OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

April 2013

Feature Article:
Oil product markets ahead of summer

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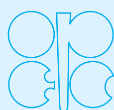

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Oil Market Highlights

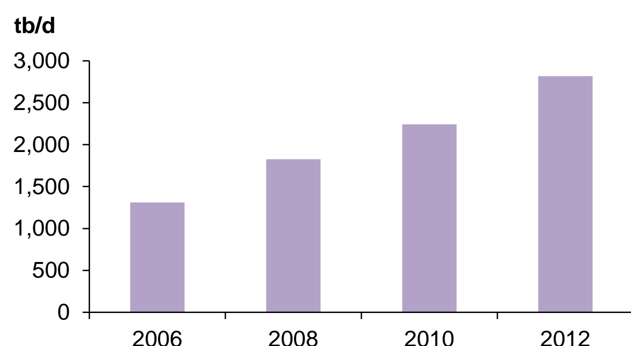
- The **OPEC Reference Basket** retreated by more than 5% in March to average $106.44/b. All Basket component values contributed to the decline, particularly Dated Brent-related crudes. On the ICE exchange, the Brent front-month decreased by almost 5.6% or $6.53 to average $109.54/b. On the Nymex, the WTI front-month dropped by about 2.5% or $2.36/b, to average $92.56/b. Reduced refinery demand due to substantial maintenance worldwide was a key in pushing prices lower. This, coupled with renewed Euro-zone fears, was sufficient to shave off more than 5% of ICE Brent's value. WTI managed to cap losses partly due to some indications that the US is on a faster path to economic recovery. Additionally, with more routes available to carry crude south to the US Gulf coast, the build-up of crude in the US midcontinent has begun to ease, reducing one of the downward factors weighing on WTI prices.
- **World economic growth** is forecast at 3.2% for 2013 and estimated at 3.0% for 2012, unchanged from the previous month. The recovery in the housing and labour markets has triggered a revision in the forecast for US GDP growth to 1.8% from 1.7%. While Japan's forecast remains at 0.8%, the effect of the recently announced monetary stimulus will require close monitoring. The contraction in Euro-zone growth has been revised to minus 0.5% from minus 0.2%. China continues to benefit from the rebound in global trade and is forecast to grow by 8.1% in 2013. India's forecast remains unchanged at 6.0%.
- **World oil demand** growth in 2012 remained broadly unchanged from the previous report at 0.8 mb/d. This was despite a downward revision in the fourth quarter due to the release of actual data. In 2013, world oil demand growth has been revised down slightly by 40 tb/d to stand at 0.8 mb/d. The bulk of the growth is expected to come from China, where demand is seen increasing by 0.4 mb/d. Other non-OECD countries are expected to add another 0.7 mb/d, while OECD demand is forecast to see a slightly lower contraction of 0.3 mb/d compared to the previous year.
- **Non-OPEC oil supply** is forecast to grow by 1.0 mb/d in 2013, a downward revision of 40 tb/d from the previous month. Historical revisions and updated production data were behind the adjustment. Anticipated growth continues to be driven by the US, Canada, Brazil, Russia, Malaysia, Colombia, South Sudan, and China, while Norway, Azerbaijan, Indonesia, and Syria will see declines. OPEC natural gas liquids (NGLs) and non-conventional oils are forecast to increase by 0.2 mb/d in 2013 to average 6.0 mb/d. According to preliminary data from secondary sources, total OPEC crude production in March averaged 30.19 mb/d, a decrease of 100 tb/d from the previous month.
- **Product markets** turned bearish in March, losing the ground gained in the previous months. Light and middle distillate cracks declined, under pressure from weak global demand and increasing supplies, despite the on-going maintenance season. The downside to margins should be limited in the coming months as preparations begin for the start of the summer season.
- **OPEC spot fixtures** were higher in March compared to the previous month, averaging 12.81 mb/d. OPEC sailings also saw a marginal increase to average 23.82 mb/d. Arrivals on most reported routes increased, except in West Asia which declined 3%. Dirty tankers spot freight rates for different segments edged higher on the back of increased activity and tighter tonnage availability for certain dates. Clean spot freight rates were mixed. East of Suez saw a notable increase over the previous month, while West of Suez activities declined along with freight rates.
- **OECD commercial oil stocks** fell seasonally by around 34 mb in February, representing a slight deficit of 8.1 mb with the five-year average. Crude inventories stood 23.6 mb higher than the five-year average, while products indicated a deficit of almost 25.0 mb. In terms of forward cover, OECD commercial stocks stood at 59.2 days, nearly two days more than the five-year average. In March, US commercial stocks fell 9.1 mb, but continued to show a surplus of 33.0 mb with the seasonal average. The drop was attributed to products as crude showed an increase.
- **Demand for OPEC crude** in 2012 experienced an upward revision to stand at 30.2 mb/d, although still showing a decline of 0.1 mb/d compared to the previous year. Required OPEC crude for 2013 remains unchanged at 29.7 mb/d, representing a decline of 0.4 mb/d from the previous year.

Oil product markets ahead of summer

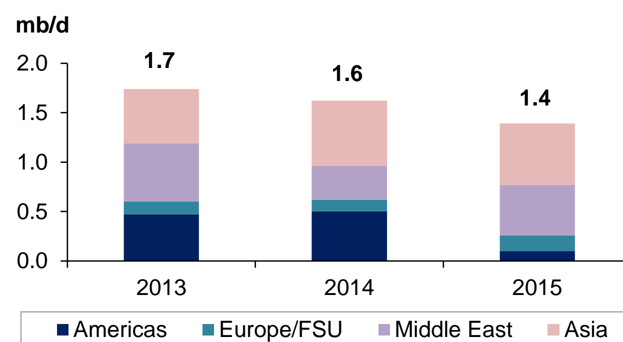
Product markets showed a mixed performance in the second half of last year. Gasoline and middle distillates were bullish, due to the tight market during the driving season. Stocks fell below their five-year average on the back of several refinery closures in the Atlantic Basin. Additionally, a number of refineries across the globe saw unscheduled shutdowns due to operational limitations and hurricanes in the Americas. In the third quarter, the improvement in light and middle distillate cracks allowed refinery margins to increase globally, despite weaker fuel oil, which was hit by lacklustre demand in the bunker sector worldwide. However, the end of the driving season and increasing supplies following the return of refineries from seasonal maintenance caused margins to retreat in the fourth quarter. Lacklustre heating oil demand also prevented the winter season from supporting the market. This was despite the slight recovery in seasonal demand for middle distillates and fuel oil for power generation in the Asian region.

Falling gasoline inventories in the Atlantic Basin and expectations of tighter supplies in Asia helped product market sentiment to improve at the start of this year. However, this proved short-lived as market sentiment turned bearish in March on rising supplies. In the coming months, product market performance is expected to vary considerably among the regions. In the US, export opportunities, mainly due to increasing gasoline and gasoil requirements from Latin America, should continue to lend support. Growing hydro-cracking capacity will enable the US to meet Latin American import needs, as well as to further increase exports to other markets, thus continuing the rising trend in product exports seen in recent years (***Graph 1***). Healthy margins, boosted by relatively cheaper domestic crude, will encourage US refiners to keep run-levels high, despite weaker domestic demand. Another supportive factor for the US product market is likely to be the continued drop in gasoline inventories, ahead of the driving season.

Graph 1: Increase in US product exports



Graph 2: New CDU capacity by regions



Source: OPEC Secretariat.

Europe is not likely to see a repeat of last year's driving season when the tight market in the Atlantic Basin enabled some refineries to generate additional profits. With more than half of the 1.5 mb/d of last year's closed refinery capacity back on line, this year's driving season is likely to be different. The US East Coast gasoline supply situation has improved and the impact of the shutdown of the Port Reading refinery will be more than offset with additional supplies from the return of Delta´s 185-tb/d Trainer refinery. Further inflows of gasoline are likely to come from mid-continent refiners processing regional light sweet crudes such as Bakken, which are particularly attractive to refiners because of their higher gasoline yield. The access to cheaper crude will enhance refinery margins and encourage refiners to raise utilization rates, increasing gasoline supplies. This will limit the arbitrage of gasoline from Europe, a market which will continue to be affected by a persisting contraction in demand.

Despite this positive outlook for the US refining industry during the upcoming driving season, the global product market is expected to ease with the coming on line of 1.7 mb/d of additional capacity, mainly from Asia, the Middle East, and US (***Graph 2***). Europe will be particularly affected, as the lack of complexity of some of its refineries and relatively higher feedstock costs represent a considerable disadvantage in the competitive global market.

Looking ahead, the on-going challenges to the world economic recovery, especially in Europe, present considerable uncertainties for product demand. However, expected demand growth during the driving season should allow margins to recover in the Atlantic Basin, particularly in the US.

Crude Oil Price Movements

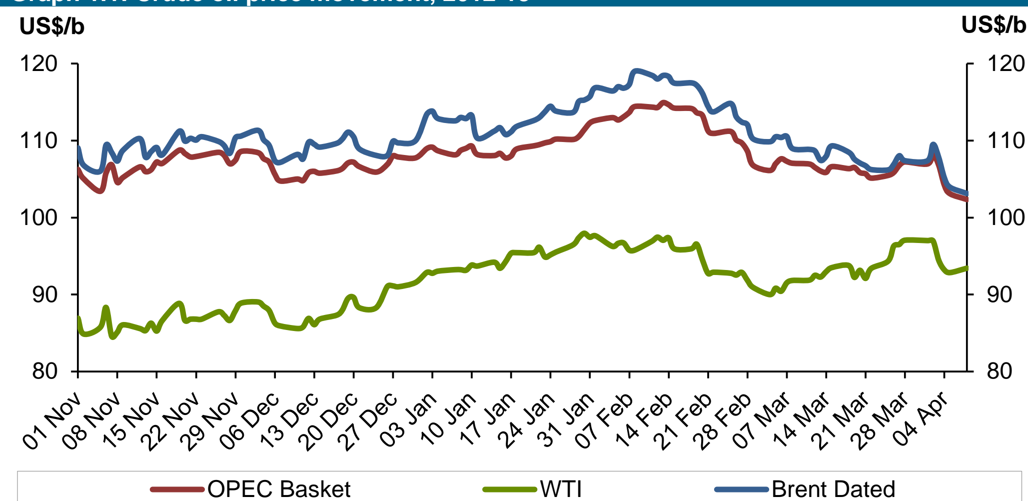
OPEC Reference Basket retreated by more than 5% in March

OPEC Reference Basket

The OPEC Reference Basket retreated by more than 5% in March to average $106.44/b. The decline was the largest since the 14% drop in June last year. The Basket's value reflected bearish market sentiment as outright international crude oil prices weakened by record levels, particularly in the North Sea market. Reduced refinery demand due to substantial maintenance worldwide was a key in pushing prices lower. European refinery turnarounds, which are scheduled to peak in March and April, cut demand for North Sea crudes, putting downward pressure on prices. This, coupled with renewed fears over Euro-zone economic turmoil and increased North Sea production, reversed the previous upward momentum, despite positive US and Chinese economic data.

On a monthly basis, the OPEC Reference Basket slipped by $6.31/b or 5.6% compared to the previous month. Year-to-date, the Basket was $7.91/b or 6.7% lower than in the first quarter of last year, when prices averaged $117.40/b.

Graph 1.1: Crude oil price movement, 2012-13



All Basket component values weakened in March, particularly Dated Brent-related crudes. Saharan Blend, Es Sider, Girassol and Bonny Light dropped by 6.6% to average $109.32/b, a decline of $7.73. These grades were affected by European refinery turnarounds, which limited demand for North Sea crudes and put downward pressure on prices. More Urals cargoes also reached Europe in March, as higher FSU production coincided with maintenance shutdowns at Russian refineries. Multi-destination grades that also lost ground were Iran Heavy, Basrah light, Kuwait Export and Arab Light, which weakened by around $6.50 or about 5.8% on average. Middle Eastern Qatar Marine and Murban decreased by almost 5% or $5.53 over the month of March to stand at $112.43/b. In Latin America, Ecuador's Oriente and Venezuelan Merey fell by a slightly lower $2.97 or 2.9% to a monthly average of $99.71/b.

On 9 April, the OPEC Reference Basket stood at $102.72/b.

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

	Feb 13	Mar 13	Change Mar/Feb	Year-to-date 2012	Year-to-date 2013
OPEC Reference Basket	**112.75**	**106.44**	**-6.31**	**117.49**	**109.48**
Arab Light	113.95	107.61	-6.34	118.17	110.73
Basrah Light	110.48	104.17	-6.31	116.22	107.39
Bonny Light	118.69	110.57	-8.12	121.25	114.91
Es Sider	116.29	108.37	-7.92	119.30	112.57
Girassol	116.22	109.48	-6.74	120.04	112.64
Iran Heavy	112.24	105.47	-6.77	117.00	108.73
Kuwait Export	111.79	105.17	-6.62	117.12	108.42
Marine	110.94	105.36	-5.58	116.91	108.05
Merey	101.94	98.55	-3.39	109.74	99.09
Murban	113.92	108.45	-5.47	119.42	110.90
Oriente	103.41	100.86	-2.55	111.71	101.87
Saharan Blend	116.99	108.87	-8.12	119.41	113.38
Other Crudes					
Brent	116.29	108.37	-7.92	118.60	112.57
Dubai	111.25	105.55	-5.70	116.26	108.24
Isthmus	113.44	109.86	-3.58	115.05	109.82
Mars	111.24	108.35	-2.89	115.50	109.10
Minas	119.62	109.47	-10.15	126.97	115.39
Urals	114.51	107.01	-7.50	117.02	111.06
WTI	95.31	92.87	-2.44	103.04	94.33
Differentials					
WTI/Brent	-20.98	-15.50	5.48	-15.56	-18.24
Brent/Dubai	5.04	2.82	-2.22	2.34	4.33

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

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

The oil futures market

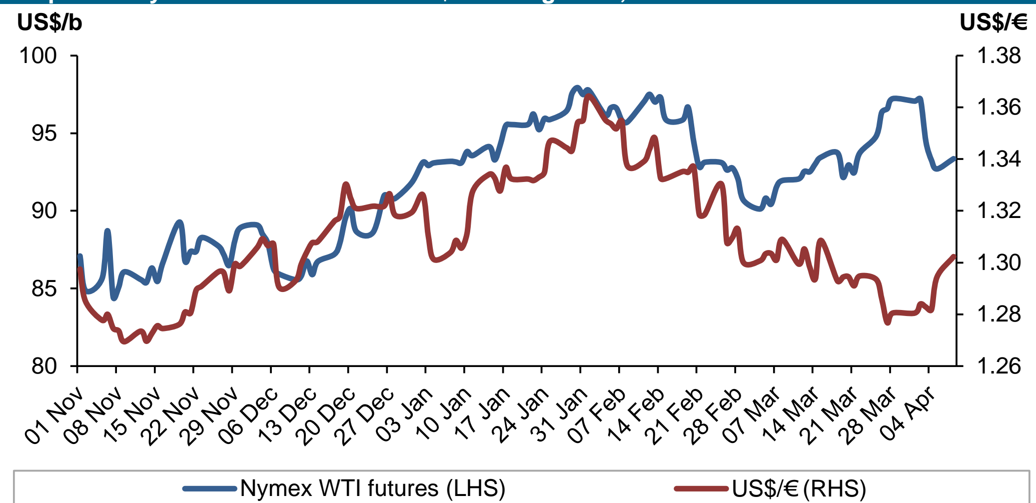
Crude oil futures fell on reduced refinery demand

Crude oil futures prices declined in the month of March, with prices for both Brent and WTI falling well below last month's highs. Reduced refinery demand due to substantial maintenance worldwide was a key in pushing prices lower. In total, some 6.9 mb/d of refining capacity was offline in March, the highest figure expected for the year and some 1.2 mb/d more than last year. This, coupled with renewed fears over the Euro-zone and higher North Sea production, was sufficient to shave off more than 5% of ICE Brent's value from its February average. WTI did manage to cap losses partly due to increasing signs that the world's largest oil consumer is likely on a faster path to economic recovery. The US Federal Reserve's pledge to continue its fiscal stimulus measures also helped to support prices. According to the Fed's latest round of industrial production figures, industrial output increased by 0.7% m-o-m in the country and 2.5% y-o-y. The pressure on WTI also eased as the build-up of crude in the US mid-continent has halted as more routes carrying crude south to the US Gulf coast become available.

On the Nymex, the WTI front-month declined by about 2.5%, or $2.36, to average $92.56/b in March. Compared to the 1Q12, the WTI value decreased by $8.56. On the ICE exchange, the Brent front-month decreased by almost 5.6%, or $6.53, to average $109.54/b. For 1Q 2013, ICE Brent also registered a lower value compared to the same period last year, dropping by $5.70, or 4.8%, to $112.65/b from $118.35/b.

On 9 April, ICE Brent stood at $106.23/b and Nymex WTI at $94.20/b.

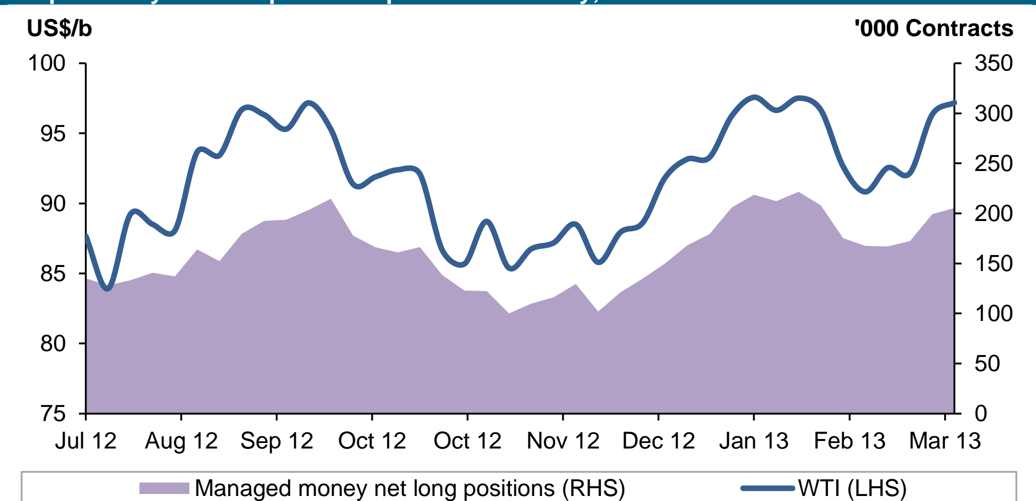
Graph 1.2: Nymex WTI futures and US$ exchange rate, 2012-13



The perceptions of hedge funds and other large speculators on the direction of crude oil prices were mixed in March, as they raised their bets on higher Nymex crude oil prices and reduced their bullish positions on the ICE Brent market. US Commodity Futures Trading Commission (CFTC) data showed that Nymex WTI net long positions were 199,129 contracts at the end of March, higher by 23,918 lots compared to the end of the previous month. On the other hand, the money manager group's ICE Brent net long positions stood at 130,473 lots compared to 158,816 contracts at the end of February, representing a 17% reduction. Furthermore, the combined open interest volume (OIV) for the two major contracts, although they remained high, decreased by 45,800 contracts by the end of March to 4.2 million contracts.

The daily average traded volume during March for WTI Nymex contracts decreased by 81,652 lots, or 13%, to average 525,699 contracts or more than 525 mb/d. For ICE Brent, the volume increased by 77,348 lots, or 13%, to 687,976 contracts, significantly surpassing WTI volume by more than 162,277 lots.

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



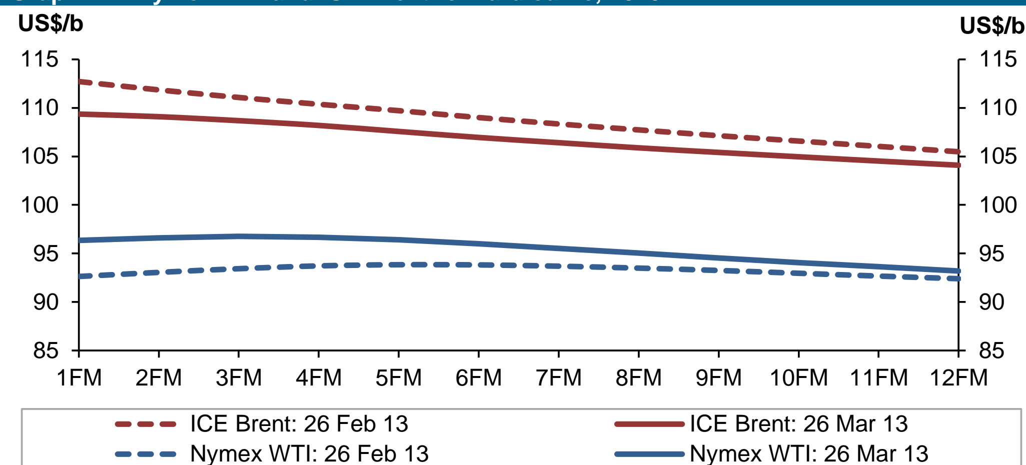
While Nymex contango eased, ICE Brent backwardation weakened

The futures market structure

The Nymex WTI market structure narrowed over the month as new pipelines started to reduce the bottleneck in the Cushing area, the home of WTI. The Longhorn pipeline — which was reversed to run from Crane, Texas, to the US Gulf Coast (USGC) — began filling around 800,000 barrels of crude oil. The link will reach a total capacity of 225,000 b/d by 3Q13, but is expected to kick off flows at 75,000 b/d. At the same time, the Permian Express pipeline, slated at some 90,000 b/d initially, is expected during 2Q13 and could further contribute to diverting the crude which historically flowed to Cushing directly to the US Gulf's refining center. At the same time, the Seaway pipeline appears to be operating at a maximum capacity of around 335,000 b/d (not 400,000 b/d as originally forecast), taking crude directly from Cushing to the Texas Gulf Coast. Together, the new pipelines are narrowing the prolonged contango market structure. In March, the 1st month vs. 2nd month time spread came down to an average of 40¢/b, compared to about 50¢/b in the previous month. The ICE Brent backwardation market structure narrowed by almost half due to lower prompt requirements amid substantial levels of seasonal maintenance in Europe. The Dated Brent vs. 3rd month spread even slipped into contango for the first time since July. Additional supply of Russian crudes to Europe also pressured the Brent market. The spread between the 2nd and 1st month of the ICE Brent contract averaged around 55¢/b in March, the lowest since July, compared to 90¢/b in the previous month.

The transatlantic arbitrage spread narrowed notably over the month, as incoming pipeline infrastructure in the US alleviated supply pressure on WTI's pricing point. The Brent-WTI spread was last seen hovering around the $13/b mark. The narrowing of the Brent-WTI spread was also due in part to a weaker Brent market amid considerable levels of maintenance in Europe. In addition to weakened crude buying, the North Sea crude market may have lost significant support over the last few weeks, as South Korea announced it will close tax loopholes from 1 July, which allowed for ample flows of Forties and other North Sea crudes to the Asian country last year. On average, the ICE Brent-Nymex WTI front month differential was at $16.60/b, the lowest level since July, down $4.17 from February.

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



FM = future month.

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

Nymex WTI	1st FM	2nd FM	3rd FM	6th FM	12th FM
26 Feb 13	92.63	93.05	93.43	93.82	92.40
26 Mar 13	96.34	96.61	96.75	95.99	93.20
ICE Brent	**1st FM**	**2nd FM**	**3rd FM**	**6th FM**	**12th FM**
26 Feb 13	112.71	111.85	111.07	109.00	105.48
26 Mar 13	109.36	109.09	108.68	106.95	104.09

FM = future month.

The light-sweet/heavy-sour crude spread

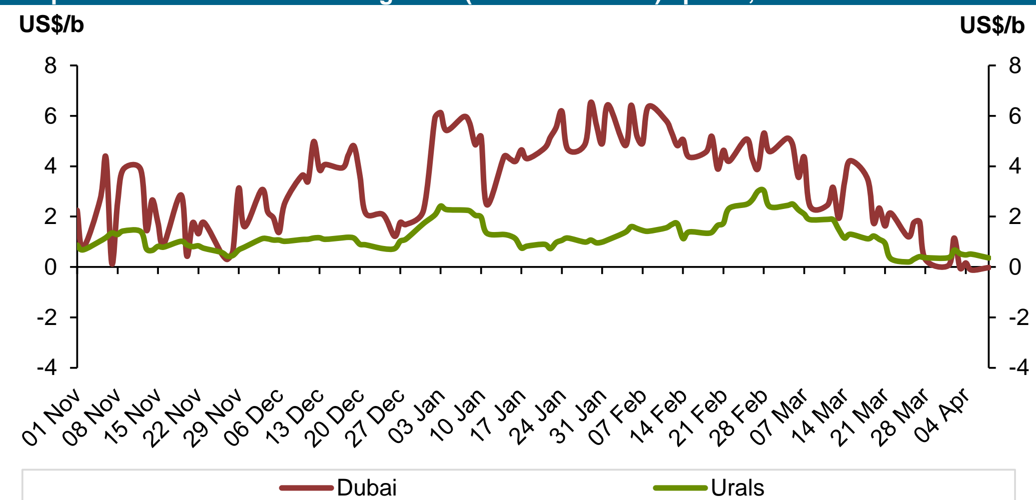
Light-sweet/heavy-sour spread narrowed globally

In Europe, sweet/sour differentials narrowed as demand for medium-sour Urals received a boost from arbitrage with several cargoes seen leaving for both Asia and the USGC over March. The drop in the light/heavy product spread, as middle distillate cracks decreased along with gasoline, also helped in narrowing the spreads. Meanwhile, the light sweet market weakened as the current peak maintenance season hit European crude demand. North Sea crude was also affected by the anticipation of lower arbitrage to South Korea. The Urals differentials moved from over $1.80/b discount to Dated Brent in February, to around $1.35/b in March, on a month-to-month average basis.

In Asia, the fall in both gasoil and gasoline cracks, amid strengthening fuel oil cracks, have contributed greatly to the sharp narrowing of the light/heavy spread. The weak Asian market for naphtha further contributed to the sharp drop in the Tapis/Dubai spread. Tapis monthly average premium to Dubai in March weakened to $9.35/b, compared to a premium of about $10.70/b in February, a decrease of $1.35/b.

The US sweet/sour spread was quite volatile as new pipelines brought in both medium-sour WTS as well as some WTI, while rail cargoes of Bakken crude continued to stockpile in St. James, the home for many USGC crudes. The market for both Mars and Light Louisiana Sweet (LLS) was sustained by higher prices of competing Mexican and Venezuelan crude. Meanwhile, spot prices for crudes on the USGC remain high compared to imported crudes with LLS last seen trading at a premium of almost $4/b to Dated Brent. The differential for LLS vs. Mars averaged $4.45/b in March, down from the previous month's premium of $5.05/b, 60¢ lower.

Graph 1.5: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2012-13



Commodity Markets

A strong decline across commodity prices among new macroeconomic problems and a stronger US dollar

Trends in selected commodity markets

In March, the World Bank's **energy price index** dropped by 4.2%, compared with a 2.2% rise the previous month, on falling petroleum and coal prices. The **non-energy price index** fell by 2.9% following a slight fall in February of 0.4%. Agriculture declined by 1.1%, a similar decline as in the earlier month, with food down by 0.7%, compared with a 0.2% loss in February. The base metal price index plunged by 5.8%, while gold prices dropped by 2.1%

Global commodity markets were affected by the banking crisis in Cyprus, which caused significant uncertainties in the global capital markets, such as renewed concern about fiscal issues in the US, sovereign debt growth in the Euro-zone and the Italian election, as well as decelerated global industrial production. The US dollar's strengthening also worked against commodity prices in February. The lack of confidence among investors continued, too.

The unemployment rate for Euro-zone countries increased to 12.0% in March, an increase over last month and a record high. Additionally, the uncertain outcome of the recent government elections in Italy has put future economic recovery and reforms into question. In China, the February Purchasing Managers' Index (PMI) unexpectedly declined from January and is now just slightly above the dividing line indicating likely expansion or contraction.

Table 2.1: Commodity price data, 2013

Commodity	Unit	*Monthly averages*			*% Change*		
		Jan 13	Feb 13	Mar 13	Jan/Dec	Feb/Jan	Mar/Feb
World Bank commodity price indices for low and middle income countries (2005 = 100)							
Energy		187.8	192.0	183.8	3.5	2.2	-4.2
Coal, Australia	$/mt	92.8	94.9	92.2	-0.1	2.3	-2.9
Crude oil, average	$/bbl	105.1	107.6	102.5	3.9	2.4	-4.8
Natural gas, US	$/mmbtu	3.3	3.3	3.8	0.0	-0.5	15.0
Non Energy		188.5	187.8	182.5	0.8	-0.4	-2.9
Agriculture		188.0	186.1	184.2	-0.5	-1.0	-1.1
Food		205.6	205.1	203.7	-1.0	-0.2	-0.7
Soybean meal	$/mt	538.0	535.0	520.0	-7.2	-0.6	-2.8
Soybean oil	$/mt	1,190.0	1,175.0	1,116.0	2.3	-1.3	-5.0
Soybeans	$/mt	592.0	596.0	589.0	-2.5	0.7	-1.2
Grains		250.1	246.8	247.5	-1.4	-1.3	0.3
Maize	$/mt	303.1	302.7	309.0	-1.8	-0.1	2.1
Wheat, US, HRW	$/mt	309.0	298.0	285.9	-5.0	-3.6	-4.1
Sugar World	¢/kg	41.6	40.3	40.8	-2.3	-3.2	1.3
Base Metal		172.0	172.9	162.9	0.5	0.5	-5.8
Aluminum	$/mt	2,037.8	2,053.6	1,909.6	-2.3	0.8	-7.0
Copper	$/mt	8,047.4	8,060.9	7,645.6	1.0	0.2	-5.2
Iron ore, cfr spot	¢/dmtu	150.8	154.7	139.9	17.3	2.6	-9.5
Lead	¢/kg	233.4	236.6	216.9	2.4	1.4	-8.3
Nickel	$/mt	17,472.5	17,690.1	16,724.9	0.1	1.2	-5.5
Tin	¢/kg	2,454.6	2,421.2	2,329.7	7.3	-1.4	-3.8
Zinc	¢/kg	203.2	212.9	192.6	-0.4	4.7	-9.5
Precious Metals							
Gold	$/toz	1,671.8	1,627.6	1,593.1	-0.8	-2.6	-2.1
Silver	¢/toz	3,106.2	3,032.9	2,879.1	-2.5	-2.4	-5.1

Source: World Bank, Commodity price data.

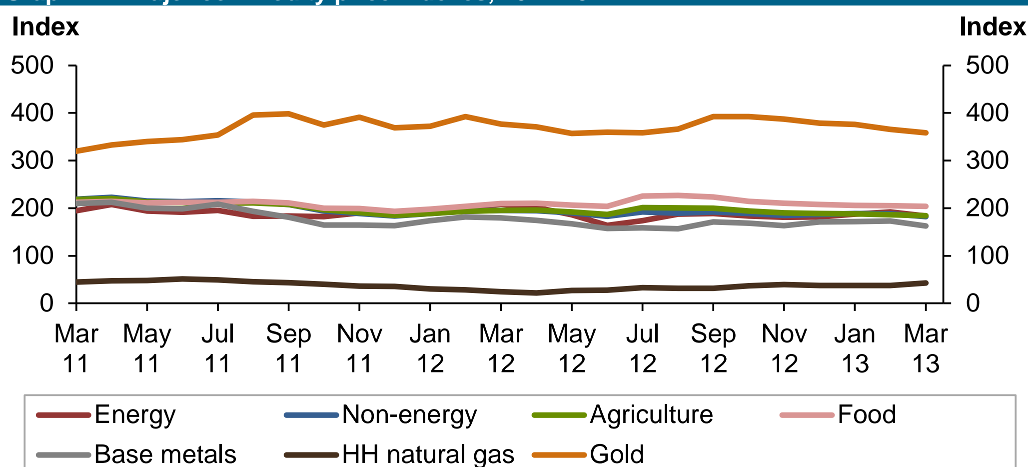
The **Henry Hub (HH) natural gas** price index was up 15% in March. The index rose because high winter demand helped erode a huge gas storage surplus that hung over the market and which had depressed prices since last spring. The reduction in gas inventories came at a crucial time when stock levels were so high that there was almost no more storage capacity.

The **agricultural price index** is at a current level of 184.16, down from 186.12 last month and down from 195.55 one year ago. This is a change of minus 1.06% from last month and minus 5.82% from a year ago. The grains sector continued to trade sideways through March, leaving the average price largely unchanged so far this year. With all other issues considered secondary, the market is focused on the upcoming US corn and soybean planting season that will doubtless set the scene for this year's grain market and probably also affect sentiment across the entire agricultural commodity sector. Lower speculative activity was also posted in several agricultural markets, as a high level of production for 2013 and the dollar's appreciation weighed on several agricultural markets.

The **wheat price** dropped by a further 4.1% in March, following a 3.6% drop in February, partly on an expected large level of production. According to the latest Agricultural Prices Report from the US Department of Agriculture (USDA), the preliminary national average price received by farmers for all wheat in March was $7.66 per bushel, down 31¢ from $7.97 the previous month but up 46¢ from $7.20 the same month a year earlier.

