sector.

While there have been steps in the right direction, it seems they are not bold enough or comprehensive enough to boost savings or investments. Furthermore, there was almost nothing in the budget on the external side, with no mention of rationalizing withholding taxes, floating a rupee-denominated bond or generally attracting more capital flows in lieu of the bloated current account deficit. The wholesale price index

(WPI) inflation is expected to moderate further, but CPI is to stay elevated. Year-on-year industrial production growth has languished in recent months, but this has masked a sequential uptick in the industry that was evident in the 4Q GDP growth rates. Markets are closely monitoring whether this continues into January IP. Exports rose sharply in January and would need to stay on that trajectory to help narrow an unsustainably high current account deficit (see table on macroeconomic performance of BRIC above). Yet there has been news of export orders stumbling in the last few months.

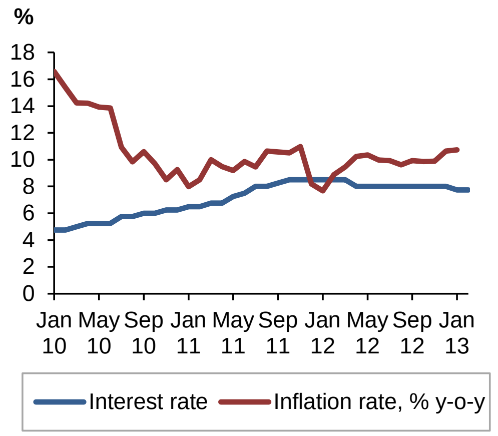
The events of the last few weeks have increased expectations that there will be another 25 bp policy rate cut in March. First, January headline and core inflation surprised sharply on the downside and the momentum of core inflation has fallen all the way to 2% on a quarterly basis. Nevertheless, CPI inflation is still in the double digits and core CPI inflation is at 8% but this has not been a deterrent to previous rate cuts, with the Reserve Bank of India (RBI) using WPI inflation as its key metric to assess pricing power. Second, the pace of activity remains well below the trend. It seems clear that GDP growth accelerated in the 4Q12, but the output gap is still thought to be negative.

Graph 3.6: Indian GDP growth (SAAR)



Source: Central statistical office of India and Haver analytics.

Graph 3.7: Indian interest rate and inflation rate



Source: Reserve Bank of India and Haver analytics.

China

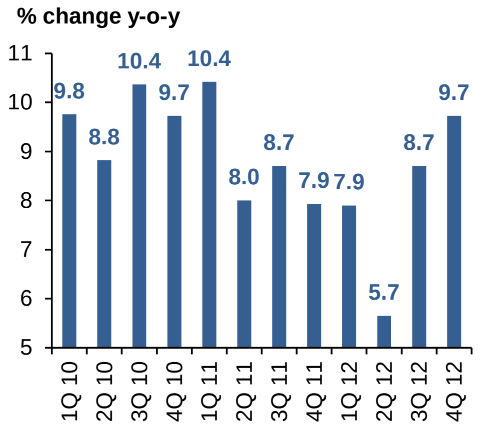
New leadership puts economic growth target for 2013 at 7.5%.

On 5 February, the State Council (China's cabinet) published a list of policy guidelines aimed at reducing income inequality. Income inequality is a major concern, partly because higher levels of inequality are perceived as increasing the risk of social unrest. The government claims that China's Gini coefficient (a measure of income inequality running from 0 to 1, where a higher figure represents greater inequality) fell to 0.47 in 2012 from 0.49 in 2008. But this relied on official income series that are thought not to capture fully the earnings of wealthy individuals (EIU, March 2013). A study last year by the Southwestern University of Finance and Economics in Sichuan province put the country's Gini coefficient at 0.61, making it one of the most unequal in the world. There has been much debate over the new guidelines, which represent ambitions not hard targets. The fact that they took so long to publish suggests that vested interests may frustrate their implementation. Some of the most controversial elements touch on state-owned enterprises (SOEs). Executive pay in SOEs is supposed to be capped and such entities will be required to hand over 5% more of their earnings to the public purse as dividends by 2015. Other businesses may be nervous about the goal of raising the minimum wage from 30% of average salaries in 2011 to 40% by 2015, with minimum pay rates also being introduced on an industry-by-industry basis and collective bargaining extended to 80% of the private sector by that year.

China's exports grew by 25% y-o-y in January and 21.8% in February. Imports climbed by 28.8% in January while imports growth dropped. The two first months of the year's average for export and imports were 23.6% and 5%, respectively. At face value, the January and February exports numbers are extraordinarily strong. Yet the data have been artificially boosted by seasonal factors. Chinese New Year festivities, which occured in mid-February this year, fell in January in 2012. Shipments will thus have been brought forward to avoid the New Year break this year, and January also had more working days than 2012.

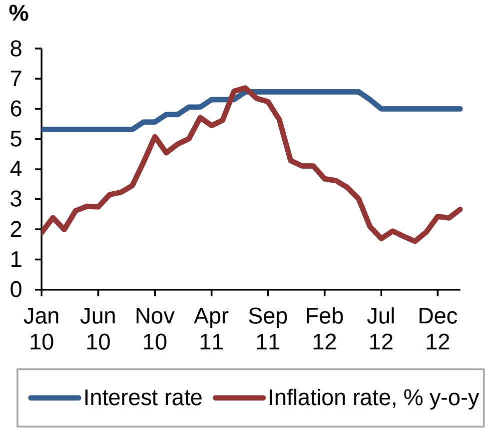
China's Premier Wen delivered his last annual government work report at the National People's Congress (NPC) on 5 March. The report highlighted that the 2013 GDP growth target will stay at 7.5%. The Premier emphasized that the 7.5% GDP growth target is intended to be consistent with the economy's growth potential as well as with the pace of growth in factors of production and sustaining the environment. In addition, the report highlighted that a priority this year continues to be economic restructuring, focusing on the support of domestic demand, including both household consumption and (high-quality) investment. On macro policy, the Premier reiterated the combination of a "prudent" monetary policy and a "pro-active" fiscal policy stance for 2013, while emphasizing the continuity and stability of macro policy, which should be forward-looking, targeted and flexible. In particular, the 2013 CPI inflation target has been set at 3.5% on an annual basis, modestly lower than the 4% inflation target for last year. The Premier noted that the 3.5% inflation target takes into account rising costs of factors of production, import inflation pressure, especially amid further expansion of accommodative monetary policy by the major advanced economies, and the room for price reforms for energy and resources.

Graph 3.8: Chinese GDP growth (SAAR)



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

Graph 3.9: Chinese interest rate and inflation rate



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

The government will attempt to keep the registered urban unemployment rate below 4.6% and to create 9 million urban new jobs. Urban and rural household incomes are to grow at the same pace as the overall economy. Labour compensation growth should be consistent with labour productivity growth. The 2013 fiscal budget deficit was set at 2.0% of GDP. The international balances of payments should be improved further. The M2 growth target was set at 13%. Affordable housing targets in 2013 were set at 6.3 million units new starts and 4.7 million units completed, compared to 7 million and 5 million units, respectively, in 2012. NDRC announced FAI growth at 18% in 2013, vs. the target of 16% and actual growth at 20.6% in 2012. Economic restructuring and focus on domestic demand The priority for economic work this year continues to be economic restructuring and quality/sustainability of growth. The government continued to highlight the importance of household consumption, by raising consumers' spending ability and strengthening household willingness to consume. Meanwhile, the Premier also highlighted that the importance of investment in supporting sustainable economic growth should not be underestimated. China's ability to invest and its demand for investment remain strong, but it is important to improve the quality and efficiency of investment through various means, including further liberalization of market entry for private investment.

Asia Pacific

Indonesia's real GDP expected to grow by 5.9%

Indonesia

Indonesia's fiscal position has improved in recent years, leading to a decline in government debt relative to GDP. But oil prices remain a source of fiscal uncertainty, given the country's high fuel subsidy bill. In 2012 the government initially expected to record a budget deficit equivalent to 1.5% of GDP; but its forecast was revised twice, ending up at 2.3-2.4%. Since exports account for a relatively small proportion of its GDP, Indonesia should cope better than most of its neighbours with the still subdued global economy during 2013, when we expect the country's real GDP to grow by 5.9%. Markit reported that the seasonally adjusted PMI edged back above the no-change mark of 50.0 during February, posting 50.5 (up from 49.7 in January). The latest reading indicated an improvement in the health of the manufacturing sector, albeit only slight.

Vietnam

In Vietnam, after inflation peaked at 23% in August 2011, it has slowed dramatically, bottoming out at 5.0% last August before moving higher to 7.1% last month. Inflation is set to increase but is forecast to average 8.3% this year versus 9.1% last year and 18.7% in 2011. At the same time, Vietnam's trade balance was in surplus last year for the first time in two decades. Through February this year it has been reported that loan growth in the country is down 0.2%. The weakness in credit growth has been evident in GDP growth, too, as the economy grew just 5.0% last year and is expected to grow only 5.3% this year. After adjusting for seasonal factors, the HSBC Vietnam Manufacturing PMI posted 48.3 in February, down from 50.1 in January. This is below the neutral 50.0 mark and signals a contraction for the second time in the past three months.

MENA

Egypt

Egypt's economy is facing several challenges. The country's budget deficit rose for the first half of the current fiscal year — July to December 2012 — by 24% to $13.7 billion. Total government expenditures have risen to $36 billion, inflation during December increased by 4.7% over the previous month and foreign reserves have fallen from $15 billion in December to $13.6 billion in January. Meanwhile, Egypt is hoping to secure a $4.8 billion standby credit from the IMF. Egypt's economy is estimated to have grown by 1.9% in 2012 and is forecast to expand by 2.0% in 2013.

Bahrain

The Bahrain Economic Development Board (EDB) said that the country's economy grew 4.4% in the first three quarters of 2012 mainly driven by a strong recovery in the non-oil sector. Real full-year growth is estimated at 3.9%.

OPEC Member Countries

The Saudi economy expanded by 6.0% last year

Saudi Arabia

Saudi Arabia is estimated to have expanded by 6.0% last year. The headline PMI posted 58.5 in February, up from 58.1 in January. Output and new order growth remained solid, and employment levels continued to rise. Meanwhile, purchasing activity increased at a sharp rate. Employment levels at non-oil producing private sector firms also rose further during February.

UAE

The UAE's exports to Japan grew by almost 3% to Dh161.9 billion ($44.1 billion) in 2012 compared to Dh156.78 billion ($42.72 billion) in 2011, according to the head of the Abu Dhabi Economic Development Department. The low exchange rate of the dollar against the Japanese yen had contributed to the rise in trade exchange between both countries, which has been boosted further by the high level of public spending by the Japanese government to encourage businesses and investments in the country.

Angola

The most recent budget for this year assumes a real GDP growth rate of 7.1% — a slowdown from the official growth estimate of 8% in 2012 — and a benchmark oil price of $96/b, much higher than the conservative $77/b used in the 2012 budget.

Angola's central bank, the Banco Nacional de Angola (BNA) has several goals, one of which is to reduce the level of dollarisation in the economy and thus improve the effectiveness of monetary policy. The passage of a law in 2012 requiring international oil firms to channel their payments through domestic banks will also help to boost liquidity, although the changes are being phased in over 12 months ending in October 2013.

Oil prices, US dollar and inflation

The US dollar fell in February by 0.5% and 0.4% versus the euro and Swiss franc, while it gained 4.5% and 3.1% versus the yen and the pound sterling

The US dollar in February gained largely in value against the Japanese yen and the pound sterling but declined slightly when compared to the euro and the Swiss franc. On an average monthly base, the US dollar fell by 0.5% compared to the euro and by 0.4% versus the Swiss franc, but it gained 4.5% compared to the yen and 3.1% to the pound sterling. The impressive development of the US dollar versus the yen has continued and, at the monthly average rate, in February stood at ¥93.466/$. With the newly incoming presidency of the BoJ, this momentum could continue. At the beginning of March it already stood at ¥96.005/$

The continued weakness in the Euro-zone has put pressure on the euro recently and it moved from the levels of February of almost $1.34/€ to below $1.30/€. The weakening situation of the Euro-zone compares to improvements in the US and a further decline of the euro could therefore be expected. This development of the euro combined with the weakening of the yen and the expected continuation of both major currencies declining, in addition to the announcements of the incoming newly appointed governor of the Bank of England (BoE) to probably increase the monetary easing measures, should all strengthen the US dollar in the future. Considering the usual correlation of the US dollar to oil prices, this development could put some downward pressure on oil prices.

In real terms, after accounting for inflation and currency fluctuations, the Basket price rose by 3.7% or $2.46/b to $69.38/b

In nominal terms, the price of the OPEC Reference Basket rose by $3.47/b, or 3.2%, from $109.28/b in January to $112.75/b in February. In real terms, after accounting for inflation and currency fluctuations, the Basket price rose by 3.7%, or $2.46/b, to $69.38/b from $66.91/b (base June 2001=100). Over the same period, the US dollar gained 0.7% against the import-weighted modified Geneva I + US dollar basket while inflation rose by 0.2%.*

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

World Oil Demand

World oil demand

World oil demand growth estimated at 0.8 mb/d in 2012

Based on the latest information for December 2012, the estimate for fourth-quarter world oil demand stands at 90.2 mb/d, indicating growth of 1.1 mb/d and representing a downward revision of 0.1 mb/d from the previous report. This puts demand for the whole of 2012 at 88.8 mb/d, an increase of 0.8 mb/d and equivalent to a minor downward adjustment of 20 tb/d.

The bulk of the growth in the fourth quarter came from China, with its figure of nearly 480 tb/d being much higher than the growth seen in the first three quarters. This was in line with a recovery in economic activity, which grew by 9.7% from only 5.7% in 2Q12. The fourth quarter also saw stronger increases in India, Brazil and Saudi Arabia. Growth in India was supported by colder weather in December, as well as by excessive diesel usage for electricity generation. Stronger transport fuel consumption, combined with the higher use of oil in power-generation, was behind the growth in Brazil. Saudi Arabia also saw growth in the fourth quarter, although this was lower than in the high demand third quarter, and was driven mainly by stronger growth in transportation and industrial fuels.

Meanwhile, US oil consumption was revised down in the fourth quarter, reflecting the release of December's monthly data, which indicated a huge downward revision for the month, pulling down total oil consumption in the US for 2012 to the lowest level since 1996. European demand continued to see a contraction in the fourth quarter, but the decline was much lower than the one experienced in the first three quarters of the year, thanks to stronger heating oil demand.

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

							Change 2012/11	
	2011	1Q12	2Q12	3Q12	4Q12	2012	Growth	%
Americas	24.00	23.47	23.77	23.84	23.87	23.74	-0.26	-1.10
Europe	14.31	13.75	13.78	13.82	13.84	13.80	-0.52	-3.61
Asia Pacific	8.13	9.08	7.97	8.23	8.74	8.51	0.38	4.63
Total OECD	**46.44**	**46.29**	**45.52**	**45.90**	**46.45**	**46.04**	**-0.40**	**-0.87**
Other Asia	10.49	10.59	10.81	10.89	10.88	10.79	0.30	2.90
Latin America	6.06	5.97	6.22	6.47	6.38	6.26	0.20	3.23
Middle East	7.34	7.48	7.48	7.87	7.49	7.58	0.24	3.34
Africa	3.36	3.37	3.39	3.31	3.46	3.38	0.02	0.65
Total DCs	**27.25**	**27.41**	**27.89**	**28.54**	**28.20**	**28.01**	**0.77**	**2.81**
FSU	4.29	4.24	4.09	4.51	4.72	4.39	0.10	2.33
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**	**14.33**	**14.56**	**14.68**	**15.52**	**14.77**	**0.43**	**2.99**
Total world	**88.04**	**88.03**	**87.97**	**89.12**	**90.17**	**88.83**	**0.79**	**0.90**
Previous estimate	88.04	87.99	87.94	89.12	90.31	88.84	0.81	0.92
Revision	0.00	0.05	0.03	0.00	-0.14	-0.02	-0.02	-0.02

Totals may not add up due to independent rounding.

World oil demand growth forecast at 0.8 mb/d in 2013

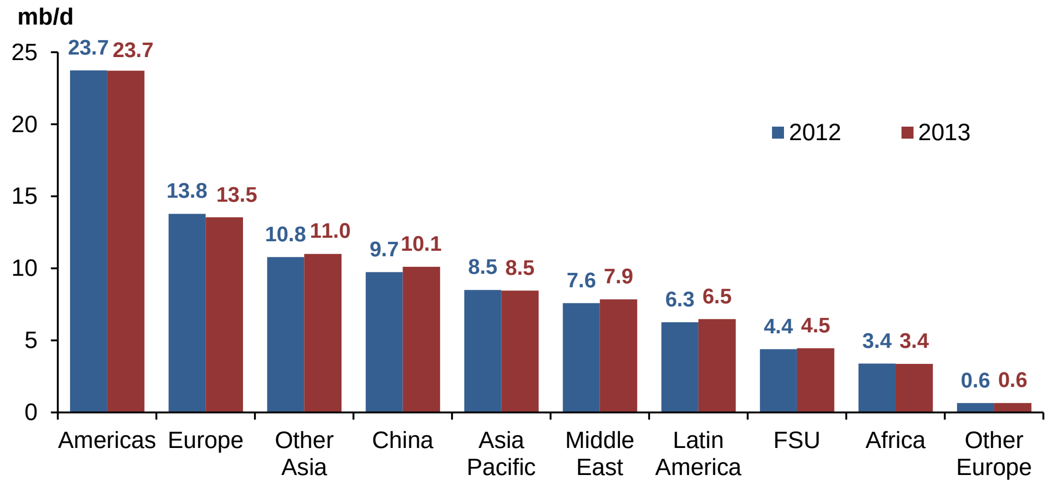
World oil demand growth in 2013 is projected to remain unchanged from the previous report, increasing by 0.8 mb/d to average 89.7 mb/d.

A large portion of the growth will come from China, with a 0.4 mb/d increase, while the other non-OECD countries will add another 0.7 mb/d, with the Middle East region accounting for 0.3 mb/d, followed by Other Asia and Latin America with growth of 0.2 mb/d each. OECD demand is expected to see a contraction of 0.3 mb/d, although this will be lower than the previous year.

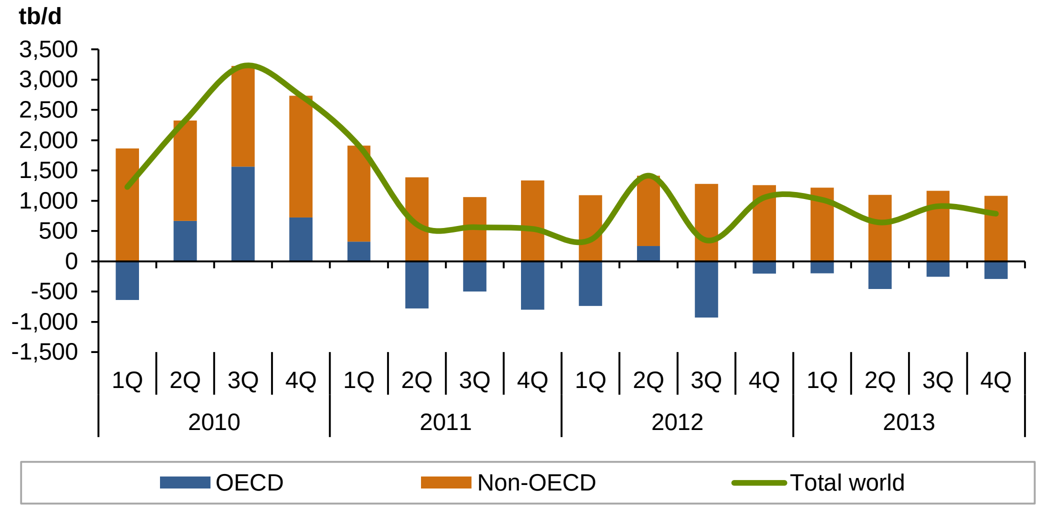
An improvement is likely to come from the US, as demand is expected to be flat after two consecutive years of decline. The decline observed in European oil demand is expected to ease, while Japanese oil consumption is projected to remain roughly at the same level as in 2012, reflecting a higher base-line. This year's quarterly oil demand growth is projected to rise between 0.7% in the second quarter and 1.1% in the first.

However, there are a number of downward risks to this growth. The euro's instability could lead to even deeper recession in some Mediterranean countries, and the potential impact of a full budget cut in the US could drag down the world economy, consequently reducing oil demand. At the same time, any sudden change in Japanese policy towards reopening some of its nuclear reactors would also reduce oil demand, particularly burning in power-generation.

Graph 4.1: World oil demand by region



Graph 4.2: Quarterly world oil demand growth



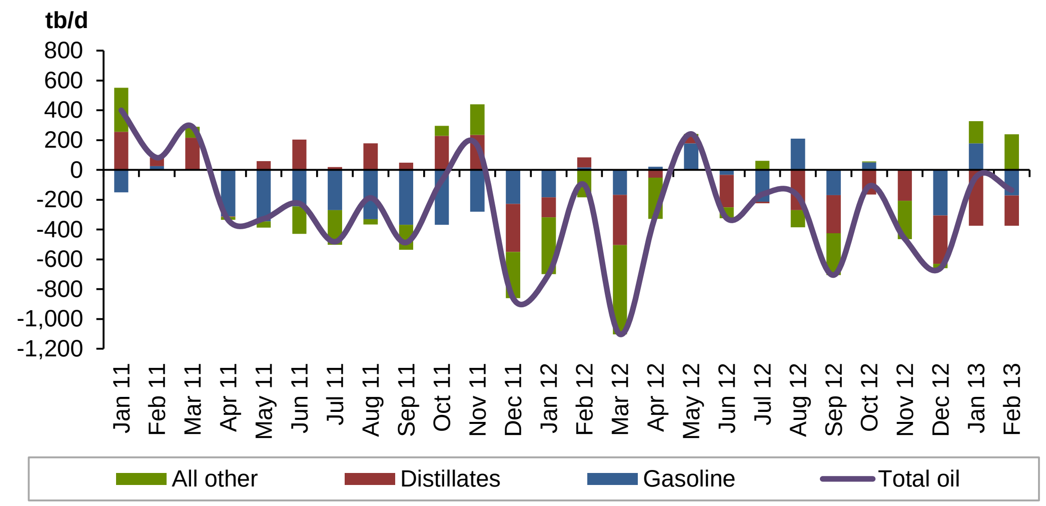
OECD Americas

OECD Americas' demand expected to remain flat in 2013, following a contraction of 0.26 mb/d in 2012

The US Energy Information Administration's latest monthly release of data for US oil consumption for December 2012 surprised the market with a significant downward revision of 0.8 mb/d or 4.4%, compared with previous preliminary weekly data. Gasoline requirements decreased considerably by 3.5%, compared with December 2011, in line with a decline in mileage of 2.9% y-o-y. Moreover, consumption of distillates, notably automotive diesel, shrank by 8.4%, compared with the same month in 2011. And finally, fuel oil substitution by natural gas implied once more a huge decrease of 63.3% in residual fuel oil consumption in December 2012.

Overall, **US oil consumption** in December 2012 was the lowest reported for that month since 1993, causing the 2012 annual figure to be the lowest since 1996. This saw the requirements for all the main product categories shrinking. The largest decreases were observed for distillates and residual fuel oil. US oil consumption was significantly affected during most of 2012 by weak industrial production, a struggling economy, high fuel prices, especially in the first half of 2012, increasing vehicle efficiencies as well as decreasing average vehicle sizes, and fuel-switching, particularly towards natural gas.

