OPEC

Monthly Oil Market Report

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Feature article:
Oil Market Outlook for 2019

Organization of the Petroleum Exporting Countries

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Welcome to the Republic of the Congo as the 15th OPEC Member

The 174th Meeting of the Conference approved the request from the Republic of the Congo to join the Organization of the Petroleum Exporting Countries (OPEC), with immediate effect from 22nd June 2018.

In line with this development, data for the Republic of the Congo is now included within the OPEC grouping. As a result, the figures for OPEC crude production, demand for OPEC crude and non-OPEC supply as well as the OPEC Reference Basket have been adjusted to reflect this change. For comparative purposes, related historical data has also been revised.

Welcome the Republic of Congo

Oil Market Highlights

Crude Oil Price Movements

The OPEC Reference Basket (ORB) eased by 1.2% month-on-month (m-o-m) in June to average $73.22/b. The ORB ended 1H18 higher at $68.43/b, up more than 36% since the start of the year. Similarly, Dated Brent, WTI and Dubai all decreased by 3.5%, 3.1% and 0.8%, respectively. Crude oil futures prices mostly fell on expectations that OPEC and participating non-OPEC producers in the 'Declaration of Cooperation' will gradually increase production to full conformity levels. ICE Brent averaged $1.07 (1.4%) lower at $75.94/b in June m-o-m, while NYMEX WTI lost $2.66 (3.8%) to average $67.32/b. Similarly, DME Oman decreased by 97¢ (1.36%) to stand at $73.63/b. The Brent/WTI spread widened further to $8.62/b in June m-o-m. Year-to-date, ICE Brent is 35.1% higher at $71.16/b, while NYMEX WTI has risen 31.1% to $65.46/b, compared to the same period a year earlier. The speculative net long positions ended June higher, particularly NYMEX WTI, with the long to short ratio increasing sharply to 21:1 from 7:1. All three markets have returned to a strong backwardation, with that of WTI improving significantly on tighter supplies at Cushing, Oklahoma. The sweet/sour differentials narrowed considerably in Europe and Asia, while in the US Gulf Coast (USGC) the spread widened slightly.

World Economy

The global GDP growth forecast remains at 3.8% for 2018, followed by expected growth of 3.6% in 2019. US economic growth in 2018 is forecast to benefit further from the current momentum. It was revised up by 0.1% reaching 2.8%, followed by anticipated growth of 2.4% in 2019. Growth in Japan remains at 1.2% in 2018, and the same level is forecast for 2019. The Euro-zone's growth forecast remains at 2.2% for 2018, and is estimated to decelerate to 2.0% in 2019. Both India's and China's 2018 forecasts are unchanged at 7.3% and 6.5%, respectively. China is forecast to slow to 6.2% in 2019, while India's growth is expected to increase slightly to 7.4%. Growth in Brazil was revised down by 0.2% reaching 1.7% in 2018, but a mild rebound to 2.1% is anticipated in 2019. Russia's GDP growth forecast remains unchanged at 1.8% in 2018, and the same level of growth is anticipated for 2019.

World Oil Demand

In 2018, oil demand is expected to grow by 1.65 mb/d, unchanged from the previous month's assessment, with expectations for total world consumption at 98.85 mb/d. In 2019, the initial projection indicates a global increase of around 1.45 mb/d, with annual average global consumption anticipated to surpass the 100 mb/d threshold. The OECD is once again expected to remain in positive territory, registering a rise of 0.27 mb/d with the bulk of gains originating in OECD America. The non-OECD region is anticipated to lead oil demand growth in 2019 with initial projections indicating an increase of around 1.18 mb/d, most of which is attributed to China and India. Additionally, a steady acceleration in oil demand growth is projected in Latin America and the Middle East.

World Oil Supply

Non-OPEC oil supply (now excluding the Republic of the Congo) in 2018 was revised up from the previous MOMR by 0.14 mb/d to average 59.54 mb/d. This represents an increase of 2.0 mb/d year-on-year. Non-OPEC oil supply in 2019 is projected to expand by 2.1 mb/d, to average 61.64 mb/d. The main growth drivers are expected to be the US, followed by Brazil, Canada, Australia, Kazakhstan and the UK, while Mexico, China and Norway are expected to witness the main declines. OPEC NGLs production in 2018 and 2019 is expected to grow by 0.12 mb/d and 0.11 mb/d to average 6.35 mb/d and 6.46 mb/d, respectively. In June, OPEC-15 production, including its newest Member Country, the Republic of the Congo, increased by 173 tb/d to average 32.33 mb/d, according to secondary sources.

Product Markets and Refining Operations

Recent higher crude prices impacted negatively on product markets in June, keeping margins and gasoline demand in all main trading hubs suppressed. In the US, product markets showed substantial counter-seasonal losses, where pressure emerged from across the barrel, with the exception of fuel oil. In Europe, product markets lost some ground as pressure from poor performance at the top of the barrel, outweighed gains witnessed at the bottom of the barrel. The latter was attributed to an arbitrage opening for diesel deliveries to Asia and continued seasonal pick-up in fuel oil demand. Product markets in Asia exhibited losses with pressure on all main products except fuel oil. The strong gasoline market surplus, coupled with slower gasoline demand from the Middle East and high product output, heavily pressured product markets.

Tanker Market

In June, the crude oil tanker market sentiment strengthened slightly, as average dirty tanker spot freight rates increased on most reported routes, although the gains were mostly minor. On average, spot freight rates for VLCC and Suezmax rose in June, while Aframax rates were flat. Despite a high number of fixtures seen in the VLCC market, average dirty spot freight rate gains were limited, as the gains, registered mostly in the East, were offset by the high spot vessel availability. Suezmax and Aframax freight rates benefited from the firm market in the Caribbean, but a decline in loading requirements in the Mediterranean led to a dampening in average rates there. Clean tanker spot freight rates evolved negatively in June as medium range (MR) tanker freight rates declined on all routes bar one, with the only exception being Middle East-to-East fixtures.

Stock Movements

Preliminary data for May showed that total OECD commercial oil stocks rose by 8.6 mb, m-o-m, to stand at 2,823 mb. This was 236 mb lower than the same time one year ago, and 40 mb below the latest five-year average. However, stocks remain 253 mb above the January 2014 level. In terms of days of forward cover, OECD commercial stocks fell in May to stand at 58.8 days, which is 2.4 days lower than the latest five-year average.

Balance of Supply and Demand

In 2018, demand for OPEC-15 crude is estimated at 32.9 mb/d, around 0.5 mb/d lower than the 2017 level. In 2019, demand for OPEC-15 crude is forecast at 32.2 mb/d, around 0.8 mb/d lower than the 2018 level.

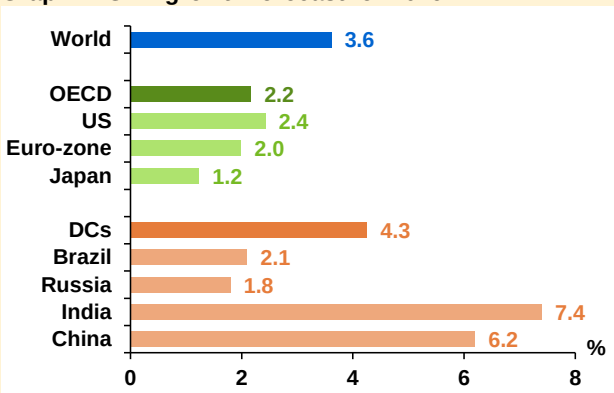
Feature Article

Oil market outlook for 2019

Following the robust growth seen this year, oil market developments are expected to slightly moderate in 2019, with the world economy and global oil demand forecasts to grow slightly less, while non-OPEC supply growth is projected to remain broadly steady.

According to the initial forecast, the **world economy** is expected to expand by 3.6% in 2019, slightly below the 2018 growth forecast of 3.8% (***Graph 1***). This reflects some slowdown in the OECD economies, mainly due to the expected monetary tightening, in particular in the US, to some extent in the Euro-zone, and less so in Japan. In the major emerging economies, performance will range from slight growth in India, supported by government spending to a slight deceleration in China as a consequence of the country's continued financial tightening. Russia will remain broadly steady while Brazil will pick up slightly. The re-emergence of global trade barriers has thus far only had a minor impact on the global economy. The 2019 forecast considers no significant rise in trade tariffs and that current disputes will be resolved soon. The increase in global trade has been a significant factor lifting world economic growth to higher levels in both 2017 and 2018. Hence, if trade tensions rise further, and given other uncertainties, it could weigh on business and consumer sentiment. This may then start to negatively impact investment, capital flows and consumer spending, with a subsequent negative effect on the global oil market.

Graph 1: GDP growth forecast for 2019

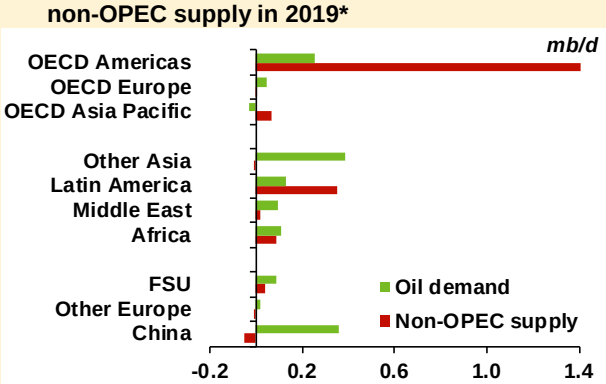


Source: OPEC Secretariat.

World oil demand in 2019 is forecast to grow by 1.45 mb/d y-o-y, compared to 1.65 mb/d in 2018. The OECD region is anticipated to grow by 0.27 mb/d, with demand in OECD Americas driven by solid NGL and middle distillate requirements. Europe is projected to continue see an expansion, albeit at a slower pace, as economic growth projections ease slightly, while Asia-Pacific oil demand is anticipated to weaken in light of planned substitution programmes. In the non-OECD region, growth is anticipated at around 1.18 mb/d. Slightly lower Chinese oil demand growth, compared with 2018, is expected to be offset by higher oil requirements, mainly in Latin America and the Middle East. As for products, the focus will be on light and middle distillates to meet demand from the growing petrochemical sector, industrial activities, as well as expanding global vehicle sales. However, risks remain, related to economic developments in major consuming nations; substitution with natural gas and other fuels; subsidy programmes and their removal strategies; the commissioning and possible delays, or cancellation, of petrochemical projects; and programmes for fuel efficiencies, especially in the transportation sector.

Non-OPEC oil supply for 2019 is forecast to grow by 2.1 mb/d y-o-y, broadly unchanged from 2018. This is mainly due to the expected increase in North America and new project ramp ups in Brazil. Leading the non-OPEC supply declines are Mexico, Norway and China, mainly due to the absence of new projects and heavy declines in mature fields. The pace of US shale growth will slow down considerably in 2H18 and continue into 2019 as the Permian faces take-away capacity constraints. Some of the planned pipeline capacity increases have been delayed, and as a result, the takeaway capacity issue could remain a major constraint until next winter. Moreover, the rig count, along with well completions, could start to slow and well productivity could decline as operators expand production beyond 'sweet spots'. Elsewhere, production ramp-ups through new projects are anticipated to support supply in Brazil next year, while Canada continues to expand its oil output, particularly from oil sands.

Graph 2: Growth forecast in oil demand and non-OPEC supply in 2019*



*Note: * 2019 = Forecast.*
Source: OPEC Secretariat.

The forecast suggests that **demand for OPEC-15 crude** is expected to average 32.2 mb/d in 2019, down by around 0.8 mb/d from 2018. Therefore, if the world economy performs better than expected, leading to higher growth in crude oil demand, OPEC will continue to have sufficient supply to support oil market stability.

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Crude Oil Price Movements

The OPEC Reference Basket (ORB) declined 1.2% in June, but remained within its three-year high at $73.22/b. All ORB component values decreased over the month alongside their perspective crude oil benchmarks, with lighter grades slipping the most. Meanwhile, the ORB ended the first half of the year significantly higher compared to the same period a year earlier. Compared to the previous year, the ORB value in 1H18 was 36.3%, or $18.21, higher than the same period in 2017 at $68.43/b.

Oil futures declined, with ICE Brent ending lower, but stayed above $75/b. NYMEX WTI futures weakened more, due to high US oil supplies. Oil prices mostly fell on expectations that OPEC and participating non-OPEC countries will gradually increase output to make up for the potential disruption to oil flows. ICE Brent averaged $1.07/b, or 1.4% lower in June, at $75.94/b, while NYMEX WTI lost $2.66/b, or 3.8%, to average $67.32/b. Year-to-date (y-t-d), ICE Brent is $18.48, or 35.1%, higher at $71.16/b, while NYMEX WTI rose by $15.51, or 31.1%, to $65.46/b compared to the same period a year earlier. The spread between the first-month NYMEX WTI and ICE Brent widened further by $1.60 in June to $8.62/b, the widest since the summer of 2015 on increasing US supplies.

Money managers increased their combined futures and options net long positions in NYMEX WTI month-on-month (m-o-m) by 66,560 contracts to 390,795 contracts on 26 June. In ICE Brent, they slightly raised net long positions from 451,996 contracts to 453,218 lots on 26 June m-o-m. The long-to-short ratio in ICE Brent speculative positions increased slightly from 6:1 to 7:1. However, in NYMEX WTI, the ratio increased sharply from 7:1 to 21:1. The total futures and options open interest volume in the two exchanges was 451,496 contracts, or 6.6%, lower at 6.3 million contracts.

Regarding market structure, Dubai slightly eased the deep backwardation and Brent flipped back into backwardation. In the US, WTI backwardation increased significantly to a fresh near four-year high on the tightness in supplies at Cushing. The sweet/sour differentials narrowed significantly in Europe and Asia as the sour supplies tightened and demand increased, while in the USGC the spread widened slightly. Meanwhile, USGC crudes differentials to WTI firmed further as WTI's discount to Brent surged.

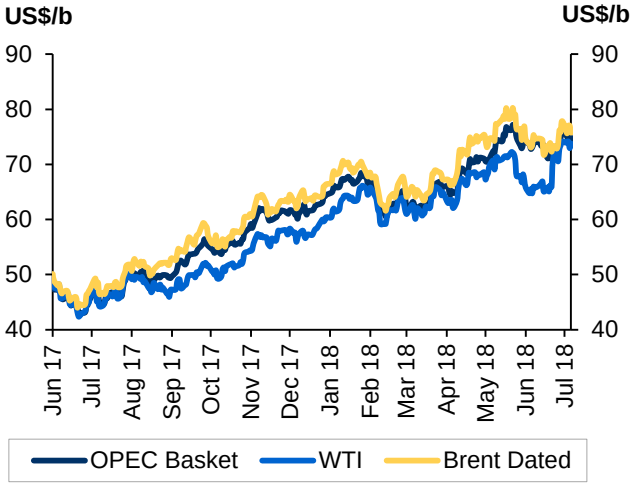
OPEC Reference Basket

The **ORB** declined from its highest monthly value in more than three years but remained well above $70/b. Apart from Venezuelan Merey, all ORB component values decreased alongside their perspective crude oil benchmarks, with lighter African grades slipping the most, undermined by gloomy price differentials. Meanwhile, the ORB ended the first half of 2018 more than 35% higher, swelling by $18.21/b y-o-y to $68.43/b.

Crude oil physical benchmarks Dubai, WTI and Dated Brent spot prices fell by 59¢, $2.19, and $2.68, m-o-m respectively, in June.

The light sweet crude **Basket components from West and North Africa**, Bonny Light, Congo's Djeno, Es Sider, Girassol, Rabi Light, Saharan Blend and Zafiro values decreased on average by $3.12/b, or 4%, m-o-m to $73.08/b in June.

Graph 1 - 1: Crude oil price movement



Sources: Argus Media, OPEC Secretariat and Platts.

In addition to the drop in the value of Brent, the losses in other crudes were compounded by the ongoing pressure on their price differentials due to plentiful supply amid increasing competition from US light sweet grades. This is despite a significant improvement in the West Africa/Asia arbitrage economics amid a collapse of more than $2/b in the Brent-Dubai spread, as well as numerous outages.

Latin American ORB components Venezuelan Merey and Ecuador's Oriente were little changed amid tighter supplies of sour crudes to the US Gulf Coast (USGC) due to lower Venezuelan exports. Merey was up 96¢, or 1.4%, m-o-m at $69.25/b in June, while Oriente was down 34¢, or 0.5%, m-o-m at $70.05/b.

The value of **multiple-region destination grades** Arab Light, Basrah Light, Iran Heavy and Kuwait Export, which continue to benefit from ongoing increases in their official selling price (OSP) on the back of the steeper backwardation in Dubai, slipped marginally by 49¢, or 0.7%, m-o-m to $72.56/b in June.

Middle Eastern spot components, Murban and Qatar Marine, also saw their values reducing slightly by 53¢, or 0.7%, m-o-m to $76.18/b and 42¢, or 0.6%, m-o-m to $72.94/b, respectively. These grades also benefited from higher spot premiums as robust demand in Asia kept spot premiums elevated.

On a monthly basis, the **June ORB value** decreased 89¢, or 1.2%, m-o-m to settle at $73.22/b. Y-t-d, the ORB value in 1H18 was 36.3%, or $18.21, higher at $68.43/b compared with the same period in 2017.

On 10 July, the ORB stood at $76.34/b, $3.12 above the June average.

Table 1 - 1: OPEC Reference Basket and selected crudes, US$/b

			Change		*Year-to-date*	
	May 18	Jun 18	Jun/May	%	2017	2018
Basket	**74.11**	**73.22**	**-0.89**	**-1.2**	**50.21**	**68.43**
Arab Light	74.68	74.26	-0.42	-0.6	50.36	69.07
Basrah Light	72.83	71.90	-0.93	-1.3	49.57	67.20
Bonny Light	77.73	74.86	-2.87	-3.7	52.04	71.52
Djeno*	73.84	70.58	-3.26	-4.4	49.69	68.16
Es Sider	75.25	72.27	-2.98	-4.0	50.12	69.36
Girassol	76.75	73.54	-3.21	-4.2	51.73	70.93
Iran Heavy	72.15	71.69	-0.46	-0.6	49.91	66.89
Kuwait Export	72.55	72.38	-0.17	-0.2	49.57	67.12
Qatar Marine	73.36	72.94	-0.42	-0.6	51.13	67.92
Merey	68.29	69.25	0.96	1.4	45.23	62.04
Murban	76.71	76.18	-0.53	-0.7	53.12	70.92
Oriente	70.39	70.05	-0.34	-0.5	47.29	65.24
Rabi Light	75.88	73.11	-2.77	-3.7	50.64	69.61
Sahara Blend	77.25	73.37	-3.88	-5.0	51.40	71.03
Zafiro	76.68	73.84	-2.84	-3.7	51.26	70.51
Other Crudes						
Dated Brent	76.85	74.17	-2.68	-3.5	51.68	70.59
Dubai	74.20	73.61	-0.59	-0.8	51.32	68.07
Isthmus	73.03	70.92	-2.11	-2.9	52.77	68.40
LLS	75.21	74.31	-0.90	-1.2	51.82	69.51
Mars	71.38	70.26	-1.12	-1.6	48.24	66.01
Minas	68.26	76.72	8.46	12.4	47.70	64.49
Urals	75.23	73.55	-1.68	-2.2	50.41	69.02
WTI	69.89	67.70	-2.19	-3.1	49.94	65.50
Differentials						
Brent/WTI	6.96	6.47	-0.49	-	1.75	5.09
Brent/LLS	1.64	-0.14	-1.78	-	-0.13	1.08
Brent/Dubai	2.65	0.56	-2.09	-	0.36	2.52

*Note: * As of June 2018, the ORB includes the Congolese crude "Djeno".*
Sources: Argus Media, Direct Communication, OPEC Secretariat and Platts.

The oil futures market

Crude oil futures declined in June, with ICE Brent crude oil futures ending the month lower, but remaining above $75/b. NYMEX WTI futures also weakened, but to a higher extent, due to high US oil supplies. Oil prices mostly fell on expectations that OPEC and Russia will gradually increase output. This is also reflected in the Ministerial decisions of the OPEC and participating non-OPEC countries late last month. Moreover, as the oil markets move sustainably toward balancing with OPEC and participating non-OPEC countries completing a year-and-a-half of the supply adjustment decision, oil futures surged during 1H18, with ICE Brent averaging above $70/b, about 35% higher than in 1H17. Similarly, NYMEX WTI improved 31%, rising above $65/b in 1H18.

ICE Brent averaged $1.07/b, or 1.4%, lower in June, at $75.94/b, while **NYMEX WTI** lost $2.66/b, or 3.8%, to average $67.32/b. Y-t-d, ICE Brent is $18.48, or 35.1%, higher at $71.16/b, while NYMEX WTI rose by $15.51, or 31.1%, to $65.46/b. In line with the weakening in crude oil futures, **DME Oman** also dropped by 97¢, or 1.3%, over the month to average at $73.63/b in June. For 1H18, DME Oman was up $16.96/b, or 33.0%, at $68.40/b.

Crude oil futures prices slipped in the second week of July. On 10 July, ICE Brent stood at $78.86/b and NYMEX WTI at $74.11/b.

Table 1 - 2: Crude oil futures, US$/b

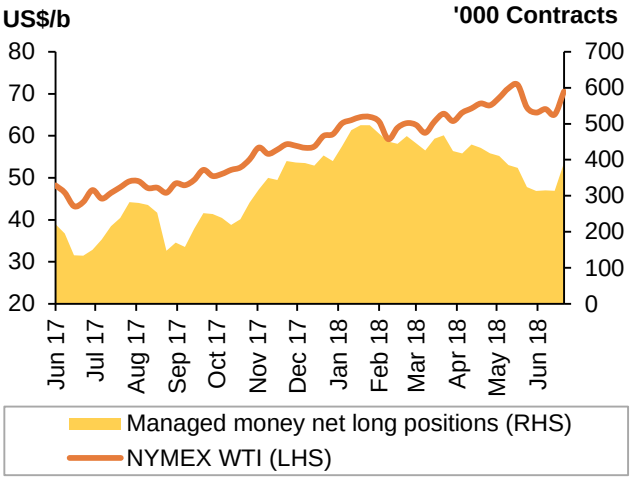
			Change		*Year-to-date*	
	May 18	Jun 18	Jun/May	%	2017	2018
NYMEX WTI	69.98	67.32	-2.66	-3.8	49.95	65.46
ICE Brent	77.01	75.94	-1.07	-1.4	52.68	71.16
DME Oman	74.60	73.63	-0.97	-1.3	51.45	68.40
Transatlantic spread (ICE Brent-NYMEX WTI)	***7.02***	***8.62***	***1.60***	***22.7***	***2.73***	***5.70***

Note: Totals may not add up due to independent rounding.
Sources: CME Group, Dubai Mercantile Exchange, Intercontinental Exchange and OPEC Secretariat.

After two consecutive months of decline, speculative net long positions ended the month higher, relative to their positions at the end of May.

Money managers increased their combined futures and options net length positions in **NYMEX WTI** by 66,560 contracts, or 20.5%, m-o-m to 390,795 lots on 26 June 2018, the US Commodity Futures Trading Commission (CFTC) said.

Graph 1 - 2: NYMEX WTI vs. Managed money net long positions



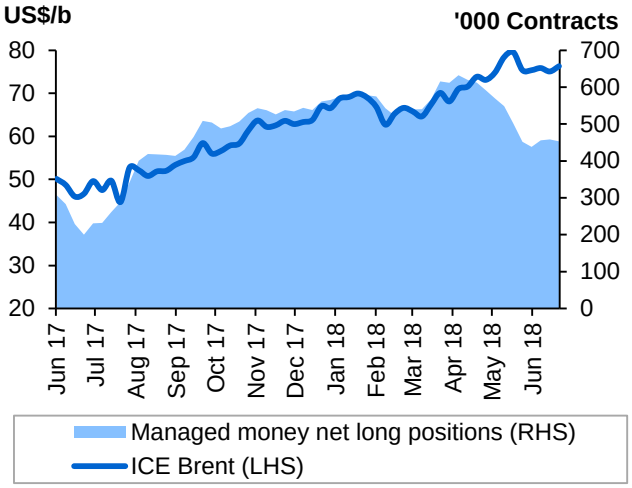
Sources: CFTC , CME Group and OPEC Secretariat.

In **ICE Brent**, hedge funds and money managers slightly raised their combined futures and options net long positions by 1,222 contracts, or 0.3%, from 451,996 contracts to 453,218 lots m-o-m on 26 June 2018, according to the ICE Exchange.

The **long-to-short ratio** in ICE Brent speculative positions increased slightly, from 6:1 to 7:1. In NYMEX WTI, the ratio increased sharply from 7:1 to 21:1.

The **total futures and options open interest volume** in the two exchanges was 451,496 contracts, or 6.6%, lower at 6.3 million contracts.

Graph 1 - 3: ICE Brent vs. Managed money net long positions



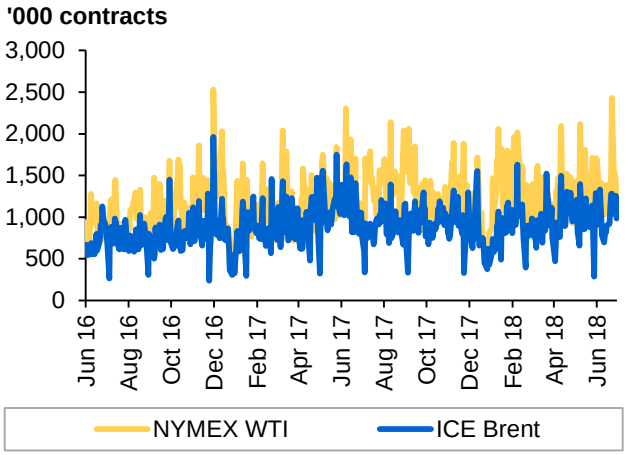
Sources: Intercontinental Exchange and OPEC Secretariat.

The **daily average traded volume** for NYMEX WTI contracts decreased by 46,013 lots, or 3.3%, to 1,360,838 contracts, while that of ICE Brent was 6,863 contracts higher, up by 0.7% at 1,023,874 lots.

Daily aggregate traded volume for both crude oil futures markets decreased by 39,150 contracts, or 1.6%, to 2.38 million futures contracts or about 2.4 billion b/d of crude oil.

Due to lower trading days, the **total traded volume** in NYMEX WTI was 7.7% lower at 28.6 million contracts, while that of ICE Bent was 8.1% lower at 21.5 million contracts.

Graph 1 - 4: NYMEX WTI and ICE Brent daily trading volumes



Sources: CME Group, Intercontinental Exchange and OPEC Secretariat.

The futures market structure

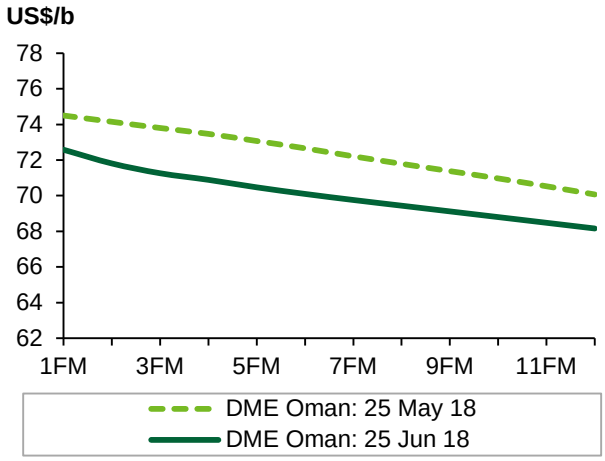
All three markets were in sustained backwardation in June.

Dubai market structure slightly eased its deep backwardation on healthy Asian summer demand.

Brent flipped back into backwardation as geopolitical tensions in the region and worries over tighter future supplies lingered. Brent continues to receive constant support from geopolitical concerns as well as the US-China trade dispute.

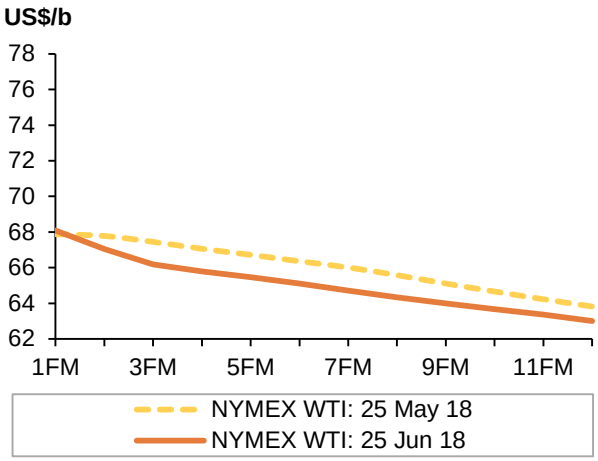
In the US, **WTI** backwardation increased significantly as the tightness in supplies at Cushing pushed front-month premiums to the second month further to a fresh near four-year high.

Graph 1 - 5: DME Oman forward curves



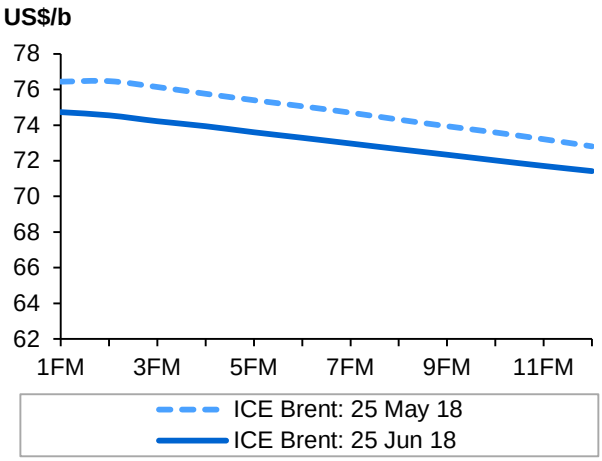
Note: FM = future month.
Sources: Dubai Mercantile Exchange and OPEC Secretariat.

Graph 1 - 6: NYMEX WTI forward curves



Note: FM = future month.
Sources: CME Group and OPEC Secretariat.

Graph 1 - 7: ICE Brent forward curves



Note: FM = future month.
Sources: Intercontinental Exchange and OPEC Secretariat.

Regarding the **M1/M3 structure**, the North Sea Brent M1/M3 1¢/b mild contango flipped back to backwardation of 22¢/b, up 23¢.The Dubai M1/M3 premium of $1.18/b decreased to $1.13/b, a 5¢ drop. In the US, the M1/M3 backwardation of WTI by 31¢ surged to $1.35/b, widening by $1.04/b.

The **spread between NYMEX WTI and ICE Brent** widened further in June to over $8.6/b. The lack of pipeline capacity from the Permian Basin weighed on WTI prices and caused bigger discounts relative to Brent. The discount of WTI to Brent was at its deepest in nearly three years, helping to incentivize US crude exports and boosting coastal crude grades, in particular. Meanwhile, rising concerns over potential supply disruptions due to geopolitical tensions buoyed the global benchmark Brent.

The first-month ICE Brent/NYMEX WTI spread widened $1.60/b m-o-m to $8.62/b in June, the largest since the $13.88/b seen in August 2015.

Table 1 - 3: NYMEX WTI and ICE Brent forward curves, US$/b

		1FM	2FM	3FM	6FM	12FM	12FM-1FM
NYMEX WTI	25 May 18	67.88	67.78	67.45	66.36	63.82	-4.06
	25 Jun 18	68.08	67.04	66.18	65.11	63.01	-5.07
	Change	**0.20**	**-0.74**	**-1.27**	**-1.25**	**-0.81**	**-1.01**
ICE Brent	25 May 18	76.44	76.47	76.14	75.06	72.81	-3.63
	25 Jun 18	74.73	74.55	74.22	73.29	71.42	-3.31
	Change	**-1.71**	**-1.92**	**-1.92**	**-1.77**	**-1.39**	**0.32**
DME Oman	25 May 18	74.50	74.15	73.80	72.66	70.07	-4.43
	25 Jun 18	72.58	71.81	71.26	70.10	68.16	-4.42
	Change	**-1.92**	**-2.34**	**-2.54**	**-2.56**	**-1.91**	**0.01**

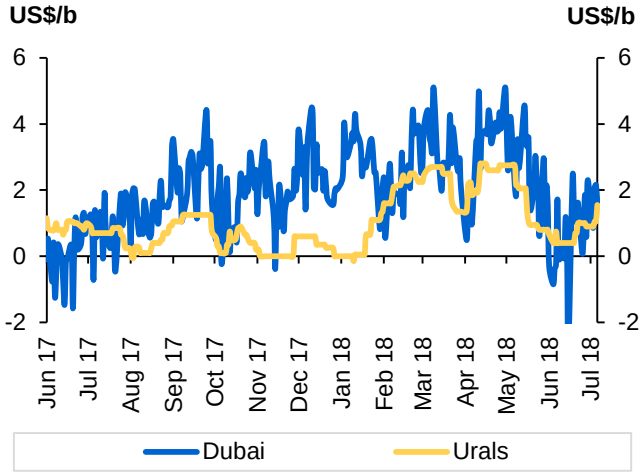
Note: FM = future month.
Sources: CME Group, Dubai Mercantile Exchange, Intercontinental Exchange and OPEC Secretariat.

The light sweet/medium sour crude spread

Apart from the USGC costal grades, the sour crudes' discount to sweet crudes dropped sharply as supply of sour grades tightened and demand increased. The sweet/sour differentials narrowed significantly in Europe and Asia, while in the USGC the spread widened slightly.

In **Europe**, the light sweet North Sea Brent premium to Urals medium sour crude continued to eased for the second month in a row. The spread decreased by $1/b, to the advantage of Urals, to 62¢/b. Urals differentials to Dated Brent improved over the month on record-low exports of Russian crude oil in the region, combined with active arbitrage shipments of North Sea Forties to Asia as well as high demand for the grade from regional refiners due to low supply. The possibility of reduced oil imports from Iran in coming months is also supporting Urals crude differentials.

Graph 1 - 8: Brent Dated vs. sour grades (Urals and Dubai) spread



Sources: Argus Media, OPEC Secretariat and Platts.

In **Asia**, the Tapis premium over Dubai narrowed sharply as domestic light sweet crudes came under pressure from alternative supplies from the US. Meanwhile, the Brent/Dubai spread narrowed significantly to 56¢/b, encouraging the flow of west-east arbitrage for Atlantic-Basin crudes. Poor naphtha refining margins were also pressuring Asian-Pacific light crudes. The Tapis/Dubai spread narrowed by 47¢ to $2.69/b. The Dated Brent/Dubai spread decreased by $2.09 to 56¢ from $2.65/b in the previous month.

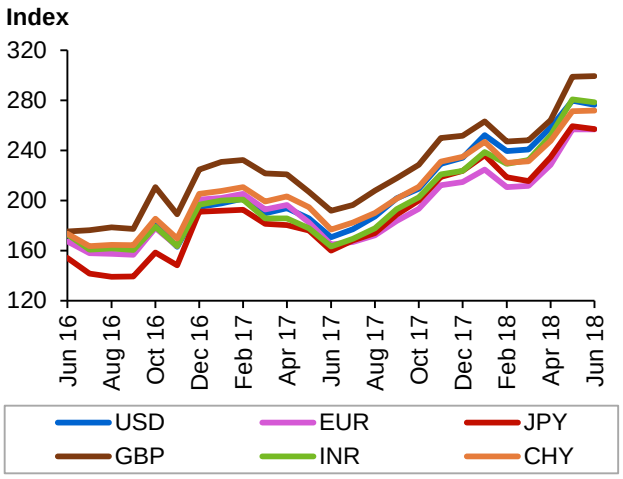
In the **USGC**, the Light Louisiana Sweet (LLS) premium over medium sour Mars increased by 22¢ to $4.05/b amid rising US exports of light sweet crudes. Meanwhile, both Mars Sour and LLS differentials relative to WTI futures firmed again by more than $1.30/b as coastal grades were given a boost by WTI's discount to Brent. LLS and Mars premiums to WTI reached $6.61/b and $2.56/b, respectively.

Impact of US dollar and inflation on oil prices

On average, the **US dollar (USD)** continued its trend of appreciation in June that started in mid-April as a result of expectations for a faster pace of monetary tightening by the US Federal Reserve (Fed), while other major economies' central banks are expected to keep their monetary policy stances more accommodative in view of the slowdown in their economies in the first quarter.

During the month, the Fed decided to increase the federal funds rate by 0.25 pp to 1.75-2.00%, with a median expectation by Fed policymakers that two more hikes this year would be necessary. This entails an additional increase in interest rates from the policymakers' previous assessment in March.

Graph 1 - 9: ORB crude oil price index comparing to different currencies (Base January 2016 = 100)



Sources: IMF and OPEC Secretariat.

Against the **euro,** the USD increased by 1.2% m-o-m in June and was up by 1.4% y-t-d, partly as the ECB chose to expand the asset purchase programme from October until December 2018, although at a reduced pace of €15 billion per month, down from €30 billion previously decided on up to September 2018. At the same time, the ECB continued to signal that potential rate hikes would not materialize before the summer of 2019. Meanwhile, the USD lost 0.7% m-o-m in June against the **Swiss franc**.

Against the **Japanese yen**, it was relatively stable during the month, rising slightly by 0.3% m-o-m in June, as the Bank of Japan's monetary policy was not altered at its June policy meeting after some downgrade in its inflation view.

Against the **pound sterling**, the USD advanced by 1.4% m-o-m in June as the Bank of England was still expected to proceed cautiously with rate hikes until further data confirms recovery of economic activity in the second quarter.

Comparing the USD with currencies in **emerging markets**, the USD advanced against the **Chinese yuan** in June by 1.3% m-o-m, and at the beginning of July is trading around early December 2017 levels. The USD advanced by 0.4% m-o-m against the **Indian rupee,** in spite of an increase in interest rates that materialized by the Reserve Bank of India at the beginning of June. Against commodity exporters' currencies, the USD advanced by 3.8% m-o-m against the **Brazilian real**, down by 14.6% this year, while against the **Russian ruble,** it increased by 0.9% m-o-m, down by 7.2% this year, mainly as a result of sanctions imposed by the US government on Russia.

The USD experienced further increases against the **Argentine peso**, up on average by 12.1% m-o-m in June, and by around 50% y-t-d, although the central bank intervention through further monetary tightening and support from the International Monetary Fund (IMF) recently slowed the peso's depreciation. Against the **Turkish lira,** the dollar advanced by 4.9% m-o-m in June, and by 20.3% y-t-d. This depreciation has recently resulted in inflation readings of 15.4% y-o-y in June.

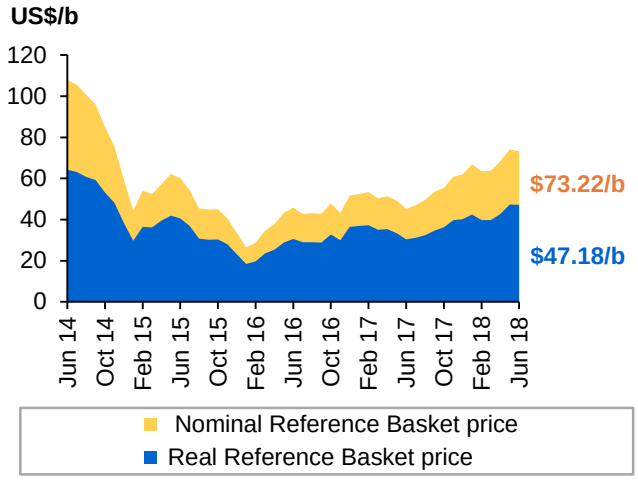
With regard to the **North American Free Trade Agreement** (**NAFTA)** member's currencies, the US dollar increased by 4.2% m-o-m in June against the **Mexican peso**, partly on the uncertainty surrounding the general elections, but it has recently recovered a significant portion of those losses. Against the **Canadian dollar,** the US dollar increased by 2.1% m-o-m. Uncertainties regarding trade disputes with the US remained a drag on both currencies.

In **nominal terms**, the price of the ORB decreased by 89¢, or 1.2%, m-o-m from $74.11/b in May to $73.22/b in June.

In **real terms**, after accounting for inflation and currency fluctuations, the ORB decreased to $47.18/b in June, from an adjusted $47.33/b in May due to the changes in inflation rates (base June 2001=100).

Over the same period, the **USD** increased by 0.8% against the import-weighted modified Geneva I + USD basket[1], while inflation was relatively stable m-o-m.

Graph 1 - 10: Impact of inflation and currency fluctuations on the spot OPEC Reference Basket price[1] (base June 2001 = 100)



Source: OPEC Secretariat.

[1] *The "Modified Geneva I + USD Basket" includes the euro, the Japanese yen, the US dollar, the pound sterling and the Swiss franc, weighted according to merchandise imports by OPEC Member Countries from the countries in the basket.*

Commodity Markets

Energy prices were mixed in June with coal and natural gas prices increasing, while crude oil prices retreated. In the group of non-energy commodities, metal prices were mixed with significant intra-month volatility. Copper and aluminium gave back their early gains as fears of supply disruptions faded, and concerns about the impact of trade disputes took centre stage, which translated into a sharp liquidation of speculator's positions. Precious metals continued to decline as the US Federal Reserve signalled a faster pace of interest rate hikes for 2018.

Trends in selected commodity markets

Average energy prices were mixed in June, with the energy index declining by around 1.1%, mainly due to a drop in crude oil prices. However, coal and natural prices increased. The index was up by 31% during the first half of 2018, compared to the same period last year.

Table 2 - 1: Commodity prices

Commodity	Unit	Monthly averages			% Change	Year-to-date	
		Apr 18	May 18	Jun 18	Jun 18/May 18	2017	2018
Energy*		**87.6**	**94.1**	**93.1**	**-1.1**	**65.9**	**86.7**
Coal, Australia	US$/mt	94.2	105.4	116.5	10.5	80.8	104.0
Crude oil, average	US$/b	68.8	73.4	71.6	-2.5	51.2	67.8
Natural gas, US	US$/mbtu	2.8	2.8	3.0	6.2	3.0	3.0
Natural gas, Europe	US$/mbtu	7.8	7.2	7.5	4.5	5.5	7.3
Base metal*		**96.1**	**96.4**	**96.5**	**0.1**	**80.1**	**96.0**
Precious metals*		**102.3**	**100.1**	**98.5**	**-1.6**	**96.9**	**101.2**

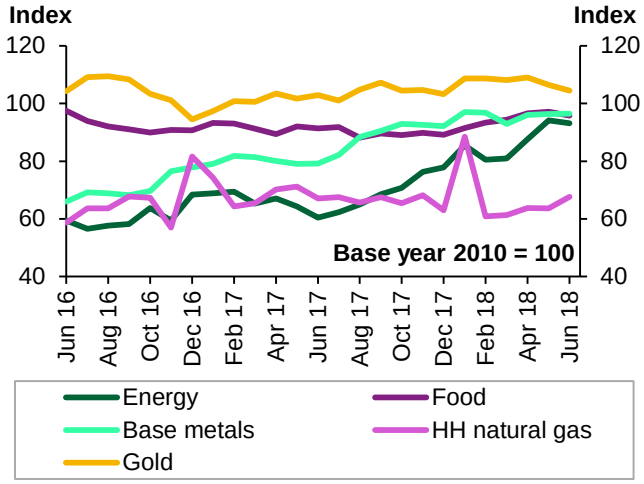
*Note: * World Bank commodity price indices (2010 = 100).*
Source: OPEC Secretariat, World Bank, Commodity price data.

In June, the **Henry Hub natural gas index** was up slightly by 12¢, or 4.2%, at $2.91/million British thermal units (mmbtu), compared to the previous month. Prices increased as higher than average temperatures spurred consumption. However, the expectation of further production increases, and the forecast for cooler temperatures towards the end of July, prevented larger price increases. The US Energy Information Administration said utilities added 78 billion cubic feet (bcf) to working gas underground storage during the week ending 29 June. The median analysis expectation was for a 76 bcf withdrawal. The build left total working gas in underground storage at 2,152 bcf, which was 18.6% lower than the latest five-year average.