The **corn price** dropped as bigger than expected US stockpiles and increased planting signalled ample supplies. US corn inventories on 1 March totalled 5,399 billion bushels, the Department of Agriculture said 28 March. While down from a year earlier, that's still above the 4,995 billion forecasts by analysts surveyed by Bloomberg News. Farmers will plant 97,282 million acres this year, the most since 1936, the USDA said.

Graph 2.1: Major commodity price indexes, 2011-13



Source: World Bank, Commodity price data.

Base metals sharply declined in March

The World Bank's base metal price index plummeted by 5.8% m-o-m in March compared to a 0.5% fall in February. Copper prices dropped by 5.2% m-o-m in March compared to a 0.2% rise in the earlier month. Aluminium prices plummeted by 7% m-o-m in March compared to a 0.8% m-o-m rise in February. Nickel and zinc prices reversed the gains in February declining by 5.5 % and 9.5%, respectively.

The price performance of base metals markets has been largely associated with global slower economic growth, rising domestic production and relatively high inventories. This will likely lead to China's commodity import of base metals demand at relatively modest levels for 2013. Industrial metal imports from China were lower across the base metal complex.

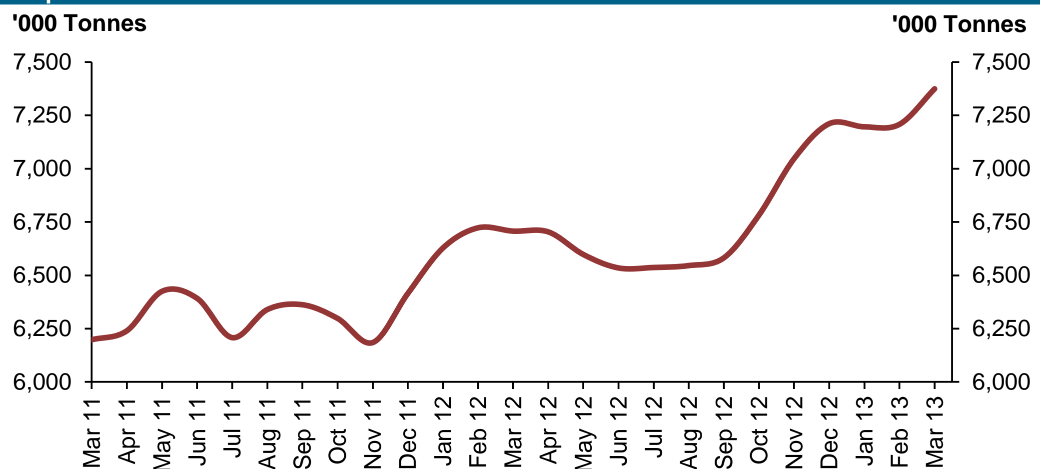
China Shanghai Futures Exchange (SHFE) and bonded stock draws, rising bonded premia and Cyprus-driven concerns over European banking stability all weighed on declining base metal prices. At a global level, fundamentals are depressed and a production cut seems to be necessary in several base metal markets. In the case of aluminium, the recent price fall, high global inventories and an outlook for a sustained surplus is putting pressure on both Chinese and ex-Chinese producers to cut output. Around the second half of March, more recent supply cuts in the aluminium market have moderated the expected 2013 surplus. Nevertheless, recent news from the CRU

North American Aluminium Trends Conference in Miami point to the fact that US aluminium consumption is indeed gaining positive traction with headline trends in end demand.

The **copper market** was strongly impacted by Cyprus-driven concerns over European banking stability, as well as fears over the outlook for Chinese demand and a recent LME stock increase. Comex speculative short positions climbed to record highs by Friday of the week ending 22 March. There was an especially strong decline in copper net imports from China (minus 53% y-o-y). Refinery output rose as a result. With bonded copper stocks equivalent to more than four months of refined imports at current rates, it is expected that demand levels for copper imports will be sharply below 2012 levels for most of 1H2013.

Finally, as in other commodities, base metal prices have been negatively affected by lower investor confidence due to events in Europe and upside potential will be limited until risk aversion tactics have receded.

Graph 2.2: Inventories at the LME



Source: London Metal Exchange and Haver analytics.

Gold prices dropped by 2.1% m-o-m in March compared to a 2.6% drop in February. Gold prices had some initial rebound safe-haven bids following events in Cyprus but this was short-lived. It is expected that prices will remain range-bound, finding support from the physical market and with the central bank buying on the downside in the near-term. But the absence of a catalyst event for significant upward momentum does not favour gold prices.

Investment flows into commodities

Cautious mood in most commodity markets following Cyprus crisis.

The total open interest volume (OIV) in major commodity markets in the US reported slower growth of 1.2% m-o-m to 8,703,068 contracts in March compared to a 5.2% rise in February. Except for crude oil, most of the market groups saw lower OIV growth in March compared to last February. Gold markets saw a slight recovery.

Total net length speculative positions in commodities decreased by 10.1% m-o-m to 465,952 contracts in March compared to a 18.7% drop in the previous month. The result was essentially due to a 6.7% m-o-m increase in March compared to a rise of 16.8% in February while longs experienced lower growth than in the previous month.

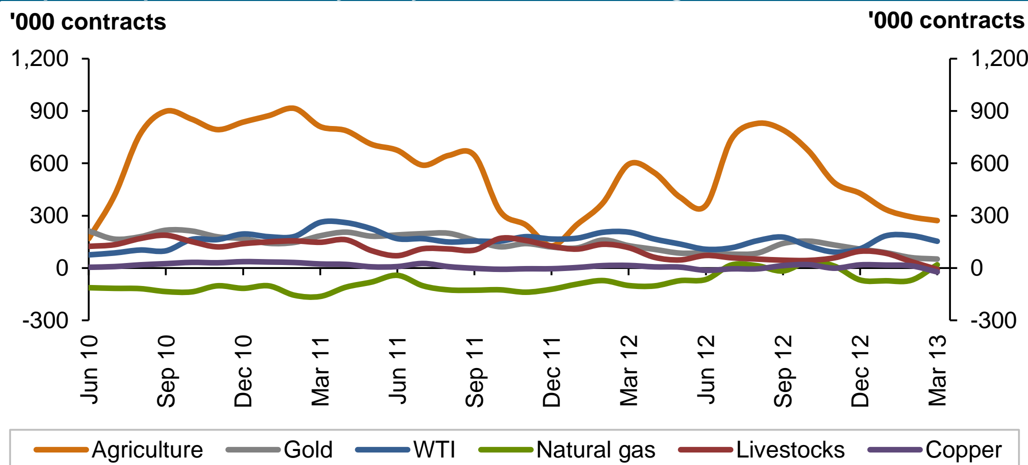
Graph 2.3: Total open interest volume

Source: US Commodity Futures Trading Commission.

Agricultural OIV fell by 1.65% m-o-m to 4,473,724 contracts in March reversing the positive trend of 6.3% in February. Money managers' net long positions in agricultural markets decreased by 7.21% m-o-m to in March compared to a 12.6% drop in February. This was the result of a 5.2% m-o-m rise in shorts compared to a 1.2% m-o-m in longs, which represented a substantially slower growth compared to February.

Henry Hub natural gas's OIV increased by 9.6% m-o-m to 1,314,402 contracts in March compared to a 2.7% rise in February. Strategic investment increased to 18,757 contracts in March from minus 69,246 contracts in February led by a rebound in prices.

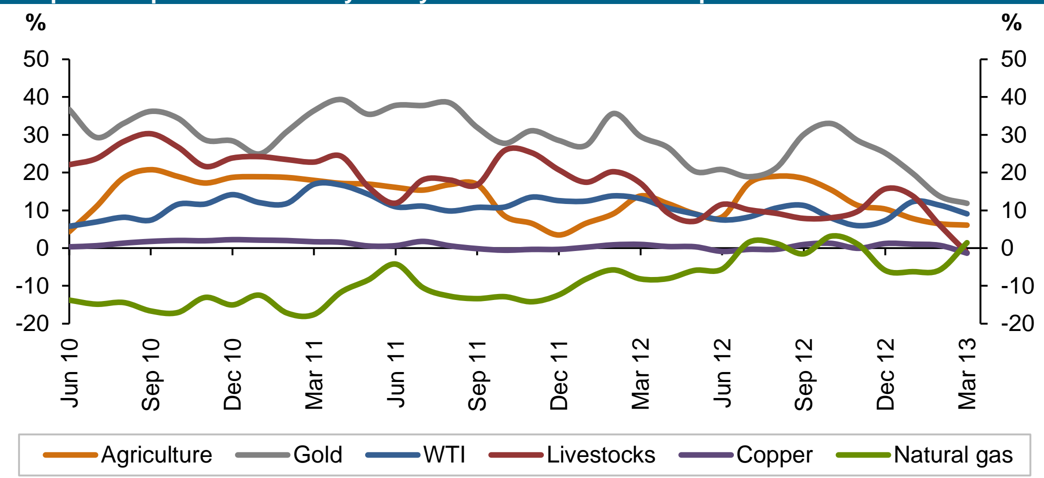
Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

Copper's OIV lost 5.5% m-o-m to 164,895 contracts in March compared to a 8.6% rise in February. Strategic investments in copper declined to minus 22,225 contracts in March from 12,500 in February.

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



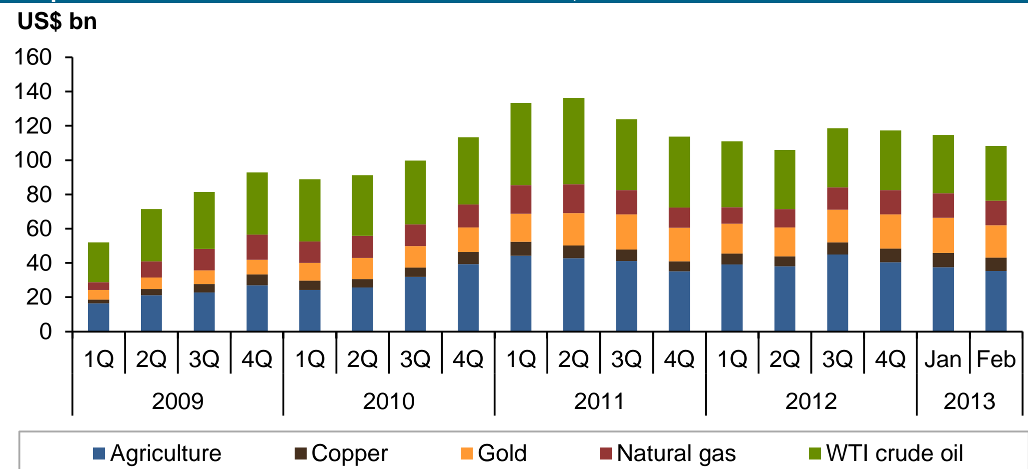
Source: US Commodity Futures Trading Commission.

Gold's OIV increased maginally by 0.03% m-o-m to 435,169 contracts in March. Strategic investments in gold fell by 13.6% m-o-m to 51,552 contracts in March compared to 32.3% in February. Shorts increased by 17.4% while longs rose by 0.9% in the current month.

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

	Open interest		*Net length*			
	Feb 13	Mar 13	Feb 13	% OIV	Mar 13	% OIV
Crude oil	1,638	1,693	186	11	154	9
Natural gas	1,199	1,314	-69	-6	19	1
Agriculture	4,549	4,474	293	6	272	6
Precious metals	586	585	81	14	56	10
Copper	174	165	13	7	-22	-13
Livestock	604	622	36	6	-8	-1
Total	**8,751**	**8,853**	**540**	**6**	**471**	**5**

Graph 2.6: Inflow of investment into commodities, 2008 to date



Source: US Commodity Futures Trading Commission.

World Economy

Table 3.1: Economic growth rates 2012-13, %

	World	OECD	US	Japan	Euro-zone	China	India
2012	3.0	1.3	2.2	2.0	-0.5	7.8	5.0
2013	3.2	1.2	1.8	0.8	-0.5	8.1	6.0

Industrialised countries

US

The US economy continued recovering in the 1Q13 from very low growth in 4Q12, but the fiscal drag is forecast to lead to muted 2013 growth with GDP expected to expand by only 1.8%

The economy of the US continues to recover in the 1Q13 from very low growth in the last quarter of last year, whose growth number has been revised to a 0.4% seasonally adjusted and annualized (saar) quarterly growth. This latest and positive revision comes after the 4Q12 growth had been estimated at -0.1% in its first reading and at 0.1% during a second estimate; hence, it is a positive development. The 1Q13 growth is indicated to be at much higher levels of around 2.5% to 3.0%, while on the other side, lead indicators again point at somewhat lower growth in the 2Q13 at around 1.5% to 2.0%. However, labour and housing market improvements remain supportive for the economy, which this year is being largely held back by fiscal spending cuts, a situation that is expected to improve during the next year. Consequently, the underlying momentum of private consumption remained intact at 1.8% growth in 4Q12.

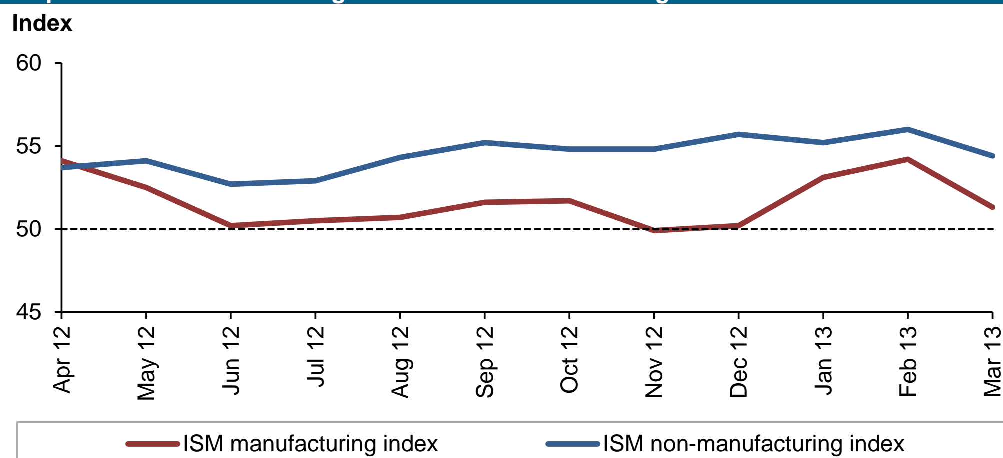
It has been confirmed that it was the sharp drop in **government spending** — mainly defense spending from 3Q12 — which caused this sharp and unexpected move down to almost no GDP growth. After government spending increased in the 3Q12 by 3.9%, the revised number showed a decline of 7.0% in 4Q12, which is worse than the first release when the decline had been estimated at 6.6%. Defense spending, which increased by almost 13% in 3Q12, declined by a stunning 22.1% in 4Q12. While a resolution of the Congress allowed for this year's federal spending ability to be extended until September, fiscal issues remain. In May a solution on raising the debt ceiling must be found despite expected debate. This again will bring to the forefront the impact of the fiscal issues on the economy. The debt ceiling issue had already been postponed to 18 May. So uncertainty continues to prevail and the impact of the decisions that have to be taken remains to be seen.

The **labour market** has continued improving, as seen in the analysis of job creation numbers of 268,000 in February and 88,000 in March. The unemployment rate declined again from 7.7% a month earlier to 7.6% in March. Additional positive developments include the decrease of long-term unemployment, from 40.2% in February to 39.6% in March.

With slight improvements in the labour market, **consumer confidence** also increased. The consumer confidence sentiment index of the University of Michigan increased from 77.6 in February to 78.6 in March.

The positive though slightly decelerating momentum is also confirmed by the **Purchase Managers' Index** (PMI) for the manufacturing sector, which declined from 54.2 in February to 51.3 in March, as provided by the Institute of Supply Management (ISM). The PMI for the services sector fell from the very high February level of 56.0 to a still solid level of 54.4.

Graph 3.1: ISM manufacturing and non-ISM manufacturing indices



Source: Institute for Supply Management.

The very important **housing sector** improved significantly over the past several months, while the most recent data has been mixed. Pending home sales fell unexpectedly by 0.4% in February, after an increase of 4.5% in January, according to the National Association of Realtors. Pending home sales are considered a leading indicator of progress in real estate because they track contract signings. Positively, the yearly change of the house pricing index of the Federal Housing Finance Agency (FHFA) has continued its rising trend with a monthly price rise of 6.5% y-o-y in January, the largest increase since July 2006.

This year's fiscal drag is forecast to lead to muted growth in 2013. GDP is expected to expand by 1.8%, compared to a growth estimate of 1.7% in the past month. If, however, a general agreement on the debt ceiling and other remaining fiscal issues could be worked out relatively soon, the economy should benefit via increased business spending and investment, leading to higher growth already in the current year.

Japan

While data for 1Q13 remains relatively weak, business and consumer sentiment has improved on the back of a newly announced stimulus package which should generate growth, with an unchanged forecast of 0.8% for 2013.

Data that has been released on the Japanese economy for the 1Q13 has pointed at continued deceleration when compared to last year. Exports have not entirely recovered yet and domestic demand is still muted. This comes after a fiscal stimulus package was announced at the end of last year and the yen has already depreciated significantly since November. So the economy remains challenged.

However, the newly announced **monetary stimulus package** should be able to generate some more growth potential. Sentiment has already improved in anticipation of the expected increase in monetary stimulus. The size of the central bank's stimulus, which was announced at the beginning of April, has been more aggressive than expected. It is one of three legs that Prime Minister Abe has announced are needed to revive the economy: Beside the monetary stimulus, fiscal stimulus and structural improvements are needed aimed at supporting growth in the coming years.

While there certainly is the possibility of a further boost for the current low growth potential, is does not seem entirely obvious yet if the outcome will be as large as hoped for and many counter-arguments remain. The core aim of the **monetary strategy** is to end the period of deflation and to be able to maintain an inflation rate of around 2%. To achieve this, the Bank of Japan (BoJ) is diverging from its main mechanism to manage the monetary base via interest rate setting and instead is focusing mainly on the quantity of the monetary base. With this it would like to double the monetary base and move it from a ratio of around 30% of GDP currently to more than 50% by 2014 — but without also a relative increase in wages.

An increase in **inflation** alone could backfire. Moreover, it should be highlighted that an economy like Switzerland already has a monetary base of more than 80% of GDP and inflation has remained negative there now since October. This also should

provide some evidence that such a strategy — without additional measures — does not necessarily help.

Furthermore, a monetary base ratio of around 30% to GDP is already quite high. It compares to less than 20% in the US, so monetary expansion has already taken place in Japan with only some limited effect. The **weakening of the yen** as part of this strategy has already been commented on by other G20 economies, who consider it a dangerous intervention. It is also negatively impacting the prices for fossil fuels imports, which have become necessary after it was decided to move away from nuclear energy after the triple disaster of 2011.

Lastly, the **sovereign debt level** remains the highest of all developed economies; and while the central bank will be able to digest some of this pile of debt, it will need repayment at the end. This would cause serious spending cuts for the government sooner rather than later, again hurting the growth potential.

So, there are many unknowns that will need to be carefully monitored in the coming weeks; but monetary stimulus of the monetary base alone, without the creation of excess money that is causing inflation, could make the current strategy much less successful than wished. Many have compared the current stimulus to the measures that were enacted in the 1930s in Japan by then Finance Minister Takahashi, which comprised, among other things, foreign exchange rate adjustments, monetary and fiscal measures. At that time, the BoJ also underwrote government bonds as a way to support the sovereign debt sphere. The main difference today is certainly that the current high debt level seems not to allow such bold measures on the fiscal side.

Moving away from the bold monetary actions which the BoJ is currently undertaking, important trading partners like the European Union are suffering from high sovereign debt levels and the US is still dealing with the uncertainty of its ongoing budget negotiations. So while the sharp drop of the Japanese yen might have provided some support for a rebound in exports, these elements might be counterbalancing this positive effect.

The decline of the yen by around 20% from November to February has supported **exports**, when they expanded by 6% over the same time span. On a yearly comparison, however, the February level is still 2.9% lower. **Retail sales** continued a negative trend in February, when they fell by 2.3%, after already a decline of 1.1% in January. The still weak trend for the 1Q13 was also visible in **industrial production** which increased only by 0.3% in January but again fell by 0.1% in February. Therefore, it remains to be seen if these newly introduced measures will be able to push the economy above its medium-term trend growth level of around 1.0%. A positive outlook for the remainder of the year comes from business and consumer sentiment indices alike. The **PMI for manufacturing** moved above 50 for the first time since May last year. It stood at 50.4 in March, after 48.5 in the previous month. The services sector PMI moved to a very encouraging level of 54.0 in March, after 51.1 in February. **Consumer confidence** reached its highest level since September 2007 at 44.2, based on numbers provided by the Cabinet Office.

The positive development in sentiment raises hopes that past month's GDP forecast of 0.8% is well supported. The monetary and accompanying stimulus measures now need close monitoring and will be reviewed in the coming weeks to see if a higher growth level might be achievable.

Euro-zone

Considering the current declining momentum, the Euro-zone's 2013 growth forecast has been revised down to minus 0.5% from minus 0.2%

It has been three years since the sovereign debt crisis of the Euro-zone started out. Since then, amid the worsening financial situation of Greece and other economies, worries about the Euro-zone's potential to severely damage global growth have re-emerged. So it is interesting to see that after the crisis has affected every economy in the Euro-zone, either directly or indirectly, it has now also reached the Euro-zone's most southeastern outpost, **Cyprus**. The economy is tiny and represents only a fraction of the Euro-zone's whole economy. However, the response to the crisis has, firstly, again highlighted the political dimension of the Euro-zone crisis and, secondly,

demonstrated that while the crisis is potentially manageable, it is far from over. With the continued uncertainty of the political situation in Italy and the still significant downward momentum in Spain's output, it should be expected that the crisis will continue for some time — and that it won't go away quickly.

This somewhat increased recurring uncertainty has also become visible again via **rising sovereign debt yields**, decelerating output measures in the Euro-zone, rising unemployment and continued weakening of the euro (mainly against the US dollar). The Euro-zone's 10-year government yields have moved from an average of 2.39% in January to an average of 2.86% in February and 3.0% in March. Italy, which constitutes the third biggest sovereign debt market and is, therefore, of significant importance to the global economy, has seen its 10-year yields rising again from 4.33% at the end of January to 4.76% at the end of February and 4.77% in March.

Since November 2011, **industrial production** in the Euro-zone has declined, reaching its biggest decline in November of last year with -3.8%. While industrial output has recovered somewhat, it still has declined by 2.1% y-o-y in January, the latest available number.

The **labour market** continues to be at a very challenging stage and private household consumption is experiencing weak development. The unemployment rate moved to 12.0% in February, the highest on record, and youth unemployment stood at 23.9%. Among the larger economies, Spain recorded again the highest unemployment rate with 26.3% general unemployment and 55.7% youth unemployment, both of which are unsustainable in the long-term. Considering the fact that these numbers are harmonized and that they do not consider the unemployed who have moved out of the social security system or who are in education, it becomes clear that there is increasing pressure for reviving growth again in the Euro-zone.

Consequently, **retail trade** remained negative for the 23rd consecutive month at minus 1.9% y-o-y. Lead indicators also do not offer a lot of scope for an improvement of the situation anytime soon. The main indicator for future production developments, the **PMI**, highlights the problems in the economy. It has not only remained below the growth indicating level of 50, but has again declined, dropping from a level of 47.9 in February to 46.5 in March.

A significant issue for reviving the economy is not only the unhealthy situation of the Euro-zone's public households that is leading to large austerity programmes across the economy, and the sometimes unfortunate handling of emergency measures as in the case of Cyprus, but also the fact that the monetary remedy of the **European Central Bank** (ECB) is only having a limited effect. To some extent, along other OECD economies, the economy seems to have moved into the situation of a liquidity trap. Despite the ECB's massive increase in its balance sheet, it has not managed to support credit creation as a potentially significant mechanism for growth. The lending of financial intermediaries to the private sector now has been negative since the beginning of the previous year and in February reached a record decline of 1.7% y-o-y, the highest decline over the past several months — and even bigger than the decline of October 2009, after the bankruptcy of Lehman Brothers.

Taking the current declining momentum into consideration, the Euro-zone's growth forecast for 2013 has been revised down from minus 0.2% to minus 0.5%. It remains to be seen how the economy will manage a rebound, but it will certainly need for the larger economies of Germany and France to improve first. This is expected for the 2H13, along with a recovery in the economies of Italy and Spain.

Emerging markets

The **outlook for growth rates** in emerging markets indicates relatively stable development. Growth rates have not changed for the largest economies covered — Brazil, Russia, India, and China (BRICs). However, some softening in output has been observed in these economies in both the manufacturing and services sectors.

In February, Brazil's economy registered the highest level of **business sentiment** in

four months and the highest among the BRICs, in contrast to January when sentiment had weakened. Its combined manufacturing and services PMI was 53.26, higher than China’s (51.82), India’s (53.3) and Russia’s (53.16). Russia’s growth momentum in the manufacturing sector was broadly maintained in March. Mainly domestic demand supported growth as new export orders stagnated, continuing the flat underlying trend seen since the 2H12. Chinese business expectations brightened again in March and were in line with February, with the highest business sentiment level since April 2012.

Growth in Asia and Australasia moderated in 2012 compared to 2011. The region has been suffering a broad-based slowdown due to **sluggish demand** in developed economies. The region's two largest economies, China and India, both decelerated. China's slowdown in particular has had ramifications on other countries in the region, given its size and role as a catalyst of regional and global growth. Levels of debt, both government and private, in most cases remain low compared with those in the developed economies, and Asian banks are in a significantly better situation. Even though China has entered a new — stabilising — phase in its development, characterized by more balanced growth and slower output acceleration, it will still have a galvanizing effect on other economies in the region.

Constrained by structural deficits, the uncertainty of the Euro-zone, and a lack of obvious growth paths, the Central and Eastern European region is currently facing relatively weak development. The Czech Republic, Hungary, Poland and Slovenia are also expected to find little support from household consumption and gross fixed investment in 2013.

Based on a March 2013 Markit report, in the Middle East, manufacturing data derived from manufacturing PMI non-oil economic surveys in Saudi Arabia and the United Arab Emirates indicate sustained output growth in both economies. Private sector companies in Egypt also forecast output growth over the next 12 months.

Table 3.2: Summary of macroeconomic performance of BRIC countries

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

Source: OPEC Secretariat, Economic intelligence unit and Financial times.
Figures for India are from the fiscal year 2012-2013 and 2013-2014.

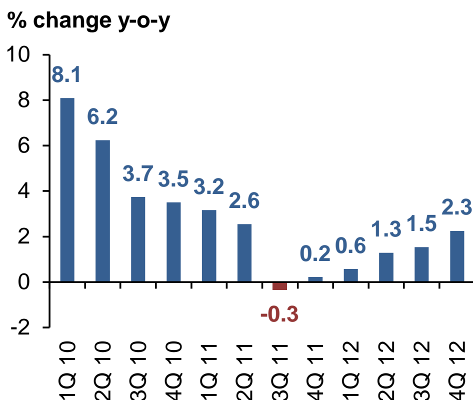
Brazil

National accounts data for 4Q12 has provided new information for us to change the **GDP growth** forecast for 2013 to 3.2%. GDP growth in 2013 assumes that private investment will accelerate due to lower electricity tariffs, cuts in payroll costs and improving global conditions, but risks are on the downside. An electoral cycle and the staging of the World Cup in 2014 should boost the economy before moderating thereafter.

The government’s competitiveness agenda will impair the achievement of the current primary surplus target, presently at around 3.1% of GDP over the medium-term, as the government forgoes revenue in exchange for a reduction in overall production costs. Public sector primary surpluses (the balance before interest payments) will average 2.4% of GDP annually in 2013-17. Nevertheless, assuming lower policy rates than in the past, debt interest payments will average 4% of GDP annually (which is still high but lower than the staggering 7% of GDP annual average in 1998-2007), narrowing the nominal deficit.

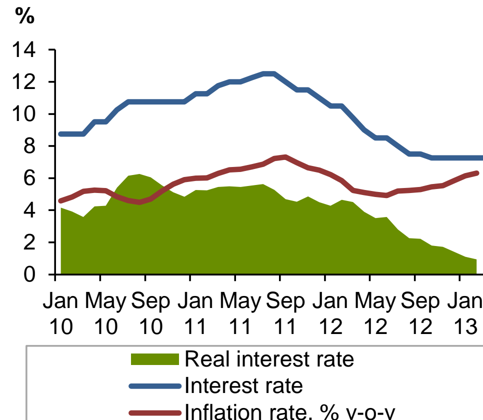
Manufacturing output will be supported by growing opportunities in domestic and regional markets, but many segments will suffer from competition from imports. Extractive industries will be driven by external demand. Services will be driven by private consumption growth, but a tight labour market and skills shortages will impair the sector's dynamism.

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



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

Graph 3.3: Brazilian interest rates and inflation rate



Source: Banco Central do Brasil and Haver analytics.

China

In 2013, the People's Bank of China (PBC, the country's central bank) is likely to shift from the accommodative policy stance it has maintained since late 2011 as inflationary concerns re-emerge. In an indication that it has already begun to lean towards monetary tightening, in February the PBC auctioned its first forward bond repurchase agreements since June 2012.

Real **GDP growth** slowed to 7.8% in 2012 from 9.4% in 2011. Weak demand for Chinese exports and decelerating growth in property investment (as well as activity in associated sectors) held back economic expansion in 2012. But strong growth in income continued to support private consumption. As this momentum carries over, the economic expansion will accelerate to 8.1% in 2013. Investments will further benefit from a modest upturn in real estate development and external demand is forecast to pick up slightly, in line with marginally faster global GDP growth.

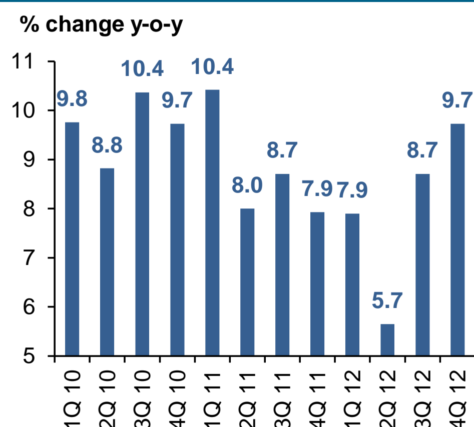
China's **industrial production** increased 9.9% y-o-y in January/February compared to 10.3% y-o-y in December. On the domestic side, retail sales were disappointing, with the value of sales rising 12.3% y-o-y in January/February, compared to 15.2% y-o-y in December. This implies that, seasonally adjusted, average retail sales in January/February were 1.2% lower than in December, compared to a 0.9% m-o-m seasonal adjusted increase in December. Fixed investment growth picked up to 21.2% y-o-y in January/February, compared to 20.6% y-o-y in December. Meanwhile, on infrastructure investment, railway investment showed steady improvement, rising 5.2% y-o-y in January/February, compared to the rise of 2.4% y-o-y in December, and road and highway investment turned up notably, increasing 22.9% y-o-y (compared to 6.6% y-o-y in December).

Considering these developments, it seems that the recovery in the Chinese economy will continue in 2013, especially supported by increases in infrastructure investment and a recovery of the housing market.

China's **inflation** jumped by 4.5% y-o-y in March from 3.2% y-o-y in February. This is the second time since June 2012 that inflation registered above 3%. The increase in inflation was mainly related to the timing of the Lunar New Year holiday, which was in January last year but in February this year. In February 2012, a low base effect caused a temporary spike in this March's inflation rate.

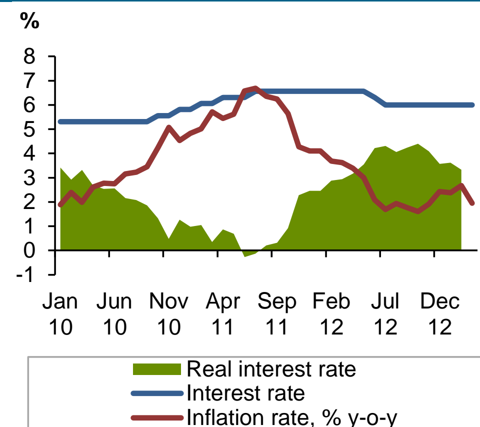
The latest data from China suggests that the economy is tracking a moderate recovery going into early 2013. Meanwhile, one of the surprises in the recent data flow is the impressive strength of exports. First quarter exports jumped a more-than-expected 17.8% y-o-y. Moreover, the manufacturing PMI rose to 51.7, compared to the monthly average of 47.9 in 2012, supported also by surprisingly strong export data in the three months through March.