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



Preliminary weekly data shows US oil consumption for January decreasing slightly, with gasoline and propane/propylene requirements rising and distillate fuel oil and residual fuel oil demand falling, although colder weather than last year offset some of these decreases with more heating oil consumption. In February, US consumption, also based on weekly data, shrank by 0.7%, with the only product category rising being propane/propylene. For the whole year, the forecast for US oil demand has been revised down by around 50 tb/d; however, this downward revision could be larger in the coming months, depending on the full impact of the spending cuts in the near future. Given the current uncertainty, projections for 2013 US oil consumption seem therefore to be skewed more towards the downside, compared with the situation one month ago, and there is the danger of spill-over effects to other regions becoming more prominent.

The latest reported data for **Mexico's** oil consumption in January showed substantial increases in consumption of 3.5% y-o-y, as a result of improvements in industrial manufacturing growth and notably the auto industry. The Mexican automotive industry attracted investment in new vehicle production factories, due to the proximity of the country to North and South American markets, as well as its open trade policy. These factors have been translated for another month into rising residual fuel oil and distillate use. Mexico's oil consumption will be driven by an expected increase in industrial production during 2013; however, the size of the growth is projected to be lower than in the previous year.

Canada's oil consumption closed 2012 with a strong performance in December and growing requirements by 7.5% y-o-y, driven up by cold weather and enhanced hydrocarbon drilling activity. Oil usage in industrial fuels, and especially distillates, led this increase. Canada's oil consumption is expected to remain flat during 2013, with downside risks, compared with the previous month, caused by a possible slowdown in economic growth and the country's strong economic dependence on the US.

In 2012, OECD Americas' oil consumption shrank by 0.26 mb/d, while oil consumption during 2013 is expected to remain at the same levels as in 2012.

OECD — Europe

Oil demand decline in OECD Europe projected to ease in 2013

With a substantial number of the region's countries facing strict austerity measures, unsolved debt issues and generally disappointing sentiment throughout the continent, Europe's oil consumption contracted in January for the seventeenth month in a row — the situation was gloomiest in the southern countries. The cold weather was one of the factors which somehow offset the declines, while the extremely low baseline affected the falling volumes.

In **Germany**, the purchasing managers' index trend has been increasing since July 2012, despite lower exports within the countries of the continent, while falling industrial production in **France** in January implied lower oil demand, especially for distillates. In **Italy** and **Spain**, oil requirements declined substantially — all the main product categories were deep on the minus side, with the bulk led by industrial fuels, notably distillates.

In contrast, the **UK** showed signs of improvement with a strong performance in January indicating a 9.5% y-o-y increase for the first time since December 2011; distillate requirements accounted for most of these volumes.

The latest European Automobile Manufacturers Association figures reported January's European new car registrations as shrinking for the 16th month in a row, this time by 9% y-o-y. As was the case in December 2012, all major vehicle markets were on the decline during January, compared with January 2012, with the only exception being the UK market, which saw growth of around 12%.

Table 4.2: Europe Big 4* oil demand, mb/d

	Jan 13	Jan 12	Change from Jan 12	Change from Jan 12, %
LPG	429	445	-16	-3.5
Gasoline	1,043	1,071	-28	-2.6
Jet/Kerosene	699	645	54	8.4
Gas/Diesel oil	2,977	2,906	71	2.4
Fuel oil	356	379	-23	-6.0
Other products	990	1,004	-14	-1.4
Total	**6,494**	**6,450**	**45**	**0.7**

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

The general expectations for the region's oil consumption during 2013 have worsened since last month's projections, due to the recent uncertainty after the Italian elections, as well as unsolved debt issues in several other countries. The widening economic disparities within the countries in the region will definitely lead to a call for action upon the European Central Bank and exacerbate the uncertainty in European economic projections in the coming months, and this will result in a cloudier oil demand picture.

However, the recent cold weather in large parts of Europe, in combination with a very low baseline, is the only factor which could somehow ease the decline in oil consumption during 2013, when compared with the huge drop experienced in 2012. While the general sentiment is skewed towards the downside, additional downward revisions in 2013 oil consumption to the lower growth experienced last year are rather unlikely, because of the already very low baseline.

For 2012, Europe's oil consumption shrank by 0.52 mb/d, as a result of the crisis in several of the region's economies, while oil consumption in 2013 is projected to decrease again, but at a slower pace of 0.26 mb/d.

OECD — Asia Pacific

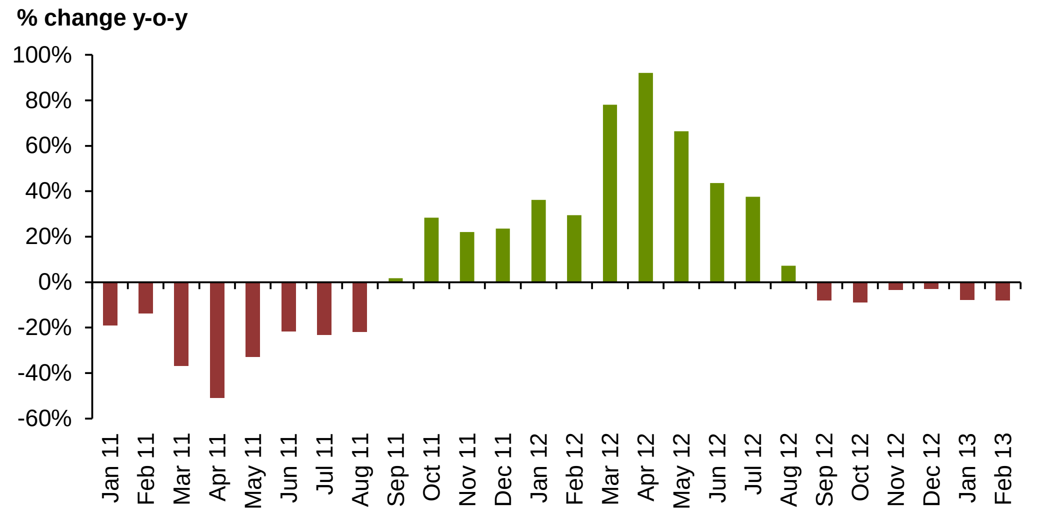
In 2013, OECD Asia Pacific expected to fall slightly after a significant increase in 2012

In **Japan**, 2013 started with a marginal increase in oil consumption during January, compared with the same month in 2012. Despite colder weather than last year, the direct use of crude and fuel oil was flat, as a result of a high baseline and energy-saving efforts by corporate and individual customers. According to official sources, the Japanese nuclear power plant utilization rate stood at 5% in January, unchanged from December, but down 10% from last year. Despite recent announcements by Japanese officials, it is rather unlikely to expect any of the nuclear power plants that have been stopped since March 2011 to restart operations in 2013, as new safety standards — to be announced in July 2013 — are expected to be difficult to meet, one of the reasons being the high implementation cost of at least 1.1 trillion yen.

Looking at the consumption of the main petroleum product categories in January 2013, liquefied petroleum gas (LPG), naphtha, fuel oil and distillates were on the rise, while gasoline declined as a result of a shrinking number of new vehicle registrations. As far as the outlook for 2013 is concerned, current indications suggest that the usage of fossil fuels for electricity generation will dominate the country's oil consumption, and the year's oil consumption is projected to stay at roughly the same level as in 2012, with the general picture remaining unchanged since last month's projections.

In **South Korea**, January saw a decrease of 0.05 mb/d y-o-y; increases in jet/kerosene and naphtha for the petrochemical industry were more than offset by declining consumption in all the other main product categories. The projections for South Korean oil consumption during 2013 remain unchanged from last month's forecasts, i.e. with oil consumption expected to remain flat, compared with 2012, and with more upside risks as a result of the unstable situation in some of the country's nuclear plants.

Graph 4.4: Japanese new passenger car registrations



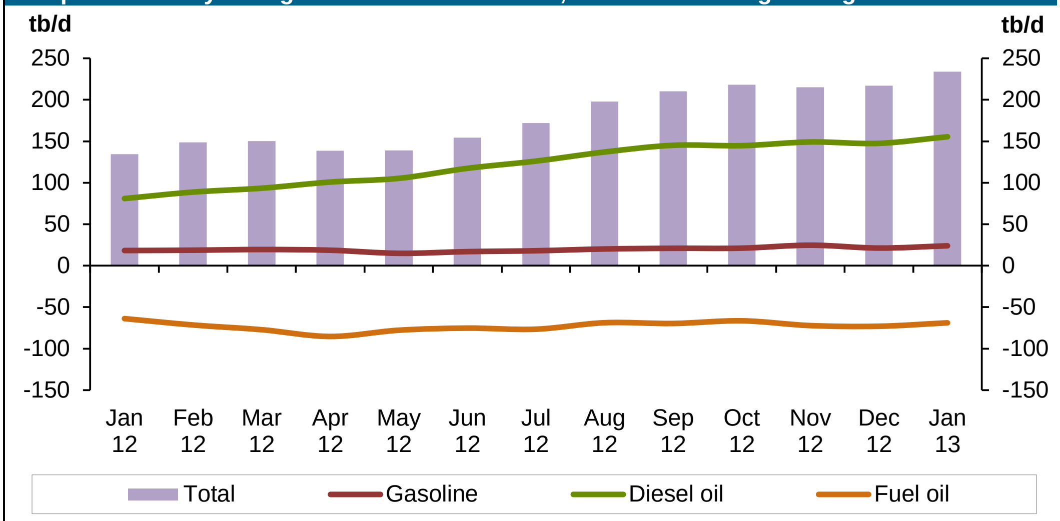
OECD Asia-Pacific oil consumption grew by 0.38 mb/d in 2012, resulting mainly from Japanese direct crude/fuel oil burning for electricity-generation. For 2013, the region's consumption is projected to fall slightly, due to the fading out of baseline effects, with changing risks being skewed towards the upside.

Other Asia

In 2013, Other Asia demand growth projected at 0.2 mb/d, lower than growth in 2012

In January, **Indian** oil consumption grew once more by a remarkable 7.8% y-o-y, driven by high economic growth. Heavily subsidized diesel, partly used for electricity-generation and transport, accounted for most of the rise, as electricity power cuts continued during the month. The public electricity supply was caught by surprise due to strong electricity demand in a colder-than-usual weather. Moreover, requirements for naphtha used in the petrochemical sector also grew substantially, while residual fuel oil consumption witnessed a declining trend — residual fuel oil, as operating fuel for fertilizer plants, was being substituted by natural gas.

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



In order to contribute to reducing the large fiscal deficit affecting the Indian economy, the government decided in February to limit subsidies for diesel. Such a decision, combined with already twice-increased diesel prices in January, will lower Indian oil demand growth during 2013, compared with 2012. On the other hand, government plans to reduce airport taxes for Delhi could possibly imply higher jet fuel demand this year.

January was a strong month for **Indonesia,** as a result of solid economic growth. One of the main indicators for domestic consumer spending, auto sales, rose by nearly 27% y-o-y in January. This sharp rise was driven by wage increases, combined with low interest rates. Nevertheless a reduction in subsidies — currently there are plans to raise prices by one-third — inevitably implies lower oil consumption during 2013.

In **Thailand,** existing subsidies aim to limit inflation, and the Thai government, unlike that of Indonesia, has not yet announced any plans for reductions, although the cost for the country is estimated to be quite high.

In **Malaysia**, there have been some government announcements about reducing fuel subsidies, but concrete actions are not expected before the next general election in mid-2013.

As a result of the strong Indian oil demand, Other Asia's oil demand grew at 0.3 mb/d y-o-y in 2012. As for 2013, it is forecast to grow less at 0.2 mb/d.

Latin America

Latin America likely to grow by 0.2 mb/d in 2013, in line with growth of 2012

December 2012 was another month of notable growth in **Brazil,** with oil consumption increasing by 0.1 mb/d, compared with December 2011. Industrial and transportation fuels were the main contributors to this growth, which resulted from rising manufacturing activity and increasing new vehicle registrations. Brazilian oil consumption grew by almost 6% y-o-y in 2012, with the positive picture remaining unchanged from last month. In 2013, oil consumption is expected to see lower growth, compared with the previous year, reflecting lower economic activity in the country.

Table 4.3: Brazilian inland deliveries, tb/d

	Jan-Dec 12	Jan-Dec 11	Change	Change, %
LPG	222	222	0	0.2
Gasoline	684	613	71	11.5
Jet/Kerosene	126	120	5	4.5
Diesel	961	901	60	6.7
Fuel oil	68	63	4	6.8
Alcohol	169	188	-19	-9.9
Total	**2,229**	**2,106**	**122**	**5.8**

In **Argentina**, oil demand in December 2012 grew by 3% y-o-y, and gasoline and distillates accounted for the bulk of the rises. Similarly, **Venezuela's** oil demand came up strongly in December. There were some discussions as to whether subsidized gasoline and diesel prices would be lifted during 2013; however, with the current developments in the country, any clear decision will emerge later. Ecuadorian demand rose by 10% in January y-o-y, marking its largest monthly growth for more than a year.

Latin American oil consumption grew in 2012, by 0.2 mb/d. During 2013, it is projected to see similar growth to that of the previous year.

Middle East

Saudi Arabia's oil demand saw a solid increase of 9% y-o-y in January, as a result of increasing requirements for transportation fuels, while mild weather implied less direct crude burning. Moreover, strong oil demand was observed during December in **Kuwait**, **Qatar** and the **UAE**. For 2012, Middle East oil consumption grew by only 0.25 mb/d, as a result of the turbulence in several of the region's economies, while consumption in 2013 is projected to increase slightly by 0.27 mb/d.

China

In 2013, China's oil demand seen increasing by 0.37 mb/d, slightly more than 2012

January was another strong month for China's apparent oil consumption. This grew sharply by almost 7% y-o-y, the largest monthly growth since the beginning of 2012 and overcoming the solid December 2012 figures. Gasoline consumption increased by a solid 12% y-o-y, as a result of increased new vehicle registrations — according to figures from the China Association of Automobile Manufacturers, automobile sales growth peaked at 46%, compared with January 2012. Diesel usage in road transportation and industrial production was another factor behind the substantial growth in the month, while colder weather limited somewhat construction and agricultural activity.

The short-term outlook for China's oil consumption faces more downside than upside risks, as the National Development and Reform Commission has already incorporated rises in the retail price ceiling for gasoline and diesel, effective from 25 February 2013, as a reaction to increasing global oil prices. The gasoline price rose by 300 yuan and diesel by 290 yuan per tonne, translating into hikes of 3.5% and 3.8% at the pump respectively. According to the current practice, fuel prices can be raised if a weighted 22-day moving average price for a basket of crudes — Brent, Dubai and Cinta — rises above 4% from the previous adjustment. In addition, ongoing plans for increasing fuel quality, restricting the insurance of car licence plates and increasing the number of vehicles operating with natural gas are factors that could push down Chinese oil consumption in 2013.

During 2012, there were around 1.5 million vehicles operating with natural gas in China, an increase of 48% from 2011. The vehicles are mostly taxis, buses and trucks and run on both compressed natural gas and liquefied natural gas.

China's oil demand in 2013 is expected to grow by 0.37 mb/d to 10.1 mb/d, unchanged from the previous report, and slightly more than in 2012.

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

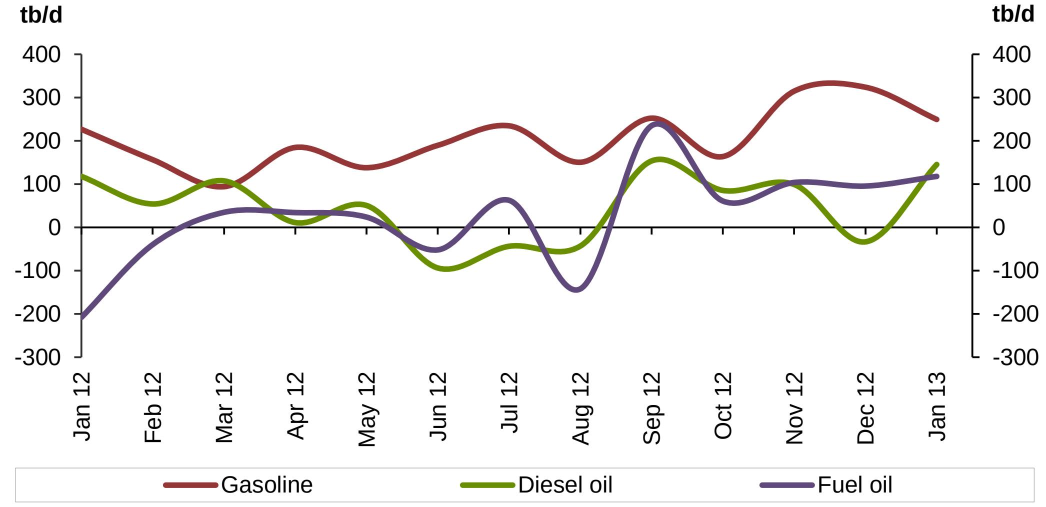


Table 4.4: World oil demand in 2013, mb/d

							Change 2013/12	
	2012	1Q13	2Q13	3Q13	4Q13	2013	Growth	%
Americas	23.74	23.48	23.70	23.89	23.88	23.74	0.00	-0.01
Europe	13.80	13.55	13.49	13.55	13.57	13.54	-0.26	-1.86
Asia Pacific	8.51	9.07	7.88	8.20	8.71	8.46	-0.04	-0.49
Total OECD	**46.04**	**46.10**	**45.06**	**45.64**	**46.16**	**45.74**	**-0.30**	**-0.66**
Other Asia	10.79	10.83	11.01	11.11	11.08	11.01	0.22	2.01
Latin America	6.26	6.20	6.44	6.70	6.58	6.48	0.22	3.52
Middle East	7.58	7.78	7.73	8.16	7.74	7.85	0.27	3.60
Africa	3.38	3.36	3.38	3.30	3.45	3.37	-0.01	-0.29
Total DCs	**28.01**	**28.17**	**28.55**	**29.26**	**28.85**	**28.71**	**0.70**	**2.50**
FSU	4.39	4.31	4.16	4.58	4.80	4.46	0.07	1.63
Other Europe	0.64	0.64	0.59	0.64	0.72	0.65	0.00	0.74
China	9.74	9.84	10.25	9.91	10.42	10.10	0.36	3.74
Total "Other regions"	**14.77**	**14.78**	**15.00**	**15.12**	**15.94**	**15.21**	**0.44**	**2.98**
Total world	**88.83**	**89.05**	**88.61**	**90.03**	**90.95**	**89.67**	**0.84**	**0.95**
Previous estimate	88.84	88.99	88.58	90.04	91.08	89.68	0.84	0.94
Revision	-0.02	0.06	0.03	-0.01	-0.13	-0.01	0.00	0.00

Totals may not add up due to independent rounding.

World Oil Supply

Non-OPEC

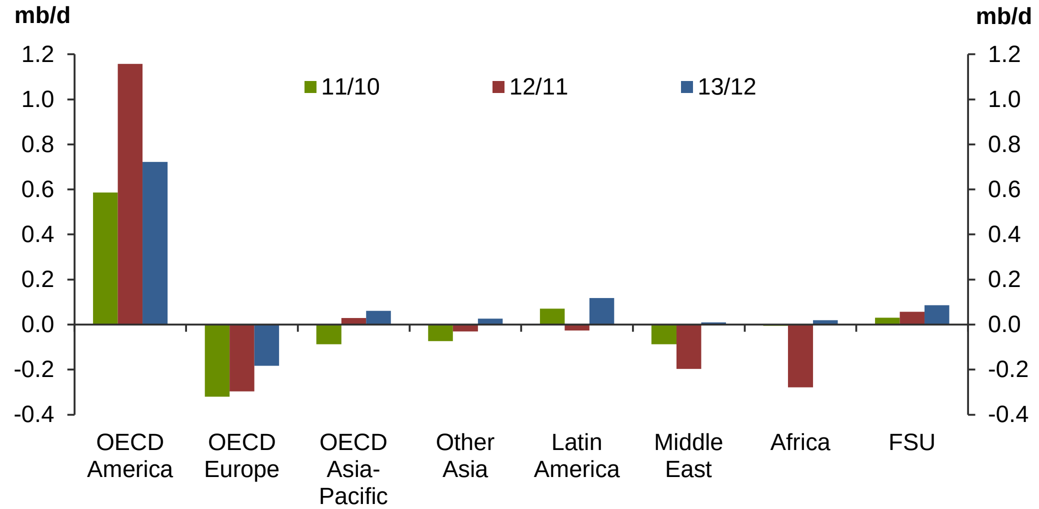
Estimate for 2012

Non-OPEC supply is estimated at 53.02 mb/d in 2012, an increase of 0.55 mb/d

Non-OPEC oil supply is estimated to have increased by 0.55 mb/d in 2012 from the previous year to average 53.02 mb/d, representing an upward revision of 30 tb/d from the last *Monthly Oil Market Report* (*MOMR*). This upward revision affected the first, third and fourth quarters' supply estimates, while the second-quarter estimates were revised down. An equal number of upward and downward revisions affected a few countries' supply estimates in 2012. Since the upward ones had higher volumes, this led to the overall upward revision.

In 2012, non-OPEC supply experienced growth in all quarters, compared with the same period a year ago, with the fourth quarter having the highest y-o-y growth of 0.87 mb/d and the third quarter having the lowest of 0.36 mb/d. The incorporated revisions in this issue of the *MOMR* have come from updated production data, as well as from some historical revisions. On a quarterly basis, non-OPEC supply in 2012 is estimated at 53.22 mb/d, 52.59 mb/d, 52.45 mb/d and 53.81 mb/d respectively.

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



The regional position in 2012 remained steady from the previous month, with OECD Americas achieving the highest growth among all the non-OPEC regions. China and the former Soviet Union (FSU) came next in terms of growth, while OECD Europe, Africa and the Middle East experienced the largest declines. OECD Americas' growth in 2012 offset the declines in all the other regions and was the main driver of the estimated overall supply increase.

Revisions to 2012 estimate

The supply estimates for the US, Canada and Indonesia in 2012 have been revised up from the previous *MOMR*, while the output figures for Australia, Bahrain and Azerbaijan have been adjusted down. These revisions were due to updated production data. US oil supply was revised up by 30 tb/d from the previous *MOMR*, due partly to historical revisions, as well as to healthy production data in the late part of 2012, supported by strong tight oil output. Canada's supply was revised up by 30 tb/d on the back of updated production data in the fourth quarter. Australia's and Bahrain's supply estimates for 2012 were revised down by 18tb/d and 12 tb/d respectively from the previous month, on updated production data. Azerbaijan's supply experienced a further downward revision for the fourth quarter, due to lower output data than expected.