Natural gas import prices in Europe increased in June, with average border prices increasing by 4.5% to $7.5/mmbtu. Spot prices were down slightly on a strong replenishment in inventories, and higher temperatures, after a cold spell in early June, though, toward the end of the month prices recovered sustained by rallying coal prices.. Natural gas inventory levels for European Union member states were around 50% full at the end of June – close to last year's June level of around 51% – but up from around 38% in May, according to *Gas Infrastructure Europe*.

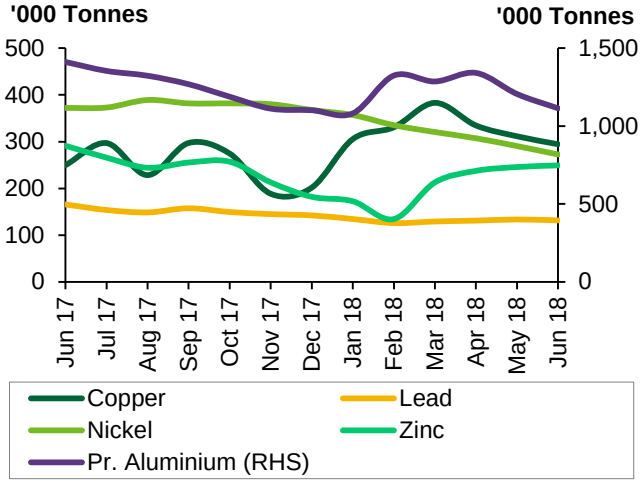
Thermal coal prices increased to an average of $115/mt in May or 10% m-o-m. This is their highest level since 2012. Warmer-than-average temperatures in the Fareast have increased electricity demand. In China, thermal power output increased by 8.1% for the January-May period, compared to the same period in 2017. This has led into rising import volumes from China that were 8.2% higher in the January-May period y-o-y.

Graph 2 - 1: Major commodity price indices



Source: World Bank, Commodity price data.

Graph 2 - 2: Inventories at the LME



Sources: London Metal Exchange and Thomson Reuters.

While on average **base metal prices** were stable, this masks the significant volatility experienced during June. For example, copper prices were up around 7% at the beginning of the month on the prospect of a strike at Chile's Escondida mine – the world's largest copper mine – which spurred a large surge in interest from speculators. However, as those strike fears receded, the price spike reversed towards the middle of the month. Further declines related to uncertainties stemming from the trade disputes stemming from decisions taken by the US government and concerns about monetary tightening in China. From their peak in June up to the first week of July, average base metal prices declined by around 15%, to its lowest level in around a year.

Meanwhile the pace of expansion in global manufacturing slowed, as seen in the JP Morgan Global Manufacturing Purchasers Managers Index, which reached an 11-month low of 53.0 in June versus 53.1 in May. This development came on the back of the aforementioned concerns regarding trade disputes. The pace of expansion has slowed considerably in the new exports sub-component of the global PMI, which is approaching the 50.0 mark that divides expansion and contractions. Should the pace of expansion of global manufacturing continue to deteriorate, metal prices will remain under pressure. Aluminium prices were also affected by the concerns surrounding trade, with price declines of around 7%, from their peak in June. This reversed the bulk of the gains witnessed over the previous two months as a result of sanctions imposed by the US on Russian aluminium companies. In the case of aluminium and copper, the price drop occurred in spite of falling LME inventories.

In the group of precious metals, **gold prices** declined on average by 1.6%, on the expectation of a faster pace of interest rate increases by the US Federal Reserve. Speculators continued to reduce their bets on gold price increases this year, to the point of being net short in the last reported week of June.

Investment flows into commodities

Open interest (OI) increased in June for selected US commodity futures markets, such as natural gas and copper, while it declined for crude oil and precious metals. Meanwhile, in monthly average terms, speculative net length positions increased for natural gas, precious metals and copper, but decreased for crude oil.

Table 2 - 2: CFTC data on non-commercial positions, '000 contracts

	Open interest		*Net length*			
	May 18	Jun 18	May 18	% OI	Jun 18	% OI
Crude oil	2,650	2,488	368	14	313	13
Natural gas	1,478	1,511	153	10	184	12
Precious metals	697	679	22	3	53	8
Copper	256	272	28	11	51	19
Total	**5,082**	**4,950**	**974**	**45**	**703**	**56**

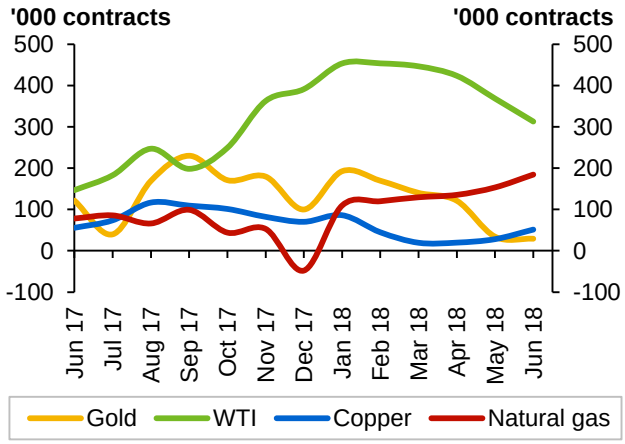
Note: Data on this table is based on monthly average.
Source: US Commodity Futures Trading Commission.

Henry Hub's natural gas OI increased by 2.2% m-o-m in June. Money managers' average net long positions increased by around 20% m-o-m to 184,425 contracts. However, toward the last week of the month speculators trimmed their positions.

Copper's OI increased by 5.9% m-o-m in June. In terms of the monthly average, money managers increased their net long positions by 82% m-o-m to 51,316 contracts. However, the increase in speculator's positions was wiped out towards the end of the month.

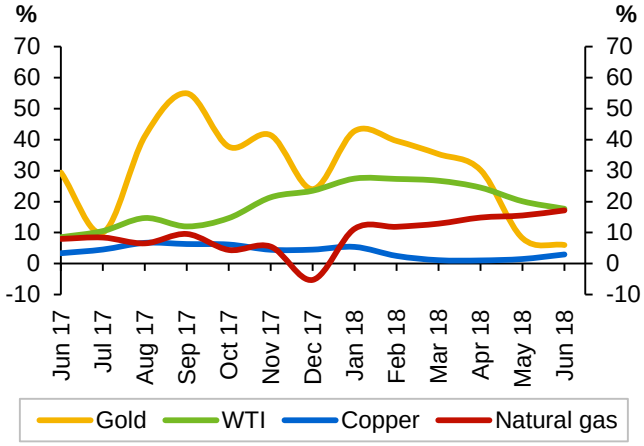
Precious metals' OI decreased by 2.6% m-o-m in June. Money managers increased their bullish bets by 1.4 times to 53,012 lots, mainly as a result of rising net length in silver from a net short position of around 11,957 contracts to a net long position of 23,790 lots. Meanwhile, money managers net long position in gold declined by around 14% to an average of 29,222 contracts.

Graph 2 - 3: Money managers' activity in key commodities, net length



Note: Data on this graph is based on monthly average.
Source: US Commodity Futures Trading Commission.

Graph 2 - 4: Money managers' activity in key commodities, as % of open interest



Note: Data on this graph is based on monthly average.
Source: US Commodity Futures Trading Commission.

World Economy

After slowing 1Q18 growth in major OECD economies, the growth dynamic has resumed as expected and is forecast to be sustained for the remainder of the year. With emerging economies also sustaining healthy growth levels, the 2018 global economic growth forecast remains unchanged at 3.8%. However, some soft spots have become visible in the past months. As numerous challenges have emerged, the risk to global economic growth is skewed to the downside.

The consequences of monetary tightening in the US, and to some extent in the Euro-zone and to a lesser extent in Japan, are reducing the OECD growth dynamic in the coming year. This – in combination with the financial tightening in China and the impact these lowering liquidity measures are expected to have on growth in the coming year – are leading to a global economic growth level of 3.6% in 2019. However, the forecast considers that there will be no significant rise in trade tariffs and that the current disputes will be sorted out soon. Rising trade tensions, with the outcome of mounting uncertainties, translating into falling business and consumer sentiment may provide a significant downside risk to the currently relatively positive outlook. Intensifying protectionism may negatively impact investments, capital flows and consumer spending, with a consequently negative effect on the global oil market.

After some softening of the growth trend in 1Q18, US growth is forecast to rebound considerably, driven by fiscal stimulus measures and still relatively accommodative monetary policies. It is expected to reach 2.8% in 2018, an upward revision from last month's 2.7%. In 2019, US economic growth is forecast to slow down to 2.4%, due to monetary tightening and a cyclical slow-down. However, it remains to be seen if the most recent trade-related initiatives may have some further negative impact on the US economy. The Euro-zone growth forecast is unchanged at 2.2% in 2018, while it is forecast to slow down to 2.0% in 2019, also due to the cyclical growth trend and the less accommodative monetary policy by the ECB. Japan's 2018 forecast remains unchanged to stand at 1.2%, the same level that is expected in 2019.

Among emerging economies, China and India are forecast to maintain high growth levels in 2018, at 6.5% and 7.3%, respectively, unchanged from the previous month. Growth is forecast to slow slightly in China to 6.2%, given its ongoing financial tightening and also due to its maturing economy (although the ongoing trade tensions with the US could push growth to a lower level). India's 2019 forecast stands at 7.4%, slightly higher than this year's growth. Amid recent slowing activity, growth in Brazil was revised down to 1.7% in 2018, followed by a rebound to 2.1% in 2019. Russia saw an unchanged GDP growth forecast of 1.8% in 2018, the same level as is forecast for 2019.

The main areas of concern include political uncertainties. Among these, it is trade-related developments in particular that warrant close monitoring in the near-term. Moreover, the consequences of potentially further monetary policy decisions in the US and the Euro-zone, together with financial tightening in China, will need close attention as well.

Table 3 - 1: Economic growth rate and revision, 2018-2019*, %

	World	OECD	US	Japan	Euro-zone	UK	China	India	Brazil	Russia
2018	**3.8**	**2.4**	**2.8**	**1.2**	**2.2**	**1.4**	**6.5**	**7.3**	**1.7**	**1.8**
Change from previous month	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	-0.2	0.0
2019	**3.6**	**2.2**	**2.4**	**1.2**	**2.0**	**1.4**	**6.2**	**7.4**	**2.1**	**1.8**

*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

OECD

OECD Americas

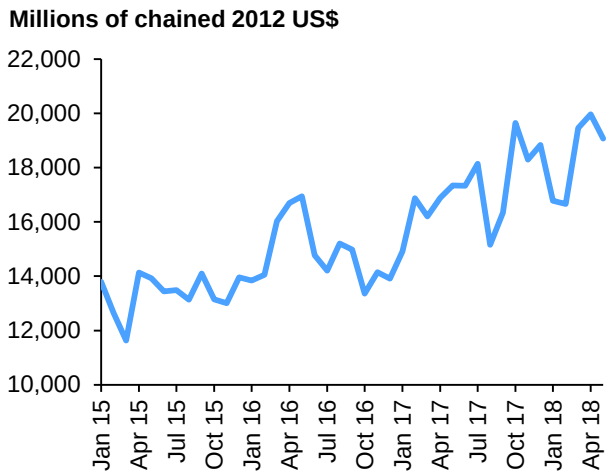
US

US 1Q18 GDP growth was reported at a relatively low level in the final of the three GDP growth publications. The third estimate by the Bureau of Economic Analysis showed growth of 2.0% quarter-on-quarter (q-o-q) at a seasonally adjusted annualized rate (SAAR), which compares to 2.3% in the first estimate. While this was the weakest growth number in four quarters, it is expected to be followed and compensated by stronger growth in the remainder of the year. 2Q18 growth is estimated to probably be moving up to even 4%, based on currently available indicators. This pick-up will be mainly supported by fiscal stimulus measures, the Tax Cuts and Jobs Act, as well as the Bipartisan Budget Act. While the fiscal stimulus is forecast to have a clear positive effect on US growth, rising uncertainties about trade barriers could cloud the momentum. Also, strong growth in the 2Q18, in combination with well supported inflation, may very well lead the Fed to raise interest rates up to four times in the current year and probably lead it to a more substantial tightening in 2019. Hence, a faster hiking path may dampen growth going forward.

Importantly, **consumption** has slowed down significantly in 1Q18, while investment – including oil-market related investment – has increased and constituted a major driver for growth. This dynamic may already be the outcome of fiscal stimulus. Private household consumption expanded by only 0.9% q-o-q SAAR. Consequently, the GDP growth contribution was relatively small, at 0.6 percentage points (pp). However, with the ongoing strength in the labour market, private household consumption should be well supported in the remainder of 2018 and should find its way back, constituting a major force in GDP growth.

Strong support came from the increase of 7.5% q-o-q SAAR in private investments, contributing 1.2 pp to the overall growth number. While the fiscal stimulus is pushing growth up to higher levels, it may come at the cost of rising budget deficits. This may impact the federal financial situation already in the current year and even more likely in 2019. Besides the expected support of investments in the oil market in both the current – and to some extent also in the coming year – oil products trade will continue to support US economic development. Oil market related developments are forecast to again be an important support factor for near-term US growth. May's petroleum product exports were only slightly below the all-time high from April, with product exports amounting to $19.07 bn, again a significant yearly increase of 10% y-o-y.

Graph 3 - 1: US petroleum exports, seasonally adjusted



Sources: Census Bureau and Haver Analytics.

Some improvements in the labour market continued in June, as indicators remained mixed but pointed at ongoing improvements in the coming months. The unemployment rate rose again but remained at a still low 4.0%, compared to 3.8% in May and 3.9% in April. The slight rise in the unemployment rate may have been also due to a healthy rise in the participation rate. The participation rate rose to 62.0% in June compared to 62.7% in May. This rebound comes after four consecutive monthly declines. The average hourly earnings growth for the private sector remained at 2.7% y-o-y in June, still below the 2.8% in January. Positively, non-farm payrolls increased by 213,000, after an upwardly-revised figure of 244,000 in May. Negatively, long-term unemployment numbers rose sharply to stand at 23.0% in June, compared to 19.4% in May, which marked the lowest number since August 2008 – the month before Lehman Brothers went bankrupt.

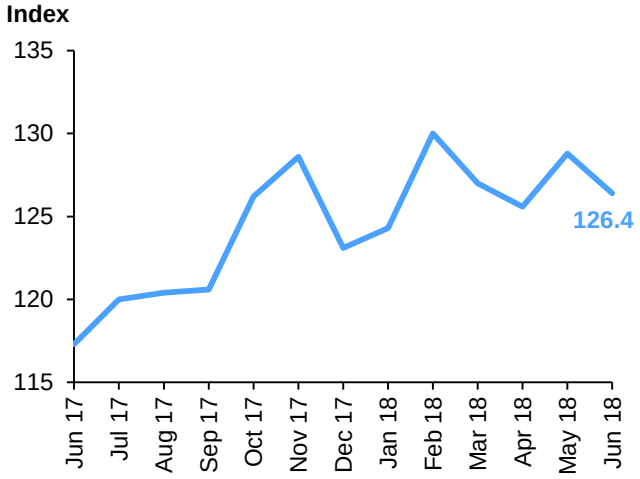
As the Fed increased the key interest rates by another 25 basis points (bp) in its latest June rate-setting meeting, inflation numbers remain an important key indicator for monetary policies, particularly in light of the potentially rising budget deficits. Overall inflation stood at 2.7% in May, a strong rise from 2.4% in April. The important core inflation – excluding volatile items such as food and energy – rose to 2.2%, compared to 2.1% in April and 1.8% in January. Additionally, the Fed's favoured inflation index, the personal consumption

expenditure price index (PCE index), jumped to 2.3% in May, which is above the Fed's inflation target of around 2.0%.

This strength in the overall economy was also reflected in **consumer sentiment**, according to the index published by the Conference Board, whose consumer confidence index remained at a high level. The index stood at 126.4 in June, compared to 128.8 in May. Consequently domestic demand held up very well in May, with retail sales growing by 5.9% y-o-y, compared to 4.8% y-o-y in April on a nominal and seasonally adjusted base.

Industrial production increased in May, rising by 3.5% y-o-y, almost unchanged from April, when growth stood at a healthy 3.6% y-o-y on a seasonally adjusted base.

Graph 3 - 2: US consumer confidence index



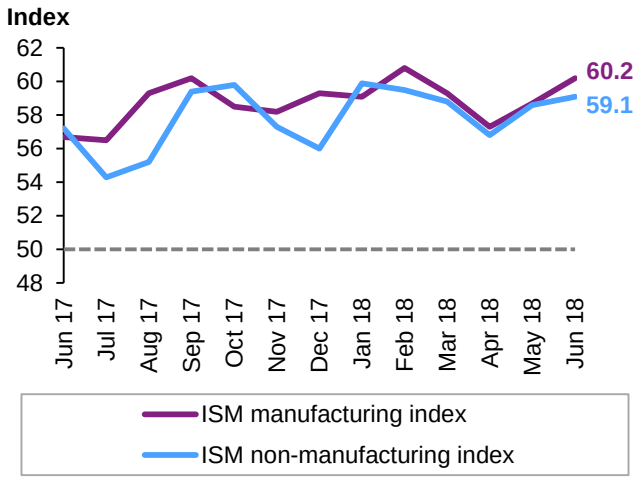
Sources: The Conference Board and Haver Analytics.

June's **Purchasing Managers' Index (PMI)**, as provided by the Institute of Supply Management (ISM), also indicated rising support for the underlying economy. The manufacturing PMI rose to 60.2, compared to 58.7 in May. The important index for the services sector rose as well, to stand at 59.1 in June compared to 58.6 in May.

Although 1Q18 showed some deceleration after significant growth in the previous quarters, the underlying economic growth momentum is forecast to strongly pick up again in 2Q18. Taking the strengthening trend in the remainder of the year into consideration, the **2018 GDP growth** forecast was revised up to now stand at 2.8%.

However, fiscal and monetary challenges remain, and the softening of some lead and business indicators will need to be closely monitored in the near future. Importantly the fiscal deficit, in combination with the considerable momentum in the economy, is forecast to lead to further monetary tightening, which will counterbalance some of the dynamic. Hence, some moderation in growth levels is forecast to take hold in 2019 when US economic growth is forecast to stand at 2.4%.

Graph 3 - 3: US-ISM manufacturing and non-manufacturing indices



Sources: Institute for Supply Management and Haver Analytics.

Canada

After **Canada**'s growth trend has continued slowing down in 1Q18, the momentum is expected to rebound. GDP growth stood at only 1.3% q-o-q SAAR, compared to 1.7% q-o-q in 4Q17, but is expected to rise to more than 2% for the remainder of the year. Potentially further trade disputes with the US remain an area that may impact the economic development as the two economies are very much intertwined. Moreover, unresolved issues within the **NAFTA** negotiations are also a subject that will need monitoring in this respect. As the Bank of Canada may consider lifting its key interest rate in its upcoming July meeting, Canadian inflation rose further to stand at 2.3% y-o-y in May, compared to 2.1% in April. **Industrial production** continued expanding at a high level in April, rising by 4.9% y-o-y, after 4.3% y-o-y in March. As in previous months, it was the mining and oil sector with an increase of 5.9% y-o-y in activity, only slightly below the March level of 6.8% y-o-y. **Retail trade**, however, decelerated sharply, as it rose by only 1.6% y-o-y in April, after 3.9% in March at a nominal seasonally-adjusted level. While some output numbers at the beginning of the year appear to have decelerated, the June PMI index for manufacturing sees strong momentum. It points

to an ongoing and improving dynamic in the near future as the index rose again to 57.1, compared to an already high level of 56.2 in May and 55.5 in April.

Given that the ongoing dynamic has already been reflected in the GDP growth forecast, Canada's 2018 **GDP growth** remains unchanged at 2.0%. Growth in 2019 is forecast to stand a little bit below this year's forecast at 1.9%.

OECD Asia Pacific

Japan

The latest update on **1Q18 GDP growth** confirmed the weakness that the economy was dealing with at the beginning of the year. 1Q18 GDP growth was confirmed to have fallen by 0.6% q-o-q SAAR. The largest negative impact came from a decline in private household spending, which was confirmed to have slowed down to 0.3% q-o-q SAAR, while governmental spending increased by 0.4% q-o-q SAAR. Private household consumption has remained to be negatively impacted by low real income growth. In the meantime, wage growth has increased again, while inflation retraced slightly, thus boosting real income growth in the 2Q18, a potentially positive signal for future domestic consumption. With a further tightening labour market, there is still the expectation that wages will continue improving over the remainder of the year. However, numerous uncertainties remain. Positively, export growth recovered again, after a very weak period at the beginning of the year.

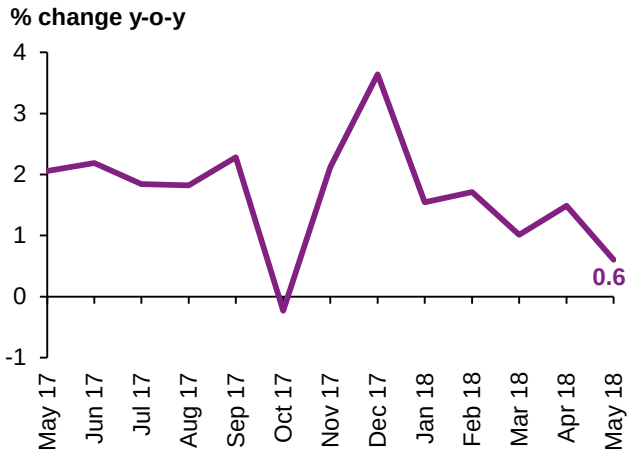
The **Bank of Japan (BoJ)** will most probably keep its ultra-loose monetary policy until inflation hits its 2%, according to the latest comments of the BoJ's Governor. Also, in its latest statement on monetary policies, following its June meeting, the BoJ confirmed a continuation of its accommodative monetary policies. It will continue its monetary stimulus with quantitative and qualitative monetary easing (QQE) measures – with Yield Curve Control – for as long as necessary. It is expected to keep the short-term interest rate at minus 0.1% and the cap on 10-year bond yields at "around zero", while also continuing to buy assets at a pace of ¥80 trillion a year. It will continue expanding the monetary base until the y-o-y rate of increase in the observed consumer price index (CPI) – that is, all items except fresh food – exceeds 2% and then remains above this target in a stable manner. Among the risks to its monetary policy that the BoJ mentioned was the further development of US economic policies and their impact on global financial markets, and also developments in emerging and commodity exporting economies.

After a considerable increase in **inflation** at the beginning of the year, both the April and the latest May numbers stood at only 0.6% y-o-y. Support came again from rising energy prices and to some extent also from wage growth expectations. In May, monthly earnings rose by a very high level of 2.3% y-o-y after a rise of only 0.3% y-o-y in April. This would translate into a substantial real income increase in May. Core inflation, which excludes food and energy and is more wage-dependent, remained unchanged at 0.3% y-o-y in May, the same level as in April. Given the tightness in the labour market, the unemployment rate fell further to an ultra-low level of only 2.2% y-o-y in May, which is even below the level of April, when it stood at 2.5%.

Japanese exports recovered from their sluggish expansion again and showed solid growth for a second consecutive month. May's exports growth stood at 8.1% y-o-y non-seasonally adjusted. This comes after a rise of 7.8% y-o-y in April. This constitutes a strong pick-up from March and February, which saw growth of 2.1% y-o-y and 1.8% y-o-y, respectively. After low growth in April, **industrial production** growth recovered again in May, in line with other improving indicators, as it expanded by 3.4% y-o-y, compared to 1.4% y-o-y in April. Improving momentum is also indicated by manufacturing orders, which experienced a strong rise of 10.0% y-o-y in April after a March decline of 1.5% y-o-y, indicating a recovery into 2Q18.

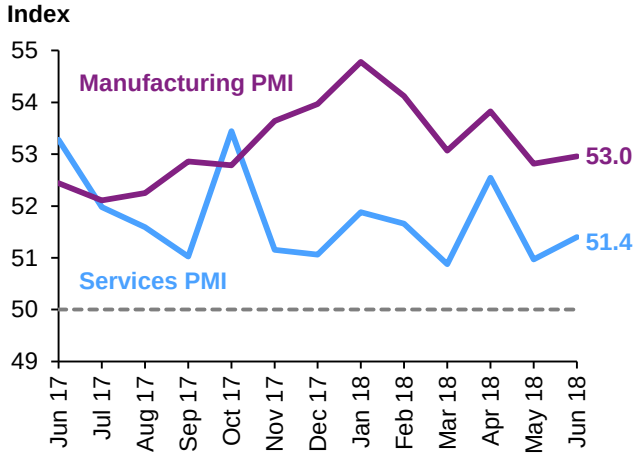
Domestic retail demand remained sluggish in May, when it stood at only 0.6% y-o-y, after an April increase of only 1.5% y-o-y, already. This is now the lowest level in 2018 and is pointing to the ongoing sluggishness in local demand, with further real income growth and a likely appreciating inflation level. This could, however, rebound in the coming months.

Graph 3 - 4: Japanese retail trade



Sources: Ministry of Economy, Trade and Industry and Haver Analytics.

Graph 3 - 5: Japanese PMIs



Sources: IHS Markit, Nikkei and Haver Analytics.

The latest **PMI numbers** were slightly improving in both manufacturing and services. The manufacturing PMI rose to 53.0 in June, compared to 52.8 in May, but still below the 53.8 in April. The services sector PMI rose to stand at 51.4 in June, compared to 51.0 in May. This is also below April's level when the services sector PMI stood at 52.5.

After the slowing growth pattern of the Japanese economy was taken into account last month, the **2018 GDP growth** forecast remains unchanged at 1.2%. This growth level is also expected for the coming year, but it remains to be seen how and when the sales tax increase will be implemented. The 2019 forecast now assumes that the sales tax level will be increased form 8% to 10% in 4Q19. Further challenges in the economy remain, and given the tight labour market situation and high capacity utilization rates, further upside for now seems limited for both calendar years.

South Korea

After some improvement of the political situation on the Korean Peninsula, economic developments now move again to the forefront. A move towards easing tensions on the Peninsula should have a positive impact on economic growth in the medium-term, while already 1Q18 GDP numbers have turned out to be stronger than expected. 1Q18 GDP growth stood at 4.1% q-o-q SAAR. Industrial production improved in April and May, rising by 2.2% y-oy and 1.8%, respectively. This compares to 0.8% y-o-y in 1Q18. Interestingly, the latest PMI number for the manufacturing sector is still pointing at a contraction in the sector as it stood at 49.8 in June, rising only slightly from the May level of 48.9. The improvements in the economy are forecast to continue as domestic developments and external trade are forecast to pick up further over the year. However, the prospect of increased trade protectionism could potentially pose some headwinds to South Korea's economy as well.

Having taken the solid momentum into consideration already in the past month, **South Korea's 2018 GDP growth** forecast remains unchanged at 2.7%. Growth in **2019** is forecast to slow down slightly, in line with the OECD and China, its most important trading partners, and to stand at 2.4%.

OECD Europe

Euro-zone

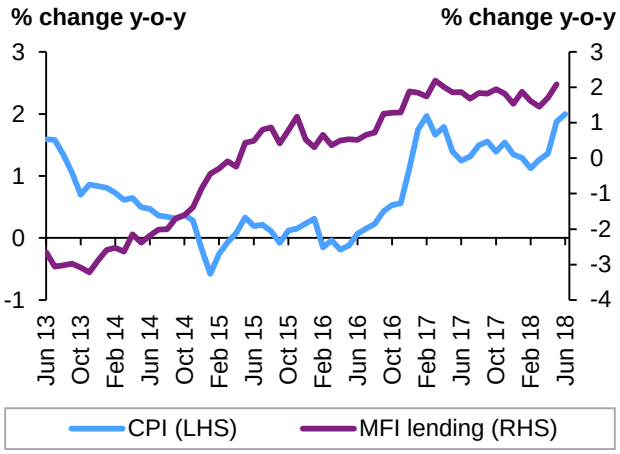
Growth is expected to remain solid in most of the Euro-zone economies. After somewhat weakening growth in 1Q18, the momentum is forecast to rebound again. Monetary policies remain accommodative, while the stimulus will be reduced by September as it has been announced in the latest ECB meeting. This change in monetary policy is supported by rising inflation and a continued solid recovery, according to the ECB. A sharp tapering is not anticipated as long as inflation remains relatively below the ECB's target rate of around 2%. However, sovereign debt levels remain high across the Euro-zone. Italy in particular, which has the third highest sovereign debt level in the world, will need to be carefully monitored. With numerous challenges to economic development remaining, policy and banking sector related issues are at the forefront. Moreover, the growing uncertainty amid the possible rise in trade protectionism and continued low income growth, and the ongoing high sovereign debt levels across the region, may also weigh on future growth levels.

The improvements in the **labour market** have continued in the past months, reaching the lowest unemployment levels since 2009. However, there is room to the upside with May's unemployment rate of 8.4% for the second consecutive month, compared to 8.5% in March and 8.6% in February. The consumer confidence balance fell slightly in June but remained well supported at a level of -0.5. This solid momentum was also reflected in the latest available retail sales growth numbers, which rose again and stood at 2.7% in May, a touch below the April number of 2.8% but above the March level of 2.4%. Industrial production weakened somewhat in April as it grew by only 1.8% y-o-y after levels of 3.2% y-oy- in March and 2.7% y-o-y in February.

Inflation recovered as it reached 2.0% in June, thus having reached the ECB's envisaged inflation target level, after slowing down in past months. It now compares to 1.3% y-o-y growth in 1Q18. This dynamic was largely due to rising energy prices. Hence, **core inflation** – that is, the CPI, excluding energy and food – remained flat since about the beginning of the year and also stood at a much lower level as it reached 1.0% in June, almost unchanged since January. The positive momentum in general inflation, in combination with the expected pick-up in core inflation, as well as the expected pick-up in the Euro-zone's economy, is expected to support the **ECB's monetary policy**. The ECB plans to stop expanding the monetary stimulus programme in December and from September to December it will buy €15 bn in bonds each month, half of the €30 bn it is buying at the moment. The deposit rate, which is now -0.4%, and also the other core rates are expected to remain on hold until September 2019. While the ECB will stop buying new bonds by January 2019, it is expected to reinvest the proceeds of securities that it has already bought under the quantitative easing programme.

Although some areas of the Euro-zone's banking sector remain weak, the growth dynamic of the liquidity line picked up again substantially in May and reached a level of 2.1% y-o-y. This is the highest level in more than a year. With **lending activity and inflation** picking up again, the economic dynamic seems to have gained pace.

Graph 3 - 6: Euro-zone CPI and lending activity

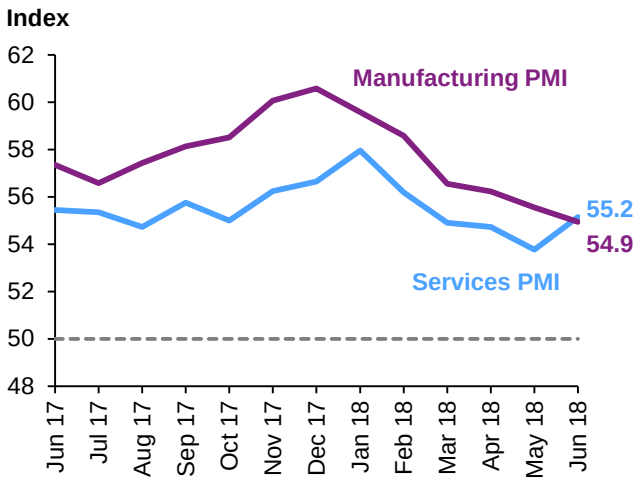


Sources: Statistical Office of the European Communities, European Central Bank and Haver Analytics.

Additionally, the Euro-zone's latest **PMI** indicators generally point to a continuation of solid growth in in the economy. Although the manufacturing PMI fell, it remained at a high level of 54.9, compared to May's number of 55.5. The important PMI for the services sector, which constitutes the largest sector in the Euro-zone, rose to 55.2 in June, compared to 53.8 in May and 54.7 in April.

Given that the most recent weakness of growth momentum in the Euro-zone has already been anticipated in the numbers, the **2018 GDP growth** forecast remains at 2.2%. This is forecast to be followed by slightly lower growth in **2019**, growing by 2.0%. Political uncertainties, Brexit procedures, weakness in the banking sector, as well as monetary policies remain important factors to monitor.

Graph 3 - 7: Euro-zone PMIs



Sources: IHS Markit and Haver Analytics.

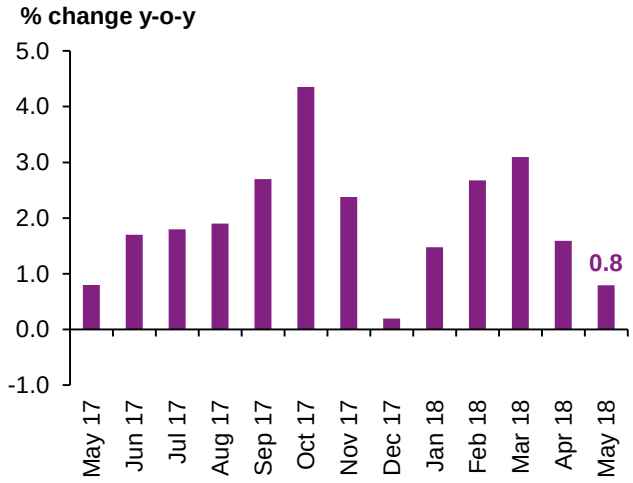
UK

Brexit-related issues have recently moved to the forefront again, after important cabinet members resigned amid disagreements about the government's Brexit strategy, with a 'soft Brexit' path having been favoured by the Prime Minister. It now remains to be seen how these developments will play out, but it is clear that with less than nine months to go until formally exiting the EU in March 2019, numerous sensitive issues remain unresolved. With this rising uncertainty for business and consumers alike, the economic development should be expected to remain negatively impacted by the ongoing Brexit negotiations.

In the latest update from the national statistical office, the **1Q18 GDP growth** number was revised up slightly to 0.9% q-o-q SAAR, after a first estimate of 0.4% q-o-q SAAR. While this is better than initially projected, it is clear that Brexit has had a considerable negative effect on the UK's economy. Amid a weak pound sterling, export growth has continued decelerating, although it had been a supporting factor after the Brexit decision, and reached its lowest level since the end of 2016 at 2.3% q-o-q SAAR. While the Bank of England has tried to counterbalance the negative impacts from Brexit and was looking into normalising interest rates, it may also closely follow the inflation trend, which stood at 2.4% y-o-y in May, only slightly above the April level of 2.3%.

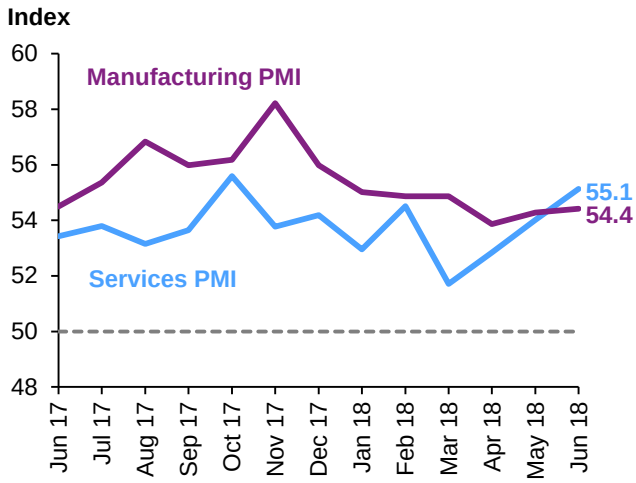
Industrial production retracted again for a second consecutive month in May, growing only 0.8% y-o-y, after an already sluggish 1.6% y-o-y in April. In line with the sluggish export growth in the GDP, April's export growth slowed down sharply further, as it declined by 0.6% y-o-y in May, following an even more substantial decline of 6.3% y-o-y in April. Retail trade in value terms, however, recovered considerably, rising by 6.3% y-o-y, after an increase of 3.4% y-o-y in April.

Graph 3 - 8: UK industrial production



Sources: Office for National Statistics and Haver Analytics.

Graph 3 - 9: UK PMIs



Sources: CIPS, IHS Markit and Haver Analytics.

The most recent **PMI** lead indicators point at some pick-up of the ongoing weak spot in the near future as the PMI for manufacturing increased to a considerable level of 54.4 in June, compared to 54.3 in May. The very important services sector, which constitutes the majority of the UK's economy, rose to 55.1 in June, after it stood at 54.0 in April.

Since some of the slow-down may be temporary, as indicated by the PMI, and since it has already been taken into consideration last month, the **2018 GDP growth** remained unchanged at 1.4%, the same level of growth that is forecast to **2019**.

Non-OECD

BRICs

Table 3 - 2: Summary of macroeconomic performance of BRIC countries, 2018-2019*

	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	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Brazil	1.7	2.1	3.4	3.3	-9.8	-35.1	-8.0	-7.0	74.0	78.5
Russia	1.8	1.8	3.7	3.5	35.2	51.2	-1.4	-0.9	11.4	11.5
India	7.3	7.4	3.3	4.9	-39.1	-60.1	-3.5	-3.5	49.9	49.3
China	6.5	6.2	1.5	2.4	164.9	184.7	-3.7	-3.5	16.3	18.3

*Note: * 2018 and 2019 = Forecast.*

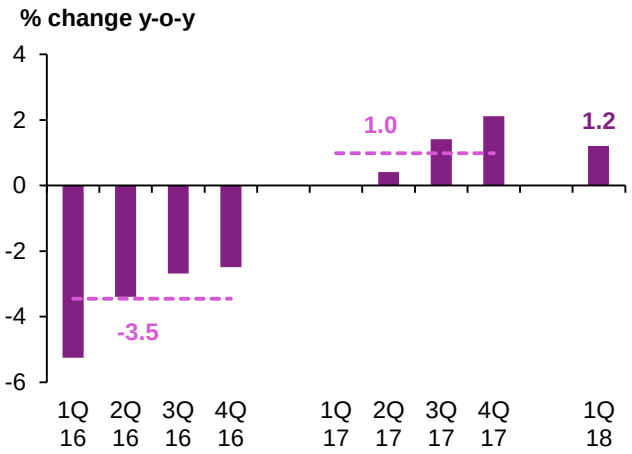
Sources: Consensus Economics, Economic Intelligence Unit, Financial Times, OPEC Secretariat and Oxford.

Brazil

In 1Q18, exports slowed faster than imports and growth in GFCF decelerated to 3.5% y-o-y in 1Q18, down from 3.8% in the previous quarter. That led to the pace of growth in the **economy of Brazil** slowing in 1Q18 to 1.2% y-o-y, after registering an increase of 2.1% and 1.4% in 4Q17 and 3Q17, respectively. Government consumption in 1Q18 contracted by 0.8% y-o-y vs. a 0.4% drop in the previous quarter. Private consumption growth accelerated in 1Q18, rising by 2.8% y-o-y, up from 2Q18's 2.6%.

In May, **the trade surplus** narrowed by 22% in May 2018 from the previous year. The nationwide truckers' strikes negatively affected Brazil's trade surplus in May, registering around $6.0 bn compared to $7.6 bn in May 2017.

Graph 3 - 10: Brazil's GDP growth

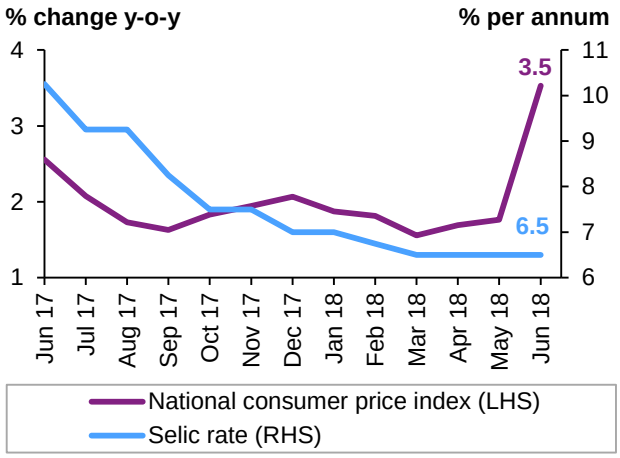


Sources: Instituto Brasileiro de Geografia e Estatística and Haver Analytics.

Exports from Brazil declined by 2.8% y-o-y on the back of lower exports of manufactured goods and semi-manufactured goods, whereas exports of primary goods increased by nearly 13% y-o-y. While exports to China rose by around 27%, exports to the US, EU, Argentina and Mexico slumped by 28%, 6%, 19% and 28%, respectively. **Imports**, on the other hand, went up by 9.3% y-o-y in May 2018.

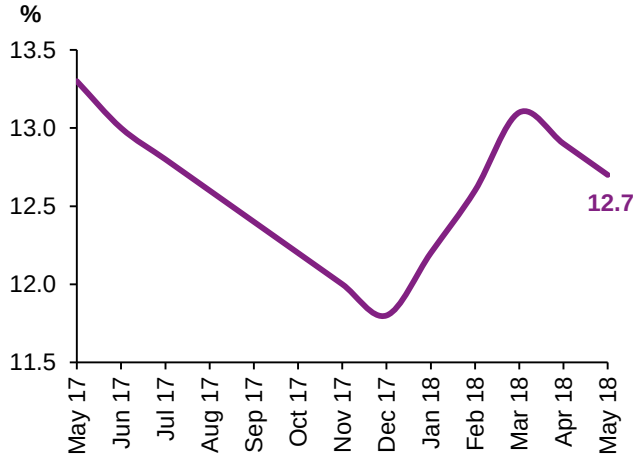
Inflation edged up in June to 3.5% y-o-y from May's 1.8%. The central bank also held its benchmark **interest rate** unchanged at 6.5% in June for the fourth month in a row. The **unemployment rate** fell to 12.7% in May, from 12.9% in April and 13.1% in March.

Graph 3 - 11: Brazil's inflation vs. interest rate



Sources: Banco Central do Brasil, Instituto Brasileiro de Geografia e Estatística and Haver Analytics.

Graph 3 - 12: Brazil's unemployment rate



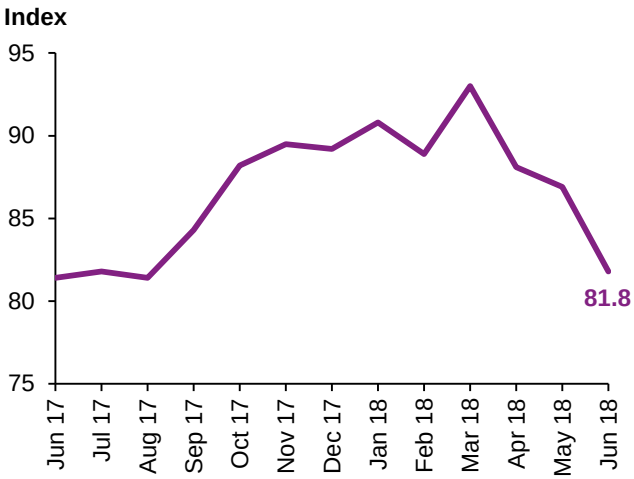
Sources: Instituto Brasileiro de Geografia e Estatística and Trading Economics.

The **consumer confidence index** fell for the third consecutive month, registering 81.8 in June, down from 86.9 in May.

In June 2018, the **IHS Markit Brazil manufacturing PMI** dropped to below the 50-point line as a truckers' strikes drove the sector into contraction and resulted in production and new orders declining for the first time in 16 months. The index posted 49.8 in June, down from 50.7 in May. The uninterrupted growth streak in manufacturing output lasted for 15 months until May and was interrupted in June with a solid rate of contraction. New business received by the manufacturing sector shrank in June for the first time since February 2017. On the hand of export sales, however, the currency depreciation helped to make exports more attractive to external markets.

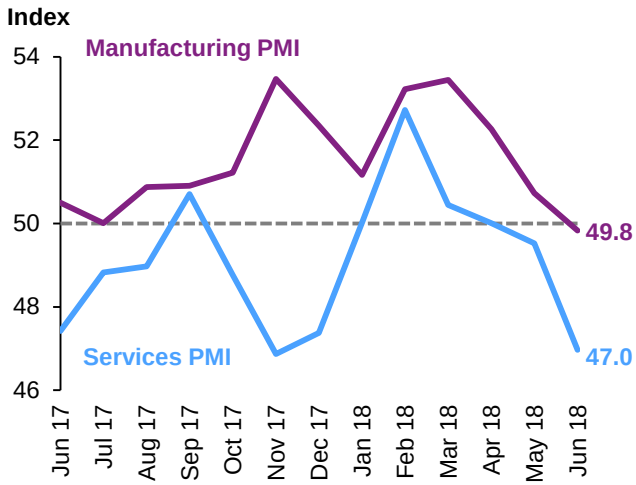
The **services sector** contracted in June for the second successive month, according to the IHS Markit Brazil services business activity index. The index posted 47.0 in June, down from 49.5 in May. The downturn was linked to weak demand, the truckers' strikes and market uncertainty. The worst affected sub-sector was Transport and Storage, while Finance and Insurance was the only sub-sector to register growth.