Graph 3.4: Chinese GDP growth (SAAR)



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

Graph 3.5: Chinese interest rates and inflation rate



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

India

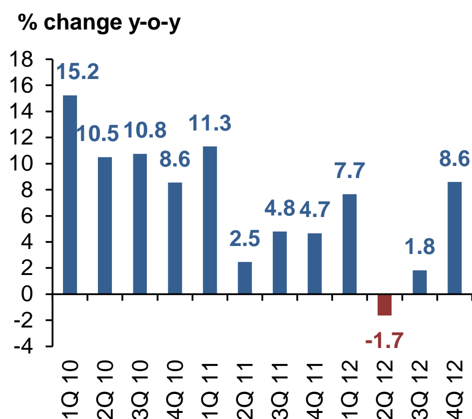
The fiscal deficit at the federal level has widened from the equivalent of 2.5% of GDP in 2007/08 to an average of 5.8% in 2008/09-2011/12. Based on different evidences, it seems that the budget deficit has narrowed slightly in 2012/13 — to the equivalent of 5.4% of GDP from 5.8% in 2011/12.

Real **GDP growth** has been disappointing so far in 2012/13. In the first two quarters of the fiscal year, economic expansion averaged 3.4% y-o-y. A slowdown in growth in private consumption (which accounts for more than 50% of nominal GDP) is particularly worrying with high frequency data, including figures for vehicle sales and retail sales, indicating that private consumption growth is likely to remain weak during the remainder of this year. Growth in private consumption is expected to have decelerated from 5.5% in 2011/12 to an estimated 4.1% in 2012/13.

Estimates issued by the country's Central Statistical Organization indicate that real GDP growth will slow on a factor-cost basis but will not reach less than 6% in 2012/13.

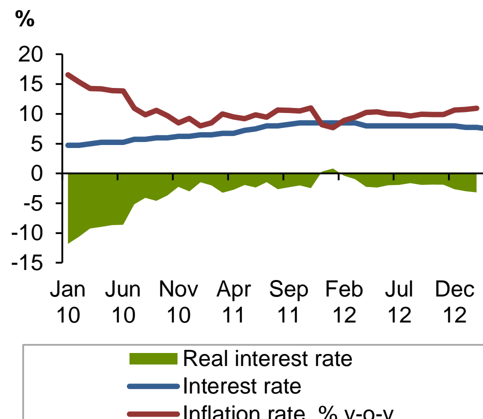
India's **strong fundamentals** — high savings and investment rates, rapid workforce growth and a quickly expanding middle class — will continue to boost economic growth. However, a shortage of skilled labor, infrastructure bottlenecks and the difficulties involved in moving from low productivity agriculture to high productivity manufacturing will constrain GDP expansion, which is expected to remain well below its potential. Despite the recent cooling of wholesale price inflation, which decelerated to a three-year low of 6.6% y-o-y in January, the country's CPI remained elevated, averaging 10.8% in that month. With this development, the GDP growth forecast for this year remains unchanged at 6.0%.

Graph 3.6: Indian GDP growth (SAAR)



Source: Central statistical office of India and Haver analytics.

Graph 3.7: Indian interest rates and inflation rate



Source: Reserve Bank of India and Haver analytics.

Russia

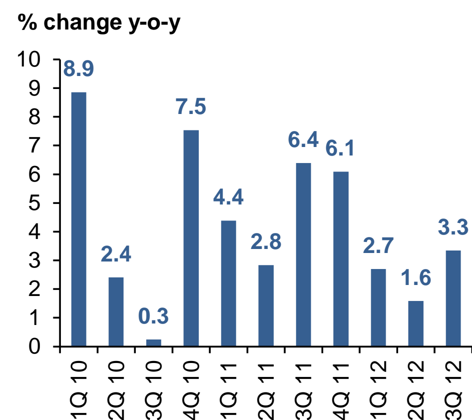
The federal budget in 2012 recorded a small deficit of Rb 12.8 bn ($420 million), equal to 0.02% of GDP. Excluding oil and gas revenues, the deficit rose to 10.6% of GDP from 9.5% of GDP in 2011. Although the budget remained in surplus until November 2012, the traditional surge in spending in December brought it back into deficit. The federal budget for 2013 sets the deficit at 0.8% of GDP, with revenue virtually unchanged at the 2012 level but expenditure projected to increase by 4.4% y-o-y.

Growth prospects will remain dependent on international commodity prices. Growth in 2012 was slower than expected. The officially estimated real **GDP growth** rate of 3.4%, which was down from 4.3% in 2011, was the slowest since 2009. The 2013 GDP growth forecast remains unchanged at 3.4%

Domestic demand was the main driver of growth in 2012. Retail sales rose by 5.9% in 2012 and fixed investment rose by 6%. Fixed investment fell unexpectedly in December by 0.7%, which was the biggest monthly drop since January 2012 m-o-m. The share of fixed investment in GDP was lower than in many emerging markets. The share of Gross Fixed Capital Formation (GFCF) in the Russian economy is around 20% of GDP compared to China, where it is around 45% of GDP, and India, where it is 25% of GDP.

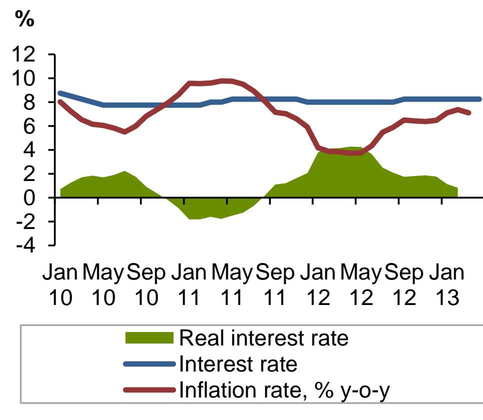
Meanwhile, business surveys continue indicating a deceleration in **manufacturing growth**. The manufacturing PMI declined to 51.0 in March from 52.0 in February, with output and new orders inching down, but employment recovered from 47.1 to 49.4. Importantly, both input and output price indices continued to move down, indicating decreasing supply side inflation pressures.

Graph 3.8: Russian GDP growth (SAAR)



Source: Federal State Statistics Service and Haver analytics.

Graph 3.9: Russian interest rates and inflation rate



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

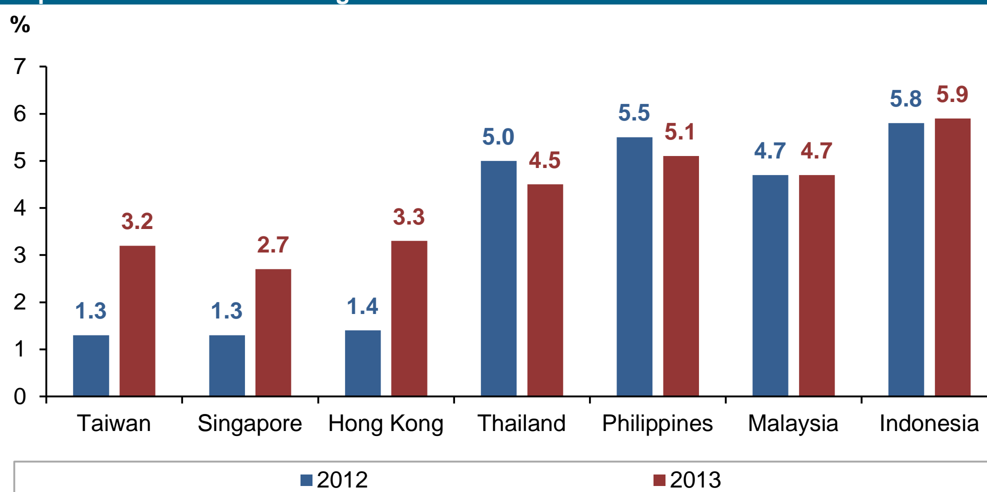
Asia Pacific

Both Hong Kong and Taiwan witnessed a moderate recovery in the past months. The GDP forecast of 3.3% GDP growth rate for Hong Kong and 3.2% for Taiwan remain unchanged from February. The economies of Indonesia and the Philippines continued to show vigorous growth in the final months of 2012. In Malaysia the robust growth trend witnessed throughout last year picked up its pace after real GDP growth accelerated to 6.4% y-o-y in the final quarter. Most surprising was the 18.9 % y-o-y expansion posted by the Taiwanese economy.

Fourth quarter national accounts data have now been released for the majority of the countries in the Asia-Pacific region, and recent GDP readings show that growth has started firming again across the region.

Global demand has traditionally dictated economic dynamics in Singapore as soft external conditions have led to weaker GDP growth, higher unemployment and lower inflation. But the transmission process has broken down in recent years as soft economic growth has not led to deterioration in labour market conditions. The seasonally adjusted PMI in Indonesia remained above the no-change mark of 50.0 during March, posting 51.3, up from 50.5 in February. Taiwan's PMI increased to 51.2 in March in comparison to 50.2 in February. But the trend of the manufacturing PMI in Singapore was negative, declining to 49.5 in February from 50.2 in January. Hong Kong's composite PMI remained above 50, confirming the healthy situation of the economy.

Graph 3.10: Asia Pacific GDP growth rates 2012 vs. 2013



Transition Region

The troubles in the Euro-zone continue to overshadow economic prospects in the **Transition region**. Growth has weakened as the Euro-zone, the region's most important market and source of investment, has slipped back into recession. Several of the region's countries contracted in 2012. The Commonwealth of Independent States (CIS) is the least affected sub-region, as its trade and investment linkages to Western Europe are less strong and its economies have reaped benefits from high energy prices.

Recession and uncertainty about the future of the Euro-zone have been acting as a brake on economic activity in the region through declines in trade, investment and bank financing. Exports and industrial output have weakened, and business and consumer sentiment are fragile. There is some scope for countries in the region to provide stimulus by loosening monetary policy, as Poland is currently doing. But most governments have been tightening fiscal policy as part of consolidation programmes designed to put their public debt dynamics on a declining path.

Latin America without Brazil

Argentina's national accounts data for 2012 showed a larger rise in consumption than expected, up 4.4% y-o-y, but deeper contractions in investment, which are down by 4.9% y-o-y, and export volumes declining by 6.6% y-o-y highlight the fragility of the economy. Based on our analysis, Argentina's economy should grow by 2.8% after a 1.9% increase in 2012 that was mainly driven by the services sector.

An improvement in Argentina exports as a result of the falling exchange rate and faster world growth should lead to some recovery in investment. It seems that private investment could be expected to rebound by around 6% after falling by almost 5% last year and official inflation is likely to average about 11% in 2013.

OPEC Member Countries

Saudi consumer price inflation is expected to remain manageable throughout the forecast period, in large part reflecting the maintenance of price subsidies on a range of basic goods, such as foodstuffs and electricity. Inflation was lifted in 2012 by rising rents — which rose by an average of 9% over the year as a whole — as supply shortages persisted.

The **Kuwait** government will continue to run fiscal surpluses over the forecast period owing to solid oil prices and consistent growth in oil output and Kuwaiti interest rates will broadly track the trend in US rates.

Also, **Iraq** will continue to record a comfortable fiscal surplus over the forecast period, averaging around 4% of GDP. Iraq's fiscal account will track closely movements in international oil prices.

Oil prices, US dollar and inflation

In March the US dollar continued appreciating against major currencies.

In March the **US dollar** continued appreciating against major currencies. It gained 3.0% versus the euro, 2.8% compared to the Swiss franc, 2.7% versus the pound sterling and 1.7%, when compared to the Japanese yen. The impressive development of the US dollar versus the yen has continued and at the monthly average rate in March stood at ¥94.752/$ and by the beginning of April continued to reach a level of almost ¥99.0/$. After the announcement of the Bank of Japan that it would start an aggressive monetary easing cycle, this momentum is expected to continue and that the exchange rate is seen as possibly moving above the ¥100.0/$ level in the coming weeks.

The continued weakness in the Euro-zone has put pressure on the **euro** recently. It moved to an average monthly level of $1.2963/€ in March. The ongoing situation of the Euro-zone is in contrast to improvements in the US, so further weakening of the euro could therefore be expected. This development of the euro, combined with the weakening of the yen and the expected continued decline of both major currencies, in addition to the announcement of the newly appointed governor of the Bank of England (BoE) of a probable increase in monetary easing measures, should all strengthen the US dollar in the future. Considering the usual correlation of the US dollar to the oil price, such a development could put some downward pressure on oil prices.

In real terms, after accounting for inflation and currency fluctuations, the Basket price fell by 3.6%, or $2.50/b, to $66.68/b

In nominal terms, the price of the **OPEC Reference Basket** fell by $6.31/b, or 5.6%, from $112.75/b in February to $106.44/b in March. In real terms, after accounting for inflation and currency fluctuations, the Basket price fell by 3.6%, or $2.50/b, to $66.68/b from $69.18/b (base June 2001=100). Over the same period, the US dollar gained 2.0% against the import-weighted modified Geneva I + US dollar basket while inflation fell by 0.1%. *

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

World Oil Demand

World oil demand in 1Q13 was revised down from the previous assessment

World oil demand

Monthly data that is starting to emerge for the first quarter of 2013 suggests that OECD demand may be disappointing compared with our previous assessment. However, this has been somewhat offset by growth in non-OECD countries, which looks to be slightly higher than in the last report. As a result, growth in the first quarter has been reduced by 46,000 b/d to average 0.97 mb/d.

Within the OECD countries, Japan and Europe saw the bulk of the downward adjustments. Milder weather in Japan, combined with increasing fuel substitution towards natural gas, weighed negatively on inland consumption. In Europe, a contraction in industrial production and a fall in consumer sentiment, which also started to affect the northern part of the region, led to a further decline in oil consumption. In contrast, the US experienced an upward revision in the first quarter, based on better-than-expected monthly January data, combined with supportive weekly figures for February and March. However, this data needs to be treated with caution, given the potential for considerable revisions between weekly and monthly figures.

Recent data for Chinese apparent oil demand in February showed lower-than-expected growth, marking a four-month low, although this could have been driven by the impact of the Lunar New Year holiday. Reforms in retail gasoline and diesel pricing, as well as recent economic indicators, highlight the need to watch oil demand projections carefully in the coming months.

Data for India in February was disappointing, indicating a contraction for the first time in 23 months. Vehicle sales in the country slumped by almost 16% in February, the third consecutive monthly slide. The recent sluggish performance by India's economic indicators may continue to weigh on demand growth in the coming months.

In contrast, Brazil saw healthy demand growth in January, driven by increasing activity in the transportation sector. Saudi Arabia also experienced a remarkable increase in February, following almost similar growth in January. The bulk of this increase was observed in transportation and the industrial sector.

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

	2011	1Q12	2Q12	3Q12	4Q12	2012	*Change 2012/11* Growth	%
Americas	24.00	23.50	23.80	23.85	23.87	23.75	-0.25	-1.04
Europe	14.35	13.74	13.82	13.89	13.77	13.80	-0.55	-3.82
Asia Pacific	8.15	9.08	7.97	8.28	8.74	8.52	0.37	4.55
Total OECD	**46.50**	**46.32**	**45.59**	**46.02**	**46.38**	**46.07**	**-0.43**	**-0.92**
Other Asia	10.49	10.59	10.81	10.89	10.90	10.80	0.31	2.94
Latin America	6.06	5.97	6.22	6.47	6.38	6.26	0.20	3.23
Middle East	7.34	7.48	7.48	7.87	7.49	7.58	0.24	3.34
Africa	3.36	3.37	3.39	3.31	3.46	3.38	0.02	0.65
Total DCs	**27.25**	**27.41**	**27.89**	**28.54**	**28.22**	**28.02**	**0.77**	**2.83**
FSU	4.29	4.24	4.09	4.51	4.72	4.39	0.10	2.33
Other Europe	0.64	0.63	0.59	0.63	0.72	0.64	0.00	-0.01
China	9.41	9.46	9.88	9.54	10.08	9.74	0.33	3.50
Total "Other regions"	**14.34**	**14.33**	**14.56**	**14.68**	**15.52**	**14.77**	**0.43**	**2.99**
Total world	**88.09**	**88.06**	**88.04**	**89.24**	**90.11**	**88.87**	**0.77**	**0.88**
Previous estimate	88.04	88.03	87.97	89.12	90.17	88.83	0.79	0.90
Revision	0.06	0.02	0.07	0.12	-0.05	0.04	-0.02	-0.02

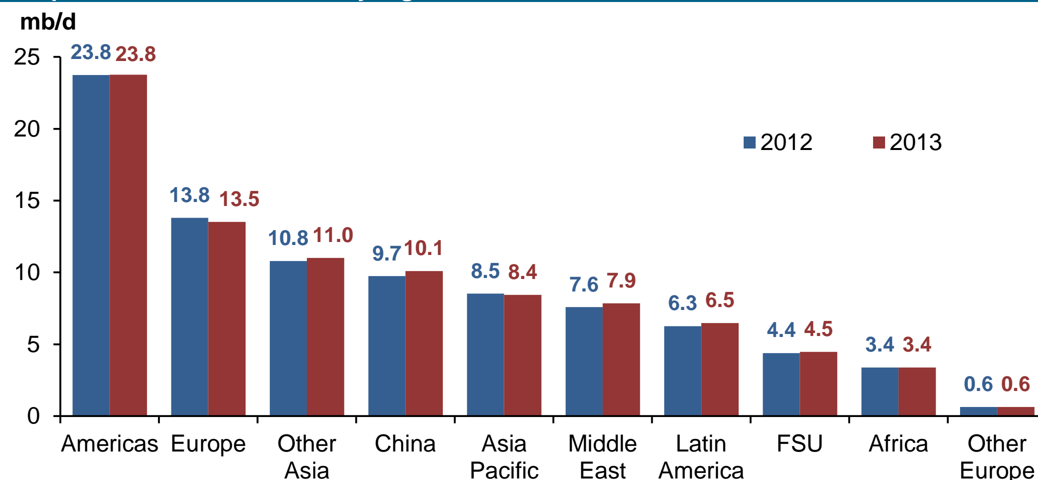
Totals may not add up due to independent rounding.

World oil demand growth in 2013 is expected at 0.8 mb/d, slightly higher than 2012

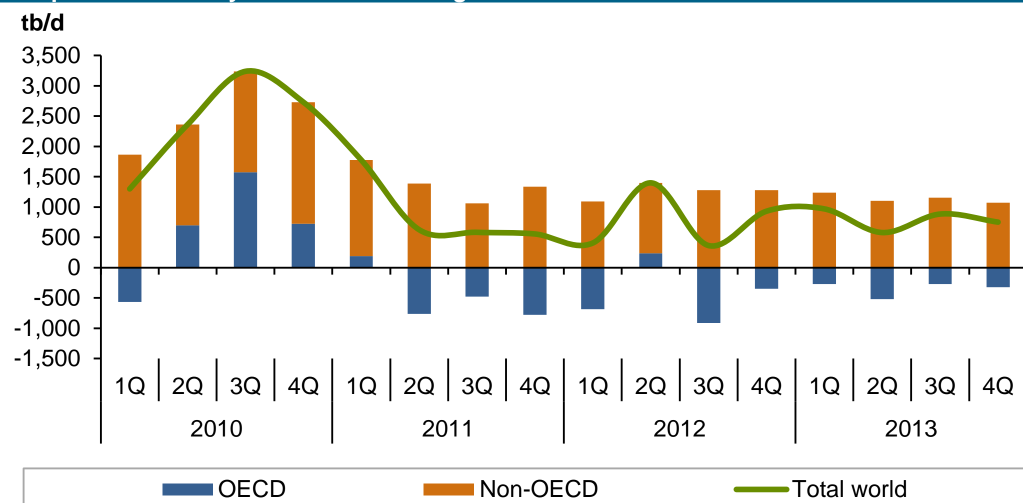
Taking into consideration the above adjustments made for the first quarter and assuming moderate growth will continue through the rest of the coming quarters, our forecast for 2013 has been revised down by around 40 tb/d to stand at 0.8 mb/d, still slightly higher than the figure estimated for 2012. The largest share of this growth is expected to come from China, with 0.4 mb/d. Altogether, non-OECD is expected to

grow by 1.1 mb/d, with the Middle East region accounting for 0.3 mb/d and Other Asia and Latin America 0.2 mb/d each. In contrast, OECD demand is expected to see a contraction of 0.3 mb/d, slightly lower than in the previous year. On a quarterly basis, oil demand growth is projected to rise between 0.7% q-o-q in the second quarter and 1.1% q-o-q in the first quarter. But in absolute terms, world oil demand in the second half of this year is seen to be much higher than the first, with the fourth quarter reaching nearly 91.0 mb/d.

Graph 4.1: World oil demand by region



Graph 4.2: Quarterly world oil demand growth



OECD Americas

OECD Americas' demand expected to remain flat in 2013, following a decline of 0.25 mb/d in 2012

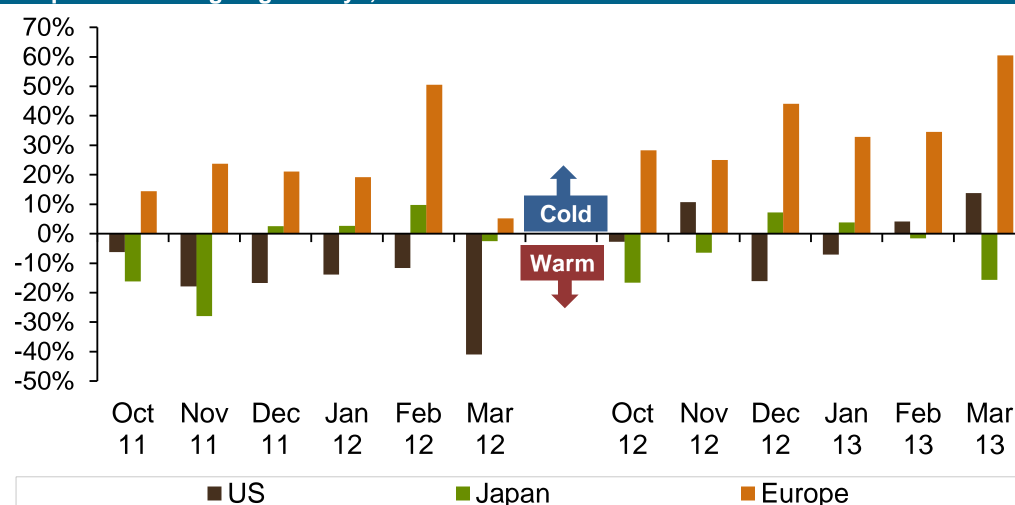
Following last month's downward revisions for December 2012, the recent monthly data released for January shows US oil consumption surprising the market again with an upward revision of 0.4 mb/d — the only monthly increase since November 2011 — compared with the previously available preliminary weekly data. The most prominent product categories that increased were those related to industrial products, propane/propylene and distillates. It should be noted that, for distillates, this was the first monthly increase since October 2011. Improving general consumer sentiment and industrial activity, as well as colder weather compared with January 2012, were the main reasons for these increases. Moreover, despite relatively high retail prices, gasoline consumption increased slightly, while jet fuel/kerosene usage remained flat year-on-year (y-o-y). Finally, the substitution of residual fuel with natural gas implied once more a decrease of 12.3% in residual fuel oil consumption in January.

Preliminary weekly data shows **US oil consumption** for February decreasing slightly, with the propane/propylene requirements rising, while gasoline, distillate fuel oil and residual fuel oil demand fell, even though the colder weather offset some of these

decreases with higher heating oil consumption. In March, US oil consumption, also based on weekly data, saw increases of 1.9%, with the only falling product category being gasoline; all the other product categories rose, with the bulk of the increases seen in propane/propylene.

The existing outlook for US oil consumption for 2013 is strongly dependent on the impact of the spending cuts and newly adopted budget ceilings in the near future. It is estimated that these cuts will take out $85 billion from the US's 2013 budget and could significantly slow economic growth. Some immediate implications have been seen already, such as the shutdown of 149 air traffic control powers as of April and reduced working-week hours for around 800,000 civilian workers. In addition, oil usage for transportation could be affected by the US plans to create a $2 bn trust fund to support electric-, natural gas- and biofuel- powered vehicles and to introduce new rules to reduce gasoline sulphur content to ten parts per million. The projections for 2013 oil consumption therefore seem to be even more skewed towards to the downside compared with the situation one month ago, despite some increasing consumer sentiment which was observed in the first quarter of 2013.

Graph 4.3: Heating degree days, % of normal



The latest reported figures for **Mexican oil consumption** in February showed once again substantial increases of 4.9% y-o-y, as a result of improvements in industrial manufacturing growth and the auto industry due to stronger domestic demand. These factors led to stronger residual fuel oil and distillate requirements. The recently proposed reforms by the Mexican government to make industrial entities more competitive and to improve government finances are some factors which are expected to have an impact on Mexican consumption during 2013.

Canadian oil consumption started 2013 with a solid January and growing requirements of 4.5% y-o-y, driven mainly by the colder weather, improved manufacturing sector and increasing mining, quarrying and oil/gas extraction activity; usage of industrial fuels and especially fuel oil dominated these increases. Canadian consumption is expected to stay flat during 2013 — this projection remains unchanged from that of the previous month, with the country's strong economic dependence on the US being the leading influence here.

In 2012, OECD Americas' oil consumption shrank by 0.25 mb/d, while, during 2013, it is projected to remain at roughly the same level as in 2012, averaging 23.8 mb/d.

OECD — Europe

OECD Europe oil demand will decline further in 2013, but less than in 2012

With a shaky economy, alarming rises in unemployment rates, several European countries facing strict austerity measures due to large debts, and decreasing consumer sentiment, which began to appear also in the northern part of the continent, European oil consumption contracted in February for the 18th month in a row. In particular, the situation worsened in the southern peripheral countries. In addition, the milder weather in February, compared with last year, exacerbated even more the declines in oil

consumption, and this was in spite of the very low baseline from previous years.

In Germany, growth in industrial production has been on a declining trend since July 2012, and industrial activity has also been falling in the other three big markets — France, Italy and the United Kingdom. Symptomatic of the above factors are shrinking distillate and fuel oil requirements, as well as falling demand for transportation fuels. One of the most important industries in the region, the auto-industry, faced a 17-year low in 2012 and continued to decline in February, with car sales falling by 10.2% y-o-y, according to the latest European Automobile Manufacturers' Association figures. The general expectations for the region's oil consumption during 2013 have worsened further since last month's projections, due to the impact that the turmoil surrounding the financial bailout in Cyprus has had on economic sentiment in the region.

Moreover, the continuing political uncertainty in Italy, in combination with unsolved debt issues in a number of other countries, paints an alarming picture as far as the short- and medium-term oil requirements of the region are concerned. Recently, Portugal announced plans for further cuts and these are likely to add more bearish sentiment about European demand. The unusually long spell of cold weather in large parts of Europe in March and the beginning of April, in combination with the very low baseline, and some hopes of an economic recovery appear to be the only factors that could potentially ease the expected declines in oil consumption in 2013.

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

	Feb 13	Feb 12	Change from Feb 12	Change from Jan 12, %
LPG	487	507	-20	-4.0
Gasoline	1,008	1,082	-74	-6.9
Jet/Kerosene	589	683	-94	-13.8
Gas/Diesel oil	3,292	3,373	-81	-2.4
Fuel oil	378	472	-94	-19.9
Other products	953	1,019	-66	-6.5
Total	**6,706**	**7,136**	**-430**	**-6.0**

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

In annual terms, European oil consumption is forecast to decrease by 0.28 mb/d in 2013. However, this represents a smaller contraction compared with the 0.55 mb/d decline seen in the previous year.

OECD — Asia-Pacific

In 2013, OECD Asia Pacific demand is expected to fall following a significant increase in 2012

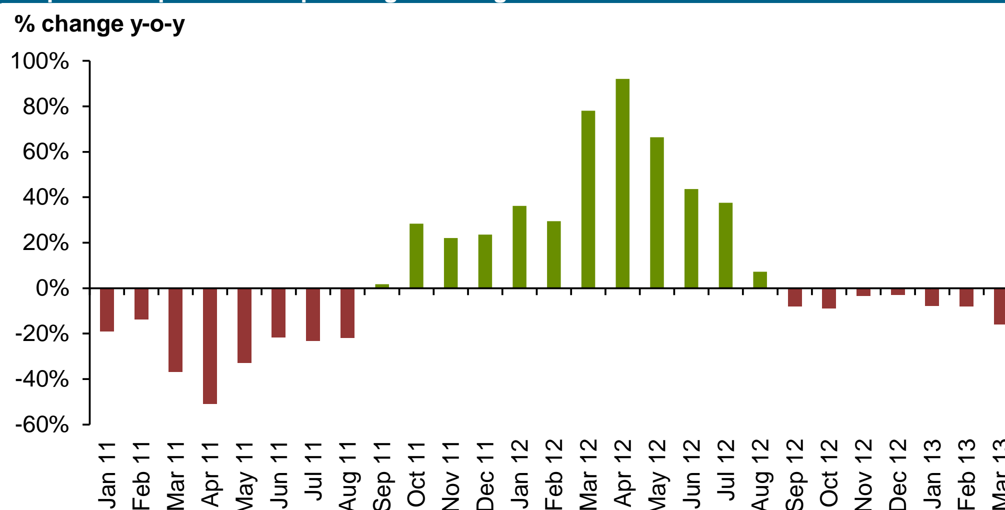
In contrast with a minor increase in oil demand in January 2012, **Japanese oil consumption** in February 2013 fell by a strong 8.0% y-o-y. This was due to milder weather and increasing fuel substitution with natural gas, which implied a reduction of around 0.2 mb/d in direct crude burning and fuel oil for electricity-generation. Moreover, consumption was affected by the country's weak economy and rising unemployment, and this resulted in declines across all product categories, the largest being in gasoline and jet fuel/kerosene. The fall in vehicle sales of 8% in February and most recently 16% in March also had a negative impact on oil demand growth.

As the restart of most of the country's nuclear plants appears to be less and less likely in the short term, the country is obliged to be oriented towards continuing fossil fuel usage for electricity generation. Most recently, the Tokyo Electric Power Company (TEPCO) announced delays at the Kashiwazaki-Kariwa nuclear plant, while, at the same time, the Japanese government decided to reform the power industry, splitting it up into nine regional utilities, and to eliminate all restrictions on pricing until 2018. Recently, TEPCO expected to cut its crude and fuel oil consumption in the fiscal year (April–March) by 45% as it starts test-runs at two new coal-fired units in April-May.

In March 2013, the Russian Energy Minister and the Japan's METI Minister agreed to enhance energy cooperation and increasing sales of Russian liquefied natural gas (LNG), whose competitive prices seem to be very important to Japan. Also, Japan is considering increasing imports of LNG from the US and is therefore planning to start the world's first futures contract for this product, in an attempt to create an LNG global market. For historical reasons, the price of importing LNG has been linked to crude. A

futures contract would allow LNG prices to be independent from crude, while at the same time providing protection against price volatility. Also, as a result of current low prices, coal usage for electricity-generation could become an additional fuel source. As far as the outlook for 2013 is concerned, current indications remain unchanged from last month's forecasts and imply that oil consumption will remain at roughly the same level as in 2012 with the risks being on the downside.

Graph 4.4: Japanese new passenger car registrations



In **South Korea**, total products saw a slight decrease of 0.02 mb/d y-o-y in January. Increases in distillates, jet/kerosene and naphtha for the petrochemical industry were more than offset by declining consumption in all the other main product categories, notably liquefied petroleum gas (LPG) and residual fuel oil. Taking into consideration these developments, current projections for South Korean oil consumption during 2013 remain unchanged from last month's forecasts, with consumption expected to remain flat compared with 2012.

OECD Asia-Pacific's oil consumption grew by 0.37 mb/d in 2012, mainly as a result of Japanese direct crude/fuel oil burning for electricity-generation. For 2013, consumption is projected to fall by 0.1 mb/d, due to the fading out of baseline effects and possibly more frequent fuel substitution with natural gas.

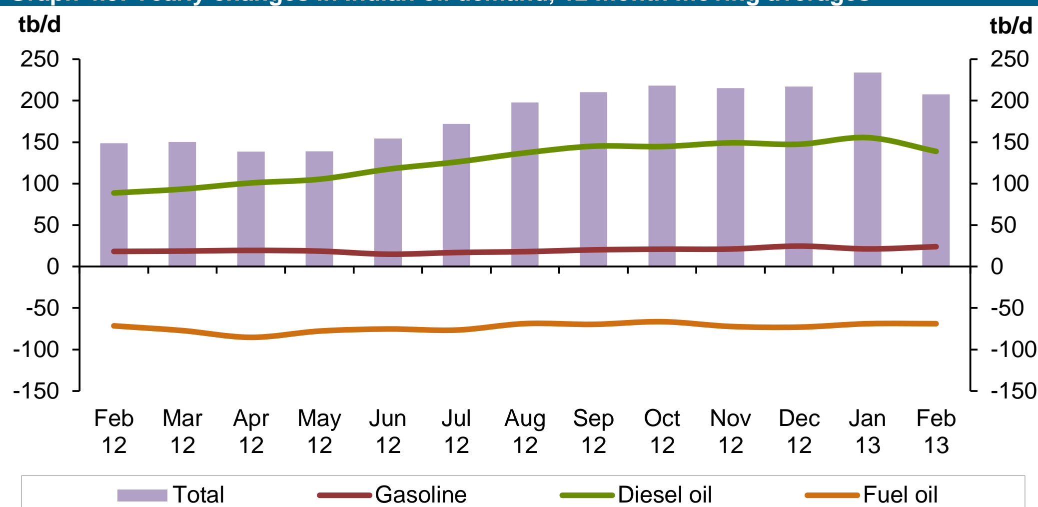
Developing countries

Other Asia

In 2013, Other Asia demand is projected to increase by 0.2 mb/d, lower than 2012

In February, **Indian oil consumption** fell for the first time for 23 months, by 1.5% y-o-y, driven by sluggish economic growth and weaker farm, mining and manufacturing activity. All product requirements fell y-o-y, with the exception of naphtha and gasoline, which grew only marginally. Another economic indicator, total passenger vehicle sales, declined in February for the third month in a row, by 16%. Lower demand for bunker fuel, reduced commercial vehicles sales, an improvement in the power situation (the overall Indian power deficit improved to –8.4% in February, compared with –9.8% in January), deregulation of diesel sales and the high baseline implied the first monthly decrease in the distillate requirement since March 2009. The LPG requirement fell for the fourth consecutive month as a result of rising retail prices and caps on LPG cylinders. Increasing activity in the petrochemicals sector, especially by PNN Power Tamil Nadu, NTPC Kayakulam, IOCL Panipat and Haldia Petrochemicals, led to growth of 3% in naphtha requirements y-o-y. Lower residual fuel oil requirements were caused by the switching to gas of the two major consumers in the fertilizer sector, NFL Panipat and Bhatinda. The overall forecast for Indian oil consumption in 2013 nevertheless remains unchanged, compared with last month's forecasts, with the country's fiscal deficit imposing some downside risks.