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

	2011	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11
Americas	15.56	16.51	16.42	16.52	17.41	16.72	1.16
Europe	4.07	4.08	3.92	3.49	3.61	3.77	-0.30
Asia Pacific	0.57	0.51	0.53	0.68	0.66	0.60	0.03
Total OECD	**20.20**	**21.11**	**20.87**	**20.68**	**21.69**	**21.09**	**0.89**
Other Asia	3.63	3.65	3.56	3.58	3.60	3.60	-0.03
Latin America	4.73	4.80	4.66	4.64	4.73	4.71	-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**	**12.28**	**12.02**	**12.02**	**12.14**	**12.11**	**-0.53**
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	4.16	4.16	4.20	4.30	4.21	0.09
Total "Other regions"	**17.49**	**17.66**	**17.53**	**17.57**	**17.81**	**17.64**	**0.15**
Total Non-OPEC production	**50.34**	**51.05**	**50.42**	**50.28**	**51.64**	**50.85**	**0.51**
Processing gains	2.12	2.17	2.17	2.17	2.17	2.17	0.05
Total Non-OPEC supply	**52.46**	**53.22**	**52.59**	**52.45**	**53.81**	**53.02**	**0.55**
Previous estimate	52.44	53.20	52.63	52.43	53.67	52.98	0.54
Revision	0.02	0.01	-0.04	0.02	0.14	0.03	0.01

Forecast for 2013

Non-OPEC supply forecast to increase by 0.96 mb/d in 2013

Non-OPEC supply is forecast to grow by 0.96 mb/d in 2013 to average 53.98 mb/d, representing an upward revision of 55 tb/d from the previous month. A few upward revisions more than offset the downward revisions that had an impact on countries' supply outlooks. Compared with the previous *MOMR*, the OECD's supply expectations were revised up by 100 tb/d, while those of the DCs and FSU were revised down by 30 tb/d and 20 tb/d respectively. Some of the revisions introduced to the 2012 supply estimates were carried over to 2013. North America is expected to have the largest growth in supply in 2013, followed by Latin America and the FSU, while supply from OECD Europe is forecast to decline. Non-OPEC production from the Middle East, Africa and Other Asia regions are forecast to remain relatively steady in 2013. On a quarterly basis, non-OPEC supply is seen averaging 53.86 mb/d, 53.76 mb/d, 53.93 mb/d and 54.37 mb/d, respectively.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12
Americas	16.72	17.40	17.44	17.43	17.49	17.44	0.72
Europe	3.77	3.70	3.55	3.48	3.64	3.59	-0.18
Asia Pacific	0.60	0.65	0.67	0.67	0.64	0.66	0.06
Total OECD	**21.09**	**21.75**	**21.65**	**21.58**	**21.77**	**21.69**	**0.60**
Other Asia	3.60	3.59	3.62	3.63	3.65	3.62	0.03
Latin America	4.71	4.74	4.75	4.87	4.93	4.82	0.12
Middle East	1.50	1.50	1.50	1.51	1.51	1.51	0.01
Africa	2.31	2.27	2.31	2.37	2.39	2.33	0.02
Total DCs	**12.11**	**12.10**	**12.17**	**12.38**	**12.49**	**12.29**	**0.17**
FSU	13.30	13.37	13.32	13.37	13.48	13.38	0.09
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.21	4.30	4.26	4.26	4.27	4.27	0.06
Total "Other regions"	**17.64**	**17.80**	**17.72**	**17.76**	**17.89**	**17.79**	**0.15**
Total Non-OPEC production	**50.85**	**51.65**	**51.55**	**51.72**	**52.16**	**51.77**	**0.92**
Processing gains	2.17	2.21	2.21	2.21	2.21	2.21	0.04
Total Non-OPEC supply	**53.02**	**53.86**	**53.76**	**53.93**	**54.37**	**53.98**	**0.96**
Previous estimate	52.98	53.66	53.62	53.92	54.49	53.92	0.94
Revision	0.03	0.20	0.14	0.01	-0.12	0.06	0.02

On a regional basis, OECD Americas is forecast to achieve the highest supply growth in 2013 among all the non-OPEC regions, followed by Latin America. In terms of decline, OECD Europe is expected to suffer the biggest drops in 2013. On a quarterly basis, non-OPEC supply is expected to average 53.66 mb/d, 53.62 mb/d, 53.92 mb/d and 54.49 mb/d respectively.

OECD

OECD supply to increase by 0.6 mb/d in 2013

Total OECD oil production is expected to increase by 0.60 mb/d in 2013 to average 21.69 mb/d, representing an upward revision of 0.10 mb/d from the previous *MOMR*. This upward revision is the result of changes to the supply forecasts for the US, Canada, Mexico, Norway, the UK and Australia, on the back of updated historical data, as well as changes to each country's supply profile.

The number of upward revisions matched that for downward revisions among the OECD countries' supply forecasts, compared with the previous month; however, the volume of the upward revisions more than offset the downward ones. Within the OECD, Americas' supply forecast is seen to lead growth among all the non-OPEC regions, in addition to growth from the Asia-Pacific, while Europe's supply is seen to decline in 2013. The decline in OECD Europe's supply is expected to slow down in 2013, compared with the previous year, when output fell heavily. Supply growth from the US and Canada outpacing the decline in Mexico supply is expected to drive OECD's supply growth in 2013. Risks and uncertainty associated with the OECD forecast relate mainly to the weather, technical issues, prices and the decline rate factors. On a quarterly basis, the OECD's oil supply is seen to average 21.75 mb/d, 21.65 mb/d, 21.58 mb/d and 21.77 mb/d respectively.

Graph 5.2: OECD's quarterly production

OECD Americas

OECD Americas' oil supply is forecast to increase by 0.72 mb/d in 2013 to average 17.44 mb/d, representing an upward revision of 0.14 mb/d from last month. Oil production forecasts for the US, Canada and Mexico have been revised up from the previous *MOMR*. The overall supply position remains unchanged, with strong growth in the US and Canada and a decline in Mexico. On a quarterly basis, North America's supply in 2013 is expected to stand at 17.40 mb/d, 17.44 mb/d, 17.43 mb/d and 17.49 mb/d respectively.

US

US oil supply to increase by 0.58 mb/d in 2013

Oil supply from the **US** is forecast to increase by 0.58 mb/d over the previous year to average 10.59 mb/d in 2013, which would be the highest level since 1985, denoting an upward revision of 85 tb/d from the previous *MOMR*. This revision was introduced partly to accommodate historical changes (2011), as well as to account for the strong production data in the fourth quarter of 2012, which had been experienced in almost all the quarters, with the largest share coming in the first half of 2013. In addition to the healthy production level, further developments with natural gas liquids and the fractioning capacity supported the upward revision. Moreover, the increase in completed oil wells in Texas in January and February indicated an increase of 30% over the previous year. Tight oil production is seen driving the growth in US supply in 2013. In 2012, tight oil production supported US oil supply, with crude oil production increasing by 525 tb/d in Texas and 245 tb/d in North Dakota. Expected growth in US supply in 2013 is seen to be lower than in 2012, due mainly to the high decline rates associated with the tight oil wells which require continuous drilling to maintain the strong production levels. US supply growth in 2013 is expected to be slower, despite improved efficiency in oil drilling and operations. On a quarterly basis, US oil supply is expected to stand at 10.59 mb/d 10.63 mb/d, 10.58 mb/d and 10.57 mb/d respectively.

The risks associated with the US supply forecast remain high and careful follow-up of current production data is required in order to re-evaluate the projections as the year progresses. In 2013, US supply is seen to continue benefiting from onshore tight oil developments, in addition to some growth from offshore Gulf of Mexico, while Alaska's output is seen to decline.

Canada and Mexico

Canada's supply to grow by 0.19 mb/d in 2013

Canada's oil production is anticipated to average 3.96 mb/d in 2013, an increase of 0.19 mb/d from the previous year and representing an upward revision of 35 tb/d from the previous *MOMR*. The upward revision was introduced partly to adjust for updated production data in the fourth quarter of 2012, as well as to accommodate other changes in the supply profile. The upward revision affects all quarters of 2013. Additionally, the return of some volumes from Terra Nova after prolonged maintenance in February supported the upward revision, despite the delays in returning to full volumes, which is expected in the third quarter due to technical reasons. Canadian supply is to increase gradually in 2013, supported by crude oil and oil sand developments. Tight oil supply growth from Manitoba is also seen to support growth in 2013. The risk level linked to Canada's supply forecast is high on technical, environmental and price-related grounds. On a quarterly basis, Canada's production is seen to average 3.88 mb/d, 3.92 mb/d, 3.97 mb/d and 4.07 mb/d respectively.

Mexico's supply to drop by 50 tb/d in 2013

Mexico's oil supply is forecast to drop by 50 tb/d in 2013 to average 2.87 mb/d, although this would be an upward revision of 20 tb/d from the previous month. This revision was introduced on the back of updated production data in the early part of 2013, which indicated higher output than had been expected. Additionally, the national operator provided that oil production would rise in 2013, which supported the upward revision. Furthermore, the Ku-Maloob-Zaap fieldreached a plateau of 865 tb/d in late-2012 and this level is expected to be maintained in 2013. Furthermore, the new volumes coming from the Kuil and Tsimin fields are seen to support output and offset declines in mature fields. A drop in Mexico's supply is expected in 2013, on the back of a production decline in mature areas and limited new developments. A moderate level of risk is coupled with Mexico's supply forecast, mainly on weather and decline rate factors. On a quarterly basis, Mexico's supply is seen to average 2.91 mb/d, 2.87 mb/d, 2.87 mb/d and 2.85 mb/d respectively.

OECD Europe

OECD Europe's oil production is seen to decline by 0.18 mb/d in 2013 from the previous year to average 3.59 mb/d, representing a downward revision of 20 tb/d from last month. Declines are expected from all the region's major producers. The overall decline is forecast to slow in 2013, compared with the previous year, as some of the heavily affected production in 2012 is expected to return in 2013. On a quarterly basis, OECD Europe's supply in 2013 is projected to stand at 3.70 mb/d, 3.55 mb/d, 3.48 mb/d and 3.64 mb/d respectively.

Technical problems have impact on January supply in OECD Europe

Oil supply from **Norway** is projected to decline by 90 tb/d in 2013 to average 1.82 mb/d, representing a minor downward revision of 10 tb/d from the previous *MOMR*. This revision was due to updated production data in the early part of the first quarter and has been carried over to the rest of the year. Additionally, the reduced level of expected capital expenditure (capex) reported recently supported the downward revision. The decline is forecast despite the start-up of a few new facilities, as the high decline rates experienced in mature producing areas in 2012 are seen to continue this year. The Skarv project, started up at the end of 2012 and expected to peak at 75 tb/d by the end of 2013, is seen to support Norway's oil supply level and offset some of the decline.

Other projects are expected to add new small volumes in 2013. According to preliminary data, the country's supply in January declined from December, due to technical issues at the Hod, Vigdis and Oseberg projects. In addition, the technical problems at Troll affected NGL output in January, as did the shutdown of the Snohvit field. On a quarterly basis, Norway's supply is expected to average 1.89 mb/d, 1.80 mb/d, 1.75 mb/d and 1.85 mb/d respectively.

UK output in 2012, below 1 mb/d, is lowest since 1977

The **UK's** oil production is expected to drop by 60 tb/d in 2013 to average 0.89 mb/d, the lowest level since 1977; this represents a minor downward revision of 10 tb/d since the previous *MOMR*. This revision was partly due to a historical revision that was carried over to 2013. In 2012, the UK's average oil supply fell below the 1 mb/d mark, a level that had not been seen since 1977. The projected decline in 2013 is seen to be lower than in 2012, due to a smaller base and expected new volumes from different projects. The Balloch field is expected to start up in the second quarter and support production. Furthermore, tax incentives are seen to support investment. The authorities' approval of the Elgin/Franklin fields' restart is seen to support UK output, after the fields were shut down a year ago due to a gas leak. However, technical problems are expected to have a negative impact on output. The short shutdown of the Buzzard field in February supported the downward revision, in addition to the technical issues at the Cormorant Alpha platform. On a quarterly basis, UK supply is seen to stand at 0.93 mb/d, 0.87 mb/d, 0.85 mb/d and 0.92 mb/d respectively.

OECD Asia-Pacific

The **OECD Asia-Pacific's** oil supply is expected to average 0.60 mb/d in 2013, a growth level of 60 tb/d over the previous year and representing a downward revision of 20 tb/d from the previous month. The forecast growth is seen as coming from Australia, while New Zealand's supply is expected to decline slightly. On a quarterly basis, OECD Asia-Pacific's supply is seen to average 0.65 mb/d, 0.67 mb/d, 0.67 mb/d and 0.64 mb/d respectively.

Australia's supply to increase by 70 tb/d in 2013

Australia's oil output is estimated to increase by 70 tb/d in 2013 to average 0.59 mb/d, indicating a downward revision of 20 tb/d from the previous *MOMR*. This revision was introduced to accommodate a revision to historical data revision in 2012 that was partly carried over to 2013. In addition, the short shutdown of a few facilities, due to Cyclone Rusty in February, gave further support to the downward revision. The postponement of maintenance at the Van Gogh field from 2013 to 2014 partly offset the downward revision. The Vincent field is expected to restart, after the maintenance shutdown in early-2013, in the second quarter and is seen to support output. Furthermore, the Montara field is expected to start soon and support production; the field is forecast to peak at 35 tb/d. On a quarterly basis, Australian supply is expected to average 0.58 mb/d, 0.60 mb/d, 0.59 mb/d and 0.57 mb/d respectively.

Developing countries

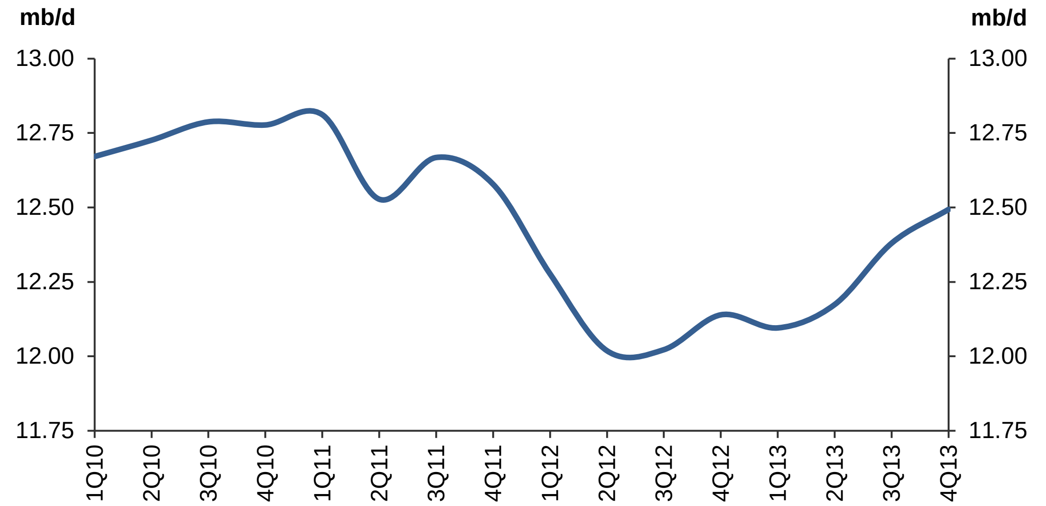
DC supply to increase by 0.17 mb/d in 2013

Total developing countries' (DC) oil supply is forecast to average 12.29 mb/d in 2013, indicating a downward revision of 30 tb/d from the previous month and showing an increase of 0.17 mb/d over the previous year.

This revision was introduced on the back of changes to supply projects in 2013. Latin America's and Other Asia's supply is expected to grow in 2013, while that from the Middle East and Africa is seen to remain relatively steady. The downward revision from the previous *MOMR* has affected the supply forecasts for Africa, while the Middle East has seen a minor upward revision. Latin America's supply is expected to lead growth among the DC countries in 2013. Various political and technical difficulties required the undertaken revisions, leaving the supply forecast with a high risk level.

On a quarterly basis, the DC's total oil supply is seen to stand at 12.10 mb/d, 12.17 mb/d, 12.38 mb/d and 12.49 mb/d respectively.

Graph 5.3: Developing Countries' quarterly production



Malaysia's oil supply to increase in 2013

Other Asia's oil supply is predicted to average 3.62 mb/d in 2013, an increase of 30 tb/d over the previous year and flat from a month earlier. Despite this steady state, minor revisions have been carried out, compared with the previous *MOMR*, but these have offset each other. India's and Malaysia's oil supply projections were revised.

India's supply is forecast to remain steady in 2013 and average 0.88 mb/d, representing a minor downward revision of 10 tb/d. This was the result of historical data updates, where output during the fourth quarter of 2012 was slightly below expectations. Furthermore, preliminary data indicated that January's supply was below December's and lower than the government's target. The drop in India's supply in 2012 was driven by the declines in offshore fields, which are expected to continue in 2013 and offset the growth in other onshore facilities.

Malaysia's production outlook in 2013 was revised up by a minor 10 tb/d, with output expected to increase by 50 tb/d from the previous year and average 0.70 mb/d. This growth is supported by the ramp-up of the Gumusut Kakap development.

Thailand's supply is expected to remain steady in 2013 and average 0.34 mb/d, a minor decline of 10 tb/d. In 2012, it increased on the back of NGL growth, which is seen to support output in 2013 and offset some of the anticipated declines from mature areas.

Vietnam's supply is forecast to average 0.40 mb/d in 2013, an increase of 10 tb/d from the previous year. This is supported by the ramp-up of the Te Giac Trang field.

On a quarterly basis, Other Asia's supply is expected to stand at 3.59 mb/d, 3.62 mb/d, 3.63 mb/d and 3.65 mb/d respectively.

Colombia's supply averaged more than 1 mb/d in January, a new record

Latin America's oil production is seen to increase by 0.12 mb/d in 2013, the second largest level of non-OPEC regional growth after OECD Americas, to average 4.82 mb/d and flat from the previous *MOMR*.

Argentina's supply is expected to average 0.70 mb/d in 2013, relatively steady, with a minor decline of 10 tb/d from the previous year. Argentina's state-run operator expected output to increase in 2013. Declines in mature producing areas and limited developments are seen to offset the new barrels. Biodiesel supply is expected to continue to increase, as was the case in 2012. A report indicated that oil production from shale resources in the Neuquen province was growing, as it was currently holding a share of 5% of the region's oil production of 110 tb/d.

Colombia's supply is expected to increase by 50 tb/d in 2013 to average 1.01 mb/d, flat from the last month. Healthy supply growth is expected to continue in Colombia, following five years of relatively good growth. The predicted supply increase in 2013 is supported by the continuous ramp-ups of the Rubiales and Castilla developments, among others. January's supply averaged more than 1 mb/d, the first time on record for the country. However, a high level of risk is associated with the forecast on the back of increased attacks on oil facilities, as was the case in February when many attacks targeted the oil infrastructure.

Brazil's oil production is projected to increase by 90 tb/d in 2013 to average 2.69 mb/d, unchanged from the previous *MOMR*. This is supported by increases in biofuels and some crude oil. The start-up of the Bauna field also supported the expected growth. The same was true for the total output from pre-salt resources, which reached a record high of 300 tb/d. Moreover, the start-up of a new Floating Production Storage and Off-loading (FPSO) at the Sapinhoa field added to output. On the other hand, this growth was seen as limited, when compared with the size of Brazil's operations, especially since the main operator reported that 2013 would be a heavy maintenance year. In January, preliminary data indicated a drop in output from the previous month, due to maintenance and unscheduled shutdowns involving technical issues. On a quarterly basis, Brazil's supply is expected to average 2.62 mb/d, 2.64 mb/d, 2.73 mb/d and 2.78 mb/d respectively.

On a quarterly basis, Latin American supply is seen to stand at 4.74 mb/d, 4.75 mb/d, 4.87 mb/d and 4.93 mb/d respectively.

Middle East 2013 supply to average 1.51 mb/d, steady from 2012

Middle East oil supply is estimated to remain relatively steady in 2013, with a minor increase of 10 tb/d, and average 1.51 mb/d, which would indicate a minor upward revision of 10 tb/d from last month. An upward revision was experienced in Syria, while Yemen's supply forecast was revised down. **Oman's** supply is expected to increase by 30 tb/d in 2013 to average 0.94 mb/d, flat from the previous assessment. The expected oil supply growth from Oman is supported by enhanced oil recovery projects. **Syria's** supply is seen to decrease by 50 tb/d in 2013 to average 0.16 mb/d, which would mean an upward revision of 20 tb/d from the previous *MOMR*. This revision came on the back of a re-evaluation of Syria's supply profile, since no current production data is available. The ongoing political situation is casting a high level of risk, in addition to a limitation of data. The unavailability of data increases the risk of further large adjustments, once such data is obtained. **Yemen's** production is forecast to remain steady in 2013, with minor growth of 10 tb/d, and average 0.19 mb/d, indicating a downward revision of 10 tb/d from last month. This revision came on the back of continued attacks on the oil infrastructure. In early March, a key pipeline was attacked.

On a quarterly basis, Middle East supply is seen to stand at 1.50 mb/d, 1.50 mb/d, 1.51 mb/d and 1.51 mb/d respectively.

Africa's oil supply to average 2.33 mb/d in 2013, steady from 2012

Africa's oil supply is forecast to remain relatively steady in 2013, with a minor increase of 20 tb/d, to average 2.33 mb/d, depicting a downward revision of 45 tb/d from the previous *MOMR*. This revision affected **South Sudan** and **Sudan's** oil supply forecast. Their production is forecast to increase by 50 tb/d in 2013 to average 0.17 mb/d, representing a downward revision of 45 tb/d from the previous *MOMR*. This revision was driven by the continued halt in South Sudan's production, as the two nations are yet to implement the reached agreement on oil exports. Limited production data and uncertainty regarding the restart of production point to a high risk level for the supply projection for 2013. For the time being, a partial return to production is assumed for the second quarter, which might need an adjustment to the figure as the year progresses. **Equatorial Guinea's** supply is expected to decline by 10 tb/d in 2013 and average 0.31 mb/d. This fall has been anticipated despite the expected start-up of the Alen field, which is seen to add some volumes and help offset the declines in mature areas.

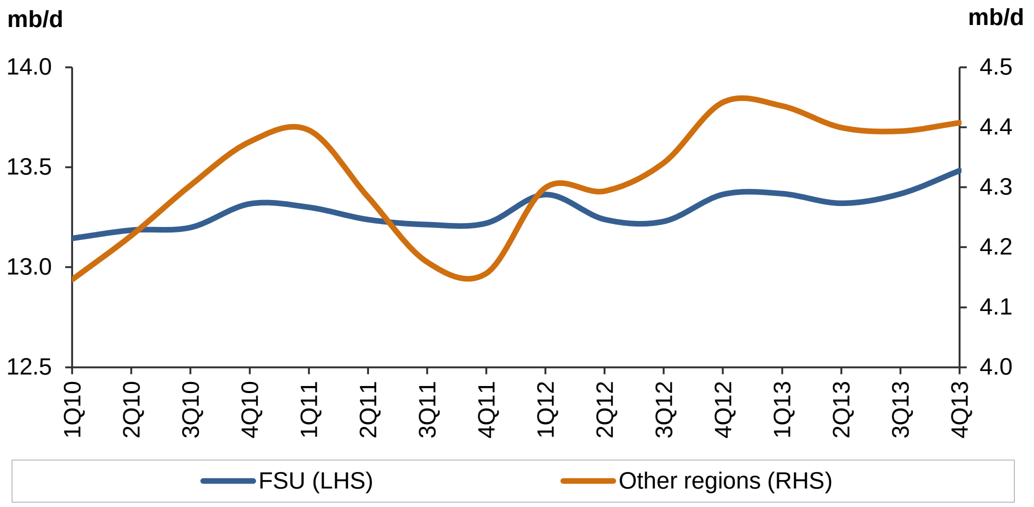
On a quarterly basis, Africa's supply is expected to stand at 2.27 mb/d, 2.31 mb/d, 2.37 mb/d and 2.39 mb/d respectively.