Graph 3 - 13: Brazil's consumer confidence index



Sources: Fundação Getúlio Vargas and Haver Analytics.

Graph 3 - 14: Brazil's PMIs



Sources: IHS Markit and Haver Analytics.

The economic recovery in Brazil is turning out to be slower than expected, with a series of downbeat data releases confirming slower than expected GDP growth in 1Q18 and less encouraging signals on 2Q18, especially on May and June following the truckers' strike and its aftermath. Some economic indicators since April reflected some moderation in the broad-based rebound noticed earlier in 2018. Improvements in business conditions in the manufacturing and services sectors clearly softened in April and May, and deteriorated in June. The weaker growth outlook is also shared by the government, which admitted even before the 1Q18 GDP release that growth in 2018 would come in below the 3.0% target announced in

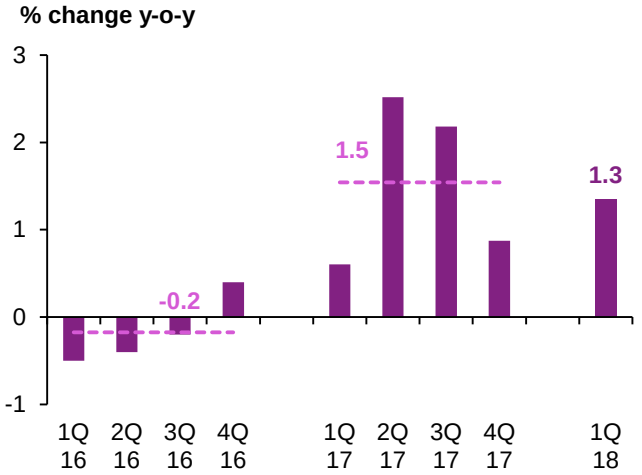
January. On 28th June, the central bank reduced its projection for GDP growth in 2018 from 2.6% to 1.6%. The outcomes of the latest surveys emphasize the significance of the upcoming elections in October, citing hopes for political stability after the elections as a main source of optimism. Yet political uncertainty remains heightened due to the absence of a clear favourite amongst the presidential candidates.

Brazil's GDP had grown by 1.0% in 2017 and is expected to grow by 1.7% and 2.1% in 2018 and 2019, respectively.

Russia

Data from the Federal State Statistics Service showed that GDP posted growth of 1.3% y-o-y in 1Q18, down from 4.3% y-o-y in 4Q17. Household consumption expanded by 2.8% y-o-y in 1Q18, from 4.3% in the previous quarter, while government consumption growth slightly increased from 0.4% y-o-y in 4Q17 to 0.5% in 1Q18. Growth in Gross Fixed Capital Formation (GFCF) also slowed to 1.8% y-o-y in 1Q18, from 3.4% in 4Q17. Acceleration in imports continued to surpass the exports growth rate in 1Q18. Exports increased by 6.8% y-o-y, whereas imports grew by 9.6% in the same period. GDP growth in 2017 stood at 1.5% y-o-y. The trade surplus of Russia widened by 95.7% y-o-y in April due to the increase in export revenues of crude oil, petroleum products, natural gas, and machinery and equipment. In April 2018, crude oil export revenues jumped by 56.3% y-o-y, petroleum products by 21.1% y-o-y, natural gas by 39.3% y-o-y, and machinery and equipment by 58.7% y-o-y.

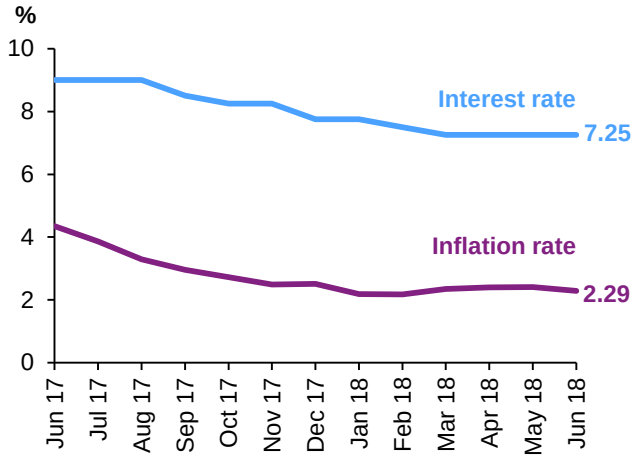
Graph 3 - 15: Russia's GDP growth



Sources: Federal State Statistics Service and Haver Analytics.

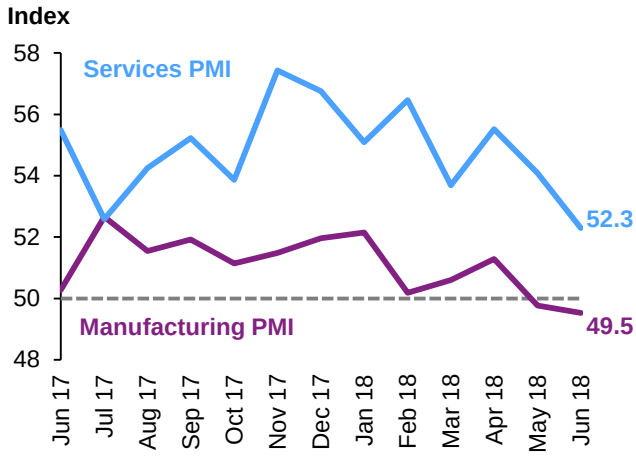
Depreciation of the Russian ruble slowed in June, showing only 0.9% m-o-m depreciation vs. the US dollar, following the depreciation of 6.0% m-o-m in April and 3.0% in May as a result of new US sanctions. On a y-o-y comparison, the ruble was 8.6% lower in June 2018 from its level a year earlier. Yet the changes in the consumer price inflation in April and May were less acute compared to the ruble's depreciation. Inflation posted 2.41% y-o-y in April and 2.42% in May from 2.36% y-o-y in March. In June, the central bank kept its benchmark one-week **repo rate** unchanged at 7.25%.

Graph 3 - 16: Russia's inflation vs. interest rate



Sources: Federal State Statistics Service, Central Bank of Russia and Haver Analytics.

Graph 3 - 17: Russia's PMIs



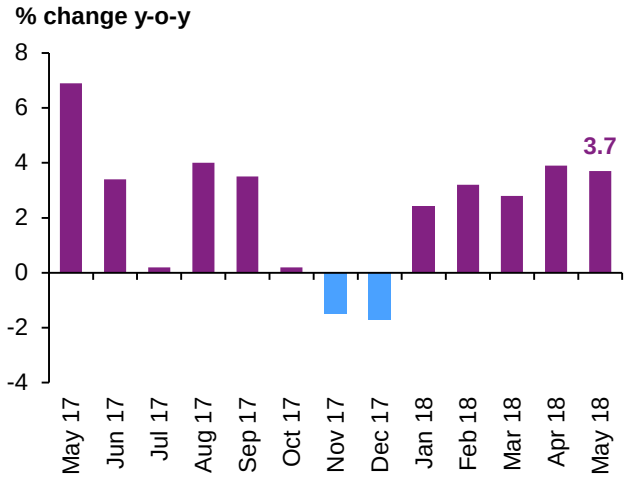
Sources: IHS Markit and Haver Analytics.

Operating conditions weakened for the second successive month in June, according to the **IHS Markit Russia manufacturing PMI**. The index posted 49.5 in June, down slightly from 49.8 in May. The survey highlighted the weakest output growth since July 2016. Moreover, surveyed manufacturers reported the first decrease in new orders in nearly two years. Less robust client demand was also evident in reduced pressure on capacities, with employment levels and backlogs contracting further. Russian manufacturers remained strongly optimistic towards the output outlook for the year ahead. Confidence was supported by hopes of greater output growth and product development.

Industrial production rose by 3.7% y-o-y in May, following the 3.9% y-o-y increase in April. Despite the World Cup kicking off, business activity in Russia's service sector expanded at only a modest rate in June. A softer rise in output was accompanied by the weakest increase in new business since mid-2016. Less robust client demand was reflected in a contraction in employment, the first such decline in staffing levels since December 2016. The IHS Markit Russia services business activity index registered 52.3 in June, down from 54.1 in May. This marks the twenty-ninth successive month of expansion in the services sector.

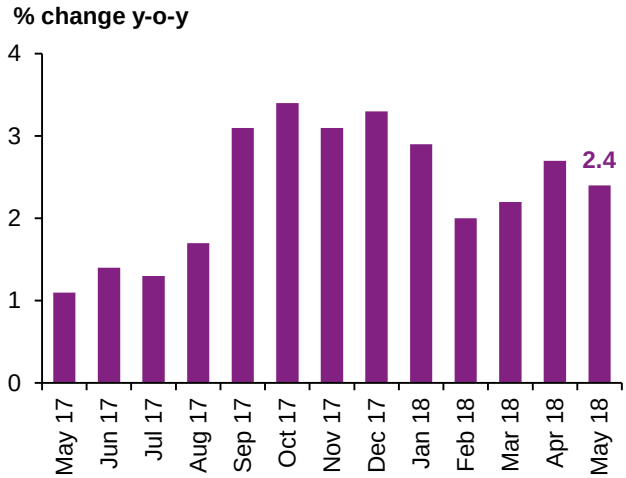
For the thirteenth month in a row, **retail sales** continued its increasing streak in May. The rate of increase was 2.4% y-o-y in May, down slightly from 2.7% in April.

Graph 3 - 18: Russia's industrial production



Sources: Federal State Statistics Service and Haver Analytics.

Graph 3 - 19: Russia's retail sales



Sources: Federal State Statistics Service and Haver Analytics.

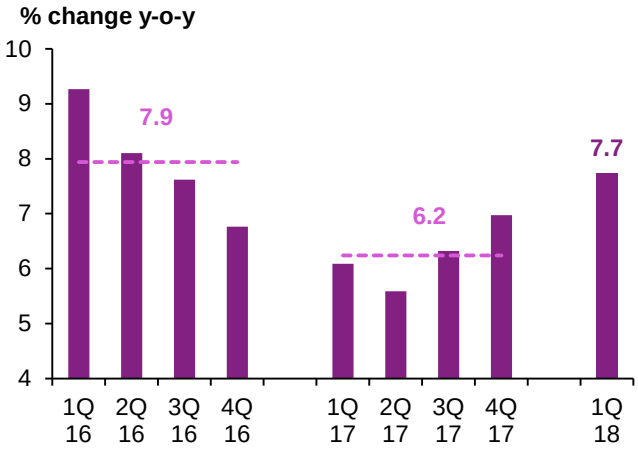
While the ruble exchange rate moved towards stabilization in June and inflation remained unaffected by the previous two-month ruble depreciation, June's survey data indicated the softest overall private sector expansion since May 2016, according to the IHS Markit Russia composite output index. A loss of growth momentum across both the goods producing and service sectors influenced the moderate upturn. GDP growth forecasts remain unchanged at 1.8% y-o-y for both years of 2018 and 2019. Recent deterioration in the geopolitical arena, manifested in the form of another round of economic sanctions by the US, has reduced a potential of marked progress in the economic/trade relationships of Russia with the US and the European Union. In fact, it transformed this element into a risk factor going forward, adding downside risk to current GDP forecasts.

India

India's GDP growth surged to 7.7% y-o-y in the first quarter of 2018, the fastest pace in almost two years. Growth received a major boost from government spending, also private consumption growth increased for the first time in three quarters and investment continued to expand at a strong pace. It seems 2Q18 GDP growth will remain elevated and at the same level of 1Q18.

Meanwhile, **Gross Value Added (GVA)** growth increased 1 pp from 4Q17 to 7.6% y-o-y. For the whole FY2018, GDP grew 6.7% and GVA 6.5%, compared to 7.1% for both in FY2017. India's economic outlook remains constructive in the mid-term. Elevated oil prices and growing global trade tensions suggest caution and these factors are expected to dampen growth further out.

Graph 3 - 20: India's GDP growth



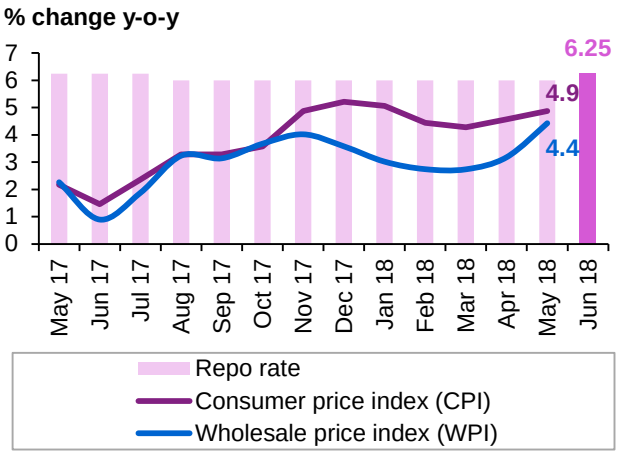
Sources: National Informatics Centre (NIC) and Haver Analytics.

India's economic outlook is subject to several headwinds in 2H18, which are likely to keep investors cautious. Topping the list is the expected widening in the current account deficit to 2.5% of GDP in 2018 from 1.6% last year. Higher inflationary pressures, fiscal slippage risks and less emphasis on economic reforms ahead of the upcoming general elections in 2019 also encourage a 'wait and see' stance.

Indian inflation accelerated in April and will continue to pick up in coming months. India's **CPI inflation** rate rose to 4.9% in May 2018 from 4.6% in April. It is the highest reading in four months amid rising prices for food and fuel. The retail inflation target of the Reserve Bank of India (RBI) for the 1H18 of FY19 was projected at 4.7-5.1% during their April meeting.

India's **WPI inflation** rose by 4.4% y-o-y in May 2018, after a 3.2% gain in the prior month. It is the highest wholesale inflation since March 2017, driven by faster rises in cost of food, manufactured products and fuel. On a monthly basis, WPI increased by 1.2 pp in May, compared to a 0.4 pp rise in April.

Graph 3 - 21: Repo rate and inflation in India

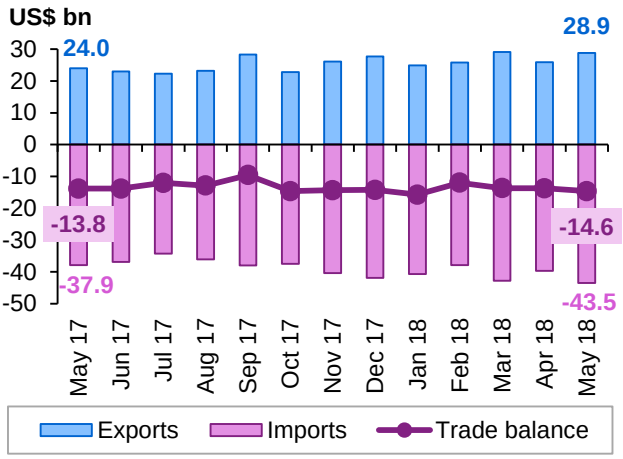


Sources: Ministry of Commerce and Industry, Reserve Bank of India and Haver Analytics.

India's **trade deficit** widened to $14.6 bn in May of 2018 from $13.8 bn y-o-y. **Merchandise exports** increased 20.2% y-o-y to $28.9 bn. Merchandise imports rose 14.9% to $43.48 bn, mainly due to a 50% surge in oil imports despite higher global prices.

The **RBI** will continue to intervene to smooth volatility It seems the RBI is looking for just one more 25 bp rate hike this year in August. The last time the repo rate was increased was in January 2014. The RBI projects retail inflation at 4.8-4.9% for April–September 2018 and 4.7% for the 2H18. The next meeting of India's monetary policy committee (MPC) is 31 July-1 August, at which members will decide about future monetary policy actions.

Graph 3 - 22: India's trade balance

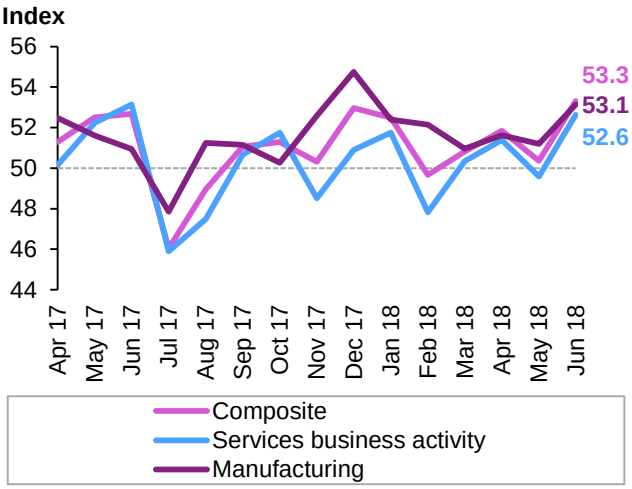


Sources: Ministry of Commerce and Industry and Haver Analytics.

The **Nikkei India manufacturing PMI** rose to a six-month high of 53.1 in June of 2018 from 51.2 in the preceding month. Both output and new orders increased at the fastest pace so far this year, while new orders went up for the eighth straight month, and accelerated to its strongest rate since February. Also, employment grew the most in 2018 so far and buying activity expanded at the quickest rate since January

The **Nikkei India services PMI** rose to 52.6 in June of 2018 from 49.6 in the previous month. The latest reading pointed to the strongest pace of expansion in the service sector since June 2017.

Graph 3 - 23: India's PMIs



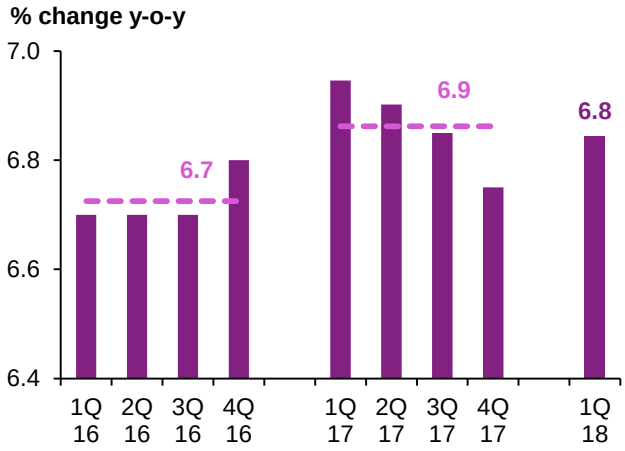
Sources: Nikkei, IHS Markit and Haver Analytics.

Indian GDP kept unchanged at 7.3% for 2018. Despite a positive 1Q18 GDP outcome and more evidence of investment turning the corner, it seems the 2H18 outlook will be impacted by several downside risks. Our expectation for India's GDP growth in 2019 is considered at 7.4%. Oil-related pressures have risen over the past couple of months and the current account deficit is expected to widen to 2.5% of GDP this year. The outlook is further complicated by the unexpected escalation in US-China trade tensions, which could potentially disrupt the global growth momentum. India's decision to impose tariffs on $240 mn worth of US imports, in response to the US duties on its steel and aluminium exports, which could spark further retaliation from the US administration. The fundamental mix will remain negative for the Indian rupee in the immediate future, with escalating trade war fears between the US and China adding to some domestic challenges and external pressures from high oil prices.

China

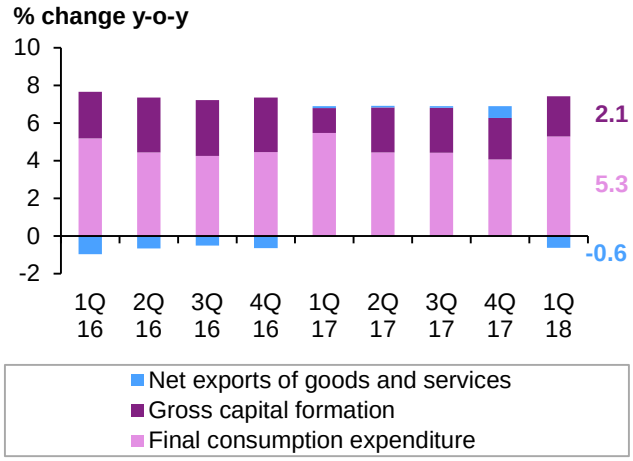
Following the unexpected resilience in recent months, economic growth slowed in May on weaker investment, consumption and exports. Meanwhile, the latest statements and actions of policymakers suggest a slightly more moderate tightening of macro policy going forward amid increased trade headwinds.

Graph 3 - 24: China's GDP growth



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

Graph 3 - 25: China's GDP breakdown



Sources: China National Bureau of Statistics and Haver Analytics.

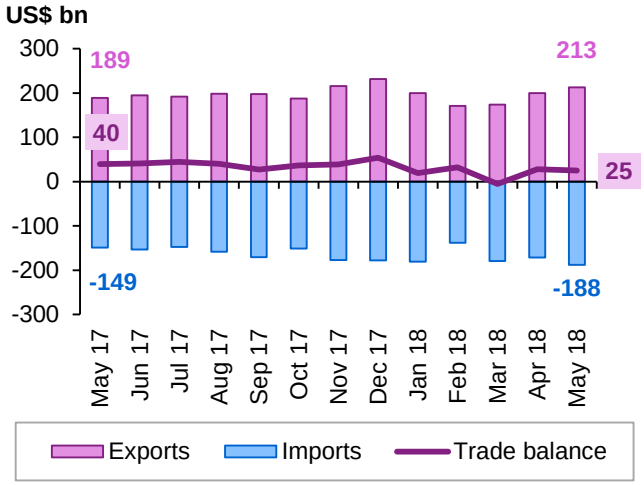
China's **trade surplus** narrowed sharply to $24.9 bn in May 2018 from $39.8 bn y-o-y in May 2017.

Imports to China jumped to 26% y-o-y all-time high of $187.9 bn in May 2018, after a 21.5% rise in a month earlier. Imports of commodities continued to lead the way in May.

Goods exports grew a solid 12.6% y-o-y in US dollar term to $212.9 bn. But volume growth continued to moderate, confirming the view that global trade growth has peaked. Domestically, investment growth lost impetus, despite still solid momentum in real estate activity. Household consumption growth also slowed.

Looking ahead, China's export outlook remains relatively positive, as global demand trends remain robust, though not as strong as in early 2018.

Graph 3 - 26: China's trade balance



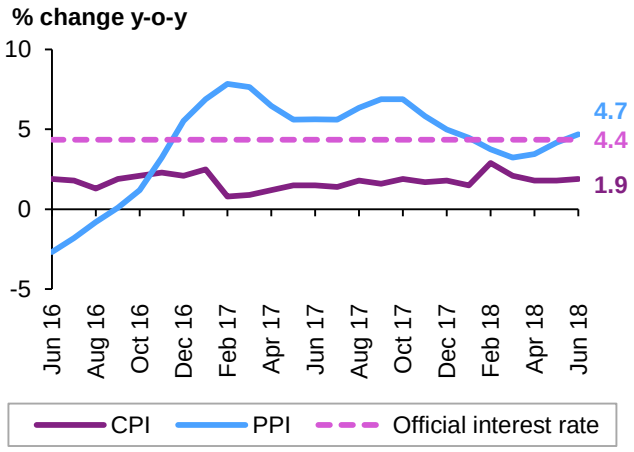
Sources: China Customs and Haver Analytics.

Among major trading partners, imports rose from the EU (18.3% to $23.9 bn), ASEAN countries (20.5% to $22.1 bn), South Korea (31.8% to $18.0 bn), Japan (22.5% to $15.7 bn), Taiwan (31.6% to $15.4 bn), the US (11.4% to $14.7 bn) and Australia (22.4% to $ 9.3 bn).In May. Among major trading partners, exports rose to the US (11.6% to $39.3 bn), the EU (8.5% to $33.6 bn), ASEAN countries (17.6% to $28.6 bn), Japan (10.2% to $11.9 bn), South Korea (11.4% to $9.9 bn), Taiwan (11.7% to $4.1 bn) and Australia (18.5% to $3.9 bn).

China's **CPI** rose 1.9% y-o-y in June, from 1.8% in May. Weakening food prices remained the main drag on headline CPI. The m-o-m food prices in particular declined 1.3%. Prices of petroleum products, residential services, clothes and healthcare continued to rise and lead consumption inflation. Inflation pressure remains controllable, resulting in limited pressure on monetary policy.

China's **PPI** continued to increase to 4.7% y-o-y in June from 4.2% in May. It was the fifth consecutive monthly increase and the third highest PPI since the start of this year.

Graph 3 - 27: China's CPI and PPI



Sources: China Index Academy, China National Bureau of Statistics, Soufan and Haver Analytics.

In terms of **monetary policy**, China cut the required reserve ratio (RRR) by 0.5%, improving liquidity amid deleveraging and trade friction. The RRR decreased to 15.5% for large commercial banks on June 2018. The move will take effect in the first week of July The purpose of the latest RRR cut is two-fold. First, the central bank wants to stabilise the financial markets. The RRR cut will inject liquidity into the financial markets and help to stabilise asset prices. Second, the central bank wants to mitigate growth risk and support economic reforms. The latest economic indicators suggest that the Chinese economy is losing momentum as the deleveraging campaign weakens domestic demand. The RRR cut will encourage banks to increase lending to small and micro enterprises. It will also speed up the debt-for-equity programme, which mainly helps state-owned enterprises offload distressed debt. However, despite the RRR cut, the central bank is unlikely to reverse its "neutral and prudent" monetary policy stance in the near future given the capital outflow pressure as a result of the US Fed's interest rate hikes and the government's determination to reduce financial leverage and forestall financial risks.

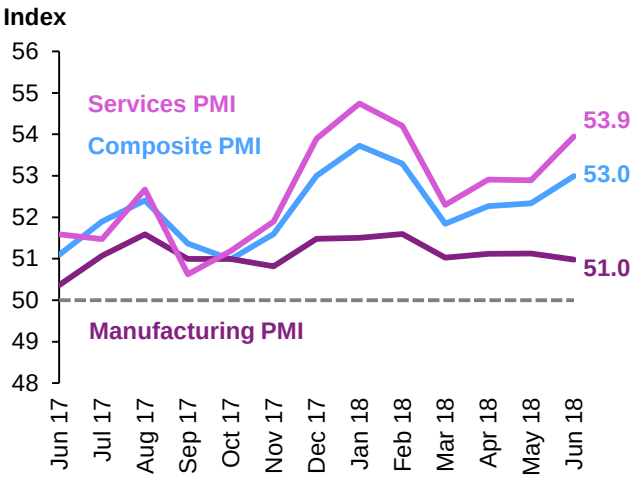
China's **stock market** plunged to a two-year low as US-China trade tensions escalated. China's 10-year treasury bond decreased 0.03% to 3.56 on Friday, 29 June, from 3.57 in the previous trading session. The Chinese government's 10-year bond previously reached an all-time high of 4.85 in November of 2013 and a record low of 2.51 in December 2008. Chinese stocks are already close to historically low levels. The Chinese central bank has been paying close attention to recent fluctuations in the market and will seek to keep the yuan stable at a reasonable level. If Chinese authorities struggle to keep the yuan under control, the problems could spread. Chinese stocks have also been volatile.

In terms of **investment**, China's foreign direct investment (FDI) expanded moderately by 3.6% y-o-y in the first five months of 2018 and its non-financial outbound direct investment (ODI) surged by 38.5%. Over the past few months, the Chinese government has exposed a slew of measures to widen market access for foreign investors, such as raising the limits on foreign ownership in the financial, automotive, ship and airplane sectors. Chinese FDI to the US dropped 30% y-o-y in 2017, with a downward trend likely to continue in the near-term. According to the Ministry of Commerce, China's utilised FDI reached $52.66 bn in the first five months of 2018, edging up 3.6% y-o-y. The central and western regions and the free-trade zones (FTZs) led China's FDI growth. During the first five months of 2018, utilised FDI to the central region, the western region, and the 11 FTZs rose 40.1%, 11.9%, and 14.1% y-o-y, respectively, considerably higher than the national average growth rate.

The **official NBS manufacturing PMI** in China fell to 51.5 in June of 2018 from 51.9 in the prior month. The **Caixin China general composite PMI** increased to 53.0 in June of 2018 from 52.3 a month earlier. It is the highest reading since February, as services sector expanded at the strongest pace in four months (the PMI was at 53.9 from 52.9 in May).

The **Caixin China manufacturing PMI** edged down to 51.0 in June 2018 from 51.1 in May. Output rose the most in four months, while new export orders fell for the third month in a row and employment declined the most since July 2017. Meanwhile, new orders went up moderately and similar to those seen in the prior two months. At the same time, purchasing activity grew at the weakest degree in three months. Firms exhibited a relatively cautious approach to their inventory levels, with stocks of both purchased and finished items declining. In the meantime, optimism towards the year ahead fell to a six-month low. On the price front, inflationary pressures picked up, with input costs and output charges rising at the fastest rates in five and 11 months, respectively.

Graph 3 - 28: China's PMIs



Sources: Caixin, IHS Markit and Haver Analytics.

The **official non-manufacturing PMI** in China edged up to 55.0 in June of 2018 from 54.9. It is the fastest growth in services sector since January, as new orders continued to grow (up to 50.6 from 51.0 in May) while employment declined less (down to 48.9 from 49.2).

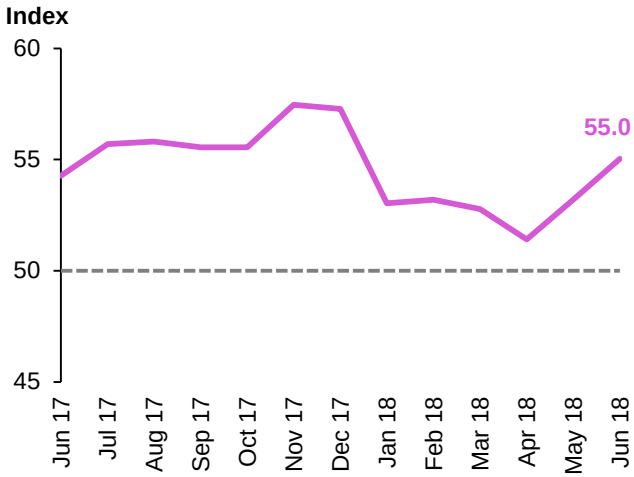
China's GDP growth expectation kept unchanged at 6.5% for 2018. China's GDP growth for 2019 is expected to be about 6.2%. Continued pressure on the yuan and equity markets amid a further worsening of sentiment constitute key risks for markets in China.

OPEC Member Countries

Saudi Arabia

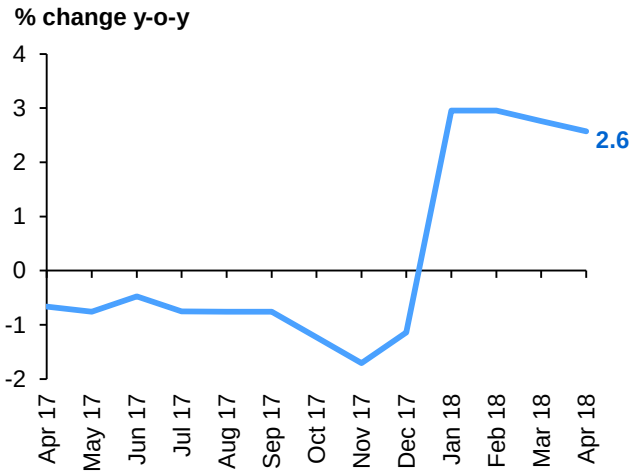
The economy of **Saudi Arabia** has emerged from recession in 1Q18, with GDP returning to the growth territory at 1.2% y-o-y. Gross value added in crude oil and natural gas increased by 0.7% y-o-y in 1Q18, after being at a 5.3% y-o-y decline in the previous quarter. The manufacturing sector's gross value added also showed notable improvement in 1Q18, growing by 3.3% y-o-y, up from only 0.8% y-o-y in 4Q17. Similarly, the gross value added in the category of electricity, gas and water went up by 1.1% y-o-y in the first three months of 2018 vs. 0.8% y-o-y in the last three months of 2017. Inflation sustained its downward trend for the fourth month in a row in May, posting 2.3% y-o-y, down from 2.6% in April and 2.8% y-o-y in March.

Graph 3 - 29: Saudi Arabia's composite PMI



Sources: Emirates NBD, IHS Markit and Haver Analytics.

Graph 3 - 30: Saudi Arabia's inflation



Sources: General Authority for Statistics and Haver Analytics.

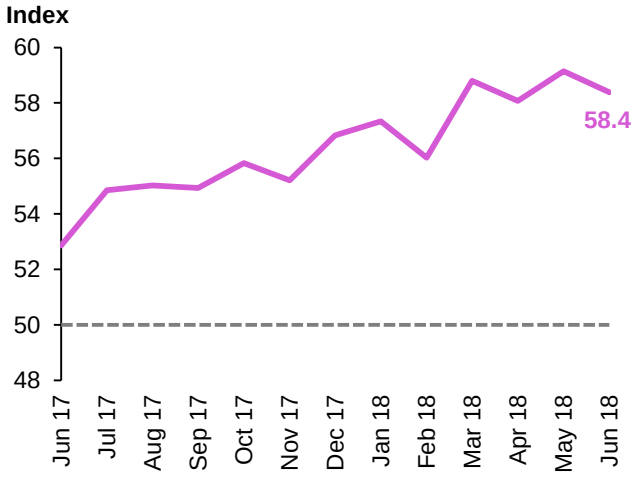
The non-oil private sector accelerated to a six-month best performance in June, according to the Emirates NBD Saudi Arabia PMI. The composite PMI rose to 55.0 in June, up from 53.2 in May, due to a strong expansion in output and new business growth. The survey revealed that new orders grew at the fastest rate in six months during June. New business was sourced from both domestic and foreign sources, with the latter returning to growth for the first time since January during the most recent survey.

Nigeria

In **Nigeria**, the increase in the consumer price inflation continued to ease for the sixteenth consecutive month in May, falling to below 12% for the first time since February 2016. Inflation registered 11.6% y-o-y in May, down from 12.5% y-o-y in April and 13.3% in March.

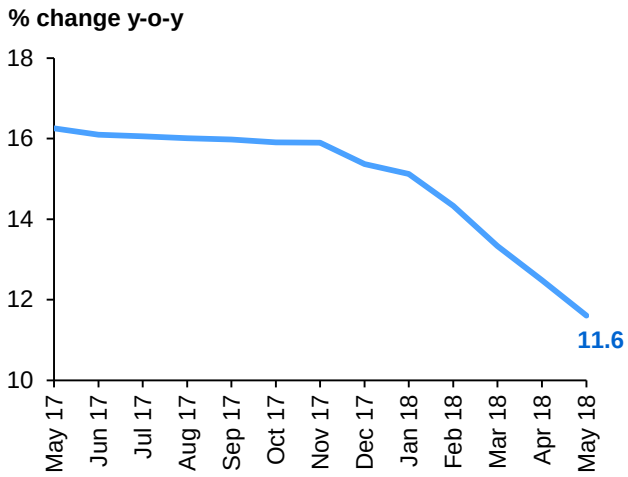
The Stanbic IBTC Bank Nigeria PMI reading on June suggests ongoing strong growth in the country's private sector. The index continued posting solid readings for the eighth consecutive month in June. The index stood at 58.4 in June, down slightly from 59.1 in May. The survey showed that output grew at second-fastest rate in survey history alongside a strong increase in employment. Surveyed firms reported higher demand for goods and services in both the domestic and foreign markets. New orders from domestic clients continued to outperform those from foreign sources.

Graph 3 - 31: Nigeria's composite PMI



Sources: IHS Markit, Stanbic IBTC Bank and Haver Analytics.

Graph 3 - 32: Nigeria's inflation



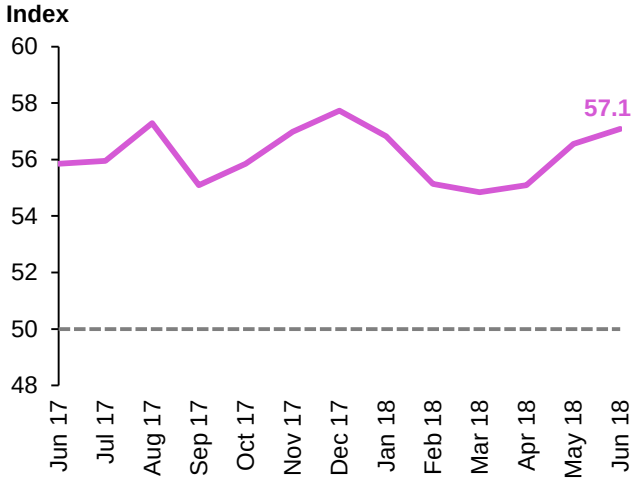
Sources: National Bureau of Statistics and Haver Analytics.

GDP growth posted the second consecutive quarter of no less than 2.0% growth in 1Q18. GDP increased by 2.0% y-o-y in 1Q18, compared to 2.1% in 4Q17. The non-oil sector grew by 0.7% in 1Q18, following the 1.5% rise in the previous quarter. The oil sector advanced by 14.7% y-o-y in 1Q18, up from 11.2% in 4Q17. GDP grew by 1.9% y-o-y in 4Q17, signalling highest rate of growth since 4Q15. This brings the full 2017 growth to 0.8% y-o-y.

The United Arab Emirates (UAE)

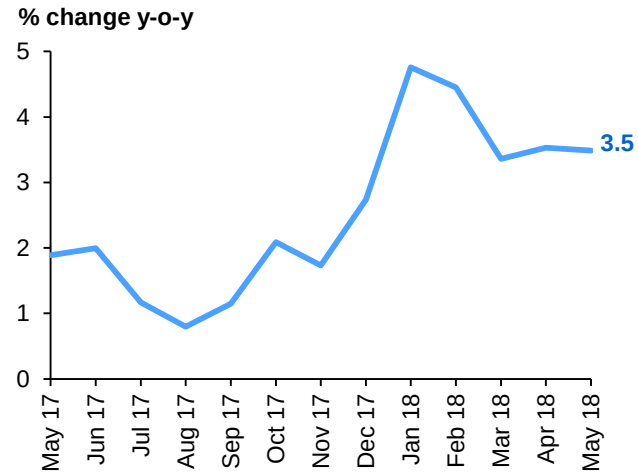
Inflation in the **UAE** increased in May by 3.5% y-o-y, similar to April's rise in consumer prices. Expansion in the country's non-oil private sector continued and accelerated in June at fastest pace in 2018 so far, according to the Emirates NBD UAE PMI. The index rose to a 2018-high in June at 57.1, up from May's 56.5. This improvement reflects the sharp increase in export and domestic new orders as well as output. Furthermore, backlogs of work accumulated at a record pace for the survey. The survey showed that output growth across the non-oil private sector accelerated to a seven-month high during June. Rising output has been recorded continuously since February 2010, with the latest increase sharp overall. Meanwhile, stocks of purchases held at non-oil private sector firms increased at the slowest pace in 25 months during the most recent survey.

Graph 3 - 33: UAE's composite PMIs



Sources: Emirates NBD, IHS Markit and Haver Analytics.

Graph 3 - 34: UAE's inflation

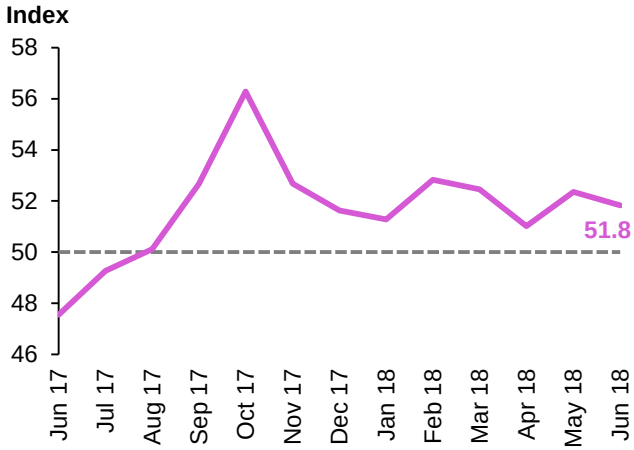


Sources: National Bureau of Statistics and Haver Analytics.

Qatar

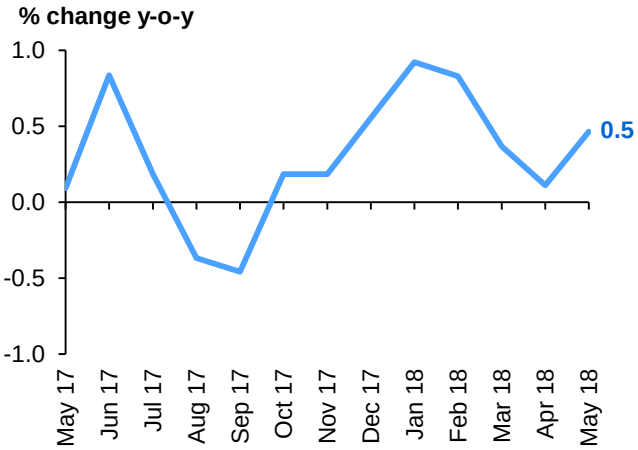
In **Qatar**, GDP registered a 0.8% y-o-y growth in 1Q18. The gross value added in construction sector maintained strong growth rate in 1Q18. It expanded by 34.1% y-o-y in 1Q18, from 34.5% y-o-y in 4Q17. The financial and insurance activities showed growth in gross value added of 3.3% y-o-y in 1Q18, down from 3.7% in the previous quarter, whereas growth in education expanded by 12.2% y-o-y in 1Q18, up from 10.0% in 4Q17. Inflation posted a 0.5% y-o-y increase in May, up from 0.1% y-o-y in April. The prices of food and beverages, housing, water, electricity, and gas, and furnishings were lower in May.

Graph 3 - 35: Qatar's composite PMI



Sources: Qatar Financial Centre, IHS Markit and Haver Analytics.

Graph 3 - 36: Qatar's inflation



Sources: Ministry of Development Planning and Statistics and Haver Analytics.

In June 2018, the non-hydrocarbon private sector continued the run of growth seen since August 2017, according to the Qatar Financial Centre PMI. The index registered 51.8 in June, down slightly from to 52.4 in May. The survey showed an increase in employment by the joint-record high in the survey history. Surveyed firms reported that the volume of new orders has increased continuously since October 2017. Many firms noted that promotional activity stimulated client demand, reflected by the sharpest reduction in selling prices since the survey history.

Other Asia

The Philippines

In **the Philippines**, GDP posted growth of 6.8% y-o-y in 1Q18, up from 6.5% in 4Q17. Despite the deceleration in the pace of growth of private consumption and exports, higher capital formation and government expenditures, together with slower growth in imports, enabled the economy to grow faster. Private consumption increased by 5.6% y-o-y in 1Q18, compared to 6.2% in 4Q17. Growth in exports notably dropped from 20.6% y-o-y in 4Q17 to merely 6.2% in 1Q18. On the other hand, capital formation showed a higher rate of increase in 1Q18 of 12.5% y-o-y, its highest since 4Q16. Government consumption also went up by 13.6% y-o-y in 1Q18 vs. 12.2% in 4Q17. On the trade front, imports growth declined from 18.1% y-o-y in 4Q17 to 9.3% in 1Q18. The consumer price inflation in the Philippines increased in June 2018 by the highest rate since October 2011 by 5.2% y-o-y. The unemployment rate stood at 5.5% in 2Q18, up slightly from 5.3% in the previous quarter. The economy showed a drop in productivity improvement rate in 1Q18. Productivity accelerated by the lowest rate in 1Q18 since 1Q15, rising only by 0.7% y-o-y in 1Q18, down from 6.9% in 4Q17.

The manufacturing sector improved further in June 2018, as suggested by Nikkei Philippines manufacturing PMI. The index stood at 52.9 in June, compared to 53.7 in May due to slower rises in both production and new orders, while employment levels remained broadly steady and inflationary pressures stayed strong. A weaker peso, higher taxes, and increased prices for raw materials, especially fuel and copper, contributed to inflation. The manufacturers' outlook remained elevated due to upbeat business expectations relating to future output. Optimism was generally connected to higher sales forecasts, new product launches, planned business expansions and increased operating capacity.