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



In Indonesia, transportation fuel requirements, notably gasoline, more than offset declining fuel oil sales due to a slowdown in the mining industry as well as heavy flooding in Jakarta and resulted in an overall 1.6% y-o-y increase in total product demand in January. The Indonesian government announced plans for a further reduction in fuel subsidies to include also the currently subsidized 88 RON gasoline; the implementation of such a step would probably limit the country's future oil consumption. In Thailand, the oil requirement grew by a solid 8% y-o-y in January (the bulk of these volumes came from distillates and LPG), driven mostly by industrial and petrochemical activity. At the same time, bunker volume sales in Singapore and Hong Kong fell. Oil consumption also grew strongly during January in Taiwan and Malaysia. Bangladesh announced plans to liberalize and extend the trading hours of its bunker fuel market at its two ports. Other Asia has evolved during the last years as one of the main sources of oil demand growth and this is expected to continue in the coming years.

Other Asia's oil demand rose by 0.31 mb/d y-o-y in 2012. As for 2013, it is forecast to grow by a lower 0.22 mb/d to average 11.0 mb/d.

Latin America

In 2013, Latin American growth is seen at around 0.2 mb/d, slightly higher than in 2012

Following healthy growth in the previous three months, Brazil's oil consumption in January saw a month of strong growth, with oil demand increasing by a strong 0.2 mb/d, compared with January 2012. Industrial fuels were the main contributors to this growth, as a result of strong industrial production, especially manufacturing activity in preparation for the upcoming international events to be held in the country in 2014 and due to a surge in heavy truck production. After this, however, Brazil's manufacturing output in March grew at its slowest pace during the last three months, as new business inflows and export rates slowed. In Argentina, demand in January grew by 3.8% y-o-y, with gasoline and LPG accounting for the rises. Similarly, Venezuelan demand increased in February by a strong 6.3% y-o-y, following flat growth in January. Meanwhile, the latest data for Ecuador for February shows a 2.5% increase in oil requirements y-o-y, with gas/diesel oil and gasoline accounting for the largest part of the changes.

Table 4.3: Brazilian inland deliveries, tb/d

	Jan 13	Jan 12	Change	Change, %
LPG	212	206	6	2.9
Gasoline	676	630	46	7.3
Jet/Kerosene	125	131	-6	-4.8
Diesel	902	797	105	13.2
Fuel oil	101	57	44	77.6
Alcohol	162	150	13	8.6
Total	**2178**	**1970**	**208**	**10.6**

Latin American oil consumption grew by 0.20 mb/d in 2012. During 2013, it is projected to increase by roughly the same volume, 0.22 mb/d, to average 6.5 mb/d.

Middle East

Saudi Arabian oil demand in February witnessed a remarkable rise of 12% y-o-y, as a result of increasing requirements for industrial and transportation fuels, while, as in January, mild weather implied less direct crude burning. Oil consumption in Kuwait grew by 1.2% in February, following 1.6% growth in January.

For 2012, Middle East oil consumption grew by 0.25 mb/d, as a result of the economic turbulence in several of the region's economies. In 2013, it is projected to increase again, by 0.28 mb/d, to average 7.9 mb/d.

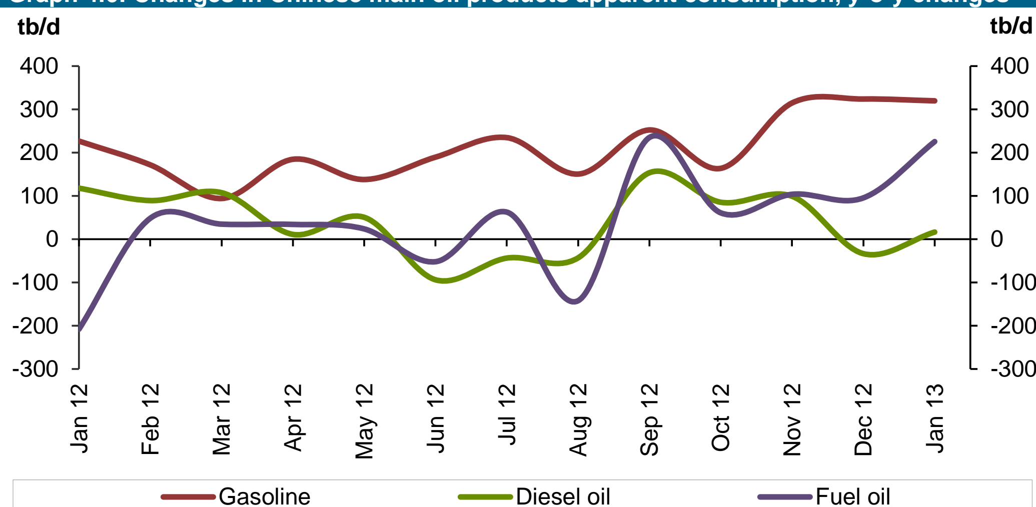
Other regions

China

In 2013, China's oil demand is likely to grow by 0.4 mb/d, slightly more than in 2012

The growth in Chinese oil demand in February, at 1.9% y-o-y, was much lower than that experienced during the previous four months, after January, for example, had recorded growth of almost 7%. The oil requirement was influenced by the Chinese week-long Lunar New Year holiday, which inevitably slowed economic growth and industrial and manufacturing activity, due to the closing of fuel factories for the festive period. Indeed, the Chinese Purchasing Managers' Index in February fell to 50.4 from 52.3 in January. Thus the diesel requirement fell by around 2% y-o-y, while gasoline consumption also remained at lower levels as a result of falling new vehicle registrations — according to figures from the China Association of Automobile Manufacturers, automobile sales fell by 14%, compared with February.

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



In March, the National Development and Reform Commission made an adjustment to the country's gasoline and diesel price-formation policy, in which more frequent price adjustments would become possible to better accommodate changes in international oil prices. Under the 2008 oil product price system, refined product price ceilings were linked to a basket of crude prices — Brent, Dubai and Cinta — with adjustments taking place on fluctuations over 4% during a window of 22 straight working days. The latest policy adjustment however, does not specify the basket of crude prices to which oil product price ceilings will be linked, so as to minimize speculative stockpiling. Moreover, and although it does specify further details of the mechanism, analysts expect that the window will be shortened to ten days and that the government might cap price adjustments under a certain limit. It is too early to see what will be the full impact of such a decision on oil demand, but obviously it will lead to a further reduction in oil product consumption if international crude oil prices increase again.

Also, the South Chinese city of Foshan in Guangdong announced that it would fully eliminate lower sulphur gasoline. Thus it became the second city after Beijing to implement emission standards allowing a maximum sulphur content of 10 ppm. Since the cost of the newly adopted standards will be passed on to consumers, the short-term outlook for Chinese oil consumption remains largely unchanged from last month's projections, but subject to downside risks.

For 2012, Chinese oil consumption grew by 0.33 mb/d, while, in 2013, it is projected to increase by another 0.36 mb/d to average 10.4 mb/d.

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

							Change 2013/12	
	2012	1Q13	2Q13	3Q13	4Q13	2013	Growth	%
Americas	23.75	23.58	23.73	23.89	23.88	23.77	0.01	0.06
Europe	13.80	13.50	13.48	13.62	13.49	13.52	-0.28	-2.04
Asia Pacific	8.52	8.97	7.86	8.23	8.69	8.44	-0.08	-0.93
Total OECD	**46.07**	**46.05**	**45.07**	**45.75**	**46.05**	**45.73**	**-0.35**	**-0.75**
Other Asia	10.80	10.83	11.03	11.12	11.10	11.02	0.22	2.08
Latin America	6.26	6.22	6.44	6.69	6.58	6.48	0.22	3.57
Middle East	7.58	7.79	7.73	8.16	7.74	7.86	0.28	3.63
Africa	3.38	3.39	3.38	3.30	3.45	3.38	0.00	-0.06
Total DCs	**28.02**	**28.23**	**28.57**	**29.27**	**28.87**	**28.74**	**0.72**	**2.57**
FSU	4.39	4.31	4.16	4.58	4.81	4.47	0.08	1.72
Other Europe	0.64	0.62	0.58	0.62	0.71	0.63	-0.01	-1.59
China	9.74	9.82	10.24	9.91	10.42	10.10	0.36	3.67
Total "Other regions"	**14.77**	**14.75**	**14.98**	**15.11**	**15.94**	**15.20**	**0.42**	**2.86**
Total world	**88.87**	**89.02**	**88.62**	**90.12**	**90.86**	**89.66**	**0.80**	**0.90**
Previous estimate	88.83	89.05	88.61	90.03	90.95	89.67	0.84	0.95
Revision	0.04	-0.02	0.01	0.10	-0.09	0.00	-0.04	-0.05

Totals may not add up due to independent rounding.

World Oil Supply

Non-OPEC

Estimate for 2012

Non-OPEC supply grew by 0.50 mb/d in 2012

Non-OPEC oil supply is estimated to have averaged 52.96 mb/d in 2012, an increase of 0.50 mb/d over the previous year. This constitutes an overall downward revision from the previous *Monthly Oil Market Report (MOMR)* of 60 tb/d, partly from historical revisions, as well as from revisions to the supply estimates for the second half of 2012. In 2012, non-OPEC supply growth was supported mainly by OECD Americas, China and the former Soviet Union (FSU), while all the other regions' supply either remained steady or declined. OECD Americas' supply experienced the largest growth among all non-OPEC regions, of 1.17 mb/d, and this was followed by China with an increase of 90 tb/d over the previous year. FSU supply grew by 60 tb/d. The biggest decline came from OECD Europe, with a drop of 300 tb/d. Africa's supply had the second-largest drop, followed by the Middle East and OECD Asia-Pacific, while Other Asia's supply remained steady. On a quarterly basis, non-OPEC supply in 2012 is estimated at 53.19 mb/d, 52.61 mb/d, 52.33 mb/d and 53.70 mb/d respectively.

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

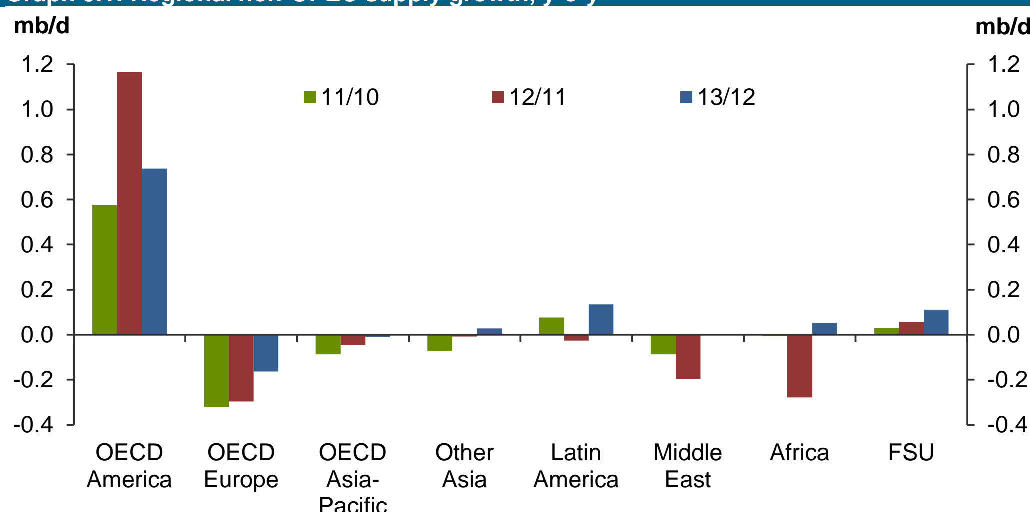


Table 5.1: Non-OPEC oil supply in 2012, mb/d

	2011	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11
Americas	15.55	16.50	16.42	16.50	17.45	16.72	1.17
Europe	4.07	4.08	3.92	3.49	3.61	3.77	-0.30
Asia Pacific	0.57	0.51	0.53	0.55	0.49	0.52	-0.05
Total OECD	**20.19**	**21.09**	**20.87**	**20.54**	**21.56**	**21.01**	**0.82**
Other Asia	3.63	3.66	3.59	3.61	3.63	3.62	-0.01
Latin America	4.73	4.80	4.66	4.64	4.73	4.71	-0.03
Middle East	1.69	1.44	1.51	1.52	1.51	1.50	-0.20
Africa	2.59	2.39	2.28	2.28	2.30	2.31	-0.28
Total DCs	**12.65**	**12.29**	**12.04**	**12.05**	**12.17**	**12.14**	**-0.51**
FSU	13.24	13.36	13.24	13.23	13.36	13.30	0.06
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.11	4.14	4.16	4.20	4.30	4.20	0.09
Total "Other regions"	**17.49**	**17.64**	**17.53**	**17.57**	**17.81**	**17.64**	**0.14**
Total Non-OPEC production	**50.33**	**51.02**	**50.44**	**50.16**	**51.53**	**50.79**	**0.46**
Processing gains	2.12	2.17	2.17	2.17	2.17	2.17	0.05
Total Non-OPEC supply	**52.45**	**53.19**	**52.61**	**52.33**	**53.70**	**52.96**	**0.50**
Previous estimate	52.46	53.22	52.59	52.45	53.81	53.02	0.55
Revision	-0.01	-0.03	0.02	-0.12	-0.11	-0.06	-0.05

Revisions to the 2012 estimate

There have been a few revisions to the non-OPEC oil supply estimates for 2012, mostly downward compared with the previous month, with the majority affecting the second half of the year. Supply estimates for the US, Canada, Australia, Indonesia and China have changed. The revisions were introduced to adjust for updated production data. US supply figures for the first and third quarters were revised down by 15 tb/d and 20 tb/d from the previous *MOMR*, resulting in a downward revision of 10 tb/d on an annual basis. Australia's supply estimate for 2012 was revised down the most in the second half, with new production data indicating lower output than previously advised. It was revised down by an average of 150 tb/d, which led to the annual figure being adjusted lower by 75 tb/d. Canada's and Indonesia's supply estimates in 2012 were revised up to adjust for updated production data that was slightly higher than before.

Forecast for 2013

Non-OPEC supply forecast to average 53.94 mb/d in 2013, an increase of 0.98 mb/d

Non-OPEC supply is expected to increase by 0.98 mb/d to average 53.94 mb/d in 2013, representing a downward revision of 40 tb/d from the previous *MOMR* in terms of total supply. However, the forecast growth was revised up by 20 tb/d from last month, with the historical downward revision to the 2012 supply estimates influencing growth in 2013. In absolute terms, total non-OPEC supply is expected to be slightly higher than in the previous assessment. Compared with the previous month, the downward revisions affected all quarters of 2013, mainly from carrying over the changes to Australia's 2012 supply. The OECD supply forecast had the biggest downward revision, while those for developing countries and the FSU saw the largest upward adjustments. On a regional basis, OECD Americas' supply is expected to witness the highest growth among all the non-OPEC regions in 2013, followed by Latin America and the FSU, while OECD Europe's supply is forecast to see the largest decline. On a quarterly basis, non-OPEC supply is expected to average 53.81 mb/d, 53.67 mb/d, 53.88 mb/d and 54.39 mb/d respectively.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12
Americas	16.72	17.44	17.45	17.43	17.50	17.45	0.74
Europe	3.77	3.68	3.60	3.50	3.66	3.61	-0.16
Asia Pacific	0.52	0.49	0.50	0.52	0.54	0.51	-0.01
Total OECD	**21.01**	**21.61**	**21.54**	**21.45**	**21.71**	**21.58**	**0.56**
Other Asia	3.62	3.63	3.63	3.66	3.67	3.65	0.03
Latin America	4.71	4.75	4.77	4.89	4.95	4.84	0.13
Middle East	1.50	1.49	1.49	1.50	1.51	1.50	0.00
Africa	2.31	2.31	2.33	2.40	2.42	2.37	0.05
Total DCs	**12.14**	**12.17**	**12.23**	**12.45**	**12.55**	**12.35**	**0.22**
FSU	13.30	13.42	13.34	13.38	13.50	13.41	0.11
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.20	4.26	4.21	4.24	4.29	4.25	0.05
Total "Other regions"	**17.64**	**17.81**	**17.69**	**17.77**	**17.93**	**17.80**	**0.16**
Total Non-OPEC production	**50.79**	**51.60**	**51.46**	**51.67**	**52.18**	**51.73**	**0.94**
Processing gains	2.17	2.21	2.21	2.21	2.21	2.21	0.04
Total Non-OPEC supply	**52.96**	**53.81**	**53.67**	**53.88**	**54.39**	**53.94**	**0.98**
Previous estimate	53.02	53.86	53.76	53.93	54.37	53.98	0.96
Revision	-0.06	-0.05	-0.09	-0.05	0.02	-0.04	0.02

OECD

OECD supply to grow by 0.56 mb/d in 2013

Total OECD oil supply is forecast to grow by 0.56 mb/d and average 21.58 mb/d in 2013, indicating a downward revision of 110 tb/d from the previous *MOMR*. The expected increase is lower than the previous year's growth, while it is more than 350 tb/d above the average growth of the past five years. The anticipated strong output increase from OECD Americas lies behind this, supported by projected growth in the US and Canada, the highest expected growth among all non-OPEC countries in 2013. The anticipated growth from OECD Americas is seen to more than offset the declines from OECD Europe and OECD Asia-Pacific. OECD Europe's supply forecast experienced a minor upward revision from the previous *MOMR*. The upward revisions to individual countries' supply profiles more than offset the downward revisions. OECD

Asia-Pacific's oil supply outlook was revised down the most from the previous *MOMR*, with an impact on all quarters in 2013 on the back of the revision to 2012's supply estimates. On a quarterly basis, OECD supply is seen to average 21.61 mb/d, 21.54 mb/d, 21.45 mb/d and 21.71 mb/d respectively. According to preliminary data, total OECD production averaged 21.60 mb/d in January and February, an increase of 0.46 mb/d from the same period a year ago.

Graph 5.2: OECD's quarterly production

OECD Americas

OECD Americas' oil supply is projected to increase by 0.74 mb/d, the highest among all non-OPEC regions, and average 17.45 mb/d in 2013, indicating an upward revision of 15 tb/d from the previous *MOMR*. The forecast supply growth for the US and Canada is seen to more than offset the reduced decline in Mexico and drive the healthy supply increase for the region. On a quarterly basis, the region's supply in 2013 is expected to stand at 17.44 mb/d, 17.45 mb/d, 17.43 mb/d and 17.50 mb/d respectively.

US

US production to average 10.58 mb/d in 2013, an increase of 570 tb/d

US oil supply is seen to increase by 0.57 mb/d to average 10.58 mb/d in 2013, indicating a downward revision of 20 tb/d from the previous *MOMR* for the annual figure, while growth remained steady. The downward revision affected all quarters on the back of the historical revision. In addition, updated production data for the early part of the first quarter supported the revision. North Dakota's supply declined in January from the previous month, while Texas's output continued its healthy growth. The expected growth in 2013 is supported by the anticipated supply increase from shale oil plays in North Dakota and Texas, as well as by minor growth from other areas in Oklahoma, Kansas, Colorado and Wyoming. The infrastructure situation is improving in North Dakota, with reports suggesting that the railroad loading capacity will reach 1 mb/d. Eagle Ford oil production in January continued to increase from the same period a year earlier. On a quarterly basis, US supply is expected to average 10.57 mb/d, 10.62 mb/d, 10.56 mb/d and 10.55 mb/d respectively.

Furthermore, the restart of some ethanol plants in March on the back of lower corn prices supported the growth. The US ethanol stocks in March reached a 15-month low, which is expected to support production margins. Moreover, Alaska approved an oil tax cut which is expected to support oil production in the near future. On the other hand, reports claimed that many independent operators reduced their capital expenditure in 2013 from the previous year, and this could have a negative impact on growth.

Canada and Mexico

Canada's supply to average 3.97 mb/d in 2013, a rise of 0.19 mb/d

Canada's oil production is expected to increase by 190 tb/d and average 3.97 mb/d in 2013, representing an upward revision of 10 tb/d from the previous *MOMR*. This revision partly reflects healthy production levels during the early part of 2013. It is supported by expected healthy growth from oil sand operations, as well as oil production from shale formations. On a quarterly level, Canada's supply is seen to

surpass 4 mb/d in the fourth quarter of 2013, a record high level. The start-up of the Kearl oil project is expected soon, after delays to the original start-up in December. However, maintenance is likely to have an impact on output and growth in 2013, with a long list of facilities starting or expected to start maintenance soon. In addition, the infrastructure, the projected economic trend and the oil price level are expected to have an impact on growth in 2013 and beyond. On a quarterly basis, Canada's supply is forecast to average 3.93 mb/d, 3.92 mb/d, 3.97 mb/d and 4.07 mb/d respectively. According to preliminary data, output averaged 3.95 mb/d during January and February, which is 110 tb/d higher than in the same period last year.

Mexico's supply to drop 30 tb/d in 2013

Oil supply from Mexico is expected to average 2.89 mb/d in 2013, indicating a decline of 30 tb/d from the previous year and representing an upward revision of 20 tb/d from last month. The upward revision was introduced partly to adjust for updated production data during the first quarter, which was stronger than anticipated, despite the minor decline in output in February compared with January. The upward revision was carried over to the rest of the quarters. The expected start-up of the Kambesah field, as well as the ramp-up of the Tsimin field, is seen to reduce the decline in 2013. Moreover, the start-up of shale oil output from the Anhelido well, part of the exploration and development programme of shale resources, supported the upward revision. On a quarterly basis, Mexican supply is expected to average 2.93 mb/d, 2.89 mb/d, 2.90 mb/d and 2.89 mb/d respectively. According to preliminary data, the country's supply in January and February averaged 2.94 mb/d, an increase of 20 tb/d from the same period a year earlier.

OECD Europe

OECD Europe's oil production is projected to decline by 160 tb/d in 2013 from last year to average 3.61 mb/d, indicating an upward revision of 20 tb/d from the previous *MOMR*. The bulk of the revision came from updated production data in the early part of 2013 that was partly carried across the year, in addition to changes to individual countries' supply profiles. The anticipated decline is lower than in the previous year, as maintenance and unplanned outages are expected to be less in 2013. Oil output from the region's main producers is expected to fall in 2013. On a quarterly basis, OECD Europe's supply is seen to stand at 3.68 mb/d, 3.60 mb/d, 3.50 mb/d and 3.66 mb/d respectively.

Skuld, Stjerne and Vigdis Northeast started in Norway

Norway's oil supply is predicted to decrease by 110 tb/d and average 1.81 mb/d in 2013, which means a downward revision of 10 tb/d from the previous *MOMR*. This revision came on the back of adjustments to current production data during the early part of the first quarter, where this data indicated lower output than had been expected. A four-day shutdown of the Oseberg field on a power outage and a decline in Ekofisk output supported the downward revision. According to preliminary data, Norway's supply averaged 1.83 mb/d during January and February, a decline of 270 tb/d from the same period a year earlier. A potential strike in April was called off at the last minute. The supply forecast for the rest of the year has had some minor upward revisions. These have come on the back of the start-ups of three fast-track fields. The Skuld (peaking at 35 tb/d by the end of 2013), Stjerne (peaking at 20 tb/d by the end of 2013) and Vigdis Northeast (peaking at 15 tb/d by the end of 2013) fields started up in March and are expected to support Norway's oil supply. On a quarterly basis, the country's supply is expected to average 1.84 mb/d, 1.80 mb/d, 1.76 mb/d and 1.85 mb/d respectively.

Huntington to start up soon — UK

The UK's oil output is forecast to average 0.92 mb/d in 2013, a decline of 40 tb/d from the previous year and an upward revision of 25 tb/d from last month. This revision has affected all quarters, with a stronger effect on the first-half estimate. Updated production data for the early part of the year suggested higher output than expected. The restart of the Elgin/Franklin field supported the upward revision. Reports suggest that Elgin/Franklin output will soon reach 70,000 barrels of oil equivalent a day, which is around 50% of its pre-shutdown level; however, the operator announced further drilling developments that could improve the facilities' output. The restoration of Buzzard output after a short reduction added support to the upward revision. Moreover, the expected start-up of the Huntington field in April, after delays, is seen to further support the overall production level. On the other hand, the shutdown of the Cormorant Alpha facilities is likely to have an impact on supply, as does the shutdown of some ethanol

capacity for economic reasons. On a quarterly basis, UK supply is seen to stand at 0.95 mb/d, 0.91 mb/d, 0.87 mb/d and 0.94 mb/d respectively. According to preliminary data, it averaged 0.97 mb/d during January and February, indicating a decline of 130 tb/d from the same period of 2012.

OECD Asia-Pacific

OECD Asia-Pacific's oil production is projected to average 0.51 mb/d in 2013, a decrease of 10 tb/d from the previous year and a downward revision of 145 tb/d from the last *MOMR*. The downward revision affected all quarters of 2013 on the back of the historical adjustment. On a quarterly basis, OECD Asia-Pacific's supply is expected to average 0.49 mb/d, 0.50 mb/d, 0.52 mb/d and 0.54 mb/d respectively.

Australia's supply to remain steady in 2013 and average 0.44 mb/d

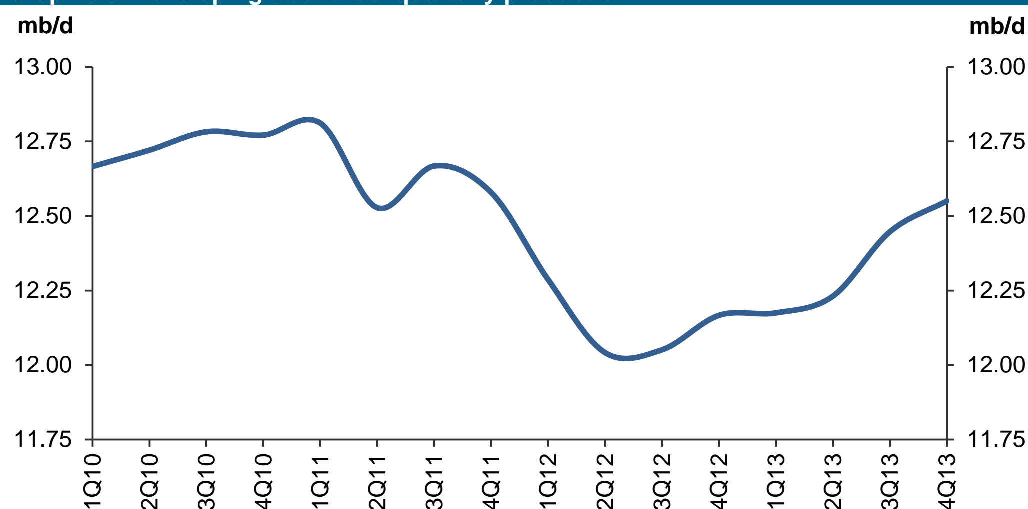
Australian oil output is seen to remain steady in 2013, compared with the previous year, and average 0.44 mb/d, representing a downward revision of 150 tb/d from the previous *MOMR*. This revision came on the back of the historical revision to 2012's production data. The new data indicated that the second half of 2012's supply did not experience major growth as the data had earlier indicated. Accordingly, the new data was adopted and carried over to 2013's supply forecast and required the undertaken downward revision. Australia's supply is forecast to experience gradual growth in 2013, supported by new projects such as the Montara. The growth is seen to be limited due to various expected maintenance shutdowns, as well as natural declines. On a quarterly basis, Australian supply is seen to average 0.40 mb/d, 0.43 mb/d, 0.45 mb/d and 0.47 mb/d respectively.

Developing countries

DC supply to average 12.35 mb/d in 2013, an increase of 220 tb/d

Total developing countries' (DCs') oil production is expected to increase by 0.22 mb/d in 2013 to average 12.35 mb/d, indicating an upward revision of 65 tb/d from the previous *MOMR*. This revision came about from the oil supply forecasts for Africa, Other Asia and Latin America, while the Middle East supply projection was revised down. Latin America remains the region that is expected to experience significant growth in 2013 among all the DC regions, followed by Africa, while the outlook for the others is to remain relatively steady. The upward revision affected all quarters. The revisions were introduced to adjust for preliminary production data, as well as for changes to various countries' supply elements and some political developments. On a quarterly basis, the DCs' total oil supply is expected to stand at 12.17 mb/d, 12.23 mb/d, 12.45 mb/d and 12.55 mb/d respectively. According to preliminary data, DC supply declined by 200 tb/d on average for January and February, compared with the same period a year earlier, mainly due to political issues.

Graph 5.3: Developing Countries' quarterly production



Other Asia — India's Aishwariya field started up

Other Asia's oil production is expected to remain steady in 2013, compared with last year, with a minor increase of 30 tb/d to average 3.65 mb/d, representing an upward revision of 25 tb/d from the previous *MOMR*. There were minor upward revisions that affected first-quarter supply and were carried over to the rest of the quarters. Malaysia's supply forecast

was revised up by 15 tb/d. This revision came on the back of updated production data in the early part of the first quarter that was carried over to the rest of the year. The country's supply is expected to increase by 60 tb/d in 2013 to average 0.72 mb/d. This growth is supported by the Gumusut field ramp-up. Thailand's supply saw a minor upward revision of 10 tb/d from the previous month on updated production data. It is seen to average 0.35 mb/d in 2013, steady from the previous year. On a quarterly basis, Other Asia's supply is forecast at 3.63 mb/d, 3.63 mb/d, 3.66 mb/d and 3.67 mb/d respectively.

India's oil supply is forecast to remain steady in 2013 and average 0.87 mb/d, unchanged from the previous *MOMR*. This steady state is expected as the new volumes from the recently started-up Aishwariya field, part of the Mangala project in Rajasthan, are seen to offset anticipated natural declines. This field's output is expected to peak at 10 tb/d in 2013. Indonesia's oil supply is seen to decline by 50 tb/d in 2013 on the back of limited new developments and declines in mature producing areas.

Argentina's supply forecast revised down on lower output

Latin America's oil output is projected to increase by 0.13 mb/d to average 4.84 mb/d in 2013, indicating an upward revision of 15 tb/d from last month. Argentina's production is seen to decline by 20 tb/d in 2013 and average 0.69 mb/d, suggesting a downward revision of 10 tb/d from the previous *MOMR*. According to preliminary data, the country's supply averaged 0.68 mb/d in January and February, a decline of 40 tb/d from the same period a year earlier. Accordingly, the lower output in the early part of the first quarter required the undertaken downward revision, which was partly carried over to the rest of the year. Argentina's state-controlled operator announced that the high cost could force it to scale back the drilling programme at the country's shale oil deposits, which further supported the downward revision. Colombia's oil supply is expected to average 1.02 mb/d in 2013, an increase of 60 tb/d from the previous year and an upward revision of 10 tb/d from the last *MOMR*. The upward revision came on the back of updated production data in the early parts of the first quarter that showed higher-than-expected production. However, the continued attacks against the energy infrastructure could have a negative impact on growth in 2013. During January–February, there were 30 attacks on energy facilities. On a quarterly basis, Latin American supply is expected to average 4.75 mb/d, 4.77 mb/d, 4.89 mb/d and 4.95 mb/d respectively.

Brazil's supply forecast to increase by 90 tb/d in 2013

Brazil's oil supply is expected to increase by 90 tb/d to average 2.69 mb/d in 2013, steady from the previous *MOMR*. Current production data in the early parts of the first quarter came within the expectation of relatively steady supply, compared with the fourth quarter of 2012's oil supply. The country's supply is expected to remain relatively steady in the first half of 2013 and then grow in the second half. According to preliminary data, it averaged 2.60 mb/d in January–February, a decline of 150 tb/d from the same period of 2012. This relative decline came on the back of various shutdowns in the Campos basin in the Marlim, Marlim Leste and Roncador fields. On a quarterly basis, Brazil's supply is seen to stand at 2.62 mb/d, 2.64 mb/d, 2.73 mb/d and 2.78 mb/d respectively.