FSU, Other regions

FSU supply expected to increase by 90 tb/d in 2013

Total FSU oil supply is forecast to grow by 90 tb/d in 2013 to average 13.38 mb/d, pointing to a downward revision of 20 tb/d from the previous month. This revision has had an impact on Azerbaijan's and Other FSU's production outlooks in 2013. The FSU's expected supply growth in 2013 is supported by expected increases in Russia's and Kazakhstan's oil production, while Azerbaijan's supply is seen to decline. The risks and uncertainty associated with the FSU supply forecast are high on delays, declines and technical, political and price-related issues. On a quarterly basis, total supply from the FSU is expected to stand at 13.37 mb/d, 13.32 mb/d, 13.37 mb/d and 13.48 mb/d respectively. Other Europe's output is expected to remain steady in 2013 and average 0.14 mb/d. And China's supply is forecast to increase by 60 tb/d in 2013 and average 4.27 mb/d.

Graph 5.4: FSU and other region's quarterly production



Russia

Russian supply to increase by 50 tb/d in 2013

Russia's oil production is projected to increase by 50 tb/d in 2013 to average 10.42 mb/d, unchanged from the previous *MOMR*. This growth is expected to be supported by the start-up and ramp-up of several projects, including Prirazlom, Talakan, Vankor and Verkhnechon. Despite the reduced level of output expected from the Vankor project by the operator — 440 tb/d in 2013, instead of 500 tb/d — the field is still expected to add around 70 tb/d during the year. The new barrels from many projects are seen to more than offset the anticipated declines in mature producing areas. The declines, however, are seen as becoming more moderate, as many operators are expected to increase capex in brown fields. In February, preliminary data pointed out that Russia's supply was steady from the previous month and averaged 10.44 mb/d, indicating an increase of 0.10 mb/d from the same month a year earlier. On a quarterly basis, Russian supply is seen to average 10.43 mb/d, 10.42 mb/d, 10.42 mb/d and 10.42 mb/d respectively.

Caspian

Kashagan expected to start up in second half of 2013 — Kazakhstan

Kazakhstan's oil supply is expected to increase by 70 tb/d in 2013 to average 1.66 mb/d, flat from last month. The anticipated growth in Kazakhstan's supply is supported by the expected start-up of the Kashagan oil project. This field is expected to start in the second half of the year and the operator reported that output would reach 200 tb/d by year-end. The project's first phase peak is reported to be 350 tb/d and is expected to be reached in 2014. On a quarterly basis, Kazakhstan's supply is expected to stand at 1.62 mb/d, 1.61 mb/d, 1.65 mb/d and 1.73 mb/d respectively.

ACG output declined in 2012 — Azerbaijan

Azerbaijan's oil supply is anticipated to decline by 50 tb/d in 2013 to average 0.85 mb/d, representing a downward revision of 10 tb/d from the previous *MOMR*. This revision was due to updated production data from the fourth quarter of 2012. Production is expected to drop in 2013, on the back of limited new developments and declines from the Azeri-Chirag-Guneshli (ACG) field. ACG's output is reported to have fallen in 2012 by around 7% to 680 tb/d, the second annual drop from the peak in 2010. However, this output is expected to increase in 2014 with the addition of a new platform. On a quarterly basis, Azerbaijan's supply is estimated to average 0.88 mb/d, 0.84 mb/d, 0.84 mb/d and 0.85 mb/d respectively.

China

Full production of Peng Lai approved — China

China's oil supply is projected to increase by 60 tb/d in 2013 to average 4.27 mb/d, unchanged from the previous assessment. The expected growth is supported by the start-ups of a handful of new small offshore projects in 2013. Furthermore, the approval for the full restart of the Peng Lai field is seen to support growth this year. Reports indicated that oil production from shale resources was achieved in China, and this could further support growth. On a quarterly basis, China's supply is seen to average 4.30 mb/d, 4.26 mb/d, 4.26 mb/d and 4.27 mb/d respectively. According to a preliminary estimate, China's supply averaged 4.25 mb/d in January, an increase of 90 tb/d on the same month of 2012.

OPEC natural gas liquids and non-conventional oils

OPEC natural gas liquids (NGLs) and non-conventional oils are estimated to have averaged 5.75 mb/d in 2012, representing growth of 0.38 mb/d over the previous year. In 2013, OPEC NGLs and non-conventionals are forecast to increase by a further 0.23 mb/d to average 5.98 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	5.56	5.68	5.81	5.94	**5.75**	0.38	**5.98**	0.23

OPEC crude oil production

OPEC crude production averaged 30.31 mb/d in February

Total OPEC crude oil production averaged 30.31 mb/d in February, a rise of 74 tb/d, according to secondary sources. Iraq and Saudi Arabia crude oil production indicated increases in February from the previous month, while crude output from Algeria encountered a decrease. OPEC production, not including Iraq, averaged 27.25 mb/d, slightly higher than in the previous month.

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

	2011	2012	2Q12	3Q12	4Q12	Dec 12	Jan 13	Feb 13	Feb/Jan
Algeria	1,240	1,210	1,214	1,209	1,186	1,189	1,181	1,158	*-22.8*
Angola	1,667	1,737	1,742	1,717	1,726	1,732	1,779	1,786	*7.7*
Ecuador	490	499	496	501	502	501	501	501	*0.0*
Iran, I.R.	3,628	2,975	3,086	2,742	2,685	2,698	2,707	2,707	*-0.2*
Iraq	2,665	2,979	2,956	3,135	3,118	3,006	3,004	3,062	*57.8*
Kuwait	2,538	2,796	2,791	2,805	2,821	2,833	2,803	2,812	*8.9*
Libya	462	1,394	1,424	1,466	1,471	1,424	1,368	1,378	*9.6*
Nigeria	2,111	2,073	2,143	2,110	1,965	2,072	2,054	2,035	*-18.8*
Qatar	794	753	748	745	732	726	735	736	*1.2*
Saudi Arabia	9,293	9,750	9,911	9,813	9,454	9,096	9,075	9,116	*40.7*
UAE	2,516	2,624	2,607	2,653	2,650	2,652	2,663	2,654	*-9.4*
Venezuela	2,380	2,360	2,367	2,348	2,343	2,361	2,368	2,368	*-0.3*
Total OPEC	**29,785**	**31,149**	**31,486**	**31,242**	**30,653**	**30,289**	**30,237**	**30,311**	***74.4***
OPEC excl. Iraq	**27,119**	**28,170**	**28,529**	**28,108**	**27,535**	**27,283**	**27,233**	**27,249**	***16.6***

Totals may not add up due to independent rounding.

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

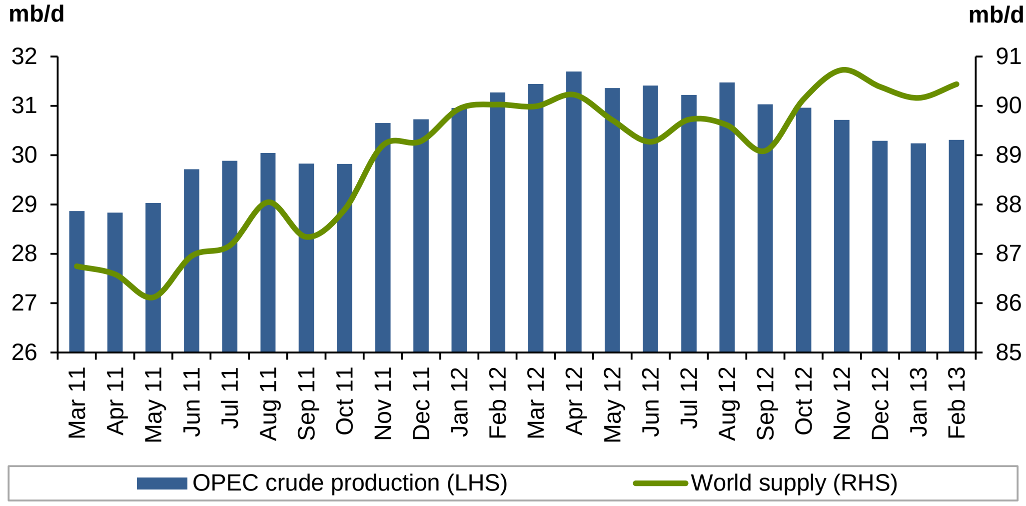
	2011	2012	2Q12	3Q12	4Q12	Dec 12	Jan 13	Feb 13	Feb/Jan
Algeria	1,173	1,203	1,213	1,201	1,184	1,170	1,195	1,198	*3.0*
Angola	1,618	1,704	1,716	1,677	1,690	1,753	1,736	1,714	*-22.4*
Ecuador	500	504	500	509	503	503	505	509	*4.4*
Iran, I.R.	3,576	3,740	3,758	3,746	3,713	3,710	3,705	3,701	*-4.0*
Iraq	2,653	2,944	2,936	3,150	3,058	2,953	2,920	2,963	*43.0*
Kuwait	2,660	2,977	2,990	2,957	2,967	2,988	2,876	2,840	*-36.4*
Libya	462	1,449	1,503	1,504	1,493	1,375	1,478	1,464	*-13.5*
Nigeria	1,896	1,943	1,971	2,032	1,891	1,972	1,944	..	..
Qatar	734	734	737	726	727	726	728	738	*9.5*
Saudi Arabia	9,311	9,763	10,002	9,760	9,413	9,025	9,050	9,150	*99.9*
UAE	2,565	2,652	2,615	2,727	2,664	2,673	2,808	2,864	*55.5*
Venezuela	2,795	2,804	2,818	2,820	2,785	2,762	2,766	2,748	*-17.3*
Total OPEC	**29,942**	**32,418**	**32,758**	**32,808**	**32,088**	**31,611**	**31,712**	**..**	**..**
OPEC excl. Iraq	**27,290**	**29,474**	**29,823**	**29,658**	**29,030**	**28,658**	**28,792**	**..**	**..**

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

World Oil Supply

Preliminary figures for the month of February indicate that world oil supply averaged 90.44 mb/d, an increase of 0.28 mb/d over the previous month, with OPEC's crude share at around 34%. The estimate is based on preliminary data for non-OPEC supply and estimates for OPEC NGLs and OPEC crude production from secondary sources.

Graph 5.5: OPEC and world oil supply

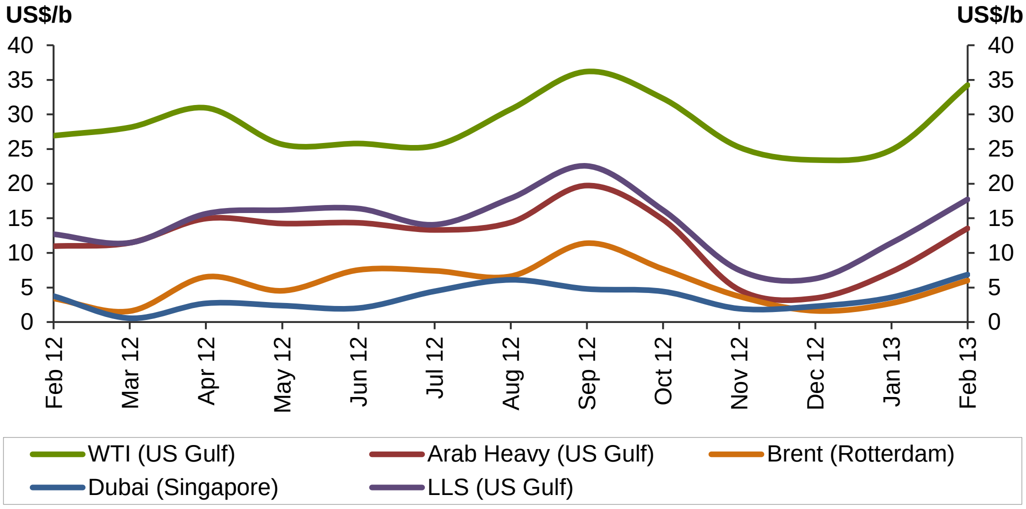


Product Markets and Refinery Operations

Refinery margins continued increasing, supported by light distillates

Product markets continued the upward trend during February. The top of the barrel became more bullish on the back of tightening sentiment, with gasoline inventories falling in the Atlantic Basin amid healthy cracks at the middle of the barrel. Additionally, in Asia, refinery margins continued to recover, supported by strong regional demand and expectations of tightening supplies in the region.

Graph 6.1: Refining margins, 2012-13



US Gulf Coast (USGC) refining margins continued to rise during February on the back of widening cracks across the barrel, led by gasoline.

US gasoline strengthened, supported by tightening sentiment due to supply issues on some shutdowns in the region amid falling inventories. Meanwhile, middle distillate demand recovered slightly and, along with a reduction in refinery runs, caused inventories to drop, lending additional support to the market.

The margin for WTI surged by $9 to average around $34/b. The margins for Light Louisiana Sweet and Arabian Heavy crude on the US Gulf Coast showed a sharp increase of $7 to stand at around $18/b and $14/b, respectively, in February, thus recovering the losses suffered during 4Q12.

Refining margins in Northwest Europe and the Mediterranean improved over the month, supported by the light end of the barrel which has steadily been gathering strength since early January.

The gasoline crack in Northwest Europe bounced higher on the back of transatlantic support. The market tightened as higher volumes were exported, mainly to the US East Coast, while gasoil cracks remained healthy.

The refinery margin for Brent crude in Northwest Europe showed a sharp gain of $3 to average $6/b in February.

Refinery margins in Asia continued to recover on the back of firm demand supporting product markets. This allowed the cracks to improve, boosted by expectations of tightening supply.

These developments caused refinery margins in Singapore to gain more than $3 to average $7/b in February.

Positive developments for product cracks at the top and middle of the barrel outweighed the pressure from higher Dubai crude prices. Given heavy refinery maintenance expected over March and April, tight supplies could continue to be a supportive factor for Asian refining margins over the coming weeks.

Refinery runs continued falling in the US

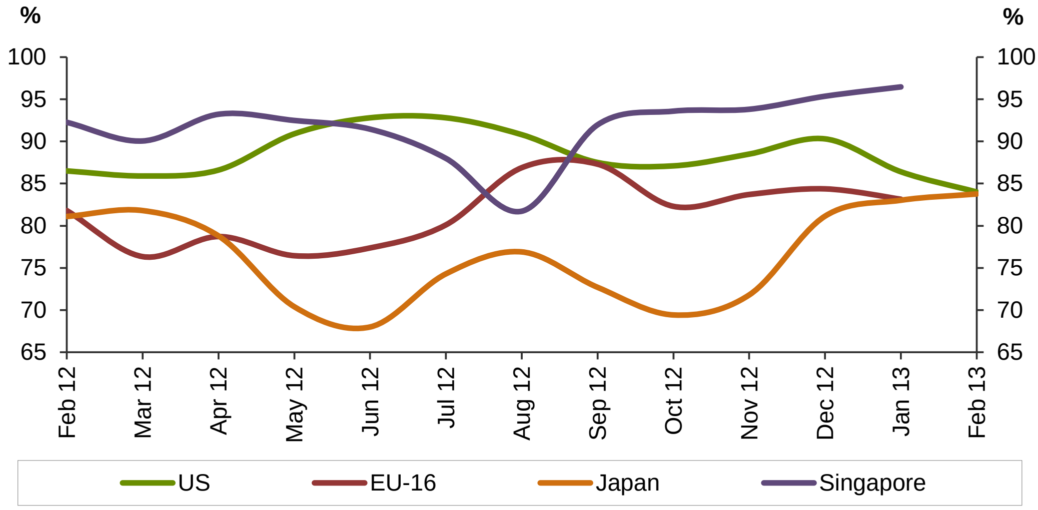
Refinery operations

Refinery throughputs in the US continued falling, affected by the maintenance season and some unscheduled shutdowns. This impacted inventories and supported the market by fuelling tight sentiment in the Atlantic Basin.

US refinery runs averaged 84% of capacity during February, a drop of about 4% in throughputs. The drop in runs was similar to the previous month and has impacted gasoline and middle distillate inventories in the US.

In mid-January, US product inventories stopped rising. Gasoline had reached a level of inventories in line with the five-year average and start to fall again, while middle distillates remained below average. This, along with a slight increase in demand, has fuelled bullish market sentiment.

Graph 6.2: Refinery utilization rates, 2012-13



Due to lower margins seen in Europe during the last quarter and some maintenance in the region, refiners continued their moderated throughputs. Refinery utilization averaged around 83% in January, 1 percentage point (pp) lower than a month earlier. However, the recovery of the margins seen during January and February could encourage refineries to increase runs in the coming months.

In Asia, activity in most of the refineries rose during December and January, while some refineries have scheduled maintenance to start in March and April.

In Singapore and China, runs remained above 93% of capacity to meet the increasing demand in the region during the winter season, while Japanese throughputs continued to increase to over 83% of capacity in February, to meet increasing seasonal utility demand.

Bullish gasoline market kept cracks on the rise

US market

US gasoline demand stood at around 8.5 mb/d in February, increasing around 100 tb/d from the previous month but down by around 170 tb/d from the same month a year earlier.

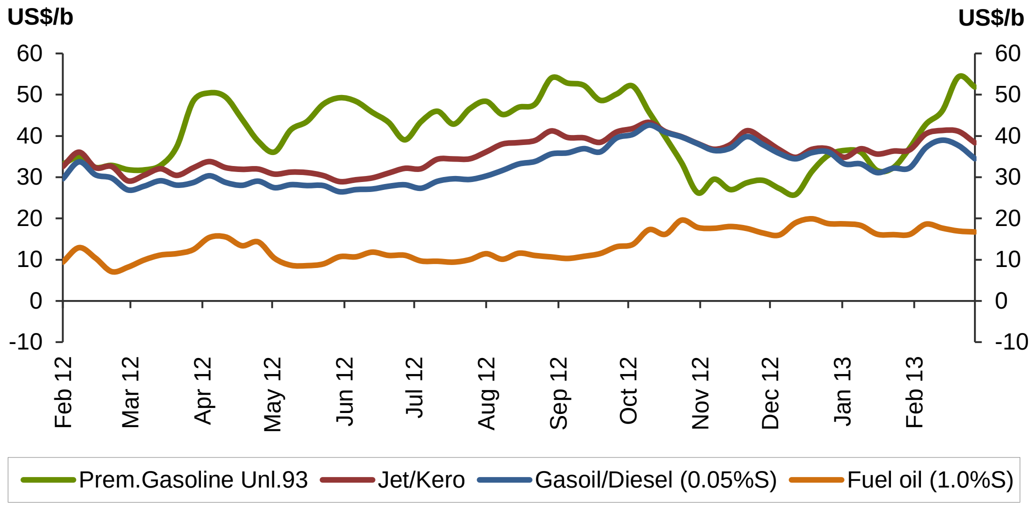
The **gasoline** cracks strengthened over the month of February, on the back of lower refinery run rates, causing production to decline. Some refinery problems and turnarounds boosted gasoline in the US mid-continent, opening the arbitrage to move supplies from the US Gulf coast. This helped to alleviate an overhang of supply in the US Gulf coast region, where demand was thin.

The gasoline demand showed signs of improvement with the 4-week average being higher than the previous month, although remaining below the y-o-y average. One positive sign was that, according to the report of the National Automobile Dealers Association, US car sales in January 2013 jumped by 14.3% y-o-y.

Additional backing came in mid-February when the inventories dropped to below average with imports declining due to weather-related complications affecting activity at East Coast ports. In addition, exports of gasoline and gasoline-blending components to Central and South America continued to be supportive on the back of unscheduled shutdowns across the region.

The gasoline crack averaged $47/b in February, a sharp increase of more than $12 from the previous month's average.

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



Middle distillate demand stood at around 3.8 mb/d in February, nearly 300 tb/d above the previous month and around 200 tb/d below the same month a year earlier.

Ultra-light sulphur diesel (ULSD) exports to Europe were down in February, compared with the previous month, because the arbitrage window was shut as prices in the US were higher and demand in Europe lacklustre. However, middle distillate cracks recovered the ground lost last month with domestic demand improving, recovering from the low level experienced in January.

Middle distillate cracks widened over the reporting period with ULSD and heating oil cracks strengthening. The rise of the diesel crack could be attributed to the winter storms generating potential supply disruptions, while heating oil got support from the lower temperatures seen in some areas.

Additional support came from the supply side as, over the month, lower production caused inventories to drop to below 125 mb. This created some tightness in the distillate market, thus fuelling bullish sentiment and increasing net length of the Nymex heating oil futures contracts to the highest levels seen in nine months. This also reflects the expectations that rising exports will support prices.

The gasoil crack on the US Gulf Coast gained $5 to stand at around $37/b in February.

At the **bottom of the barrel**, fuel oil cracks recovered part of the ground lost last month on the back of high sulphur fuel oil (HSFO) raising demand in the US Gulf coast due to opportunities to move volumes of HSFO to the USEC. However, the arbitrage opportunity soon rebalanced the market and capped gains.

The fuel oil crack averaged $17.6/b in February, gaining 60¢ from the previous month.

European market

Product cracks rose with support coming from the US market

Product markets continued to recover in Europe as sentiment tightened, fuelling a bullish mood in the Atlantic Basin, due to supply issues in the US amid lower inventories.

The **gasoline** crack in Northwest Europe surged during February on the back of renewed demand and supply issues from the USEC market, where some units' shutdowns and closures are tightening the Atlantic Basin market and drawing more imports from Europe, thus supporting gasoline prices in Europe at unseasonably high levels.

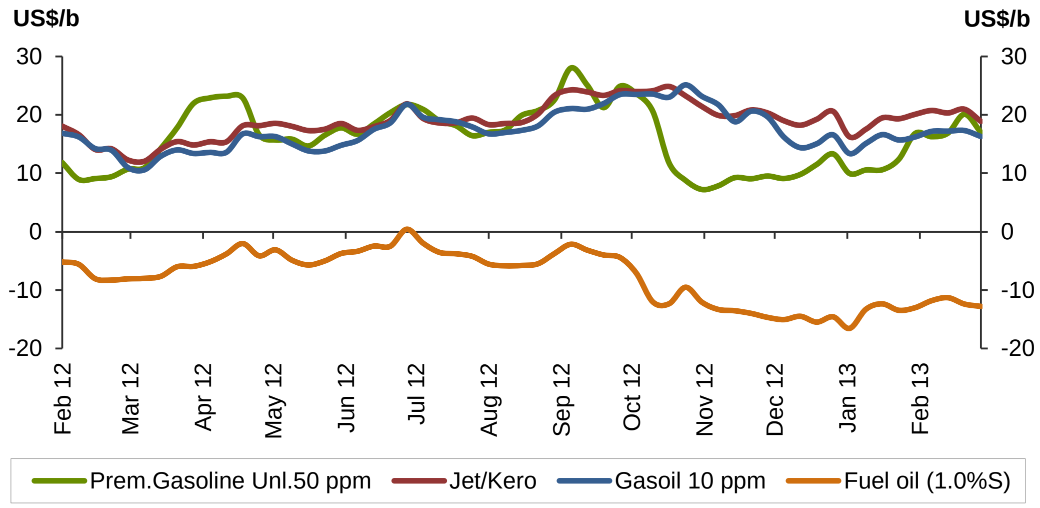
The bullish US gasoline market has been boosted by a drawdown in gasoline inventories, and the market players have continued to increase net-long positions in Reformulated Blendstock for Oxygenate Blending (RBOB) gasoline futures in anticipation of tightening supplies in the coming months.

The gasoline crack spread against Brent crude averaged around $17/b in February, a sharp gain of $5 versus the previous month.

The Northwest European naphtha crack continued improving, supported by the European gasoline market. In addition, Asian naphtha offered support with petrochemical firms running their crackers at high capacity while refinery maintenance is also expected to constrict supplies over March and April.

