OPEC

Organization of the Petroleum Exporting Countries

# Monthly Oil Market Report

## *August 2013*

*Feature Article:*
***Development in crude oil price spreads***


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# Oil Market Highlights

- The **OPEC Reference Basket** averaged $104.45/b in July, representing a gain of $3.42/b over the previous month. The increase came mainly from Brent-related North African grades, as well as Middle Eastern crudes. The Nymex WTI front-month contract gained a hefty $8.90/b in July to average $104.70/b. Positive US economic data coupled with US crude inventory draws attracted speculative flows back into the US crude futures market. Managed money net long positions rose to the highest level since the CFTC began publishing weekly disaggregated data in September 2009. ICE Brent was supported by supply disruptions, although the upward price trend was partly offset by higher US shale supplies and worries about weaker Chinese demand.
- **World economic growth** for 2013 has been revised down to 2.9% from 3.0%, mainly due to lower GDP growth estimates for the US in the first quarter, as well as the slowdown in China's economy. The 2014 global growth forecast remains unchanged at 3.5%. US growth in 2013 has been revised down by 0.2 percentage points (pp) to 1.6% and remains at 2.5% in 2014. The forecasts for the Euro-zone remain unchanged, with a contraction of 0.6% expected this year and growth of 0.6% in 2014. Japan's growth for this year has been revised up to 1.9% from 1.8%, given the continued momentum, but is still expected to slow to 1.4% in 2014. India and China are currently impacted by decelerating total investments and declining exports. Growth for China has been revised from 7.7% to 7.6% this year and remains at 7.7% in 2014. India's 2013 and 2014 growth expectations are unchanged at 5.6% and 6.0%, respectively.
- **World oil demand** growth in 2013 was revised marginally higher to stand at 0.8 mb/d. The revision is based on actual and preliminary data for the first half of the year, due to adjustments to all of the OECD regions, as well as some in the non-OECD, especially Latin America and Other Asia. The forecast for global oil demand growth in 2014 remains unchanged at 1.04 mb/d. Non-OECD countries are projected to increase by 1.2 mb/d, while OECD is expected to see lower contraction at 0.2 mb/d compared to the current year.
- **Non-OPEC supply** is expected to rise by 1.0 mb/d in 2013, following a minor upward revision, mainly due to historical revisions, as well as higher-than-expected US output. In 2014, non-OPEC oil supply is forecast to grow by 1.1 mb/d, supported by projected increases in the US, Canada, Brazil, the Sudans, and Kazakhstan. OPEC NGLs and nonconventional oils are projected to increase by 0.2 mb/d in 2013 and 0.1 mb/d in 2014. In July, total OPEC crude oil output averaged 30.31 mb/d, according to secondary sources, representing a drop of 0.10 mb/d from the previous month.
- **Product markets** exhibited a mixed performance in July. In Asia, refinery margins remained relatively healthy as cracks strengthening across the top and middle of the barrel, supported by the strong regional seasonal demand. In contrast, refinery margins in the Atlantic Basin fell pressured by development in the crude markets. The bottom of the barrel crack spread suffered a sharp drop across the global, caused by weaker demand in both the bunker and power sectors.
- In the **tanker market**, OPEC spot fixtures in July averaged 14.35 mb/d and OPEC sailings stood at 24.36 mb/d. Arrivals at most reported routes increased, except in west Asia which declined by 3%. Dirty tankers spot freight rates increased on higher activity and tighter tonnage availability for certain dates, as well as various port delays. Suezmax experienced the highest gains. Clean spot freight rates were mixed, with east of Suez spot freight rates down 12%, while west of Suez rates increased by 8% from a month ago.
- **Total OECD commercial oil stocks** rose by 13 mb in June for the fourth consecutive month, but remained slightly below the five-year average. Crude stocks were in line with the five-year average, while product inventories showed a deficit of 6.4 mb with the seasonal average. In term of forward cover, OECD commercial stocks stood at 59.1 days, 1.2 days more than the five-year average. Preliminary data for July showed US total commercial oil stocks fell by 8.1 mb, reversing the build of the last fourth months, but still representing a surplus of 29.7 mb with the five-year average. Crude and products showed a surplus of 21.9 mb and 7.8 mb, respectively.
- The **demand for OPEC crude** in 2013 is forecast to average 29.9 mb/d, almost unchanged from the previous report and 0.4 mb/d lower than in the year before. In 2014, demand for OPEC crude has experienced a slight change since the previous report to stand at 29.7 mb/d. This represents a decline of 0.3 mb/d compared to the year before.

# Development in crude oil price spreads

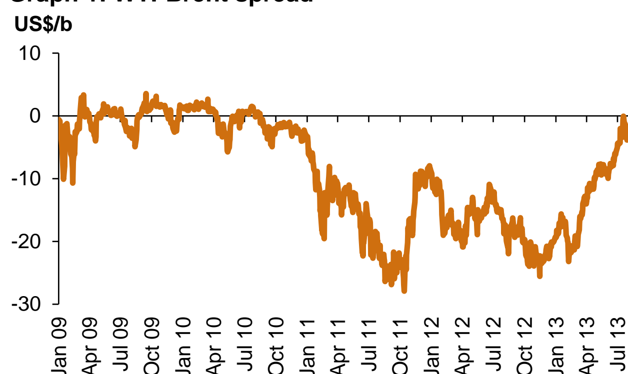
The price spread between the two most significant crude oil markers, West Texas Intermediate (WTI) and North Sea Brent, shrunk rapidly in the last few months to the lowest levels since 2011. At certain points in early February of this year, WTI traded as much as $23/b below Brent crude, but the spread has steadily narrowed since then to trade at current levels of near parity as the US marker rallied by more than 25% compared with just a 9% rise in Brent during this period (***see Graph 1***).

The convergence between the two crude grades shows how improved pipeline networks and the use of rail links, which have facilitated the efficient movement of crude from inland to refiners on the coasts, have helped to unlock a glut at America's oil-storage hub at Cushing, Oklahoma. The US Energy Information Administration estimated that new projects would provide 1.15 mb/d of additional pipeline capacity to deliver crude from Cushing to the US Gulf Coast, with another 830,000 b/d to move crude directly from the Permian Basin in Texas to the US Gulf. Starting in 2011, the rail volume increased and the total amount of crude oil and refined products being transported by rail was close to 1.34 mb/d during the first half of 2013, up from 927,000 b/d during the first six months of last year. WTI also got a further boost as refiners in the US consumed more crude than at any time in almost eight years. During the week ending 12 July, refiners have processed more than 16.2 mb/d, which corresponds to a refinery utilisation rate of almost 93%.

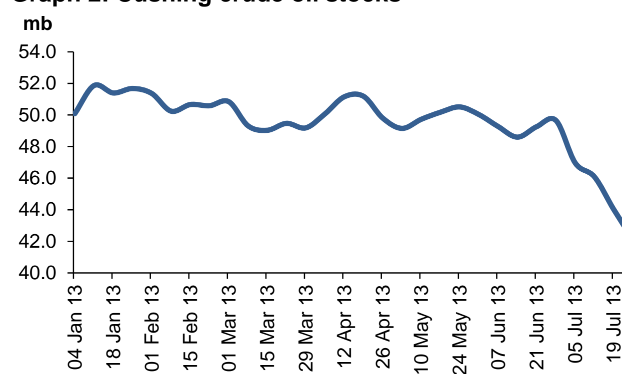
Indeed, inventories in Cushing rose to almost 52 mb at the beginning of the year as a result of oversupply before falling to around 42 mb at the end of July (***see Graph 2***). This decline in stocks has encouraged some money managers to bet on the recovery in WTI prices contributing to narrowing the spread between WTI and Brent. Indeed, money managers have doubled their net long positions by the end of July compared with the same period a year earlier, reaching almost 320,000 contracts.

Furthermore, the completion of improvements to BP's refinery in Whiting, Indiana, which is now absorbing close to 400,000 b/d of the surplus crude, helped to relieve the glut. This surge in Midwest refinery demand, coupled with shortened supply from Alberta, Canada, on upgrader maintenance and pipeline shutdowns had helped the gap to tighten. On the other hand, the fall in Brent crude oil prices due to reduced demand has also contributed to narrowing the WTI-Brent spread.

**Graph 1: WTI-Brent spread**




**Graph 2: Cushing crude oil stocks**




While the spread has converged significantly and has had a positive impact on US domestic oil producers, the profits from shipping oil by rail are shrinking, making pipeline deliveries more attractive and slowing the demand for train cargoes. Refineries in the US East Coast and eastern Canada that traditionally import foreign crudes from the Atlantic Basin have benefited from growing output from North Dakota, where prices have been cheaper than North Sea Brent and West African grades, enough to cover the cost of rail shipments.

However, because the WTI-Brent spreads are narrowing, the economic attractiveness of sending US midcontinent crudes by rail to various trading points has decreased significantly and once these spreads are offset by the additional cost of rail, shippers are more likely to use the new 830,000 b/d pipeline capacity. Moreover, US refiners in the Midwest are losing an advantage they have enjoyed for nearly three years as the gap between WTI and Brent has narrowed considerably. Prior to this, refiners' margins had benefited from the purchased of low-priced WTI-linked crudes and sale of refined products, such as gasoline and diesel, at prices linked to the more expensive Brent. However, with the drop in the spread, this advantage had been considerably reduced.

Looking ahead, the Brent-WTI spread is expected to widen again as the US Gulf Coast becomes increasingly saturated in light sweet crude grades. A wider price differential will then likely be required to encourage refiners to run lighter barrels at the expense of medium grades. On the other hand, as the tight oil and WTI flowing into Cushing, where WTI is priced, are lighter and sweeter than the North Sea grade, there remains a slight chance that WTI could once again trade at a premium to Brent.