Africa

South Africa

In **South Africa**, GDP posted growth of 1.7% y-o-y in 1Q18 compared to 2.0% in the previous quarter. For the full 2017, GDP grew by 1.2% over 2016. Private and public consumption together with GFCF witnessed increased in pace of growth, whereas exports barely increased by 0.1% y-o-y in 1Q18, from a 4.0% rise in 4Q17. The rate of expansion in private consumption rose from 2.9% in 4Q17 to 3.1% in 1Q18 and that of public consumption accelerated from 0.4% y-o-y in 4Q17 to 1.2% in 1Q18. The highest growing categories in private consumption in 1Q18 were non-durable goods and services. GFCF recovered, reversing the decline of 0.4% y-o-y posted in 4Q17 to a growth of 0.4% in 1Q18. Imports went up in 1Q18 by 3.5% y-o-y, compared to 5.4% increase in the previous quarter. The currency depreciated by 6.1% m-o-m in June and hence lost nearly 12% of its value vs. the US dollar since April. Inflation in May stood at 4.3% y-o-y up from 4.3% in the previous month. The unemployment rate in South Africa remained unchanged for the fifth consecutive quarter in 1Q18 at 26.7%. The country's manufacturing sales value increased in April 2018 by 4.1% y-o-y, up from 1.8% in March. The trade surplus widened in May 2018 to 3.52 bn rand from April's 1.17 bn rand, but notably below May 2019 surplus of 7.9 bn rand. On a y-o-y comparison, exports dropped by 0.8% in May 2018, whereas imports ramped up by 3.8% in May vs. 1.4% in April. Business conditions in the private sector improved in June, according to Standard Bank South Africa PMI. The index rose to 50.9 in June, up from 50.0 in May on the back of the first increase in output in 2Q18 as well as accelerated rates of growth in new orders and employment. The increase in the June PMI was largely led by the new orders index which increased to 51.3 from 50.6. In response to an increase in new orders, the output index accelerated to 50.9 after remaining below 50 for two successive months. The employment index accelerated to 51.3 from 50.2.

Latin America

Argentina

In **Argentina**, the peso has been under downward pressure vs. the US dollar since end of April 2018 and it depreciated by 17.0% and 12.1% m-o-m in May and June, respectively. This lifted interest payments on Argentina's dollar-dominated debt. Despite that the central bank increasing its benchmark interest rate from 27.25% in March to 30.25% in April, and then to 40.0% in May, the peso continued to depreciate. Ultimately, a credit line of $50 bn was announced on 7 June. The central bank governor was replaced with the finance minister in the middle of July as a result of inconsistent policies regarding inflation and exchange rates. The IMF's credit line conditions include reaching a balanced current account by 2020, which is expected to be achieved via fiscal austerity including: freezing civil service hiring, reducing gas and transport subsidies, and calling off pending infrastructure projects. The credit line conditions also include targeting the consumer price inflation of 17% for 2019, 13% for 2020 and 9% for 2021. Inflation registered 26.4% y-o-y in May. GDP in 1Q18 posted strong growth of 3.6% y-o-y. However, the monthly economic activity indicator pointed to a much weaker growth in April of 0.9% y-o-y compared to March's 3.5%. The downward trend is expected to steepen from May onwards in light of the peso depreciation, increasing inflation and the implementation of fiscal austerity measures.

Transition region

Czech Republic

In the **Czech Republic**, operating conditions in the manufacturing sector posted strong signals of improvement in June, according to the IHS Markit Czech Republic PMI. The index slightly rose in June to 56.8, up from May's 56.5, in light of accelerated pace of growth in production and new orders. Meanwhile, input costs increased markedly. The rate of inflation accelerated to the quickest in three months on the back of strong pressure on supply chains and delays in the delivery of inputs. In turn, output charges for goods increased at a sharper pace, showing that demand conditions remain robust. Exports from the Czech Republic increased by 2.6% y-o-y in 1Q18 vs 7.6% in 4Q17. Government consumption growth, however, accelerated to 3.8% y-o-y in 1Q18, up from 1.5% in 4Q17, and imports growth dropped to 4.7% y-o-y in 1Q18, from 8.1% in 4Q17. Household consumption went up by 3.8% y-o-y in 1Q18 vs. 4.3% in 4Q17. GDP growth decelerated in 1Q18 to 3.7% y-o-y, from 5.5% in the previous quarter, which was a result of slower rise in household consumption and exports. In 2017, the economy grew by 4.3% y-o-y.

World Oil Demand

World oil demand is assumed to rise by 1.65 mb/d in 2018, unchanged from the previous month's report despite revisions within the regions, which offset each other. Global world oil demand is now projected to average 98.85 mb/d.

Oil demand growth in the OECD region was revised higher by 0.1 mb/d in 1Q18, due to better-than-expected data in OECD Americas, particularly in the US. Firm light and middle distillate demand, supported by a healthy petrochemical sector and positive developments in industrial activities, contributed to most of the upward revision in the US during 1Q18.

In the non-OECD region, oil demand growth was revised downward during 2Q18 by 0.1 mb/d on the back of weaker-than-expected data from Latin America and the Middle East as a nine-day trucker strike blocked highways, impacting oil demand negatively in Brazil, while slower construction activities and subsidy reduction policies took a toll on oil demand data in the Middle East.

For 2019, initial projections for world oil demand growth are pegged at 1.45 mb/d with total annual global consumption anticipated to exceed the historical threshold of 100 mb/d. OECD oil demand growth is anticipated to rise by 0.27 mb/d, with OECD Americas increasing solidly, OECD Europe remaining in the positive and OECD Asia Pacific declining. The non-OECD region is expected to increase by around 1.18 mb/d with oil demand growth improving in Latin America and the Middle East from the current year's levels. Light distillates, supported by NGL capacity additions and steady petrochemical margins, along with strong middle distillate requirements, in light of the healthy industrial and aviation sectors and firm gasoline consumption supported by expansion in the global vehicle fleet, are projected to result in petroleum product increases in 2019.

World oil demand in 2018 and 2019

World oil demand is assumed to rise by 1.65 mb/d in **2018**, unchanged from the previous month's report despite revisions within the regions, which offset each other. Global world oil demand is now projected to average 98.85 mb/d.

Oil demand growth in the OECD region was revised higher by 0.1 mb/d in 1Q18, due to better-than-expected data in OECD Americas, particularly in the US. Firm light and middle distillate demand, supported by a healthy petrochemical sector and positive developments in industrial activities, contributed to most of the upward revision in the US during 1Q18.

In the non-OECD region, oil demand growth was revised downward during 2Q18 by 0.1 mb/d on the back of weaker-than-expected data from Latin America and the Middle East as a nine-day trucker strike blocked highways, impacting oil demand negatively in Brazil, while slower construction activities and subsidy reduction policies took a toll on oil demand data in the Middle East.

Steady development in the global macroeconomic sphere is spurring on oil consumption in **2019**. As such, world oil demand is forecast to grow by 1.45 mb/d, or 1.4% y-o-y.

The OECD region is anticipated to show growth of 0.27 mb/d, with OECD Americas rising solidly, OECD Europe remaining in the positive while OECD Asia Pacific is forecast to show a decline. In the non-OECD region, growth is expected at around 1.18 mb/d with improvements seen in Latin America and the Middle East. Light distillates – supported by NGL capacity additions and steady petrochemical margins – and strong middle distillate requirements – in light of healthy industrial and aviation sectors and firm gasoline consumption supported by an expansion in the global vehicle fleet – are projected to lead increases in petroleum product requirements in 2019.

Nevertheless, the outlook is subject to a number of positive as well as negative uncertainties. To name few, further acceleration, or deceleration, in economic activity, industrial production in major demand centres, the

development of oil prices, weather conditions, technological advancement including digitalization effects and vehicle electrification, as well as substitution effects and energy policy changes.

Table 4 - 1: World oil demand in 2018*, mb/d

	2017	1Q18	2Q18	3Q18	4Q18	2018	Change 2018/17 Growth	Change 2018/17 %
Americas	24.88	24.96	25.17	25.22	25.35	25.18	0.30	1.20
of which US	*20.19*	*20.46*	*20.53*	*20.47*	*20.58*	*20.51*	*0.32*	*1.59*
Europe	14.37	14.08	14.41	14.86	14.52	14.47	0.10	0.68
Asia Pacific	8.16	8.62	7.77	7.88	8.43	8.17	0.01	0.17
Total OECD	**47.41**	**47.66**	**47.35**	**47.96**	**48.31**	**47.82**	**0.41**	**0.86**
Other Asia	13.16	13.40	13.69	13.33	13.89	13.58	0.42	3.18
of which India	*4.47*	*4.75*	*4.66*	*4.32*	*4.97*	*4.67*	*0.21*	*4.66*
Latin America	6.51	6.37	6.58	6.89	6.55	6.60	0.09	1.39
Middle East	8.17	8.21	8.07	8.63	7.97	8.22	0.05	0.59
Africa	4.20	4.35	4.32	4.27	4.38	4.33	0.13	3.06
Total DCs	**32.04**	**32.33**	**32.66**	**33.13**	**32.79**	**32.73**	**0.69**	**2.14**
FSU	4.70	4.66	4.50	4.89	5.21	4.82	0.12	2.45
Other Europe	0.72	0.73	0.69	0.73	0.82	0.74	0.03	3.48
China	12.32	12.28	12.84	12.71	13.12	12.74	0.42	3.40
Total "Other regions"	**17.74**	**17.68**	**18.03**	**18.33**	**19.15**	**18.30**	**0.56**	**3.15**
Total world	**97.20**	**97.66**	**98.04**	**99.42**	**100.25**	**98.85**	**1.65**	**1.70**
Previous estimate	97.20	97.61	98.07	99.42	100.25	98.85	1.65	1.70
Revision	0.00	0.05	-0.04	0.00	0.00	0.00	0.00	0.00

*Note: * 2018 = Forecast.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

Table 4 - 2: World oil demand in 2019*, mb/d

	2018	1Q19	2Q19	3Q19	4Q19	2019	Change 2019/18 Growth	Change 2019/18 %
Americas	25.18	25.22	25.40	25.50	25.60	25.43	0.26	1.01
of which US	*20.51*	*20.70*	*20.73*	*20.72*	*20.81*	*20.74*	*0.23*	*1.13*
Europe	14.47	14.14	14.44	14.90	14.57	14.52	0.05	0.31
Asia Pacific	8.17	8.61	7.73	7.85	8.40	8.15	-0.03	-0.33
Total OECD	**47.82**	**47.97**	**47.57**	**48.26**	**48.57**	**48.09**	**0.27**	**0.57**
Other Asia	13.58	13.78	14.08	13.71	14.28	13.96	0.39	2.84
of which India	*4.67*	*4.96*	*4.87*	*4.52*	*5.18*	*4.88*	*0.21*	*4.43*
Latin America	6.60	6.49	6.70	7.02	6.67	6.72	0.13	1.93
Middle East	8.22	8.30	8.16	8.73	8.06	8.31	0.09	1.14
Africa	4.33	4.46	4.43	4.37	4.49	4.44	0.11	2.45
Total DCs	**32.73**	**33.03**	**33.37**	**33.84**	**33.51**	**33.44**	**0.71**	**2.18**
FSU	4.82	4.75	4.59	4.98	5.31	4.91	0.09	1.87
Other Europe	0.74	0.75	0.71	0.75	0.84	0.76	0.02	2.69
China	12.74	12.62	13.20	13.07	13.48	13.09	0.36	2.79
Total "Other regions"	**18.30**	**18.12**	**18.49**	**18.79**	**19.64**	**18.77**	**0.47**	**2.54**
Total world	**98.85**	**99.12**	**99.43**	**100.90**	**101.72**	**100.30**	**1.45**	**1.47**

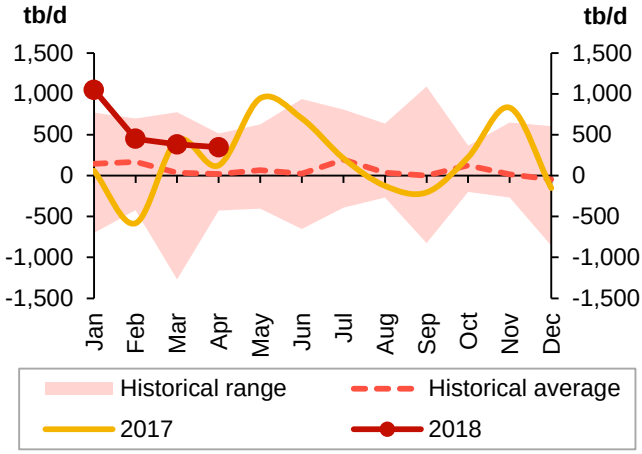
*Note: * 2018 and 2019 = Forecast.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

OECD

OECD Americas

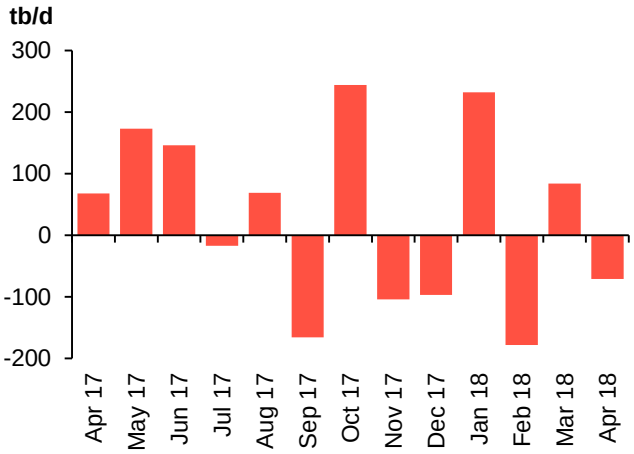
In **2018**, OECD Americas oil demand is forecast to grow by 0.30 mb/d y-o-y. In **2019**, oil demand is projected to increase by 0.26 mb/d y-o-y, driven by stable economic growth.

Graph 4 - 1: OECD Americas oil demand, y-o-y change



Sources: National, Joint Organisations Data Initiative and OPEC Secretariat.

Graph 4 - 2: US gasoline demand, y-o-y change



Source: US Energy Information Administration.

US

Supported by strong expansions in the petrochemical sector as well as a healthy and growing economy, the latest **US monthly oil demand** data for April 2018 implies growth of approximately 0.38 mb/d, or 1.9% y-o-y, while the first four months of 2018 showed average oil requirements higher by around 0.6 mb/d compared with the same period in 2017.

The first four months of 2018 are distinguished by strongly rising demand for NGLs/LPG as a feedstock for the petrochemical industry, following a slowdown during 2H17 and as a result of weather conditions. During April 2018, NGLs/LPG, diesel oil and residual fuel oil demand were bullish, in line with rising industrial activities.

Jet/kerosene requirements remained mostly flat y-o-y, while gasoline and naphtha demand declined, the latter as a result of substitution and fuel oil requirements. Furthermore, the relatively weak gasoline demand during April 2018, declining by 71 tb/d, seems in line with the slowdown in vehicle miles travelled, which declined by 0.17% y-o-y. Rising gasoline prices were another component affecting gasoline consumption as retail prices were more than 40¢/gal higher than in the same month a year earlier, averaging $2.70/gal in April 2018. Vehicle sales, on the other hand, inched up slightly during the month, adding 0.72% y-o-y. Preliminary weekly data for May and June suggest oil demand increased robustly y-o-y. Gasoline demand, however, appears to be weaker, while diesel oil requirements seem to be bullish.

Table 4 - 3: US oil demand, tb/d

	Apr 18	Apr 17	Change 2018/17 tb/d	Change 2018/17 %
LPG	2,749	2,376	373	15.7
Naphtha	206	231	-25	-10.8
Gasoline	9,187	9,258	-71	-0.8
Jet/kerosene	1,635	1,624	11	0.7
Diesel oil	4,154	3,791	363	9.6
Fuel oil	409	320	89	27.8
Other products	1,892	2,247	-356	-15.8
Total	**20,232**	**19,847**	**384**	**1.9**

Sources: US Energy Information Administration and OPEC Secretariat.

The risks in the remaining part of 2018 for US oil demand are skewed to the upside compared with last month and are associated with the development of the US economy, the oil price environment and the expanding petrochemical industry. Some concerns are related to fuel substitution with other commodities and continuing fuel efficiencies in the road transportation sector.

US oil demand in **2019** is projected to decline slightly from the growth levels projected for the current year amid a slightly lower projection for economic activities compared with 2018. The 2019 forecast is linked to the development of the US economy along with new polices and regulations. Expansion in the petrochemical industry, coupled with healthy petrochemical margins, will provide additional support to oil demand going forward. On the other hand, downward risks might result from increasing fuel substitution with natural gas and unlikely strength in fuel efficiency regulations, particularly in the road transportation sector.

In terms of products, gasoline is projected to lead product demand growth, followed by diesel oil, with the transportation sector – including aviation- accounting for most of the growth forecast in 2019.

Mexico

May **2018** Mexican oil demand continued to decline y-o-y. Jet kerosene and LPG requirements grew slightly, but have been more than offset by shrinking demand for all the other main petroleum categories, notably diesel oil, naphtha and gasoline. 2018 Mexican oil demand is expected to decline slightly y-o-y, while potential positive developments in the economy may shift oil demand growth towards the positive – in general, risks are unchanged and balanced towards the upside and downside.

Mexican oil demand is expected to be flat y-o-y in **2019**, as current projections assume similar growth levels in line with economic development.

Canada

Rising jet/kerosene, diesel oil and residual fuel oil demand in the transportation and industrial sectors have been more than offset by declining requirements for all other main petroleum product categories, leading to an overall 2.1% decrease in Canada's oil demand for the first four months of 2018. Projections for **2018** Canadian oil demand remain unchanged from those in the previous months, leaving oil requirements during 2018 slightly lower than in 2017 – transportation fuels are expected to account for the bulk of growth with risks being balanced towards the upside and downside.

Growth in Canadian oil requirements in **2019** is projected to be only slightly higher than the current year.

OECD Europe

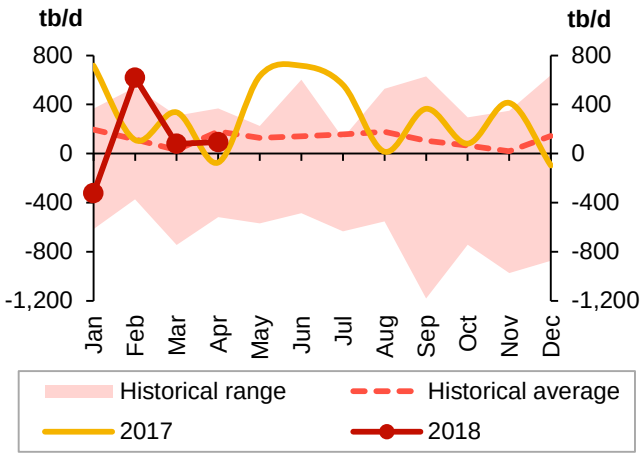
European oil demand oil is projected to increase by 0.10 mb/d y-o-y in **2018**.

European oil demand grew in April 2018 by almost 0.10 mb/d y-o-y, following a solid 1Q18 as well as the whole of 2017.

April 2018 oil demand increased, originating with gasoline and automotive diesel for the road transportation sector, in addition to higher requirements for jet/kerosene and residual fuel; demand gains were partly offset by declines in LPG and naphtha demand.

Early indications for May 2018 showed losses y-o-y in oil demand for the **Big European 4** (Germany, France, Italy and the UK). Oil demand in Germany, France and the UK shrank, while oil requirements in Italy increased y-o-y. One of the main indicators of European oil demand is auto sales, which rose by only 0.8% y-o-y in May, with major auto markets showing diverse trends. The Spain and UK auto markets grew y-o-y, while declines were registered in Germany and Italy; y-t-d growth was solid at 3.4% and is expected to remain positive throughout 2018.

Graph 4 - 3: OECD Europe oil demand, y-o-y change



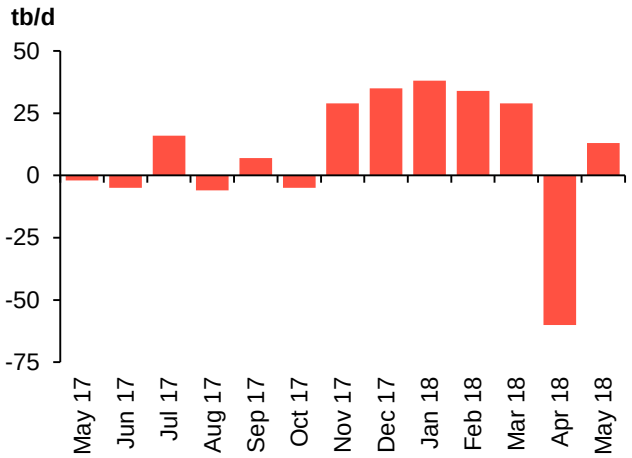
Sources: National, Joint Organisations Data Initiative and OPEC Secretariat.

The general expectations for the region's oil demand during 2018 remain in the positive with some predominant downside risks as a result of uncertainties in relation to the region's oil demand pattern – perhaps the highest uncertainty among all the main regions. On the one hand, projected improvements in the economy are calling for an increase in oil requirements, however, the high historical baseline during the last three years, shrinking oil price effects and high taxation on oil usage pose risks to the downside. Other factors that may cap oil demand in the region are fuel substitution and efficiency programmes.

In **2019,** OECD Europe oil demand growth is anticipated to rise by around 45 tb/d. The estimated developments in the economies along with the expansions in vehicle sales are the major assumptions for OECD Europe in 2019.

In terms of products, middle distillates, which includes automotive diesel, followed by gasoline, are anticipated to lead product consumption in 2019. On the other hand, downward risks are mainly linked to economic uncertainty, budgetary constraints as well as fuel substitution and efficiencies in the road transportation sector.

Graph 4 - 4: UK diesel oil demand, y-o-y change



Sources: Joint Organisations Data Initiative, UK Department of Energy Climate and Change and OPEC Secretariat.

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

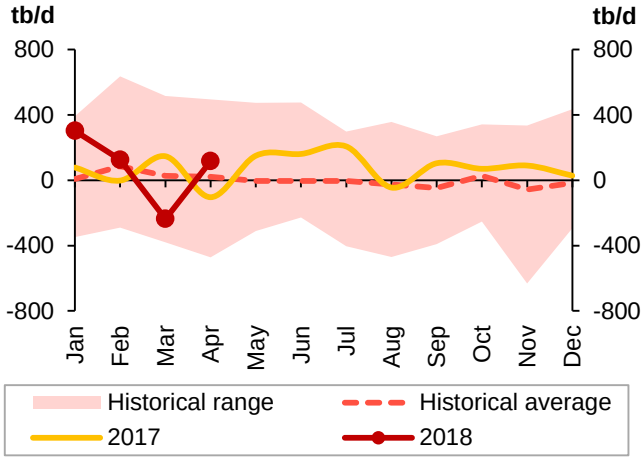
	May 18	May 17	Change 2018/17 tb/d	Change 2018/17 %
LPG	477	458	19	4.2
Naphtha	663	638	25	3.9
Gasoline	1,092	1,106	-14	-1.2
Jet/kerosene	823	801	22	2.7
Diesel oil	3,151	3,303	-152	-4.6
Fuel oil	218	205	13	6.6
Other products	625	708	-83	-11.7
Total	**7,050**	**7,219**	**-169**	**-2.3**

*Note: * Germany, France, Italy and the UK.*
Sources: JODI, UK Department for Business, Energy & Industrial Strategy, Unione Petrolifera and OPEC Secretariat.

OECD Asia Pacific

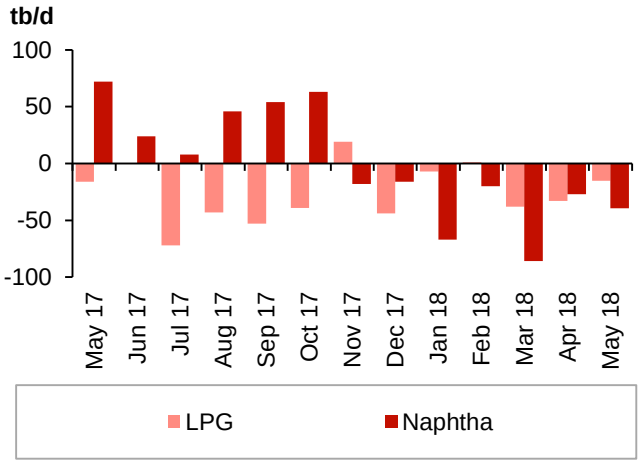
In **OECD Asia Pacific**, oil demand is estimated to see marginal growth in **2018**, however **2019** OECD Asia Pacific oil demand is forecast to see a decline of around 30 tb/d.

Graph 4 - 5: OECD Asia Pacific oil demand, y-o-y change



Sources: Joint Organisations Data Initiative, national and OPEC Secretariat.

Graph 4 - 6: Japanese LPG and naphtha demand, y-o-y change



Sources: Ministry of Economy Trade and Industry of Japan, Joint Organisations Data Initiative and OPEC Secretariat.

Japan

In **Japan**, May 2018 preliminary oil demand data implies a y-o-y decrease for the third consecutive month in 2018, dropping by around 0.05 mb/d. Some gains originated in the demand for jet kerosene in the transportation sector, but have been more than offset by losses in the requirements of all other petroleum product categories, notably naphtha, LPG, gasoline, as well as diesel oil and residual fuel oil. May 2018 gasoline and diesel oil demand remained sluggish y-o-y, in line with falling Japanese auto sales during the same month.

Table 4 - 5: Japanese domestic sales, tb/d

	May 18	May 17	Change 2018/17 tb/d	Change 2018/17 %
LPG	372	387	-15	-3.9
Naphtha	704	743	-39	-5.3
Gasoline	861	874	-13	-1.5
Jet/kerosene	412	336	76	22.6
Diesel oil	697	717	-20	-2.8
Fuel oil	220	225	-5	-2.3
Other products	304	341	-37	-11.0
Total	**3,569**	**3,623**	**-54**	**-1.5**

Sources: JODI, Ministry of Energy and Trade and Industry of Japan and OPEC Secretariat.

As far as the outlook for **2018** Japanese oil demand is concerned, current indications remain roughly unchanged from last month's forecasts with the risks being skewed to the downside.

In Japan, initial oil demand projections for **2019** have taken into consideration that a number of additional nuclear plants will re-join operation, while some improvements in the country's economy may lessen the expected reduction in oil demand requirements.

South Korea

In **South Korea**, April 2018 saw another increase, rising sharply by 0.16 mb/d y-o-y, with the bulk of the increase being in industrial fuels, particularly naphtha as a feedstock for the petrochemical industry.

The outlook for South Korean oil demand during **2018** remained strong, unchanged from the previous month's projections. Initial projections for 2019 foresee a continuation of the firm growth levels seen in 2017 and 2018.

Australia

Australian oil demand showed solid growth in April 2018 y-o-y as a result of strong diesel oil demand in mining activities.

South Korea's and **Australia's** expectations for **2019** paint a similar picture to the current year's projections. Looking at the product mix, petrochemical sector is projected to provide the sole support to light distillate requirements while middle distillate will gain support from industrial and mining activities in South Korea and Australia.

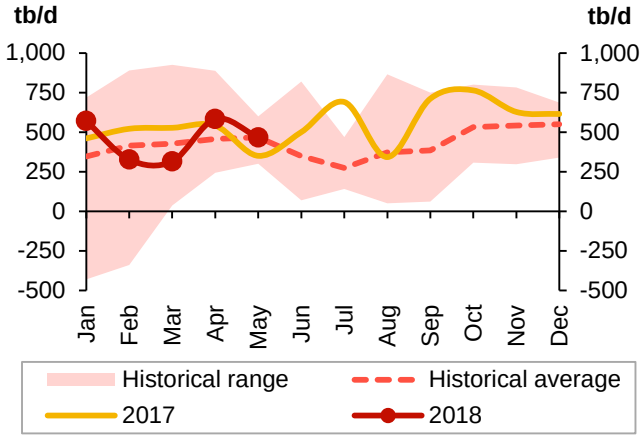
More generally, projections for OECD Asia Pacific for **2019** are based on the assumption of similar economic conditions as expected for 2018. Petrochemical plants are prime supporters for oil demand growth with a minor uptick seen in transportation fuels.

Non-OECD

China

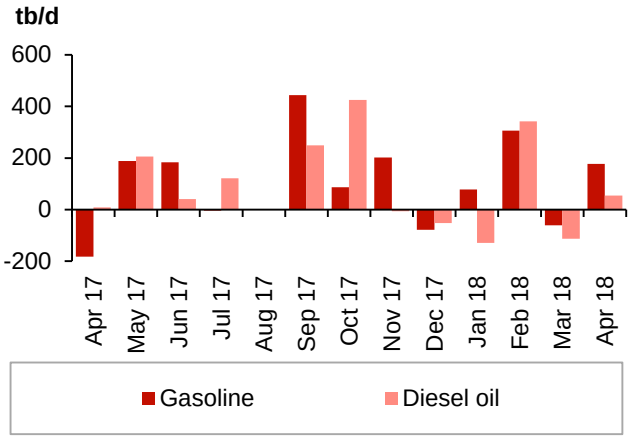
The pace of growth in **Chinese oil demand** averaged approximately 4.0% y-o-y during the month of May 2018 and remained relatively robust in line with continuing healthy economic development. Oil demand growth was mostly determined by ongoing increases in LPG usage in the petrochemical industry, as well as higher jet/kerosene and gasoline demand for the transportation sector with both products increasing by 13.0% and 3.2% y-o-y, respectively.

Graph 4 - 7: Changes in Chinese apparent oil demand, y-o-y



Sources: Argus Global Markets, China OGP (Xinhua News Agency), Facts Global Energy, JODI, National Bureau of Statistics of China and OPEC Secretariat.

Graph 4 - 8: Chinese diesel oil and gasoline demand growth y-o-y



Sources: Facts Global Energy, China OGP (Xinhua News Agency), Argus Global Markets, JODI, National Bureau of Statistics, China and OPEC Secretariat.

LPG demand growth continued its anticipated gains, recording an increase of around 0.15 mb/d y-o-y, taking total consumption to approximately 2.08 mb/d, mostly as a result of start-up and ramp up of operations in a number of propane dehydrogenations plants (PDH) around the country.

Jet/kerosene demand increased by around 87 tb/d y-o-y, with total demand at around 0.76 mb/d. This increase is in line with the recent uptick in travel activities during the summer holidays. May 2018 passenger traffic increased by 11.5% y-o-y.

Gasoline demand was higher compared with the month of May of last year, rising by 92 tb/d y-o-y. According to statistics of the China Association of Automobile Manufacturers (CAAM) and Haver Analytics, sales of passenger cars in May 2018 reached 2.3 million units, higher by 9.6% from the level seen in May 2017. Diesel oil demand was higher y-o-y by around 34 tb/d, or 1.0%, y-o-y, as the manufacturing PMI increased to 51.9 in May, up from 51.4 in April and remaining well in expansion territory.

For the remainder of 2018, as economic development in China is assumed to be healthy, oil demand growth is expected to remain at 2017 levels. On the other hand, the risk of escalation of US-China trade tensions, a continuation of fuel quality programmes targeting lower emissions, as well as ongoing fuel substitution with natural gas and coal are assumed in the projections for 2018.

For **2018**, Chinese oil demand is projected to increase by 0.42 mb/d.

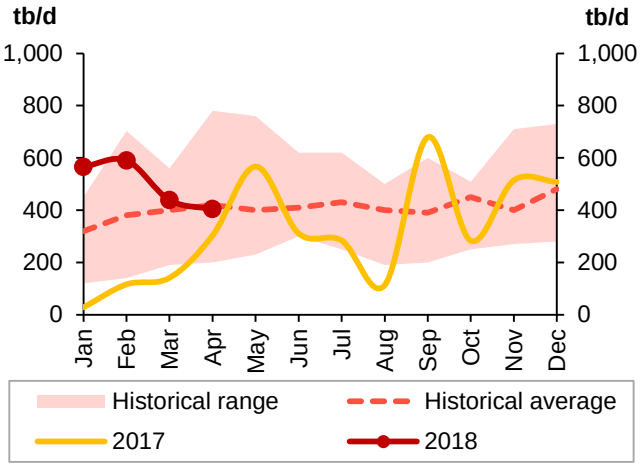
In China, oil demand growth is anticipated to reach 0.36 mb/d in **2019**, some 64 tb/d lower than the level of growth for 2018. Oil demand for transportation and industrial sectors is projected to continue rising along with passenger car sales. Meanwhile, slightly lower GDP growth compared with 2018, a continuation of fuel quality programmes targeting fewer emissions, continuation of fuel substitution with natural gas and coal are the factors to be monitored. In terms of product growth outlook, light distillates – led by LPG – in addition to gasoline are anticipated to lead demand growth in 2019.

Other Asia

Other Asia's oil demand is expected to grow at a rate of 0.42 mb/d in **2018**. Other Asia's oil demand growth in **2019** is anticipated to increase solidly by 0.39 mb/d. Assumptions are focused on GDP growth compared with the current year and considering stable retail prices.

The risks for 2018 **oil demand in Other Asia** are currently balanced in light of the steady economic momentum in the biggest oil consumer in the region, India, and the general economic performance in some countries of the region.

Graph 4 - 9: Other Asia's oil demand, y-o-y change



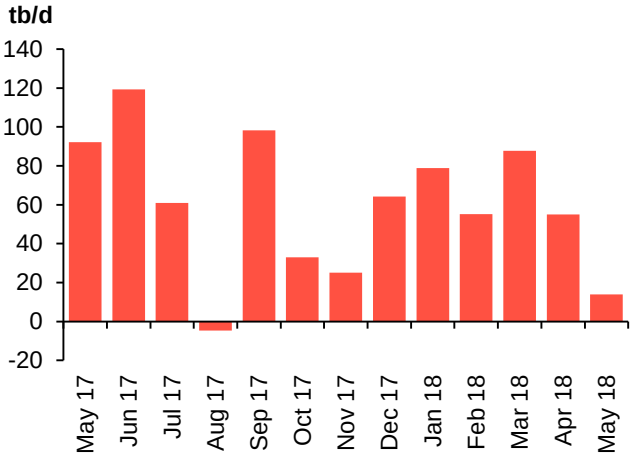
Sources: Joint Organisations Data Initiative, national and OPEC Secretariat.

India

In May 2018, **Indian oil demand** growth increased by around 0.15 tb/d, or 3.4%, compared with the same period in 2017, with total consumption standing at 4.50 mb/d.

From the products point of view, light distillates continue to support growth, while diesel oil was broadly unchanged and fuel oil saw a contraction. LPG demand saw an increase of a staggering 0.11 mb/d, or 14.2% y-o-y, mainly driven by increased residential consumption. Gasoline demand increased by 14 tb/d, or 2.0% y-o-y, moderating from the high level of growth registered in prior months.

Graph 4 - 10: Indian gasoline demand, y-o-y change



Sources: OPEC Secretariat, and Petroleum Planning and Analysis Cell of India.

Y-t-d growth in gasoline demand in May was near 10% compared with the same period in 2017. This increase is attributed to rising car sales, which were higher by 19.7% y-o-y in May with more than 301,000 units sold . In the two-wheeler segment, which accounts for more than 80% of the automobile market in India, growth reached more than 9% y-o-y, with a strong increase in the motorcycle sector of over 15% y-o-y.

Diesel oil requirements slowed sharply during the month of May, rising by a mere 7 tb/d y-o-y compared with the massive growth of more than 0.15 mb/d in 1Q18. The decline in India's composite PMI, which dropped to 50.4 in May compared with 51.9 in April, and the high baseline of comparison were some of the factors behind softening diesel oil demand. On the other hand, fuel oil demand dropped y-o-y by 31 tb/d as consumption decreased in the steel, fertilizer and power sectors. Oil demand in India is anticipated to be supported by the sentiment in India's economy, which should lend support to industrial and transportation fuel consumption.

Going forward, in **2018**, expectations for Indian oil demand are firm at this stage with the generally steady overall economy expected to positively support oil demand growth. However, the impact of higher oil prices in relation to the rise in personal income will have to be monitored going forward.

India's oil demand growth in **2019** is projected to be at similar levels as in the current year, hovering around 0.21 mb/d y-o-y.

Table 4 - 6: India's oil demand, tb/d

	May 18	May 17	Change 2018/17 tb/d	Change 2018/17 %
LPG	879	770	109	14.2
Naphtha	313	302	11	3.6
Gasoline	706	692	14	2.0
Jet/kerosene	335	302	33	11.1
Diesel oil	1,687	1,681	7	0.4
Fuel oil	194	225	-31	-13.6
Other products	383	379	3	0.8
Total	**4,497**	**4,350**	**147**	**3.4**

Sources: JODI, Petroleum Planning and Analysis Cell of India and OPEC Secretariat.

Indonesia

In **Indonesia**, the latest available data for April 2018 is led by rising demand for most products with fuel oil and diesel oil leading the increases by 30% and 2% y-o-y, respectively. Total consumption reached 1.70 mb/d, an increase of around 26 tb/d or 1.6% y-o-y.

Thailand

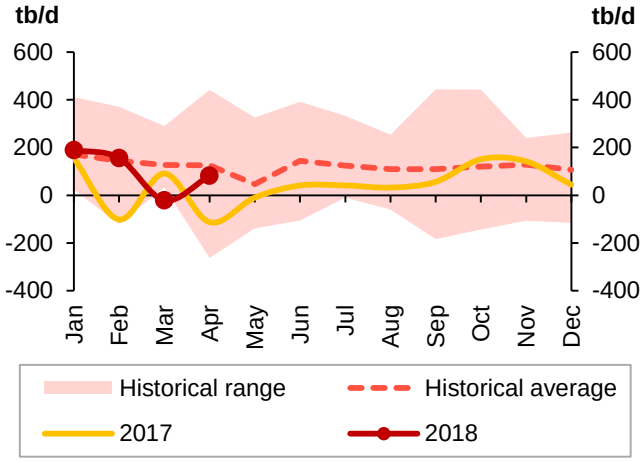
In **Thailand**, oil demand grew by a solid 42 tb/d, or 3.1%, in April 2018 compared with the same period last year, with the bulk of increases coming from transportation fuels – gasoline and middle distillates. Total product demand reached 1.42 mb/d in April 2018.

For **2019**, India is anticipated to be the main contributor to growth with lesser contributions from **Indonesia**, **Thailand**, **Pakistan**, **Vietnam** and **Singapore**. On the downside, a smaller impact of subsidies on oil demand compared with previous years is also anticipated. Middle distillates, followed by gasoline, will be the products leading oil demand next year.

Latin America

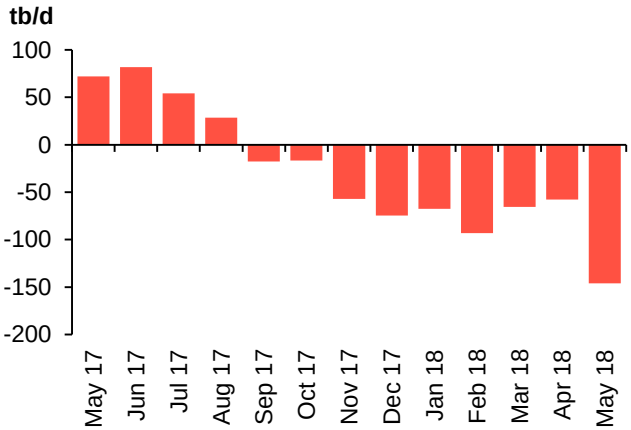
In **Latin America**, oil demand growth in **2018** is estimated to grow by 90 tb/d to average 6.6 mb/d. In **2019** oil demand growth is anticipated to be higher than projected for 2018, to reach to around 0.13 mb/d. This growth will be driven by a higher-than-expected development in economic activities. Brazil is projected to be the main contributor to growth, with transportation fuels anticipated to lead demand as the overall economy gains momentum. Additionally, construction and industrial fuels will also lend support.

Graph 4 - 11: Latin American oil demand, y-o-y change



Sources: Joint Organisations Data Initiative, national and OPEC Secretariat.

Graph 4 - 12: Brazilian gasoline demand, y-o-y change



Sources: Agencia Nacional do Petroleo, Gas e Biocombustiveis of Brazil, Joint Organisations Data Initiative and OPEC Secretariat.

Brazil

In **Brazil**, oil demand dropped sharply by around 0.30 mb/d during the month of May 2018, on the back of a nine-day truckers' strike, which blocked major roads, hindering economic activity. Oil demand declines were led by sharp drops in gasoline, diesel oil and fuel oil requirements, while ethanol, jet kerosene and the other product categories were seen rising. Demand for gasoline continued to be challenged by higher retail prices compared with ethanol, shifting drivers' preferences to consume ethanol. According to the Agência Nacional do Petróleo (ANP), retail prices of ethanol averaged 2.81 reais/litre while gasoline retail prices averaged 4.31 reais/litre during the month of May. This is in addition to the nine-day obstruction of major roads and highways that reduced access to fuel distribution stations. Gasoline plummeted during May by around 0.15 mb/d, or around 19% y-o-y.

On the other hand, ethanol demand was higher by around 55 tb/d y-o-y, easing from higher growth levels recorded in 1Q18 of around 90 tb/d. Diesel oil demand flipped sharply into negative territory after positive growth in April 2018, while fuel oil remained in the negative. Industrial production reversed direction for the first time since April 2017 and dropped by more than 7% y-o-y, with diesel oil and fuel oil requirements down by around 0.17 mb/d and 18 tb/d y-o-y, respectively.

The expectations for 2018 Brazilian oil demand are now slightly skewed to the downside, in line with the economic projections going forward as oil demand growth is strongly dependent on the development of the country's economy as well as weather conditions in the following months.

Table 4 - 7: Brazilian oil demand*, tb/d

			Change 2018/17	
	May 18	May 17	tb/d	%
LPG	209	238	-29	-12.3
Naphtha	146	144	2	1.4
Gasoline	623	769	-146	-19.0
Jet/kerosene	118	109	9	7.9
Diesel oil	766	936	-171	-18.2
Fuel oil	72	89	-18	-20.0
Other products	310	255	55	21.6
Total	**2,242**	**2,540**	**-298**	**-11.7**

*Note: * = Inland deliveries.*
Sources: JODI, Agencia Nacional do Petroleo, Gas Natural e Biocombustiveis and OPEC Secretariat.

Argentina

In **Argentina**, oil demand in April 2018 increased by 15 tb/d, or by 2.2% y-o-y, with gains in requirements for middle distillates and gasoline being offset by declining demand for residual fuel oil.

Y-t-d information indicates solid growth in the country's oil demand by 51 tb/d, or 7.4%, compared with the same period in 2017, mainly driven by healthy gains in middle distillates.

Ecuador

The latest **oil demand** data for **Ecuador** for May 2018 shows solid gains y-o-y as oil demand added as much as 42 tb/d, or 19.5% y-o-y. This increase was dominated by soaring gains in residual fuel oil demand and strong gasoline requirements.

Table 4 - 8: Ecuador's oil demand, tb/d

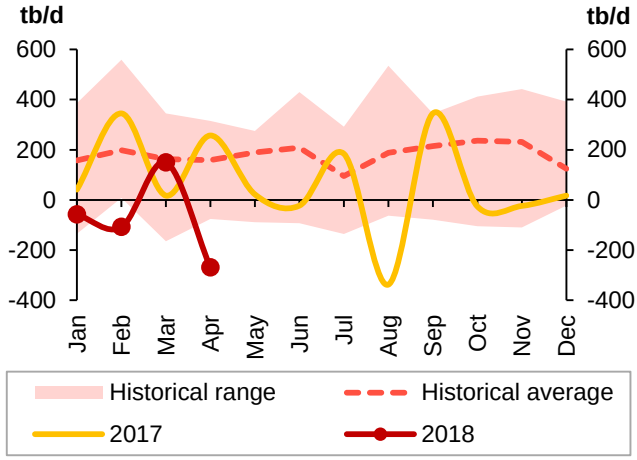
	May 18	May 17	Change 2018/17 tb/d	Change 2018/17 %
LPG	36	35	1	2.9
Naphtha	13	13	0	0.0
Gasoline	66	41	25	61.0
Jet/kerosene	7	8	-1	-12.5
Diesel oil	89	84	5	6.0
Fuel oil	30	15	15	100.0
Other products	16	19	-3	-15.8
Total	**257**	**215**	**42**	**19.5**

Sources: JODI and OPEC Secretariat.