Meanwhile, in the domestic petrochemical sector, the expectation of declining demand due to upcoming cracker maintenance in Europe and a weakening in European propane prices has left the market structure in deep backwardation.

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



The **middle of the barrel** remained stable and the gasoil crack strengthened as the market has begun to turn its attention to the spring refinery maintenance season, which will tighten supplies in Europe. The gasoil crack in Northwest Europe gained some ground over the month as prompt demand from export markets, including North Africa, overcame weak domestic demand.

Additional support coming from the supply side has helped the ULSD crack improve, as reduced refinery production in Northwest Europe — due to the unscheduled outage of a diesel producing unit in Scotland — and a decline in ARA stocks boosted the market.

Furthermore, refiners have been looking to build up stocks ahead of the spring refinery maintenance season amid lower inflows from the US, where inventories were also falling.

The gasoil structure continued to remain in heavy backwardation on the back of this prompt export demand. The gasoil crack spread against Brent crude at Rotterdam gained around $2 to average $17/b in February.

At the **bottom of the barrel**, both fuel oil cracks continued to recover ground during the month, as the arbitrage from Northwest Europe and Mediterranean to the US Gulf coast provided an outlet for some cargoes of high-sulphur straight-run fuel oil (HSSRFO), supporting prices in Northwest Europe.

Domestic demand remained soft, but European supply has been going to Asia-Pacific, even though the arbitrage has narrowed during the last weeks, capping the gains in the cracks.

The Northwest European fuel oil crack spread against Brent gained $2 in February to stand at minus $12/b.

Asian market

Tightening expectations supported product cracks in Asia

The Asian market continued its recovery on the back of firm regional demand which, along with the expectations of tighter regional supplies, allowed cracks to improve.

The **gasoline** crack witnessed a sharp improvement over the month. The main supporting factor for this development was the prospect of tightening supplies over the coming period in line with the onset of the maintenance season in Asia. On the demand side, the higher requirements over the Lunar New Year holidays in China have boosted the crack.

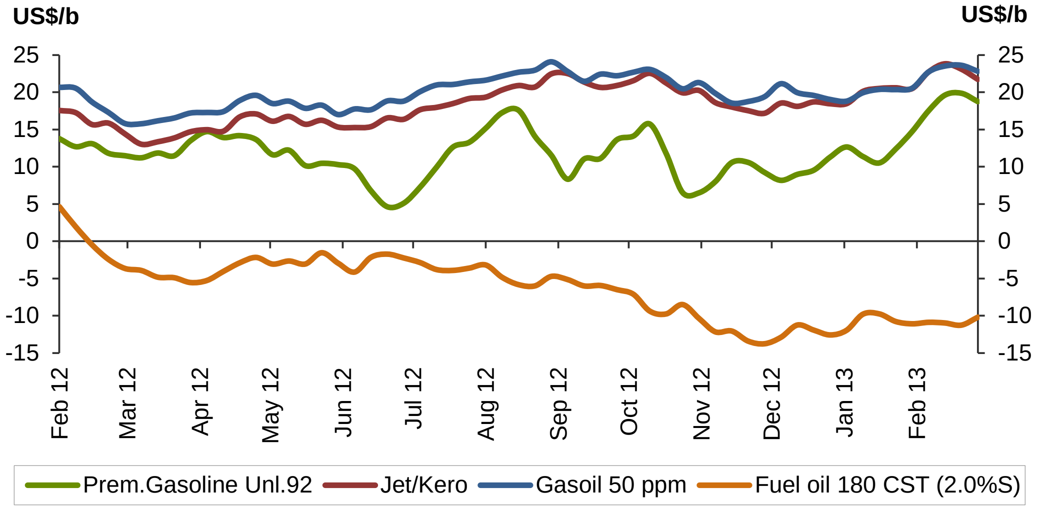
Refinery turnarounds and expectations of tighter supplies boosted gasoline, with additional support from stronger regional demand, mainly from Vietnam and Indonesia.

These factors allowed gasoline to show a sharp recovery. The crack spread against Dubai crude in Singapore gained more than $5 to average $18/b in February.

Light distillate naphtha also showed a significant improvement on the back of healthy regional demand, mainly from Taiwan, South Korea and Malaysia. This allowed the crack to increase and move to the positive (increasing from minus $2/b to plus 70¢/b).

Additional support came from the supply side, with the expectations of limited exports from India and the Middle East contributing.

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



At the **middle of the barrel**, the gasoil crack continued improving during February as sentiment has been lifted by growing requirements from healthy regional demand. This occurred amid expectations of tightening supplies due to upcoming refinery turnarounds in the region.

Chinese demand could also be a supportive factor over the coming period, given recent signs of stabilization in the manufacturing and industrial sectors.

In addition, Singapore's onshore middle distillate stocks remained below the five-year average amid expectations of declining imports over the coming weeks.

The gasoil crack-spread in Singapore against Dubai gained almost $3 to average $23/b in February.

A fall in imports from the US and Venezuela pushed Singapore's inventories of **residual fuels** lower, supporting the market. However, less demand due to lower utilization rates at Chinese independent refiners and the rise in crude prices caused the fuel oil crack spread in Singapore against Dubai to lose 60¢ to average minus $11/b in February.

Table 6.1: Refined product prices, US$/b

		Dec 12	Jan 13	Feb 13	*Change* Feb/Jan
US Gulf (Cargoes):					
Naphtha		118.67	120.03	132.73	12.71
Premium gasoline	*(unleaded 93)*	118.19	129.39	142.94	13.55
Regular gasoline	*(unleaded 87)*	107.54	115.41	126.78	11.36
Jet/Kerosene		124.42	130.73	135.65	4.92
Gasoil	*(0.05% S)*	123.69	126.94	132.36	5.42
Fuel oil	*(1.0% S)*	98.81	102.69	105.70	3.01
Fuel oil	*(3.0% S)*	93.65	96.69	99.03	2.34
Rotterdam (Barges FoB):					
Naphtha		103.83	103.22	109.76	6.55
Premium gasoline	*(unleaded 10 ppm)*	105.57	109.89	117.74	7.84
Premium gasoline	*(unleaded 95)*	120.03	124.95	133.87	8.92
Jet/Kerosene		128.37	131.56	136.61	5.06
Gasoil/Diesel	*(10 ppm)*	124.71	128.47	133.30	4.83
Fuel oil	*(1.0% S)*	94.35	99.44	104.22	4.79
Fuel oil	*(3.5% S)*	91.16	96.75	99.85	3.10
Mediterranean					
Naphtha		100.52	99.89	106.22	6.33
Premium gasoline	*(50 ppm)*	118.38	127.10	136.03	8.93
Jet/Kerosene		121.71	125.51	130.54	5.03
Gasoil/Diesel	*(50 ppm)*	108.72	112.99	116.49	3.50
Fuel oil	*(1.0% S)*	92.87	100.39	103.91	3.52
Fuel oil	*(3.5% S)*	90.04	96.16	98.97	2.80
Singapore (Cargoes):					
Naphtha		103.21	105.55	111.89	6.34
Premium gasoline	*(unleaded 95)*	118.85	122.77	132.98	10.21
Regular gasoline	*(unleaded 92)*	115.89	120.07	129.78	9.70
Jet/Kerosene		124.75	128.09	133.77	5.68
Gasoil/Diesel	*(50 ppm)*	126.20	128.02	134.11	6.09
Fuel oil	*(180 cst 2.0% S)*	96.74	99.53	102.05	2.52
Fuel oil	*(380 cst 3.5% S)*	94.20	98.48	101.44	2.95

Table 6.2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			*Refinery utilization, %*		
	Jan 13	Feb 13	Feb/Jan	Jan 13	Feb 13	Feb/Jan
US	15.03	14.62	-0.41	86.40	84.00	-2.40
France	1.04	n.a.	n.a.	60.27	n.a.	n.a.
Germany	1.87	n.a.	n.a.	77.44	n.a.	n.a.
Italy	1.41	n.a.	n.a.	60.46	n.a.	n.a.
UK	1.20	n.a.	n.a.	67.96	n.a.	n.a.
Euro-16	10.38	n.a.	n.a.	83.14	n.a.	n.a.
Japan	3.71	3.75	0.04	83.03	83.77	0.75

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

Tanker Market

Global spot fixtures decreased in February

According to preliminary data, **global spot fixtures** decreased in February by 0.44 mb/d from the previous month to average 16.18 mb/d. This decline occurred mainly as a result of fewer fixtures seen from the Middle East-to-East, which declined by 13.5% from last month. OPEC spot fixtures dropped as well, by 0.37 mb/d to average 11.92 mb/d. In an annual comparison, both global and OPEC fixtures were higher than last year, by 2.4% and 1.3%, respectively.

OPEC sailings remained almost steady in February

OPEC sailings, as per preliminary data, remained almost steady in February from a month earlier, decreasing by a slight 0.03 mb/d and averaging 23.59 mb/d. Compared with the same month a year ago, they were 1% higher. Meanwhile, sailings from the Middle East were down by 0.1% from last month and 4% from a year ago. Crude oil arrivals in Europe and West Asia increased by 0.41 mb/d each in February from January, to average 12.10 mb/d and 4.74 mb/d, respectively. Arrivals in the North American ports and the Far East declined by 1.21 mb/d and 0.53 mb/d to average 8.48 mb/d and 8.2 mb/d.

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

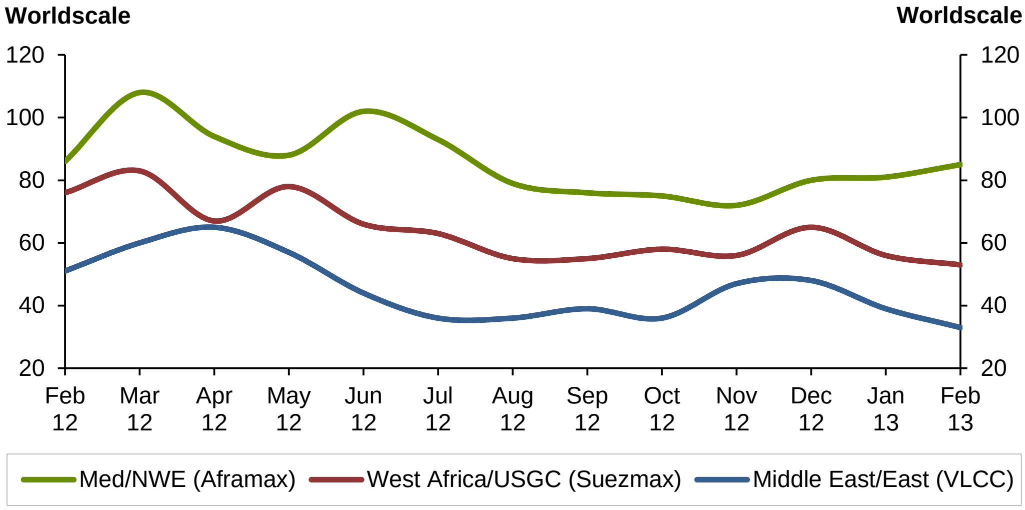
	Dec 12	Jan 13	Feb 13	*Change* Feb/Jan
Spot Chartering				
All areas	19.29	16.62	16.18	-0.44
OPEC	14.45	12.29	11.92	-0.37
Middle East/East	7.08	6.15	5.32	-0.83
Middle East/West	3.01	1.98	2.43	0.45
Outside Middle East	4.36	4.16	4.17	0.02
Sailings				
OPEC	24.35	23.62	23.59	-0.03
Middle East	18.01	17.31	17.28	-0.02
Arrivals				
North America	10.56	9.70	8.48	-1.21
Europe	11.83	11.69	12.10	0.41
Far East	8.74	8.73	8.20	-0.53
West Asia	4.35	4.33	4.74	0.41

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

Crude oil tanker market sentiment continued to weaken in February across different vessel segments. The declining trend was seen particularly on VLCCs and Suezmax, as dirty spot freight rates on all reported routes for these classes were down in February from a month earlier; meanwhile, Aframax saw the only exception in the dirty segment. Clean spot freight rates also experienced declines on all reported routes, except on the Mediterranean-to-Northwest Europe and Northwest Europe-to-the US. The continuous tonnage over-supply situation, the holiday season in the east and limited delays in the Turkish straits kept putting pressure on spot freight rates.

The **VLCC** class saw a slow month in general with low levels of activity, despite a pre-holiday rush which did not reflect any gain in freight rates. Owners tried to show some resistance to the prevailing rates; yet their attempts did not come to anything, since the market was under the influence of tonnage over-supply and a lengthy positions list, and these gave the charterers enough alternatives to choose from. Average spot freight rates for VLCCs declined by 15.5% in February from the previous month to average WS29 points. This decline was mainly the result of a drop in VLCC rates on all reported routes. Freight rates for tankers operating on the Middle East-to-East route declined by 15.4% to average WS33 points, while the drop on the Middle East-to-West route was larger at 20%, averaging WS20 points. Rates reported for tankers trading on the West Africa-to-East route declined by 13% to average WS34 points.

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



Suezmax spot freight rates followed the same trend as VLCCs in February. On average, Suezmax rates declined by 11.5% from the previous month to average 50WS points. The rates dropped despite the Suezmax market being busy in several regions with an increased amount of activity. Yet this was not reflected in an increase in freight rates, since an over-supply of vessels prevented rates from registering any gains. Tankers operating on the West Africa-to-the US route decreased by 5.4% to average WS53 points. Rates on the Northwest Europe-to-the US route fell by 17.5% in February from the previous month to average WS47 points. In an annual comparison, freight rates on both routes fell by 30% and 32%, respectively. Competition from a VLCC loading based on a 1 mb part-cargo had a further influence on Suezmax availability and put pressure on rates in February.

Aframax was the only class in the dirty sector which saw some gains in freight rates in February. On average, Aframax spot freight rates increased by 5% in February from the previous month. This was partially supported by higher activity and fuel oil tonnage requirements. Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe Aframax rates rose by 6% and 5%, respectively, to average WS85 points for each. These increases occurred on the back of tighter vessel availability, especially for prompt loadings. The freight rate increase in the Mediterranean would have been higher if they had not been dragged down by the severe competition between tanker-owners. The rates between the Caribbean and the US East Coast saw the biggest increases on all the other reported routes. These rose by 13% from a month ago, as a result of a tightening position list, bad weather and delays in the Caribbean and USGC. The Indonesia-to-East route dropped by 6% in March from the month before to average WS75 points.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	Dec 12	Jan 13	Feb 13	Change Feb/Jan
Crude					
Middle East/East	230-280	48	39	33	-6
Middle East/West	270-285	30	25	20	-5
West Africa/East	260	47	39	34	-5
West Africa/US Gulf Coast	130-135	65	56	53	-3
NW Europe/USEC-USGC	130-135	54	57	47	-10
Indonesia/US West Coast	80-85	92	80	75	-5
Caribbean/US East Coast	80-85	90	85	96	11
Mediterranean/Mediterranean	80-85	85	80	85	5
Mediterranean/North-West Europe	80-85	80	81	85	4

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

In the **clean tanker market**, spot freight rates were mixed in February. Average rates decreased by 7.3% East of Suez and yet increased by 1% West of Suez. Generally, the clean tanker market had a slow start in February before it firmed moderately for some routes towards the middle of the month as activity increased, and the position list thinned for medium- and long-range vessels. Rates for tankers operating on the Middle East-to-East route decreased by 8.3%, while they declined on the Singapore-to-East route by 6.6%. West of Suez, rates experienced some gains for both the Mediterranean-to-Northwest Europe route and the Northwest Europe-to-the US route, increasing by 1% and 3%, respectively, from the previous month. However, Mediterranean-to-Mediterranean rates declined by a slight 1%. It is worth highlighting that, in an annual comparison, all reported clean freight rates were found to be higher than a year earlier.

Graph 7.2: Monthly averages of clean spot freight rates

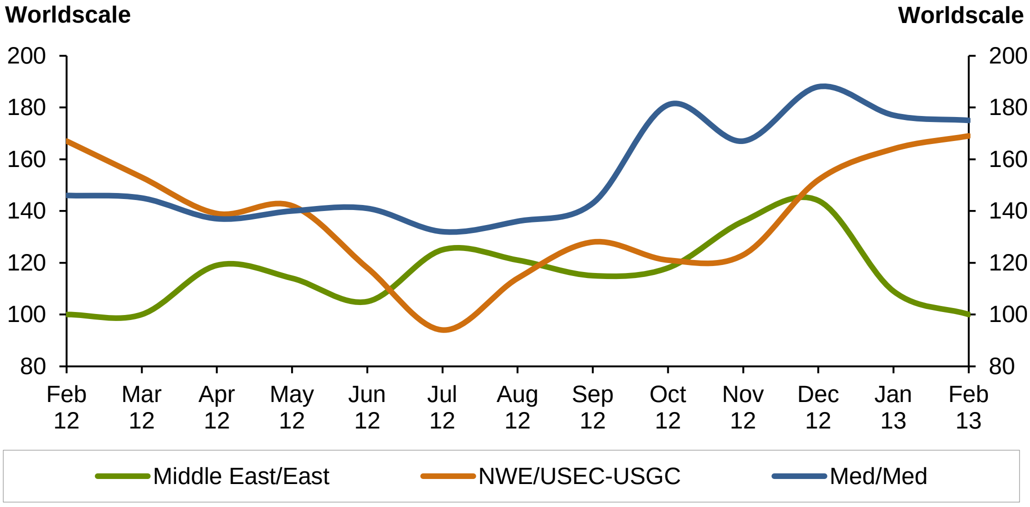


Table 7.3: Spot tanker product freight rates, Worldscale

	Size 1,000 DWT	Dec 12	Jan 13	Feb 13	Change Feb/Jan
Products					
Middle East/East	30-35	144	109	100	-9
Singapore/East	30-35	158	137	128	-9
NW Europe/USEC-USGC	33-37	152	164	169	5
Mediterranean/Mediterranean	30-35	188	177	175	-2
Mediterranean/North-West Europe	30-35	198	183	185	2

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

Oil Trade

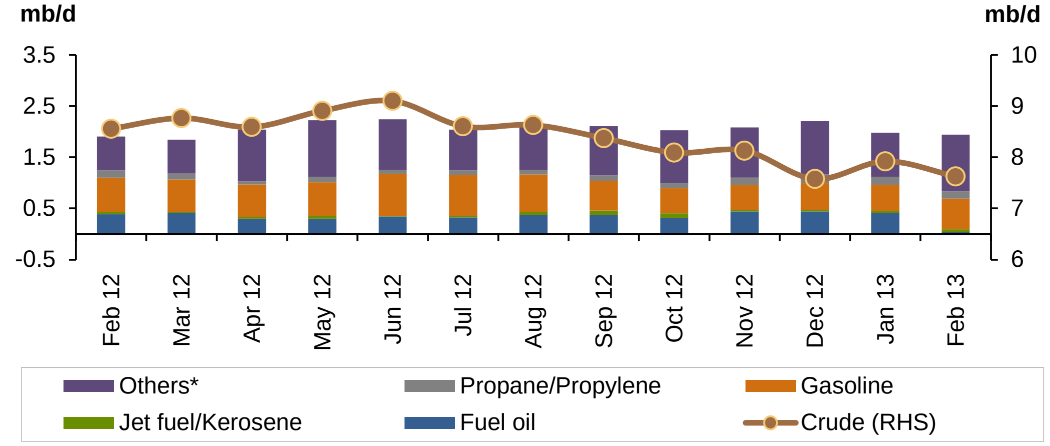
US crude oil imports declined by 4% in February to average 7.6 mb/d

US

Preliminary data shows that **US crude oil imports** declined by 295 tb/d or 4% in February from the previous month to average 7.6 mb/d. On an annual basis, this meant a loss of 0.9 mb/d or 10.9% from a year earlier.

US product imports dropped by 42 tb/d or 2% month-on-month (m-o-m) to average 1.9 mb/d, while, year-on-year (y-o-y), they fell 34 tb/d or 2%. In a year-to-date comparison, both crude and product imports declined by 9%. As for US product exports in February, these increased by 140 tb/d or 5% to average 3.1 mb/d. Y-o-y, there was a greater increase of 215 tb/d or 7%. As a result, **US total net imports declined slightly in February to average 6.3 mb/d, which was 7% lower than in the previous month and 17% below last year's level.**

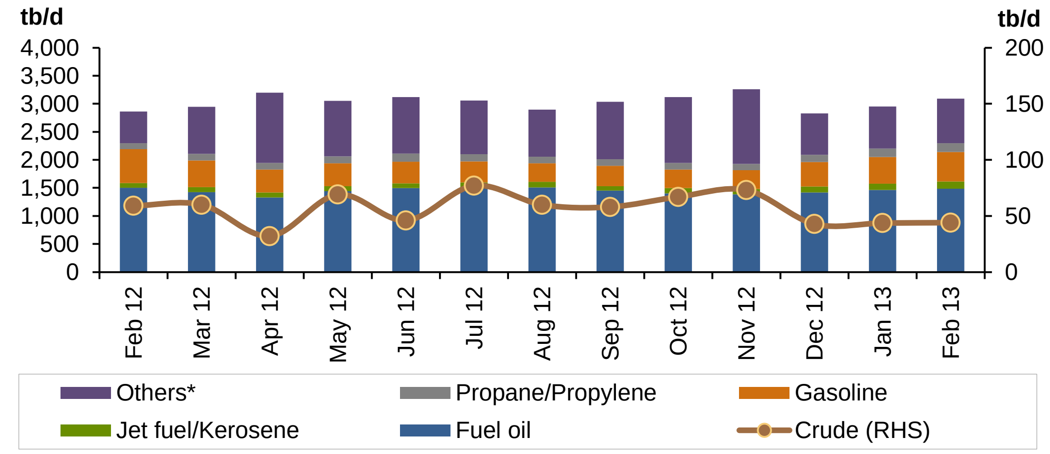
Graph 8.1: US imports of crude and petroleum products



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

In December, Canada remained the top crude-supplier to the US, accounting for 33% of total US crude imports yet its monthly exports to US were 250 tb/d or 11% higher than a month ago*.* Venezuela was the second-largest supplier, with a share of 14% of total US crude imports. Saudi Arabia was in third position, with a lower volume than in the previous month, down by 289 tb/d or 22%.

Graph 8.2: US exports of crude and petroleum products



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

Crude imports from OPEC Member Countries dropped by 14% in December from a month earlier, due mainly to lower imported volumes from Saudi Arabia and Nigeria, accounting for 45% of total US crude imports. On the other hand, US product imports from Member Countries fell by 37% from the month before. As for the product supplier share, Canada and Russia maintained their positions as first and second suppliers to the US, while the UK was third. These three top product suppliers raised their exported volumes to the US by 6%, 37% and 32%, respectively.