# Crude Oil Price Movements

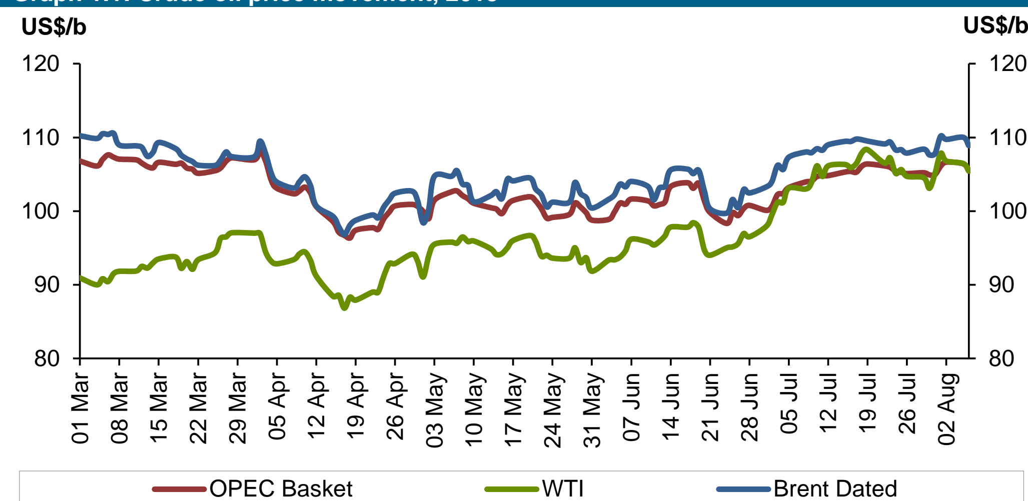
*The Basket saw the highest m-o-m gain since February*

## OPEC Reference Basket

The value of the OPEC Reference Basket (ORB) rose in July for the second straight month to levels seen in the first quarter, with the highest month-on-month gain since February. Expansion in the value of Brent-related North African crudes, as well as Middle Eastern crudes, lent strong support to the ORB over the month. Market sentiments for Asia-destined crudes were healthy amid an uptick in demand due to improving margins, increasing refinery runs and tight supply. Outright crude oil prices rebounded from levels seen at the end of the second quarter to levels witnessed earlier in the year. Speculative activities increased to record highs, in line with the rise in the WTI market. WTI strengthened considerably, eroding the bulk of its discount to Brent amid a significant bull run in the WTI complex, as the additional takeaway capacity out of the hub which eased the Cushing bottleneck was perceived to be sustainable. Meanwhile, ongoing refining capacity expansion in Asia – primarily in China and India – was enough to offset slowing growth in the Chinese manufacturing sector, while recent news of lower Iraqi exports in September added further support to the Asian market. On the supply side, North Sea maintenance tightened supplies, pushing Dated Brent into strong backwardation over forward Brent. Availability of medium and heavy European crude also remained tight, adding to the bullish physical market. Disruption in North African supplies for export also supported outright prices.

The ORB increased to a monthly average of $104.45/b in July, improving by a hefty $3.42, the largest jump since it rose $3.47 in February over the previous month. Compared to the same period last year, the Basket year-to-date value is $104.99/b; which is $5.22 or 4.7% lower.

**Graph 1.1: Crude oil price movement, 2013**




Although all ORB component values improved over the month, the lion's share was accounted for by Brent-related crudes, which improved over 4%. Middle Eastern crudes also showed a notable gain of over 3%. The European crude market was very tight in July. This was reflected in a backwardated Brent structure, as well as in the premium of Urals to Dated Brent. This is not surprising, as the bulk of rival grades are off the European market, while Russia has been processing more of its crude domestically as well as prioritising the East relative to the West. Outages at Kirkuk and lower exports out of Basrah have also had an impact. Libya, Africa's third largest crude producer, has closed all of its oil export terminals with the exception of Zawiya due to unrest, making the Mediterranean market for sweet crude tighter as it comes to terms with the absence of at least 500,000 b/d of overwhelmingly light and sweet grades. Available North African and Nigerian crudes posted upward of their highest premiums of the year to Dated Brent. In Asia, the Dubai inter-month spread shot to its widest premium of the year, signifying a tighter market for crude. There are fundamental reasons behind this, namely continued strong demand growth from non-OECD economies (+640,000 b/d y-o-y) as well as refinery capacity additions. Developments on the supply side also tightened after Iraq announced that the crude export capacity

of Basrah Light – 70% of exports have been destined for Asia – is set to fall by as much as 500,000 b/d in September due to maintenance at one of its two operating floating export terminals. The Middle Eastern grades – Qatar Marine and Murban crudes – increased by $3.06 over the month, while multi-destination grades Iran Heavy, Basrah light, Kuwait Export and Arab Light on average strengthened by around $3.53. Ecuadorian Oriente gained around $3.50, while Venezuelan Merey edge up slightly by 31¢ over the month.

On 8 August, the OPEC Reference Basket stood at $104.47/b.

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

| | | | Change | Year-to-date | |
|---|---|---|---|---|---|
| | Jun 13 | Jul 13 | Jul/Jun | 2012 | 2013 |
| **OPEC Reference Basket** | **101.03** | **104.45** | **3.42** | **110.22** | **104.99** |
| Arab Light | 101.30 | 105.03 | 3.73 | 110.79 | 105.83 |
| Basrah Light | 98.94 | 103.24 | 4.30 | 108.61 | 102.88 |
| Bonny Light | 106.12 | 110.21 | 4.09 | 114.25 | 110.19 |
| Es Sider | 103.07 | 107.91 | 4.84 | 112.59 | 107.55 |
| Girassol | 104.23 | 107.55 | 3.32 | 113.05 | 108.07 |
| Iran Heavy | 100.61 | 103.65 | 3.04 | 109.56 | 104.16 |
| Kuwait Export | 100.22 | 103.22 | 3.00 | 109.68 | 103.99 |
| Marine | 100.20 | 103.34 | 3.14 | 109.93 | 104.13 |
| Merey | 95.37 | 95.68 | 0.31 | 102.36 | 96.52 |
| Murban | 102.61 | 105.58 | 2.97 | 112.40 | 106.80 |
| Oriente | 96.01 | 99.54 | 3.53 | 104.82 | 98.97 |
| Saharan Blend | 102.07 | 107.56 | 5.49 | 111.84 | 107.84 |
| **Other Crudes** | | | | | |
| Brent | 102.92 | 107.96 | 5.04 | 111.84 | 107.51 |
| Dubai | 100.32 | 103.52 | 3.20 | 109.52 | 104.28 |
| Isthmus | 104.08 | 109.18 | 5.10 | 108.65 | 107.65 |
| Mars | 98.36 | 104.96 | 6.60 | 108.12 | 104.23 |
| Minas | 103.19 | 103.38 | 0.19 | 120.27 | 107.35 |
| Urals | 102.74 | 108.06 | 5.32 | 110.55 | 106.86 |
| WTI | 95.74 | 104.51 | 8.77 | 96.63 | 95.78 |
| **Differentials** | | | | | |
| WTI/Brent | -7.18 | -3.45 | 3.73 | -15.21 | -11.74 |
| Brent/Dubai | 2.60 | 4.44 | 1.84 | 2.32 | 3.23 |

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

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

## The oil futures market

*Nymex WTI rose over 9%, while ICE Brent gained almost 4%*

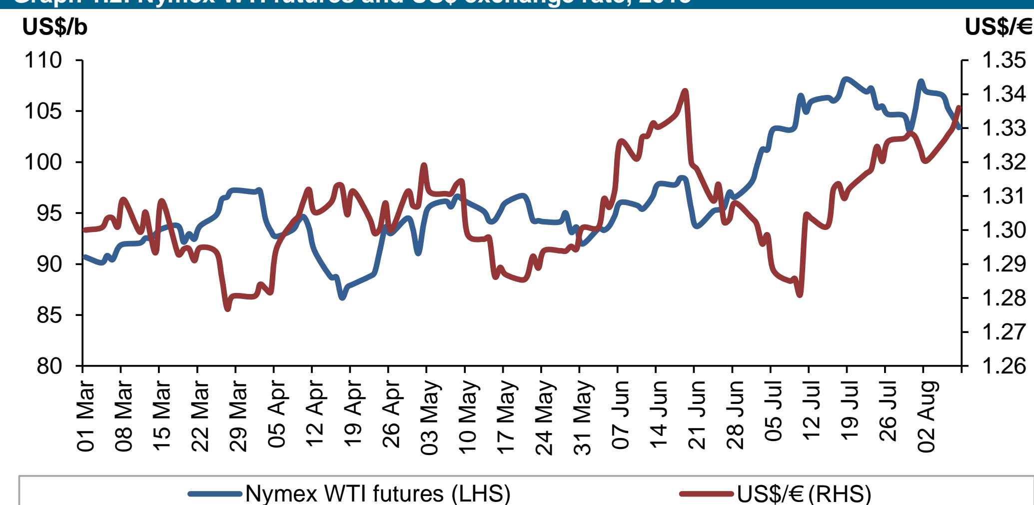
The Nymex WTI front-month ended July over 9% higher, experiencing the largest month-on-month percentage gain since November 2011. Positive US economic data – coupled with drained supplies from the US benchmark pricing point – has triggered a bull run, attracting bullish speculators and large hedge funds into the US crude market. The US Bureau of Economic Analysis estimated that the country's GDP expanded by 1.7% in 2Q13 on an annual basis, up from a revised 1.1% real GDP growth in 1Q13. Personal consumption expenditures were also up 0.8% q-o-q, pointing towards an improving situation in the US labour market. The US Federal Reserve announced its plans to continue $85 billion a month purchases of mortgage and Treasury securities to back the economy; this should increase oil demand and support prices. US government data showed oil inventories at the Cushing, Oklahoma, delivery point fell to their lowest levels since April 2012. The inventories – at 42.1 mb – have fallen 7.5 mb since the end of June, as pipeline projects improved shippers' abilities to transport oil to the key refining hub on the US Gulf Coast and refineries consumed more crude. BP's new 250,000 b/d crude distillation unit at its Whiting, Indiana, refinery started up at the end of June, helping to drain more oil from the midcontinent. On the speculative front, hedge funds have been betting heavily on the WTI rally continuing, US Commodities Futures Trading Commission (CFTC) data showed, and now hold futures and options contracts equivalent to more than 350 mb of crude oil, or almost four days' worth of global demand. Meanwhile, ICE Brent crude oil futures ended July with their largest monthly percentage gain since August 2012, boosted by rises earlier

in the month on geopolitical factors. Brent prices were also supported by the fact that Libya's oil exports have slumped by 70%. Oil outages in Iraq, South Sudan, Libya and elsewhere combined to help keep Brent crude oil prices well above $100/b this month, partly countering the rise in US shale oil supplies and worries about weaker Chinese demand. Disruptions in the Middle East and North Africa have arisen as North Sea supplies are undergoing a heavier-than-usual spell of summer maintenance and the flow of Russian Urals crude has been redirected from Europe to China, further tightening supply during a time of higher seasonal demand for crude. Supply losses are at over 700,000 b/d according to industry sources and could reach 1 mb/d – 1.1% of world output – if South Sudan goes ahead with a threatened production shutdown.

On the Nymex, the WTI front-month gained a hefty $8.90, to average $104.70/b in July, the highest since March 2012. Compared to the year-to-date average a year earlier, WTI values are down by $0.96 or 1% at $95.78/b. On the ICE exchange, the Brent front-month improved by $4.09 to an average of $107.43/b. Year-to-date, ICE Brent also was lower in value compared to the same period last year, weakening by $4.15 or 3.7% from $112.07/b to stand at $107.92/b.