Middle East

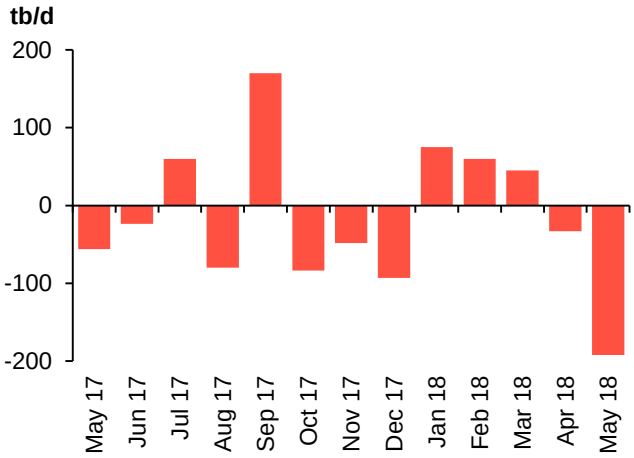
In **2018**, **Middle East oil demand** is anticipated to expand by around 50 tb/d. In the **Middle East**, oil demand growth is anticipated to gain further strength in **2019** compared with the current year, with current estimations hovering around 90 tb/d of forecast oil demand growth, amid a strong rebound in economic activities.

Graph 4 - 13: Middle East oil demand, y-o-y change



Sources: Joint Organisations Data Initiative, national, direct communication and OPEC Secretariat.

Graph 4 - 14: Saudi Arabia's direct crude burning, y-o-y change



Sources: Joint Organisations Data Initiative, direct communication and OPEC Secretariat.

Saudi Arabia

In **Saudi Arabia**, May **2018** oil demand growth figures weakened for the second consecutive month and for the third month this year. Oil requirements fell by 23 tb/d, or 1.0%, compared with the same month in 2017, to reach 2.51 mb/d.

Within products, a mixed performance was observed; the solid growth in fuel oil, jet/kerosene and LPG was outweighed by slower-than-expected growth in crude for direct burning, diesel oil and gasoline.

On a cumulative basis, with data from January to May, oil demand growth in the Kingdom is negative, as reductions in diesel oil and gasoline demand weighed on overall product performance. Data indicates a decline of around 0.1 mb/d, or 4.2% y-o-y, compared with the same period in 2017.

In May 2018, fuel oil was supported by an increase in air conditioning usage during the summer season, encouraging consumption for power generation. Meanwhile, crude oil for direct burning decreased sharply during May 2018, dropping by around 0.2 mb/d y-o-y despite higher air conditioning usage, which was met by increased fuel oil consumption.

Increased air traffic due to the start of the holy month of Ramadan and the onset of summer holidays contributed to a rise in jet/kerosene demand, which added 22 tb/d y-o-y in May. Diesel oil requirements declined, dropping by 0.12 mb/d y-o-y amid slower momentum in the construction sector and less-than-expected trading activity, reducing truck transportation. Gasoline consumption appeared to be impacted sharply by the reduction of subsidies implemented at the beginning of the year, resulting in a decline in demand of 68 tb/d y-o-y.

Saudi Arabia is projected to be the main contributor to growth in the region in **2019** despite a lacklustre growth outlook for the current year. Transportation fuels − gasoline and automotive diesel − in addition to petrochemical feedstocks and construction fuels are anticipated to be the products leading oil demand growth. On the other hand, fuel oil and direct crude for power generation are anticipated to face strong competition from substitution with natural gas.

Other countries in the Middle East

Iraq's total product demand declined by around 18 tb/d y-o-y in May, following two months of increases. Despite firm gains across the barrel, the steep declines in the "other product" category, dropping by around 0.15 mb/d, outweighed most of the gains recorded.

Oil demand also declined in **IR Iran** during the month of April 2018 for the fourth consecutive month in 2018 primarily as a result of displacement of fuel oil in power generation.

Oil demand increased in the **UAE** in April 2018, in line with healthy gasoline requirements.

Meanwhile, in **Qatar,** oil demand was flat y-o-y during the month of May 2018. Going forward, oil demand projections for the country are mixed, while the upward potential remains linked to the overall economic performance, healthy oil prices and the performance of the power and industrial sectors during the peak summer demand season. On the other hand, downward risk is linked to a higher level of substitution with natural gas and the process of economic reforms, which includes a partial removal of subsidies.

World Oil Supply

Non-OPEC oil supply growth in 2018 was revised up by 0.18 mb/d from the previous MOMR to average 59.54 mb/d, representing an increase of 2.0 mb/d y-o-y. The main reason for this upward revision was an upward adjustment for the US supply forecast, along with potentially higher supply from Russia in 2H18.

Non-OPEC oil supply in 2019 is projected to grow by 2.1 mb/d for an average 61.64 mb/d. The US (1.4 mb/d), Brazil (0.4 mb/d), Canada (0.3 mb/d), Australia, the UK and Kazakhstan are the main growth drivers; while Mexico, China and Norway are expected to see the largest declines. The 2019 forecast is subject to many uncertainties, such as oil prices, investment and cash flows, hedging, cost inflation, taxes on production and unexpected production outages related to technical issues, delayed start-ups, pipeline capacities and maintenance.

OPEC NGL production in 2018 and 2019 is expected to grow by 0.12 mb/d and 0.11 mb/d to average 6.35 mb/d and 6.46 mb/d, respectively. In June, OPEC production increased by 173 tb/d to average 32.33 mb/d, according to secondary sources. Non-OPEC supply, including OPEC NGLs, rose by 0.43 mb/d, to average 65.68 mb/d, which was higher by 2.08 mb/d y-o-y. As a result, preliminary data indicates that global oil supply increased in June by 0.60 mb/d m-o-m to average 98.01 mb/d.

Table 5 - 1: Non-OPEC supply forecast comparison in 2018-2019*, mb/d

Region	2018	Change 2018/17	2019	Change 2019/18
OECD Americas	23.32	1.85	24.89	1.57
OECD Europe	3.86	0.03	3.86	0.00
OECD Asia Pacific	0.39	0.00	0.46	0.07
Total OECD	**27.57**	**1.88**	**29.21**	**1.64**
Other Asia	3.59	-0.02	3.59	0.00
Latin America	5.27	0.13	5.62	0.35
Middle East	1.23	-0.01	1.24	0.01
Africa	1.52	0.02	1.61	0.09
Total DCs	**11.61**	**0.12**	**12.06**	**0.45**
FSU	14.10	0.04	14.14	0.04
Other Europe	0.12	0.00	0.12	0.00
China	3.90	-0.08	3.84	-0.05
Non-OPEC production	57.29	1.96	59.37	2.07
Processing gains	2.25	0.04	2.28	0.03
Non-OPEC supply	**59.54**	**2.00**	**61.64**	**2.10**

*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

Following the acceptance of the Republic of the Congo as the fifteenth Member of OPEC, this country has been removed from the non-OPEC producers group and added to the OPEC MCs' group as of July 2018.

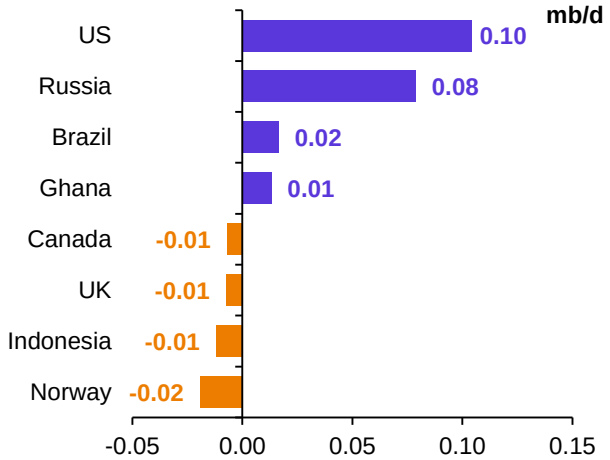
Monthly revisions to non-OPEC supply growth forecast

The **non-OPEC oil supply forecast for 2018** was revised up by 0.19 mb/d to average 59.54 mb/d, in absolute terms.

In terms of **y-o-y growth for 2018** on a country basis, upward revisions were made for the US, Russia, Brazil and Ghana, which were partially, offset by downward revisions for Norway, Indonesia, the UK and Canada.

As a result, y-o-y growth for non-OPEC supply in 2018 was revised up by 0.18 mb/d to 2.00 mb/d.

Graph 5 - 1: MOMR Jul 18/Jun 18 revisions in 2018* annual supply changes

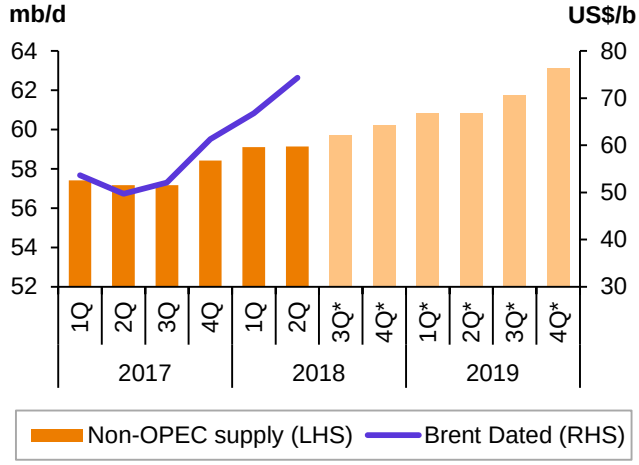


*Note: * 2018 = Forecast.*
Source: OPEC Secretariat.

Non-OPEC oil supply highlights in 2018

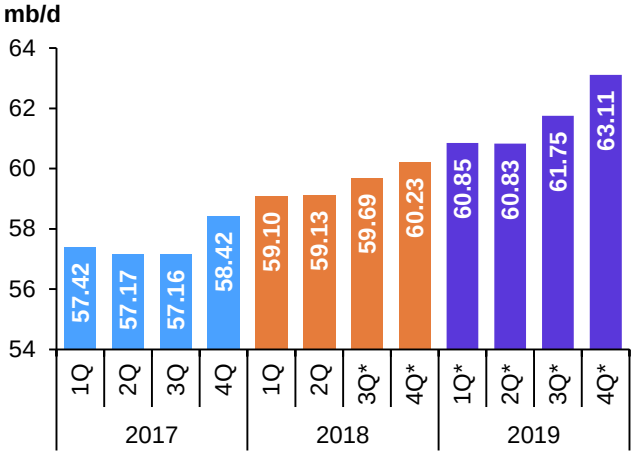
- Russian liquids supply in June based on preliminary data, is estimated to have reached a 2018 high of 11.24 mb/d, representing an increase of 0.09 mb/d m-o-m.
- US tight crude output in April 2018 is estimated to have grown by 0.14 mb/d m-o-m to average 5.67 mb/d, according to estimates from the US Energy Information Administration (EIA).
- Apparently, the oil price environment has created good conditions for US shale producers in all regions. However, with the exception of the takeaway capacity constraints in the Permian basin, it seems that insufficient infrastructure, as well as lower well productivity in the non-core areas of the other regions will temper growth rates significantly.

Graph 5 - 2: Non-OPEC quarterly liquids supply and Dated Brent



*Note: * 3Q18-4Q19 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 3: Non-OPEC quarterly oil supply in 2017-2019



*Note: * 3Q18-4Q19 = Forecast.*
Source: OPEC Secretariat.

Non-OPEC oil supply in 2018 and 2019

Table 5 - 2: Non-OPEC oil supply in 2018*, mb/d

	2017	1Q18	2Q18	3Q18	4Q18	2018	Change 2018/17 Growth	Change 2018/17 %
Americas	21.47	22.93	23.07	23.56	23.71	23.32	1.85	8.63
of which US	*14.36*	*15.54*	*16.11*	*16.32*	*16.26*	*16.06*	*1.70*	*11.84*
Europe	3.83	3.91	3.70	3.80	4.01	3.86	0.03	0.78
Asia Pacific	0.39	0.40	0.39	0.40	0.39	0.39	0.00	0.18
Total OECD	**25.69**	**27.25**	**27.16**	**27.76**	**28.11**	**27.57**	**1.88**	**7.33**
Other Asia	3.61	3.60	3.56	3.60	3.60	3.59	-0.02	-0.65
Latin America	5.14	5.11	5.17	5.32	5.46	5.27	0.13	2.51
Middle East	1.24	1.21	1.25	1.23	1.22	1.23	-0.01	-0.70
Africa	1.50	1.52	1.52	1.52	1.53	1.52	0.02	1.52
Total DCs	**11.49**	**11.43**	**11.51**	**11.67**	**11.81**	**11.61**	**0.12**	**1.04**
FSU	14.06	14.11	14.14	14.05	14.09	14.10	0.04	0.29
of which Russia	*11.17*	*11.14*	*11.18*	*11.13*	*11.13*	*11.15*	*-0.02*	*-0.22*
Other Europe	0.13	0.12	0.12	0.12	0.12	0.12	0.00	-2.76
China	3.97	3.94	3.95	3.84	3.85	3.90	-0.08	-1.98
Total "Other regions"	**18.16**	**18.17**	**18.22**	**18.01**	**18.07**	**18.12**	**-0.04**	**-0.22**
Total non-OPEC production	**55.33**	**56.85**	**56.88**	**57.44**	**57.98**	**57.29**	**1.96**	**3.55**
Processing gains	2.21	2.25	2.25	2.25	2.25	2.25	0.04	1.67
Total non-OPEC supply	**57.54**	**59.10**	**59.13**	**59.69**	**60.23**	**59.54**	**2.00**	**3.48**
Previous estimate	57.54	58.98	59.04	59.42	59.95	59.35	1.82	3.16
Revision	0.01	0.12	0.10	0.27	0.28	0.19	0.18	0.32

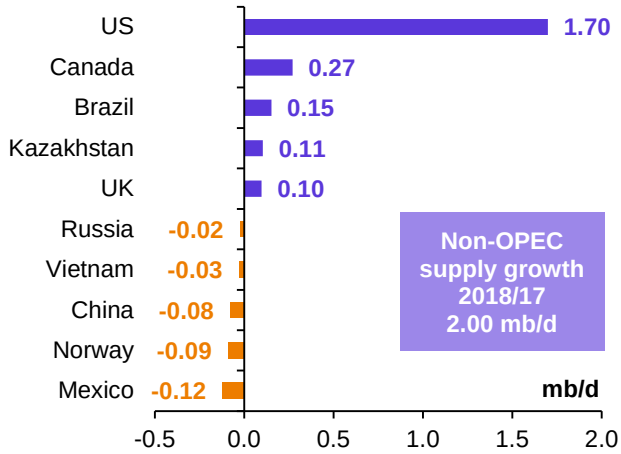
*Note: * 2018 = Forecast.*
Non-OPEC supply figures excluding the Republic of Congo.
Source: OPEC Secretariat.

Table 5 - 3: Non-OPEC oil supply in 2019*, mb/d

	2018	1Q19	2Q19	3Q19	4Q19	2019	Change 2019/18 Growth	%
Americas	23.32	24.18	24.46	25.08	25.81	24.89	1.57	6.72
of which US	*16.06*	*16.68*	*17.40*	*17.61*	*18.28*	*17.50*	*1.44*	*8.94*
Europe	3.86	3.98	3.67	3.79	4.00	3.86	0.00	0.05
Asia Pacific	0.39	0.39	0.42	0.50	0.53	0.46	0.07	17.09
Total OECD	**27.57**	**28.55**	**28.55**	**29.37**	**30.34**	**29.21**	**1.64**	**5.94**
Other Asia	3.59	3.60	3.59	3.59	3.58	3.59	0.00	-0.04
Latin America	5.27	5.46	5.52	5.60	5.88	5.62	0.35	6.64
Middle East	1.23	1.25	1.25	1.24	1.24	1.24	0.01	1.22
Africa	1.52	1.57	1.60	1.62	1.65	1.61	0.09	5.85
Total DCs	**11.61**	**11.88**	**11.95**	**12.06**	**12.35**	**12.06**	**0.45**	**3.90**
FSU	14.10	14.14	14.11	14.12	14.18	14.14	0.04	0.27
of which Russia	*11.15*	*11.17*	*11.17*	*11.17*	*11.17*	*11.17*	*0.02*	*0.20*
Other Europe	0.12	0.12	0.12	0.12	0.12	0.12	0.00	-1.06
China	3.90	3.88	3.83	3.82	3.85	3.84	-0.05	-1.35
Total "Other regions"	**18.12**	**18.15**	**18.06**	**18.06**	**18.14**	**18.10**	**-0.02**	**-0.09**
Total non-OPEC production	**57.29**	**58.57**	**58.55**	**59.48**	**60.84**	**59.37**	**2.07**	**3.62**
Processing gains	2.25	2.28	2.28	2.28	2.28	2.28	0.03	1.25
Total non-OPEC supply	**59.54**	**60.85**	**60.83**	**61.75**	**63.11**	**61.64**	**2.10**	**3.53**

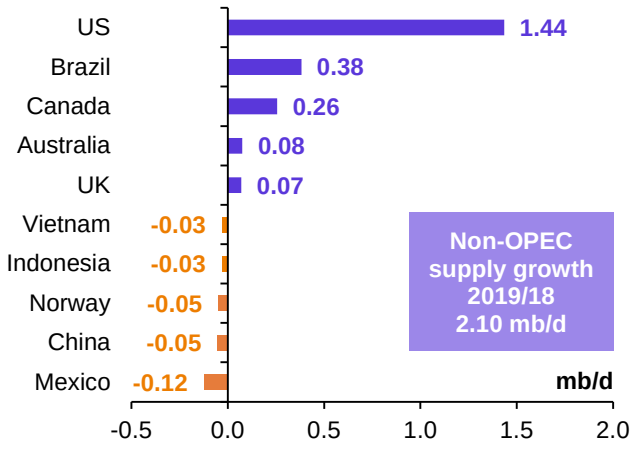
*Note: * 2018 and 2019 = Forecast.*
Non-OPEC supply figures excluding the Republic of Congo.
Source: OPEC Secretariat.

Graph 5 - 4: Annual supply changes for selected countries in 2018*



*Note: * 2018 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 5: Annual supply changes for selected countries in 2019*



*Note: * 2019 = Forecast.*
Source: OPEC Secretariat.

OECD

Total **OECD oil supply in 2018** is expected to grow by 1.88 mb/d to average 27.57 mb/d. This has been revised down by 71 tb/d from the last MOMR. OECD Americas is forecast to see an increase of 1.75 mb/d y-o-y, while oil supply in OECD Europe will show minor growth of 0.03 mb/d to average 3.86 mb/d (3.1 mb/d from the North Sea) and OECD Asia Pacific supply is expected to be stagnant at 0.39 mb/d, unchanged y-o-y.

For **2019**, yearly growth of 1.64 mb/d is anticipated for OECD oil supply, with an average of 29.21 mb/d. OECD Americas and Asia Pacific are both expected to grow next year by 1.57 mb/d and 0.07 mb/d to average 24.89 mb/d and 0.46 mb/d, respectively. Oil supply in OECD Europe is expected to be stagnant at 3.86 mb/d.

OECD Americas

OECD Americas' oil supply in 2018 is estimated to grow by 1.85 mb/d y-o-y to average 23.32 mb/d. This is an upward revision of 95 tb/d from the previous MOMR. Supply from the US and Canada is expected to increase by 1.70 mb/d and 0.27 mb/d, respectively, in 2018, while that of Mexico is anticipated to decline by 0.12 mb/d y-o-y.

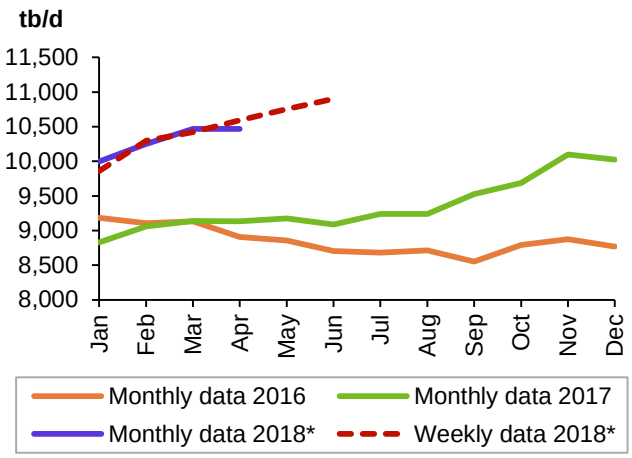
Oil supply growth will continue in **2019** at 1.570 mb/d y-o-y to average 24.89 mb/d. Estimated growth of 1.44 mb/d and 0.26 mb/d is anticipated for the US and Canada, respectively, but a further contraction of 0.12 mb/d is forecast for Mexico.

US

US liquids supply in 2018 is anticipated to grow by 1.70 mb/d to average 16.06 mb/d, revised up by 0.1 mb/d from the previous MOMR. US liquids output in April witnessed a minor increase of 10 tb/d m-o-m to average 15.97 mb/d, but it was higher by 1.95 mb/d y-o-y. According to the EIA, US crude oil production remained steady at an average of 10.47 mb/d in April, which is 2 tb/d lower than a month ago following planned maintenance at the Mars and Ursa platforms, the largest ones in the Gulf of Mexico (GoM). This was contrary to EIA weekly data showing 0.16 mb/d of m-o-m growth. Crude oil output in April increased by 1.33 mb/d compared to the same month in April 2017.

Crude oil output in April was up by 61 tb/d and 30 tb/d in North Dakota and Texas to average 1.21 mb/d and 4.22 mb/d, respectively. The main reason for the slowdown in m-o-m production growth in the Permian basin relates to the producer's plan suggesting that takeaway capacity constraints are already leading to slower growth in the basin, of which the output, owing to fewer well completions, is expected to worsen starting in winter of 2018. Crude output in the states of New Mexico and Colorado also increased while oil production in GoM and Alaska declined by 98 tb/d and 15 tb/d to average 1.58 mb/d and 0.5 mb/d, respectively. Crude production in the GoM was likely affected during May and June following the Mad Dog platform shut in that lasted for about 45 days. Therefore, the new assessment for GoM oil production output will remain stagnant at 1.68 mb/d compared to last year, which was at the same level, or it even may skew to the downside.

Graph 5 - 6: US monthly crude oil production in 2016-2018 vs. weekly forecast in 2018

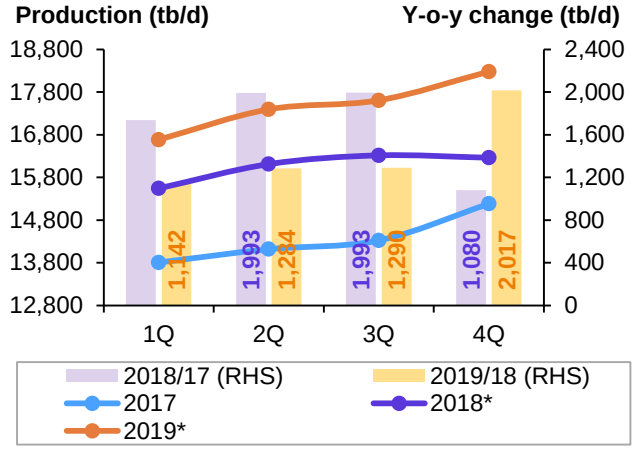


*Note: * 2018 = Forecast.*
Souces: EIA and OPEC Secretariat.

Apparently, the oil price environment has created good conditions for US shale producers in all regions. However, in addition to takeaway capacity constraints in the Permian basin, insufficient infrastructure along with lower well productivity in non-core areas of the other regions may temper growth rates remarkably.

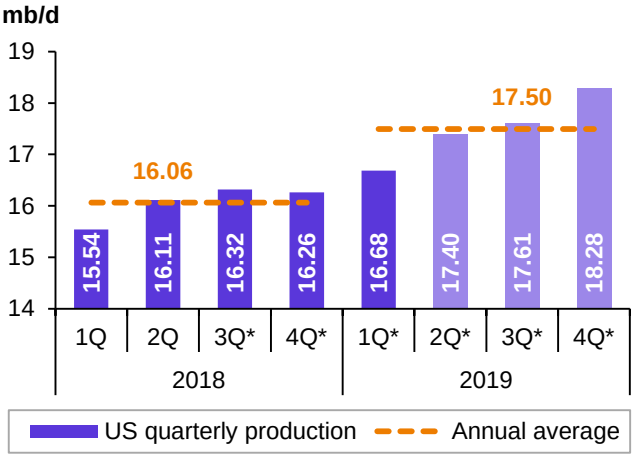
Total **NGL output** in April was reported at 4.26 mb/d, representing an increase of 87 tb/d m-o-m. This was mainly due to unconventional sources of tight formations. NGL output grew by 0.51 mb/d to average 4.07 mb/d in the first four months of the year compared to the same period a year ago. As a result, the forecast for the US NGL production was revised up by 0.08 mb/d to average 4.24 mb/d for 2018.

Graph 5 - 7: US quarterly liquids supply



*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 8: US total quarterly liquids supply



*Note: * 3Q18-4Q19 = Forecast.*
Sources: EIA and OPEC Secretariat.

For **US crude**, growth of 1.18 mb/d y-o-y for an average of 10.53 mb/d is anticipated in 2018. However, the expected robust growth of tight crude, at 1.22 mb/d, will be affected by some declines, mainly from conventional oil fields on the west coast, including Alaska and California (PADD 5), while the GoM is not anticipated to experience any growth this year.

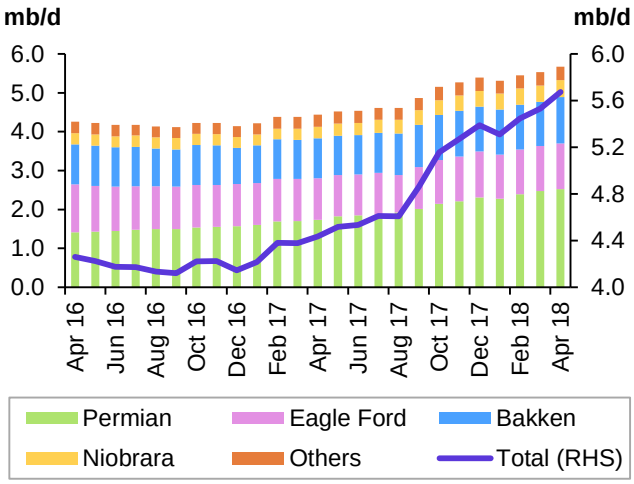
Table 5 - 4: US liquids production breakdown, mb/d

	2016	2017	Change 2017/16	2018*	Change 2018/17	2019*	Change 2019/18
Tight crude	4.24	4.70	0.46	5.91	1.22	7.00	1.09
Gulf of Mexico crude	1.60	1.68	0.08	1.68	0.00	1.71	0.03
Conventional crude oil	3.02	2.98	-0.04	2.94	-0.04	2.90	-0.04
Unconventional NGLs	2.58	2.74	0.16	3.18	0.44	3.48	0.30
Conventional NGLs	0.93	0.99	0.07	1.06	0.06	1.11	0.05
Biofuels + Other liquids	1.27	1.27	0.00	1.29	0.02	1.30	0.01
US total supply	**13.63**	**14.36**	**0.73**	**16.06**	**1.70**	**17.50**	**1.44**

*Note: * 2018 and 2019 = Forecast.*
Sources: EIA, Rystad Energy and OPEC Secretariat.

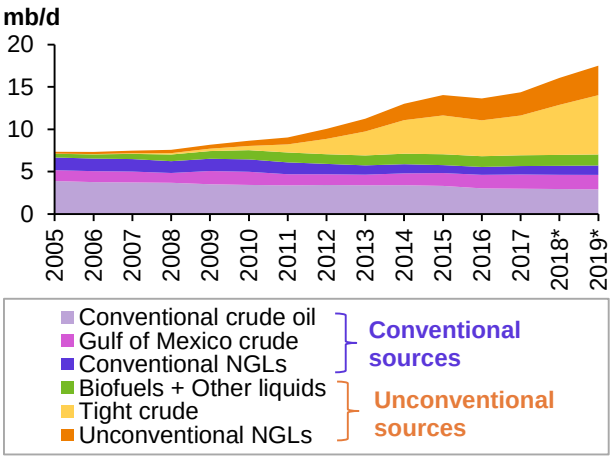
US tight crude output in April 2018 is estimated to have grown by 0.14 mb/d m-o-m to average 5.67 mb/d, according to the EIA's tight oil production estimates. The preliminary estimate for May 2018 showed an increase of 0.10 mb/d m-o-m. Tight crude output from shale and tight formations in the Permian Basin was up by 0.05 mb/d in April m-o-m to average 2.52 mb/d followed by an increase of 10 tb/d m-o-m at Eagle Ford for an average of 1.17 mb/d. The Niobrara play added 10 tb/d to average 0.43 mb/d, and the largest increase was seen in the Bakken play in North Dakota, which rose by 60 tb/d to 1.20 mb/d, indicating that producers are compensating for the lost volumes that occurred during cold winter months. Tight crude output in other shale plays increased by a total of 10 tb/d in April m-o-m to average 0.35 mb/d.

Graph 5 - 9: US tight crude breakdown



Souces: EIA and OPEC Secretariat.

Graph 5 - 10: US liquids production breakdown



*Note: * 2018 and 2019 = Forecast.*
Sources: EIA, Rystad Energy and OPEC Secretariat.

On a yearly basis, **US tight crude for 2018** is forecast to grow by 1.22 mb/d to average 5.91 mb/d, revised up from last month's assessment. Growth from unconventional NGLs and tight crude combined constitute a share of 97% of total supply. It is worth pointing out that tight crude production from the Bakken shale play in North Dakota in the first four months of the year increased by 0.16 mb/d to average 1.16 mb/d compared to the same period a year ago. In the same period, tight oil output in the Permian, Eagle Ford and Niobrara-Codell increased by 0.74 mb/d to average 2.42 mb/d, 0.07 mb/d to average 1.08 mb/d and 0.14 mb/d to average 0.42 mb/d, respectively.

For **2019**, y-o-y growth of the US crude oil supply would be at a slower pace due to several fundamental constraints.

Table 5 - 5: US tight oil production growth

Shale play	2017		2018*		2019*	
tb/d	Production	*Y-o-y change*	Production	*Y-o-y change*	Production	*Y-o-y change*
Permian tight	1.92	*0.46*	2.76	*0.84*	3.49	*0.73*
Bakken shale	1.06	*0.04*	1.18	*0.12*	1.30	*0.12*
Eagle Ford shale	1.08	*-0.09*	1.17	*0.09*	1.31	*0.14*
Niobrara shale	0.33	*0.04*	0.43	*0.10*	0.50	*0.07*
Other tight plays	0.31	*0.02*	0.38	*0.07*	0.41	*0.03*
Total	**4.70**	***0.47***	**5.91**	***1.22***	**7.00**	***1.09***

*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

US oil rig count

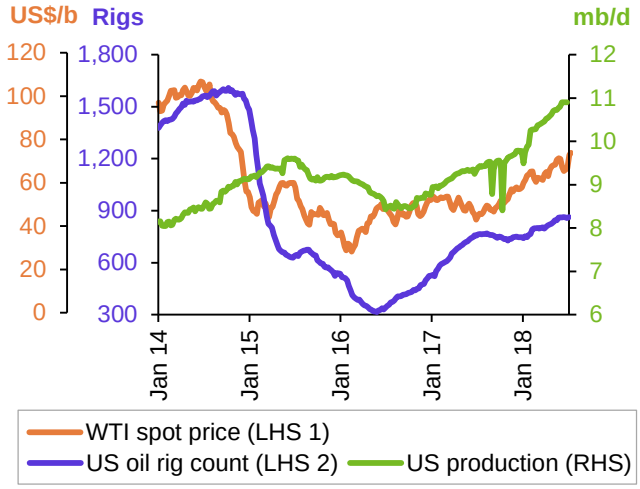
The **total US oil and gas rig count** increased by 5 units w-o-w to 1,052 rigs in the week ended 6 July, which is the highest number of units since April 2015.

The **US oil rig count** increased by 5 units w-o-w to reach 863 rigs, while gas rig unchanged at 187 rigs. The corresponding y-o-y increase for oil rig was 100 units, or 13%.

Horizontal rigs (active in oil and gas fields) moved up by 4 units w-o-w to reach 930 rigs.

By basin, oil rig count in Permian and Eagle Ford was up w-o-w by 1 unit each to 475 rigs and 72 rigs, respectively. In Williston, the oil rig count increased by 3 units w-o-w to 57 rigs. Rig count was down in DJ-Niobrara (1 unit) and Cana Woodford (6 units) to 25 rigs and 68 rigs, respectively.

Graph 5 - 11: The comparison between WTI price, US oil rig count and US crude oil production



Sources: Baker Hughes, EIA and OPEC Secretariat.

Table 5 - 6: US rotary rig count on 6 July 2018

					Change		
		6 Jul 18	Month ago	Year ago	M-o-m	Y-o-y	Y-o-y, %
Oil and gas split	**Oil**	863	861	763	2	100	13%
	Gas	187	197	189	-10	-2	-1%
Location	**Onshore**	1,033	1,041	931	-8	102	11%
	Offshore	19	19	21	0	-2	-10%
Basin	**Williston**	57	56	52	1	5	10%
	Eagle Ford	81	69	84	12	-3	-4%
	Permian	475	476	369	-1	106	29%
Drilling trajectory	**Directional**	67	65	74	2	-7	-9%
	Horizontal	930	929	804	1	126	16%
	Vertical	55	66	74	-11	-19	-26%
US total rig count		**1,052**	**1,060**	**952**	**-8**	**100**	**11%**

Sources: Baker Hughes and OPEC Secretariat.

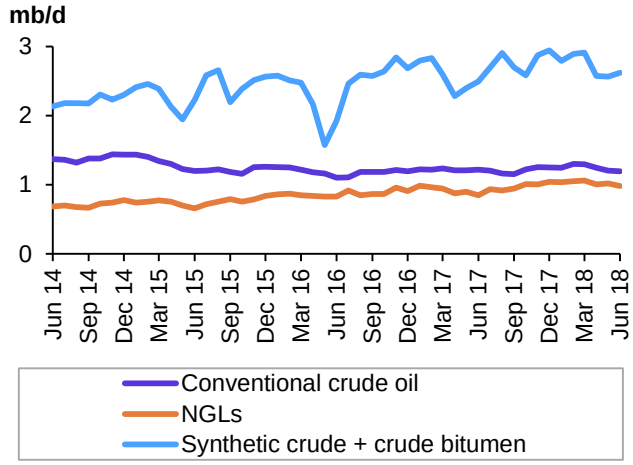
Canada

According to preliminary data, **Canadian oil supply** showed a drop of 0.44 mb/d in April compared with the actual output in March, to average 4.86 mb/d, but was up by 0.46 mb/d y-o-y. The main reason for this decrease in April was due to the big drop of 0.34 mb/d in overall oil sands production to average 2.61 mb/d. In a continuation of the production outages of synthetic crude following heavy maintenance that began in March at the Scotford upgrader, the Suncor plant and at Mildred Lake, oil output from major producers at in-situ projects also dropped significantly m-o-m. Moreover, non-upgraded bitumen output also declined m-o-m by 0.2 mb/d owing to planned maintenance. Oil sands through in-situ production fell by 0.05 mb/d m-o-m as producers slowed output due to wide differentials. Conventional offshore output was up by 10 tb/d m-o-m to 0.3 mb/d, mainly coming from the Hebron field.

In 2018, Canadian liquids supply is expected to grow by 0.27 mb/d to average 5.14 mb/d, revised down by 0.01 mb/d from the previous assessment in June's MOMR. This was due to lower-than-expected production in recent months following upgraders' shutdowns. According to the secondary sources, crude exports to the US increased m-o-m by 10 tb/d to 3.4 mb/d.

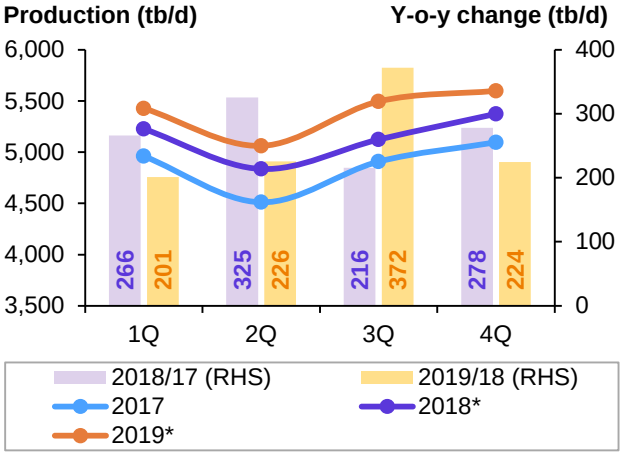
For 2019, Canadian oil sands development will continue through the main projects' ramp ups, and total liquids supply will reach 5.40 mb/d, representing y-o-y growth of 0.26 mb/d.

Graph 5 - 12: Canada production by product type



Source: OPEC Secretariat.

Graph 5 - 13: Canada quarterly liquids supply



*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

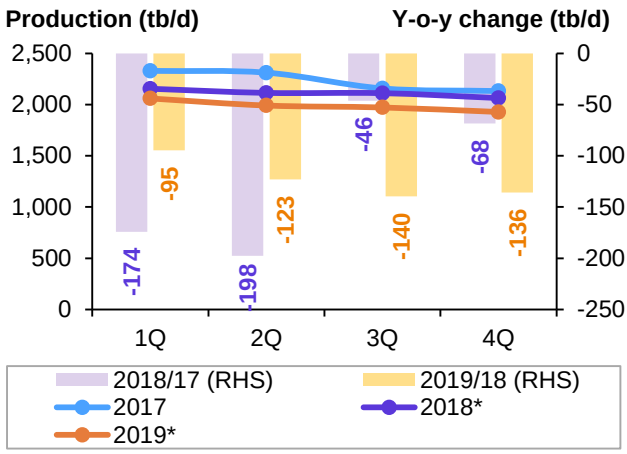
Mexico

Mexico's liquids production in 2018 is expected to decline by 0.12 mb/d to average 2.11 mb/d, less than the 0.23 mb/d drop seen in 2017.

Mexican crude oil production in May was lower y-o-y by 30 tb/d at 1,856 tb/d, weighed down by high decline rates, and while NGL output declined m-o-m to average 243 tb/d. Mexico's total liquids output in May decreased by 0.04 mb/d to reach an average of 2.11 mb/d.

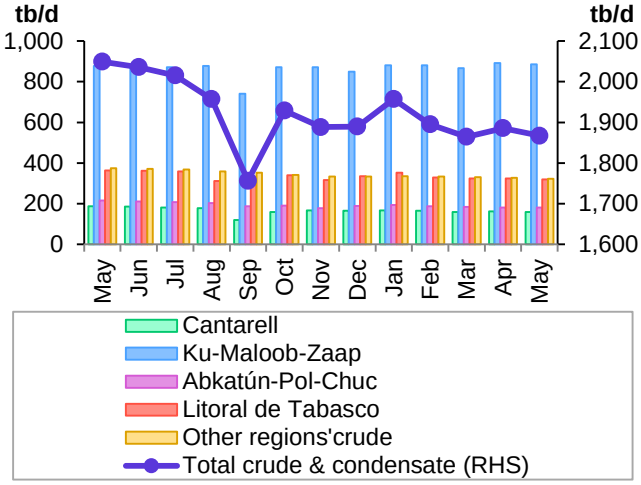
The outlook for Mexico's liquids supply in **2019** indicates a further decline of 0.12 mb/d, with annual average output at 1.99 mb/d.

Graph 5 - 14: Mexico's quarterly liquids supply



*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 15: Mexico crude and condensate monthly output by region



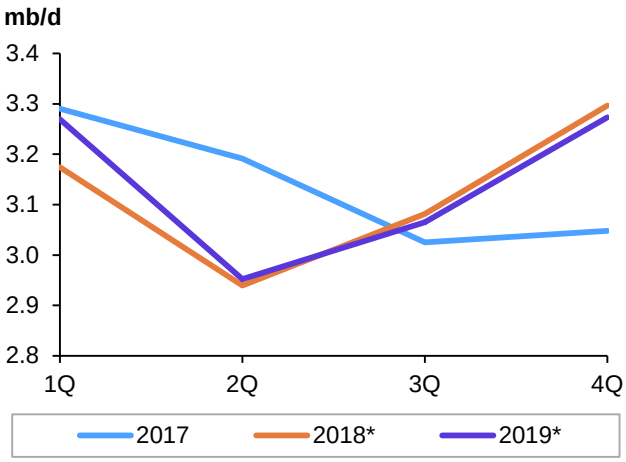
Sources: Pemex and OPEC Secretariat.

OECD Europe

Total OECD Europe oil supply, which declined by 0.03 mb/d to average 3.83 mb/d in 2017, is expected to grow by 0.03 mb/d to around 3.86 mb/d in 2018, supported by expected new field start-ups in the UK. Nevertheless, the previous forecast in June was revised down by 0.02 mb/d due to higher-than-expected outages during maintenance in May and June, compared to the previous *MOMR*.

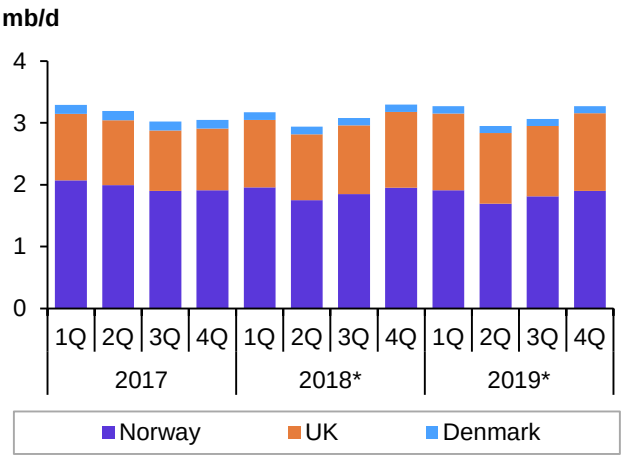
For **2019**, the supply forecast is expected to remain unchanged y-o-y, mainly due to lower output expected in the UK with an average annual level of 3.86 mb/d.

Graph 5 - 16: North Sea quarterly liquids supply



*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 17: Norway, UK and Denmark quarterly liquids supply



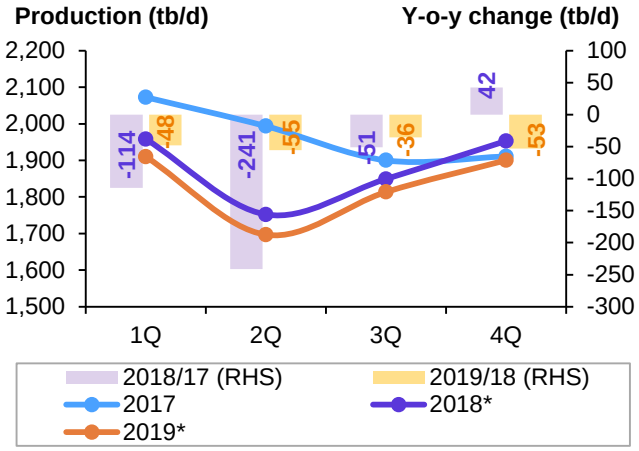
*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

Norway

Norway's oil supply for 2018 is expected to decline by 0.09 mb/d y-o-y to average 1.88 mb/d. This is revised down by 0.02 mb/d compared to the previous MOMR. Preliminary production figures for May 2018 show an average daily production of 1.63 mb/d from oil, NGLs and condensate, which indicates a drop of 0.24 mb/d compared to April. Oil production is approximately 11% lower than the forecast of the Norwegian Petroleum Directorate (NPD). According to the NPD, the main reasons that production in May was below forecast were maintenance work and technical problems at some fields. According to the seasonal pattern for maintenance, another m-o-m decline is expected for June.