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

	Dec 12	Jan 13	Feb 13	*Change* Feb/Jan
Crude oil	7,533	7,878	7,582	-296
Total products	-839	-1,013	-1,196	-183
Total crude and products	**7,330**	**6,866**	**6,387**	**-479**

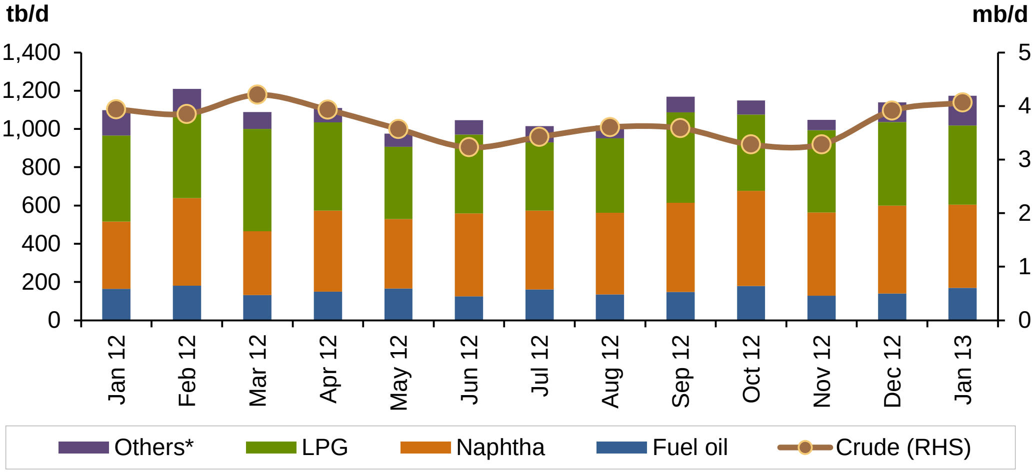
Japan

Japan's crude imports rose in February to stand at 4.1 mb/d

Japan's crude oil imports saw a gain in January of 150 tb/d or 4% to average 4.06 mb/d. Y-o-y, they rose in January by 126 tb/d or 3%. Monthly crude import volumes were the highest since April 2012. As for the supplier share, Saudi Arabia, the UAE and Qatar held the top three positions in January. Saudi Arabia, as in the previous month, was the biggest crude-supplier, holding a stable share of 31% of total crude imports into Japan. The UAE, as the second-largest supplier, had a share of 21%, while Qatar, in third place, accounted for 12%. Saudi Arabia and Qatar saw increased volumes of exports to Japan m-o-m of 11% and 6% respectively. However, the UAE decreased its exports to Japan by 29 tb/d or 3% from the previous month.

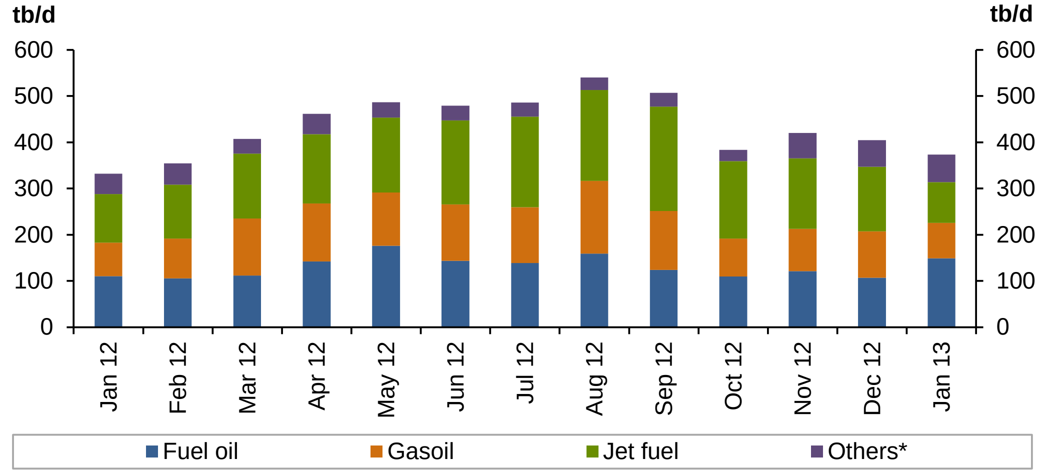
On the other hand, **product imports** also increased in January, by 58 tb/d to average 761 tb/d, reflecting gains of 8% m-o-m and 17% y-o-y. The monthly product imports are noted as being the highest since December 2007. As for products, Japan's exports declined by 29 tb/d or 7% in January to average 369 tb/d. Y-o-y, product exports rose by 41tb/d or 12%. Accordingly, **Japan's net imports increased in January by 236 tb/d to average 44 mb/d, reflecting monthly and annual gains of 6% and 5% respectively.**

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



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

Graph 8.4: Japan's exports of petroleum products



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

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

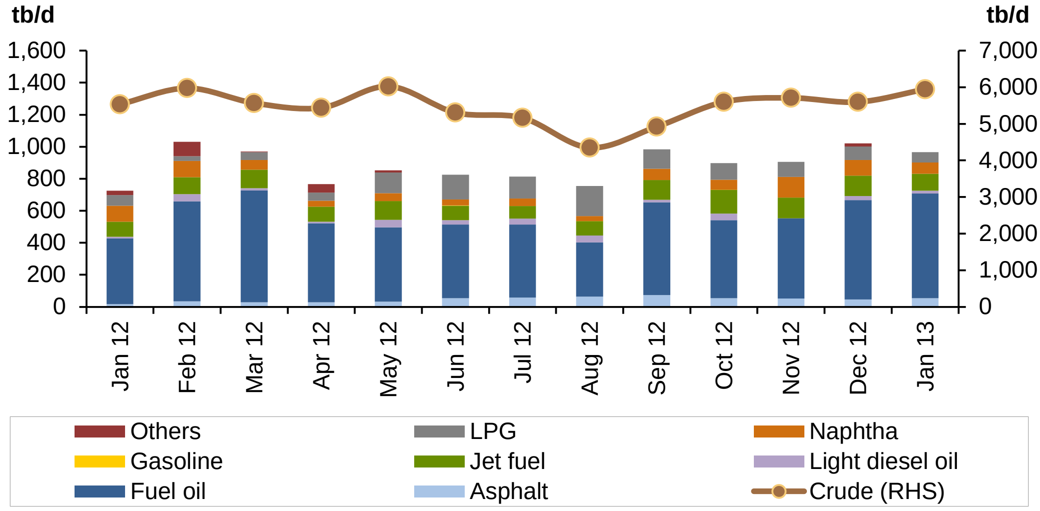
	Nov 12	Dec 12	Jan 13	*Change Jan/Dec*
Crude oil	3,285	3,914	4,063	150
Total products	205	305	392	87
Total crude and products	**3,490**	**4,219**	**4,455**	**236**

China

China's crude oil imports increased in January to stand at 5.9 mb/d

China's crude oil imports increased in January by 348 tb/d or 6.2% from the previous month to average 5.9 mb/d. The monthly crude imported volumes were the highest since May 2012. Y-o-y, the country's crude imports rose by 412 tb/d, which was 7.4% higher than the levels seen last year. In terms of supplier-share, Saudi Arabia, Angola and Iraq were the top suppliers to China in January, accounting for 22%, 14% and 11% respectively. These top suppliers increased their exported volumes to China by 6%, 26% and 11% respectively from the previous month.

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



China's crude exports increased in January by 47 tb/d to average 66 tb/d. This increase can be viewed as a recovery, after declines in November and December. Y-o-y, however, there was a decrease in crude exports of 10%. In contrast, China's product exports saw a decline of 21 tb/d or 3.5% m-o-m and an increase of 139 tb/d or 30% y-o-y. As a result, its **net oil imports increased by 263 tb/d or 4% from the previous month and by 517 tb/d or 9% from a year earlier.**

Graph 8.6: China's exports of crude and products

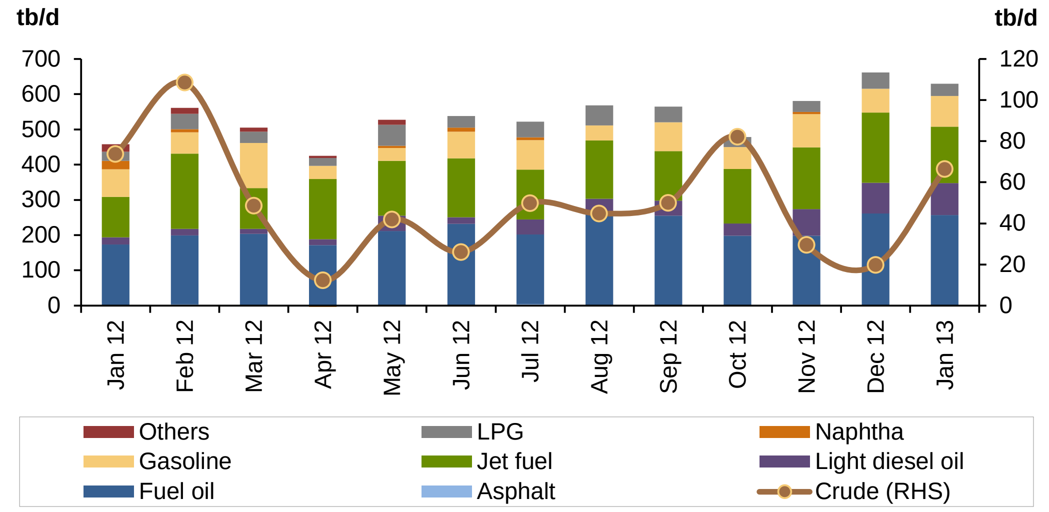


Table 8.3: China's crude and product net imports, tb/d

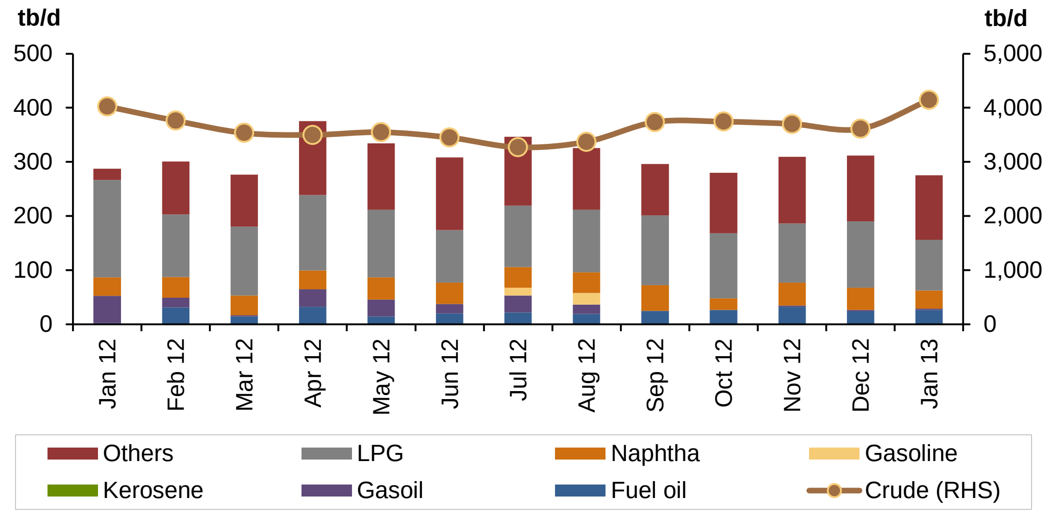
	Nov 12	Dec 12	Jan 13	*Change* Jan/Dec
Crude oil	5,681	5,578	5,880	302
Total products	342	403	364	-39
Total crude and products	**6,022**	**5,981**	**6,244**	**263**

India

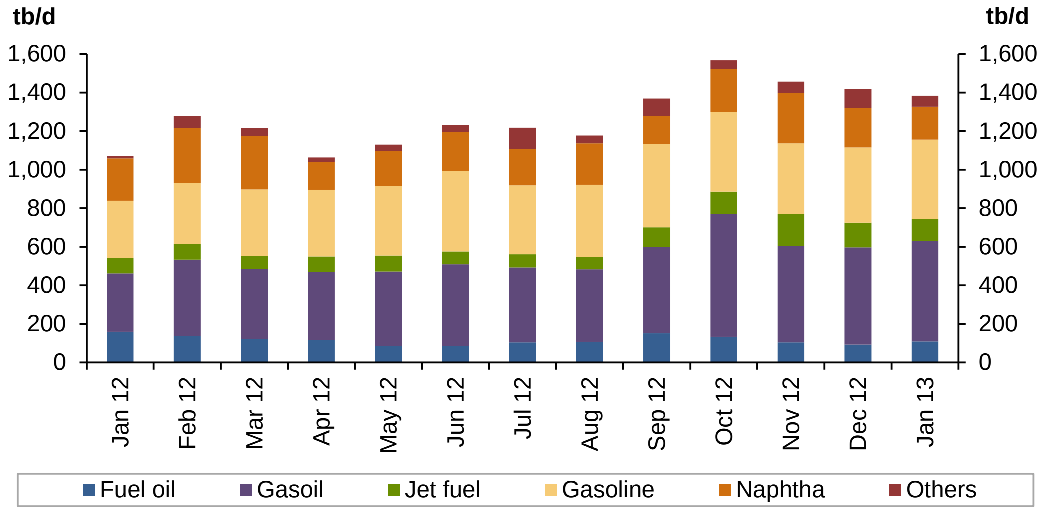
India's crude imports reached a record high of 4.1 mb/d

In January, **India's crude imports** reached a record high, increasing by 532 tb/d or 15% from the previous month to average 4.1 mb/d; this meant an annual increase of 118 tb/d or 3%. On the product side, India's imports in January decreased by 37 tb/d or 12% m-o-m to their lowest level since December 2011, averaging 275 tb/d; y-o-y, the decline was 12 tb/d or 4.3%. This decrease was mainly a result of lower volumes of liquefied petroleum gas and naphtha, which declined by 23% and 18% respectively. No imports of petrol or kerosene were registered in January.

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



Graph 8.8: India's exports of petroleum products



India's product exports fell by 37 tb/d or 3% in January to average 14 mb/d. Y-o-y, product exports increased by 312 tb/d or 29%. The decline in monthly product exports was due mainly to naphtha and jet fuel, which dropped by 16% and 10% respectively. However, fuel oil exports increased by 18% from a month earlier.

Consequently, **India's net imports increased by 532 tb/d to average 3 mb/d, reflecting a gain of 21% m-o-m and yet a decrease of 6% y-o-y.**

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

	Nov 12	Dec 12	Jan 13	*Change Jan/Dec*
Crude oil	3,702	3,611	4,143	532
Total products	-1,147	-1,108	-1,108	0
Total crude and products	**2,554**	**2,503**	**3,035**	**532**

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

FSU

In January, **total crude oil exports** from the former Soviet Union declined by 69 tb/d or 1.12% to average 6.1 mb/d, the lowest level seen since July 2011. Crude exports through Russian pipelines increased by 50 tb/d or 1.3% to average 4.0 mb/d.

Shipments from Druzhba pipeline to central and eastern Europe dropped by 27 tb/d or 2.8% to average 941 tb/d. Black Sea exports saw a decline by 94tb/d or 12.4% to average 667 tb/d, while exports from the Baltics increased by 163 tb/d or 11% to average 1.6 mb/d in January. Loadings from CPC blend rose 64 tb/d or 9% from December to average 630 tb/d.

FSU total product exports rose by 150 tb/d or 5% from a month earlier to average 2.9 mb/d. This increase came on the back of a rise in all product exports, except jet fuel which dropped by 1 tb/d. Exports of gasoil increased by 52tb/d, while gasoline and fuel oil increased by 25 tb/d each. Fuel oil exports increased on requirements for the Chinese New Year holiday. VGO exports increased by 27 tb/d, possibly as a result of deferred deliveries from December.

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

	2011	2012	2Q12	3Q12	4Q12	Dec 12	Jan 12*
Crude							
Russian pipeline							
Black Sea	918	858	900	932	774	761	667
Baltic	1,511	1,747	1,725	1,611	1,665	1,473	1,636
Druzhba	1,170	1,079	1,109	1,006	980	968	941
Kozmino	309	331	317	315	380	432	432
Total	**4,224**	**4,322**	**4,356**	**4,174**	**4,100**	**3,943**	**3,993**
Other routes							
Russian rail	173	107	137	87	195	153	141
Russian-Far East	283	258	265	249	242	257	253
Kazakh rail	158	97	128	78	165	136	130
Vadandey	82	66	41	57	104	103	101
Kaliningrad	23	20	18	22	17	19	23
CPC	685	656	685	654	614	694	630
BTC	695	654	681	638	590	603	562
Kenkiyak-Alashankou	222	210	186	213	252	233	241
Caspian	170	173	168	198	166	152	145
Total crude exports	**6,558**	**6,466**	**6,538**	**6,292**	**6,280**	**6,158**	**6,089**
Products							
Gasoline	162	130	113	113	124	127	152
Naphtha	259	313	295	307	345	334	356
Jet	10	9	5	12	10	1	0
Gasoil	773	791	744	734	787	837	889
Fuel oil	1,305	1,416	1,277	1,415	1,314	1,300	1,325
VGO	211	250	264	281	234	193	220
Total	**2,721**	**2,909**	**2,697**	**2,863**	**2,814**	**2,792**	**2,942**
Total oil exports	**9,279**	**9,375**	**9,235**	**9,154**	**9,095**	**8,950**	**9,031**

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

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

Stock Movements

Total OECD commercial oil stocks in January reversed the sharp drop of previous month, increasing by 3.1 mb

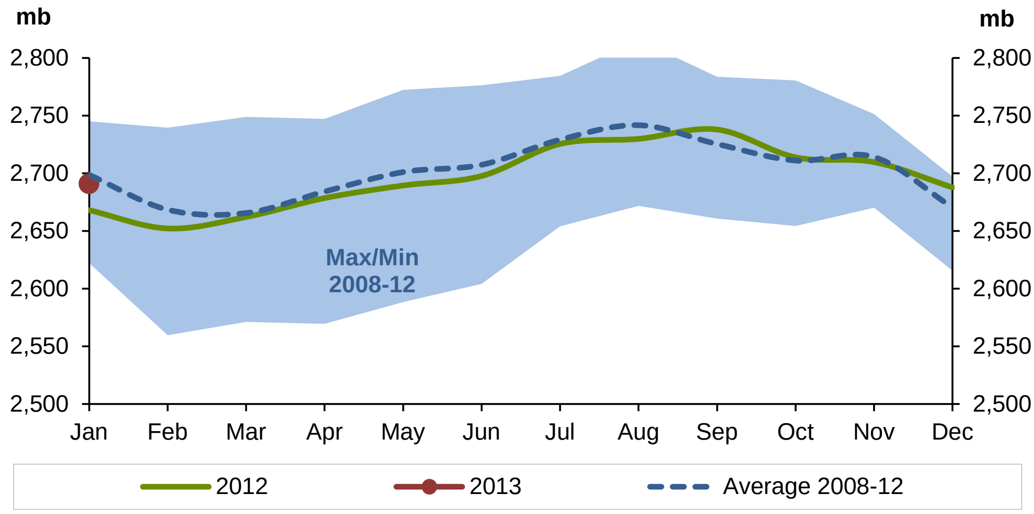
OECD

Preliminary data for January shows that total **OECD commercial oil stocks** reversed the sharp drop of the previous month and increased by 3.1 mb to stand at 2,691 mb. This meant that they were 23 mb above the same period a year ago, although down 7.9 mb from the five-year average. Within the components, OECD commercial crude rose by 8.2 mb, while products declined by 5.1 mb. At 1,297 mb, OECD crude commercial stocks stood at a comfortable level, with a surplus of 72 mb over the same time the year before and nearly 50 mb above the five-year average. In contrast, product stocks remained tight, showing a deficit of 35 mb with the previous year and 50 mb with the seasonal norm.

Within the OECD regions, the large build in OECD commercial inventories came from Europe, where they increased by 8.7 mb, followed by the Asia-Pacific with a build of 2.6 mb. In contrast, however, OECD Americas' stocks fell by 8.2 mb.

Despite this fall, **OECD Americas' inventories** remained at a healthy level, up 47 mb from January 2011 and almost 72 mb higher than the seasonal norm. The comfortable level of US crude commercial stocks came on the back of higher domestic crude supply, which cannot be exported. In contrast with the healthy level of crude stocks, Americas' product inventories remained tight, indicating a deficit of 15 mb with a year ago and 6.1 mb with the seasonal average. Most of the shortfall can be observed in middle distillates, which were being absorbed by the increase in exports to the Latin America region. In January, middle distillates were 28 mb below the seasonal norm, while gasoline stocks started to improve, showing a surplus of 4.0 mb with the five-year average.

Graph 9.1: OECD's commercial oil stocks



OECD Europe's inventories have rebounded slightly since November, but they were still at the bottom of the range, indicating a deficit of 73 mb with the five-year average and being around 18 mb lower than the same period the year before. The deficit with the previous year was concentrated on products, down by 35 mb, while crude was up by 17 mb. The deficit with the seasonal average is attributed to both crude and products, which were 23 mb and 50 mb lower respectively. The Atlantic basin's refinery maintenance should keep product stocks lower in the coming months.

Commercial inventories in Asia-Pacific in January saw a build of 2.6 mb, reversing the sharp drops of the previous two months. The bulk of this build came from crude, which increased by 2.2 mb, while products saw a slight build of 0.4 mb. At 402 mb, the Asia-Pacific's stocks were 11 mb above the same time last year, although they were in line with the five-year average. The surplus with last year was divided between crude and products, which saw gains of 7.8 mb and 3.7 mb respectively. Both crude and products stood at almost the same levels as the averages of the last five years.

In terms of days of forward cover, OECD commercial stocks in January stood at nearly 58.7 days, around half a day more than in the previous month and one day above the same period the year before. When compared with the seasonal average, they showed a gain of nearly one and a half days. It should be noted that, despite the lower absolute level of OECD Europe's commercial stocks, the days of forward cover stood at nearly 68 days, reflecting the weakness of demand in this region.

Table 9.1: OECD commercial stocks, mb

	Nov 12	Dec 12	Jan 13	Change Jan 13/Dec 12	Jan 12
Crude oil	1,319	1,289	1,297	8.2	1,225
Products	1,391	1,399	1,394	-5.1	1,443
Total	**2,710**	**2,688**	**2,691**	**3.1**	**2,668**
Days of forward cover	**58.4**	**58.2**	**58.7**	**0.5**	**57.7**

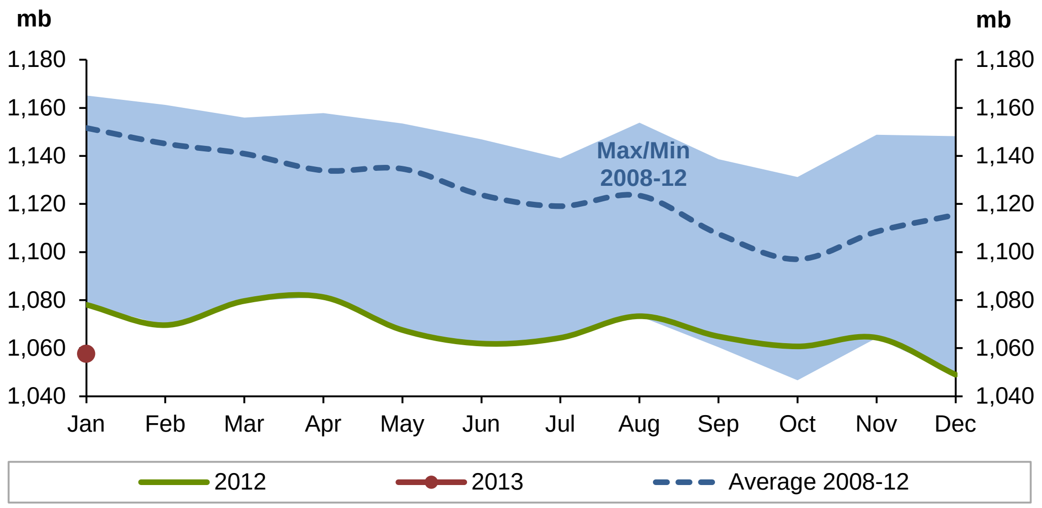
EU-15 plus Norway

European stocks in January reversed sharp drop of previous month and rose by 8.7 mb

The latest available data for January shows that European stocks reversed the sharp drop of the previous month and rose by 8.7 mb to stand at 1,057.7 mb. Despite this build, they ended the month 20.4 mb or 1.9% below the same time last year and they were 78.5 mb or 6.9% below the five-year average. The total stock-draw came from products as they rose by 9.4 mb, while crude decreased by 0.7 mb.