Middle East supply forecast to remain steady in 2013 and average 1.50 mb/d

The Middle East's oil production is expected to remain steady in 2013 and average 1.50 mb/d, indicating a downward revision of 10 tb/d from the previous month. This adjustment came from Bahrain, while other producers' supply forecasts remained steady. Bahrain's supply is expected to average 0.20 mb/d in 2013, a minor increase of 10 tb/d from the previous year and a downward revision of 10 tb/d from the last *MOMR*. Updated estimated production data indicated lower output and required the minor adjustment to the country's supply. Oman's production is expected to average 0.94 mb/d in 2013, an increase of 30 tb/d over last year. This is supported by enhanced oil recovery projects. Syria's production is expected to average 0.16 mb/d in 2013, a drop of 40 tb/d from the previous year, and this is driven by the ongoing political turmoil. Yemen's supply outlook for 2013 is expected to increase slightly from the previous year. Attacks on oil infrastructure continue in Yemen and could bring about a downward revision as output data becomes available. On a quarterly basis, Middle East supply is expected to average 1.49 mb/d, 1.49 mb/d, 1.50 mb/d, and 1.51 mb/d respectively.

South Sudan announced restart of production

Africa's oil supply is projected to increase by 50 tb/d in 2013 to average 2.37 mb/d, indicating an upward revision of 35 tb/d from the previous *MOMR*. Upward revisions were introduced for Sudan and South Sudan's, as well as Other Africa's, supply

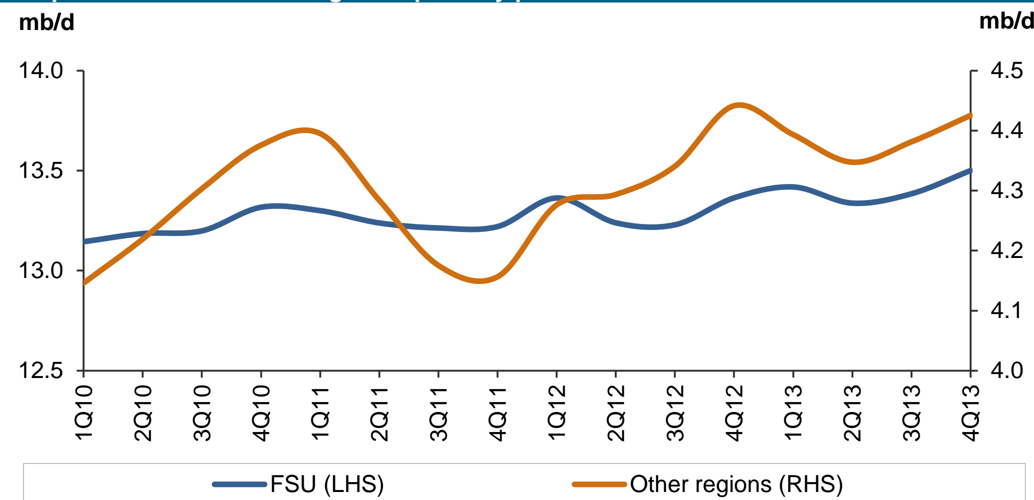
forecasts. The upward revision for Other Africa was made to adjust for updated production data in the first quarter that was partly carried over to the rest of the year. Sudan and South Sudan's supply is expected to increase by 60 tb/d and average 0.18 mb/d in 2013, representing an upward revision of 20 tb/d from the previous *MOMR*. This revision came on the back of the agreement to restart South Sudan's flow and on reports that the country had restarted production. However, the security and installation damage issues remain unclear at this point. While South Sudan announced the restart of output, it is not clear how much oil will be produced and how long it will take to reach the pre-shutdown level. With limited production data, further upward revisions might be on the horizon, once more details emerge about the situation. On a quarterly basis, Africa's supply is expected to average 2.31 mb/d, 2.33 mb/d, 2.40 mb/d and 2.42 mb/d respectively.

FSU, Other regions

FSU supply to grow by 0.11 mb/d in 2013

Total FSU oil supply is expected to increase by 110 tb/d to average 13.41 mb/d in 2013, indicating an upward revision of 25 tb/d from last month. This minor revision came from Russia's and Kazakhstan's supply forecasts. Updated production data during the early parts of the first quarter was the main driver behind this month's revisions. The risk and uncertainty of the forecast remain high for the FSU. The expected increase in FSU supply is close to the five-year growth average of 0.15 mb/d. Russia's and Kazakhstan's supply is expected to experience growth in 2013, while Azerbaijan's is seen to decline. On a quarterly basis, total supply in the FSU is expected to stand at 13.42 mb/d, 13.34 mb/d, 13.38 mb/d and 13.50 mb/d respectively. Other Europe's output is forecast to remain steady in 2013 and average 0.14 mb/d, steady from the previous *MOMR*. China's supply is projected to grow by 50 tb/d to average 4.25 mb/d in 2013. According to preliminary data, FSU supply averaged 13.45 mb/d in January–February, an increase of 90 tb/d over the same period a year earlier.

Graph 5.4: FSU and other region's quarterly production



Russia

Russian production to increase by 60 tb/d in 2013 and average 10.43 mb/d

Russia's oil supply is forecast to increase by 60 tb/d to average 10.43 mb/d in 2013, which would be a minor upward revision of 10 tb/ from the previous report. This revision was to adjust for updated production data in the first quarter and was partly carried over to the rest of the year. Russian production remained near record-high levels in March, as did production in the first quarter generally. The outlook for Russian supply remains steady, with strong output during the year as the new volumes expected from fields such as Vankor and Prirazlom are likely to offset the natural declines in mature producing areas. In addition, the healthy performance of Russia's oil-operators in the previous year is supporting brown field investment and moderating the natural declines. According to preliminary data, Russian supply averaged 10.45 mb/d in March and the first quarter, indicating an increase of 110 tb/d from the same period a year earlier. Year-on-year (y-o-y) quarterly growth is seen to slow down in the coming quarter, at a time of lower volume additions from the new fields. The risk to the Russia's supply forecast remains high on technical, political and natural decline grounds. On a quarterly basis, Russian supply is seen to average 10.45 mb/d, 10.43 mb/d, 10.43 mb/d and 10.43 mb/d respectively.

Caspian

Kazakhstan's supply to increase 80 tb/d in 2013

Kazakhstan's oil output is expected to increase by 80 tb/d to average 1.67 mb/d in 2013, indicating an upward revision of 15 tb/d from the previous *MOMR*. This revision came on the back of updated production figures in the early parts of the first quarter which turned out to be higher than expected. It was partly carried over to the rest of the year. The main driver of growth in 2013 will be the start-up of the Kashagan field, which is expected in the middle of the year. Recently, the government announced an increase in export taxes which some analysts expect to have an impact on the investment atmosphere in Kazakhstan. According to preliminary data, Kazakhstan's supply rose by 50 tb/d on average during January and February, compared with the same period last year. On a quarterly basis, it is expected to average 1.65 mb/d, 1.62 mb/d, 1.66 mb/d and 1.74 mb/d respectively.

Azerbaijan — ACG output declined in 2013

Azerbaijan's oil supply is projected to decline by 50 tb/d to average 0.85 mb/d in 2013, unchanged from the previous report. The expected output drop is seen on the back of a natural decline in the Azeri–Chirag–Guneshli (ACG) field, with limited new developments. This field's output dropped to 665 tb/d in 2012 from 720 tb/d in 2011. The Azeri government indicated that the country's output would decline in 2013 to yet a lower level than in 2012. On a quarterly basis, Azerbaijan's supply is seen to average 0.88 mb/d, 0.84 mb/d, 0.84 mb/d and 0.85 mb/d respectively. According to preliminary data, it declined by 90 tb/d in January from the same period last year.

China

China's offshore output declined in January and February

China's oil production is seen to increase by 50 tb/d in 2013 to average 4.25 mb/d, indicating a downward revision of 20 tb/d from the previous month. This revision came on the back of adjustments to current production data in the early parts of the first quarter. It took place despite the start-up of the Beibu Gulf project, which is expected to peak at 15 tb/d. China's supply declined in January and February on a monthly basis. The decline came mainly from the offshore oil production, which averaged 730 tb/d in February, compared with 890 tb/d in December. In February, China's production averaged 4.22 mb/d, slightly lower than in the previous month and indicating growth of 40 tb/d, compared with the same month a year earlier. On a quarterly basis, China's supply is seen to average 4.26 mb/d, 4.21 mb/d, 4.24 mb/d and 4.29 mb/d respectively.

OPEC natural gas liquids and non-conventional oils

OPEC NGLs and non-conventional oils are estimated to have averaged 5.75 mb/d in 2012, representing growth of 0.38 mb/d over the previous year. In 2013, they are forecast to increase by a further 0.23 mb/d to average 5.98 mb/d.

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

			Change						Change		Change
	2010	**2011**	11/10	1Q12	2Q12	3Q12	4Q12	**2012**	12/11	**2013**	13/12
Total OPEC	**4.98**	**5.37**	0.39	5.56	5.68	5.81	5.94	**5.75**	0.38	**5.98**	0.23

OPEC crude oil production

OPEC crude oil production averaged 30.19 mb/d in March

Total OPEC crude oil production averaged 30.19 mb/d in March, according to secondary sources, a decrease of 100 tb/d from last month. The crude oil output decreased from Nigeria, Iran. OPEC crude oil production, not including Iraq, average 27.10 mb/d in March, a drop of 119 tb/d compared to previous month.

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

	2011	2012	3Q12	4Q12	1Q13	Jan 13	Feb 13	Mar 13	Mar/Feb
Algeria	1,240	1,210	1,209	1,186	1,167	1,176	1,166	1,158	*-8.5*
Angola	1,667	1,738	1,719	1,728	1,755	1,752	1,756	1,758	*2.4*
Ecuador	490	499	501	502	501	501	502	500	*-1.0*
Iran, I.R.	3,628	2,973	2,742	2,680	2,703	2,712	2,724	2,675	*-48.9*
Iraq	2,665	2,979	3,135	3,118	3,058	3,008	3,075	3,094	*19.3*
Kuwait	2,538	2,794	2,800	2,819	2,791	2,802	2,793	2,779	*-14.0*
Libya	462	1,393	1,466	1,468	1,400	1,393	1,404	1,404	*-0.1*
Nigeria	2,111	2,073	2,110	1,965	2,013	2,036	2,035	1,971	*-63.7*
Qatar	794	753	745	732	737	738	738	734	*-4.0*
Saudi Arabia	9,293	9,747	9,808	9,452	9,095	9,078	9,082	9,123	*41.5*
UAE	2,516	2,624	2,653	2,650	2,666	2,671	2,667	2,658	*-8.9*
Venezuela	2,380	2,360	2,348	2,343	2,352	2,368	2,351	2,338	*-13.8*
Total OPEC	**29,785**	**31,143**	**31,234**	**30,643**	**30,238**	**30,234**	**30,293**	**30,193**	***-99.6***
OPEC excl. Iraq	**27,119**	**28,164**	**28,099**	**27,524**	**27,180**	**27,227**	**27,218**	**27,099**	***-118.9***

Totals may not add up due to independent rounding.

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

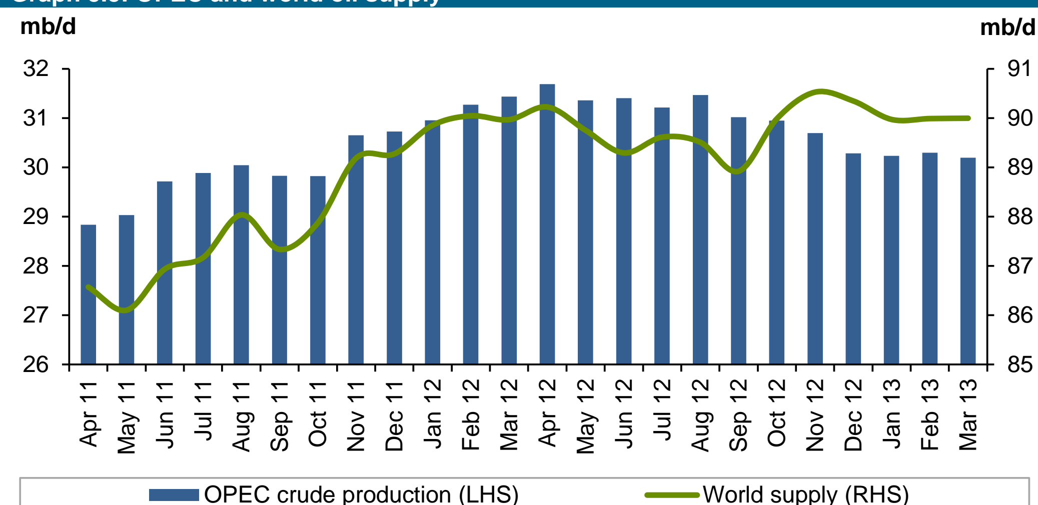
	2011	2012	3Q12	4Q12	1Q13	Jan 13	Feb 13	Mar 13	Mar/Feb
Algeria	1,173	1,203	1,201	1,184	1,199	1,195	1,198	1,203	*5.0*
Angola	1,618	1,704	1,677	1,690	..	1,736	1,714	..	..
Ecuador	500	504	509	503	506	505	509	504	*-5.2*
Iran, I.R.	3,576	3,740	3,746	3,713	..	3,705	3,701	..	..
Iraq	2,653	2,944	3,150	3,058	..	2,920	2,963	..	..
Kuwait	2,660	2,977	2,957	2,967	2,813	2,876	2,840	2,725	*-115.0*
Libya	462	1,449	1,504	1,493	1,487	1,478	1,464	1,516	*51.8*
Nigeria	1,896	1,943	2,032	1,891	1,856	1,982	1,722	1,852	*130.1*
Qatar	734	734	726	727	728	728	738	720	*-18.2*
Saudi Arabia	9,311	9,763	9,760	9,413	9,111	9,050	9,150	9,137	*-13.4*
UAE	2,565	2,652	2,727	2,664	2,823	2,808	2,864	2,801	*-62.2*
Venezuela	2,795	2,804	2,820	2,785	2,753	2,766	2,748	2,745	*-3.2*
Total OPEC	**29,942**	**32,418**	**32,808**	**32,088**	**..**	**31,750**	**31,612**	**..**	**..**
OPEC excl. Iraq	**27,290**	**29,474**	**29,658**	**29,030**	**..**	**28,830**	**28,649**	**..**	**..**

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

World Oil Supply

Preliminary figures indicate that global oil supply remained steady in March and average 90.00 mb/d. Non-OPEC supply saw an increase of 0.10 mb/d in March compared to the previous month. The share of OPEC crude oil production decreased to 33.5% in March. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production based on secondary sources.

Graph 5.5: OPEC and world oil supply

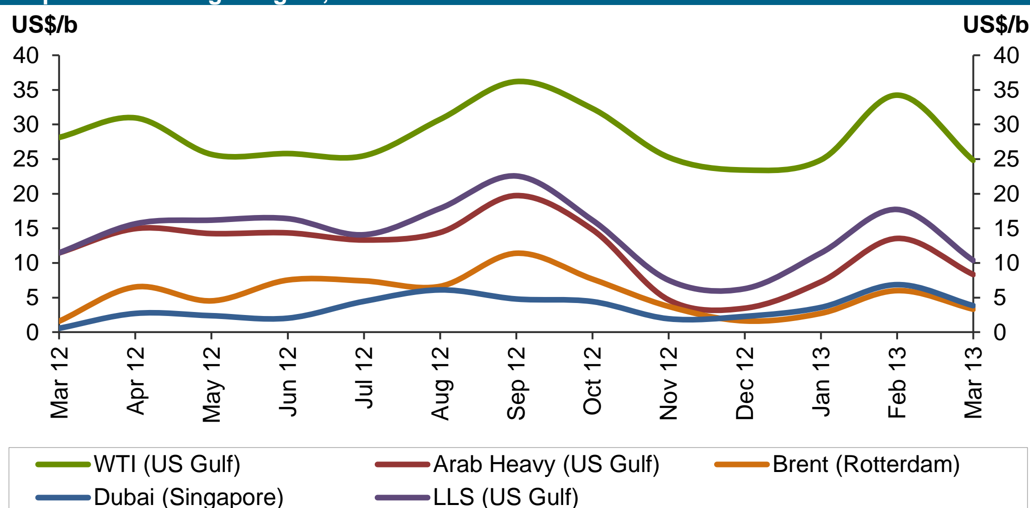


Product Markets and Refinery Operations

Refinery margins fell due to lack of distillates demand

Product markets turned bearish during March — losing the ground gained over the previous months — due to declines in light and middle distillate cracks. Markets weakened under the pressure of increasing supplies, despite the ongoing maintenance season, along with weaker worldwide demand. The margin downside should be limited in the coming months as product demand begins to pick up with the summer season.

Graph 6.1: Refining margins, 2012-13



US gasoline partially kept the strength gained in the previous month, supported by tightening sentiment due to both the transition to summer grade quality and reduced imports to the United States East Coast (USEC). Meanwhile, the winter season was unable to lend enough support to the market despite cold snaps in some areas and middle distillate cracks exhibited a sharp loss over the month, along with fuel oil, which was pressured by plentiful supply. In total, these factors caused refinery margins to drop.

The margin for WTI exhibited a sharp drop of $9 to average around $25/b. The margins for Light Louisiana Sweet (LLS) and Arabian Heavy crude on the US Gulf Coast (USGC) showed a sharp decrease of $7 and $5 to stand at around $10/b and $8/b, respectively, in March, thus losing the gains achieved during the previous month.

Refining margins in Northwest Europe also lost the ground gained last month after ceasing to benefit from gasoline's strong performance in the Atlantic Basin. Furthermore, exports to the US were limited and the European market was under supply-side pressure stemming from its preparation for the switch to summer grades, which led buyers to attempt to sell off their surplus winter grades before April.

The middle of the barrel also lost ground despite turnarounds, with regional inflows keeping the market well supplied, while industrial demand for gasoil remained weak and heating oil demand was thin in Northwest Europe.

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

Refinery margins in Asia lost the ground recovered last month, due to declines in light and middle distillate cracks. One factor pressuring product cracks was increasing supplies within the region — despite the ongoing maintenance season — mainly from India, South Korea and China, exacerbated by weaker demand.

These developments caused refinery margins in Singapore to drop more than $3 to average $3.8/b in March.

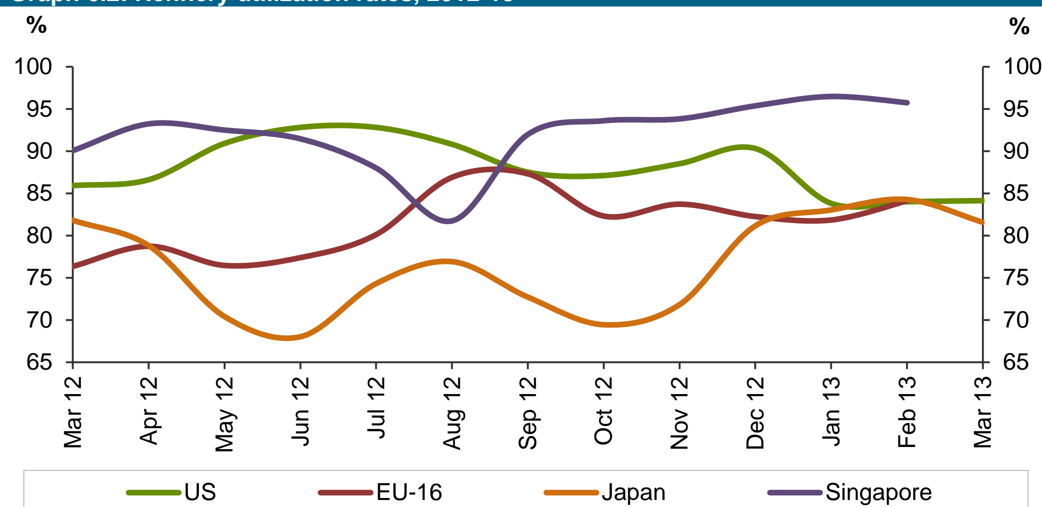
Refinery operations

US refinery runs continued to be moderate

Refinery throughputs in the US continued to hold at the moderated levels seen last month, with the maintenance season coming to the end. Refineries were adjusting their operational modes for the transition to summer grade gasoline.

US refinery runs averaged 84% of capacity in March, a level similar to that of the previous month. Run levels and the seasonal transition have impacted gasoline inventories, bringing them to stand at around the five-year average, while middle distillates remained below average, with days of forward cover comfortably at typical levels.

Graph 6.2: Refinery utilization rates, 2012-13



Due to strengthening of the European margin since the beginning of this year, refiners slightly increased their moderated throughputs, and refinery utilisation averaged over 84% in February, two percentage points (pp) higher than a month earlier. Refining margins in Europe deteriorated in March, however, downside margins should be rather limited in the coming months, as product demand begins to pick up ahead of the peak summer demand season. This should also give European refiners the incentive to keep crude intake relatively elevated after the completed maintenance season, although the rise will be determined by the light distillates market situation in the Atlantic Basin.

In Asia, activity in most refineries rose over the last months, while some refineries have scheduled maintenance during March and April.

In Singapore, runs continued to be above 94% of capacity, while Japanese throughputs fell to 82% of capacity in March, with domestic demand dropping.

US market

Bearish gasoil market made cracks fall

US gasoline demand stood at around 8.5 mb/d in March, a level similar to that of the previous month, but down by around 170 tb/d from the same month a year earlier.

The gasoline cracks managed to keep part of the gains achieved over the month of February, on the back of a tightening environment amid falling inventories.

Gasoline demand showed signs of improvement, with the 4-week average holding to the previous month's level, due to a rise of 3.6% in US car sales in February. However, it remained below the year ago in the same month, as efficiency gains outstripped car sale increases.

Gasoline demand strengthened on the East Coast as the availability of winter-grade product tightened, limited by producers starting the transition to summer-grade quality.

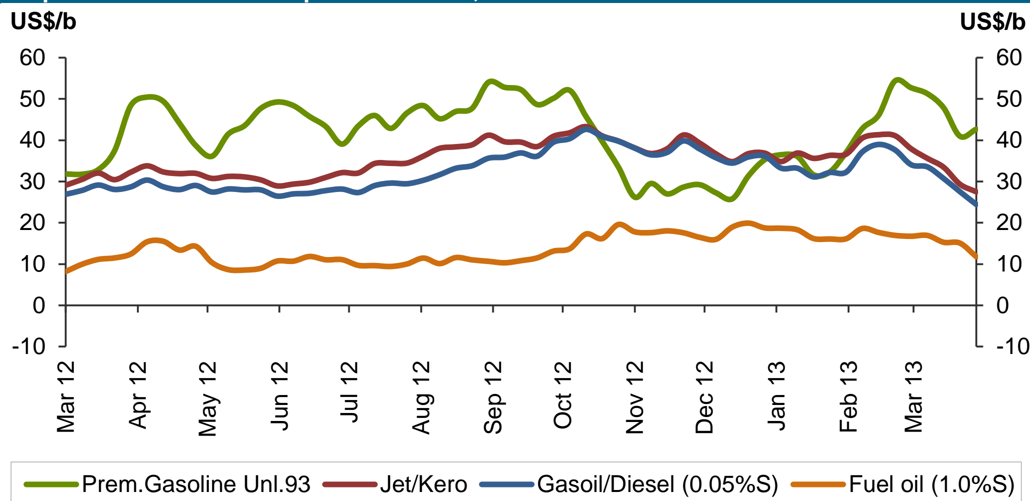
Additional backing came from a continued fall in inventories, which dropped to the typical average level, with imports declining as importers faced high renewable

identification number (RIN) costs and redirected gasoline cargoes away from the US. RINS are tradeable certificates showing compliance with US biofuel mandates.

The price of ethanol certificates for 2013 has risen over $1.05/rin, from just 7¢/rin at the start of the year. Suppliers often cannot blend enough ethanol into gasoline and buy RINs instead, to meet their mandatory requirements.

The **gasoline crack** averaged $47/b in March, keeping with the same level as the previous month's average.

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



Middle distillate demand stood at around 3.8 mb/d in March, holding at the same level as the previous month and around 50 tb/d above the same month one year earlier.

Middle distillate cracks narrowed over the reporting period due to a lack of demand and weaker export opportunities, losing the ground gained in February.

Ultra-low sulphur diesel (ULSD) exports to Europe continued falling in March, because the arbitrage window was limited and European demand lacklustre. Domestic demand, although recovering from the low level experienced in January, remained below 4 mb/d.

The cold spell that hit the Midwest and the Northeast exerted a strong impact on natural gas, causing a surge in prices to an 18-month high and the withdrawing by operators of big volumes from inventories. Accordingly, money managers have increased their bullish bet on the Nymex Henry Hub futures contract to the highest level in several years.

Nevertheless, support for heating oil from the lower temperatures seen in some areas has not been strong enough to cause an improvement in the middle distillates cracks.

Supply-side support has been relative; middle distillate inventories remaining below the seasonal average level provided some tightening support. However, forward demand cover days have been in line with the 5-year average, due to lower demand. Additionally, exports to Latin America have dropped, with Argentina and Brazil reducing gasoil imports.

The gasoil crack on the USGC exhibited a sharp loss of $7 to stand at around $30/b in March.

At the bottom of the barrel, fuel oil cracks lost the ground gained over the last months.

Bunker demand cooled during the last weeks due to thin shipping activity, causing heavy bunker fuel prices to fall.

The fuel oil market also came under pressure from the arrival of arbitrage cargoes in

the region. Around 2 mb arrived at the USGC, where inventories have been on the rise.

The fuel oil crack averaged $15/b in March, losing more than 2$ over the previous month.

European market

Falling gasoline cracks in the transition to summer grade

Product markets weakened in Europe due to lacklustre domestic demand amid limited export opportunities of light distillates to Asia and the US.

The **gasoline** crack in Northwest Europe corrected the surge exhibited during February, when it was boosted by supply issues from the USEC market.

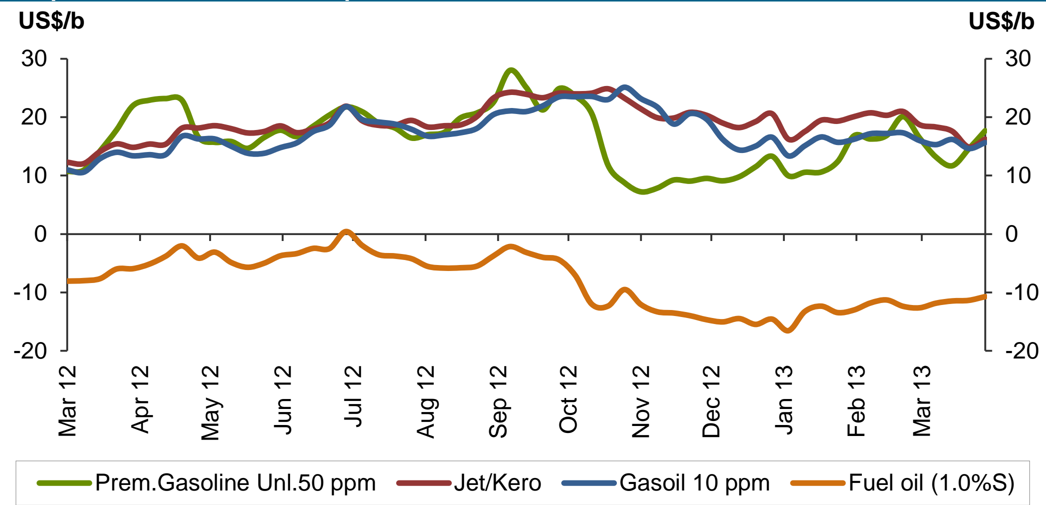
During March, European gasoline crack spreads fell as the market was depressed by a drop in exports to the US. Bookings have fallen sharply because the spike in ethanol blending credit prices has made the economics of selling European gasoline to the US even more unworkable.

Additional market pressure came from weakening domestic demand. Furthermore, the extra supply of winter grade gasoline continued to weigh on the market as the shift to summer grade looms closer, thus barge markets displayed high liquidity, with everyone trying to sell off their surplus winter grade before April.

The gasoline crack spread against Brent crude fell from an average of $17.6/b in February to around $14.2/b in March, losing more than $3.

The Northwest European naphtha weakened due to low demand from the petrochemical sector and the switch to summer grade increasing competition from butane as a feedstock. The switch to summer grade gasoline means that blenders require higher quality naphtha.

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



The **middle of the barrel** was unable to keep the ground gained over the last month and the cracks dropped despite heavy maintenance in the region, as inflows from Russia seemed to compensate for reductions in local production.

The gas oil crack in Northwest Europe weakened, despite the anticipation of tighter supply during the maintenance season, due to weak domestic demand exerting pressure on the market. However, in the Mediterranean and North Africa, demand has picked up somewhat and provided some support to the pressured market, thus limiting losses.

Additional support came from the increasing demand for heating oil as temperatures dropped in the Northeast towards the end of the month; however this was not strong enough to avoid the losses.

The gasoil crack spread against Brent crude at Rotterdam lost around $2 to average $15/b in March.

At the bottom of the barrel, both fuel oil cracks continued to widen on the back of Europe–Asia Pacific arbitrage, boosted by the heavy maintenance season, as well as some exports to the USGC.

However, the crack gain was capped by weak regional demand amid some pressure from higher supplies, since turnaround on secondary refinery units has increased the output of the heavier product.

The Northwest European fuel oil crack spread against Brent gained 60 cents in March to stand at minus $11.4/b.

Asian market

Product cracks weakened in Asia, despite the maintenance season

The Asian market became bearish on the back of weak regional demand which — along with increasing supplies — caused cracks to fall, despite heavy maintenance in the region.

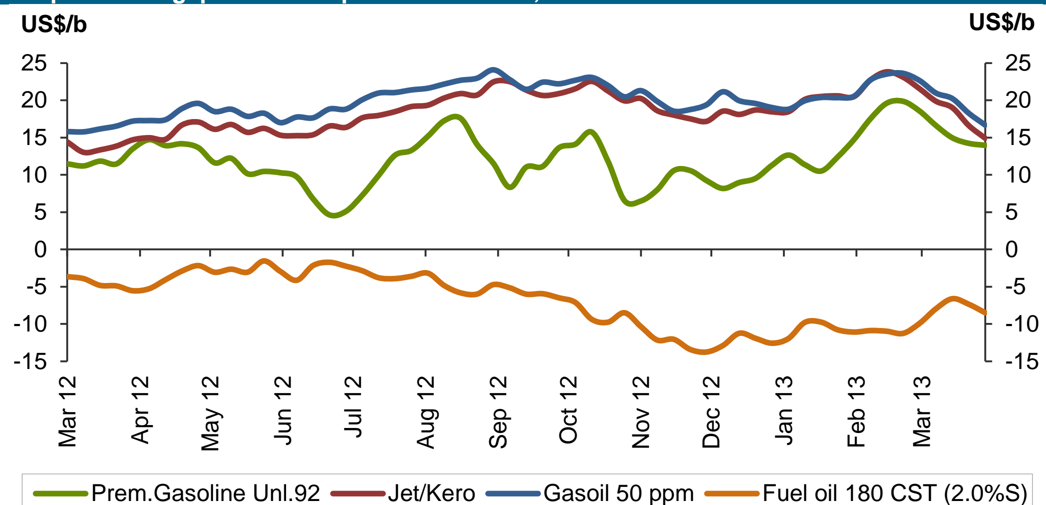
The gasoline crack witnessed a downward correction from the sharp rise seen in February. The losses came on the back of comfortable onshore light distillate stocks in Singapore easing concerns about tightening supplies due to refinery turnarounds scheduled for Northeast Asia.

At the same time, regional demand remained relatively weak, particularly in Indonesia and India. Meanwhile, South Korean retail gasoline prices continued increasing during March; this has impacted the consumption of motor fuel over the period.

The gasoline crack spread against Dubai crude in Singapore, losing more than $3 to average $15/b in March.

Light distillate naphtha also showed a significant retreat and the crack moved again back to the negative side, falling from plus 70¢/b to minus $3.5/b. Naphtha lost steam over the month due to supply side pressure, with higher availability in India, with additional volumes offered by Reliance, while South Korea reduced utilisation rates at its naphtha cracking complex by around 10%, in line with lower ethylene margins.

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



At the **middle of the barrel**, the gasoil crack lost the ground gained in February due to supply side pressure amid weak demand, but the cracks still remain at relatively healthy levels.

Middle distillate supplies have been on the rise, with fresh spot supplies from India and higher Japanese gasoil/diesel exports. These have been increasing in line with higher output as refiners increased gasoil yields amid lower domestic demand. Additional volumes were available from Taiwan and South Korea, further easing concerns about limited availability in the region.

On the other hand, gasoil demand became relatively weak in the region, with low import requirements from key importers such as Vietnam and Indonesia. Chinese diesel demand has also been unimpressive during the last months, while in India, the slight diesel price hike witnessed appears to have taken its toll on demand.

The gasoil crack-spread in Singapore against Dubai fell $3.6 to average $19.3/b in March.

At the bottom of the barrel, the demand for bunker has been weakening, and the latest figure from the Port Authority of Singapore showed fuel oil demand from the bunker sector falling by 13% month-on-month (m-o-m) in February.

Additionally, Chinese consumption was impacted when many manufacturing plants in the country closed down for the week-long Lunar New Year holiday. However, demand should pick up over the coming period, in line with seasonal trends.