For **2019**, Norway's oil supply is forecasted to see another y-o-y decline by 0.05 mb/d. Total production is expected to be around 1.83 mb/d.

Graph 5 - 18: Norway's quarterly liquids supply



*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

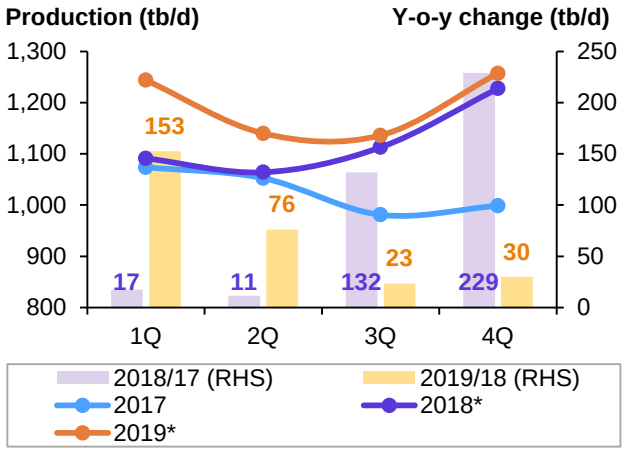
UK

The UK's oil supply is predicted to rise by 0.10 mb/d y-o-y to average 1.12 mb/d in 2018. This is revised down by 0.01 mb/d compared to the previous *MOMR*, due to the lower than expected output during 2Q18.

The UK's liquids production in May 2018 decreased by 0.13 mb/d m-o-m to average 1.02 mb/d, with crude oil accounting for 0.89 mb/d. It was also seen that crude oil output in May was lower y-o-y by 16 tb/d.

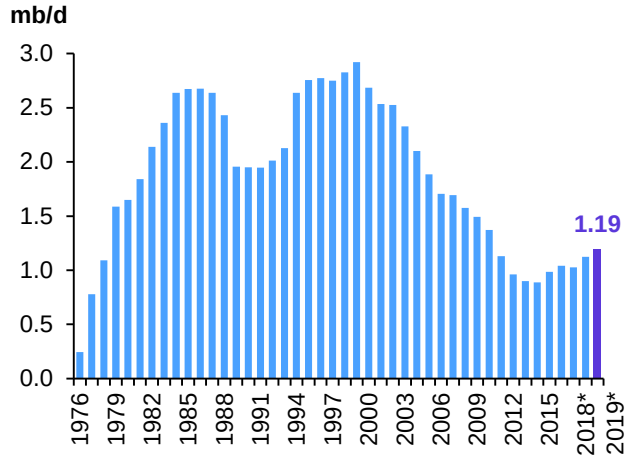
Production ramp ups in 2019 are expected to come from fields such as Catcher field, Western Isles, Clair Ridge, Beryl, Mariner and Quad 204 WoS. The UK's oil supply is expected to reach an average of 1.19 mb/d in 2018, adding 0.07 mb/d y-o-y.

Graph 5 - 19: UK quarterly liquids supply



*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 20: UK annual supply



*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

Developing Countries

The **total oil supply of developing countries (DCs) for 2018** is expected to reach an average of 11.61 mb/d, representing growth of 0.12 mb/d compared with a contraction of 0.05 mb/d in 2017.

For **2019**, with continued field development in Latin America, particularly in Brazil, and Africa, growth of 0.45 mb/d is anticipated for DCs' oil supply, with an average of 12.06 mb/d.

Table 5 - 7: Developing countries' liquids supply, mb/d

	1Q	2Q	3Q	4Q	Yearly	*Change* Y-o-y
2017	11.53	11.47	11.45	11.50	11.49	*-0.05*
2018*	11.43	11.51	11.67	11.81	11.61	*0.12*
2019*	11.88	11.95	12.06	12.35	12.06	*0.45*

*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

Other Asia

Other Asia (excluding China) oil supply (including refinery gains) has been gradually declining since 2003, while the pace of decline has picked up since 2016. Total oil supply from the region dropped by 0.10 mb/d y-o-y in 2017.

Other Asia's oil production is estimated to decline by 0.02 mb/d in **2018** to average 3.59 mb/d. However, the expected declines for this year and in 2019 are faced with downside risk unless early start-ups of new projects can be materialized. Oil output in India and Malaysia is expected to grow by a total of 0.03 mb/d, while oil production in other countries is anticipated to decline, except in Brunei, where output is likely to remain steady at 0.12 mb/d.

In **2019**, owing to production ramp ups in Malaysia (condensate), the contraction is likely to be eased. The preliminary forecast shows that oil supply in the region will remain stagnant at 3.59 mb/d.

Latin America

Latin America's oil supply for 2018 is estimated to increase by 0.13 mb/d to average 5.27 mb/d. This is revised up by 0.02 mb/d from the previous MOMR. Latin America has been the first-highest growth driver thus far in 2018 among the developing countries. Brazil is the main country in the region set to witness growth this year, at 0.15 mb/d, and also Argentina with minor grow of 0.01 mb/d to average 0.66 mb/d. Oil production in Colombia is expected to decline by 0.02 mb/d to average 0.86 mb/d. Declines are also forecast in Latin America others by 0.01 mb/d, representing yearly supply at 0.26 mb/d, while oil supply in Trinidad and Tobago remains unchanged y-o-y to average 0.10 mb/d.

For **2019**, oil supply in the region is estimated to grow by 0.35 mb/d, mainly in Brazil, with average output at 5.62 mb/d. Y-o-y declines are expected in Colombia, Argentina and Latin America others where the mature oil fields are in heavy decline and where no new fields are expected to bring additional volumes on stream. Oil production is likely to be raised in Trinidad and Tobago by 0.02 mb/d.

Brazil

Brazil's liquids supply for 2018 is expected to average 3.39 mb/d, an increase of 0.15 mb/d over the previous year. This is an upward revision of 0.01 mb/d from the previous MOMR. The growth is expected to come from production ramp ups at the Lapa field, Lula (the most growth in 2017), Parque das Baleia, Roncador-2, Sapinhoa, Tartaruga Verde & Mestica, as well as the new Libra project.

Brazil's April liquids production, based on national sources, was up by 0.05 mb/d m-o-m to average 3.24 mb/d and was also higher y-o-y by 0.09 mb/d. in the meantime, preliminary oil supply in May was also

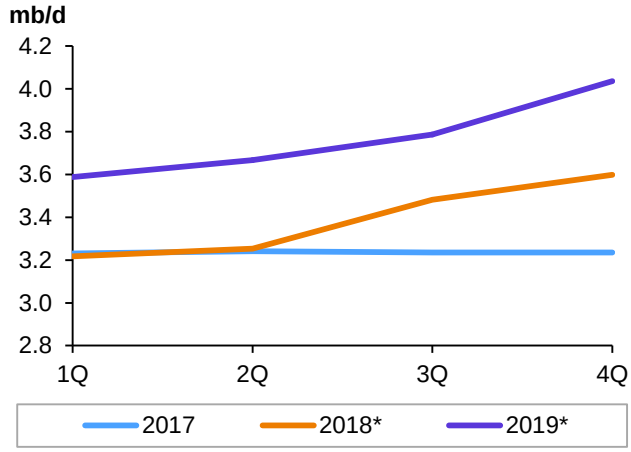
indicated a rise by 0.01 mb/d to average 3.25 mb/d, according to the Petrobras trend estimation, including 2.61 mb/d of crude oil, 0.52 mb/d of biofuels and 0.12 mb/d of NGLs. Crude oil output in the first five months of the year compared to the same period of a year ago shows a decline of 0.02 mb/d for an average of 2.60 mb/d. While y-t-d production at the Lula field increased by 0.12 mb/d vs the average for 2017, oil production declined at most fields during this interval.

Crude oil output rose in May by 17 tb/d m-o-m to average 2.61 mb/d, mainly due to increasing production at the Lula field in the Santos Basin. Petrobras, in late April, reported that the P-74 FPSO with a capacity of 150 tb/d started production at the Búzios field offshore Brazil, marking the beginning of an ambitious plan to take oil production from the current 2.62 mb/d in 2017 to 3.53 mb/d by 2022 with an additional 17 units. Búzios is the first field in production under the Transfer of Rights regime. P-74 is located about 200 km off the coast of the state of Rio de Janeiro at a water depth of 2,000 metres and is the thirteenth platform to go into operation in the Brazilian pre-salt. The top ten planned and announced pre-salt projects in Brazil will spend over $220 billion throughout their lifetime in capital and operating expenditures. These projects are Búzios I to Búzios V, Sepia, Libra Central, Lula Oeste, Carcara and Mero (Libra Noroeste), which together will contribute incremental capacity of 1.8 mb/d to global oil supply by 2025.

At the beginning of May, first oil was produced from the Atlanta field offshore Brazil. It is located in block BS-4 of the Santos Basin. Atlanta is a post-salt oil field situated 185 km from Rio de Janeiro in water depths of approximately 1,500 m (4,921 ft). Production is now from one well, but it is still in the stabilization phase. Production is expected to reach 20 tb/d of oil later in 2Q from two wells. The oil is being produced to the FPSO Petrojarl I. By adding the third well, production from Atlanta could increase by 10 tb/d for a total of 30 tb/d. Petrobras informs that it started production at the Tartaruga Verde field on 22 June in the deep waters of the Campos Basin by means of FPSO Cidade de Campos dos Goytacazes with a capacity to process daily up to 150,000 boe and 3.5 million cubic metres of gas, as well as 5 million cubic metres of gas compression. The Tartaruga Verde field has good quality oil (27º API) and is located in the southern area of Campos Basin, in the post-salt, in water depths ranging from 700 to 1,300 metres and with reservoirs that are 3,000 metres deep.

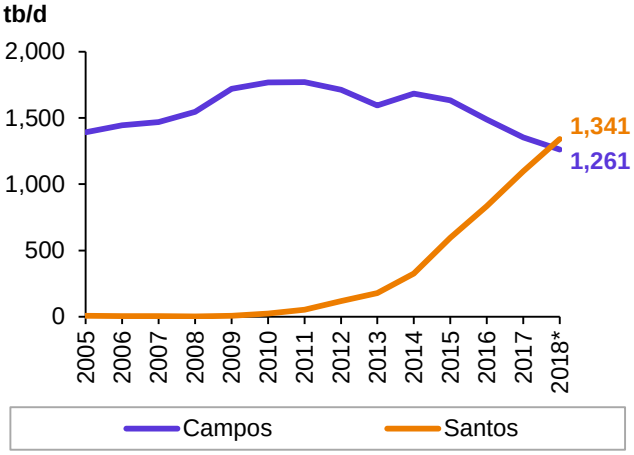
In the Campos Basin, crude oil output data in May shows that production declined by 0.26 mb/d y-o-y, representing a higher percentage in decline rate, by 18%, while it was around 14% at the beginning of 2018. As a result, Brazilian crude oil average output in the first five months of the year at 2.60 mb/d was lower by 21 tb/d compared to the same period a year ago. However, production ramp ups from the new projects implemented in 1H18 will improve production in 2H18.

Graph 5 - 21: Brazil's quarterly liquids supply, 2016-2018



*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 22: Brazil's crude oil production in Campos and Santos Basins



*Note: * 2018 = Forecast.*
Source: OPEC Secretariat.

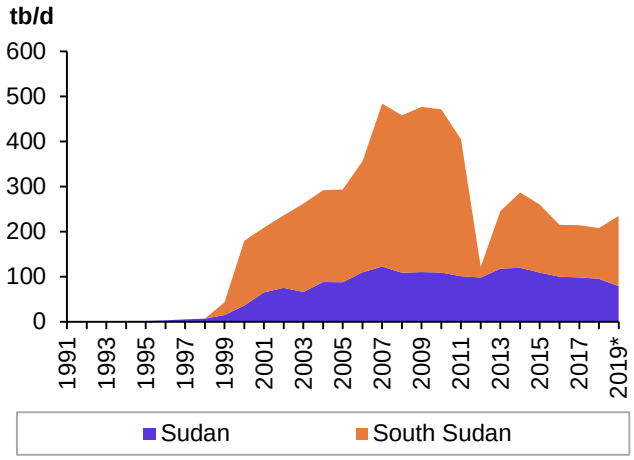
In **2019**, according to Petrobras' planning, start-ups of 10 new production units in 2018 and 2019 will bring an additional 1.2 mb/d of oil by 2022. Out of 10, oil production from two platforms with peak capacity of 300 tb/d already started in 1H18, and eight other platforms are anticipated to be materialized in 2H18 and 2019. The following are expected to start production by the end of 2019: At the Búzios field: P-75, P-76 and P-77

FPSOs; at the Lula field: P-67, P-68 and P-69; in Egina: Egina FPSO; and in Atapu: P-70. The expected share of the new supply is estimated at 0.38 mb/d (including biofuels) for 2019.

Africa

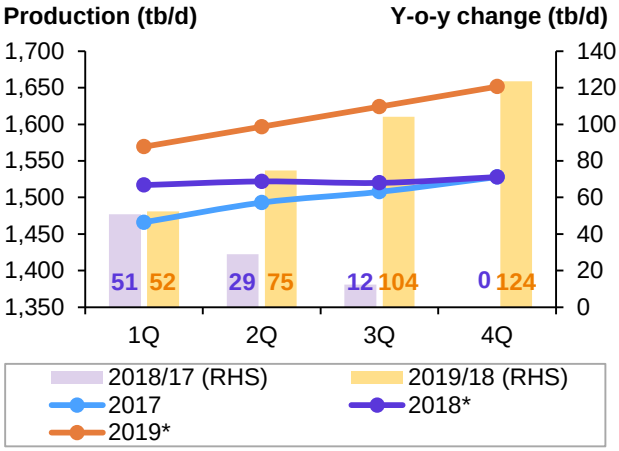
Africa's oil supply for 2018 is projected to grow by 0.02 mb/d to average 1.52 mb/d (excluding the Republic of Congo that joined OPEC on 22 June 2018). Oil production in 2018 is expected to grow only in Ghana, rising by 0.04 mb/d to average 0.20 mb/d. While production in Cameroon and Africa other will both decline by 0.01 mb/d each, production will be stagnant in Egypt, the Sudans, Chad and South Africa in 2018.

Graph 5 - 23: Sudans oil production



*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

Graph 5 - 24: African quarterly liquids supply



*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

For **2019**, oil supply in non-OPEC countries in Africa is expected to grow by 0.09 mb/d, mainly from Ghana, the Sudans and South Africa. According to secondary sources, South Sudan plans to boost oil production from the current level of 0.13 mb/d to 0.29 mb/d in the fiscal year 2018/2019, indicating a target higher than the level recorded shortly before the conflict erupted in late 2013. However, regardless of this ambitious plan, oil production in the next year is expected to increase by 0.04 mb/d to average 0.28 mb/d, including Sudan, mainly coming from re-opened fields in Unity, Toma South, Mala, the Munga fields, etc.

Ghana

Ghana's oil output for 2018 is expected to continue to rise by 0.04 mb/d to reach an average of 0.20 mb/d. Production from the integrated oil and gas development project on the Offshore Cape Three Points (OCTP) block 60 km offshore western Ghana by Eni SPA began on 22 June 2017. Production is carried out through the John Agyekum Kufuor floating production, storage, and offloading unit, which is expected to produce as much as 85 tboe/d via 18 underwater wells. Production ramp up from the 'TEN' complex not only offsets losses from the Jubilee field, but also adds new capacity.

For **2019**, oil output in Ghana is estimated to expand by 40 tb/d to reach a level of 0.24 mb/d. Oil production is expected to increase at the Jubilee Phase 1 by 27 tb/d y-o-y in 2019 to average 0.11 mb/d.

FSU

FSU oil production for 2018 is expected to grow by 0.04 mb/d to average 14.10 mb/d. This indicates an upward revision of 0.08 mb/d compared to the previous MOMR. Russia's oil output is expected to see a contraction of 0.02 mb/d in 2018 to average 11.15 mb/d. This shows an upward revision in the 2018 production forecast by 0.08 mb/d due to the expected higher production by 150 tb/d over the required level of 10.98 mb/d decided in DoC in November 2016. In 2018, oil production in Kazakhstan will grow by 0.11 mb/d to average 1.84 mb/d, while it will decline in Azerbaijan and FSU others by 0.01 mb/d and 0.03 mb/d, respectively.

For **2019**, FSU oil supply is estimated to grow by 0.04 mb/d, mainly coming from Kazakhstan (0.06 mb/d) and Russia (0.02 mb/d). Azerbaijan and FSU others both are expected to see contractions of 0.02 mb/d each.

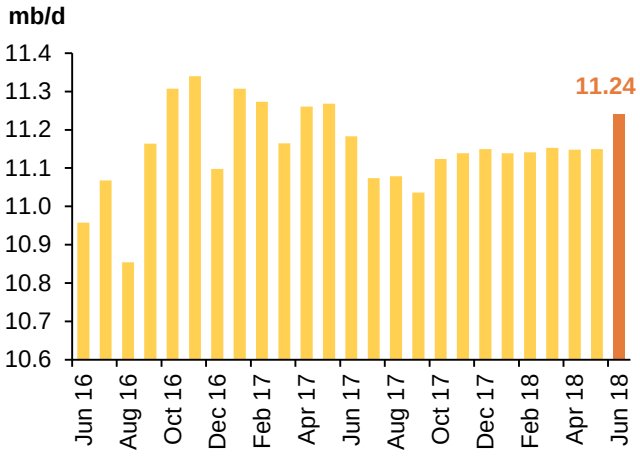
Russia

Russian oil output stood at 11.15 mb/d in May, unchanged from the previous month. However, output rose by 0.09 mb/d m-o-m in June to average 11.24 mb/d, based on preliminary data.

Liquids output in April was registered at 11.15 mb/d. Of this, crude oil output was at 10.35 mb/d and NGLs were at 0.80 mb/dl.

The **oil supply forecast for 2018** now shows a y-o-y contraction of 0.02 mb/d for an average of 11.15 mb/d, revised up by 0.08 mb/d compared to the last month's assessment. Russia's large oil companies, such as Gazprom Neft and Rosneft, have new projects starting and ramping up, with the potential to raise Russian oil output. For 2H18, Russia production, in line with the latest official announcement, is expected to average 11.13 mb/d, 150 tb/d above the required adjustment level.

Graph 5 - 25: Russia's liquids supply monthly



Sources: Ministry of Energy of the Russian Federation and OPEC Secretariat.

In **2019**, the main Russian oil companies have the potential to increase production through green field development. Incremental production of oil, NGLs and condensate could come from several projects such as Uvat, East-Siberian, Vankorneft, Messoyakha and Yamal LNG. For 2019, yearly growth of 0.02 mb/d is expected for Russian oil supply to average 11.17 mb/d.

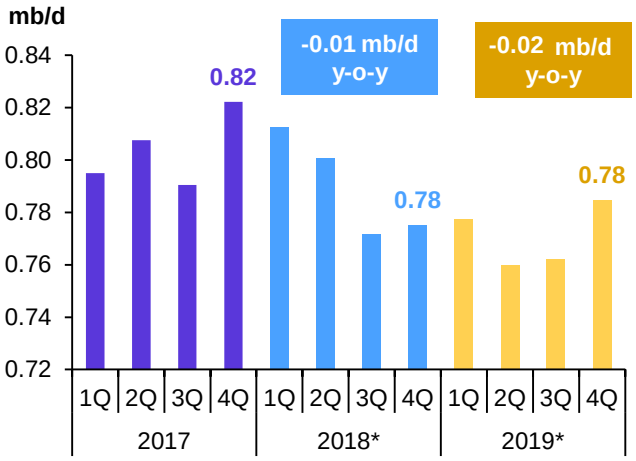
Azerbaijan

Azerbaijan crude oil output increased by 15 tb/d m-o-m to average 0.73 mb/d in May supported by the ACG complex through Central and East Azeri platforms in the Caspian, leading to a rise in liquids supply by 0.01 mb/d m-o-m to average 0.81 mb/d.

For **2018**, the country's oil supply is estimated to decline by 0.01 mb/d for an average of 0.79 mb/d.

For **2019**, oil production in Azerbaijan is forecast to decline by 0.02 mb/d for an average of 0.77 mb/d.

Graph 5 - 26: Azerbaijan liquids supply quarterly 2016-2017, and forecast for 2018



*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

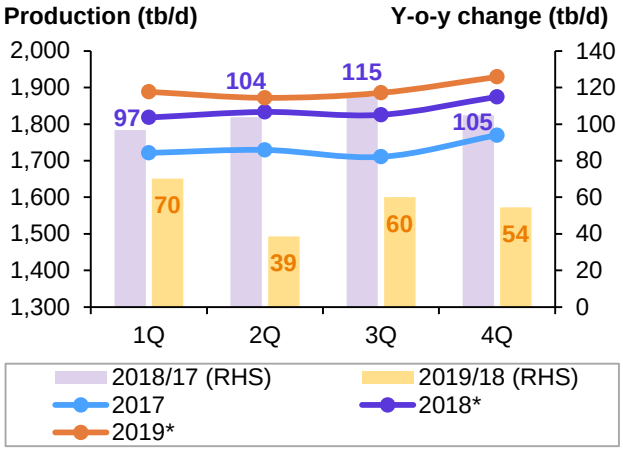
Kazakhstan

In **Kazakhstan**, the continued production ramp up at the Kashagan offshore field resulted in estimated output growth of 0.17 mb/d in 2017.

For **2018**, the country's average annual output is expected to grow by 0.11 mb/d to reach a level of 1.84 mb/d. Crude oil output increased by 23 tb/d m-o-m to average 1,585 tb/d while NGL output remained unchanged at 266 tb/d m-o-m. The recovery in crude oil output was thanks mainly to the Kashagan field's output reaching 0.3 mb/d in May for the first time. As a result, Kazakhstan liquids supply in May was pegged at 1.85 mb/d, higher by 0.02 mb/d m-o-m and up by 0.14 mb/d y-o-y.

In **2019**, oil supply, with the ongoing Kashagan field ramp up, is forecast to grow by 0.06 mb/d to reach 1.89 mb/d.

Graph 5 - 27: Kazakhstan quarterly liquids supply



*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

China

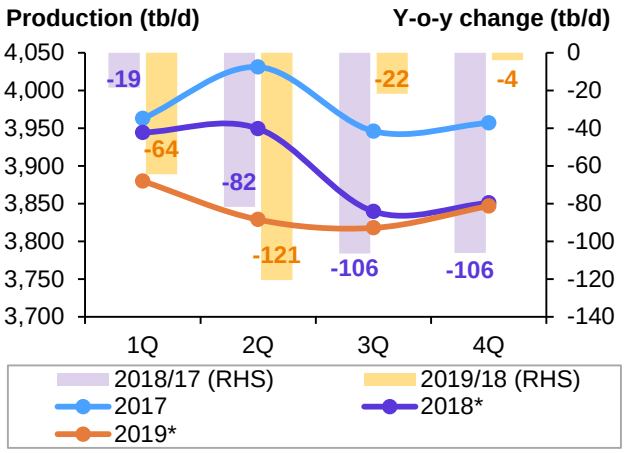
China's oil supply in 2018 is expected to decline by 0.08 mb/d over the previous year to average 3.90 mb/d.

Oil production in May was down by 0.01 mb/d m-o-m to average 3.95 mb/d, lower by 0.02 mb/d y-o-y.

Preliminary liquids production data in June shows a decline of 0.01 mb/d compared to May. Crude oil output in May 2018 fell by 13 tb/d to average 3.76 mb/d.

For **2019**, the annual decline is expected slowdown at 0.05 mb/d, with output averaging 3.84 mb/d.

Graph 5 - 28: China quarterly liquids supply



*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

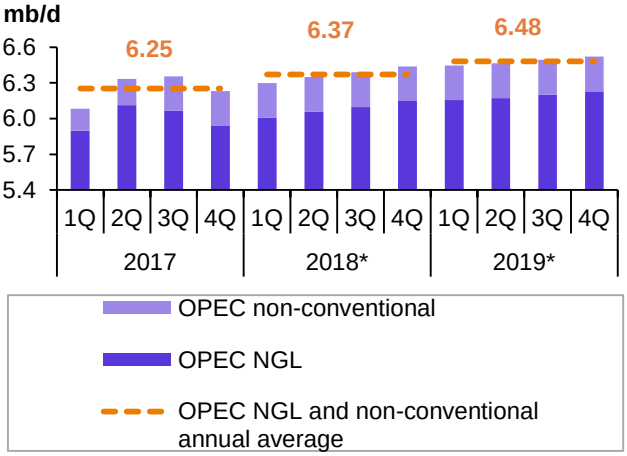
OPEC NGL and non-conventional oils

OPEC NGL and non-conventional liquids output in 2018 will grow by 0.12 mb/d to average 6.37 mb/d.

In absolute supply, OPEC NGLs increased by 17 tb/d following the Republic of the Congo joining OPEC.

In **2019**, due to the number of planned projects, growth of 0.11 mb/d y-o-y is anticipated with average output at 6.48 mb/d.

Graph 5 - 29: OPEC NGL and non-conventional liquids output



*Note: * 2018 and 2019 = Forecast.*
Sources: OPEC Secretariat.

Table 5 - 8: OPEC NGL + non-conventional oils, mb/d

	2016	2017	Change 17/16	1Q18	2Q18	3Q18	4Q18	2018*	Change 18/17	2019*	Change 19/18
Total OPEC	**6.16**	**6.25**	0.09	6.30	6.35	6.39	6.44	**6.37**	0.12	**6.48**	0.11

*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

OPEC crude oil production

According to *secondary sources*, **total OPEC-15 crude oil production** averaged 32.33 mb/d in June, an increase of 173 tb/d over the previous month. Crude oil output increased mostly in Saudi Arabia, Iraq, Nigeria, Kuwait and UAE, while production showed declines in Libya, Venezuela and Angola.

Table 5 - 9: OPEC crude oil production based on *secondary sources*, tb/d

	2016	2017	4Q17	1Q18	2Q18	Apr 18	May 18	Jun 18	*Jun/May*
Algeria	1,090	1,043	1,014	1,014	1,022	990	1,035	1,039	*4.6*
Angola	1,725	1,637	1,628	1,562	1,487	1,511	1,519	1,431	*-88.3*
Congo	221	256	298	307	326	329	319	331	*12.0*
Ecuador	545	530	525	515	519	517	520	519	*-0.9*
Equatorial Guinea	160	133	129	134	127	127	127	126	*-0.8*
Gabon	221	200	199	195	187	185	187	190	*3.5*
Iran, I.R.	3,515	3,811	3,822	3,813	3,815	3,823	3,822	3,799	*-22.7*
Iraq	4,392	4,446	4,401	4,441	4,476	4,436	4,461	4,533	*71.5*
Kuwait	2,853	2,708	2,704	2,704	2,713	2,707	2,703	2,731	*27.3*
Libya	390	817	967	991	885	981	962	708	*-254.3*
Nigeria	1,556	1,658	1,760	1,780	1,685	1,764	1,632	1,660	*27.8*
Qatar	656	607	604	593	598	589	602	603	*0.8*
Saudi Arabia	10,406	9,954	9,975	9,949	10,110	9,898	10,015	10,420	*405.4*
UAE	2,979	2,915	2,892	2,850	2,875	2,868	2,862	2,897	*35.1*
Venezuela	2,154	1,911	1,762	1,538	1,387	1,433	1,388	1,340	*-47.5*
Total OPEC	**32,864**	**32,628**	**32,681**	**32,385**	**32,212**	**32,156**	**32,154**	**32,327**	***173.4***

Notes: Totals may not add up due to independent rounding.
OPEC production figure includes the Republic of the Congo.
Source: OPEC Secretariat.

Table 5 - 10: OPEC crude oil production based on *direct communication*, tb/d

	2016	2017	4Q17	1Q18	2Q18	Apr 18	May 18	Jun 18	*Jun/May*
Algeria	1,146	1,059	1,012	1,004	1,025	979	1,040	1,054	*14.0*
Angola	1,722	1,632	1,588	1,519	1,477	1,498	1,486	1,448	*-38.0*
Congo	225	263	301	320	334	328	332	342	*10.3*
Ecuador	549	531	522	512	516	517	516	517	*1.5*
Equatorial Guinea	..	129	126	127	124	122	126	124	*-2.1*
Gabon	229	210	202	192	..	..	..	..	*..*
Iran, I.R.	3,651	3,867	3,833	3,811	3,804	3,804	3,806	3,802	*-4.0*
Iraq	4,648	4,469	4,361	4,360	4,360	4,360	4,360	4,360	*0.0*
Kuwait	2,954	2,704	2,702	2,702	2,704	2,705	2,700	2,707	*7.0*
Libya	..	..	..	..	..	..	..	..	*..*
Nigeria	1,427	1,536	1,613	1,611	1,547	1,630	1,500	1,511	*11.6*
Qatar	652	600	608	594	600	578	601	622	*21.3*
Saudi Arabia	10,460	9,959	9,977	9,942	10,128	9,868	10,030	10,489	*459.0*
UAE	3,088	2,967	2,904	2,841	2,876	2,869	2,870	2,890	*20.0*
Venezuela	2,373	2,035	1,741	1,623	1,523	1,505	1,533	1,531	*-2.0*
Total OPEC	..	..	..	..	..	..	..	..	..

Notes: .. Not available.
Totals may not add up due to independent rounding.
OPEC production figure includes the Republic of the Congo.
Source: OPEC Secretariat.

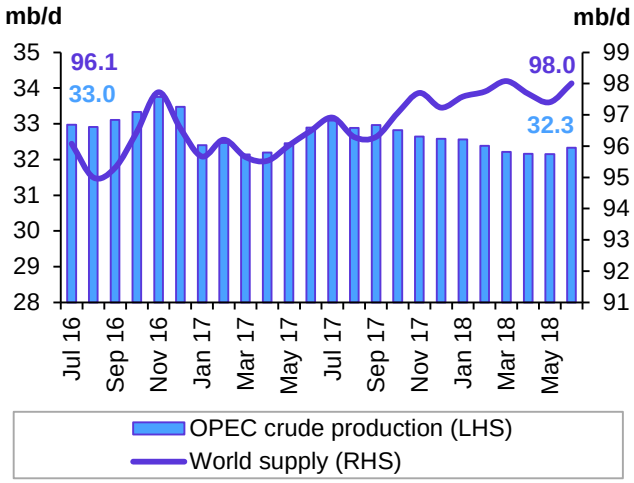
World oil supply

Preliminary data indicates that **global oil supply** increased by 0.60 mb/d to average 98.01 mb/d in June 2018, compared with the previous month.

The increase of non-OPEC supply (including OPEC NGLs) by 0.43 mb/d mainly driven by OECD as well as OPEC crude oil production by 0.17 mb/d in June led to an increase in global oil output.

The **share of OPEC crude oil in total global production** unchanged at 33.0% in June compared with the previous month. Estimates are based on preliminary data from direct communication for non-OPEC supply, OPEC NGL and non-conventional oil, while estimates for OPEC crude production are based on secondary sources.

Graph 5 - 30: OPEC and world oil supply



Source: OPEC Secretariat.

Product Markets and Refinery Operations

The impact of high crude prices witnessed recently reflected negatively on product markets in June, keeping margins and gasoline demand in all main trading hubs suppressed. In the US, the product market showed substantial losses, where pressure emerged from all across the barrel, with the exception of fuel oil.

In Europe, product markets lost some ground as pressure from poor performance at the top of the barrel outweighed gains seen at the bottom of the barrel, attributed to an arbitrage opening for diesel deliveries to Asia and continued seasonal pick-up in fuel oil demand.

Meanwhile, product markets in Asia exhibited losses with pressure linked to all main products, except for fuel oil. A strong gasoline market surplus environment coupled with slower gasoline demand from the Middle East amid high product output led to severe product market weakening.

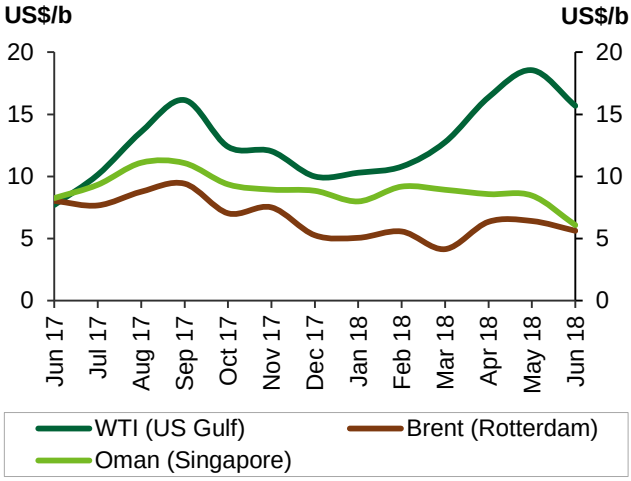
Refinery margins

In May, **US** refinery margins dropped as losses from all across the barrel registered in June totally offset gains seen in the previous month. Decline in gasoline demand along with high crude prices and the narrowing WTI vs Brent spread pressured refinery margins.

Another bullish factor stemmed from the high crude intake levels reached this month that nearly hit record high levels in the US. This development led to higher product output, further pressuring product markets in the US amid lower-than-expected product demand.

High gasoline inventories and weak refining margins, despite positive performances in the bottom of the barrel, are most likely going to pressure refinery runs from the current high levels in the coming month.

Graph 6 - 1: Refining margins



Sources: Argus Media and OPEC Secretariat.

US refinery margins for WTI averaged $15.7/b in June, down by $2.9/b m-o-m, but up by $8.0/b y-o-y.

In **Europe**, refinery margins dipped slightly, mainly due to weaker naphtha and gasoline fundamentals. As the European gasoline market is heavily dependent on exports, high crude prices exerted some pressure on demand despite firm volume requirements from Nigeria.

The European naphtha market struggled to deliver volumes to Asia as the gasoline market in that region remained oversupplied and gasoline blending component demand waned along with the tempering gasoline demand witnessed mainly in China. Moreover, during the month, high crude intake levels were registered, leading to an increase in product output and further contributing to the downside of the European product market.

On a positive note, the European fuel oil market showed significant strengthening, further extending growth after the trend reversal witnessed in the previous month. Behind this development were solid volume requirements from the Middle East as power generation demand remained seasonally strong in addition to higher demand from Pakistan. However, the gains registered at the bottom of the barrel were offset by the losses due to weak fundamentals coming from the top of the barrel. Refinery margins for Brent in Europe averaged $5.6/b in June, marginally down by 79¢ compared to a month earlier, and were lower by $2.4/b y-o-y.

Asian refinery margins fell as product markets continued to be oversupplied and exports eased further. Most of the pressure stemmed from the gasoline market as gasoline cracks plummeted to a 22-month low due to slower gasoline demand and declining export requirements from Indonesia and the Middle East.

The recently implemented new tax collection system in China incentivized independent refineries to reduce refinery runs as refining margins dropped drastically pressured by high consumption tax costs. Consequently, the inability to acquire refinery feedstocks or blending components at a discount with the recently implemented tax collection system is most likely adding to the pressure on product markets. This is expected to cause export volumes from independent refiners to remain supressed.

Another bearish factor was the high product retail prices witnessed in the region during June, which adversely affected product demand, contributing to the product supply side pressure.

The fuel oil market strengthened as robust power generation demand from the Middle East kept inventories on the low side. Refinery margins for Oman in Asia lost $2.4 m-o-m to average $6.1/b in June, which was higher by $2.4 y-o-y.

Refinery operations

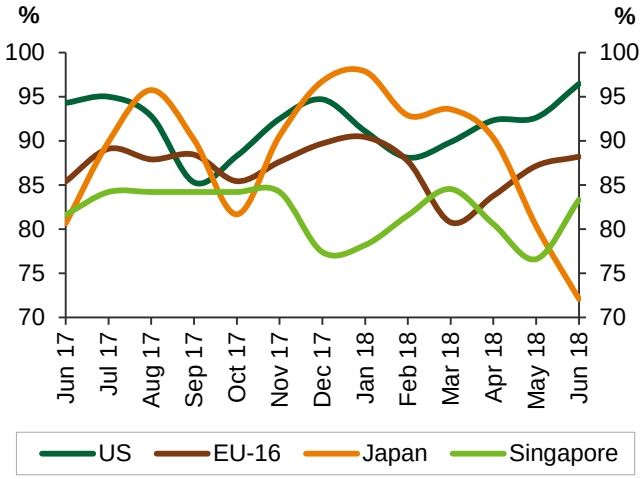
In the **US**, refinery utilization rates increased in June to average 96.9%, which corresponds to a throughput of 18.0 mb/d. This represented a rise of 4.3 pp and 837 tb/d, respectively, compared with the previous month. Y-o-y, the June refinery utilization rate was up by 2.2 pp, with throughputs showing a rise of 525 tb/d.

Looking forward, refinery throughputs are expected to come under pressure due to high gasoline stock levels, lower-than-expected product demand for this time of the year and weakening refinery margins.

European refinery utilization averaged 88.2%, corresponding to a throughput of 10.8 mb/d. This is a m-o-m rise of 6.6 pp and 326 tb/d, respectively, and y-o-y, it is up by 2.8 pp and 360 tb/d.

In **Asia**, refinery utilization in Japan continued to drop averaging 72.1% in June, corresponding to a throughput of 2.5 mb/d. Compared to the previous month, throughputs were down by 290 tb/d, and y-o-y, they were down by 300 tb/d. In China, refinery utilization rates averaged 89.0%, corresponding to a throughput of 11.6 mb/d. This is down m-o-m by 2.6 pp and 343 tb/d, respectively, and marginally down by 0.3 pp, but up 374 tb/d y-o-y. In Singapore, refinery runs averaged 83.3%, with a throughput of 1.3 mb/d. This is up m-o-m by 6.7 pp and 122 tb/d, respectively, and up by 1.7 pp and 46 tb/d y-o-y.

Graph 6 - 2: Refinery utilization rates



Sources: EIA, Euroilstock, PAJ and Argus Media.

Product markets

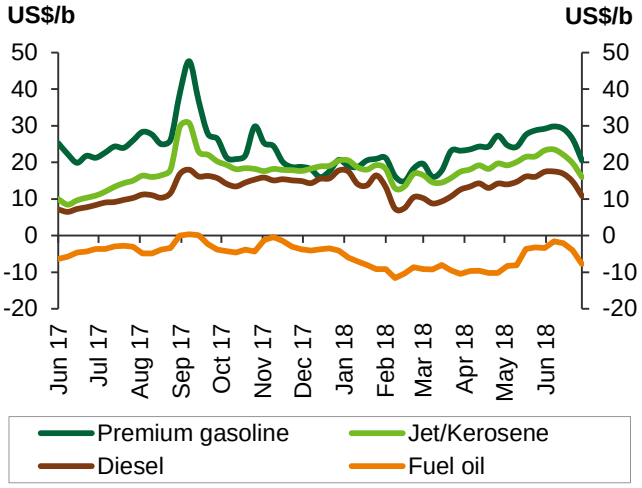
US market

US gasoline crack spreads declined, pressured by high inventory levels and slower demand. In June, gasoline stocks increased by 6.7 mb as of the week ending 22 June (latest data available), sending bearish signals to the market and thus supressing gasoline cracks. Moreover, limited exports, which declined by 43 tb as of the week ending 22 June, coupled with low arbitrage opportunities, as well as high refinery crude intakes registered during the month, further exacerbated the negative performance. In May, the US gasoline crack spread against WTI averaged $26.6/b, marginally down by 12¢ m-o-m, but up by 4.9/b y-o-y.

The **US Gulf Coast (USGC) jet/kerosene market** weakened marginally as stocks trended upwards and increased by 1.7 mb as of the week ending 22 June. Similarly, exports have followed suit as figures showed a 28 tb drop in jet fuel exports during the month as of 22 June. The US jet/kerosene crack spread against WTI averaged $20.5/b, marginally down by 60¢ m-o-m and higher by $10.7 y-o-y.

US gasoil crack spreads lost some ground pressured by high refinery output as crude intakes reached near record levels. This caused a rise in gasoil inventories, pressuring gasoil cracks and offsetting gains derived from a strong pick-up in exports. The US gasoil crack spread against WTI averaged $15.1/b, slightly down by 49¢ m-o-m and higher by $7.7 y-o-y.

Graph 6 - 3: US Gulf crack spread vs. WTI



Sources: Argus Media and OPEC Secretariat.

At the bottom of the barrel, **fuel oil crack spreads** strengthened on the back of strong drawdowns, which reflected in a 1.3 mb drop in inventory levels to settle at 31.3 mb in the week ending 22 June. In addition, healthy bunker sector fuel demand amid a seasonally tight balance and strong power generation demand provided further support. In June, the US fuel oil crack spread against WTI averaged minus $3.7/b, up by $1.6/b m-o-m and slightly higher by 96¢ y-o-y.

European market

The **gasoline market** in Europe continued to weaken in June due to high inventory levels and low arbitrage opportunities to the US as arbitrage opportunities turned economically unfavourable despite strong demand from Nigeria. Another bearish factor that contributed to additional pressure on gasoline cracks in Europe was the gasoline surplus environment in Asia. This led to a displacement of some of the Middle Eastern market share from Europe to Asia, pressuring European arbitrage volumes to the Middle East.

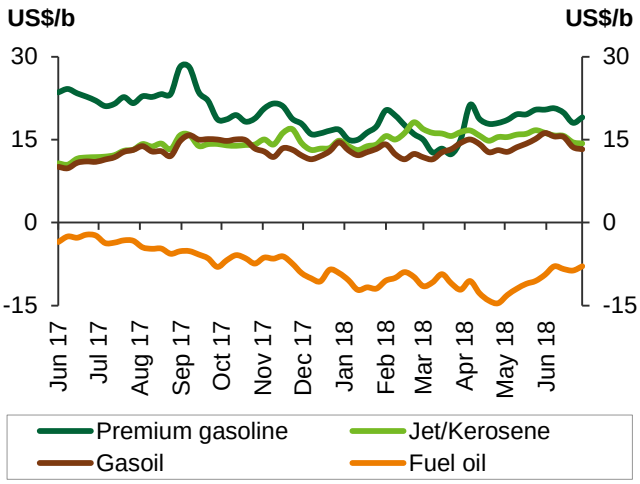
A decline in total Nigerian floating gasoline stocks, which dropped by 50 tb to 160 tb as of 26 June, points to a reduction of the storage overhang, which is expected to support European gasoline cracks in the near term.

The gasoline crack spread against Brent averaged $19.5/b in June, marginally down by 19¢ m-o-m and by $3.7 y-o-y.

The **jet/kerosene market** showed a negative performance, which can be attributed to bullish market sentiment founded on the expectation of higher regional product availability in Europe. Moreover, high product output in the US due to higher refinery intakes most likely further contributed to the downside in jet fuel cracks witnessed during the month. The Rotterdam jet/kerosene crack spread against Brent averaged $15.1/b, down by $1.0 m-o-m, but up by $3.7 y-o-y.

The **gasoil market** strengthened marginally, supported by a short-lived arbitrage opening to Asia on favourable economics. In addition, flow disruptions of gasoil volumes to inland markets caused by declining water levels in one of Europe's key shipping channels, the Rhine river, hindered fuel transport, thus providing further support. As a result of higher inland demand and low stock levels, future prices for gasoil flipped from backwardation to contango. Brent averaged $14.6/b, which was 13¢ higher m-o-m and $3.9 higher y-o-y.

Graph 6 - 4: Rotterdam crack spreads vs. Brent



Sources: Argus Media and OPEC Secretariat.

At the bottom of the barrel, the **fuel oil 3.5% crack spread** continued to strengthen on the back of a seasonal pick-up in power generator demand in the Middle East due to higher home cooling requirements.

Furthermore, an uptick in fuel oil demand from Pakistan, higher demand from cruise ships along with operational shifts to bitumen production contributed to the positive performance witnessed in June. In Europe, fuel oil cracks averaged minus $11.5/b in June, gaining $2.7 m-o-m, but losing $4.7 y-o-y.