European crude inventories fell slightly in January, following the sharp decline in December of 14.6 mb. At 454.8 mb, they were 15.0 mb or 3.4% above the year before, although they were still 15.3 mb or 3.3% below the latest five-year average. Higher exports to the Asia-Pacific were behind the draw on European crude stocks. This occurred despite lower refinery throughputs, as refineries cut their crude runs by 170,000 b/d to average 13.9 mb/d in January, which was 320,000 b/d lower than the same period last year.

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



Product stocks in Europe rose by 9.4 mb, reversing the stock-draws of four consecutive months and finishing January at 602.9 mb, leaving them 35.0 mb or 5.5% below the same period last year and constituting a shortfall of 63.1 mb or 9.5% with the five-year average. Within products and with the exception of naphtha, which remained unchanged, all the components experienced builds. Gasoline stocks saw a build of 5.5 mb to end January at 111.4 mb, but this was still 0.8 mb or 0.7% lower than a year ago and 13.9 mb or 11.1% below the seasonal average. The build in gasoline stocks reflected mainly weak regional demand, combined with a lack of export opportunities. However, refinery maintenance and the seasonal increase in demand are likely to push down gasoline inventories in the coming months. Middle distillate stocks also saw a build of 3.8 mb, ending January at 372.0 mb. At this level, they were 30.3 mb or 7.5% lower than the year before and 27.8 mb or 7.0% below the seasonal average. Lower demand in the Mediterranean region was behind this build, outpacing higher heating oil consumption in other parts of the region. Fuel oil stocks were almost unchanged, ending January at 89.5 mb, which was 4.5 mb below the same period last year and 18.9 mb lower than the five-year average. The continued weakness of bunker demand will allow fuel oil inventories to build further in the coming months.

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

	Nov 12	Dec 12	Jan 13	Change Jan 13/Dec 12	Jan 12
Crude oil	**470.1**	**455.5**	**454.8**	**-0.7**	**439.8**
Gasoline	105.2	105.9	111.4	5.5	112.2
Naphtha	30.8	29.9	29.9	0.0	29.7
Middle distillates	367.5	368.3	372.0	3.8	402.3
Fuel oils	90.9	89.4	89.5	0.1	94.0
Total products	594.3	593.5	602.9	9.4	638.2
Total	**1,064.4**	**1,049.0**	**1,057.7**	**8.7**	**1,078.1**

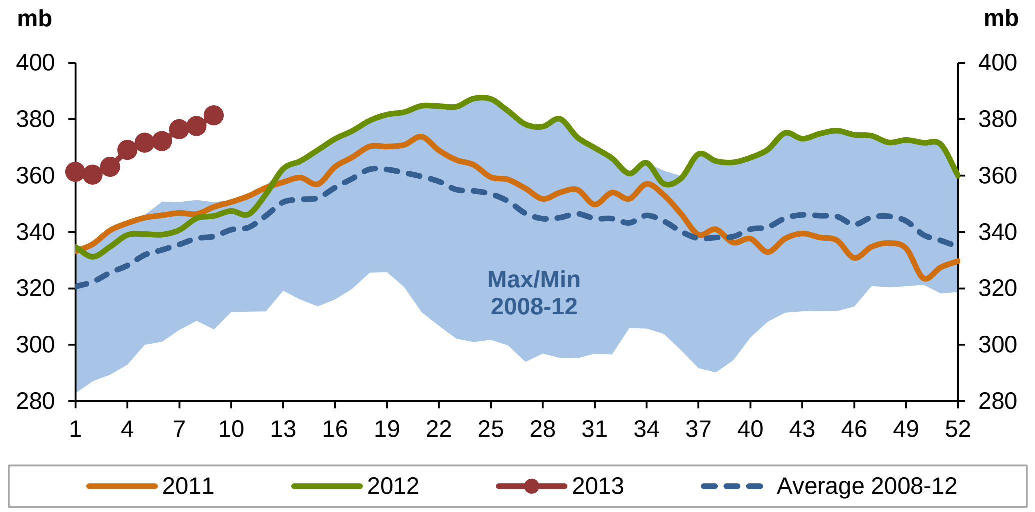
Source: Argus and Euroilstock.

US

US total commercial oil stocks declined for the fourth month in a row in February

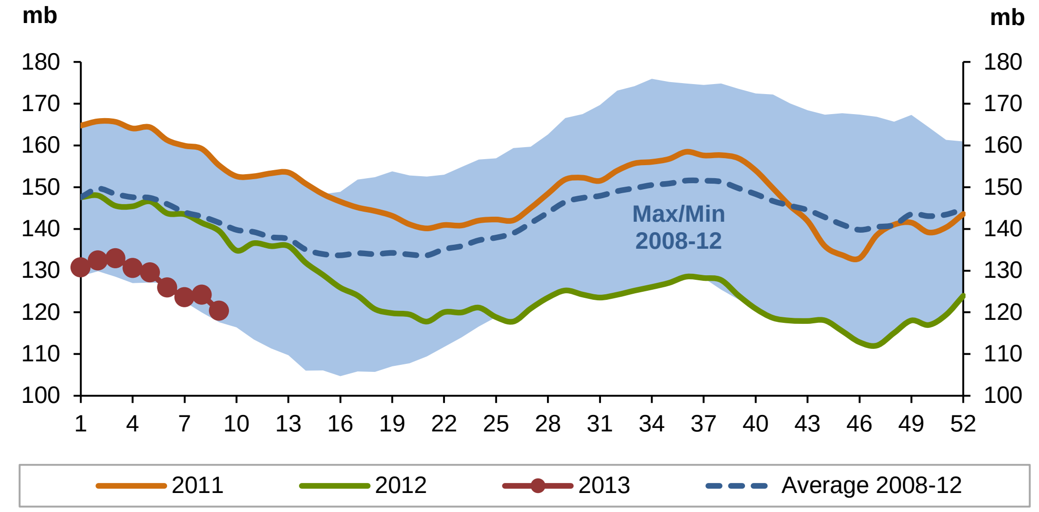
US total commercial oil stocks continued the downward trend of the last four months in February, declining by 16.9 mb to end the month at 1,086.4 mb. Despite this stock-draw, they were 17.1 mb or 1.6% above the same period a year ago and 45.5 mb or 4.4% higher than the five-year average. The stock-draw was attributed to products, which fell by 26.6 mb, while crude abated this drop, increasing by 9.7 mb.

Graph 9.3: US weekly commercial crude oil stocks



US commercial crude stocks rose for the second consecutive month in February, accumulating a more-than-16 mb stock-draw since the beginning of this year. At 381.4 mb, they finished the month at the highest level since June 2012, with a surplus of 34.3 mb or 9.9% over a year ago and 41.9 mb or 12.3% over the five-year average. The build came about from lower crude oil refinery inputs, which decreased by nearly 300,000 b/d to 14.3 mb/d, and they remained almost 400,000 b/d lower than the same time last year. In February, US refineries operated at around 83.5%, which was 1.7 percentage points (pp) below January and 0.7 pp below a year earlier. A continued increase in domestic production, remaining above 7.0 mb/d, up 22% from a year ago, also contributed to the build in US commercial crude stocks. However, the fall in crude oil imports limited a further build. In fact, US crude oil imports in February fell by nearly 300,000 b/d to average 7.6 mb/d. Inventories in Cushing showed a slight decline in February to end the month at 50.8 mb; this left the stock overhang some 41% above last year's level.

Graph 9.4: US weekly distillate stocks



Total US product stocks saw a huge drop in February, following an almost 15 mb decline in January. This fall is attributed mainly to lower refinery throughput at a time of seasonal maintenance.

Within products, the picture was mixed. Distillates, gasoline and propylene saw draws, while residual fuel, jet fuel stocks and propylene witnessed builds.

Gasoline stocks reversed their builds of five consecutive months and declined by 6.2 mb to end February at 227.9 mb. With this draw, they were 2.9 mb and 1.2% below a year ago and 1.2 mb or 1.0% lower than the seasonal average. The decline was driven by lower gasoline production caused by reduced refinery runs and lower refinery yields. However, gasoline inventories are expected to move higher in the coming months, as refineries prepare for producing more gasoline ahead of the driving season.

Distillate stocks saw a drop of 9.2 mb in February to end the month at 120.4 mb. With this stock-draw, they were 19.1 mb or 13.7% below the year-ago level and 22.4 mb or 15.7% lower than the seasonal norm. Lower distillate output, combined with strong exports, led to this big draw. Residual fuel oil stocks rose by 1.6 mb to finish February at 36.1 mb. At this level, they were 1.6 mb or 0.2% higher than a year ago, but still showed a deficit of 1.9 mb or 5.0% with the seasonal norm. Jet fuel stocks also rose by 0.7 mb in February to stand at 39.7 mb. At this level, they were 1.4 mb or 3.4% lower than the same month a year ago and 1.7 mb or 4.4% below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

	Dec 12	Jan 13	Feb 13	Change Feb 13/Jan 12	Feb 12
Crude oil	365.0	371.7	381.4	9.7	347.1
Gasoline	230.9	234.0	227.9	-6.2	230.8
Distillate fuel	134.7	129.6	120.4	-9.2	139.4
Residual fuel oil	33.9	34.4	36.1	1.6	35.8
Jet fuel	39.5	39.1	39.7	0.7	41.2
Total	**1,111.5**	**1,103.3**	**1,086.4**	**-16.9**	**1,069.2**
SPR	695.3	695.8	696.0	0.2	696.0

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

Japan

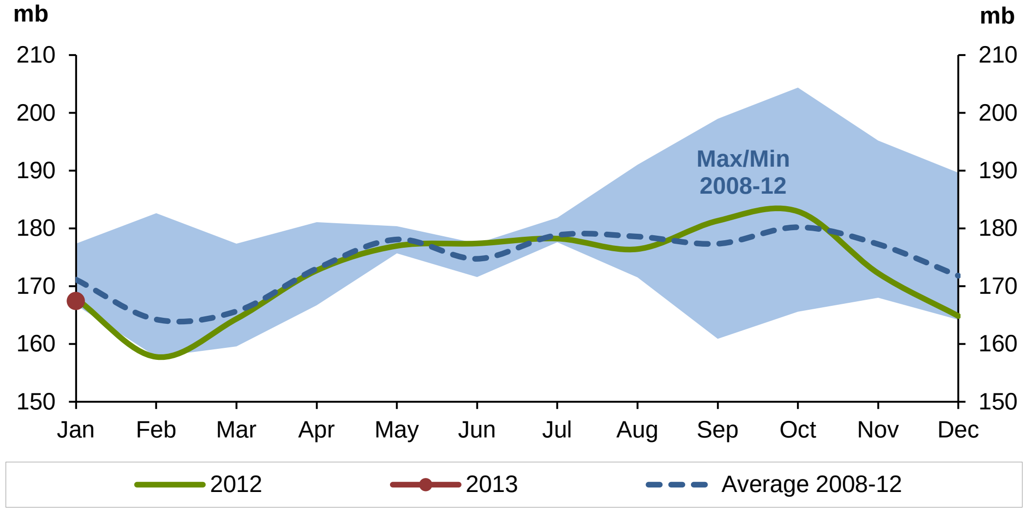
Total commercial oil stocks in Japan reversed the falls of previous two months

In January, total **commercial oil stocks** in Japan reversed the falls of the previous two months and rose by 2.6 mb to 167.4 mb. As this level, they were 2.5 mb above the same period the year before, but 3.7 mb or 2.2% below the latest five-year average. The bulk of the build came from crude, as this increased by 2.2 mb, while product stocks rose by a slight 0.4 mb.

Japanese commercial crude oil stocks saw a build in January after three consecutive months of draws and ended the month at 99.3 mb. At this level, they were 2.5 mb above the same time last year and 1.2 mb higher than the seasonal average. The build in crude oil stocks was driven by an increase in crude imports, as they rose by 3.8% from the previous month to average 4.1 mb/d, and this represented a gain of 3.2% over the same time last year.

The build happened despite a slight increase in crude throughput of 0.8%, averaging 3.7 mb/d. This meant that they were almost at the same level as in January 2011. Japanese refineries were running at 82.9%, around 0.7 pp higher than in the previous month and 0.4 pp above the same period last year. Direct crude burning in power plants declined in January by 11.1% to end January at around 282,060 b/d, and it was also 4.7% lower than the same period last year. Given that the weather in January was almost the same as last year, the fall in direct crude burning reflected mainly the impact of energy conservation in the country.

Graph 9.5: Japan's commercial oil stocks



The slight build in **Japan's total product inventories** reversed the falls of the previous two months and put product stocks at 68.2 mb at the end of January. At this level, they showed a deficit of 2.9 mb or 4.1% with the year before and were 4.9 mb or 6.7% lower than the five-year average. The stock-build in total products came about as total oil product sales fell by more than 6.5% in January from the month before, but they gained 1.2% on the same time last year.

Within products, the picture was mixed; gasoline and distillate saw builds, while fuel oil and naphtha witnessed draws.

Gasoline stocks rose by 1.3 mb to end January at 13.2 mb. At this level, they were 0.5 mb or 3.8% below last year and 0.6 mb or 4.1% lower than the five-year average. The build in gasoline stocks came on the back of higher gasoline imports, combined with the fall in gasoline sales outpacing the decline in output.

Distillate stocks also rose, by 0.2 mb, to end the month at 29.1 mb, leaving them still 2.2 mb or 7.0% below the year before and 3.2 mb or 9.8% beneath the seasonal average. Within distillate components, jet fuel and gasoil went up, while kerosene experienced a drop. The fall in kerosene stocks reflected colder temperatures from the previous month, and this had boosted the use of kerosene for heating. Jet fuel stocks went up by 5.7%, due to a decline in domestic sales consumption. Gasoil stocks also rose, by 9.8%, on the back of lower demand which decreased by 17.6%.

Total residual fuel oil stocks fell by 0.5 mb to end January at 16.2 mb. At this level, they were 0.6% below the year before and 0.3% lower than the five-year average. Fuel oil A went up by 9.2%, while fuel oil B.C declined by 8%. The build in fuel A stocks could be attributed to a rise of 2.7% in production, combined with a decline of 2.1% in domestic sales. Fuel oil B.C stocks saw a drop, driven by an increase in sales of nearly 2%. Higher exports also supported the decline in fuel oil B.C stocks. Naphtha inventories saw a stock-draw of 0.7 mb, ending January at 9.6 mb. With this drop, they were 1.2% below than the year before and 10.6% lower than the five-year average. The fall in naphtha stocks came from higher domestic sales, which increased by 2.7%; however, higher production limited a further stock draw.

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

	Nov 12	Dec 12	Jan 13	Change Jan 13/Dec 12	Jan 12
Crude oil	**98.9**	**97.1**	**99.3**	**2.2**	**96.8**
Gasoline	12.7	11.9	13.2	1.3	13.8
Naphtha	10.7	10.3	9.6	-0.7	9.7
Middle distillates	34.4	28.9	29.1	0.2	31.3
Residual fuel oil	15.5	16.7	16.2	-0.5	16.3
Total products	**73.3**	**67.8**	**68.2**	**0.4**	**71.1**
Total**	**172.3**	**164.8**	**167.4**	**2.6**	**167.9**

*   *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)

Product stocks in Singapore at end-January reversed the previous month's decline

At the end of January, **product stocks in Singapore** rose by 3.6 mb, reversing the fall of the previous month, and ended the month at 43.0 mb, which was the highest level since February 2012. With this stock-build, they widened the surplus with a year ago to 11.4% from 7.3% a month earlier.

Within products, fuel oil stocks saw the bulk of the build, increasing by 1.7 mb, followed by a 1.2 mb build in middle distillate stocks, while light distillates rose by 0.8 mb.

Residual fuel oil reversed the drop of the previous month and rose in January to 20.7 mb, representing a surplus of 1.2 mb or 6.2% over the same period last year. This stock-build was due mainly to lower exports in the region, especially to China and South Korea. Higher imports from Western countries also contributed to the build in fuel oil stocks.

Middle distillate stocks rose in January to end the month at 11.5 mb, the highest level since September 2011. This build meant a surplus of 2.5 mb or 28% on the same period the year before. It was attributed to higher imports amid weak demand in the region.

Light distillate stocks rose for the second month, by 0.4 mb, to finish January at 10.8 mb, leaving them 0.7 mb or 6.6% above the same period the year before. The build came mainly from higher exports to Singapore.

Product stocks in ARA rose for second consecutive month in January, by 2.8 mb

Products stocks in Amsterdam-Rotterdam-Antwerp (ARA) rose for the second consecutive month in January, by 2.8 mb, to end the month at 32.5 mb, which was the highest level since March 2012. Despite this build, they were 3.8 mb or 10.5% lower than the same time last year.

Within products, the picture was mixed. Gasoline, gasoil and jet fuel experienced builds, while fuel oil and naphtha witnessed drops.

Gasoil stocks rose for the second consecutive month, by 2.4 mb, ending January at 17.4 mb. At this level, they were 1.4 mb or 7.8% lower than the same time last year. The stock-build came from a high level of arrivals at the ARA hub, outpacing the departures towards the Mediterranean and West Africa. Gasoline stocks also saw a build of 0.3 mb in January, finishing the month at 6.2 mb and remaining in line with the January 2012 level. Higher arrivals from France, Norway and Britain boosted gasoline inventories in ARA. Jet fuel stocks saw a build of 0.5 mb and ended January at 2.5 mb; but, despite this build, they were almost 50% lower than the same time last year.

Fuel oil stocks reversed the build of last month and fell by 0.5 mb to stand at 5.5 mb at the end of January, representing a surplus of 0.4 mb or around 8% over the same period last year. Naphtha stocks also fell by 0.5 mb, to stand at 0.9 mb, meaning a surplus of 0.4 mb, which was nearly double that of the same time last year.

Balance of Supply and Demand

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

Estimate for 2012

Demand for OPEC crude in 2012 remained unchanged from the previous report as demand and non-OPEC supply saw only a minor adjustment. However, within the quarters, 4Q12 saw a downward revision of almost 0.3 mb/d, reflecting a downward adjustment to demand combined with the upward revision in non-OPEC supply as actual data has become available. The second quarter saw an upward revision of 0.1 mb/d, while 1Q12 and 3Q12 remained unchanged from the previous assessment.

The demand for OPEC crude stood at 30.1 mb/d in 2012, representing a decrease of 0.1 mb/d from a year ago. 1Q12 is estimated to decline by 0.5 mb/d versus the same quarter last year; 2Q12 is estimated to increase by 0.5 mb/d, while the 3Q12 and 4Q12 showed a decline of 0.3 mb/d compared with the same quarters of 2011.

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

	2011	1Q12	2Q12	3Q12	4Q12	2012
(a) World oil demand	**88.04**	**88.03**	**87.97**	**89.12**	**90.17**	**88.83**
Non-OPEC supply	52.46	53.22	52.59	52.45	53.81	53.02
OPEC NGLs and non-conventionals	5.37	5.56	5.68	5.81	5.94	5.75
(b) Total supply excluding OPEC crude	**57.83**	**58.78**	**58.27**	**58.25**	**59.75**	**58.76**
Difference (a-b)	**30.21**	**29.26**	**29.70**	**30.86**	**30.42**	**30.06**
OPEC crude oil production	29.78	31.22	31.49	31.24	30.65	31.15
Balance	-0.42	1.96	1.78	0.38	0.23	1.09

Totals may not add up due to independent rounding.

Demand for OPEC crude in 2013 forecasted at 29.7 mb/d, 0.4 mb/d below last year

Forecast for 2013

Demand for OPEC crude for 2013 has been revised down by 0.1 mb/d from the previous report to stand at 29.7 mb/d. This represents a contraction of 0.4 mb/d compared with a year earlier. The downward revision came from an upward adjustment in non-OPEC supply as demand remained almost unchanged.