On 8 August, ICE Brent stood at $106.68/b and Nymex WTI at $103.40/b.

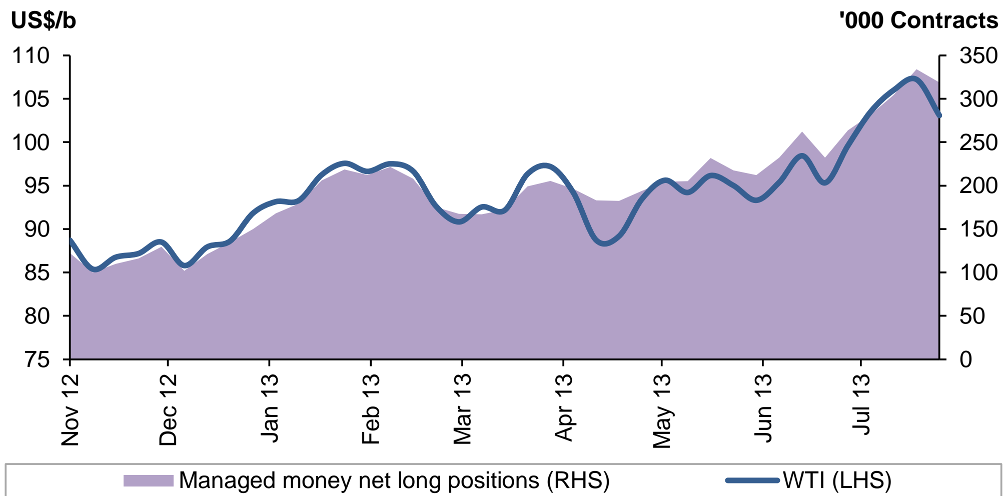
**Graph 1.2: Nymex WTI futures and US$ exchange rate, 2013**




CFTC data highlights the speculative element of the bull run seen in July with net length in managed money Nymex WTI futures contracts reaching a whopping 334,094 lots, the highest level on record since reporting began for weekly disaggregated reports in September 2009. Money managers added almost 100,000 longs and reduced shorts by 2,184 over the reporting period. Money managers have been building net length – adding a cumulative 106,000 lots – since the beginning of June. During that time, front-month crude futures gained over $9 to stay at around $107/b. During the same period, money managers in the ICE Brent markets also increased net length by 54,620 contracts to 191,433 contracts. They raised their long positions by 46,449 contracts, while decreasing short positions by 8,175 contracts. Overall, managed money exposure in ICE Brent futures increased by 38,274 to 289,251 futures lots. Furthermore, open interest volume in the two markets totaled 4,559,999, an increase of a hefty 245,478 contracts over last month.

Aggregate traded volumes in both crude oil futures markets increased by almost 2.4 million contracts in July, leaving total futures traded at the two exchanges at over 27.3 million futures contracts. Overall volumes on the Nymex WTI once again took the lead away from ICE Brent in terms of trading volumes, a trend that started a few months ago. The volume of ICE Brent futures increased by 1.1 million contracts to 12.7 million lots. WTI Nymex gained 1.3 million contracts to reach 14.7 million lots. Meanwhile, ICE Brent daily traded volume was 602,430 contracts (600 mb/d) on average, 22,785 lots higher, or about 4% more, than in the previous month. Nymex WTI daily volume increased by a hefty 64,788 to 732,966 lots in July, up almost 10%.

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

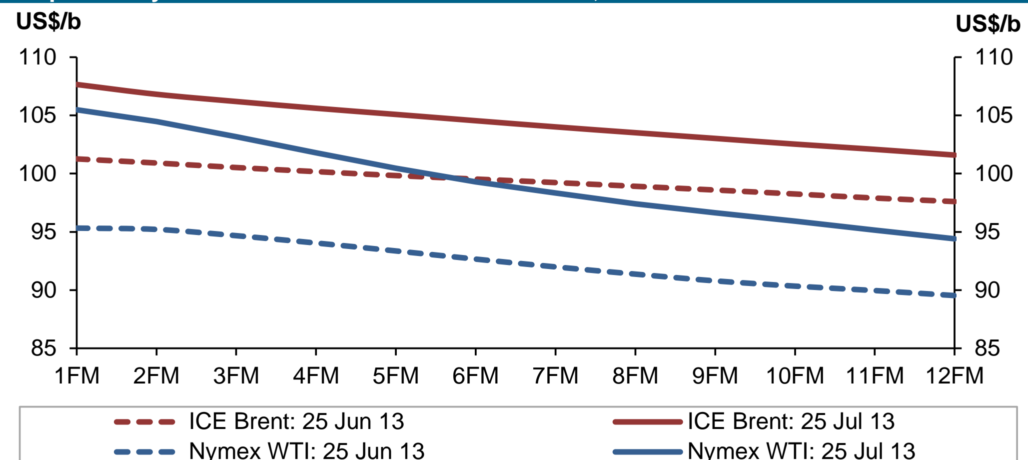



## The futures market structure

*Both WTI and Brent market structures in strong backwardation*

Looking at crude inter-month differentials, it is evident that both WTI and Brent are in strong backwardation. Increased crude buying undoubtedly plays a significant role in keeping inter-month spreads at elevated levels. For the first time in almost five years, the WTI market is in sustained backwardation, based on the monthly average spread between the first and the second contracts. The first month settled at around a 45¢ premium to the second month. The most significant move in energy prices over the past month has been due to the return of backwardation to WTI crude oil. Thanks to improved infrastructure, oil is now flowing from Cushing and production areas to coastal refineries, where the demand to meet summer requirements for gasoline has remained strong in the midst of slowing imports. This has led to the biggest four-week drop in US inventories in more than 30 years, according to the Energy Information Administration (EIA), and helps to explain why the price of prompt crude has risen relatively more than future deliveries. Backwardation could also be understood to indicate expectations for weaker demand in the following weeks. Meanwhile, North Sea maintenance tightened supplies and helped push the Brent market into strong backwardation. Availability of medium and heavy European crudes remained tight, adding to the bullish prompt market. In July, the second- and first-month ICE Brent contract spread averaged around 80¢/b, nearing the strong levels reached earlier in the year. This is almost 60¢ wider than in the previous month.

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




*FM = future month.*

In July, the Brent-WTI spread narrowed to around $2.70/b, the narrowest since November 2010. WTI, the main US crude grade, had typically been the more expensive grade until mid-2010. In early February, WTI traded as much as $23/b below Brent crude, but the spread had steadily narrowed since then, and currently the two trade at near parity. This narrowing has taken place due to several factors, but the increased midstream infrastructure that has come online to facilitate the movement of

crude from inland to coastal refiners has had the biggest impact. One notable example is the expansion of the Seaway Pipeline in January 2013, which allows more crude to flow from Cushing – the Oklahoma crude hub – to the Gulf Coast, where there is a great amount of refining capacity. The start-up of Sunoco's Permian Express Pipeline and the reversal of Magellan Midstream Partners' Longhorn Pipeline are also allowing more crude from the Permian Basin in West Texas to flow directly to the Gulf Coast. In addition, increased pipeline capacity and crude transportation by rail have allowed inland domestic crude to travel more efficiently to refiners on the East and West coasts, which has also backed out Brent-like imports. The convergence between Brent – a gauge for more than half the world's oil – and WTI shows how improved pipeline networks and the use of rail links have helped to unlock a glut at America's Cushing, Oklahoma oil-storage hub.

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

| Nymex WTI | 1st FM | 2nd FM | 3rd FM | 6th FM | 12th FM |
|---|---|---|---|---|---|
| 25 Jun 13 | 95.32 | 95.21 | 94.67 | 92.66 | 89.53 |
| 25 Jul 13 | 105.49 | 104.47 | 103.16 | 99.29 | 94.41 |
| **ICE Brent** | **1st FM** | **2nd FM** | **3rd FM** | **6th FM** | **12th FM** |
| 25 Jun 13 | 101.26 | 100.91 | 100.52 | 99.53 | 97.60 |
| 25 Jul 13 | 107.65 | 106.81 | 106.19 | 104.54 | 101.59 |

*FM = future month.*

## The light-sweet/heavy-sour crude spread

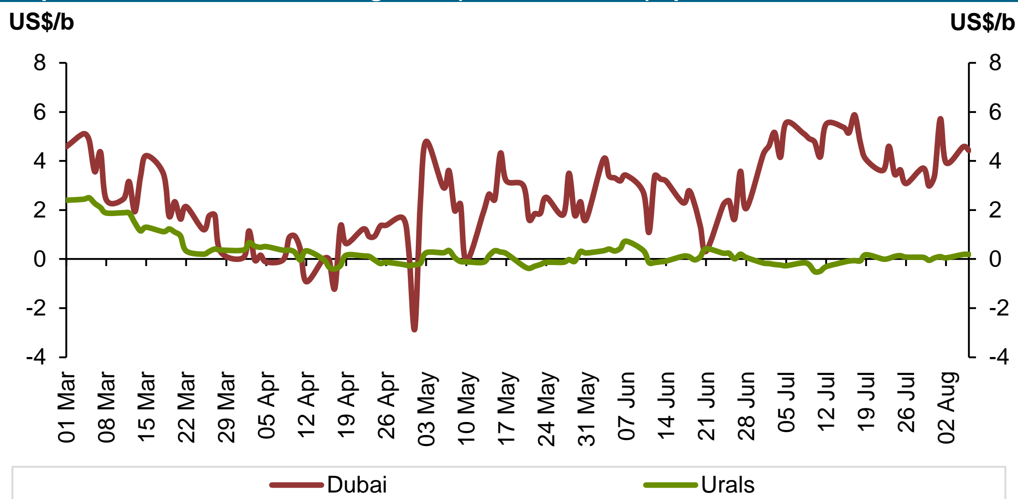
*The light /sour spread narrowed globally, except in Asia*

In July, global sweet/sour differentials narrowed, except in Asia, where Tapis gained relative to Dubai. In the US Gulf and in Europe, lighter crude continued to weaken relative to heavier crude.

On a monthly average basis, The Tapis/Dubai spread widened marginally to levels near $10/b, supported by stronger light and middle distillate cracks, particularly in the first half of the month as Dubai was also pressured by a weak fuel oil crack. Nevertheless, at the end of the month, Dubai found strong support from Iraq's production cut of as much as 500,000 b/d due to maintenance at one of its two operating floating export terminals, scheduled to last 30–45 days. This also provides support to the Asian spot market for heavier Middle Eastern crude.