Despite lower demand and the continuing steady inflow of residual fuel oil imports to the region, the limited supplies of cutter stock needed to blend cargoes into bunker fuel supported prices and this, along with the a drop in crude prices, caused the fuel oil crack spread in Singapore against Dubai to gain more than $3 to average minus $8/b in March.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			*Refinery utilization, %*		
	Feb 13	Mar 13	Mar/Feb	Feb 13	Mar 13	Mar/Feb
US	14.36	14.60	0.24	84.00	84.13	0.13
France	1.04	-	-	61.27	-	-
Germany	1.92	-	-	79.27	-	-
Italy	1.43	-	-	61.36	-	-
UK	1.24	-	-	70.05	-	-
Euro-16	10.60	-	-	84.10	-	-
Japan	3.77	3.65	-0.13	84.26	81.56	-2.70

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

Table 6.2: Refined product prices, US$/b

		Jan 13	Feb 13	Mar 13	*Change* Mar/Feb
US Gulf (Cargoes):					
Naphtha		120.03	132.73	124.84	-7.89
Premium gasoline	*(unleaded 93)*	129.39	142.94	139.46	-3.48
Regular gasoline	*(unleaded 87)*	115.41	126.78	124.87	-1.90
Jet/Kerosene		130.73	135.65	124.89	-10.76
Gasoil	*(0.05% S)*	126.94	132.36	122.42	-9.94
Fuel oil	*(1.0% S)*	102.69	105.70	102.44	-3.26
Fuel oil	*(3.0% S)*	96.69	99.03	95.79	-3.25
Rotterdam (Barges FoB):					
Naphtha		103.22	109.76	100.70	-9.06
Premium gasoline	*(unleaded 10 ppm)*	109.89	117.74	107.77	-9.96
Premium gasoline	*(unleaded 95)*	124.95	133.87	122.54	-11.33
Jet/Kerosene		131.56	136.61	125.31	-11.30
Gasoil/Diesel	*(10 ppm)*	128.47	133.30	123.85	-9.45
Fuel oil	*(1.0% S)*	99.44	104.22	96.98	-7.24
Fuel oil	*(3.5% S)*	96.75	99.85	95.40	-4.44
Mediterranean					
Naphtha		99.89	106.22	97.71	-8.51
Premium gasoline	*(50 ppm)*	127.10	136.03	125.94	-10.10
Jet/Kerosene		125.51	130.54	119.87	-10.67
Gasoil/Diesel	*(50 ppm)*	112.99	116.49	107.43	-9.06
Fuel oil	*(1.0% S)*	100.39	103.91	96.65	-7.27
Fuel oil	*(3.5% S)*	96.16	98.97	94.53	-4.44
Singapore (Cargoes):					
Naphtha		105.55	111.89	102.09	-9.80
Premium gasoline	*(unleaded 95)*	122.77	132.98	124.00	-8.97
Regular gasoline	*(unleaded 92)*	120.07	129.78	120.78	-9.00
Jet/Kerosene		128.09	133.77	123.50	-10.27
Gasoil/Diesel	*(50 ppm)*	128.02	134.11	124.88	-9.23
Fuel oil	*(180 cst 2.0% S)*	99.53	102.05	99.53	-2.53
Fuel oil	*(380 cst 3.5% S)*	98.48	101.44	98.49	-2.94

Tanker Market

Global spot fixtures rose in March to average 17.89 mb/d

According to preliminary data, **global spot fixtures** increased in March by 6.5% to average 17.89 mb/d. OPEC spot fixtures saw an increase as well, by 4.1% from the previous month to average 12.81 mb/d, up 0.51 mb/d from levels seen in February. This increase was driven mainly by eastbound fixtures.

While fixtures from the Middle East-to-East increased by 0.47 mb/d to average 5.85 mb/d, fixtures from the Middle East-to-West also increased, but on a lower scale. Fixtures from outside the Middle East experienced a loss of 0.08 mb/d, or 1.8% compared with the previous month. On an annual basis, **OPEC spot fixtures** in March were 1% lower than the same month one year earlier. **OPEC sailings** increased in March by 0.27 mb/d or 1.1% to stand at 23.82 mb/d. Annually, the figures also reflect an increase by 2% over last year. Middle East sailings stood at 17.47 mb/d, up by 0.23 mb/d or 1.3% from the previous month and 1% higher than a year ago. Arrivals in almost all reported ports increased in March, with the exception being West Asia, which declined by 0.15 mb/d, reflecting a decrease of 3.1% from a month earlier and 1% over last year. Arrivals in North America, Europe and the Far East all increased over the previous month by 2%, 0.7% and 3.2%, respectively. Annually, the increase amounts to 3%, 2% and 1%.

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

	Jan 13	Feb 13	Mar 13	*Change* Mar/Feb
Spot Chartering				
All areas	16.61	16.79	17.89	1.09
OPEC	12.28	12.30	12.81	0.51
Middle East/East	6.14	5.38	5.85	0.47
Middle East/West	1.98	2.58	2.69	0.11
Outside Middle East	4.15	4.35	4.27	-0.08
Sailings				
OPEC	23.62	23.55	23.82	0.27
Middle East	17.31	17.24	17.47	0.23
Arrivals				
North America	9.70	8.49	8.72	0.23
Europe	11.69	12.35	12.44	0.09
Far East	8.73	8.18	8.44	0.26
West Asia	4.33	4.72	4.58	-0.15

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

Spot freight rates for the dirty tanker sector increased

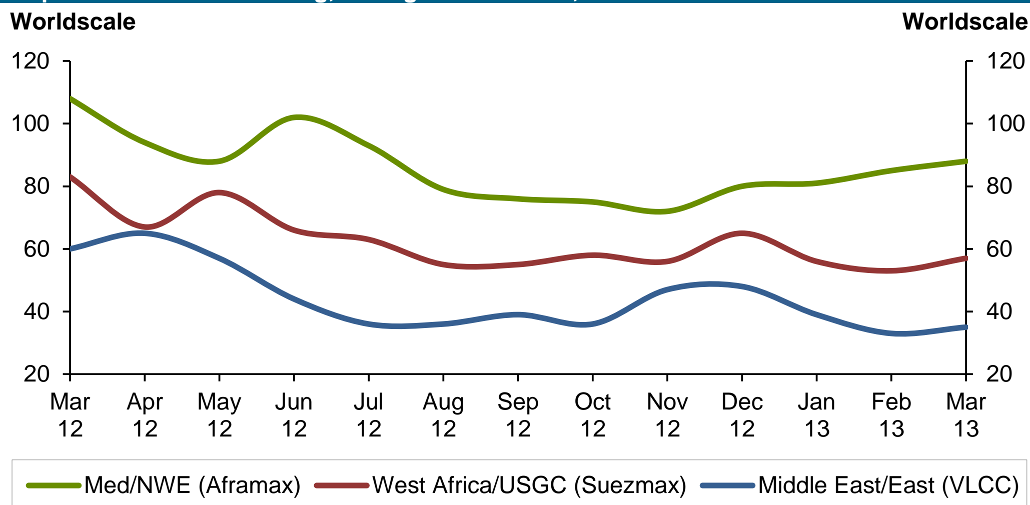
Spot freight rates for the dirty tanker sector increased in March across a number of reported routes, with exceptions seen primarily in the clean market for West of Suez fixtures. The strongest gains were registered for clean tankers operating in East of Suez. **VLCC** freight rates saw a minor gain at the end of the month, which was mainly attributed to the resistance shown by VLCC owners. Except for this small improvement, the level of activity in the VLCC market remained stable during March and no pre-holiday rush was noted. Freight rates for Suezmax trading in West Africa increased in March on the back of limited tonnage availability, and date sensitivity was observed for certain loading dates, while Suezmax trading on the Northwest Europe-to-the US ended the month flat, with no changes from last month's level.

Aframax freight rates were mixed in March. While freight rates improved on the majority of reported routes, negative performance was noted on the Indonesia-to-East route. On average, Aframax freight rates rose by 4% in March, although they remain under pressure caused by ongoing oversupply. In comparison to March 2012, freight rates for all reported routes registered a decline, ranging from 3% to 47%.

It is worth highlighting March's decrease in bunker prices relative to the previous month; prices remains much below the peak reached a year earlier. The **clean tanker market** saw a different pattern in March. West of Suez remained lacking in activity with

declining freight rates on all reported routes, while East of Suez freight rates increased significantly over the previous month on the back of improved tonnage demand, high activity and a noticeable tanker shortage on certain dates.

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



Steady demand for VLCCs in March

Generally the month of March witnessed a steady demand for **VLCCs,** while freight rates remained close to last month's levels as deals were often fixed on previous deals. Market activities and fixtures for the Middle East saw some enhancement in light of the requirements of the first ten days of April, following the completion of March fixtures, which on the whole were low in numbers. Although April's fixtures and requirements brought improved freight rates to the VLCC market, this might be limited by maintenance in the East.

Despite resistance to lower prices shown by VLCC owners, rates remain under pressure, due mainly to an oversupplied market. Tonnages remain sufficient at all times to cover all charter requirements. The VLCC tanker market situation is holding for several routes, as it continues to be impacted by the same elements influencing freight rates. Middle East-to-East VLCC spot freight rates slightly increased by 2WS or 6.1% in March, compared to the previous month, to stand at 35 points. Similarly the West Africa-to-West route increased by 2WS points to average WS36 points. This gain came as a result of less tonnage seen at the end of the month. VLCC spot freight rates for tankers trading on Middle East-to-West routes ended the month flat to average WS20 points, similar to the previous month, and also remained discouraging on other routes, despite arbitrage being opened in the second week of March.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	Jan 13	Feb 13	Mar 13	Change Mar/Feb
Crude					
Middle East/East	230-280	39	33	35	2
Middle East/West	270-285	25	20	20	0
West Africa/East	260	39	34	36	2
West Africa/US Gulf Coast	130-135	56	53	57	4
NW Europe/USEC-USGC	130-135	57	47	47	0
Indonesia/US West Coast	80-85	80	75	72	-3
Caribbean/US East Coast	80-85	85	96	106	10
Mediterranean/Mediterranean	80-85	80	85	88	3
Mediterranean/North-West Europe	80-85	81	85	88	3

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

Suezmax freight rates stable to marginally higher in March

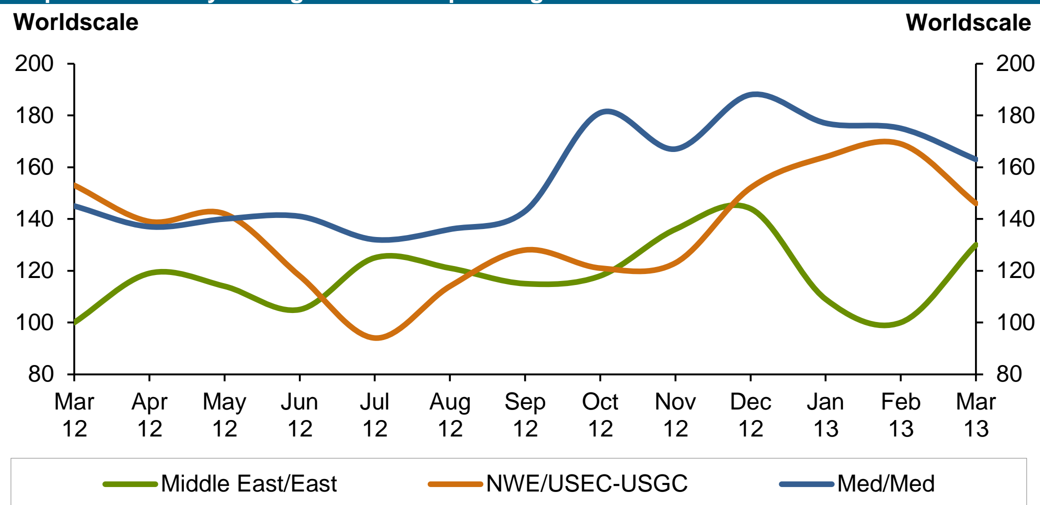
The month began with **Suezmax** freight rates in West Africa sliding before they stabilised after the first week of March. Given the large vessel availability, it was not possible for West Africa loading freight rates to achieve any remarkable increase, despite less tonnage availability for prompt loadings and tighter vessel supply for mid-April loading, which was the main reason behind the moderate freight rate increase during the month. In addition, owners' solid stand against lower freights rates held, even during periods when fewer tankers were required. As a result, spot freight rates for Suezmax trading from the West Africa-to-US Gulf increased by 7.5% over the previous month to average 57 WS points. Additionally, spot freight rates for vessels operating on the Northwest Europe-to-the US route ended the month flat to average 47 WS points.

A higher level of activity was noticed on the Northwest Europe-to-East route as a result of fuel oil arbitrage activities. Additionally, tonnage demand was seen for Suezmax trading on the Middle East-to-West route, though freight rates did not rise correspondingly, as continuous tonnage supply prevented rates from achieving any gains. The Mediterranean Suezmax market was active at a certain point in the month, however activity levels lessened afterwards.

Mixed spot freight rates for Aframax sector

In the **Aframax** sector, spot freight rates were mixed as they increased in most reported routes, with the exception being the Indonesia-to-East route, which dropped by WS3 points to average WS72 points. Spot freight rates for Aframax trading in the Mediterranean saw a general increase in March, as the month started with Aframax rates firming after tonnage availability lessened for mid-April loading. However, the firming trend did not last long; market activity decreased and freight rates started to ease. The inquiry level was not high enough to support the freight rate rise. Still, the end of the month brought a rush of activities to the Aframax market. Consequentially, Aframax tankers trading on the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes increased by 3.5% over the previous month to average 88WS points each. Aframax spot freight rates for trading on the Caribbean-to-US East Coast route saw the greatest increase amid other Aframax vessels, rising on average by 10 WS points to stand at WS106 points, despite the moderate level of activity in that area during March. However, the month started with higher freight rates, which declined afterwards as a result of high tonnage availability and limited tonnage demand. Fog and weather delays had no significant impact on Aframax rates in March.

Graph 7.2: Monthly averages of clean spot freight rates



Clean East of Suez spot freight rates gained, while West of Suez spot freight rates declined

Clean tanker spot freight rates were mixed in March compared to one month earlier. Freight rates registered for East and West of Suez took on opposing patterns. In a monthly comparison, clean East of Suez spot freight rates gained 26% in March to average 144 WS points, while West of Suez spot freight rates declined by 9% to stand at 161 WS points. There was a firm tendency in the East, which was noticed since the beginning of the month and which continued as long the tonnage list got tighter, especially for end of March/beginning of April loadings. At the same time, medium-range vessels benefitted from less availability of long-range vessels. Freight rates for eastern destinations increased noticeably as the tonnage list shortened in different

areas, and in combination with charter efforts to secure their requirements before the holidays. Therefore, clean spot freight rates for tankers operating on the Middle East-to-East route increased by a significant 30%, and rates for the Singapore-to-East route increased by 23% in March, compared to the previous month. Nevertheless, negative performance was registered for spot freight rates on all reported routes for clean tanker trading in West of Suez. In fact, the freight rates registered for the Northwest Europe-to-US, Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes all declined: by 14%, 7% and 6.5%, respectively. Generally, the West of Suez clean tanker market was quiet and lacked activity in March, with freight rates remaining flat on many occasions. The higher activity registered at rare times during the month was not enough to lift freight rates, and a weaker trend prevailed.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	Jan 13	Feb 13	Mar 13	Change Mar/Feb
Products					
Middle East/East	30-35	109	100	130	30
Singapore/East	30-35	137	128	158	30
NW Europe/USEC-USGC	33-37	164	169	146	-23
Mediterranean/Mediterranean	30-35	177	175	163	-12
Mediterranean/North-West Europe	30-35	183	185	173	-12

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

Oil Trade

US crude oil imports increased by 0.1 mb/d in March to average 7.7 mb/d

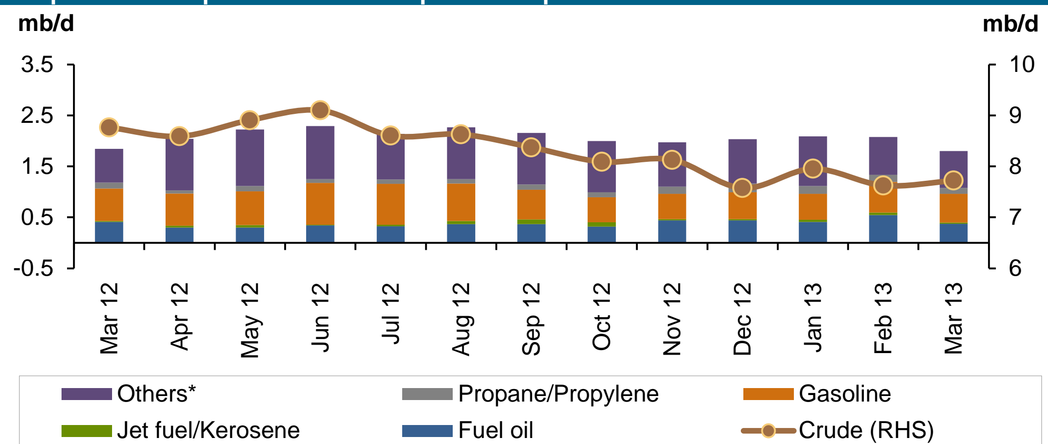
US

In March, preliminary data shows that **US crude oil imports** increased by around 100 tb/d or 1% from the previous month to average 7.7 mb/d. On an annual basis, this reflects a loss of 1.05 mb/d or 12% less from a year earlier.

US product imports declined as well by 137 tb/d or 7% to average 1.8 mb/d m-o-m, while y-o-y, they dropped by 41 tb/d or 2.2%. Product imports in March were the lowest since 1989. In a year-to-date (y-t-d) comparison, both crude and product imports declined by 10% and 5%, respectively. **US product exports** registered a drop by 179 tb/d or 6% to average 2.96 mb/d from the previous month. In annual comparison, the figures reflect a drop of approximately 47 tb/d or 1.6%.

As a result, **US total net imports increased in March to average 6.5 mb/d**, around 2% higher than the previous month and 18% less than last year's level.

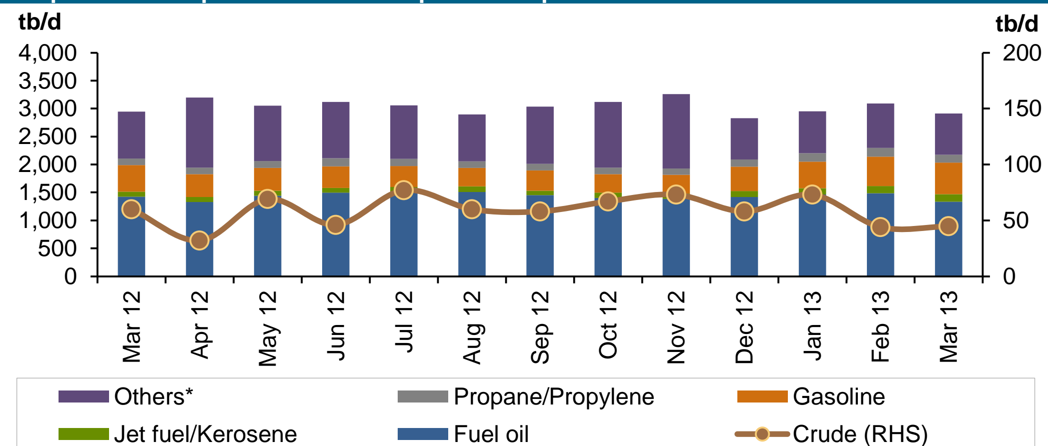
Graph 8.1: US imports of crude and petroleum products



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

In January, Canada remained the top crude-supplier to the US, accounting for 34% of total US crude imports, up by 8% or 195 tb/d from last month. Canada has remained the top crude-supplier since March 2006. Mexico was the second-largest supplier, holding a share of 13% of total crude imports while Saudi Arabia, which was the second-largest supplier last month, was the third top supplier in January, with a share approximate to Mexico's. Yet, while Mexico increased its exports to the US from the previous month by 5%, Saudi Arabia crude exports to the US dropped by 6% from last month.

Graph 8.2: US exports of crude and petroleum products



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

Crude imports from OPEC Member Countries remained almost steady in January from the previous month, accounting for 45% of total US crude imports. On the other hand, US product imports from Member Countries increased from a month earlier to stand at 259 tb/d, representing a share of 12% of the total products imported by the US. Nevertheless, it remains 25% below the share it held in the same month last year. As for the product supplier share, Canada and Russia maintained their positions as first and second suppliers to the US with a share of 35% and 14%, respectively. Yet volume-wise, while Canada increased its exports by 17%, Russia's exports dropped by 41% from a month earlier. Algeria was the third product supplier after it increased its product exports to the US by 62 tb/d or 86%.

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

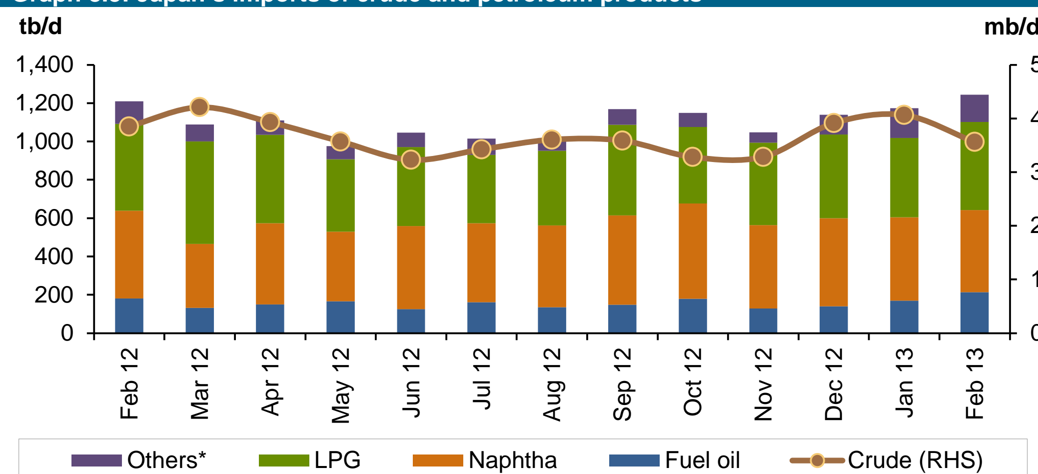
	Jan 13	Feb 13	Mar 13	*Change* Mar/Feb
Crude oil	7,880	7,582	7,676	93
Total products	-719	-1,196	-1,154	42
Total crude and products	**6,866**	**6,387**	**6,522**	**135**

Japan

Japan's crude oil imports declined by 502 tb/d in February to average 3.6 mb/d

Japan's crude oil imports declined in February by 502 tb/d or 12% to average 3.6 mb/d, reaching the lowest level seen since November 2012. On an annual basis, the crude imports decreased in February by 8%. As for the supplier share, Saudi Arabia was the first crude supplier to Japan as in the previous month, holding a share of 27% of total crude exports to Japan. Nevertheless, the volumes exported to Japan were found to be less than last month by 305 tb/d or 24%. The UAE was the second largest supplier with a share of 24% of total crude imports. Qatar was in third place with a share of 11%. While UAE crude exports were almost stable from last month, Qatar saw a decline in its monthly exports by 112 tb/d or 22%.

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

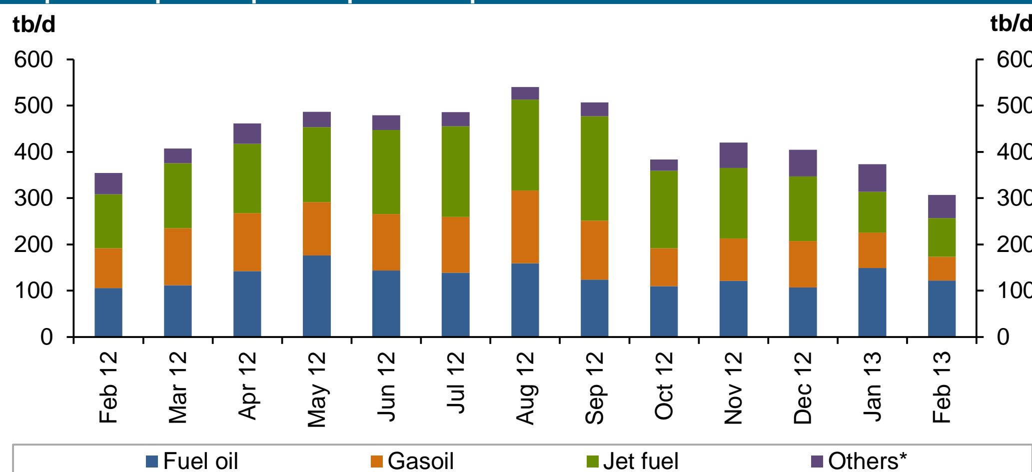


**Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.*

To the contrary, **Japan's product imports** increased in February by 25 tb/d to average 786 tb/d, the highest since November 2007, reflecting a gain of 3% m-o-m and 4% y-o-y. The product increase came as a result of higher imports of fuel oil and LPG, which increased by 25% and 11%, respectively. As for **product exports**, February saw a drop by 65 tb/d or 18% to average 303 tb/d, the lowest since April 2011. Annually, the drop is 49 tb/d or 14%.

Accordingly, **net imports declined in February by 412 tb/d to average 4.04 mb/d,** reflecting monthly and annual losses of 9% and 5%, respectively.

Graph 8.4: Japan's exports of petroleum products



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

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

	Dec 12	Jan 13	Feb 13	Change Feb/Jan
Crude oil	3,914	4,063	3,561	-502
Total products	305	392	482	91
Total crude and products	**4,219**	**4,455**	**4,043**	**-412**

China

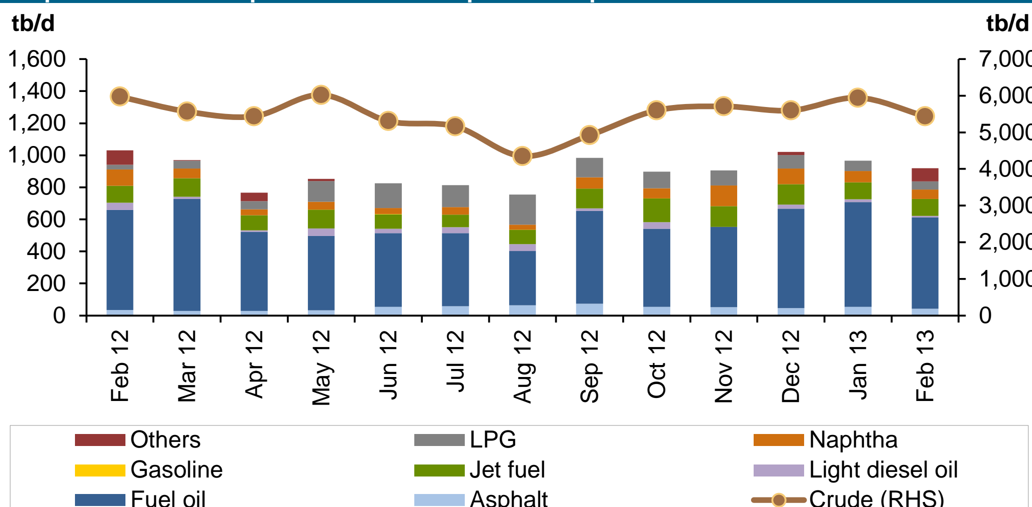
China's crude oil imports declined in February by 506 tb/d to average 5.4 mb/d

China's crude oil imports declined in February by 506 tb/d or 8.5% from the previous month to average 5.4 mb/d. Monthly crude exports were the lowest since September 2012.Y-o-y, crude imports saw a similar drop, decreasing by 535 tb/d or 9%. Y-t-d, the figures reflect a minor decrease of 37 tb/d or 0.7%.

In terms of supplier share, Saudi Arabia, Angola and Oman were the top crude suppliers to China for this month, holding shares of 19%, 13% and 11%, respectively. However, all top suppliers saw a decline in their exports to China from 29% to 27% from a month ago. Similarly, the annual imports from top suppliers saw a parallel trend, dropping from last year by 28%, 15% and 66%, respectively.

On the other hand, **China's product imports** decreased in February by 41 tb/d from the previous month and 111 tb/d from a year earlier to average 920 tb/d.

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



China's **crude exports** decreased in February by 42 tb/d to average 24 tb/d. This decline came as a rebound after the bounce it saw in January. The drop was 63% m-o-m and 77% y-o-y, while China's product exports were almost stable from last month's level to average 598 tb/d. As a result, **China net oil imports had a drop of 506 tb/d or 8% from the previous month** and 9% from a year earlier.

Graph 8.6: China's exports of crude and products

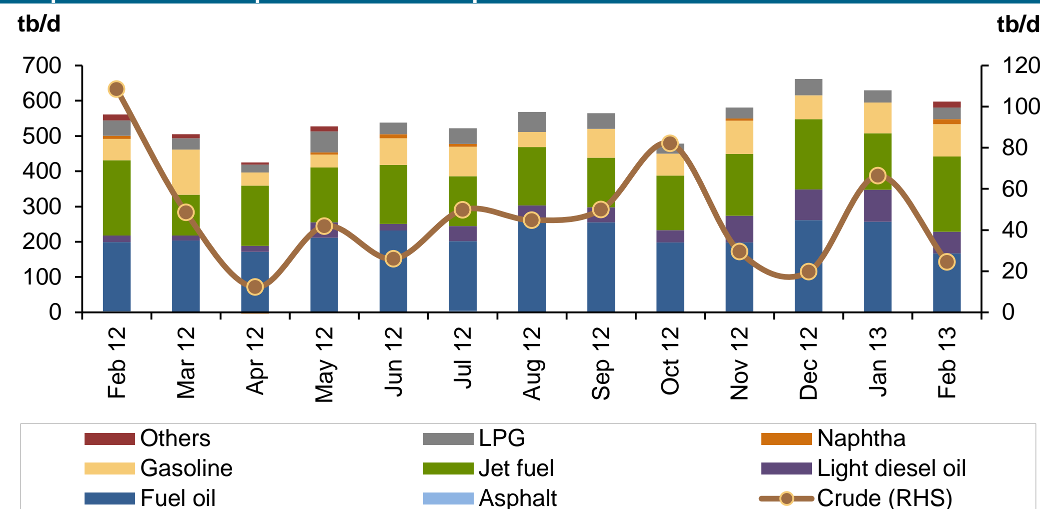


Table 8.3: China's crude and product net imports, tb/d

	Dec 12	Jan 13	Feb 13	*Change* Feb/Jan
Crude oil	5,578	5,880	5,416	-464
Total products	403	364	322	-42
Total crude and products	**5,981**	**6,244**	**5,738**	**-506**

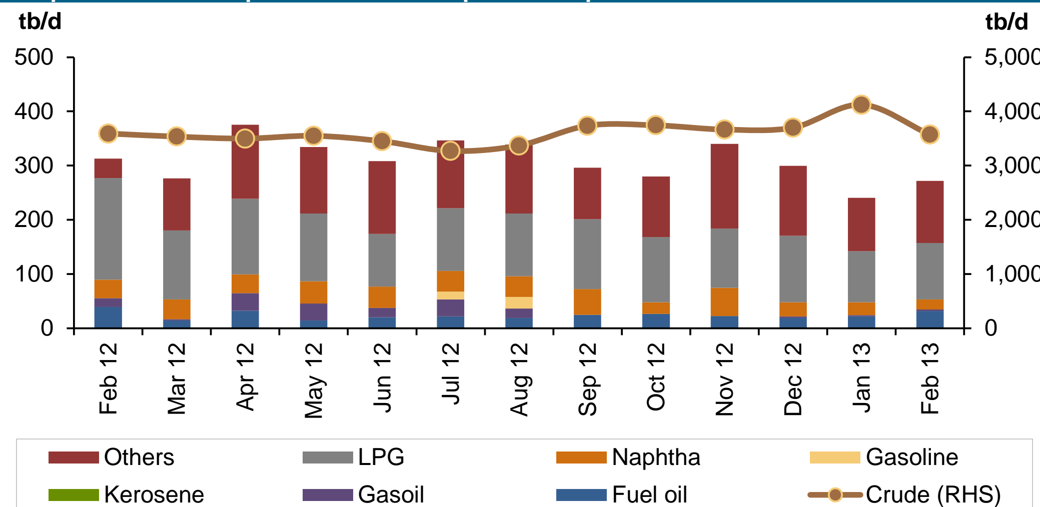
India

India's crude imports averaged 3.6 mb/d, in February, down 553 tb/d from the previous month

In February, **India crude imports** averaged 3.6 mb/d, which is 553 tb/d or 13% lower than last month, marking the lowest crude imports since August 2012. On an annual basis, the decline is equal to 21 tb/d or 0.6%.

On the other hand, **product imports** saw an increase by 31 tb/d or 13% from a month ago to average 272 tb/d, reflecting a drop of 43 tb/d or 14% y-o-y. The monthly increase in product imports came mainly as a result of increased imports of fuel oil and LPG as both increased by 48% and 11%, respectively. February's decrease in oil product sales from a year earlier is mainly due to power supply improvements in the country and the announced cut of subsidies.