Within the quarters, 1Q13 and 2Q13 saw a downward adjustment of 0.1 mb/d, while 3Q13 and 4Q13 remained unchanged from the previous assessment. The first quarter is estimated to remain unchanged versus the same quarter last year; while 2Q13 and 3Q13 are expected to see negative growth of 0.8 mb/d each. The fourth quarter is forecast to increase by 0.1 mb/d versus the same quarter last year.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013
(a) World oil demand	**88.83**	**89.05**	**88.61**	**90.03**	**90.95**	**89.67**
Non-OPEC supply	53.02	53.86	53.76	53.93	54.37	53.98
OPEC NGLs and non-conventionals	5.75	5.94	5.96	5.99	6.03	5.98
(b) Total supply excluding OPEC crude	**58.76**	**59.80**	**59.72**	**59.91**	**60.39**	**59.96**
Difference (a-b)	**30.06**	**29.25**	**28.90**	**30.11**	**30.56**	**29.71**

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

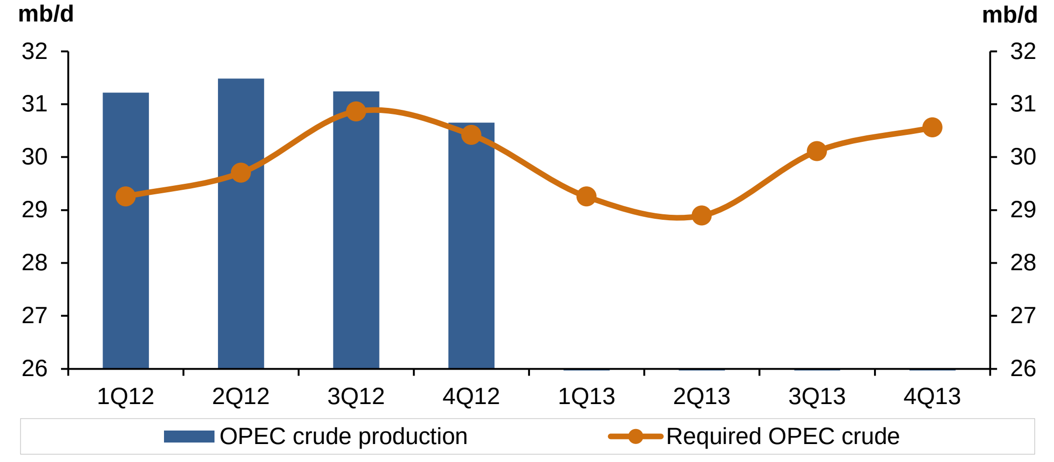


Table 10.3: World oil demand/supply balance, mb/d

	2007	2008	2009	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
World demand															
OECD	50.1	48.4	46.3	46.9	46.4	46.3	45.5	45.9	46.4	46.0	46.1	45.1	45.6	46.2	45.7
Americas	25.8	24.5	23.7	24.1	24.1	23.5	23.8	23.8	23.9	23.7	23.5	23.7	23.9	23.9	23.7
Europe	15.6	15.5	14.7	14.7	14.3	13.7	13.8	13.8	13.8	13.8	13.5	13.5	13.6	13.6	13.5
Asia Pacific	8.7	8.3	8.0	8.1	8.1	9.1	8.0	8.2	8.7	8.5	9.1	7.9	8.2	8.7	8.5
DCs	24.2	25.0	25.6	26.5	27.2	27.4	27.9	28.5	28.2	28.0	28.2	28.6	29.3	28.9	28.7
FSU	4.0	4.1	4.0	4.2	4.3	4.2	4.1	4.5	4.7	4.4	4.3	4.2	4.6	4.8	4.5
Other Europe	0.7	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	87.1	88.0	88.0	88.0	89.1	90.2	88.8	89.0	88.6	90.0	91.0	89.7
Non-OPEC supply															
OECD	20.0	19.6	19.8	20.0	20.2	21.1	20.9	20.7	21.7	21.1	21.7	21.7	21.6	21.8	21.7
Americas	14.3	14.0	14.4	15.0	15.6	16.5	16.4	16.5	17.4	16.7	17.4	17.4	17.4	17.5	17.4
Europe	5.2	4.9	4.7	4.4	4.1	4.1	3.9	3.5	3.6	3.8	3.7	3.5	3.5	3.6	3.6
Asia Pacific	0.6	0.6	0.6	0.7	0.6	0.5	0.5	0.7	0.7	0.6	0.7	0.7	0.7	0.6	0.7
DCs	11.9	12.2	12.4	12.7	12.6	12.3	12.0	12.0	12.1	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	13.3	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	4.2	4.2	4.2	4.3	4.2	4.3	4.3	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	52.5	53.2	52.6	52.4	53.8	53.0	53.9	53.8	53.9	54.4	54.0
OPEC NGLs + non-conventional oils	3.9	4.1	4.3	5.0	5.4	5.6	5.7	5.8	5.9	5.7	5.9	6.0	6.0	6.0	6.0
(b) Total non-OPEC supply and OPEC NGLs	54.4	54.5	55.5	57.3	57.8	58.8	58.3	58.3	59.7	58.8	59.8	59.7	59.9	60.4	60.0
OPEC crude oil production (secondary sources)	30.2	31.3	28.8	29.2	29.8	31.2	31.5	31.2	30.7	31.1					
Total supply	84.6	85.8	84.2	86.6	87.6	90.0	89.8	89.5	90.4	89.9					
Balance (stock change and miscellaneous)	-2.0	-0.3	-0.5	-0.6	-0.4	2.0	1.8	0.4	0.2	1.1					
OECD closing stock levels (mb)															
Commercial	2,582	2,697	2,662	2,690	2,616	2,662	2,698	2,738	2,688	2,688					
SPR	1,528	1,530	1,568	1,565	1,536	1,536	1,539	1,542	1,544	1,544					
Total	4,110	4,227	4,230	4,254	4,152	4,198	4,237	4,281	4,232	4,232					
Oil-on-water	948	969	919	871	825	787	812	797	808	808					
Days of forward consumption in OECD															
Commercial onland stocks	53	58	57	58	57	58	59	59	58	59					
SPR	32	33	33	34	33	34	34	33	34	34					
Total	85	91	90	92	90	92	92	92	92	93					
Memo items															
FSU net exports	8.5	8.5	9.0	9.1	9.0	9.1	9.2	8.7	8.6	8.9	9.1	9.2	8.8	8.7	8.9
(a) - (b)	32.2	31.6	29.3	29.8	30.2	29.3	29.7	30.9	30.4	30.1	29.3	28.9	30.1	30.6	29.7

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

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

	2007	2008	2009	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
World demand															
OECD	-	-	-	-	-0.1	-	-	-	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1
Americas	-	-	-	-	-	-	-	-	-0.2	-0.1	-0.2	-0.1	-0.1	-0.2	-0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	0.1	0.1	0.1	-	-	0.1	0.2	0.1	0.1	0.1	0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	-	-	-0.1	-	0.1	-	-	-0.1	-
World demand growth	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-0.14*	*-*	*-*	*-*	*-*	*-*	*-*
Non-OPEC supply															
OECD	-	-	-	-	-	-	-	-	0.1	-	0.2	0.2	0.1	-	0.1
Americas	-	-	-	-	-	-	-	-	0.2	0.1	0.2	0.2	0.1	-	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	0.1	-	0.2	0.1	-	-0.1	-
Total non-OPEC supply growth	*-*	*-*	*-*	*-*	*-*	*-*	*-0.08*	*-*	*0.13*	*-*	*0.19*	*0.18*	*-*	*-0.27*	*-*
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	0.1	-	0.2	0.1	-	-0.1	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-					
Total supply	-	-	-	-	-	-	-	-	0.1	-					
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-0.1	-	0.3	-					
OECD closing stock levels (*mb*)															
Commercial	-	-	-	-	-1	-	-	-	39	39					
SPR	-	-	-	-	-	-	-	-	3	3					
Total	-	-	-	-	-1	-	-	-	42	42					
Oil-on-water	-	-	-	-	-	-	-	-	-	-					
Days of forward consumption in OECD	-	-	-	-	-	-	-	-	-	-					
Commercial onland stocks	-	-	-	-	-	-	-	-	1	1					
SPR	-	-	-	-	-	-	-	-	-	-					
Total	-	-	-	-	-	-	-	-	1	1					
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	-	0.1	-	-0.3	-	-0.1	-0.1	-	-	-0.1

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

	2007	2008	2009	2010	2011	2012	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
Closing stock levels, mb																						
OECD onland commercial	2,582	2,697	2,662	2,690	2,616	2,688	2,749	2,765	2,784	2,662	2,696	2,776	2,765	2,690	2,650	2,694	2,680	2,616	2,662	2,698	2,738	2,688
Americas	1,209	1,278	1,284	1,329	1,308	1,373	1,329	1,364	1,369	1,284	1,312	1,367	1,396	1,329	1,298	1,338	1,341	1,308	1,334	1,361	1,381	1,373
Europe	966	1,012	995	969	917	916	1,013	1,000	996	995	996	1,004	967	969	971	950	926	917	950	923	928	916
Asia Pacific	407	407	383	391	390	399	408	401	419	383	387	405	402	391	382	406	413	390	378	413	429	399
OECD SPR	1,528	1,530	1,568	1,565	1,536	1,544	1,550	1,565	1,568	1,568	1,571	1,566	1,553	1,565	1,562	1,565	1,530	1,536	1,536	1,539	1,542	1,544
Americas	699	704	729	729	697	696	715	726	727	729	729	729	728	729	727	727	696	697	697	697	696	696
Europe	425	420	431	427	426	434	427	430	433	431	433	426	423	427	424	427	424	426	425	429	433	434
Asia Pacific	404	406	409	410	414	414	408	408	408	409	409	411	402	410	411	411	409	414	414	413	414	414
OECD total	4,110	4,227	4,230	4,254	4,152	4,232	4,300	4,329	4,352	4,230	4,266	4,342	4,318	4,254	4,212	4,259	4,209	4,152	4,198	4,237	4,281	4,232
Oil-on-water	948	969	919	871	825	808	899	904	869	919	919	897	926	871	891	853	835	825	787	812	797	808
Days of forward consumption in OECD																						
OECD onland commercial	53	58	57	58	57	59	61	60	60	57	59	59	58	57	59	58	57	56	58	59	59	58
Americas	49	54	53	55	55	58	57	58	57	54	54	56	58	55	55	55	56	56	56	57	58	58
Europe	62	69	68	68	66	68	70	69	68	69	69	67	65	68	69	65	66	67	69	67	67	68
Asia Pacific	49	51	47	48	46	47	54	53	51	45	51	51	48	46	52	51	48	43	48	50	49	44
OECD SPR	32	33	33	34	33	34	34	34	34	34	34	33	33	33	35	33	33	33	34	34	33	33
Americas	28	30	30	30	29	29	31	31	30	31	30	30	30	30	31	30	29	30	29	29	29	30
Europe	27	29	29	30	31	32	30	29	30	30	30	28	28	30	30	29	30	31	31	31	31	32
Asia Pacific	49	51	51	50	49	49	54	54	49	48	54	52	48	48	56	52	48	46	52	50	47	46
OECD total	85	91	90	92	90	92	95	95	93	91	93	92	91	90	93	91	90	90	92	92	92	92

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

	2007	2008	2009	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12
US	7.47	7.57	8.17	8.64	0.47	8.77	8.95	8.92	9.54	9.05	0.40	9.77	9.79	9.92	10.57	10.01	0.97	10.59	10.63	10.58	10.57	10.59	0.58
Canada	3.31	3.25	3.23	3.36	0.13	3.54	3.32	3.62	3.75	3.56	0.20	3.80	3.68	3.67	3.93	3.77	0.21	3.88	3.92	3.97	4.07	3.96	0.19
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	2.87	2.87	2.85	2.87	-0.05
OECD Americas*	14.28	14.01	14.39	14.97	0.58	15.30	15.24	15.46	16.24	15.56	0.59	16.51	16.42	16.52	17.41	16.72	1.16	17.40	17.44	17.43	17.49	17.44	0.72
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	1.89	1.80	1.75	1.85	1.82	-0.09
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	0.93	0.87	0.85	0.92	0.89	-0.06
Denmark	0.31	0.28	0.26	0.25	-0.02	0.23	0.25	0.23	0.21	0.23	-0.02	0.22	0.22	0.21	0.20	0.21	-0.02	0.19	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	0.69	0.69	0.70	0.70	0.69	0.00
OECD Europe	5.17	4.94	4.74	4.39	-0.35	4.31	4.05	3.87	4.05	4.07	-0.32	4.08	3.92	3.49	3.61	3.77	-0.30	3.70	3.55	3.48	3.64	3.59	-0.18
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	0.59	0.59	0.51	0.03	0.58	0.60	0.59	0.57	0.59	0.07
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	0.07	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	0.68	0.66	0.60	0.03	0.65	0.67	0.67	0.64	0.66	0.06
Total OECD	20.05	19.58	19.76	20.02	0.26	20.17	19.86	19.90	20.86	20.20	0.18	21.11	20.87	20.68	21.69	21.09	0.89	21.75	21.65	21.58	21.77	21.69	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	0.16	0.16	-0.01	0.16	0.16	0.16	0.16	0.16	0.00
India	0.80	0.80	0.78	0.86	0.08	0.90	0.89	0.88	0.87	0.88	0.03	0.87	0.88	0.87	0.87	0.87	-0.01	0.87	0.88	0.88	0.87	0.88	0.00
Indonesia	1.02	1.05	1.03	1.04	0.02	1.03	1.02	1.03	1.01	1.02	-0.02	0.99	0.97	0.94	0.93	0.96	-0.07	0.93	0.93	0.92	0.91	0.92	-0.04
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	0.66	0.69	0.72	0.75	0.70	0.05
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	0.34	0.34	0.34	0.34	0.34	-0.01
Vietnam	0.35	0.33	0.37	0.35	-0.02	0.35	0.33	0.34	0.38	0.35	0.00	0.38	0.38	0.39	0.39	0.38	0.03	0.40	0.40	0.40	0.40	0.40	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	0.22	0.22	0.22	0.22	0.22	0.00
Other Asia	3.70	3.73	3.69	3.70	0.01	3.70	3.56	3.62	3.64	3.63	-0.07	3.65	3.56	3.58	3.60	3.60	-0.03	3.59	3.62	3.63	3.65	3.62	0.03
Argentina	0.77	0.78	0.76	0.75	-0.01	0.76	0.68	0.74	0.75	0.73	-0.02	0.72	0.71	0.72	0.70	0.72	-0.02	0.71	0.70	0.70	0.70	0.70	-0.01
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	2.62	2.64	2.73	2.78	2.69	0.09
Colombia	0.54	0.60	0.68	0.80	0.11	0.88	0.94	0.94	0.96	0.93	0.13	0.95	0.96	0.95	0.99	0.96	0.03	0.99	1.01	1.02	1.03	1.01	0.05
Trinidad & Tobago	0.16	0.16	0.15	0.15	-0.01	0.14	0.14	0.13	0.13	0.14	-0.01	0.12	0.12	0.12	0.12	0.12	-0.02	0.11	0.11	0.10	0.10	0.10	-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	0.32	0.32	0.31	0.01	0.30	0.30	0.31	0.32	0.31	0.00
Latin America	3.96	4.20	4.39	4.66	0.27	4.70	4.68	4.72	4.84	4.73	0.07	4.80	4.66	4.64	4.73	4.71	-0.03	4.74	4.75	4.87	4.93	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	0.21	0.21	0.21	0.21	0.21	0.02
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	0.16	0.16	0.15	0.16	-0.05
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	0.19	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	1.50	1.50	1.51	1.51	1.51	0.01
Chad	0.15	0.15	0.14	0.15	0.01	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.13	0.13	0.13	0.13	-0.01	0.12	0.12	0.13	0.13	0.13	-0.01
Congo	0.24	0.26	0.27	0.30	0.02	0.29	0.29	0.30	0.30	0.30	0.00	0.30	0.30	0.30	0.30	0.30	0.00	0.30	0.29	0.30	0.30	0.30	0.00
Egypt	0.66	0.69	0.69	0.71	0.01	0.70	0.70	0.71	0.70	0.70	-0.01	0.71	0.71	0.71	0.71	0.71	0.01	0.70	0.69	0.69	0.68	0.69	-0.02
Equatorial Guinea	0.37	0.38	0.36	0.32	-0.03	0.31	0.30	0.29	0.30	0.30	-0.02	0.32	0.31	0.31	0.31	0.32	0.01	0.31	0.31	0.30	0.30	0.31	-0.01
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	0.24	0.24	0.24	0.24	0.24	0.00
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	0.10	0.15	0.20	0.22	0.17	0.05
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	0.31	0.32	0.33	0.34	0.32	0.02
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	2.27	2.31	2.37	2.39	2.33	0.02
Total DCs	11.93	12.22	12.42	12.74	0.32	12.81	12.53	12.67	12.58	12.65	-0.10	12.28	12.02	12.02	12.14	12.11	-0.53	12.10	12.17	12.38	12.49	12.29	0.17
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	13.37	13.32	13.37	13.48	13.38	0.09
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	10.43	10.42	10.42	10.42	10.42	0.05
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	1.62	1.61	1.65	1.73	1.66	0.07
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	0.88	0.84	0.84	0.85	0.85	-0.05
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	4.16	4.16	4.20	4.30	4.21	0.09	4.30	4.26	4.26	4.27	4.27	0.06
Non-OPEC production	48.44	48.38	49.11	50.24	1.12	50.68	49.91	49.96	50.81	50.34	0.11	51.05	50.42	50.28	51.64	50.85	0.51	51.65	51.55	51.72	52.16	51.77	0.92
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	52.35	1.24	52.80	52.04	52.08	52.94	52.46	0.12	53.22	52.59	52.45	53.81	53.02	0.55	53.86	53.76	53.93	54.37	53.98	0.96
OPEC NGL	3.86	4.04	4.24	4.87	0.63	5.06	5.21	5.37	5.29	5.23	0.36	5.36	5.45	5.57	5.69	5.52	0.28	5.69	5.71	5.73	5.75	5.72	0.20
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	0.20	0.23	0.24	0.25	0.23	0.10	0.25	0.25	0.26	0.28	0.26	0.03
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	5.56	5.68	5.81	5.94	5.75	0.38	5.94	5.96	5.99	6.03	5.98	0.23
Non-OPEC & OPEC (NGL+NCF)	54.37	54.49	55.46	57.33	1.87	57.97	57.36	57.60	58.39	57.83	0.50	58.78	58.27	58.25	59.75	58.76	0.93	59.80	59.72	59.91	60.39	59.96	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

	2009	Change 09/08	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	Jan 13	Feb 13	Change Feb/Jan
US	1,081	-796	1,345	1,508	1,622	1,687	1,541	459	1,717	1,829	1,945	2,031	1,881	340	1,990	1,971	1,906	1,809	1,919	39	1,756	1,762	6
Canada	218	-161	470	166	364	389	347	129	587	188	443	474	423	76	599	172	326	367	366	-57	502	642	140
Mexico	128	26	118	106	84	80	97	-31	83	87	103	104	94	-3	98	110	108	108	106	12	110	113	3
Americas	1,428	-931	1,933	1,780	2,070	2,156	1,985	557	2,386	2,104	2,492	2,609	2,398	413	2,688	2,253	2,340	2,285	2,391	-6	2,368	2,517	149
Norway	20	0	21	18	13	20	18	-2	21	17	16	16	17	-1	17	18	14	20	17	0	22	21	-1
UK	18	-4	15	20	21	21	19	1	18	17	15	15	16	-3	14	19	18	21	18	2	22	20	-2
Europe	83	-15	87	96	92	100	94	11	118	112	123	119	118	24	112	117	117	129	119	1	134	135	1
Asia Pacific	25	-11	22	18	23	22	21	-4	17	17	17	18	17	-4	19	25	25	27	24	7	29	34	5
Total OECD	1,557	-978	2,042	1,893	2,185	2,278	2,100	543	2,521	2,232	2,632	2,745	2,532	433	2,819	2,395	2,483	2,441	2,534	2	2,531	2,686	155
Other Asia	217	1	235	249	253	255	248	31	257	234	232	233	239	-9	231	216	205	215	217	-22	208	216	8
Latin America	157	-34	183	203	220	213	205	48	191	192	196	201	195	-10	191	190	172	165	180	-15	166	165	-1
Middle East	150	-18	152	150	163	159	156	6	101	107	102	107	104	-52	116	112	110	100	110	6	91	65	-26
Africa	10	-2	20	19	19	18	19	9	1	2	0	5	2	-17	3	3	9	11	7	5	9	9	0
Total DCs	534	-52	589	621	655	645	628	93	549	535	530	546	540	-88	542	522	496	491	513	-27	474	455	-19
Non-OPEC rig count	2,091	-1,030	2,632	2,514	2,840	2,924	2,727	636	3,070	2,768	3,161	3,291	3,072	345	3,361	2,916	2,979	2,931	3,047	-25	3,005	3,141	136
Algeria	27	1	23	28	24	24	25	-2	29	33	30	33	31	6	31	31	44	38	36	5	44	42	-2
Angola	4	-1	10	8	9	9	9	5	11	11	11	8	10	1	10	12	7	7	9	-1	8	9	1
Ecuador	10	0	11	11	11	11	11	1	11	11	11	15	12	1	17	17	22	25	20	8	26	26	0
Iran**	52	2	52	52	52	52	52	0	54	54	54	54	54	2	54	54	36	54	50	-5	54	54	0
Iraq**	36	7	36	36	36	36	36	0	36	36	36	36	36	0	36	50	76	69	58	22	68	65	-3
Kuwait**	13	0	19	18	21	23	20	8	56	56	57	60	57	37	56	56	58	58	57	0	59	61	2
Libya**	14	-1	17	17	14	15	16	1	10	3	8	9	8	-8	12	11	11	14	12	4	16	16	0
Nigeria	6	-1	11	13	18	17	15	8	35	35	36	36	36	21	37	35	37	33	36	0	38	37	-1
Qatar	9	-2	8	8	9	9	9	0	10	8	7	7	8	-1	8	7	8	7	8	0	9	11	2
Saudi Arabia	68	-9	68	67	67	65	67	-1	98	98	98	105	100	33	106	114	111	115	112	12	118	116	-2
UAE	12	0	13	13	13	13	13	1	17	21	24	22	21	8	22	24	23	26	24	3	29	28	-1
Venezuela	60	-20	66	64	70	80	70	10	125	125	125	113	122	52	126	122	112	110	117	-5	112	123	11
OPEC rig count	311	-24	334	335	344	355	342	31	493	490	495	498	494	152	515	534	546	556	538	44	581	588	7
Worldwide rig count*	2,402	-1,054	2,965	2,849	3,184	3,278	3,069	667	3,563	3,258	3,656	3,789	3,566	497	3,876	3,451	3,524	3,487	3,585	18	3,586	3,729	143
of which:																							
Oil	1,222	-210	1,590	1,534	1,783	1,896	1,701	479	2,197	2,023	2,354	2,453	2,257	556	2,709	2,528	2,677	2,682	2,649	392	2,755	2,868	113
Gas	1,125	-825	1,333	1,276	1,356	1,337	1,325	200	1,319	1,187	1,257	1,286	1,262	-63	1,116	879	799	749	886	-376	790	822	32
Others	35	3	43	40	42	46	43	8	48	49	47	52	49	6	54	46	51	59	52	3	46	43	-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.

Contributors to the *OPEC Monthly Oil Market Report*

Editor-in-Chief
Hasan M. Qabazard, Director, Research Division
email: hqabazard@opec.org

Editor
Hojatollah Ghanimi Fard, Head, Petroleum Studies Department
email: h.ghanimifard@opec.org

Analysts

Crude Oil Price Movements	Eissa Alzerma email: ealzerma@opec.org
Commodity Markets	Odalis López-Gonzalez email: olopez@opec.org
World Economy	Mehdi Asali email: masali@opec.org Afshin Javan email: ajavan@opec.org Joerg Spitzy email: jspitzy@opec.org
World Oil Supply	Haidar Khadadeh email: hkhadadeh@opec.org
Product Markets and Refinery Operations	Elio Rodriguez email: erodriguez@opec.org
Tanker Market *and* Oil Trade	Anisah Almadhayyan email: aalmadhayyan@opec.org
World Oil Demand *and* Stock Movements	Aziz Yahyai email: ayahyai@opec.org
Technical and editorial team	Aziz Yahyai email: ayahyai@opec.org Douglas Linton email: dlinton@opec.org

Data services
Adedapo Odulaja, Head, Data Services Department (aodulaja@opec.org),
Ramadan Janan (rjanan@opec.org)
Pantelis Christodoulides (World Oil Demand, Stock Movements), Hannes Windholz (Oil Trade, Product Markets and Refinery Operations), Mouhamad Moudassir (Tanker Market), Klaus Stoeger (World Oil Supply), Harvir Kalirai (Economics), Mohammad Sattar (Crude Oil Prices)

Editing, production, design and circulation
Keith Aylward-Marchant, Alvino-Mario Fantini, Viveca Hameder, Hataichanok Leimlehner, Evelyn Oduro-Kwateng, Andrea Birnbach

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Data Summary

March 2013

OPEC Basket average price

US$ per barrel

⬆ *up \$3.47 in February*

February 2013	**112.75**
January 2013	109.28
Year-to-date	110.93

February OPEC crude production

in million barrels per day, according to secondary sources

⬆ *up 0.07 in February*

February 2013	**30.31**
January 2013	30.24

World economy

Global growth expectations are unchanged at 3.2% for 2013 and at 3.0% for 2012. Japan's forecast has been revised up to 0.8% for 2013, while the US forecast has been revised down to 1.7%. The Euro-zone's forecast has been changed to show a contraction of 0.2% for 2013. Growth expectations for China remain unchanged at 8.1% for 2013, while India's growth has been revised down to 6.0%.

Supply and demand

in million barrels per day

2012		11/12
World demand	88.8	**0.8**
Non-OPEC supply	53.0	**0.6**
OPEC NGLs	5.7	**0.4**
Difference	**30.1**	**–0.1**

2013		12/13
World demand	89.7	**0.8**
Non-OPEC supply	54.0	**1.0**
OPEC NGLs	6.0	**0.2**
Difference	**29.7**	**–0.4**

Totals may not add due to independent rounding.

Stocks

OECD commercial oil stocks rose by 3.1 mb in January, representing a slight deficit with the five-year average. Crude inventories stood 50 mb higher than the seasonal average, while products indicated a deficit of almost the same amount. In term of days of forward cover, OECD commercial stocks stood at 58.7 days, one-and-a-half days above the five-year average. In February, US commercial stocks fell 17 mb, but indicated a surplus of 45 mb with the seasonal average. This drop was attributed to products as crude stocks increased.

Issued 12 March 2013

Next report to be issued on 10 April 2013

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