Europe currently has a reversal of the light/heavy spread, with Dated Brent trading at a steady discount to medium-sour Urals. The discount does not come as a surprise, considering the tight market for sour crude in Europe. An increase in Russian refining activity has further tightened supply by capping loading schedules, even as Iranian and Syrian cargoes remain unavailable for most European buyers. At the same time, it is getting more difficult to secure Iraqi crude from Kirkuk due to frequent acts of sabotage and some technical issues. Kirkuk exports for June fell below 200,000 b/d for the first time in at least five years. Maintenance-related constraints for September Basrah will further add to the tightness.

On the US Gulf Coast, Mars and other Gulf of Mexico sour grades have been supported by the news that Shell is shutting down its offshore Auger production platform for work. Crude from the Auger platform feeds the Bonito sour "BS" stream. Although demand for sour Mars took a hit from a free-falling fuel oil crack, while Light Louisiana Sweet (LLS) found initial support in a strengthening gasoline crack and lower availability of rival Bakken crude due to higher rail costs, the spread weakened by 25¢ to around $5.55/b. On another note, Mars was briefly seen at a discount to WTI for the first time since late 2010, but has since returned to its premium following a sell-off of WTI futures.


Graph 1.5: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2013
US$/b
US$/b
8
6
4
2
0
-2
-4
01 Mar
08 Mar
15 Mar
22 Mar
29 Mar
05 Apr
12 Apr
19 Apr
26 Apr
03 May
10 May
17 May
24 May
31 May
07 Jun
14 Jun
21 Jun
28 Jun
05 Jul
12 Jul
19 Jul
26 Jul
02 Aug
Dubai
Urals

# Commodity Markets

## Trends in selected commodity markets

*Prices continued to decline in July for most commodities*

Commodity prices have been under some pressure in the past several months. This general declining trend continued in July for most commodities, although some signs from an improving global economy in the 2H13 point at a potential stabilisation of this trend. To some extent, the slow-down of emerging economies may be already priced-in and the likely recovery of OECD economies -- particularly of the US and the Euro-zone -- in the 2H13, starting from a very low base in the 1H13, might turn out to be also supportive for commodity prices. While the effects of the domestic slow-down in emerging economies might continue, the expected positive momentum of developed economies should have some compensatory demand effect via two channels: It should directly increase demand in developed economies and also provide support for emerging market exporters (primarily China).

However, when reviewing the leading indicators of major emerging economies, the likelihood of a prolonged deceleration in emerging economies -- driven by mainly domestic economic challenges in combination with lower foreign direct investments (FDI) – has become obvious. The purchasing manager's index (PMI) tracked by Markit provides a comprehensive understanding of near-future dynamics. Moreover, all PMI numbers in July have been significantly below the levels seen in the 1Q13. This is contrary to developments in the OECD where leading indicators have improved significantly in the past several months.

With global inflation abating somewhat, the commodities sector -- particularly gold -- has become less attractive as a hedge against inflation. In the agricultural sector, supply might be well established this year with relatively benign weather conditions across the globe, particularly in the US. With agricultural sector prices having already softened, the upside still seems to be limited as long as the weather allows for sufficient supply. Moreover, with industrial activity in the major emerging markets slowing down, base metals might see lower demand levels compared to last year, even if a temporary price reaction due to low prices turns out to be supportive.

Another aspect that has supported the rise of commodity prices over the past several years has been the unprecedented increase of monetary supply across the globe, fuelling FDI flows from OECD economies to emerging markets. Not only has this led to higher demand, it has also heightened concerns about inflation and triggered financial investments into commodities to protect against a rise in general price levels. In general, it has made commodities a very attractive asset to invest in, given the low interest rates and rising demand from emerging economies. Still, the monetary supply is ample. But with the likelihood that the Federal Reserve Board (Fed) may taper off some of its extraordinary monetary supply measures soon, the attractiveness of commodities as a pure investment is waning.

While energy prices jumped by 4.4% in July, mainly driven by the appreciation of the oil-price, non-energy commodities eased by 1.4%. The agricultural sector also showed some weakness again, declining by 2.3% after -0.7% in June. Food prices were off by 2.5% and even grains declined by 4.8%. Base metals also continued to be hit by decelerating demand, falling for the third consecutive month. They declined by 1.8% m-o-m in July. Moreover, precious metals continued their decline, and both gold and silver declined by 4.3% and 6.6%, respectively. Over the past three months gold has declined by around 15% and silver by around 24%. Copper, in turn, which is a relatively good lead indicator for the Chinese economy, fell again by 1.3% in July due mainly to the actual and anticipated slow-down in Chinese demand. The decline is, however, less than in June when it fell by 3.4%.

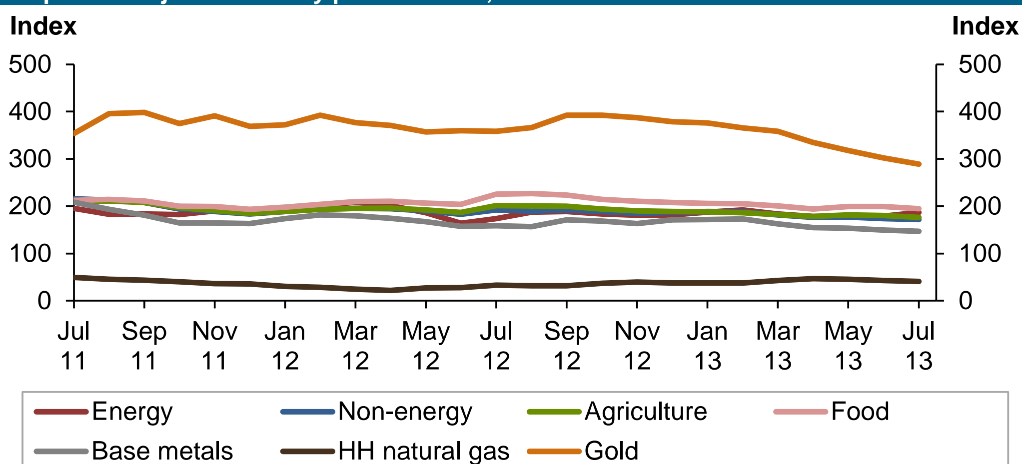
**Table 2.1: Commodity price data, 2013**

| Commodity | Unit | Monthly averages | | | % Change | | |
|---|---|---|---|---|---|---|---|
| | | May 13 | Jun 13 | Jul 13 | May/Apr | Jun/May | Jul/Jun |
| *World Bank commodity price indices for low and middle income countries (2005 = 100)* | | | | | | | |
| **Energy** | | 179.0 | 178.7 | 186.6 | 0.2 | -0.1 | 4.4 |
| Coal, Australia | $/mt | 87.7 | 82.8 | 77.3 | -0.1 | -5.7 | -6.6 |
| Crude oil, average | $/bbl | 99.4 | 99.7 | 105.3 | 0.5 | 0.4 | 5.5 |
| Natural gas, US | $/mmbtu | 4.0 | 3.8 | 3.6 | -2.9 | -5.4 | -5.4 |
| **Non Energy** | | 176.8 | 173.9 | 171.5 | 0.4 | -1.6 | -1.4 |
| **Agriculture** | | 181.8 | 180.6 | 176.4 | 2.1 | -0.7 | -2.3 |
| **Food** | | 199.0 | 199.5 | 194.6 | 2.7 | 0.3 | -2.5 |
| Soybean meal | $/mt | 543.0 | 558.0 | 563.0 | 12.2 | 2.8 | 0.9 |
| Soybean oil | $/mt | 1,073.0 | 1,041.0 | 995.0 | -2.0 | -3.0 | -4.4 |
| Soybeans | $/mt | 497.0 | 524.0 | 509.0 | 0.4 | 5.4 | -2.9 |
| **Grains** | | 241.6 | 239.7 | 228.2 | 3.0 | -0.8 | -4.8 |
| Maize | $/mt | 295.5 | 298.4 | 279.5 | 5.6 | 1.0 | -6.3 |
| Wheat, US, HRW | $/mt | 319.7 | 313.4 | 304.6 | 3.7 | -2.0 | -2.8 |
| Sugar World | ¢/kg | 38.9 | 37.7 | 37.1 | -1.0 | -3.0 | -1.5 |
| **Base Metal** | | 153.7 | 149.7 | 147.0 | -0.8 | -2.6 | -1.8 |
| Aluminum | $/mt | 1,832.0 | 1,814.5 | 1,769.6 | -1.6 | -1.0 | -2.5 |
| Copper | $/mt | 7,249.4 | 7,000.2 | 6,906.6 | 0.2 | -3.4 | -1.3 |
| Iron ore, cfr spot | ¢/dmtu | 124.4 | 114.8 | 127.2 | -9.4 | -7.7 | 10.8 |
| Lead | ¢/kg | 203.3 | 210.0 | 204.8 | 0.3 | 3.3 | -2.5 |
| Nickel | $/mt | 14,948.0 | 14,280.3 | 13,750.3 | -4.6 | -4.5 | -3.7 |
| Tin | ¢/kg | 2,077.6 | 2,026.7 | 1,956.4 | -4.1 | -2.4 | -3.5 |
| Zinc | ¢/kg | 183.2 | 183.9 | 183.8 | -1.3 | 0.4 | -0.1 |
| **Precious Metals** | | | | | | | |
| Gold | $/toz | 1,414.0 | 1,343.4 | 1,285.5 | -5.0 | -5.0 | -4.3 |
| Silver | ¢/toz | 2,303.8 | 2,110.9 | 1,971.0 | -9.1 | -8.4 | -6.6 |

*Source: World Bank, Commodity price data.*

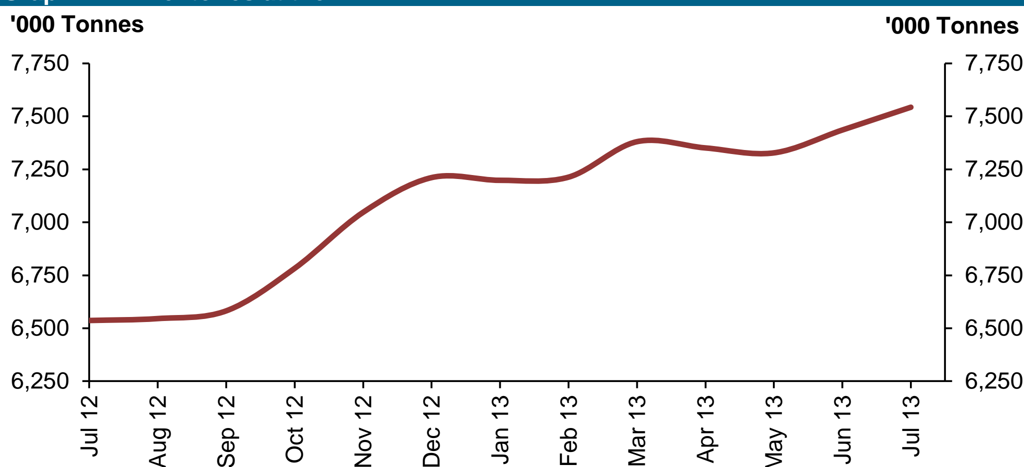
In July the **Henry Hub (HH) natural gas price index** decreased again by 5.4% for the third straight month. Prices were pressured over the month by mild weather that curbed summer cooling demand in consuming regions in the Northeast and Midwest, while a quiet tropical storm front, fewer-than-normal nuclear power plant outages and weaker gas futures added more weight to the downside.