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



India's **product exports** declined slightly in February by 5 tb/d from the previous month to average 14 mb/d, while a year earlier, they saw a volume increase by 261 tb/d or 23%. Monthly exports of diesel, fuel oil and petrol dropped by 42%, 18% and10%, respectively, from previous month.

Consequentially, **India's net imports declined by 517 tb/d to average 2.4 mb/d**, 17% lower than in January and 12% lower than in February 2012.

Graph 8.8: India's exports of petroleum products

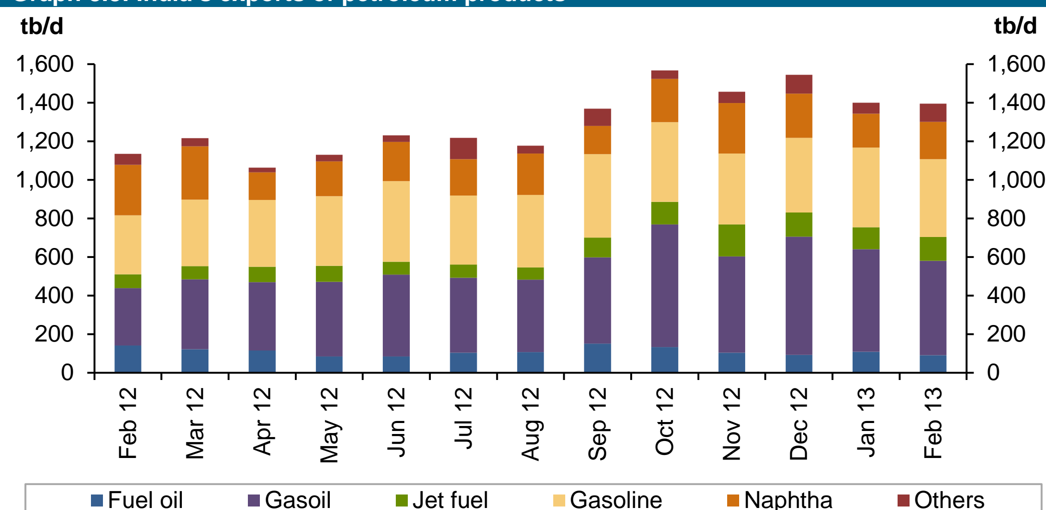


Table 8.4: India's crude and product net imports, tb/d

	Dec 12	Jan 13	Feb 13	*Change* Feb/Jan
Crude oil	3,700	4,124	3,571	-553
Total products	-1,245	-1,159	-1,123	36
Total crude and products	**2,455**	**2,964**	**2,448**	**-517**

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

FSU

In February, total crude oil exports from the FSU increased by 256 tb/d to average 6.4 mb/d

In February, **total crude oil exports** from the former Soviet Union increased by 256 tb/d or 4% to average 6.4 mb/d. Crude exports through Russian pipelines increased by 109 tb/d or 3% to average 4.1 mb/d.

Shipments from the Druzhba pipeline to central and eastern Europe increased by 85 tb/d or 9% to average 1.0 mb/d. Black Sea exports increased by 164 tb/d or 25% to average 831 tb/d, while exports from the Baltics declined by 160 tb/d or 10% to average 1,476 tb/d in February.

Loadings from the CPC blend rose 77 tb/d or 12% from January to average 707 tb/d.

FSU total product exports rose by 266 tb/d or 9% from the previous month to average 3,208 tb/d. This increase was mainly supported by increased volumes of gasoil and fuel oil as the exports of both products rose by 141 tb/d and 87 tb/d, respectively. On the other hand, gasoline was the only product that had declined in its exports in January by 23 tb/d or 15% from the previous month.

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

	2011	2012	2Q12	3Q12	4Q12	Jan 12	Feb 12*
Crude							
Russian pipeline							
Black Sea	918	858	900	932	774	667	831
Baltic	1,511	1,747	1,725	1,611	1,665	1,636	1,476
Druzhba	1,170	1,079	1,109	1,006	980	941	1,026
Kozmino	309	331	317	315	380	432	451
Total	**4,224**	**4,322**	**4,356**	**4,174**	**4,100**	**3,993**	**4,102**
Other routes							
Russian rail	173	107	137	87	195	141	214
Russian-Far East	283	258	265	249	242	253	226
Kazakh rail	158	97	128	78	165	130	198
Vadandey	82	66	41	57	104	101	106
Kaliningrad	23	20	18	22	17	23	21
CPC	685	656	685	654	614	630	707
BTC	695	654	681	638	590	624	611
Kenkiyak-Alashankou	222	210	186	213	252	241	243
Caspian	170	173	168	198	166	184	216
Total crude exports	**6,558**	**6,466**	**6,538**	**6,292**	**6,280**	**6,189**	**6,445**
Products							
Gasoline	162	130	113	113	124	152	129
Naphtha	259	313	295	307	345	356	380
Jet	10	9	5	12	10	0	17
Gasoil	773	791	744	734	787	889	1,030
Fuel oil	1,305	1,416	1,277	1,415	1,314	1,325	1,412
VGO	211	250	264	281	234	220	240
Total	**2,721**	**2,909**	**2,697**	**2,863**	**2,814**	**2,942**	**3,208**
Total oil exports	**9,279**	**9,375**	**9,235**	**9,154**	**9,095**	**9,131**	**9,653**

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

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

Stock Movements

In February, total OECD commercial oil stocks reversed the January build, falling sharply by 33.9 mb

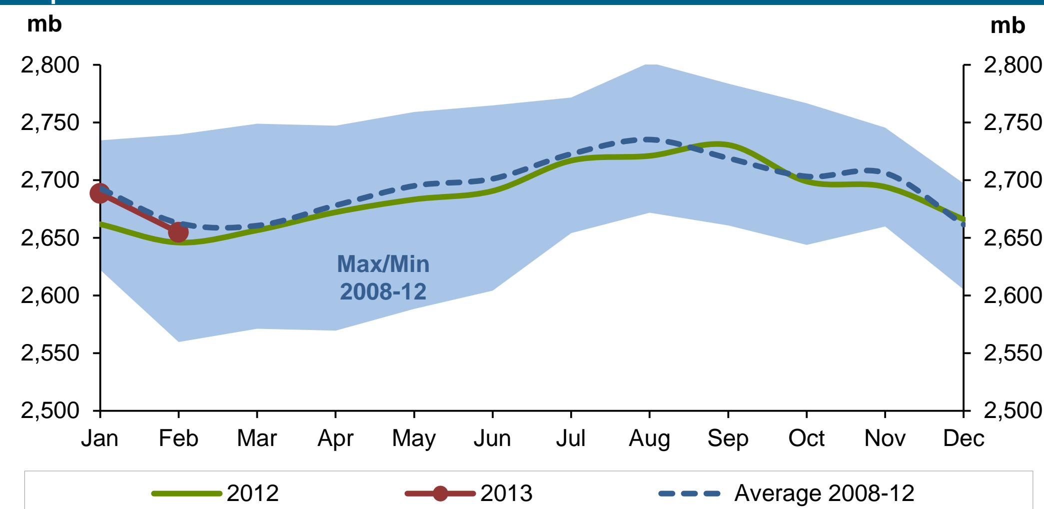
OECD

Preliminary data for February shows that **total OECD commercial oil stocks** reversed the build of the previous month and fell seasonally 33.9 mb to 2,655 mb. Despite this drop, inventories were 8.7 mb above the same period a year ago, although down 8.1 mb from the five-year average.

Within components, both crude and products declined, down 8.4 mb and 25.5 mb respectively. At 1,277 mb, OECD crude commercial stocks stood at a comfortable level, with a surplus of 23.6 mb over the same period last year and nearly 25 mb above the five-year average. In contrast, product stocks remained tight, showing a deficit of 14.9 mb with the previous year and 32.6 mb with the seasonal norm.

Within the OECD regions, the largest drop in commercial inventories in March came from the Americas, where stocks declined by 23.3 mb. The Asia-Pacific was next with a fall of 11.3 mb. In contrast, while OECD Europe stocks rose by 0.7 mb.

Graph 9.1: OECD commercial oil stocks



Despite this draw, **OECD Americas** stocks remained at healthy levels, up 18.9 mb from the previous February and 54.1 higher than the seasonal norm. The surplus was mainly driven by crude stocks, which were 37.4 mb above the same time a year ago and nearly 68 mb above the five-year average. The comfortable level of US commercial crude stocks came on the back of higher domestic crude supply combined with seasonal refinery maintenance.

In contrast with the healthy level of crude stocks, product inventories remained tight, indicating a deficit of 18.5 mb with a year ago and 78 mb with the seasonal average. Most of the shortfall can be observed in middle distillates, which were absorbed by the increase in exports to Latin America. In February, middle distillates were 17 mb below the seasonal norm, while gasoline stocks started to improve, remaining in line with the five-year average.

OECD Europe inventories rose for the second consecutive month, ending February at 919 mb. However, despite this improvement, they still showed a deficit of 57.3 mb with the five-year average and of around 14.7 mb with than the same period the year before. The deficit with the previous year was concentrated on products, which were down by 16.3 mb, while crude was up by 1.7 mb. The deficit with the seasonal average is attributed to both crude and products, which were 23 mb and 35 mb lower respectively. The pattern for the coming months could see a similar trend, with crude rising and products falling, since refinery maintenance should keep product stocks lower.

Commercial inventories in the **Asia-Pacific** in February reversed the build of the previous month and declined by a considerable 11.3 mb to end at 391 mb. At this level, inventories were 4.6 mb above the same period a year ago and 4.8 mb below the five-year average. The total drop came from crude, which declined by 13.0 mb, while product stocks increased by 1.7 mb. The surplus with last year is attributed mainly to products gaining 20.0 mb, while crude showed a deficit of 15.4 mb. Crude also had a deficit of 14.8 mb with the five-year average, while products were 10.0 mb above the seasonal norm.

Although OECD commercial stocks fell sharply in February, **days of forward** cover rose on the expectation of lower demand in the coming months. Indeed, in terms of forward cover, the stock level stood at nearly 59.2 days, around half a day more than in the previous month and 1.2 days above the same period the year before. Compared with the seasonal average, inventories showed a gain of 1.7 days. Despite the lower absolute level of OECD Europe commercial stocks, days of forward cover stood at around 70 days, reflecting the region's weak demand.

Table 9.1: OECD commercial stocks, mb

	Dec 12	Jan 13	Feb 13	Change Feb 13/Jan 13	Feb 12
Crude oil	1,258	1,285	1,277	-8.4	1,253
Products	1,408	1,403	1,378	-25.5	1,393
Total	**2,666**	**2,689**	**2,655**	**-33.9**	**2,646**
Days of forward cover	**57.8**	**58.7**	**59.2**	**0.6**	**58.1**

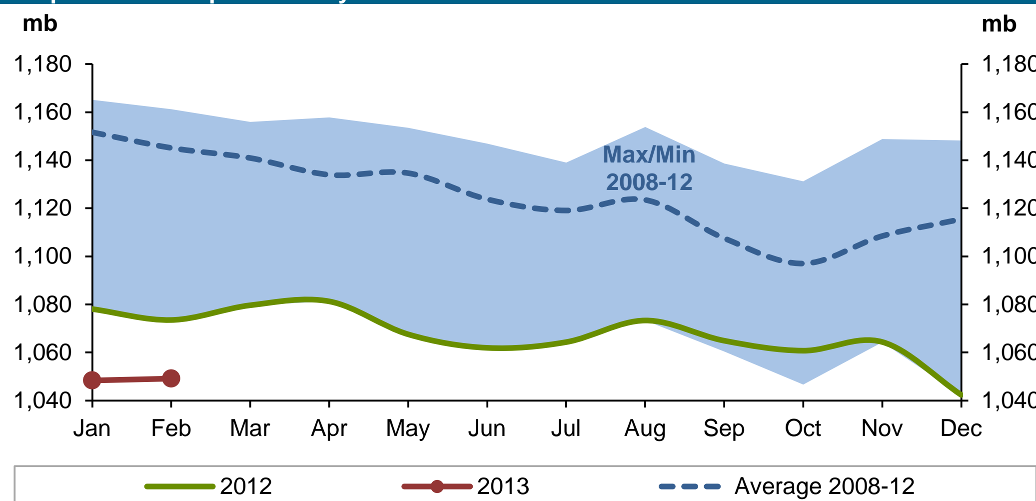
EU plus Norway

The latest available data for February shows that European stocks rose for the second consecutive month by 0.8 mb

The latest available data for February shows that European stocks rose for the second consecutive month, up 0.8 mb, to stand at 1,049.1 mb. Despite this build, stocks ended the month 24.4 mb or 2.3% below the same time last year and 76.2 mb or 6.8% below the five-year average. The total stock-build came from crude, which rose by 0.9 mb, while products decreased by 0.2 mb.

European crude inventories rose in February, finishing the month at 452.2 mb. This represents a gain of 8.0 mb or 1.8% above the year before, although still 18.1 mb or 3.8% below the latest five-year average. The build in crude oil stocks came on higher North Sea production, which was boosted by higher output from Nexen's Buzzard field. The rise in refinery runs limited a further build in crude oil stocks. In fact, refinery throughputs increased by around 400,000 b/d from the previous month to reach 10.7 mb/d, but remained at almost the same level as a year ago. European refinery runs stood at just under 85% or about 4.0 percentage points (pp) above the same time a year ago.

Graph 9.2: EU-15 plus Norway total oil stocks



Product stocks in Europe fell slightly in February, reversing the build of the last month and ending the month at 596.9 mb. This level represented a deficit of 32.4 mb or 5.2 % with the same period last year and constituted a shortfall of 58.1 mb or 8.9% with the five-year average. Within products, the picture was mixed: Distillates and residual fuel oil saw builds, while gasoline and naphtha witnessed draws.

Distillate stocks rose by 2.3 mb, which was the third monthly build in a row, finishing February at 375.0 mb. This meant that they were still 13.5 mb or 3.5% lower than a year ago and 15.2 mb or 3.9% below the seasonal average. The build reflected mainly weak regional demand, as mild weather capped the increase in heating oil demand. Residual fuel oil stocks also rose mb in February, by 0.4 mb, reversing the stock-draw of the last three months and reaching 83.5 mb. Thus they were 9.4 mb or 10.1% lower than the year before and 23.5 mb or 22.0% below the seasonal average. Higher refinery output was behind the increase, but a rise of exports to the Asia-Pacific and to the US limited a further build in inventories.

Gasoline stocks fell by 2.4 mb after two consecutive months of build, finishing February at 109.8 mb. At this level, they were 2.3 mb or 2.1% lower than the year before and 14.5 mb or 11.7% below the seasonal average. Higher gasoline imports to the US, at a time of seasonal maintenance, led to more drops in gasoline inventories. Naphtha stocks saw a decline of 0.4 mb to end February at 28.6 mb, leaving them 7.2 mb or 20% below the same period last year and 4.9 mb or 14.6% lower than the five-year average.

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

	Dec 12	Jan 13	Feb 13	Change Feb 13/Jan 13	Feb 12
Crude oil	**449.2**	**451.3**	**452.2**	**0.9**	**444.2**
Gasoline	105.9	112.2	109.8	-2.4	112.2
Naphtha	29.9	29.0	28.6	-0.4	35.8
Middle distillates	372.4	372.8	375.0	2.3	388.5
Fuel oils	84.9	83.1	83.5	0.4	92.9
Total products	593.1	597.1	596.9	-0.2	629.3
Total	**1,042.3**	**1,048.4**	**1,049.1**	**0.8**	**1,073.5**

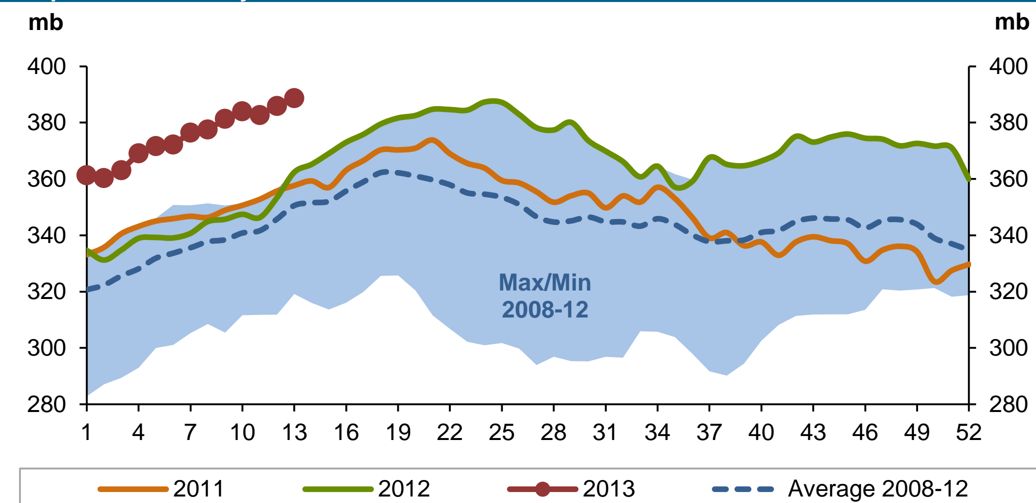
Source: Argus and Euroilstock.

US

In March, US total commercial oil stocks continued their downward trend to decline by 9.1 mb

In March, **US total commercial oil stocks** continued their downward trend for the second consecutive month, declining by 9.1 mb to 1,077.3 mb. Despite this stock-draw, they were 32.9 mb or 3.2% above the five-year average, although they were in line with the same time a year ago. The draw was attributed to products, which fell by 16.3 mb, while crude increased by 7.3 mb.

Graph 9.3: US weekly commercial crude oil stocks

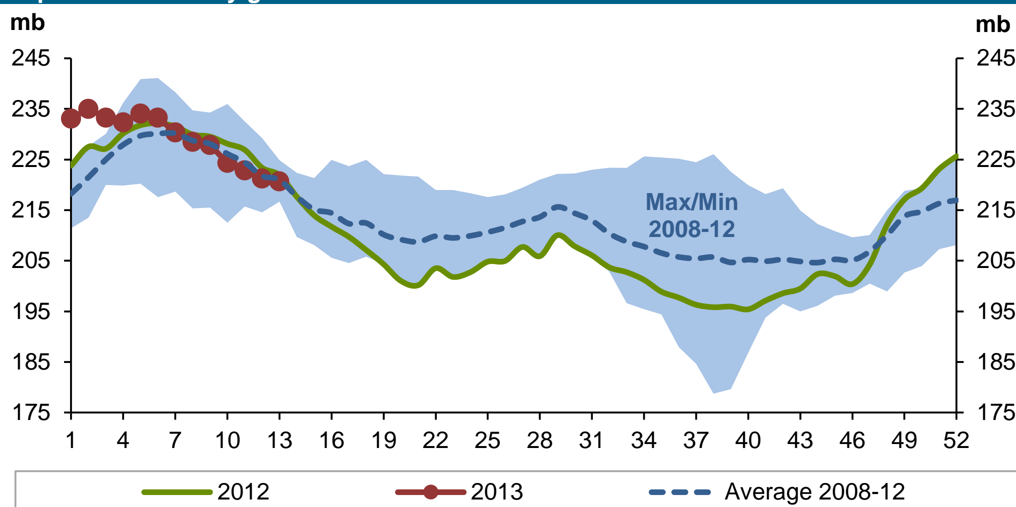


US commercial crude stocks rose for the third consecutive month in March, accumulating a more-than 23 mb build since the beginning of this year. At 388.6 mb, they finished the month at the highest level since July 1990, showing a surplus of 20.6 mb or 5.6% with a year ago and 35.1 mb or 9.9% with the five-year average.

The build came from higher imports, which increased by around 100,000 b/d to average 7.7 mb/d; however, this level was very low compared with the same period last year, when crude imports reached nearly 9.0 mb/d. A continued increase in domestic production, remaining above 7.0 mb/d, also contributed to the build in US commercial crude stocks. Increased refinery inputs in March limited a further build. Indeed, US crude oil refinery inputs rose by almost 250,000 b/d to average 14.6 mb/d, slightly higher than the same period last year. In March, US refineries operated at around 84.1%, which was 0.6 pp higher than in February and 0.3 pp more than the same time last year.

In contrast to the increase in national crude oil stocks, inventories in Cushing declined by 1.7 mb in March to end the month at 49.2 mb, while leaving the stock overhang some 22% above last year's level. An improved pipeline infrastructure in West Texas should continue to relieve some pressure on Cushing inventories.

Graph 9.4: US weekly gasoline stocks



Total product stocks dropped in March for the third consecutive month, ending at 688.7 mb. With this draw, product inventories widened the deficit with a year ago to 25.2 mb from 17.1 mb a month earlier. All products saw a drop, with gasoline and distillates experiencing the largest declines.

Gasoline stocks fell for the second consecutive month, by 7.2 mb, ending March at 220.7 mb. Despite this draw, they were 1.9 mb or 0.9% above the year-ago level 1.3 mb or 0.6% higher than the seasonal average. The decline was driven mainly by lower gasoline production, which declined by around 90,000 b/d to average 8.8 mb/d, since demand remained almost at the same level as in the previous month.

Distillate stocks also saw a drop of 7.4 mb in March, to end at 113.0 mb. With this stock-draw, they were 20.8 mb or 15.6% below the year-ago level and 23.3 mb or 17.1% lower than the seasonal norm. Higher exports, mainly to Latin America, were behind the distillate stock-draw, as production and demand remained almost unchanged from the previous month.

Residual fuel oil stocks declined by 1.6 mb to finish March at 35.8 mb. This meant that they were 0.5 mb or 1.3% lower than a year ago, with a deficit of 2.6 mb or 6.8% on the seasonal norm. Jet fuel stocks also fell in March, by 0.3 mb, to stand at 39.4 mb. At this level, they were 0.3 mb or 0.8% higher than the same month a year ago, although still 1.1 mb or 2.8% below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

	Jan 13	Feb 13	Mar 13	Change Mar 13/Feb 13	Mar 12
Crude oil	377.7	381.4	388.6	7.3	368.1
Gasoline	234.5	227.9	220.7	-7.2	218.8
Distillate fuel	131.3	120.4	113.0	-7.4	133.8
Residual fuel oil	35.4	36.1	35.8	-0.2	36.3
Jet fuel	39.7	39.7	39.4	-0.3	39.1
Total	**1,116.7**	**1,086.4**	**1,077.3**	**-9.1**	**1,081.9**
SPR	695.8	696.0	696.0	0.0	696.0

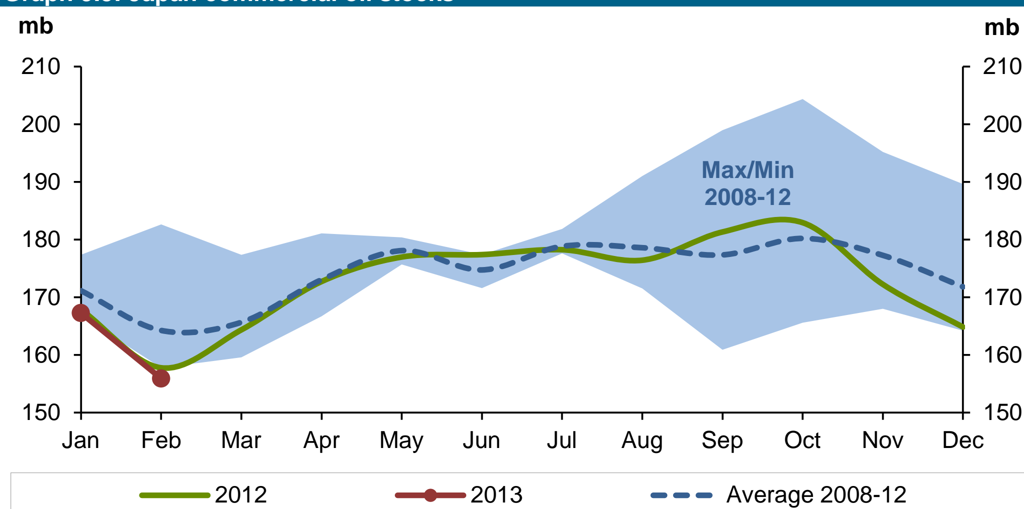
Source: US Department of Energy's Energy Information Administration.

Japan

In February, total commercial oil stocks in Japan reversed the build of the last month to decline by 11.3 mb

In February, total **commercial oil stocks** in Japan reversed the build of the last month and declined by a considerable 11.3 mb to end at 155.9 mb. At this level, they were 1.8 mb or 1.2% below the same period a year ago and 8.3 mb or 5.1% below the last five-year average. The total drop came from crude, which declined by 13.0 mb, while product stocks increased by 1.7 mb.

Graph 9.5: Japan commercial oil stocks



Japanese commercial crude oil stocks declined in February, reversing the build in January and ending the month at 86.2 mb. This meant that they were 6.1 mb below the same time a year ago and 8.8 mb lower than the seasonal average. The fall was driven by a decline in crude oil imports, which decreased by around 500,000 b/d or 12.4% from the previous month to average 3.6 mb/d; this represented a deficit of 10.8% compared with the same time the previous year. In addition, crude stocks decreased due to an increase in crude throughput, which rose by around 100,000 b/d or 2.7% to average 3.5 mb/d. At this level, they were 2.7% lower than in the same month a year earlier. Japanese refineries were running at 84.5%, around 1.6 pp higher than in the previous month and 3.4 pp above the same period last year.

Direct crude burning in power plants declined in February by 7.1% to end at around 261,960 b/d, 30.2% lower than the same period last year. Given that the weather in February was warmer, the fall in direct crude burning reflected mainly the impact of energy conservation and substitution in the country.

On the product side, the build in Japan's **total product inventories** continued for a second month, ending February at 69.7 mb. This meant a surplus of 4.2 mb or 6.5% with a year ago and of 0.4 mb or 0.6% with the five-year average. The stock-build in total products came as total oil product imports rose by 3.4% in February from a month earlier. Lower exports also contributed to the build. However, higher domestic sales limited a further build. Indeed, domestic sales in Japan rose by 3.4% in February from the previous month to average 3.9 mb/d, but they were down by 7.0% from the same month a year ago.

Within products, all items experienced builds in February. Gasoline stocks rose by 0.4 mb to end February at 13.6 mb. At this level, they were 0.6 mb or 4.8% higher than a year ago, but still 0.4 mb or 2.7% below the five-year average. The build came on the back of a 3.7% decline in gasoline sales.

Distillate stocks also rose, by 0.2 mb, to end the month at 29.2 mb, leaving them at a surplus of 3.1 mb or 11.9% with a year ago and of 0.8 mb or 3.0 % with the seasonal average. Within the distillate components, jet fuel and gasoil went up, while kerosene fell. Jet fuel stocks rose by 8.5% due to a decline of nearly 15% in domestic sales consumption. Gasoil stocks also increased, by 4.4%, after a 3.9% rise in output. In contrast, kerosene stocks fell by 5.1%, reflecting lower output outpacing a decline in domestic sales.

Total residual fuel oil stocks rose by 0.6 mb to end February at 16.9 mb. This meant they were 6.4% above a year ago and 4.6% higher than the five-year average. Fuel oil A went down by 9.2%, while fuel oil B.C rose by almost 8%. The decline in fuel A stocks could be attributed to an 8.2% fall in production. Fuel oil B.C stocks saw a build, driven by the decline in sales of nearly 10%. Higher imports also supported the build in fuel oil B.C stocks. Naphtha inventories saw a build of 0.5 mb, ending February at 10.1 mb. Despite this build, they remained 5.0% below than a year ago and 7.2% lower than the five-year average. The build came from lower domestic sales, which declined by 10.1%; however, lower production limited a further build.

Table 9.4: Japan commercial oil stocks*, mb

	Dec 12	Jan 13	Feb 13	Change Feb 13/Jan 13	Feb 12
Crude oil	**97.1**	**99.2**	**86.2**	**-13.0**	**92.3**
Gasoline	11.9	13.2	13.6	0.4	12.9
Naphtha	10.3	9.6	10.1	0.5	10.6
Middle distillates	28.9	29.0	29.2	0.2	26.1
Residual fuel oil	16.7	16.2	16.9	0.6	15.9
Total products	**67.8**	**68.0**	**69.7**	**1.7**	**65.5**
Total**	**164.8**	**167.3**	**155.9**	**-11.3**	**157.8**

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

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of February, product stocks in Singapore fell by 0.7 mb, reversing the build of last month

At the end of February, **product stocks in Singapore** fell by 0.7 mb, reversing the build of last month and ending at 42.3 mb. This stock-draw indicated a deficit of 2.3 mb or 5.1% with a year ago. Within products, fuel oil stocks saw a build, while middle distillate and light distillates witnessed draws.

Residual fuel oil rose for the second consecutive month, by 0.9 mb, ending February at 21.6 mb. Despite this build, they showed a deficit of 0.2 mb or 1.0% with the same time a year ago. This stock-build was mainly due to higher imports from the west. Higher imports from the Middle East and India also contributed.

Middle distillate stocks fell by 1.3 mb in February, reversing the build of the last month and ending the month at 10.2 mb. This draw meant a deficit of 0.9 mb or 8.2% with the same period a year ago. The fall in middle distillate stocks was attributed to higher exports amid stronger demand in Indonesia. Higher diesel imports from some middle distillate countries also contributed to drawing stocks from Singapore. Light distillate stocks fell, by 0.3 mb, after experiencing builds for the last three months, and ended February at 10.5 mb, leaving them 1.2 mb or 9.9% below the same period last year. This stock-draw came mainly from higher exports outpacing imports to Singapore.

Product stocks in ARA fell by 2.1 mb in February, reversing the build of last two months

Product stocks in ARA fell by 2.1 mb in February, reversing the builds of the last two months to stand at 30.4 mb. This meant that they were 3.8 mb or 11.0% lower than the same time last year. Within products, the picture was mixed. Gasoline, fuel oil and jet fuel experienced drops, while gasoil witnessed a build. Naphtha remained unchanged.

Gasoline fell by 1.0 mb, reversing the builds of the last two months and ending February at 5.2 mb. This saw them at the same level as this time last year. The stock-draw came from lower levels of arrival to the ARA hub, outpacing departures towards the US, Argentina and Mexico. Refineries pumped more gasoline to take advantage of strong overseas demand. Fuel oil stocks also fell, by 0.9 mb, reversing the builds of the last two months and ending February at 4.6 mb, which was 0.1 mb or 1.7% lower than the same period a year ago. Jet fuel stocks also saw a drop of 0.2 mb and ended February at 2.3 mb, which was almost 50% lower than the same level last year.

Gasoil stocks saw a minor build of 0.1 mb in February, after increasing by more than 3 mb in January. At 17.5 mb, ARA gasoline stocks were at their highest level since April 2012, although still 1.3 mb or 6.8% lower than the same period a year ago. In February, naphtha stocks remained unchanged from the previous month, ending at 0.8 mb and showing a deficit of almost 17% from the same time last year.

Balance of Supply and Demand

Estimate for 2012

Required OPEC crude for 2012 estimated at 30.2 mb/d, down 0.1 mb/d from 2011

The demand for OPEC crude stood at 30.2 mb/d in 2012, representing a decrease of 0.1 mb/d from the previous year. This represents an upward adjustment of around 0.1 mb/d from the previous assessment, as demand and non-OPEC supply experienced opposite revisions on actual data.

In quarterly terms, the first quarter remained unchanged, while the third and fourth were revised up by 0.2 mb/d and 0.1 mb/d respectively. The first quarter is estimated to have declined by 0.4 mb/d versus the same quarter last year. The second is estimated to have increased by 0.5 mb/d, while the third and fourth show a decline of 0.2 mb/d and 0.3 mb/d respectively compared to the same quarters of 2011.

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

	2011	1Q12	2Q12	3Q12	4Q12	2012
(a) World oil demand	**88.09**	**88.06**	**88.04**	**89.24**	**90.11**	**88.87**
Non-OPEC supply	52.45	53.19	52.61	52.33	53.70	52.96
OPEC NGLs and non-conventionals	5.37	5.56	5.68	5.81	5.94	5.75
(b) Total supply excluding OPEC crude	**57.82**	**58.75**	**58.29**	**58.14**	**59.64**	**58.70**
Difference (a-b)	**30.27**	**29.31**	**29.75**	**31.10**	**30.48**	**30.16**
OPEC crude oil production	29.78	31.22	31.48	31.23	30.64	31.14
Balance	-0.49	1.91	1.73	0.13	0.17	0.98

Totals may not add up due to independent rounding.

Forecast for 2013

Demand for OPEC crude in 2013 forecast at 29.7 mb/d, a decline of 0.4 mb/d from last year

Demand for OPEC crude in 2013 remained slightly unchanged from the previous report to stand at 29.7 mb/d. This represents negative growth of 0.4 mb/d compared to the 2012 level. Within the quarters, the first remained unchanged, while the second and third experienced an upward revision of 0.1 mb/d. In contrast, the fourth quarter was revised down by 0.1 mb/d.