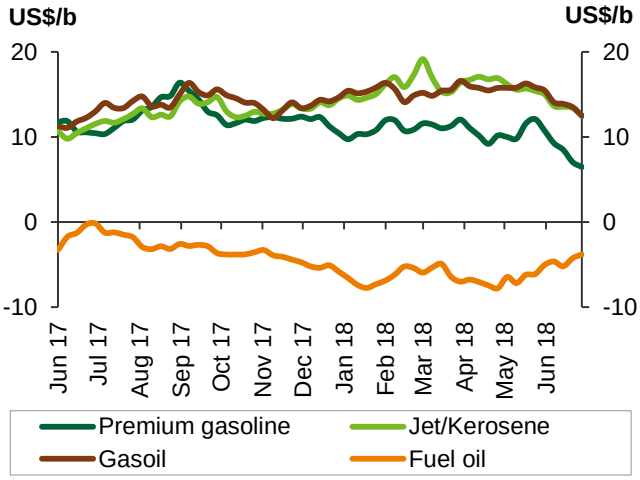
Asian market

The **Asian gasoline 92 market** weakened in June as cracks showed a trend reversal and declined steeply to levels not seen since July 2016. The poor performance is attributed to the oversupplied regional gasoline market observed in the recent months driven by slower demand in Indonesia and Saudi Arabia. Additionally, strong gasoline stock builds most likely contributed to pressure on gasoline prices, which fell by $3.8 in June and further weighed on gasoline cracks. The Singapore gasoline 92 crack spread against Oman averaged $7.9/b, down by $3.2 m-o-m and by $3.1 y-o-y.

The **Singapore light distillate naphtha crack spreads** switched again to negative territory in June for the third time this year to reach a 22-month low. The Singapore naphtha crack spread against Oman averaged minus $2.7/b, down by $3.2 m-o-m and by $1.3 y-o-y.

The **jet/kerosene market** lost some ground, pressured by high inventory levels and higher retail prices. This resulted in a negative impact on jet fuel demand in June compared to the previous month amid positive growth on a yearly basis. A seasonal pick-up in jet/kerosene demand during the summer season in and outside the region is expected to open up more export opportunities from Asia as well as provide some support to the jet/kerosene crack in the near term. On the other hand, a rise in refinery output from the most recent CDU capacity additions at Vietnam's Nghi Son refinery could offset some of the expected gains.

Graph 6 - 5: Singapore crack spreads vs. Oman



Sources: Argus Media and OPEC Secretariat.

The Singapore jet/kerosene crack spread against Oman averaged $13.3/b, down by $2.4/b m-o-m, but higher by $2.6 y-o-y.

Asian gasoil crack spreads declined due to pressure by high refinery intakes and slower demand from India. Despite the disappointing regional demand from the transport sector, firm demand from the industrial sector contributed to keeping yearly gasoil crack gains in positive territory. As the most recent batch of export quotas was awarded only to the state owned refineries, export volumes from the majors are expected to increase, assuming open arbitrage opportunities in the near future. The Singapore gasoil crack spread against Oman averaged $13.5/b, down by $2.6 m-o-m, but higher by $1.6 y-o-y.

The **Singapore fuel oil crack spread** against Oman strengthened on higher fuel oil demand amid lower output as independent refiners shifted feedstock preferences to fuel oil in order to pass on the consumption tax enforced by the new tax invoicing system implemented on 1 May in China. As a result, high crude import costs have prompted Chinese independent refiners to crack fuel oil through continuous reformers instead of processing crude. In May, fuel oil imports from the teapots increased by 219% m-o-m, and China's Rongsheng petrochemical plant alone has been importing an estimated 1.3-2.0 mb/d from the Middle East.

The Singapore fuel oil crack spread against Oman averaged minus $4.5/b, up by $1.7 m-o-m but lower by $3.4 y-o-y.

Table 6 - 1: Short-term prospects in product markets and refinery operations

Event	Time frame	US	Europe	Asia	Observations
OPEC's decision	2H18	↑ High impact on product markets.	↑ High impact on product markets.	↑ High impact on product markets.	With full conformity, product demand will likely be supported and product markets could strengthen.
US-China trade war	July	↑ Some impact on refining margins. China is the third-largest buyer of US propane (140 tb/d) after Japan and Mexico. This may pressure petrochemical margins, yet support naphtha markets and refining margins.	↑ Some impact on refining margins. China may alternatively resort to Europe, FSU, Algeria for replacement petrochemical feedstock.	↓ Some impact on petrochemical margins. US crude market could face temporary downward pressure.	China's UNIPEC, the largest US crude buyer (320 tb/d) in Asia, will face pressure.
Subsidy renewals in Asia	3Q18	↑ Some impact on refining margins.	-	-	Renewal of subsidies in Thailand, Indonesia and Malaysia may provide some support on fuel demand as customers are shielded from the negative impacts of rising crude prices.
New tax procedure in China	3Q18	↓ High impact on refining margins despite support on fuel oil cracks.	-	-	Improvements in tax collection systems have increased after tax costs, placing teapots under financial scrutiny.
CDU additions	2Q18-3Q18	↓ High impact on refining margins.	↓ High impact on refining margins.	-	The new 400 tb/d Hengli refinery took 1.9 mb of Saudi crude and is set to begin operations in October. This will support crude markets in that region.
Low gasoline demand	3Q17	↓ High impact on refining margins.	↓ High impact on refining margins.	↓ High impact on refining margins.	Lower-than-expected demand, a currently oversupplied gasoline environment and weak refining margins will most likely pressure refinery crude intakes.

Source: OPEC Secretariat.

Table 6 - 2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	Apr 18	May 18	Jun 18	*Change* Jun/May	Apr 18	May 18	Jun 18	*Change* Jun/May
US	**17.03**	**17.20**	**18.04**	**0.84**	**92.33**	**92.63**	**96.91**	**4.3 pp**
Euro-16	**10.74**	**10.44**	**10.77**	**0.33**	**84.90**	**81.58**	**88.21**	**6.6 pp**
France	0.99	0.75	1.02	0.26	79.00	60.23	81.16	20.9 pp
Germany	1.83	1.78	1.93	0.15	83.78	81.26	88.12	6.9 pp
Italy	1.38	1.33	1.52	0.19	67.45	65.00	74.47	9.5 pp
UK	1.07	1.00	1.01	0.00	81.80	76.24	76.54	0.3 pp
Japan	**3.18**	**2.83**	**2.54**	**-0.29**	**90.33**	**80.36**	**72.11**	**-8.25 pp**

Sources: EIA, Euroilstock, Petroleum Association of Japan and OPEC Secretariat.

Table 6 - 3: Refinery crude throughput, mb/d

	2015	2016	2017	2Q17	3Q17	4Q17	1Q18	2Q18*
Total OECD	**37.72**	**37.50**	**38.19**	**38.26**	**38.50**	**38.35**	**37.69**	**38.03**
OECD Americas	**19.01**	**18.78**	**19.10**	**19.80**	**19.03**	**19.00**	**18.80**	**19.67**
of which US	16.43	16.51	16.88	17.42	16.89	17.01	16.75	17.42
OECD Europe	**12.11**	**11.94**	**12.27**	**12.03**	**12.66**	**12.40**	**11.93**	**12.03**
of which:								
France	1.17	1.14	1.17	1.14	1.22	1.23	1.12	0.92
Germany	1.91	1.93	1.91	1.77	1.97	1.97	1.89	1.85
Italy	1.35	1.30	1.40	1.34	1.48	1.45	1.35	1.41
UK	1.14	1.09	1.10	1.11	1.13	1.09	0.93	1.02
OECD Asia Pacific	**6.60**	**6.78**	**6.82**	**6.43**	**6.80**	**6.95**	**6.97**	**6.33**
of which Japan	3.26	3.28	3.23	2.99	3.24	3.19	3.33	2.85
Total Non-OECD	**40.64**	**41.33**	**42.05**	**41.37**	**42.06**	**43.05**	**42.74**	**43.15**
of which:								
China	10.44	10.77	11.35	11.00	11.27	11.92	11.75	11.86
Middle East	6.69	6.92	7.03	7.06	7.12	7.20	6.99	7.14
Russia	5.64	5.58	5.59	5.46	5.62	5.64	5.78	5.68
Latin America	4.91	4.59	4.48	4.42	4.50	4.47	4.35	4.39
India	4.56	4.93	4.98	4.89	4.82	5.21	5.19	5.07
Africa	2.12	2.10	2.09	2.05	2.10	2.02	2.10	2.18
Total world	**78.36**	**78.83**	**80.24**	**79.63**	**80.56**	**81.40**	**80.44**	**81.18**

*Note: * Includes OPEC Secretariat's estimates.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat, Jodi, AFREC, APEC, EIA, IEA, Euroilstock, Petroleum Association of Japan, Ministry data, including Ministry of Energy of the Russian Federation, Ministry of Petroleum and Natural Gas of India.

Table 6 - 4: Refined product prices, US$/b

		May 18	Jun 18	Change Jun/May	Year-to-date 2017	Year-to-date 2018
US Gulf (Cargoes FOB):						
Naphtha*		77.04	74.02	-3.02	55.09	69.01
Premium gasoline	*(unleaded 93)*	96.63	94.32	-2.31	74.42	88.23
Regular gasoline	*(unleaded 87)*	90.91	87.20	-3.71	68.57	82.27
Jet/Kerosene		91.00	88.21	-2.79	66.07	83.97
Gasoil	*(0.2% S)*	85.51	82.83	-2.68	62.31	78.81
Fuel oil	*(3.0% S)*	52.55	63.52	10.97	47.05	55.41
Rotterdam (Barges FoB):						
Naphtha		73.73	69.92	-3.81	53.66	66.61
Premium gasoline	*(unleaded 98)*	96.58	93.71	-2.87	75.13	88.12
Jet/Kerosene		93.03	89.30	-3.73	66.84	86.09
Gasoil/Diesel	*(10 ppm)*	91.30	88.75	-2.55	66.35	83.96
Fuel oil	*(1.0% S)*	65.69	65.94	0.25	48.71	59.71
Fuel oil	*(3.5% S)*	62.64	62.70	0.06	44.31	56.57
Mediterranean (Cargoes FOB):						
Naphtha		73.32	69.53	-3.79	52.81	66.11
Premium gasoline**		87.54	85.08	-2.46	66.56	79.89
Jet/Kerosene		90.80	87.45	-3.35	65.12	84.07
Diesel		91.45	88.17	-3.28	66.92	83.82
Fuel oil	*(1.0% S)*	66.57	67.38	0.81	49.55	60.92
Fuel oil	*(3.5% S)*	63.80	64.27	0.47	46.18	57.97
Singapore (Cargoes FOB):						
Naphtha		74.66	70.89	-3.77	54.04	67.24
Premium gasoline	*(unleaded 95)*	87.60	83.53	-4.07	68.01	80.90
Regular gasoline	*(unleaded 92)*	85.29	81.50	-3.79	65.43	78.38
Jet/Kerosene		89.93	86.91	-3.02	65.32	83.67
Gasoil/Diesel	*(50 ppm)*	90.27	87.12	-3.15	66.33	83.22
Fuel oil	*(180 cst)*	68.06	69.15	1.09	49.67	61.85
Fuel oil	*(380 cst 3.5% S)*	67.07	56.56	-10.51	49.24	61.05

*Note: * Barges.*
*** Cost, insurance and freight (CIF).*
Sources: Argus Media and OPEC Secretariat.

Tanker Market

In June, crude oil tanker market sentiment strengthened slightly as average spot freight rates increased on most reported routes, albeit at varying levels. On average, dirty tanker freight rates were up by 3% from the month before. Average spot freight rates for VLCC and Suezmax in June rose by WS5 points and WS2 points, respectively, from the previous month. Aframax rates remained flat.

Despite a high number of fixtures seen in the VLCC market, average dirty spot freight rate gains were limited, as the gains, registered mostly in the East, were offset by the high spot vessel supply, with the excess of ships estimated at 20%.

Suezmax and Aframax freight rates benefited from the firm market in the Caribbean. However, a decline in loading requirements in the Mediterranean led to a flattening in the average rates. Clean tanker spot freight rates also evolved negatively in June as medium range (MR) tanker freight rates declined on all routes bar one; the only exception being Middle East-to-East fixtures.

Spot fixtures

Global spot fixtures increased in June by 4% m-o-m. The gains came mainly on the back of higher fixtures registered for all reported destinations bar one. The exception was for fixtures registered on the Middle East-to-West, which dropped by 0.04 mb/d.

For the other destinations, namely OPEC, Middle East-to-East and outside of the Middle East, the increase was 7%, 8% and 9%, m-o-m, respectively.

Table 7 - 1: Spot fixtures, mb/d

	Apr 18	May 18	Jun 18	*Change* Jun 18/May 18
All areas	**19.59**	**20.38**	**21.20**	**0.82**
OPEC	13.55	13.52	14.45	0.93
Middle East/East	6.87	7.13	7.70	0.57
Middle East/West	2.47	2.17	2.13	-0.04
Outside Middle East	4.20	4.23	4.63	0.40

Sources: Oil Movements and OPEC Secretariat.

Sailings and arrivals

OPEC sailings rose in June, increasing from the previous month by 0.4%. The same increase was also registered on a y-o-y.

According to preliminary data, **arrivals** to North America and West Asia increased by 1.3 mb/d and 0.09 mb/d, respectively, compared to the previous month. Arrivals to the Far East and Europe declined by 3% and 4%, respectively, compared to the previous month.

Table 7 - 2: Tanker sailings and arrivals, mb/d

	Apr 18	May 18	Jun 18	Change Jun 18/May 18
Sailings				
OPEC	24.38	24.41	24.51	0.10
Middle East	17.69	17.71	17.81	0.10
Arrivals				
North America	9.37	8.40	9.71	1.31
Europe	12.43	11.84	11.34	-0.50
Far East	8.57	9.22	8.91	-0.31
West Asia	4.48	4.46	4.55	0.09

Sources: Oil Movements and OPEC Secretariat.

Dirty tanker freight rates

Very large crude carrier (VLCC)

VLCC spot freight rates started the month of June with stable activity as a steady flow of loading requirements were seen on all major trading routes. This, combined with a relative tightening in the vessels supply mainly in the East, gave support to freight rates, although gains were minor.

The VLCC market saw increased activity thereafter, much of it on the USGC-to-Caribbean routes. In the Middle East and West Africa, tonnage demand increased during the month. Nevertheless, freight rate improvements were minor as the tonnage availability remains high. Tonnage excess was at 20%, thus not allowing freight rates to register any significant or continuous gains. The absence of major delays or weather disruptions also put further pressure on tanker freight rates, in general.

On average, VLCC spot freight rates rose by only WS5 points in June, compared with a month before, to stand at WS41 points.

VLCC Middle East-to-East spot freight rates rose by 16% m-o-m in June to stand at WS51 points. Similarly, spot freight rates registered for tankers trading on the West Africa-to-East route rose by 15% m-o-m to average WS52 points. VLCC spot freight rates on the Middle East-to-West route also showed an increase from one month before, up by WS3 points to stand at WS22 points. This was primarily due to slightly improved tonnage demand.

Table 7 - 3: Dirty VLCC spot tanker freight rates, Worldscale (WS)

	Size *1,000 DWT*	Apr 18	May 18	Jun 18	Change Jun 18/May 18
Middle East/East	230-280	41	44	51	7
Middle East/West	270-285	20	19	22	3
West Africa/East	260	42	45	52	7

Sources: Argus Media and OPEC Secretariat.

Suezmax

Average spot freight rates in Suezmax saw slightly thinner gains than the VLCC sector in June, with a rise of only 3% on average compared with the previous month, to stand at WS61 points.

Suezmax freight rates increased slightly despite the continuous over supply of ships. In the Black Sea, the Suezmax market was mostly quiet and inactive. While in the Caribbean, Suezmax reflected higher demand, partially due to support from a firming Aframax market. Freight rates were not supported by demand from the East as most fixtures, mainly in West Africa, were fixed for discharge in the West, mainly Northwest Europe (NWE).

Suezmax freight rates towards the end of the month were steady, holding the moderate gains that had already been achieved. The clearance in the overhang of vessels in West Africa supported freight rates there.

Freight rates registered for tankers operating on the West Africa-to-USGC route increased by 5% to WS65 points, compared to the month before.

Spot freight rates on the NWE-to-USGC route ended the month with a slight increase of WS1 point to stand at WS57 points.

Table 7 - 4: Dirty Suezmax spot tanker freight rates, WS

	Size *1,000 DWT*	Apr 18	May 18	Jun 18	*Change* Jun 18/May 18
West Africa/US Gulf Coast	130-135	54	62	65	3
Northwest Europe/US Gulf Coast	130-135	48	56	57	1

Sources: Argus Media and OPEC Secretariat.

Aframax

Aframax average spot freight rates were flat in June as a result of mixed performance from different routes. Spot freight rates in the Caribbean showed notable gains from the previous month, supported by requirements for lighterage operations and transatlantic loading.

On average, Caribbean-to-US East Coast (USEC) spot freight rates showed growth of 26%, to stand at WS137 points, compared to May. Aframax freight rates on the Indonesia-to-East route also rose, albeit slightly, up by 1% m-o-m, to average WS95 points.

Table 7 - 5: Dirty Aframax spot tanker freight rates, WS

	Size *1,000 DWT*	Apr 18	May 18	Jun 18	*Change* Jun 18/May 18
Indonesia/East	80-85	84	94	95	1
Caribbean/US East Coast	80-85	97	109	137	29
Mediterranean/Mediterranean	80-85	80	110	93	-17
Mediterranean/Northwest Europe	80-85	74	101	86	-14

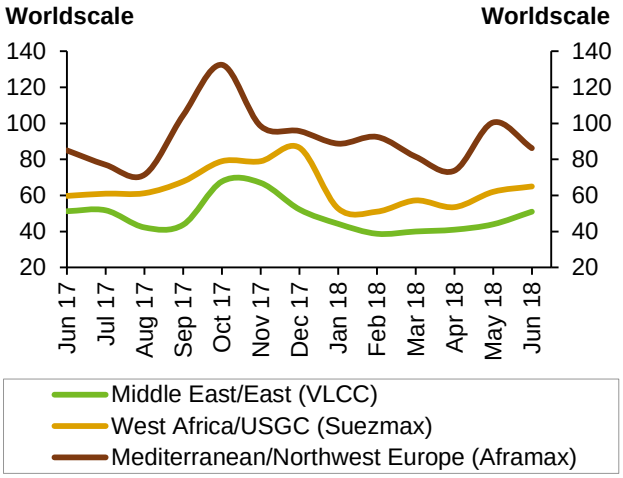
Sources: Argus Media and OPEC Secretariat.

In the Mediterranean, an increase in the number of ballasters in the area caused spot freight rates to drop, reversing the gains achieved in the previous month. Furthermore, limited inquiries drove the freight rates down, and cancellation of orders on the back of force majeure in some ports also added to the length of the tonnage list.

Therefore, spot freight rates on the Mediterranean-to-Mediterranean and Mediterranean-to-NWE routes dropped by 15% and 14%, respectively, from the previous month, to stand at WS93 points and WS86 points.

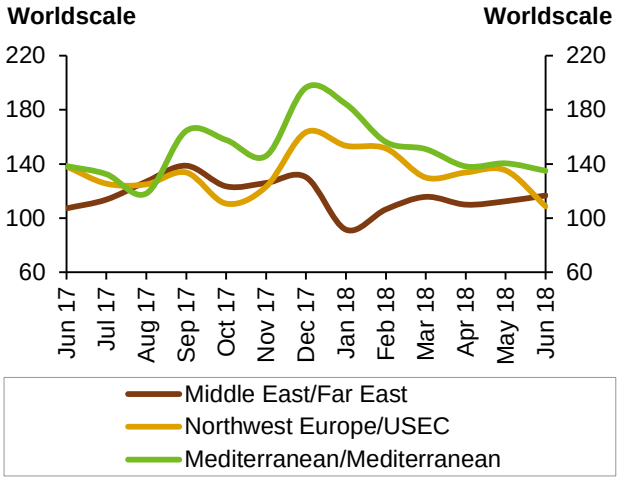
Aframax rates in the North Sea and the Baltic reached a bottom at the beginning of the month, as a result of constant pressure from charterers. For the remainder of the month, rates in the area remained at low levels, despite improvements, as a result of the uncertainty surrounding the itineraries of some vessels, due to some delays.

Graph 7 - 1: Crude oil spot tanker freight rates, monthly average



Sources: Argus Media and Platts.

Graph 7 - 2: Products spot tanker freight rates, monthly average



Sources: Argus Media and OPEC Secretariat.

Clean tanker freight rates

Clean tanker spot freight rates dropped in June as freight rates edged down on most reported routes, compared to the month previous.

In the **East of Suez**, long-range (LR) freight rates at the beginning of June generally maintained the same low rates witnessed the previous two months. Freight rates for medium-range (MR) vessels in the East remained primarily unchanged as the market was mostly quiet, with a limited amount of inquiries, in general.

Nevertheless, spot freight rates in the Middle East did see minor growth, as rates for tankers operating on the Middle East-to-East route rose by 4%, to average WS117 points, which was the only positive average gain in June.

MR vessel spot rates in the Far East, mainly on short haul voyages, dropped steadily. This led to rates for the Singapore-to-East route dropping by 7% to average WS124 points, compared with the previous month.

Table 7 - 6: Clean spot tanker freight rates, WS

	Size *1,000 DWT*	Apr 18	May 18	Jun 18	*Change* Jun 18/May 18
East of Suez					
Middle East/East	30-35	110	113	117	4
Singapore/East	30-35	141	133	124	-9
West of Suez					
Northwest Europe/US East Coast	33-37	134	135	109	-27
Mediterranean/Mediterranean	30-35	138	141	135	-6
Mediterranean/Northwest Europe	30-35	145	151	145	-6

Sources: Argus Media and OPEC Secretariat.

In the **West of Suez**, the product tanker chartering market was mostly uneventful, with rates for different segments of the market declining. Spot freight rates softened on all reported routes in the West of Suez as activity levels were depressed. The MR tanker market had a positive performance during the first week of the June, but the positive momentum faded rapidly as the spot tonnage availability built. Spot freight rates in different key loading areas were under pressure in June, including the NWE, the Black Sea and the Mediterranean.

On average, freight rates for tankers trading on the NWE-to-USEC route dropped by 20%, or WS27 points, to average WS109 points. Freight rates seen on the Mediterranean-to-Mediterranean and Mediterranean-to-NWE routes fell by 4% each, to average WS135 points and WS145 points, respectively.

Oil Trade

In June, preliminary data showed that US crude oil imports rose by 593 tb/d from the previous month to average 8.4 mb/d. On an annual basis, US crude imports were 425 tb/d higher from a year before. With regard to US crude exports, they reached a record-high level of 2.4 mb/d in June, as per preliminary data. US product imports increased by 216 tb/d m-o-m, or 9%, to average 2.2 mb/d in June. Y-o-y they dropped by 22 tb/d, or 1%. US product exports in June fell by 248 tb/d m-o-m, or 5%, to average 5.2 mb/d.

Japan's crude oil imports dropped by 240 tb/d, or 7%, in May to average 3 mb/d, the lowest level since October 2017. On the other hand, Japan's product imports showed an increase of 125 tb/d m-o-m, to average 624 tb/d.

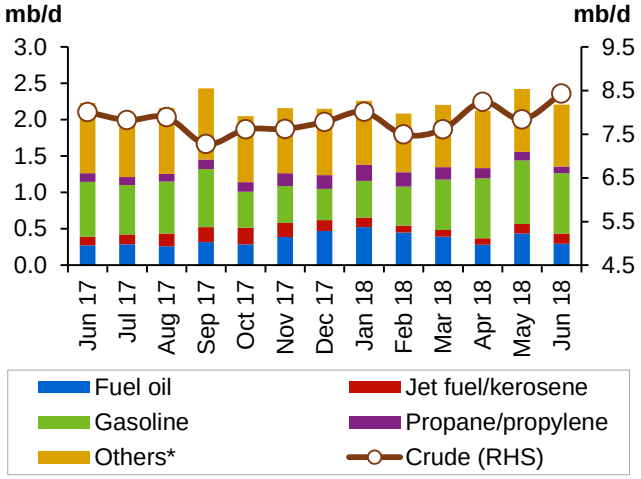
In May, China's crude oil imports dropped by 400 tb/d, or 4%, compared to the previous month, to average 9.24 mb/d. On an annual basis, China's crude imports were up 460 tb/d, or 5%.

In May, India's crude imports averaged 4.7 mb/d, up 471 tb/d, or 11%, from the previous month. Annually, crude imports were up 460 tb/d, or 11%. Product imports dropped by 52 tb/d, or 6%, from a month earlier to average 810 tb/d y-o-y, and showed a slight increase of 4 tb/d or 1% y-o-y.

US

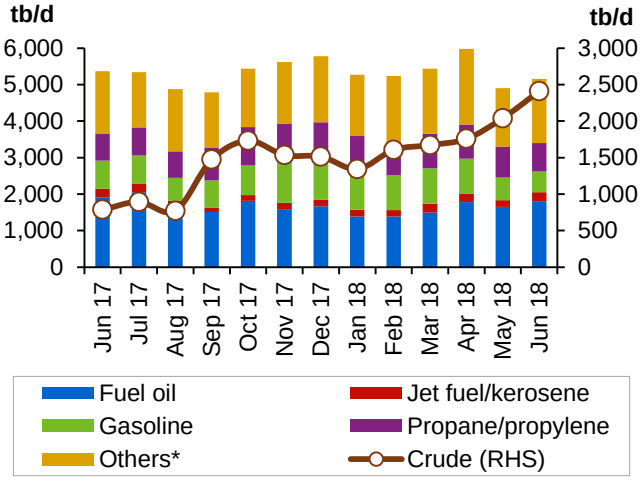
According to preliminary data for June, **US crude oil imports** rose by 593 tb/d from the previous month to average 8.4 mb/d. On an annual basis, US crude imports were 425 tb/d higher from a year before.

Graph 8 - 1: US imports of crude and petroleum products



*Note: * 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. Sources: US EIA and OPEC Secretatiat.*

Graph 8 - 2: US exports of crude and petroleum products



*Note: * 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. Sources: US EIA and OPEC Secretatiat.*

With regard to **US crude exports,** they reached a record-high level of 2.4 mb/d in June, as per preliminary data.

US products imports increased by 216 tb/d m-o-m, or 9%, to average 2.2 mb/d. Y-o-y they dropped by 22 tb/d, or 1%.

US product exports in June fell by 248 tb/d m-o-m, or 5%, to average 5.2 mb/d. On an annual basis, the figures show a drop of 209 tb/d, or 4%.

As a result, **total net US imports** averaged 3.1 mb/d, which is a drop of 241 tb/d m-o-m and 1.1 mb/d y-o-y.

Table 8 - 1: US crude and product net imports, tb/d

	Apr 18	May 18	Jun 18	*Change* Jun 18/May 18
Crude oil	6,488	5,802	6,025	223
Total products	-3,854	-2,482	-2,945	-463
Total crude and products	**2,634**	**3,320**	**3,079**	**-241**

Sources: US Energy Information Administration and OPEC Secretariat.

Regarding **crude suppliers to the US**, Canada remained the top supplier to the US in April, accounting for 45% of total US crude imports. Canada's crude exports to the US were up by 6%, or 199 tb/d, compared to the previous month. Saudi Arabia was the second largest supplier to the US with an 11% share of total crude imports, closely followed by Iraq at 10%. Imports from Saudi Arabia were 138 tb/d higher m-o-m, while imports from Iraq were up by 122 tb/d. Crude imports from OPEC Member Countries rose in April by 712 tb/d, or 28%, compared to the previous month. Imports from OPEC Member Countries accounted for 39% of total US crude imports.

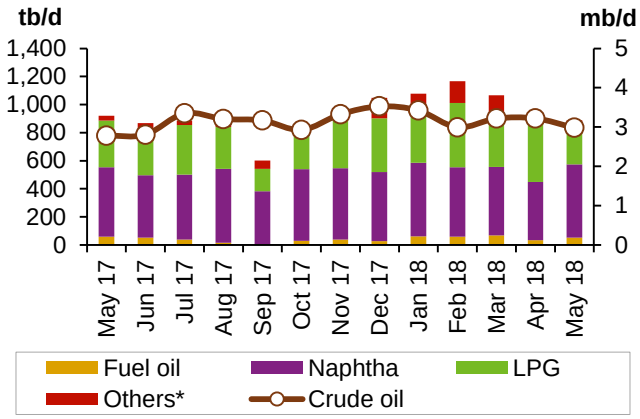
US product imports from OPEC Member Countries dropped by 23 tb/d compared to a month before to stand at 301 tb/d, which represents a 14% share of total US product imports. In terms of the product supplier share, Canada and Russia maintained their position as first and second supplier to the US with shares of 25% and 10%, respectively. However, imports from both countries were lower than the previous month by 121 tb/d and 86 tb/d, respectively. India was the third largest product supplier to the US, up by 65 tb/d from the previous month.

Japan

Japan's crude oil imports dropped in May by 240 tb/d, or 7%, to average 3 mb/d, the lowest level since October 2017, and at the same time monthly refinery throughput showed a drop of 250 tb/d. On an annual basis, crude imports in May were up by 7%, or 198 tb/d.

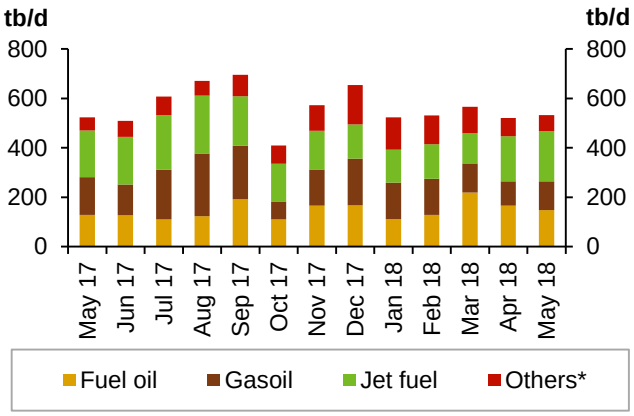
In terms of **crude suppliers**, Saudi Arabia remained the number one crude supplier to Japan, with a share of 38%, despite a drop 162 tb/d in monthly volumes. The UAE was second largest supplier with a share of 21%, and Qatar was third with a share of 9%. Japan's imports from both the UAE and Qatar were higher than the previous month by 82 tb/d and 180 tb/d, respectively.

Graph 8 - 3: Japan's imports of crude and petroleum products



*Note: * Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.*
Sources: Ministry of Economy, Trade and Industry of Japan and OPEC Secretariat.

Graph 8 - 4: Japan's exports of crude and petroleum products



*Note: * Others: Contains LPG, gasoline, naphtha, kerosene, lubricating oil, asphalt and paraffin wax.*
Sources: Ministry of Economy, Trade and Industry of Japan and OPEC Secretariat.

Japan's **product imports** in May showed an increase of 125 tb/d, to average 624 tb/d. Higher product imports were mainly due to naphtha imports rising by 107 tb/d and fuel oil imports increasing by 18 tb/d.

Japan's **total product exports** in May were higher by just 12 tb/d, compared to the previous month, to average 533 tb/d.

Accordingly, **Japan's net imports** dropped in May by 126 tb/d to average 3.1 mb/d, reflecting an annual gain of 8%.

Table 8 - 2: Japan's crude and product net imports, tb/d

	Mar 18	Apr 18	May 18	*Change* May 18/Apr 18
Crude oil	3,218	3,220	2,981	-240
Total products	127	-22	91	113
Total crude and products	**3,345**	**3,198**	**3,072**	**-126**

Sources: Ministry of Economy, Trade and Industry of Japan and OPEC Secretariat.

China

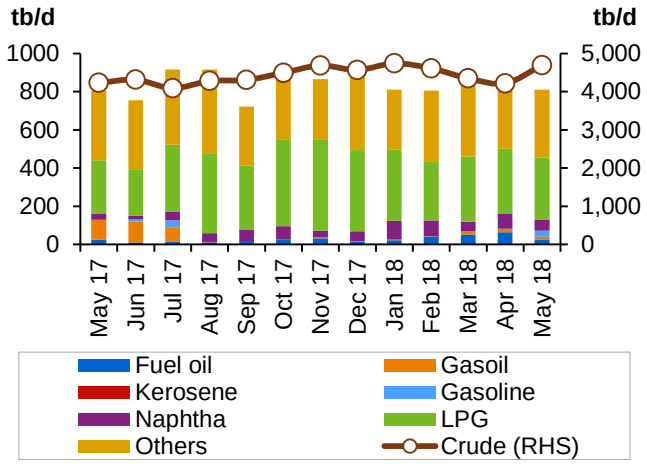
In May, **China's crude oil imports** dropped by 400 tb/d, or 4%, compared to the month earlier, to average 9.24 mb/d. The drop in monthly crude imports came at the same time that refinery throughput showed a drop of around 120 tb/d from the previous month. On an annual basis, China's crude imports were up by 460 tb/d, or 5%.

In terms of the **crude supplier share**, Russia, Saudi Arabia and Angola maintained the top three crude supplier positions in May, with shares of 14%, 13% and 12%, respectively. In May, China's crude imports saw increased volumes from Saudi Arabia and Angola, by 50 tb/d and 10 tb/d, respectively, from the month before, while imports from Russia dropped by 150 tb/d.

India

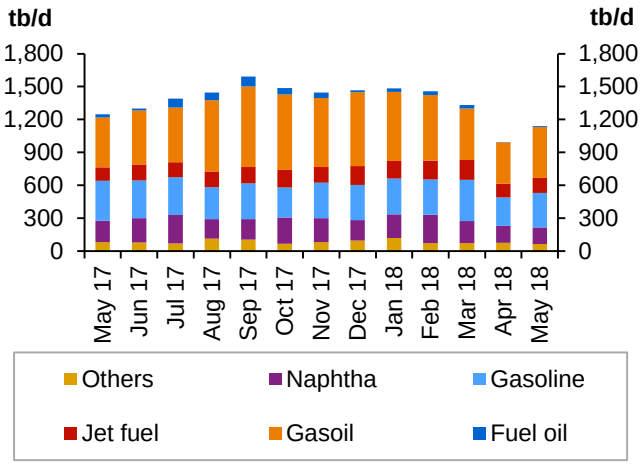
In May, **India's crude imports** averaged 4.7 mb/d, an increase of 471 tb/d, or 11%, from the previous month, even though India's refinery throughput dropped slightly compared to April. On an annual basis, this reflects an increase of 460 tb/d, or 11%.

Graph 8 - 5: India's imports of crude and petroleum products



Sources: Petroleum Planning & Analysis Cell of India and OPEC Secretariat.

Graph 8 - 6: India's exports of crude and petroleum products



Sources: Petroleum Planning & Analysis Cell of India and OPEC Secretariat.

Product imports dropped by 52 tb/d in May, or 6% m-o-m, to average 810 tb/d. Y-o-y this reflects a slight increase of 4 tb/d, or 1%. The monthly drop in products imports came mainly as a result of lower fuel oil imports, which fell by 41 tb/d from the previous month.

In terms of exports, India's **product exports** rose in May by 146 tb/d, or 15% m-o-m, to average 1.1 mb/d. On an annual basis, this reflects a drop of 107 tb/d, or 9%. Monthly exports of diesel and gasoline were up in May, rising by 90 tb/d and 55 tb/d, respectively.

Consequently, **India's net imports** increased by 273 tb/d m-o-m to average 4.4 mb/d in May.

Table 8 - 3: India's crude and product net imports, tb/d

	Mar 18	Apr 18	May 18	*Change* May 18/Apr 18
Crude oil	4,346	4,216	4,687	471
Total products	-492	-132	-330	-198
Total crude and products	**3,854**	**4,085**	**4,358**	**273**

Note: India data table does not include information for crude import and product export by Reliance Industries.
Sources: Petroleum Planning & Analysis Cell of India and OPEC Secretariat.

FSU

In May, **total crude oil exports from the Former Soviet Union (FSU)** declined by 231 tb/d, or 3%, to average 6.8 mb/d. **Total crude exports through Russian pipelines** also declined by 140 tb/d, or 3%, to average 4.0 mb/d.

In the **Transneft system**, total shipments from the Black Sea through Novorossiysk dropped by 17 tb/d m-o-m, or 3%, to average 523 tb/d. Total Baltic Sea exports dropped by 92 tb/d in May as shipments from the Primorsk Port terminal and Ust Luga port terminal dropped by 75 tb/d and 18 tb/d, respectively. Total shipments through the Druzhba pipeline increased by 16 tb/d to average 973 tb/d in May. Kozmino shipments dropped by 16 tb/d to average 629 tb/d.

Exports through the **Lukoil system** declined from the previous month in the Barents Sea as a result of lower exports from the Varandey offshore platform, which showed a decline of 23 tb/d. In the Baltic Sea, exports at the Kalinigrad Port terminal were flat at last month's level of only 7 tb/d.

In **Other routes**, total exports from the Russia Far East were down by 35 tb/d in May, or 9% m-o-m, as exports from the Aniva Bay port terminal and the De Kastri port terminal fell by 7 tb/d and 28 tb/d, respectively. Central Asia total export's averaged 223 tb/d in May, a drop of 28 tb/d. In Europe, Black Sea total export's dropped by 36 tb/d, as a result of lower exports from Supsa port and Batumi port terminals. In the Mediterranean Sea, BTC supplies increased from the previous month by 36 tb/d, or 6%, to average 683 tb/d in May.

In terms of **FSU products exports**, total products exports increased by a small 15 tb/d, or 1% m-o-m, to average 3.1 mb/d in May. This minor gain in product exports came as a result of increased exports of gasoline, jet, gasoil, fuel oil and VGO. On the other hand, FSU exports of naphtha declined from the previous month by 3 tb/d.

Table 8 - 4: Recent FSU exports of crude and petroleum products by sources, tb/d

		2017	4Q17	1Q18	Apr 18	May 18
Transneft system						
Europe	**Black Sea total**	**605**	**617**	**521**	**540**	**523**
	Novorossiysk port terminal - total	605	617	525	540	523
	of which: Russian oil	424	409	361	396	384
	Others	181	208	171	144	139
	Baltic Sea total	**1,516**	**1,434**	**1,289**	**1,392**	**1,299**
	Primorsk port terminal - total	871	777	761	864	789
	of which: Russian oil	871	777	761	864	789
	Others	0	0	0	0	0
	Ust-Luga port terminal - total	645	657	554	528	510
	of which: Russian oil	470	478	368	312	325
	Others	175	180	176	216	185
	Druzhba pipeline total	**1,009**	**1,018**	**979**	**957**	**973**
	of which: Russian oil	977	986	953	925	940
	Others	32	32	32	32	33
Asia	**Pacific ocean total**	**645**	**662**	**593**	**645**	**629**
	Kozmino port terminal - total	645	662	606	645	629
	China (via ESPO pipeline) total	**336**	**345**	**552**	**581**	**550**
	China Amur	336	345	559	581	550
Total Russian crude exports		**4,111**	**4,076**	**3,940**	**4,114**	**3,974**
Lukoil system						
Europe &	**Barents Sea total**	**170**	**146**	**144**	**139**	**117**
North America	Varandey offshore platform	170	146	143	139	117
Europe	**Baltic Sea total**	**13**	**13**	**7**	**7**	**7**
	Kalinigrad port terminal	13	13	7	7	7
Other routes						
Asia	**Russian Far East total**	**343**	**317**	**364**	**382**	**347**
	Aniva bay port terminal	127	135	134	146	139
	De Kastri port terminal	216	182	235	236	208
	Central Asia total	**262**	**285**	**237**	**251**	**223**
	Kenkiyak-Alashankou	262	285	241	251	223
Europe	**Black Sea total**	**1,277**	**1,374**	**1,397**	**1,426**	**1,389**
	Novorossiysk port terminal (CPC)	1,194	1,276	1,319	1,337	1,351
	Supsa port terminal	72	90	80	80	39
	Batumi port terminal	11	8	5	9	0
	Kulevi port terminal	0	0	0	0	0
	Mediterranean Sea total	**707**	**719**	**677**	**648**	**683**
	BTC	707	719	670	648	683
Russian rail						
	Russian rail	**40**	**45**	**33**	**33**	**29**
	of which: Russian oil	40	45	33	33	29
	Others	0	0	0	0	0
Total FSU crude exports		**6,923**	**6,976**	**6,798**	**7,000**	**6,769**
Products						
	Gasoline	193	171	234	153	154
	Naphtha	549	559	532	528	525
	Jet	35	32	36	43	45
	Gasoil	980	881	1,102	1,043	1,045
	Fuel oil	1,025	1,012	996	987	990
	VGO	308	313	327	337	345
Total FSU product exports		**3,089**	**2,967**	**3,271**	**3,091**	**3,106**
Total FSU oil exports		**10,012**	**9,943**	**10,069**	**10,091**	**9,875**

Sources: Argus Nefte Transport and Argus Global Markets.

Stock Movements

Preliminary data for May showed that total OECD commercial oil stocks rose by 8.6 mb m-o-m to stand at 2,823 mb. This was 236 mb lower than the same time one year ago and 40 mb below the latest five-year average. Compared to the seasonal norm, crude and product stocks indicated a deficit of 15 mb and 25 mb, m-o-m, respectively.

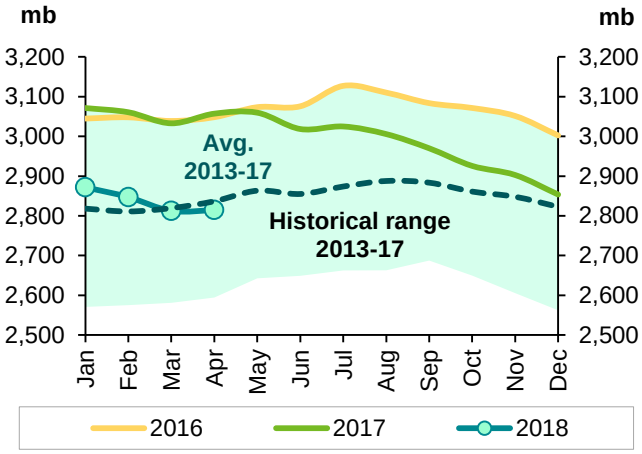
Preliminary data for June showed that US total commercial oil stocks fell by 2.9 mb m-o-m to stand at 1,207 mb. This was 123 mb lower than the same period a year ago and 16.4 mb lower than the latest five-year average. Within the components, crude stocks fell by 18.7 mb, while products inventories rose by 15.8 mb, m-o-m.

OECD

Preliminary data for May showed that **total OECD commercial oil stocks** rose by 8.6 mb m-o-m for the second consecutive month to stand at 2,823 mb. This was 236 mb lower than the same time one year ago and 40 mb below the latest five-year average. Within the components, crude and product stocks indicated a deficit of 15 mb and 25 mb, respectively. It should be noted that the overhang has been reduced by more than 377 mb since January 2017. In May, crude stocks rose by 10.1 mb, while product stocks fell by 1.5 mb, m-o-m. Within the regions, OECD Americas and OECD Asia Pacific rose by 4.9 mb and 6.2 mb, respectively, while OECD Europe inventories fell by 2.5 mb, m-o-m.

OECD **commercial crude stocks** rose by 10.1 mb m-o-m in May, ending the month at 1,415 mb. This was 139 mb lower than the same time a year ago and 15 mb lower than the latest five-year average. Compared to the previous month, the three OECD regions experienced stock builds.

Graph 9 - 1: OECD commercial oil stocks



Sources: Argus Media, Euroilstock, IEA, METI, OPEC Secretariat and US Energy Information Administration.

In contrast, OECD **product inventories** fell by 1.5 mb m-o-m in May to stand at 1,408 mb. This was 98 mb below the same time a year ago and 25 mb below the seasonal norm. Within the OECD regions, OECD Americas and OECD Asia pacific experienced stock build, while OECD Europe witnessed a stock draw.

In terms of number of **days of forward cover**, OECD commercial stocks fell by 0.3 days m-o-m in May to stand at 58.8 days. This was 5.2 days below the same period in 2017 and 2.4 days lower than the latest five-year average. Within the regions, OECD Americas had 1.8 fewer days of forward cover than the historical average to stand at 57.9 days. OECD Europe stocks stood at 2.2 days below the latest five-year average to finish the month of May at 65.3 days. OECD Asia Pacific indicated a deficit of 5.2 days below the seasonal norm to stand at 49.3 days.