**Graph 2.1: Major commodity price indexes, 2011-13**




*Source: World Bank, Commodity price data.*

Graph 2.2: Inventories at the LME



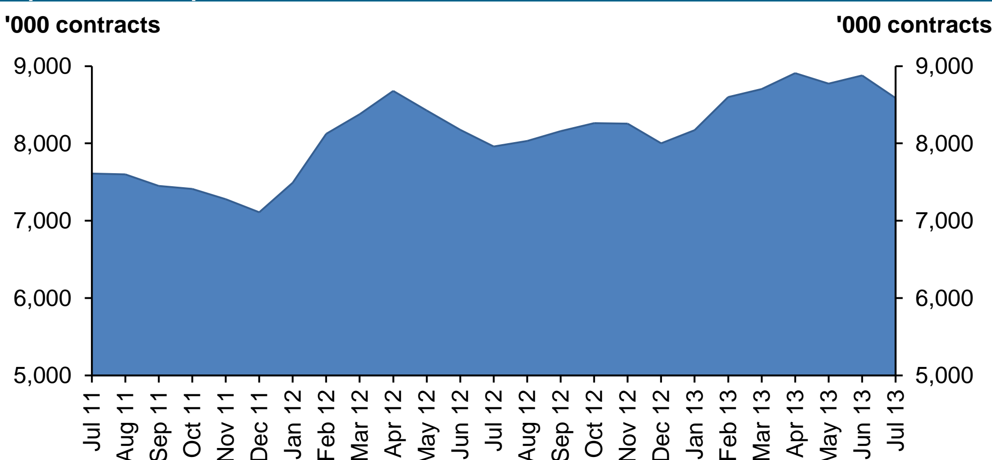

*Source: London Metal Exchange and Haver Analytics.*

## Investment flows into commodities

*Total OIV in July decreased over the previous month*

The total open interest volume (OIV) in major commodity markets in the US decreased by over 3% m-o-m to 8.7 million contracts in July. However, this drop was partially offset by higher OIV in crude oil and gold, with the latter increasing by more than 11.5% compared to the previous month. The remaining commodities' OIV decreased over the month, particularly agricultural commodities that saw their OIV slip by almost 7%.

Graph 2.3: Total open interest volume



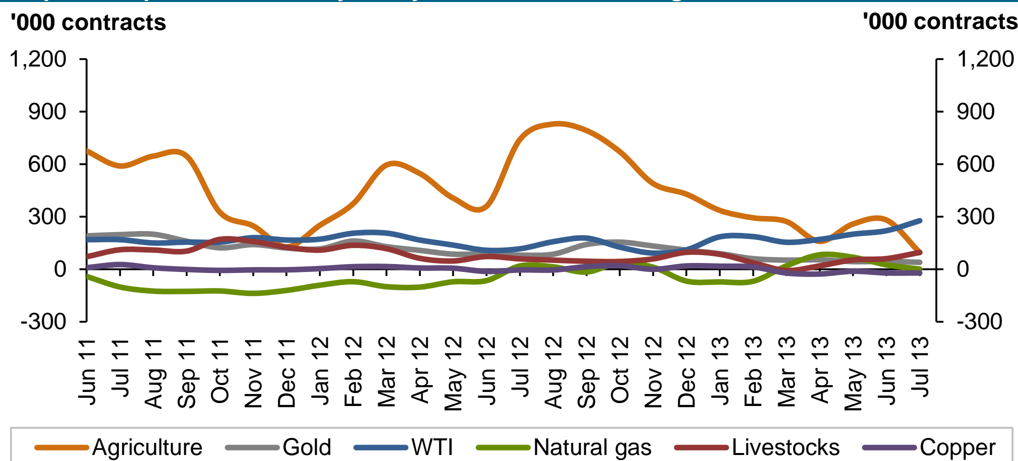

*Source: US Commodity Futures Trading Commission.*

**Total net length speculative positions** in commodities decreased sharply by almost 20% m-o-m to 489,210 contracts in July compared to an insignificant gain in the previous month. The data reflected significant bearish sentiments in the agricultural and **natural gas markets,** while others like the crude oil and livestock markets were stable to very bullish.

**Agricultural OIV** slipped by 6.8% m-o-m to 4,162,654 contracts in July. Money managers' net long positions in agricultural commodities decreased by a hefty 66.2% to 94,971 lots in July as bearish market sentiments continue to build amid forecasts for record supplies and rising carry-out in the year ahead.

**Henry Hub natural gas's OIV** decreased again by 3.3% m-o-m to 1,388,942 contracts in July. Money managers net length positions decreased sharply, cutting bullish bets in natural gas over the month by more than 98.5% to only 352 contracts, the lowest in four months.

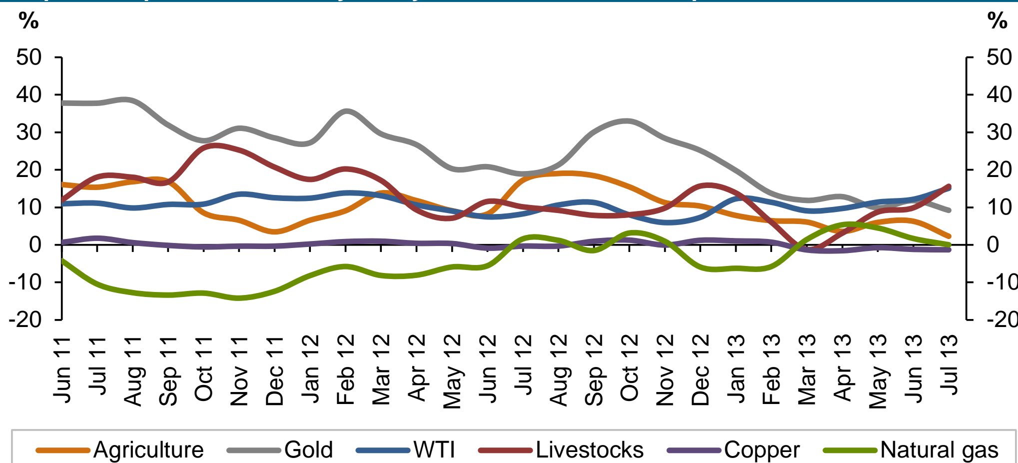
**Graph 2.4: Speculative activity in key commodities, net length**




*Source: US Commodity Futures Trading Commission.*

**Copper's OIV** reversed course and decreased 8% m-o-m to 166,384 contracts in July. Copper investors kept their net short positions almost unchanged from the previous month at 21,754 contracts.

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




*Source: US Commodity Futures Trading Commission.*

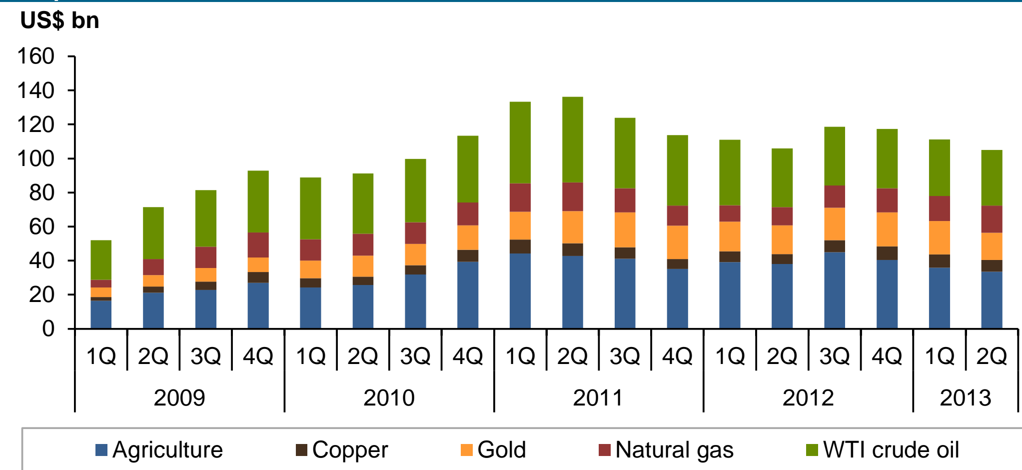
**Gold's OIV** increased by 11.7% m-o-m, reversing almost all of the previous month's loss, to 422,808 contracts in July. However, money managers' investments in gold fell by almost 13% m-o-m to 38,898 contracts in July, reducing their bullish bets as the market anticipated a reduction in the Fed's commodities-friendly stimulus that had previously pushed prices to all-time highs in 2011. Physical demand was also at subdued levels during the seasonally soft summer period.

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

| | *Open interest* | | *Net length* | | | |
|---|---|---|---|---|---|---|
| | Jun 13 | Jul 13 | Jun 13 | % OIV | Jul 13 | % OIV |
| Crude oil | 1,809 | 1,834 | 220 | 12 | 277 | 15 |
| Natural gas | 1,436 | 1,389 | 24 | 2 | 0 | 0 |
| Agriculture | 4,465 | 4,163 | 281 | 6 | 95 | 2 |
| Precious metals | 525 | 556 | 45 | 9 | 44 | 8 |
| Copper | 181 | 166 | -22 | -12 | -22 | -13 |
| Livestock | 609 | 611 | 60 | 10 | 95 | 16 |
| **Total** | **9,025** | **8,720** | **608** | **7** | **489** | **6** |

*Source: US Commodity Futures Trading Commission.*

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




*Source: US Commodity Futures Trading Commission.*

# World Economy

**Table 3.1: Economic growth rate 2013-14, %**

| | World | OECD | US | Japan | Euro-zone | China | India |
|---|---|---|---|---|---|---|---|
| 2013 | 2.9 | 1.1 | 1.6 | 1.9 | -0.6 | 7.6 | 5.6 |
| 2014 | 3.5 | 1.8 | 2.5 | 1.4 | 0.6 | 7.7 | 6.0 |

## Industrialised countries

### US

*Considering the revised numbers for 1H13, the 2013 US forecast has been lowered to 1.6% from 1.8%. Next year's growth expectation remains unchanged at 2.5%*

The US economy continues improving in major areas, but from a low base and with budgetary issues potentially re-emerging in the second half of the year. It also remains to be seen how the Federal Reserve Board (Fed) will react to the latest improvement in unemployment numbers, job growth from the private sector and increasing inflation, given the indication it may reduce some if its extraordinary monetary supply measures. Moreover the housing sector — a very important parameter of US wealth and also an important market to follow for policy makers — continues to improve slightly. Inflation is another important guideline for the Fed, and it has also risen towards the level the Fed would like to achieve of around 2% in July, up from 1.8% in the previous month.