The first quarter is estimated to remain unchanged versus the same quarter last year, whiel the second and third are expected to see negative growth of 0.8 mb/d each. The fourth quarter is forecast to remain unchanged compared to the same period a year ago.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013
(a) World oil demand	**88.87**	**89.02**	**88.62**	**90.12**	**90.86**	**89.66**
Non-OPEC supply	52.96	53.81	53.67	53.88	54.39	53.94
OPEC NGLs and non-conventionals	5.75	5.94	5.96	5.99	6.03	5.98
(b) Total supply excluding OPEC crude	**58.70**	**59.74**	**59.63**	**59.86**	**60.42**	**59.91**
Difference (a-b)	**30.16**	**29.28**	**28.99**	**30.26**	**30.44**	**29.75**
OPEC crude oil production	31.14	30.24				
Balance	0.98	0.96				

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

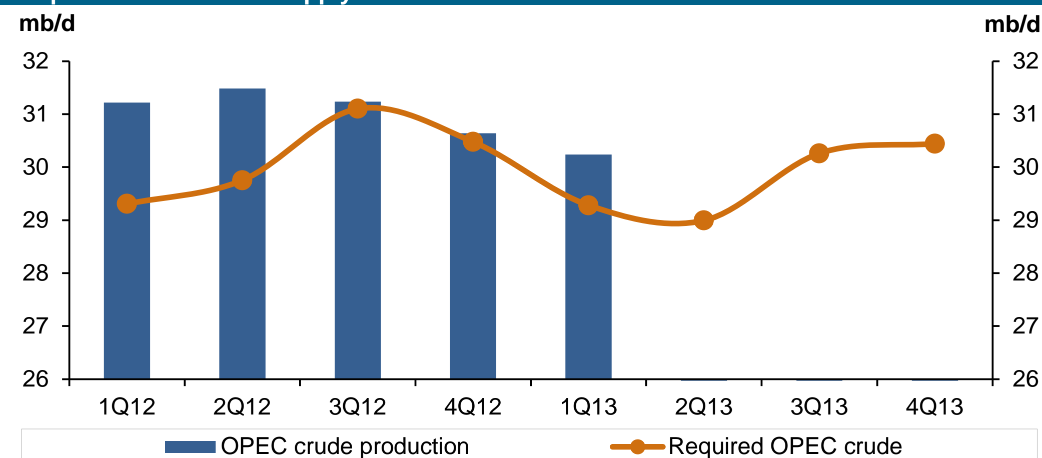


Table 10.3: World oil demand/supply balance, mb/d

	2007	2008	2009	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
World demand															
OECD	50.1	48.4	46.3	47.0	46.5	46.3	45.6	46.0	46.4	46.1	46.0	45.1	45.7	46.1	45.7
Americas	25.8	24.5	23.7	24.1	24.1	23.5	23.8	23.8	23.9	23.8	23.6	23.7	23.9	23.9	23.8
Europe	15.6	15.5	14.7	14.7	14.3	13.7	13.8	13.9	13.8	13.8	13.5	13.5	13.6	13.5	13.5
Asia Pacific	8.7	8.3	8.0	8.1	8.1	9.1	8.0	8.3	8.7	8.5	9.0	7.9	8.2	8.7	8.4
DCs	24.2	25.0	25.6	26.5	27.2	27.4	27.9	28.5	28.2	28.0	28.2	28.6	29.3	28.9	28.7
FSU	4.0	4.1	4.0	4.2	4.3	4.2	4.1	4.5	4.7	4.4	4.3	4.2	4.6	4.8	4.5
Other Europe	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.6
China	7.6	8.0	8.3	9.0	9.4	9.5	9.9	9.5	10.1	9.7	9.8	10.2	9.9	10.4	10.1
(a) Total world demand	86.6	86.1	84.8	87.2	88.1	88.1	88.0	89.2	90.1	88.9	89.0	88.6	90.1	90.9	89.7
Non-OPEC supply															
OECD	20.0	19.6	19.8	20.0	20.2	21.1	20.9	20.5	21.6	21.0	21.6	21.5	21.5	21.7	21.6
Americas	14.3	14.0	14.4	15.0	15.6	16.5	16.4	16.5	17.4	16.7	17.4	17.4	17.4	17.5	17.5
Europe	5.2	4.9	4.7	4.4	4.1	4.1	3.9	3.5	3.6	3.8	3.7	3.6	3.5	3.7	3.6
Asia Pacific	0.6	0.6	0.6	0.7	0.6	0.5	0.5	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5
DCs	11.9	12.2	12.4	12.7	12.6	12.3	12.0	12.1	12.2	12.1	12.2	12.2	12.4	12.6	12.4
FSU	12.5	12.6	13.0	13.2	13.2	13.4	13.2	13.2	13.4	13.3	13.4	13.3	13.4	13.5	13.4
Other Europe	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.8	3.8	4.1	4.1	4.1	4.2	4.2	4.3	4.2	4.3	4.2	4.2	4.3	4.2
Processing gains	2.0	2.0	2.0	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	50.4	50.4	51.1	52.3	52.5	53.2	52.6	52.3	53.7	53.0	53.8	53.7	53.9	54.4	53.9
OPEC NGLs + non-conventional oils	3.9	4.1	4.3	5.0	5.4	5.6	5.7	5.8	5.9	5.7	5.9	6.0	6.0	6.0	6.0
(b) Total non-OPEC supply and OPEC NGLs	54.4	54.5	55.5	57.3	57.8	58.8	58.3	58.1	59.6	58.7	59.7	59.6	59.9	60.4	59.9
OPEC crude oil production (secondary sources)	30.2	31.3	28.8	29.2	29.8	31.2	31.5	31.2	30.6	31.1	30.2				
Total supply	84.6	85.8	84.2	86.6	87.6	90.0	89.8	89.4	90.3	89.8	90.0				
Balance (stock change and miscellaneous)	-2.0	-0.3	-0.6	-0.7	-0.5	1.9	1.7	0.1	0.2	1.0	1.0				
OECD closing stock levels (mb)															
Commercial	2,582	2,697	2,662	2,677	2,605	2,657	2,691	2,731	2,666	2,666					
SPR	1,528	1,530	1,568	1,565	1,536	1,536	1,539	1,542	1,547	1,547					
Total	4,110	4,227	4,230	4,242	4,141	4,192	4,230	4,273	4,213	4,213					
Oil-on-water	948	969	919	871	825	787	812	797	801	801					
Days of forward consumption in OECD															
Commercial onland stocks	53	58	57	58	57	58	58	59	58	58					
SPR	32	33	33	34	33	34	33	33	34	34					
Total	85	91	90	91	90	92	92	92	91	92					
Memo items															
FSU net exports	8.5	8.5	9.0	9.1	9.0	9.1	9.2	8.7	8.6	8.9	9.1	9.2	8.8	8.7	8.9
(a) - (b)	32.2	31.6	29.3	29.9	30.3	29.3	29.8	31.1	30.5	30.2	29.3	29.0	30.3	30.4	29.7

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

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

	2007	2008	2009	2010	2011	1Q12	2Q12	3Q12	4Q12	2012	1Q13	2Q13	3Q13	4Q13	2013
World demand															
OECD	-	-	-	0.1	0.1	-	0.1	0.1	-0.1	-	-	-	0.1	-0.1	-
Americas	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
Europe	-	-	-	-	-	-	-	0.1	-0.1	-	-	-	0.1	-0.1	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	0.1	0.1	-	0.1	0.1	-	-	-	-	0.1	-0.1	-
World demand growth	-	-	-	-	-	-	-	-	-0.12	-	-	-0.06	-	-	-
Non-OPEC supply															
OECD	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Americas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-0.1	-0.2	-0.1	-0.2	-0.2	-0.1	-0.1	-0.1
DCs	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-	-0.1	-	-	-
Total non-OPEC supply growth	-	-	-	-	-	-	-	-0.11	-0.10	-	-	-0.11	0.07	0.14	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-	-0.1	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-	-	-	-				
Total supply	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-				
Balance (stock change and miscellaneous)	-	-	-	-0.1	-0.1	-	-	-0.2	-0.1	-0.1	-				
OECD closing stock levels (mb)															
Commercial	-	-	-	-12	-10	-6	-7	-7	-22	-22	-				
SPR	-	-	-	-	-	-	-	-	3	3	-				
Total	-	-	-	-12	-10	-6	-7	-7	-19	-19	-				
Oil-on-water	-	-	-	-	-	-	-	-	-7	-7	-				
Days of forward consumption in OECD															
Commercial onland stocks	-	-	-	-	-	-	-	-	-1	-	-				
SPR	-	-	-	-	-	-	-	-	-	-	-				
Total	-	-	-	-	-	-	-	-	-	-	-				
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	0.1	0.1	-	-	0.2	0.1	0.1	-	0.1	0.1	-0.1	-

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

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

	2007	2008	2009	2010	2011	2012	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
Closing stock levels, mb																						
OECD onland commercial	2,582	2,697	2,662	2,677	2,605	2,666	2,749	2,765	2,784	2,662	2,682	2,763	2,751	2,677	2,644	2,683	2,669	2,605	2,657	2,691	2,731	2,666
Americas	1,209	1,278	1,284	1,329	1,308	1,364	1,329	1,364	1,369	1,284	1,312	1,367	1,396	1,329	1,298	1,338	1,341	1,308	1,334	1,361	1,383	1,364
Europe	966	1,012	995	959	907	906	1,013	1,000	996	995	986	994	957	959	960	940	916	907	944	916	920	906
Asia Pacific	407	407	383	390	390	396	408	401	419	383	384	402	399	390	386	406	413	390	378	413	427	396
OECD SPR	1,528	1,530	1,568	1,565	1,536	1,547	1,550	1,565	1,568	1,568	1,571	1,566	1,553	1,565	1,562	1,565	1,530	1,536	1,536	1,539	1,542	1,547
Americas	699	704	729	729	697	696	715	726	727	729	729	729	728	729	727	727	696	697	697	697	696	696
Europe	425	420	431	427	426	437	427	430	433	431	433	426	423	427	424	427	424	426	425	429	433	437
Asia Pacific	404	406	409	410	414	414	408	408	408	409	409	411	402	410	411	411	409	414	414	413	414	414
OECD total	**4,110**	**4,227**	**4,230**	**4,242**	**4,141**	**4,213**	**4,300**	**4,330**	**4,352**	**4,230**	**4,253**	**4,329**	**4,305**	**4,242**	**4,206**	**4,248**	**4,199**	**4,141**	**4,192**	**4,230**	**4,273**	**4,213**
Oil-on-water	948	969	919	871	825	801	899	904	869	919	919	897	926	871	891	853	835	825	787	812	797	801
Days of forward consumption in OECD																						
OECD onland commercial	53	58	57	58	57	58	61	60	60	57	58	58	58	57	58	57	57	56	58	58	59	58
Americas	49	54	53	55	55	57	57	58	57	54	54	56	58	55	55	55	56	56	56	57	58	58
Europe	62	69	68	67	66	67	70	68	68	69	69	66	64	67	68	64	65	66	68	66	67	67
Asia Pacific	49	51	47	48	46	47	54	53	51	44	50	51	48	45	52	51	48	43	48	50	49	44
OECD SPR	32	33	33	34	33	34	34	34	34	34	34	33	33	33	34	33	33	33	34	33	33	34
Americas	28	30	30	30	29	29	31	31	30	31	30	30	30	30	31	30	29	30	29	29	29	29
Europe	27	28	29	30	31	32	29	29	30	30	30	28	28	30	30	29	30	31	31	31	31	32
Asia Pacific	49	51	50	50	49	49	54	54	49	47	53	52	48	48	55	51	48	46	52	50	47	46
OECD total	**85**	**91**	**90**	**91**	**90**	**92**	**95**	**94**	**93**	**90**	**92**	**91**	**91**	**90**	**93**	**91**	**90**	**89**	**92**	**92**	**92**	**91**

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

	2007	2008	2009	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12
US	7.47	7.57	8.17	8.64	0.47	8.77	8.93	8.91	9.53	9.04	0.39	9.76	9.79	9.90	10.57	10.01	0.97	10.57	10.62	10.56	10.55	10.58	0.57
Canada	3.31	3.25	3.23	3.36	0.13	3.54	3.32	3.62	3.75	3.56	0.20	3.80	3.68	3.67	3.96	3.78	0.22	3.93	3.92	3.97	4.07	3.97	0.19
Mexico	3.49	3.17	2.98	2.96	-0.02	2.97	2.96	2.92	2.93	2.95	-0.02	2.92	2.93	2.92	2.90	2.92	-0.02	2.93	2.90	2.88	2.87	2.89	-0.03
OECD Americas*	**14.28**	**14.01**	**14.39**	**14.97**	**0.58**	**15.29**	**15.22**	**15.46**	**16.22**	**15.55**	**0.58**	**16.50**	**16.42**	**16.50**	**17.45**	**16.72**	**1.17**	**17.44**	**17.45**	**17.43**	**17.50**	**17.45**	**0.74**
Norway	2.55	2.47	2.36	2.14	-0.22	2.14	1.98	1.99	2.05	2.04	-0.10	2.08	1.98	1.75	1.85	1.91	-0.12	1.84	1.80	1.76	1.85	1.81	-0.10
UK	1.69	1.57	1.48	1.37	-0.12	1.27	1.16	0.95	1.11	1.12	-0.25	1.09	1.02	0.83	0.89	0.96	-0.16	0.95	0.91	0.87	0.94	0.92	-0.04
Denmark	0.31	0.28	0.26	0.25	-0.02	0.23	0.25	0.23	0.21	0.23	-0.02	0.22	0.22	0.21	0.20	0.21	-0.02	0.19	0.19	0.18	0.17	0.18	-0.03
Other OECD Europe	0.62	0.62	0.63	0.64	0.01	0.67	0.66	0.70	0.68	0.68	0.04	0.69	0.70	0.70	0.68	0.69	0.01	0.69	0.69	0.70	0.70	0.69	0.00
OECD Europe	**5.17**	**4.94**	**4.74**	**4.39**	**-0.35**	**4.31**	**4.05**	**3.87**	**4.05**	**4.07**	**-0.32**	**4.08**	**3.92**	**3.49**	**3.61**	**3.77**	**-0.30**	**3.68**	**3.60**	**3.50**	**3.66**	**3.61**	**-0.16**
Australia	0.53	0.53	0.54	0.56	0.02	0.47	0.49	0.48	0.49	0.48	-0.08	0.43	0.45	0.47	0.42	0.44	-0.04	0.40	0.43	0.45	0.47	0.44	0.00
Other Asia Pacific	0.08	0.10	0.10	0.10	0.00	0.09	0.08	0.09	0.09	0.09	-0.01	0.09	0.09	0.08	0.07	0.08	0.00	0.08	0.07	0.07	0.07	0.07	-0.01
OECD Asia Pacific	**0.60**	**0.63**	**0.64**	**0.66**	**0.02**	**0.56**	**0.57**	**0.57**	**0.58**	**0.57**	**-0.09**	**0.51**	**0.53**	**0.55**	**0.49**	**0.52**	**-0.05**	**0.49**	**0.50**	**0.52**	**0.54**	**0.51**	**-0.01**
Total OECD	**20.05**	**19.58**	**19.76**	**20.02**	**0.26**	**20.17**	**19.85**	**19.90**	**20.84**	**20.19**	**0.17**	**21.09**	**20.87**	**20.54**	**21.56**	**21.01**	**0.82**	**21.61**	**21.54**	**21.45**	**21.71**	**21.58**	**0.56**
Brunei	0.19	0.17	0.16	0.17	0.00	0.17	0.16	0.17	0.17	0.17	0.00	0.16	0.14	0.16	0.17	0.16	-0.01	0.17	0.16	0.16	0.16	0.16	0.00
India	0.80	0.80	0.78	0.86	0.08	0.90	0.89	0.88	0.87	0.88	0.03	0.87	0.88	0.87	0.87	0.87	-0.01	0.86	0.88	0.88	0.87	0.87	0.00
Indonesia	1.02	1.05	1.03	1.04	0.02	1.03	1.02	1.03	1.02	1.02	-0.02	1.00	0.99	0.97	0.95	0.98	-0.05	0.94	0.93	0.92	0.91	0.92	-0.05
Malaysia	0.76	0.76	0.73	0.70	-0.03	0.68	0.59	0.63	0.65	0.64	-0.06	0.68	0.63	0.64	0.67	0.66	0.02	0.68	0.70	0.73	0.76	0.72	0.06
Thailand	0.33	0.36	0.37	0.34	-0.02	0.34	0.34	0.33	0.33	0.33	-0.01	0.35	0.35	0.36	0.35	0.35	0.02	0.36	0.35	0.35	0.34	0.35	0.00
Vietnam	0.35	0.33	0.37	0.35	-0.02	0.35	0.33	0.34	0.38	0.35	0.00	0.38	0.38	0.39	0.39	0.38	0.03	0.40	0.40	0.40	0.40	0.40	0.01
Asia others	0.26	0.26	0.25	0.23	-0.02	0.23	0.23	0.23	0.23	0.23	0.00	0.22	0.22	0.22	0.22	0.22	-0.01	0.22	0.22	0.22	0.22	0.22	0.00
Other Asia	**3.70**	**3.73**	**3.69**	**3.70**	**0.01**	**3.70**	**3.56**	**3.62**	**3.64**	**3.63**	**-0.07**	**3.66**	**3.59**	**3.61**	**3.63**	**3.62**	**-0.01**	**3.63**	**3.63**	**3.66**	**3.67**	**3.65**	**0.03**
Argentina	0.77	0.78	0.75	0.75	0.00	0.76	0.68	0.74	0.75	0.73	-0.02	0.72	0.71	0.72	0.70	0.72	-0.02	0.68	0.70	0.70	0.69	0.69	-0.02
Brazil	2.22	2.38	2.51	2.66	0.16	2.61	2.62	2.61	2.70	2.64	-0.03	2.71	2.57	2.53	2.60	2.60	-0.03	2.62	2.64	2.73	2.78	2.69	0.09
Colombia	0.54	0.60	0.68	0.80	0.11	0.88	0.94	0.94	0.96	0.93	0.13	0.95	0.96	0.95	0.99	0.96	0.03	1.01	1.01	1.03	1.04	1.02	0.06
Trinidad & Tobago	0.16	0.16	0.15	0.15	-0.01	0.14	0.14	0.13	0.13	0.14	-0.01	0.12	0.12	0.12	0.12	0.12	-0.02	0.11	0.11	0.10	0.10	0.10	-0.01
L. America others	0.27	0.28	0.30	0.31	0.01	0.30	0.30	0.30	0.30	0.30	-0.01	0.30	0.30	0.32	0.32	0.31	0.01	0.33	0.32	0.33	0.34	0.33	0.02
Latin America	**3.96**	**4.20**	**4.39**	**4.66**	**0.27**	**4.70**	**4.68**	**4.72**	**4.84**	**4.73**	**0.08**	**4.80**	**4.66**	**4.64**	**4.73**	**4.71**	**-0.03**	**4.75**	**4.77**	**4.89**	**4.95**	**4.84**	**0.13**
Bahrain	0.21	0.21	0.21	0.20	0.00	0.21	0.21	0.21	0.22	0.21	0.01	0.20	0.18	0.20	0.19	0.19	-0.02	0.19	0.20	0.21	0.21	0.20	0.01
Oman	0.71	0.76	0.81	0.86	0.05	0.89	0.87	0.89	0.89	0.89	0.02	0.89	0.92	0.93	0.94	0.92	0.03	0.94	0.94	0.95	0.95	0.94	0.03
Syria	0.42	0.41	0.41	0.42	0.01	0.42	0.42	0.37	0.26	0.37	-0.05	0.22	0.24	0.19	0.18	0.21	-0.16	0.18	0.16	0.16	0.15	0.16	-0.04
Yemen	0.33	0.30	0.30	0.29	-0.01	0.29	0.19	0.24	0.18	0.23	-0.06	0.14	0.18	0.21	0.19	0.18	-0.05	0.18	0.18	0.19	0.20	0.19	0.01
Middle East	**1.66**	**1.68**	**1.73**	**1.78**	**0.05**	**1.81**	**1.69**	**1.72**	**1.55**	**1.69**	**-0.09**	**1.44**	**1.51**	**1.52**	**1.51**	**1.50**	**-0.20**	**1.49**	**1.49**	**1.50**	**1.51**	**1.50**	**0.00**
Chad	0.15	0.15	0.14	0.15	0.01	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.13	0.13	0.13	0.13	-0.01	0.13	0.12	0.13	0.13	0.13	0.00
Congo	0.24	0.26	0.27	0.30	0.02	0.29	0.29	0.30	0.30	0.30	0.00	0.30	0.30	0.30	0.30	0.30	0.00	0.29	0.29	0.30	0.30	0.29	-0.01
Egypt	0.66	0.69	0.69	0.71	0.01	0.70	0.70	0.71	0.70	0.70	-0.01	0.71	0.71	0.71	0.71	0.71	0.01	0.70	0.69	0.69	0.69	0.69	-0.02
Equatorial Guinea	0.37	0.38	0.36	0.32	-0.03	0.31	0.30	0.29	0.30	0.30	-0.02	0.32	0.31	0.31	0.31	0.32	0.01	0.31	0.31	0.30	0.30	0.31	-0.01
Gabon	0.25	0.24	0.24	0.25	0.01	0.26	0.24	0.25	0.25	0.25	0.00	0.25	0.24	0.24	0.24	0.24	-0.01	0.24	0.24	0.24	0.24	0.24	0.00
South Africa	0.18	0.18	0.17	0.18	0.01	0.18	0.18	0.18	0.19	0.18	0.00	0.19	0.19	0.19	0.19	0.19	0.01	0.19	0.19	0.19	0.18	0.19	-0.01
Sudans	0.48	0.46	0.48	0.46	-0.01	0.45	0.45	0.43	0.38	0.43	-0.03	0.19	0.09	0.10	0.10	0.12	-0.31	0.12	0.16	0.22	0.23	0.18	0.06
Africa other	0.28	0.27	0.25	0.23	-0.02	0.27	0.30	0.31	0.30	0.29	0.06	0.30	0.30	0.30	0.32	0.31	0.01	0.33	0.33	0.34	0.36	0.34	0.03
Africa	**2.60**	**2.62**	**2.60**	**2.60**	**0.00**	**2.61**	**2.60**	**2.61**	**2.55**	**2.59**	**-0.01**	**2.39**	**2.28**	**2.28**	**2.30**	**2.31**	**-0.28**	**2.31**	**2.33**	**2.40**	**2.42**	**2.37**	**0.05**
Total DCs	**11.93**	**12.22**	**12.41**	**12.74**	**0.33**	**12.81**	**12.53**	**12.67**	**12.58**	**12.65**	**-0.09**	**12.29**	**12.04**	**12.05**	**12.17**	**12.14**	**-0.51**	**12.17**	**12.23**	**12.45**	**12.55**	**12.35**	**0.22**
FSU	**12.54**	**12.60**	**12.95**	**13.21**	**0.26**	**13.30**	**13.24**	**13.21**	**13.22**	**13.24**	**0.03**	**13.36**	**13.24**	**13.23**	**13.36**	**13.30**	**0.06**	**13.42**	**13.34**	**13.38**	**13.50**	**13.41**	**0.11**
Russia	9.87	9.78	9.92	10.14	0.22	10.21	10.23	10.28	10.34	10.27	0.12	10.34	10.32	10.36	10.47	10.37	0.11	10.45	10.43	10.43	10.43	10.43	0.06
Kazakhstan	1.35	1.41	1.54	1.60	0.06	1.66	1.60	1.54	1.61	1.60	0.01	1.62	1.57	1.52	1.63	1.59	-0.02	1.65	1.62	1.66	1.74	1.67	0.08
Azerbaijan	0.87	0.94	1.06	1.07	0.01	1.02	0.99	0.96	0.84	0.95	-0.12	0.96	0.91	0.91	0.82	0.90	-0.05	0.88	0.84	0.84	0.85	0.85	-0.05
FSU others	0.45	0.46	0.44	0.41	-0.03	0.42	0.41	0.43	0.43	0.42	0.02	0.44	0.44	0.44	0.44	0.44	0.02	0.44	0.44	0.46	0.47	0.45	0.01
Other Europe	0.15	0.15	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00
China	3.77	3.84	3.84	4.12	0.28	4.25	4.14	4.04	4.02	4.11	-0.01	4.14	4.16	4.20	4.30	4.20	0.09	4.26	4.21	4.24	4.29	4.25	0.05
Non-OPEC production	**48.44**	**48.38**	**49.11**	**50.23**	**1.12**	**50.67**	**49.90**	**49.95**	**50.80**	**50.33**	**0.10**	**51.02**	**50.44**	**50.16**	**51.53**	**50.79**	**0.46**	**51.60**	**51.46**	**51.67**	**52.18**	**51.73**	**0.94**
Processing gains	1.99	1.97	2.00	2.11	0.11	2.12	2.12	2.12	2.12	2.12	0.01	2.17	2.17	2.17	2.17	2.17	0.05	2.21	2.21	2.21	2.21	2.21	0.04
Non-OPEC supply	**50.43**	**50.35**	**51.11**	**52.34**	**1.24**	**52.80**	**52.02**	**52.08**	**52.92**	**52.45**	**0.11**	**53.19**	**52.61**	**52.33**	**53.70**	**52.96**	**0.50**	**53.81**	**53.67**	**53.88**	**54.39**	**53.94**	**0.98**
OPEC NGL	3.86	4.04	4.24	4.87	0.63	5.06	5.21	5.37	5.29	5.23	0.36	5.36	5.45	5.57	5.69	5.52	0.28	5.69	5.71	5.73	5.75	5.72	0.20
OPEC Non-conventional	0.08	0.11	0.11	0.11	0.00	0.11	0.11	0.15	0.17	0.13	0.02	0.20	0.23	0.24	0.25	0.23	0.10	0.25	0.25	0.26	0.28	0.26	0.03
OPEC (NGL+NCF)	**3.95**	**4.14**	**4.35**	**4.98**	**0.63**	**5.17**	**5.32**	**5.52**	**5.45**	**5.37**	**0.39**	**5.56**	**5.68**	**5.81**	**5.94**	**5.75**	**0.38**	**5.94**	**5.96**	**5.99**	**6.03**	**5.98**	**0.23**
Non-OPEC & OPEC (NGL+NCF)	**54.37**	**54.49**	**55.45**	**57.32**	**1.87**	**57.96**	**57.34**	**57.59**	**58.38**	**57.82**	**0.50**	**58.75**	**58.29**	**58.14**	**59.64**	**58.70**	**0.88**	**59.74**	**59.63**	**59.86**	**60.42**	**59.91**	**1.21**

** Chile has been included in OECD Americas.*

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

Table 10.7: World Rig Count

	1Q10	2Q10	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	1Q13	Jan 13	Feb 13	Mar 13	Change Mar/Feb
US	1,345	1,508	1,622	1,687	1,541	459	1,717	1,829	1,945	2,031	1,881	340	1,990	1,971	1,906	1,809	1,919	39	1,757	1,756	1,762	1,753	-9
Canada	470	166	364	389	347	129	587	188	443	474	423	76	599	172	326	367	366	-57	536	502	642	463	-179
Mexico	118	106	84	80	97	-31	83	87	103	104	94	-3	98	110	108	108	106	12	114	110	113	120	7
Americas	1,933	1,780	2,070	2,156	1,985	557	2,386	2,104	2,492	2,609	2,398	413	2,688	2,253	2,340	2,285	2,391	-6	2,407	2,368	2,517	2,336	-181
Norway	21	18	13	20	18	-2	21	17	16	16	17	-1	17	18	14	20	17	0	21	22	21	20	-1
UK	15	20	21	21	19	1	18	17	15	15	16	-3	14	19	18	21	18	2	21	22	20	21	1
Europe	87	96	92	100	94	11	118	112	123	119	118	24	112	117	117	129	119	1	134	134	135	133	-2
Asia Pacific	22	18	23	22	21	-4	17	17	17	18	17	-4	19	25	25	27	24	7	30	29	34	26	-8
Total OECD	2,042	1,893	2,185	2,278	2,100	543	2,521	2,232	2,632	2,745	2,532	433	2,819	2,395	2,483	2,441	2,534	2	2,571	2,531	2,686	2,495	-191
Other Asia	235	249	253	255	248	31	257	234	232	233	239	-9	231	216	205	215	217	-22	215	208	216	221	5
Latin America	183	203	220	213	205	48	191	192	196	201	195	-10	191	190	172	165	180	-15	167	166	165	170	5
Middle East	152	150	163	159	156	6	101	107	102	107	104	-52	116	112	110	100	110	6	72	91	65	60	-5
Africa	20	19	19	18	19	9	1	2	0	5	2	-17	3	3	9	11	7	5	9	9	9	10	1
Total DCs	589	621	655	645	628	93	549	535	530	546	540	-88	542	522	496	491	513	-27	463	474	455	461	6
Non-OPEC rig count	2,632	2,514	2,840	2,924	2,727	636	3,070	2,768	3,161	3,291	3,072	345	3,361	2,916	2,979	2,931	3,047	-26	3,034	3,005	3,141	2,956	-185
Algeria	23	28	24	24	25	-2	29	33	30	33	31	6	31	31	44	38	36	5	44	44	42	47	5
Angola	10	8	9	9	9	5	11	11	11	8	10	1	10	12	7	7	9	-1	9	8	9	9	0
Ecuador	11	11	11	11	11	1	11	11	11	15	12	1	17	17	22	25	20	8	25	26	26	24	-2
Iran**	52	52	52	52	52	0	54	54	54	54	54	2	54	54	36	54	54	0	54	54	54	54	0
Iraq**	36	36	36	36	36	0	36	36	36	36	36	0	36	50	76	69	58	22	66	68	65	65	0
Kuwait**	19	18	21	23	20	8	56	56	57	60	57	37	56	56	58	58	57	0	59	59	61	57	-4
Libya**	17	17	14	15	16	1	10	3	8	9	8	-8	12	11	11	14	12	4	16	16	16	15	-1
Nigeria	11	13	18	17	15	8	35	35	36	36	36	21	37	35	37	33	36	0	36	38	37	34	-3
Qatar	8	8	9	9	9	0	10	8	7	7	8	-1	8	7	8	7	8	0	9	9	11	7	-4
Saudi Arabia	68	67	67	65	67	-1	98	98	98	105	100	33	106	114	111	115	112	12	116	118	116	115	-1
UAE	13	13	13	13	13	1	17	21	24	22	21	8	22	24	23	26	24	3	28	29	28	28	0
Venezuela	66	64	70	80	70	10	125	125	125	113	122	52	126	122	112	110	117	-5	119	112	123	123	0
OPEC rig count	334	335	344	355	342	31	493	490	495	498	494	152	515	534	546	556	542	48	582	581	588	578	-10
Worldwide rig count*	2,965	2,849	3,184	3,278	3,069	667	3,563	3,258	3,656	3,789	3,566	497	3,876	3,451	3,524	3,487	3,589	23	3,616	3,586	3,729	3,534	-195
of which:																							
Oil	1,590	1,534	1,783	1,896	1,701	479	2,197	2,023	2,354	2,453	2,257	556	2,709	2,528	2,677	2,682	2,654	397	2,781	2,755	2,868	2,721	-147
Gas	1,333	1,276	1,356	1,337	1,325	200	1,319	1,187	1,257	1,286	1,262	-63	1,116	879	799	749	886	-376	795	790	822	774	-48
Others	43	40	42	46	43	8	48	49	47	52	49	6	54	46	51	59	52	3	44	46	43	43	0

Note: Totals may not add up due to independent rounding.
na: Not available.
Source: Baker Hughes Incorporated & Secretariat's estimates.

* Excludes China and FSU.
** Estimated figure when Baker Hughes Incorporated did not reported the data.

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Data Summary April 2013

OPEC Basket average price

US$ per barrel

⬇ *down $6.31 in March*

March 2013	***106.44***
February 2013	*112.75*
Year-to-date	*109.48*

March OPEC crude production

in million barrels per day, according to secondary sources

⬇ *down 0.10 in March*

March 2013	***30.19***
February 2013	*30.29*

World economy

Global growth expectations are unchanged at 3.2% for 2013 and at 3.0% for 2012. While the US forecast has been revised up to 1.8% for this year, the Euro-zone forecast has been adjusted lower to minus 0.5%. Japan's forecast remains unchanged at 0.8%. Growth expectations for China and India also remain unchanged at 8.1% and 6.0% respectively.

Supply and demand

in million barrels per day

2012		*11/12*
World demand	*88.9*	***0.8***
Non-OPEC supply	*53.0*	***0.5***
OPEC NGLs	*5.7*	***0.4***
Difference	***30.2***	***–0.1***

2013		*12/13*
World demand	*89.7*	***0.8***
Non-OPEC supply	*53.9*	***1.0***
OPEC NGLs	*6.0*	***0.2***
Difference	***29.7***	***–0.4***

Totals may not add due to independent rounding.

Stocks

OECD commercial oil stocks fell by around 34 mb in February, representing a slight deficit of 8.1 mb with the five-year average. Crude inventories stood 23.6 mb higher than the seasonal average, while products indicated a deficit of almost 25.0 mb. Despite the sharp fall, OECD commercial stocks stood at 59.2 days in terms of forward cover, nearly two days more than the five-year average. In March, US commercial stocks fell 9.1 mb, but stood at a surplus of 33.0 mb with the seasonal average. This drop was attributed to products, as crude inventories increased.

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Next report to be issued on 10 May 2013

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