OECD Americas

OECD Americas total commercial stocks rose by 4.9 mb m-o-m in May reversing the eleventh consecutive month of stocks drawn. At 1,470 mb, they stood at 149 mb below a year ago and 13 mb lower than the seasonal norm. Within the components, crude and product stocks rose by 1.5 mb and 3.4 mb, m-o-m, respectively.

Commercial crude oil stocks in OECD Americas rose by 1.5 mb m-o-m in May to stand at 764 mb. This was 93 mb lower than the same period a year ago, but 3.4 mb higher than the latest five-year average. The build was driven by lower US crude oil imports, despite higher US crude throughputs.

Product stocks in OECD Americas rose also by 3.4 mb m-o-m in May to stand at 706 mb. This was 56 mb below the same time one year ago and 16 mb lower than the seasonal norm. Lower product consumption in the US was behind the product stock build.

OECD Europe

OECD Europe's total commercial stocks fell by 2.5 mb m-o-m in May, ending the month at 966 mb. This was 42 mb lower than the same time a year ago, but 8.3 mb above the latest five-year average. Crude stocks rose by 4.1 mb, while product inventories fell by 6.6 mb, m-o-m.

OECD Europe's **commercial crude stocks** rose by 4.1 mb m-o-m in May, ending the month at 429 mb. This was 4.4 mb lower than a year earlier, but 14.6 mb higher than the latest five-year average. The build in crude oil stocks could be attributed to higher crude production along with lower refinery throughput in EU countries.

In contrast, OECD Europe's **commercial product stocks** fell by 6.6 mb m-o-m to end May at 537 mb. This was 38 mb below the same time a year ago and 6.3 mb lower than the seasonal norm. The fall in product stocks could be attributed to higher demand in the OECD region.

OECD Asia Pacific

OECD Asia Pacific's total commercial oil stocks rose by 6.2 mb m-o-m in May, the second consecutive monthly rise, to stand at 387 mb. At this level, they were 45 mb lower than a year ago and 35 mb below the five-year average. Within the components, crude and product inventories rose by 4.4 mb and 1.7 mb, m-o-m, respectively.

OECD Asia Pacific's **crude inventories** rose by 4.4 mb m-o-m to end the month of May at 222 mb, which was 41 mb below a year ago and 33 mb under the seasonal norm.

OECD Asia Pacific's **total product inventories** also increased 1.7 mb m-o-m to end May at 165 mb, standing 4.3 mb below the same time a year ago and 2.2 mb less than the seasonal norm.

Table 9 - 1: OECD's commercial stocks, mb

	Mar 18	Apr 18	May 18	*Change* May 18/Apr 18	May 17
Crude oil	1,403	1,405	1,415	10.1	1,554
Products	1,410	1,410	1,408	-1.5	1,506
Total	**2,812**	**2,815**	**2,823**	**8.6**	**3,060**
Days of forward cover	**59.4**	**59.1**	**58.8**	**-0.3**	**64.0**

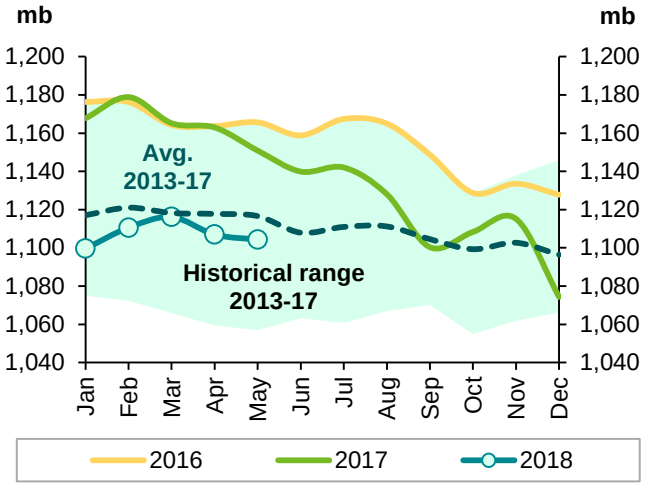
Note: Totals may not add up due to independent rounding.
Sources: Argus Media, Euroilstock, IEA, METI, OPEC Secretariat and US Energy Information Administration.

EU plus Norway

Preliminary data for May showed that **total European commercial oil stocks** fell by 2.5 mb m-o-m, the second consecutive monthly decline, to stand at 1,104 mb. This was 46 mb, or 4.0%, lower than the same time a year ago, but 12 mb, or 1.1%, lower than the latest five-year average. Within the components, crude stocks rose by 4.1 mb, while products stocks fell by 6.6 mb, m-o-m.

European **crude inventories** rose in May to stand at 487 mb. This was 10 mb, or 2.0%, lower than the same period a year ago and they remained almost in line with the latest five-year average. The build could be attributed to higher production along with lower crude throughput with fell by 300 tb/d averaging 10.6 mb/d.

Graph 9 - 2: EU-15 plus Norway's total oil stocks



Source: Euroilstock.

In contrast, European **product stocks** fell by 6.6 mb m-o-m, ending May at 618 mb. This was 36 mb, or 5.6%, lower than the same time a year ago and 12 mb, or 1.9%, higher than the seasonal norm.

Within products, gasoline and distillates stocks witnessed draws while residuals experienced build. This drop in major products inventories was driven mainly by higher demand in Europe along with higher export to the US market.

Gasoline stocks in May fell by 3.2 mb m-o-m to stand at 117 mb. This was 1.4 mb, or 1.2%, higher than the same time one year ago and 4.4 mb, or 3.9%, above the seasonal norm.

Distillate stocks also declined by 3.3 mb m-o-m to end May at 401 mb, which indicates a deficit of 44 mb, or 9.9%, below the same time a year ago and 13.8 mb, or 3.3%, below the latest five-year average.

Residual fuel rose by 0.8 mb m-o-m in May to stand at 70 mb, which indicates a surplus of 1.7 mb, or 2.5%, above the same time a year ago, but 7.1 mb, or 9.2%, below the latest five-year average.

Table 9 - 2: EU-15 plus Norway's total oil stocks, mb

				Change	
	Mar 18	Apr 18	May 18	May 18/Apr 18	May 17
Crude oil	**476.0**	**482.5**	**486.6**	**4.1**	**496.7**
Gasoline	126.1	120.5	117.2	-3.2	115.9
Naphtha	34.3	29.9	29.0	-0.9	24.6
Middle distillates	410.4	404.4	401.1	-3.3	444.9
Fuel oils	69.2	69.6	70.4	0.8	68.7
Total products	**640.1**	**624.4**	**617.8**	**-6.6**	**654.1**
Total	**1,116.1**	**1,106.9**	**1,104.4**	**-2.5**	**1,150.9**

Sources: Argus and Euroilstock.

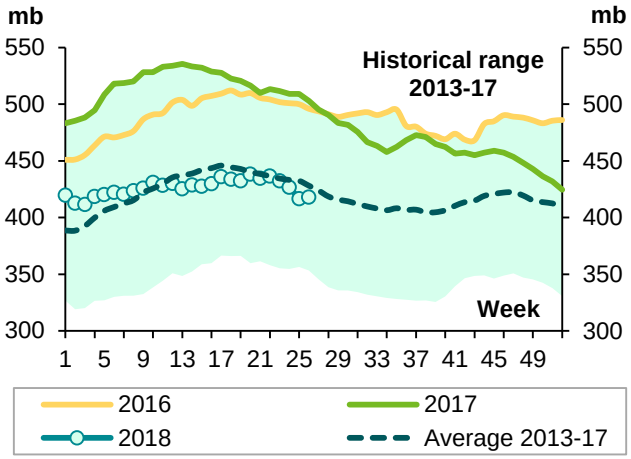
US

Preliminary data for June showed that **US total commercial oil stocks** fell by 2.9 mb m-o-m, reversing the build seen over the last two consecutive months. At 1,206.9 mb, total US commercial stocks stood at 123 mb, or 9.3%, lower than the same period a year ago and 16.4 mb, or 1.3%, lower than the latest five-year average. Within the components, crude stocks fell by 18.7 mb, while products inventories rose by 15.8 mb, m-o-m.

US commercial **crude stocks** fell in June to stand at 417.9 mb, which was 82.5 mb, or 17%, below last year at the same time and 10.8 mb, or 2.5%, under the latest five-year average. This drop came from higher crude throughput, which increased by more than 700 tb/d to stand at 17.7 mb/d. Higher crude imports limited further drop in crude oil stocks. In June, crude inventories in Cushing, Oklahoma, fell by 6.8 mb versus May, ending June at 27.8 mb.

In contrast, **total product stocks** rose by 15.8 mb m-o-m in June to stand at 789.0 mb, which is 40.6 mb, or 4.9%, down from the level seen at the same time in 2017 and 5.6 mb, or 0.7%, below the seasonal average. Within products, all other products experienced stock builds with the exception of residual fuel when compared to the previous month.

Graph 9 - 3: US weekly commercial crude oil inventories



Sources: US Energy Information Administration and OPEC Secretariat.

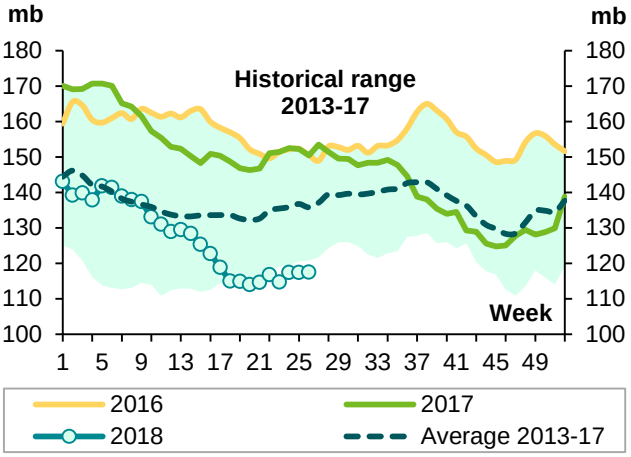
Gasoline stocks rose by 0.7 mb m-o-m in June, reversing the stock draw of last month. At 239.7 mb, they were 1.7 mb, or 0.7%, above a year ago at the same time and 10.6 mb, or 4.6%, above the seasonal norm. This build came mainly from higher gasoline output, which rose by around 100 tb/d to average 10.3 mb/d. Higher gasoline consumption in June limited further build in gasoline stocks.

Distillate stocks also rose by 0.8 mb m-o-m in June reversing the stock draw of the last five consecutive months. At 117.6 mb, distillates stocks stood at 34.1 mb, or 22.5%, below the same period a year ago and 19.5 mb, or 14.2%, below the latest five-year average. The decline came mainly on the back of higher output, which increased by around 200 tb/d to average 5.4 mb/d. Apparent demand for distillate in June rose slightly in June to average 4.0 mb/d.

Residual fuel stocks fell by 2.6 mb m-o-m in June, to stand at 29.6 mb to stand at 5.5 mb, or 15.7%, below a year ago at the same time and 8.7 mb, or 22.7%, below the latest five-year average.

Jet fuel stocks remained almost unchanged in June versus the previous month ending the month at 41.0 mb. At this level, they stand at 0.1 mb, or 0.2%, below a year ago at the same time, but 0.4 mb, or 0.9%, above the latest five-year average.

Graph 9 - 4: US weekly distillate inventories



Sources: US Energy Information Administration and OPEC Secretariat.

Table 9 - 3: US onland commercial petroleum stocks, mb

	Apr 18	May 18	Jun 18	Change Jun 18/May 18	Jun 17
Crude oil	**435.1**	**436.6**	**417.9**	**-18.7**	**500.4**
Gasoline	239.9	239.0	239.7	0.7	237.9
Distillate fuel	120.6	116.8	117.6	0.8	151.6
Residual fuel oil	32.3	32.2	29.6	-2.6	35.2
Jet fuel	40.9	40.9	41.0	0.0	41.0
Total products	**765.1**	**773.2**	**789.0**	**15.8**	**829.6**
Total	**1,200.1**	**1,209.8**	**1,206.9**	**-2.9**	**1,330.0**
SPR	**664.0**	**660.2**	**660.0**	**-0.2**	**679.2**

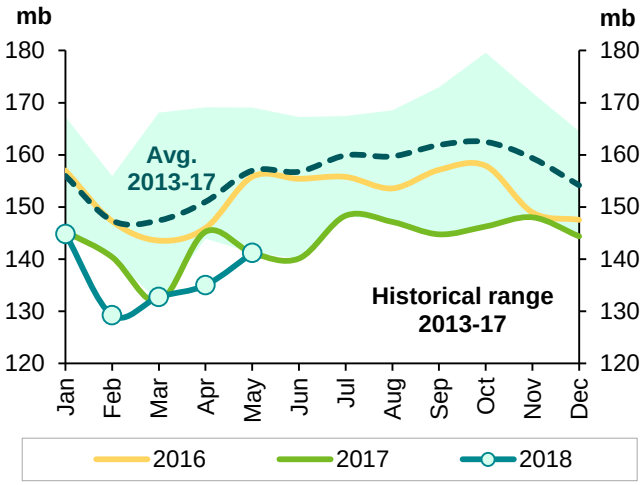
Sources: US Energy Information Administration and OPEC Secretariat.

Japan

In **Japan**, **total commercial oil stocks** rose by 6.2 mb in May for the third consecutive month to stand at 141.2 mb. At this level, they in line with the same time a year ago but are 15.8 mb, or 10.1%, below the latest five-year average. Within the components, crude and products inventories rose by 4.4 mb and 1.7 mb, m-o-m, respectively.

Japanese **commercial crude oil stocks** rose in May to stand at 82.3 mb. This was 0.7 mb, or 0.9%, above the same period a year ago, and 10.8 mb, or 11.6%, below the seasonal norm. The build was driven by lower crude throughputs, which declined by 345 tb/d, or 10.9%, to stand at 2.8 mb/d. Lower crude imports, which fell by 240 tb/d, or 7.4%, to average 2.98 mb/d, limited further build in crude oil stocks.

Graph 9 - 5: Japan's commercial oil stocks



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

Japan's **total product inventories** also rose m-o-m by 1.7 mb to end May at 58.9 mb. This was 0.7 mb, or 1.2%, lower than the same month last year and 4.9 mb, or 7.7%, lower than the seasonal norm. Within products, gasoline, naphtha and residual fuel witnessed stock builds, while distillates inventories experienced stock draws.

Gasoline stocks rose by 0.8 mb m-o-m to stand at 11.6 mb in May. This was 0.3 mb, or 2.4%, lower than the same time a year ago and 0.7 mb, or 5.6%, below the latest five-year average. The build was driven by higher gasoline output, which increased by 3.8% from the previous month. Higher gasoline domestic sales limited any further build in gasoline stocks.

Total residual fuel oil stocks also rose by 0.7 mb m-o-m to stand at 13.4 mb in May. This was 0.6 mb, or 4.0%, below the same period a year ago and 1.1 mb, or 7.4%, less than the latest five-year average. Within the fuel oil components, fuel oil A fell slightly by 0.1% driven by lower output, while fuel B.C rose by 8.7% m-o-m on the back of lower domestic sales.

In contrast, **distillate stocks** fell by 0.4 mb m-o-m to stand at 24.8 mb in May. This was slightly lower than the same time a year ago and 1.8 mb, or 6.6%, below the seasonal average. Within the distillate components, jet/fuel stocks fell m-o-m by 21% in May, while kerosene and gasoil rose by 10.5% and 1.1%, m-o-m, respectively. Higher domestic sales were behind the stock drawn in jet/fuel stocks, while the build in kerosene and gasoil stocks was mainly driven by lower domestic sales.

Table 9 - 4: Japan's commercial oil stocks*, mb

	Mar 18	Apr 18	May 18	Change May 18/Apr 18	May 17
Crude oil	**76.6**	**77.9**	**82.3**	**4.4**	**81.6**
Gasoline	10.2	10.8	11.6	0.8	11.9
Naphtha	10.5	8.4	9.1	0.7	9.0
Middle distillates	23.4	25.2	24.8	-0.4	24.8
Residual fuel oil	12.1	12.7	13.4	0.7	14.0
Total products	**56.1**	**57.1**	**58.9**	**1.7**	**59.6**
Total**	**132.8**	**135.0**	**141.2**	**6.2**	**141.2**

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

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

Singapore

At the end of May, **total product stocks in Singapore** rose by 4.1 mb m-o-m to stand at 42.6 mb. This was 1.6 mb, or 3.6%, below the same period a year ago. Light distillates and fuel oil stocks experienced a build, while middle distillates stocks saw a drop.

Light distillate and fuel oil stocks rose by 1.8 mb and 3.2 mb, m-o-m, ending the month of May at 14.5 mb and 20.8 mb, respectively. The stock for both products was above the same period a year ago.

In contrast, **middle distillate stocks** fell by 0.8 mb m-o-m to stand at 7.3 mb in May. This was 6.0 mb, or 45%, below the same time a year ago.

Amsterdam-Rotterdam-Antwerp (ARA)

Total product stocks in ARA rose slightly by 0.2 mb m-o-m, thus reversing the drop of the previous month. At 39.4 mb, product stocks in ARA were 3.5 mb, or 8.2%, lower than at the same time a year ago. Within products, with the exception of gasoline, all products witnessed stock builds.

Gasoline stocks fell by 1.0 mb m-o-m in May to stand at 8.6 mb. This was 0.4 mb, or 4.9%, above the same time last year.

Gasoil stocks remained unchanged from the previous month ending May at 15.6 mb. This was 4.7 mb, or 23.2%, below the same period a year earlier.

Fuel oil stocks rose by 0.1 mb m-o-m to stand at 7.1 mb. This was 1.8 mb, or 34%, higher than the same time last year.

Balance of Supply and Demand

In 2018, demand for OPEC crude is projected at 32.9 mb/d, 0.5 mb/d lower than the level seen in 2017.

The preliminary forecast indicates demand for OPEC crude in 2019 will average 32.2 mb/d, representing a decline of 0.8 mb/d from this year's level.

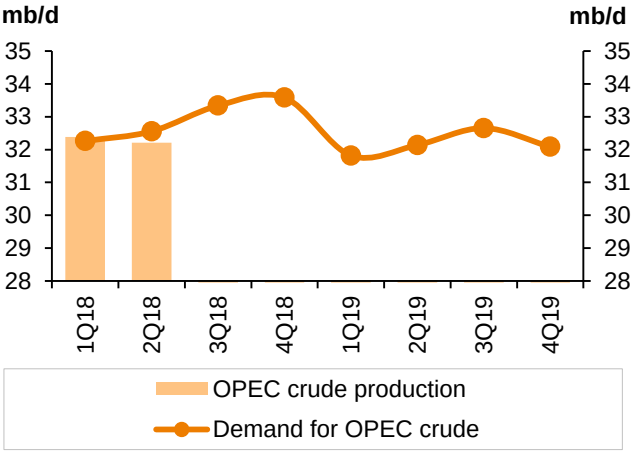
Balance of supply and demand in 2018

Demand for OPEC-15 crude for 2018 is expected to stand at 32.9 mb/d, 0.5 mb/d lower than the 2017 level.

When compared to the same quarter in 2017, 1Q18 remained unchanged, while the second quarter is expected to fall by 0.5 mb/d. The third and fourth quarters are also projected to fall by 1.0 mb/d and 0.4 mb/d, respectively.

According to secondary sources, OPEC crude production averaged 32.4 mb/d in 1Q18, which is 0.1 mb/d higher than the demand for OPEC crude. In the second quarter, OPEC crude production stood at 32.2 mb/d, which is 0.3 mb/d lower than the demand for OPEC crude.

Graph 10 - 1: Balance of supply and demand, 2018-2019*



*Note: * 2018 and 2019 = Forecast.*
Source: OPEC Secretariat.

Table 10 - 1: Supply/demand balance for 2018*, mb/d

	2017	1Q18	2Q18	3Q18	4Q18	2018	Change 2018/17
(a) World oil demand	**97.20**	**97.66**	**98.04**	**99.42**	**100.25**	**98.85**	**1.65**
Non-OPEC supply	57.54	59.10	59.13	59.69	60.23	59.54	2.00
OPEC NGLs and non-conventionals	6.25	6.30	6.35	6.39	6.44	6.37	0.12
(b) Total non-OPEC supply and OPEC NGLs	**63.79**	**65.40**	**65.48**	**66.08**	**66.67**	**65.91**	**2.12**
Difference (a-b)	**33.40**	**32.26**	**32.56**	**33.34**	**33.58**	**32.94**	**-0.46**
OPEC crude oil production	**32.63**	**32.39**	**32.21**				
Balance	**-0.77**	**0.12**	**-0.34**				

*Notes: * 2018 = Forecast.*
Totals may not add up due to independent rounding.
Non-OPEC supply figure excludes the Republic of the Congo.
Source: OPEC Secretariat.

Balance of supply and demand in 2019

Based on the first forecast for demand and non-OPEC supply (including OPEC NGLs and non-conventional oil) for the year **2019**, the **demand for OPEC-15 crude** next year is projected to decline by 0.8 mb/d to average 32.2 mb/d.

When compared to the same quarter in 2018, the first and the second quarters are expected to decrease by 0.4 mb/d each. The third and fourth quarters are forecasted to drop by 0.7 mb/d and 1.5 mb/d, respectively.

Table 10 - 2: Supply/demand balance for 2019*, mb/d

	2018	1Q19	2Q19	3Q19	4Q19	2019	*Change* 2019/18
(a) World oil demand	**98.85**	**99.12**	**99.43**	**100.90**	**101.72**	**100.30**	**1.45**
Non-OPEC supply	59.54	60.85	60.83	61.75	63.11	61.64	2.10
OPEC NGLs and non-conventionals	6.37	6.45	6.47	6.49	6.52	6.48	0.11
(b) Total non-OPEC supply and OPEC NGLs	**65.91**	**67.30**	**67.30**	**68.25**	**69.63**	**68.13**	**2.21**
Difference (a-b)	**32.94**	**31.82**	**32.14**	**32.65**	**32.08**	**32.18**	**-0.76**

*Notes: * 2018 and 2019 = Forecast.*
Totals may not add up due to independent rounding.
Non-OPEC supply figure excludes the Republic of the Congo.
Source: OPEC Secretariat.

Appendix

Table 11 - 1: World oil demand and supply balance, mb/d

	2015	2016	2017	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19	3Q19	4Q19	2019
World demand													
OECD	46.4	46.9	47.4	47.7	47.4	48.0	48.3	47.8	48.0	47.6	48.3	48.6	48.1
Americas	24.6	24.7	24.9	25.0	25.2	25.2	25.3	25.2	25.2	25.4	25.5	25.6	25.4
Europe	13.8	14.0	14.4	14.1	14.4	14.9	14.5	14.5	14.1	14.4	14.9	14.6	14.5
Asia Pacific	8.1	8.1	8.2	8.6	7.8	7.9	8.4	8.2	8.6	7.7	7.9	8.4	8.1
DCs	30.9	31.5	32.0	32.3	32.7	33.1	32.8	32.7	33.0	33.4	33.8	33.5	33.4
FSU	4.6	4.6	4.7	4.7	4.5	4.9	5.2	4.8	4.8	4.6	5.0	5.3	4.9
Other Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.7	0.8	0.7	0.7	0.8	0.8
China	11.5	11.8	12.3	12.3	12.8	12.7	13.1	12.7	12.6	13.2	13.1	13.5	13.1
(a) Total world demand	**94.1**	**95.5**	**97.2**	**97.7**	**98.0**	**99.4**	**100.3**	**98.9**	**99.1**	**99.4**	**100.9**	**101.7**	**100.3**
Non-OPEC supply													
OECD	25.3	24.9	25.7	27.2	27.2	27.8	28.1	27.6	28.6	28.5	29.4	30.3	29.2
Americas	21.1	20.6	21.5	22.9	23.1	23.6	23.7	23.3	24.2	24.5	25.1	25.8	24.9
Europe	3.8	3.9	3.8	3.9	3.7	3.8	4.0	3.9	4.0	3.7	3.8	4.0	3.9
Asia Pacific	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5
DCs	11.8	11.5	11.5	11.4	11.5	11.7	11.8	11.6	11.9	12.0	12.1	12.4	12.1
FSU	13.7	13.9	14.1	14.1	14.1	14.0	14.1	14.1	14.1	14.1	14.1	14.2	14.1
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	4.4	4.1	4.0	3.9	3.9	3.8	3.9	3.9	3.9	3.8	3.8	3.8	3.8
Processing gains	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.3	2.3	2.3	2.3	2.3
Total non-OPEC supply *	**57.5**	**56.7**	**57.5**	**59.1**	**59.1**	**59.7**	**60.2**	**59.5**	**60.9**	**60.8**	**61.8**	**63.1**	**61.6**
OPEC NGLs + non-conventional oils	6.1	6.2	6.3	6.3	6.3	6.4	6.4	6.4	6.4	6.5	6.5	6.5	6.5
(b) Total non-OPEC supply and OPEC NGLs	**63.6**	**62.9**	**63.8**	**65.4**	**65.5**	**66.1**	**66.7**	**65.9**	**67.3**	**67.3**	**68.2**	**69.6**	**68.1**
OPEC crude oil production (secondary sources)	31.9	32.9	32.6	32.4	32.2								
Total supply	95.5	95.7	96.4	97.8	97.7								
Balance (stock change and miscellaneous)	1.4	0.2	-0.8	0.1	-0.3								
OECD closing stock levels, *mb*													
Commercial	2,989	3,002	2,854	2,812									
SPR	1,588	1,600	1,568	1,575									
Total	**4,577**	**4,602**	**4,421**	**4,387**									
Oil-on-water	1,017	1,102	1,025	1,036									
Days of forward consumption in OECD, *days*													
Commercial onland stocks	63.7	63.3	59.7	59.4									
SPR	33.9	33.7	32.8	33.3									
Total	**97.6**	**97.1**	**92.5**	**92.6**									
Memo items													
(a) - (b)	**30.5**	**32.7**	**33.4**	**32.3**	**32.6**	**33.3**	**33.6**	**32.9**	**31.8**	**32.1**	**32.7**	**32.1**	**32.2**

Note: Totals may not add up due to independent rounding.
** Non-OPEC supply figures excluding the Republic of the Congo.*
Source: OPEC Secretariat.

Table 11 - 2: World oil demand and supply balance, changes from last month's table*, mb/d

	2015	2016	2017	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19	3Q19	4Q19	2019
World demand													
OECD	-	-	-	-	-	-	-	-	-	-	-	-	-
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Non-OPEC supply													
OECD	-	-	-	0.1	-	0.1	-	0.1	-	-	-	-	-
Americas	-	-	-	0.1	0.1	0.1	-	0.1	-	-	-	-	-
Europe	-	-	-	-	-0.1	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	0.2	0.2	0.1	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply **	-	-	-	0.2	0.1	0.3	0.2	0.2	-	-	-	-	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	**-**	**-**	**-**	**0.2**	**0.1**	**0.3**	**0.2**	**0.2**	**-**	**-**	**-**	**-**	**-**
OPEC crude oil production (secondary sources)	**-**	**-**	**-**	**-**	**-**								
Total supply	-	-	-	-	-								
Balance (stock change and miscellaneous)	-	-	-	-	-								
OECD closing stock levels (mb)													
Commercial	-	-	-	-5									
SPR	-	-	-	-									
Total	-	-	-	-5									
Oil-on-water	-	-	-	-									
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-									
SPR	-	-	-	-									
Total	**-**	**-**	**-**	**-**									
Memo items													
(a) - (b)	**-**	**-**	**-**	**-0.2**	**-0.1**	**-0.3**	**-0.2**	**-0.2**	**-**	**-**	**-**	**-**	**-**

*Note: * This compares Table 11 - 1 in this issue of the MOMR with Table 11 - 1 in the June 2018 issue.*

*** Non-OPEC supply figures excluding the Republic of the Congo.*

This table shows only where changes have occurred.

Source: OPEC Secretariat.

Table 11 - 3: OECD oil stocks and oil on water at the end of period

	2015	2016	2017	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
Closing stock levels, mb												
OECD onland commercial	**2,989**	**3,002**	**2,854**	**3,039**	**3,076**	**3,084**	**3,002**	**3,033**	**3,018**	**2,970**	**2,854**	**2,812**
Americas	1,561	1,598	1,499	1,592	1,611	1,621	1,598	1,608	1,595	1,572	1,499	1,466
Europe	993	989	943	1,026	1,026	1,013	989	1,022	999	965	943	969
Asia Pacific	435	414	412	421	438	450	414	404	424	433	412	378
OECD SPR	**1,588**	**1,600**	**1,568**	**1,595**	**1,592**	**1,596**	**1,600**	**1,600**	**1,588**	**1,578**	**1,568**	**1,575**
Americas	697	697	665	697	697	697	697	694	681	676	665	667
Europe	475	481	480	478	474	477	481	484	484	479	480	485
Asia Pacific	416	421	423	419	421	421	421	422	423	423	423	422
OECD total	**4,577**	**4,602**	**4,421**	**4,633**	**4,668**	**4,679**	**4,602**	**4,632**	**4,607**	**4,548**	**4,421**	**4,387**
Oil-on-water	**1,017**	**1,102**	**1,025**	**1,055**	**1,094**	**1,068**	**1,102**	**1,043**	**1,052**	**998**	**1,025**	**1,036**
Days of forward consumption in OECD, days												
OECD onland commercial	**64**	**64**	**60**	**66**	**65**	**65**	**64**	**65**	**63**	**62**	**60**	**60**
Americas	63	65	60	65	64	65	65	64	64	63	60	58
Europe	73	71	67	74	71	71	71	71	68	67	67	68
Asia Pacific	51	48	48	55	56	54	48	52	54	51	48	49
OECD SPR	**34**	**34**	**33**	**35**	**34**	**34**	**34**	**34**	**33**	**33**	**33**	**33**
Americas	28	28	26	28	28	28	28	28	27	27	26	26
Europe	35	35	34	34	33	34	35	34	33	33	34	34
Asia Pacific	49	49	49	54	54	50	49	54	54	50	49	55
OECD total	**98**	**98**	**92**	**101**	**99**	**99**	**98**	**99**	**97**	**95**	**92**	**93**

Sources: Argus Media, Euroilstock, IEA, JODI, METI, OPEC Secretariat and US Energy Information Administration.

Table 11 - 4: Non-OPEC supply and OPEC natural gas liquids, mb/d

	2015	2016	2017	3Q18	4Q18	2018	Change 18/17	1Q19	2Q19	3Q19	4Q19	2019	Change 19/18
US	14.0	13.6	14.4	16.1	16.1	16.0	1.6	16.4	17.1	17.3	18.0	17.2	1.3
Canada	4.4	4.5	4.9	5.1	5.4	5.1	0.3	5.4	5.1	5.5	5.6	5.4	0.3
Mexico	2.6	2.5	2.2	2.1	2.1	2.1	-0.1	2.1	2.0	2.0	1.9	2.0	-0.1
OECD Americas	**21.1**	**20.6**	**21.5**	**23.4**	**23.5**	**23.2**	**1.8**	**23.9**	**24.2**	**24.8**	**25.5**	**24.6**	**1.4**
Norway	1.9	2.0	2.0	1.8	2.0	1.9	-0.1	1.9	1.7	1.8	1.9	1.8	0.0
UK	1.0	1.0	1.0	1.1	1.2	1.1	0.1	1.2	1.1	1.1	1.3	1.2	0.1
Denmark	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Other OECD Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
OECD Europe	**3.8**	**3.9**	**3.8**	**3.8**	**4.0**	**3.9**	**0.0**	**4.0**	**3.7**	**3.8**	**4.0**	**3.9**	**0.0**
Australia	0.4	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.4	0.4	0.5	0.4	0.1
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OECD Asia Pacific	**0.5**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.0**	**0.4**	**0.4**	**0.5**	**0.5**	**0.5**	**0.1**
Total OECD	**25.3**	**24.9**	**25.7**	**27.6**	**27.9**	**27.5**	**1.8**	**28.3**	**28.3**	**29.1**	**30.1**	**28.9**	**1.5**
Brunei	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Indonesia	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.8	0.8	0.9	0.0
Malaysia	0.7	0.7	0.7	0.8	0.8	0.7	0.0	0.8	0.8	0.8	0.8	0.8	0.0
Thailand	0.5	0.5	0.5	0.5	0.5	0.5	0.0	0.5	0.5	0.5	0.5	0.5	0.0
Vietnam	0.3	0.3	0.3	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Asia others	0.3	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Other Asia	**3.7**	**3.7**	**3.6**	**3.6**	**3.6**	**3.6**	**0.0**	**3.6**	**3.6**	**3.6**	**3.6**	**3.6**	**0.0**
Argentina	0.7	0.7	0.6	0.7	0.7	0.7	0.0	0.6	0.6	0.6	0.6	0.6	0.0
Brazil	3.1	3.1	3.2	3.5	3.6	3.4	0.2	3.6	3.7	3.8	4.0	3.8	0.4
Colombia	1.0	0.9	0.9	0.8	0.9	0.9	0.0	0.9	0.8	0.8	0.8	0.8	0.0
Trinidad & Tobago	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Latin America others	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Latin America	**5.2**	**5.1**	**5.1**	**5.3**	**5.5**	**5.3**	**0.1**	**5.5**	**5.5**	**5.6**	**5.9**	**5.6**	**0.3**
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	1.0	1.0	1.0	0.0
Syria	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Middle East	**1.3**	**1.3**	**1.2**	**1.2**	**1.2**	**1.2**	**0.0**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**	**0.0**
Cameroon	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Chad	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Egypt	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Ghana	0.1	0.1	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.3	0.2	0.0
South Africa	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Sudans	0.3	0.3	0.2	0.2	0.2	0.2	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Africa other	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Africa	**1.6**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**	**0.0**	**1.6**	**1.6**	**1.6**	**1.7**	**1.6**	**0.1**
Total DCs	**11.8**	**11.5**	**11.5**	**11.7**	**11.8**	**11.6**	**0.1**	**11.9**	**12.0**	**12.1**	**12.4**	**12.1**	**0.5**
FSU	**13.7**	**13.9**	**14.1**	**14.2**	**14.3**	**14.2**	**0.1**	**14.4**	**14.3**	**14.4**	**14.5**	**14.4**	**0.2**
Russia	10.8	11.1	11.2	11.3	11.4	11.2	0.1	11.4	11.4	11.5	11.5	11.4	0.2
Kazakhstan	1.6	1.6	1.7	1.8	1.9	1.8	0.1	1.9	1.9	1.9	1.9	1.9	0.1
Azerbaijan	0.9	0.8	0.8	0.8	0.8	0.8	0.0	0.8	0.8	0.8	0.8	0.8	0.0
FSU others	0.4	0.4	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Other Europe	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.0**
China	**4.4**	**4.1**	**4.0**	**3.8**	**3.9**	**3.9**	**-0.1**	**3.9**	**3.8**	**3.8**	**3.8**	**3.8**	**-0.1**
Non-OPEC production	**55.3**	**54.5**	**55.3**	**57.4**	**58.0**	**57.3**	**2.0**	**58.6**	**58.5**	**59.5**	**60.9**	**59.4**	**2.1**
Processing gains	2.2	2.2	2.2	2.2	2.2	2.2	0.0	2.3	2.3	2.3	2.3	2.3	0.0
Non-OPEC supply **	**57.5**	**56.7**	**57.5**	**59.6**	**60.3**	**59.5**	**2.0**	**60.8**	**60.7**	**61.8**	**63.2**	**61.6**	**2.1**
OPEC NGL	5.8	5.9	6.0	6.1	6.1	6.1	0.1	6.2	6.2	6.2	6.2	6.2	0.1
OPEC Non-conventional	0.3	0.2	0.2	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
OPEC (NGL+NCF)	**6.1**	**6.2**	**6.3**	**6.4**	**6.4**	**6.4**	**0.1**	**6.4**	**6.5**	**6.5**	**6.5**	**6.5**	**0.1**
Non-OPEC & OPEC (NGL+NCF)	**63.6**	**62.9**	**63.8**	**66.0**	**66.7**	**65.9**	**2.1**	**67.3**	**67.2**	**68.3**	**69.7**	**68.1**	**2.2**

*Note: * OECD Americas includes Chile.*
*** Non-OPEC supply figures excluding the Republic of the Congo.*
Totals may not add up due to independent rounding.
Source: OPEC Secretariat.

Table 11 - 5: World rig count, units

	2015	2016	2017	Change 2017/16	3Q17	4Q17	1Q18	2Q18	May 18	Jun 18	Change Jun/May
US	977	509	875	*366*	947	921	964	1,037	1,045	1,056	*11*
Canada	192	131	207	*76*	208	204	273	106	83	136	*53*
Mexico	52	26	17	*-8*	18	12	19	25	23	26	*3*
OECD Americas	1,221	665	1,099	*434*	1,174	1,137	1,257	1,168	1,151	1,218	*67*
Norway	17	17	15	*-2*	13	15	15	14	13	14	*1*
UK	14	9	9	*0*	11	6	6	6	6	7	*1*
OECD Europe	117	96	92	*-4*	88	88	86	82	80	78	*-2*
OECD Asia Pacific	17	7	15	*9*	15	16	16	21	23	23	*0*
Total OECD	**1,355**	**768**	**1,206**	***438***	**1,277**	**1,240**	**1,359**	**1,271**	**1,254**	**1,319**	***65***
Other Asia*	202	180	186	*6*	178	199	196	193	195	192	*-3*
Latin America	145	68	70	*2*	75	82	80	77	74	78	*4*
Middle East	102	88	74	*-14*	75	70	73	75	74	74	*0*
Africa	29	17	16	*-1*	17	15	16	24	24	25	*1*
Total DCs	**478**	**353**	**346**	***-7***	**346**	**365**	**365**	**368**	**367**	**369**	***2***
Non-OPEC rig count	**1,833**	**1,121**	**1,552**	***431***	**1,622**	**1,606**	**1,724**	**1,639**	**1,621**	**1,688**	***67***
Algeria	51	54	54	*0*	54	53	53	52	50	50	*0*
Angola	11	6	3	*-4*	2	2	3	3	4	4	*0*
Ecuador	12	4	6	*2*	5	6	6	6	6	7	*1*
Equatorial Guinea**	1	1	1	*0*	1	1	1	1	1	1	*0*
Gabon	4	1	1	*0*	1	2	3	4	4	3	*-1*
Iran**	54	59	61	*2*	61	61	61	61	61	61	*0*
Iraq**	52	43	49	*6*	54	52	58	60	60	60	*0*
Kuwait**	47	44	54	*9*	53	52	54	54	54	54	*0*
Libya**	3	1	1	*0*	1	1	1	1	1	1	*0*
Nigeria	30	25	28	*3*	27	28	32	32	33	32	*-1*
Qatar	8	8	10	*2*	10	7	8	11	11	10	*-1*
Saudi Arabia	155	156	149	*-7*	148	147	145	143	147	139	*-8*
UAE	42	51	52	*1*	53	53	53	54	54	54	*0*
Venezuela	110	100	91	*-9*	89	85	88	72	70	68	*-2*
OPEC rig count	**579**	**552**	**558**	***6***	**561**	**550**	**566**	**554**	**556**	**544**	***-12***
World rig count* **	**2,412**	**1,673**	**2,110**	***437***	**2,183**	**2,156**	**2,289**	**2,193**	**2,177**	**2,232**	***55***
of which:											
Oil	1,750	1,189	1,541	*352*	1,608	1,591	1,727	1,667	1,645	1,720	*75*
Gas	563	370	466	*96*	478	466	468	432	437	417	*-20*
Others	100	113	103	*-10*	98	98	94	95	95	95	*0*

*Note: * Other Asia includes Indonesia.*
*** Estimated data when Baker Hughes Incorporated did not reported the data.*
**** Data excludes China and FSU.*
Totals may not add up due to independent rounding.

Sources: Baker Hughes Incorporated and OPEC Secretariat's estimates.

Glossary of Terms

Abbreviations

b	barrels
b/d	barrels per day
bp	basis points
bb	billion barrels
bcf	billion cubic feet
cu m	cubic metres
mb	million barrels
mb/d	million barrels per day
mmbtu	million British thermal units
mn	million
m-o-m	month-on-month
mt	metric tonnes
q-o-q	quarter-on-quarter
pp	percentage points
tb/d	thousand barrels per day
tcf	trillion cubic feet
y-o-y	year-on-year
y-t-d	year-to-date

Acronyms

ARA	Amsterdam-Rotterdam-Antwerp
BoE	Bank of England
BoJ	Bank of Japan
BOP	Balance of payments
BRIC	Brazil, Russia, India and China
CAPEX	capital expenditures
CCI	Consumer Confidence Index
CFTC	Commodity Futures Trading Commission
CIF	cost, insurance and freight
CPI	consumer price index
DCs	developing countries
DUC	drilled, but uncompleted (oil well)
ECB	European Central Bank
EIA	US Energy Information Administration
Emirates NBD	Emirates National Bank of Dubai
EMs	emerging markets
EV	electric vehicle
FAI	fixed asset investment
FCC	fluid catalytic cracking
FDI	foreign direct investment
Fed	US Federal Reserve
FID	final investment decision
FOB	free on board
FPSO	floating production storage and offloading
FSU	Former Soviet Union
FX	Foreign Exchange
FY	fiscal year
GDP	gross domestic product
GFCF	gross fixed capital formation
GoM	Gulf of Mexico
GTLs	gas-to-liquids
HH	Henry Hub
HSFO	high-sulphur fuel oil
ICE	Intercontinental Exchange
IEA	International Energy Agency
IMF	International Monetary Fund
IOCs	international oil companies
IP	industrial production
ISM	Institute of Supply Management
LIBOR	London inter-bank offered rate
LLS	Light Louisiana Sweet
LNG	liquefied natural gas
LPG	liquefied petroleum gas
LR	long-range (vessel)
LSFO	low-sulphur fuel oil

MCs	(OPEC) Member Countries
MED	Mediterranean
MENA	Middle East/North Africa
MOMR	(OPEC) Monthly Oil Market Report
MPV	multi-purpose vehicle
MR	medium-range or mid-range (vessel)
NBS	National Bureau of Statistics
NGLs	natural gas liquids
NPC	National People's Congress (China)
NWE	Northwest Europe
NYMEX	New York Mercantile Exchange
OECD	Organisation for Economic Co-operation and Development
OPEX	operational expenditures
OIV	total open interest volume
ORB	OPEC Reference Basket
OSP	Official Selling Price
PADD	Petroleum Administration for Defense Districts
PBoC	People's Bank of China
PMI	purchasing managers' index
PPI	producer price index
RBI	Reserve Bank of India
REER	real effective exchange rate
ROI	return on investment
SAAR	seasonally-adjusted annualized rate
SIAM	Society of Indian Automobile Manufacturers
SRFO	straight-run fuel oil
SUV	sports utility vehicle
ULCC	ultra-large crude carrier
ULSD	ultra-low sulphur diesel
USEC	US East Coast
USGC	US Gulf Coast
USWC	US West Coast
VGO	vacuum gasoil
VLCC	very large crude carriers
WPI	wholesale price index
WS	Worldscale
WTI	West Texas Intermediate
WTS	West Texas Sour

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OPEC Basket average price

US$/b

down 0.89 in June

June 2018	73.22
May 2018	74.11
Year-to-date	**68.43**

June OPEC crude production

mb/d, according to secondary sources

up 0.17 in June

June 2018	32.33
May 2018	32.15

Economic growth rate

per cent

	World	OECD	US	Japan	Euro-zone	China	India
2018	3.8	2.4	2.8	1.2	2.2	6.5	7.3
2019	3.6	2.2	2.4	1.2	2.0	6.2	7.4

Supply and demand

mb/d

2018		**18/17**	**2019**		**19/18**
World demand	98.9	1.7	World demand	100.3	1.5
Non-OPEC supply	59.5	2.0	Non-OPEC supply	61.6	2.1
OPEC NGLs	6.4	0.1	OPEC NGLs	6.5	0.1
Difference	**32.9**	**–0.5**	**Difference**	**32.2**	**–0.8**

OECD commercial stocks

mb

	Mar 18	Apr 18	May 18	May 18/Apr 18	May 17
Crude oil	1,403	1,405	1,415	10.1	1,554
Products	1,410	1,410	1,408	–1.5	1,506
Total	**2,812**	**2,815**	**2,823**	**8.6**	**3,060**
Days of forward cover	59.4	59.1	58.8	–0.3	64.0

Next report to be issued on 13 August 2018.