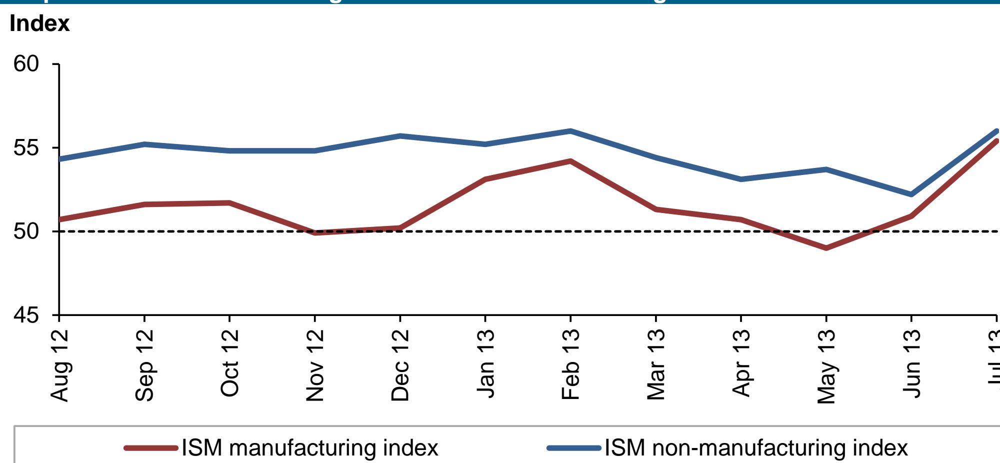
Last month, the US Bureau of Economic Analysis (BEA) revised all GDP numbers as far back to 1929. While this has lifted the absolute level of the nominal GDP considerably — by around 3% — the implications for relative changes have been minor, although certainly on some occasions not negligible, particularly for more recent numbers. Total 2012 growth has been revised up from 2.2% to 2.8%, a considerable change for the positive. Moreover, and for this year of even greater importance, the revision of the first quarter number, which stood at 1.8% before the changes, is now only at 1.1%. This represents a growth rate that only matches population growth. Second quarter growth has been reported to stand at 1.7%. On the positive side, this number represents a significant upswing from the first quarter and a positive trend in 2H13 is also being reflected by lead indicators. With a growth potential of more than 3% in the US economy, the current momentum still seems to be relatively lackluster, and based on current indicators it should not be expected to move back to growth potential in the coming year.

Although the first quarter (1Q13) GDP number has been revised down sharply to only 1.1%, it reinforced the assumption of an improving underlying economy, which continues to be supported by strong private household consumption — rising 2.3% on an annualised and seasonally adjusted quarterly growth rate. The majority of the 1Q13 GDP growth rate is based on this, while net exports and government spending were the main negative contributors. The same applies to 2Q13 numbers. While the drag of governmental spending is forecast to continue for some time, private household consumption should lead to higher growth levels in the second half of 2013 and in 2014.

This positive trend in the economy is supported by the latest improvements in the labor market, with job additions building up and the unemployment rate continuing to decline. It stood at 7.4% in July. Non-farm payrolls rose by 162,000 in July, slightly less than in June. The share of long-term unemployment increased to 37.0%, but it is still at the second lowest level since November 2009. With improvements in the labor market, consumer confidence shows a healthy trend too. The consumer confidence sentiment index of the Conference Board backtracked very slightly to 80.3 in July from 82.1 in June. The other very important consumer sentiment indicator of the University of Michigan rose to 85.1 in July from 84.1 in June, marking the highest level since August 2007.

The manufacturing sector also continues improving. The purchasing managers' index (PMI) for the manufacturing sector, as provided by the Institute of Supply Management (ISM), increased to 55.4, after standing at 50.9 in June. Moreover, some recovery in manufacturing has been confirmed by manufacturing order numbers, also a very important lead indicator, which increased by 6.8% year-on-year (y-o-y) in June, after reaching 4.5% y-o-y in May. The ISM index for the services sector — which constitutes more than two-thirds of the economy — also increased to 56.0 in July from 52.2 in June.

**Graph 3.1: ISM manufacturing and non-ISM manufacturing indices**




*Source: Institute for Supply Management.*

While momentum in the first half was significantly impacted by the fiscal drag, the second half is forecast to recover from the relatively lower growth levels of the first two quarters. However, given the revised 1H13 numbers, the 2013 forecast has been lowered to 1.6% from 1.8%. Next year's growth expectation remains unchanged at 2.5%.

## Japan

*The Japanese economy continues to benefit from large-scale, governmental-led stimulus. The GDP growth forecast has been revised up from 1.8% to 1.9%. Growth in 2014 remains at 1.4%*

While Japan continues enjoying government-led support measures, the slowdown in major emerging economies — in combination with ongoing fiscal challenges in OECD economies — is putting some strain on the most recent expansion. Industrial production fell the most in more than two years in June on a monthly comparison. On the other hand, machinery orders increased significantly in May, pointing to a potential continuation of output growth in the coming months, though it should not be overlooked that most of the increase in orders came from domestic sources, hence underscoring the importance of local stimulus measures for the potential recovery. The positive trend is also visible in the latest Tankan survey, one of the key business sentiment surveys in Japan, which is provided by the Bank of Japan (BoJ). The Tankan's forecast reached 10 index points in its latest quarterly release at the beginning of July. This is the highest level since the first quarter of 2008. However, this is based on a very positive mood in the economy, which was particularly heightened after the BoJ announced its broad and unprecedented monetary stimulus in April and the government followed with additional announcements about structural improvements in the economy. The Tankan index level of actual conditions has performed positively as well, but seems to reflect a more reasonable perception. It reached 4, the highest level since 1Q11, just before the triple disaster of March 2011. Another leading indicator — the PMI — points at slightly weaker development. The latest PMI for manufacturing fell back to a level of 50.7 in July from 52.3 in June.

Monetary stimulus, in combination with the other two arrows of the government's growth strategy — fiscal stimulus and the structural improvements — are all expected to put a floor on this year's growth rate in particular and to some extent on next year's expansion. The latest discussion about planned sales tax increases has highlighted that the government's fiscal ability is limited, given its record debt pile. However, it will be of great importance to adjust debt levels to more reasonable ratios. Therefore, the central tool for stimulus will be monetary policy, supported by structural efforts, while fiscal support will be limited and very specific.

This fiscal drag is already expected to become visible in the next year, when the consumption tax increase is forecast to impact growth patterns in 2Q14 and 3Q14. The consumption tax rise is planned to take place in two steps. It will be increased to 8% by 2014 and to 10% by 2015, from its current amount of 5%. It should also be noted that raising the consumption tax might turn out to be a risky move. In 1997, the last time the tax was increased, it led to a recession and a slump in retail sales, and to a steep decline in central government tax revenues. The cabinet office itself has released

a forecast of only 1.0% GDP growth for the fiscal year 2014–2015 if the planned sales tax increase is implemented.

So far inflation has improved significantly, but remains much below the targeted level for next year of 2%. While it fell by 0.3% y-o-y in May, it rose by 0.2% in June. The yen also performed relatively well at around ¥100/$ in July. Consequently, the latest export numbers continue to be encouraging. Exports in June increased by 7.4% y-o-y, only slightly below May's number of 10.1% y-o-y. Retail sales also continued to rise in June by 1.6%, after May's increase of 0.8% y-o-y. On the other side, industrial production fell significantly on a monthly base in June by 3.3%. The slight slowdown in the economy also led to a lower consumer confidence index level, which declined to 43.6 in June from 45.5 in May, based on numbers provided by the Cabinet Office.

The positive momentum from 1Q13, in combination with ongoing support measures, has caused an upward revision of GDP expectations for 2013; from 1.8% to 1.9%. While growth for the current year is relatively well-established, the potential for next year remains to be seen. The consumption tax increase is expected to heavily impact 2Q14 growth, which is now projected to be flat, after an expected significant rise in 1Q14 ahead of the tax rise. Taking into consideration this negative impact and its continued drag for the remainder of the year — and also some slower underlying momentum in 2014 — the economy's growth forecast for 2014 remains at 1.4%.

## Euro-zone

*Given that better Euro-zone economic momentum in the second half has already been considered in the forecast, numbers for both 2013 and 2104 remain unchanged at -0.6% for 2013 and 0.6% for 2014.*

The Euro-zone's economy still provides mixed messages, with some improvements in output and sentiment, while the labor market remains in a dire situation and peripheral economies continue to struggle. However, as the economy is coming from very low levels in output, the expectation of some recovery in the second half and one of low growth in 2014 is plausible. Close monitoring of the situation will determine if and at what magnitude this scenario will materialise. In general, the underlying economy has seen some improvement in the past weeks, but the strength of the momentum remains unclear.

For example, industrial production for the Euro-zone improved in March and April, while in May it fell again considerably by 1.3% y-o-y. Some of the most recent lead indicators are pointing to improvements in the economy, particularly for the manufacturing sector. The latest PMI, as provided by Markit, moved above the growth-indicator level of 50 in July for the first time since July 2011. It stood at 50.3 in July, picking up from 48.8 in June. Lagging indicators for the labor market continue to point at the challenges still facing the economy. June's unemployment rate remained at 12.1%, with the highest levels affecting larger Euro-zone economies such as Spain, which recorded a rate of 26.3%. While this is high, on the positive side it is also the lowest unemployment rate since January by a slight margin. The Euro-zone labor market situation has held back domestic consumption in the past months, but it seems this area is also starting to recover. Retail sales increased on a value base in June by 0.1% y-o-y, after a decline of 0.4% in May. This is the first rise since September of last year. On a monthly base this was the highest increase since April 2011 at 1.1% m-o-m. With some improving industrial activity, growing domestic demand, continued accommodative monetary policy and some relaxation of the austerity framework, there is some likelihood that the Euro-zone will move out of recession at the end of the second half of this year.

However, the picture remains mixed in the two largest economies, Germany and France. Industrial production in Germany continued declining on a yearly basis, but is improving. It fell by 0.7% in May, after dropping 0.9% in April. This has been accompanied by declining order numbers, which are indicative of future production. Manufacturing order numbers declined by 1.8% y-o-y in May, after losing 0.4% in April and improved to 4.2% in June. The Ifo business climate index — a reasonable lead indicator for German business activity — rose in July to 106.2 from 105.9. In France, industrial production improved by 0.4% y-o-y in May, the largest rise since October 2011.

While this tender improvement in the Euro-zone's economy has also been highlighted by the president of the European Central Bank (ECB), the ECB is sending the clear signal that it will keep interest rates at low levels for some time. At its latest meeting, it kept the key policy rate unchanged at 0.5%. A major issue is the continuously impaired transmission channel of money flow in the Euro-zone's financial system, which remains a significant issue for the ECB. The latest available data from June shows a record decline of lending by financial intermediaries by 2.9% y-o-y, after June's fall of 2.3% and the decline of 1.7% in April.

Given that better momentum for 2H13 has already been considered in the forecast, as well as the continuation of mixed and sometimes contradictory signals for the near-term, the forecast for both 2013 and 2014 remains unchanged. It stands at -0.6% for 2013 and 0.6% for 2014. It remains to be seen to which extent the economy will manage to rebound in the coming months, but it will certainly need the larger economies — particularly Germany and France — to improve, with the other peripheral economies supporting this momentum.

## Emerging markets

*The 2013 forecast for China has been revised down to 7.6%, while other forecasts remain unchanged from last month's figures*

Mixed signals have emerged from **Brazil** in the past two months. While exports witnessed a welcomed improvement in June, the unemployment rate increased in the same month and consumer confidence in July continued the downward movement started in October 2012. Furthermore, July's manufacturing PMI was in contraction for the first time since September 2012. Overall signals seem to be pointing slightly to the downside rather than towards greater expansion. After last month's forecast revisions, the August forecast remains unchanged, but near-term developments will be closely followed over the coming weeks.

The descending trend in **Russia**'s personal loans, together with June's unemployment rate increase, seems to have taken its toll on Russia's retail sales. On the export side, growth rates in the country's revenues from energy exports are not serving the economy during the first five months of this year compared to one year earlier. With no abnormal or extreme change in data nor in economic policy, August's forecast for the Russian economy remains the same as that of last month, with 2.6% and 3.0% GDP growth for 2013 and 2014, respectively.

After several false starts since September 2012, the government of **India** has undertaken a series of reforms to tackle the burgeoning fiscal deficit and create jobs. Both consumer and wholesale price inflation eased in May, led by a moderation in the cost of fuel and manufactured goods. GDP growth rates remain unchanged in 2013 and 2014 for the Indian economy.

The **China**'s economy expanded by 7.5% in 2Q13, very slightly above expectations. The latest data suggest less rebalancing towards consumption so far this year than expected. China's GDP growth forecast for 2013 has been revised down slightly, while the expectation for 2014 remains unchanged.

**Table 3.2: Summary of macroeconomic performance of BRIC countries**

| | GDP growth rate | | CPI, % change y-o-y | | Current account balance, US$ bn | | Government fiscal balance, % of GDP | | Net public debt, % of GDP | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 |
| **Brazil** | 2.5 | 2.8 | 6.0 | 5.8 | -73.3 | -81.6 | -3.1 | -3.2 | 59.8 | 61.2 |
| **Russia** | 2.6 | 3.0 | 6.3 | 5.6 | 50.0 | 36.4 | -0.5 | -0.3 | 8.0 | 8.0 |
| **India** | 5.6 | 6.0 | 9.3 | 8.6 | -92.5 | -83.1 | -5.1 | -4.9 | 48.8 | 48.0 |
| **China** | 7.6 | 7.7 | 2.7 | 3.6 | 175.9 | 155.9 | -2.1 | -2.1 | 16.3 | 16.9 |

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

*The Brazil GDP forecast remains at 2.5% and 2.8% for 2013 and 2014 respectively, amid export improvements and fiscal/monetary measures to revive the economy. However, the domestic economic climate is still a source of downward risk*

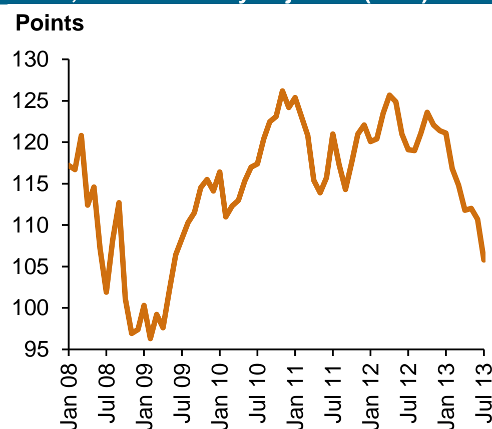
## Brazil

The government of Latin America's biggest economy trimmed its forecast for this year's **economic growth** from 3.5% to 3.0% last month. This official downward revision followed a disappointing annual growth rate of 1.9% in the first quarter of the year. The Brazilian government, in addition, decided on **expenditure cuts** of 10 billion reals. This is the second spending cut in two months aimed at meeting its fiscal target. These cuts are also designed to contribute to taming inflation, which broke the upper boundary of the central bank's range twice so far this year. **Investments** will not be lowered — cuts target rental, outsourcing, travel and information technology.

**Inflation** barely changed by two basis points in June, moving to 6.97% from 6.95% the previous month. This was mainly due to the relative ease in food and beverages prices from 14.21% in May to 13.34% in June, the slowest rate since February. After two months with a fixed **interest rate** of 8%, the central bank of Brazil raised the 'Selic' interest rate to 8.5%. In a continuation of a downward trend started in October 2012, the **consumer confidence** index dropped further in July to register its lowest reading since May 2009 at 105.8 points, down from 110.7 in June. The latest slide in consumer confidence shows that government efforts to strike a balance between taming the inflation rate and meeting public demand for better transportation, health care, and education needs more time to bring about tangible outcomes.

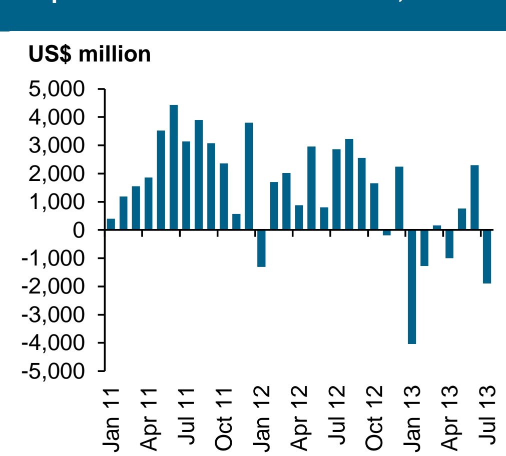
Brazilian **exports** climbed 9.2% y-o-y in June, supported by a 24% export increase to China and 9.7% increase in merchandise exports. June's **unemployment rate** increased to 6.0% from 5.8% one month earlier, up from 5.9% in June 2012. Brazil has accumulated a **trade balance** deficit of $3.09 billion in the first half of this year, compared to a $7.06 billion surplus over the same period in 2012. In July, however, Brazil's trade deficit was at $1.89 billion.

**Graph 3.2: Brazilian consumer confidence index, not seasonally adjusted (NSA)**




*Source: Fundação Getulio Vargas (FGV) and Haver Analytics.*

**Graph 3.3: Brazilian trade balance, NSA**




*Source: Banco Central do Brasil, Trading Economics and Haver Analytics.*

The HSBC **manufacturing PMI** for July signalled the first deterioration in the manufacturing sector since September 2012. The seasonally adjusted PMI posted 48.5 in July, down from 50.4 the previous month. This fall into contraction territory is attributed to deceleration in output and new orders, as well as in exports. The survey also showed the sharpest rate of increase in input prices over the past three years. The forecast for Brazil's economic growth remains unchanged this month at 2.5%, the same as for July. The 2014 forecast remains at 2.8%. It should be noted, however, that recent data on economic indicators do not suggest strong domestic consumption nor sustained growth in exports. That being said, the risk to GDP growth is skewed to the downside.

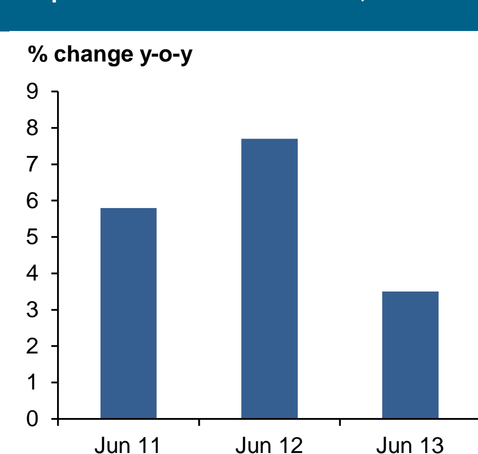
*Russia's economy remains impacted by lower commodity prices and slowing domestic momentum; the growth forecast is unchanged at 2.6% in 2013 and 3.0% in 2014*

## Russia

Russian manufacturing fell in July, with the gauge of manufacturing business conditions dipping into contraction territory. The HSBC Russia manufacturing PMI sank in July to 49.2 from a four-month high of 51.7 in June. The PMI survey revealed weak performance for all key PMI indexes, particularly output, new orders and employment. Furthermore, the labor market indicated relative weakness, as the unemployment rate increased in June to 5.4% from 5.2% one month earlier, 0.2% higher than last year's June rate.

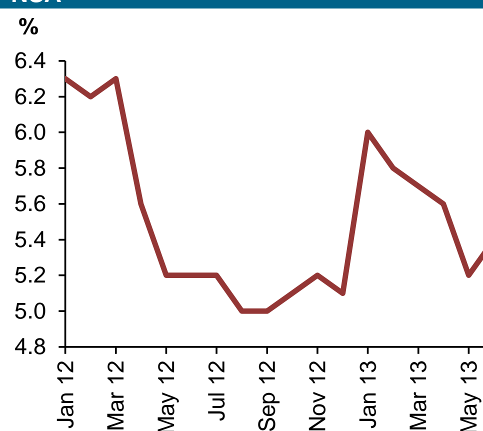
In addition, slowing retail sales showed declining sentiment in consumer consumption. Retail sales increased 3.5% in June from a year earlier, compared to 7.7% and 5.8% in the same month in 2012 and 2011, respectively.

**Graph 3.4: Russian retail sales, NSA**




*Source: Federal State Statistics Service and Haver Analytics.*

**Graph 3.5: Russian unemployment rate, NSA**

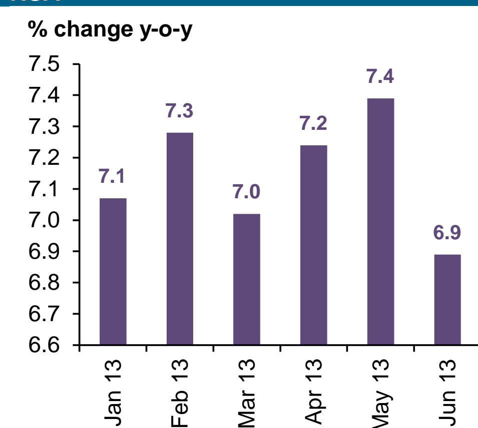



*Source: Central Bank of the Russian Federation and Haver Analytics.*

Two main factors have collaborated to produce the easing business climate in Russia. First, the downward trend exhibited by **consumer credit** growth over the past several months; the percentage change y-o-y in personal loan amounts has retreated from more than 44% in June 2012 to just above 36.5% this year. The second factor is a recent increase in the unemployment rate.

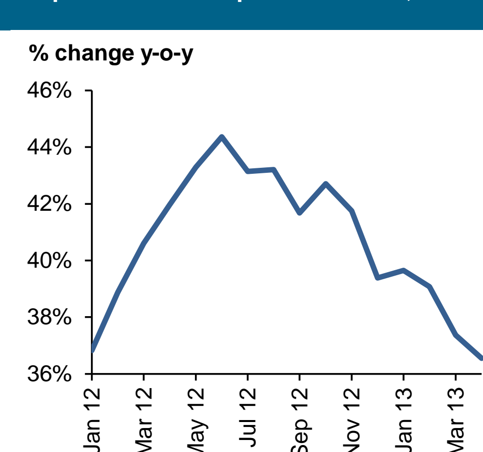
Moreover, Russian fossil fuel export revenues on a value base declined over the first five months of 2013 by 9.0%, 4.2% and 2.1%, respectively, compared to the same period last year, while capital investment experienced no change in the first quarter over the same time last year.

**Graph 3.6: Russian consumer price index, NSA**




*Source: Federal State Statistics Service and Haver Analytics.*

**Graph 3.7: Russian personal loans, NSA**




*Source: Central Bank of the Russian Federation and Haver Analytics.*

The Russian economy is being impacted by slowing domestic momentum, in addition to lower commodity prices and declining investment. GDP forecasts remain unchanged from the previous month's revision at 2.6% and 3.0% for this year and 2014, respectively.

## India

*India's GDP growth rate unchanged in 2013 and 2014 for the Indian economy*

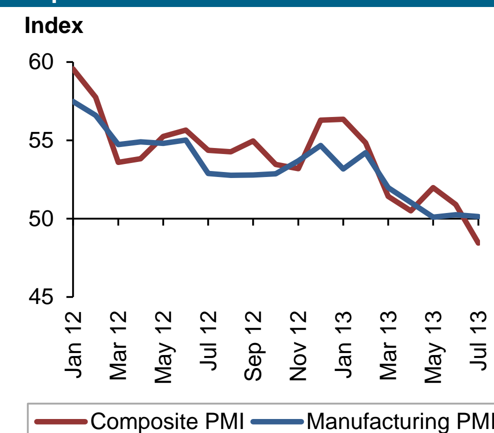
After several false starts, the government has since September 2012 undertaken a series of reforms to tackle a burgeoning fiscal deficit and create jobs. The government announced a fresh wave of economic reforms in July; foreign direct investment limits in key sectors such as telecom, defence and insurance have been liberalised, and a new bank licencing policy has been announced. While it seems that these reforms are a step in the right direction, a lot more will probably be necessary if India is to re-energise investment growth and business confidence. The Indian government set itself the target of cutting fiscal shortfall to the equivalent of 4.8% of GDP in its 2013–14 budget, which would be a considerable step in the right direction.

In its June meeting, the Reserve Bank of India (RBI, the central bank) left its main policy interest rate, the repurchase (repo) rate, unchanged at 7.25%. The central bank was restrained from cutting rates to stimulate growth, as consumer price inflation remained elevated and the current account deficit continued to be wide.

Both consumer and wholesale price inflation eased in May, led by a moderation in the costs of fuel and manufactured goods. The rate of wholesale price inflation slowed to a 43-month low of 4.7% y-o-y, from 4.9% in April, while consumer price increases decelerated marginally, from 9.4% to 9.3%. Domestic food costs are expected to fall in the second quarter of 2013 as the winter crop is harvested.

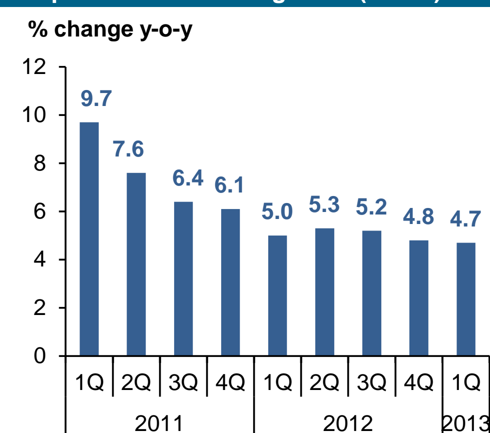
The GDP growth rate remains unchanged for the Indian economy in 2013 and 2014 at 5.6% for 2013 and 6% for 2014. Agricultural output expansion slumped to 1.9% on a factor–cost basis in 2012–13 owing to a drought that ravaged parts of southern and western India. Growth in industrial output decelerated for the second consecutive year to 1.2% from an average of 8.3%. Output in the services sector, which accounts for nearly 60% of GDP, grew by 6.8% in 2012–13, marking a slowdown from average annual expansion of 9.4% the previous decade. As a result, headline GDP growth on a factor–cost basis slowed to a ten-year low of 5% in 2012–13. The policy environment for industry may improve as the government seeks to achieve its stated goal of increasing manufacturing output to the equivalent of 25% of GDP by 2022 from its current share of 16%.

**Graph 3.8: Indian PMI**




*Source: HSBC, Markit and Haver Analytics.*

**Graph 3.9: Indian GDP growth (SAAR)**




*Source: Central statistical office of India and Haver Analytics.*

Unfavorable developments in domestic and international economic environments may have a negative effect on the Indian GDP growth rate expectation.

The exchange rate has seen a significant depreciation since early May, hit by the US Fed's comments about tapering quantitative easing. The RBI tightened policy in mid-July to stem the slide in the Indian rupee (INR).

India's manufacturing PMI declined from 50.3 to 50.0 in July, but India's composite PMI increased from 50.9 to 51.6 in the same month, supported by an improving services sector.

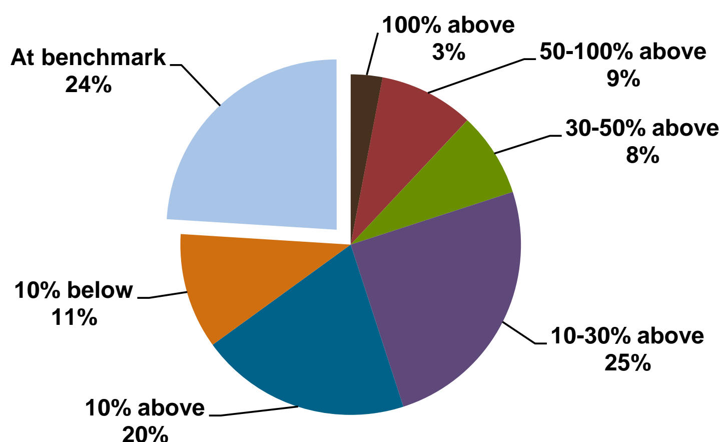
## China

*China's 2013 GDP growth rate revised to 7.6% in August from 7.7% in July; 2014 remains at 7.7%*

The official consolidated budget deficit for both central and local governments was equivalent to 1.6% of the GDP in 2012 and is expected to average 2.2% of the GDP in 2013–2014.The Chinese economy expanded by 7.5% in 2Q13, very slightly above expectations. Latest data suggest less rebalancing in the economy towards consumption so far this year. Nonetheless, following the tightening in credit conditions towards the end of Q2, investment growth is expected to slow significantly over the coming quarters.

The People's Bank of China (PBC, the central bank) began in June to tighten the availability of liquidity and has also removed the floor on lending rates, an important step towards market-determined interest rates; interest rate liberalisation has been expected by market participants. Deregulation of the lending rate came into effect on 20 July 2013.

**Graph 3.10: Distribution of banks' lending rates relative to benchmark, 1Q 2013**



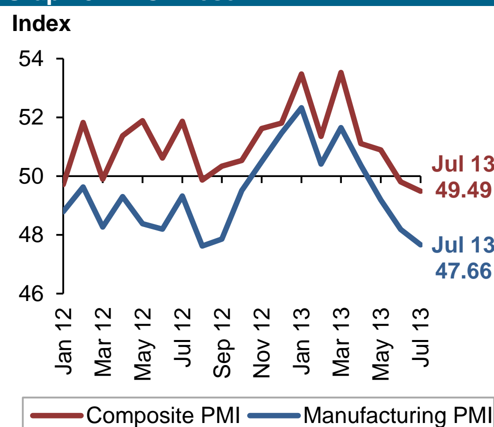

*Source: The People's Bank of China (PBOC).*

China's GDP growth forecast has been revised to 7.6% for 2013, given the slowing momentum over the past months, with a growth rate of 7.7% in 1Q13 and 7.5% in 2Q13. The 2014 growth forecast remains unchanged at 7.7%. From a domestic perspective, the main risks are:

- A potential domestic financial crisis
- Delay or postponement of state infrastructure projects
- A deterioration of the Senkaku/Diaoyu Island dispute with Japan, an important trading partner

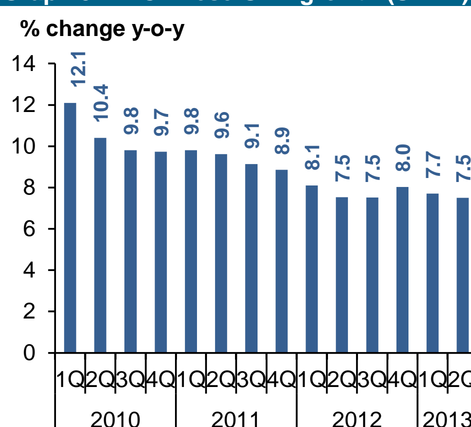
China's manufacturing PMI declined from 48.1 to 47.7 in July and the composite PMI declined from 50.9 to 49.8, according to Markit. China's National Bureau of Statistics (NBS) announced in the first week of August that its PMI for July reached 50.3 points, representing slight expansion. This marginal improvement was unexpected, given a flash reading for August of HSBC's unofficial PMI last week indicating worsening conditions, as well as a stream of data in early July showing an economic slowdown in the second quarter.

**Graph 3.11: Chinese PMI**




*Source: HSBC, Markit and Haver Analytics.*

**Graph 3.12: Chinese GDP growth (SAAR)**




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

## Other Asia

*Slowing momentum in Other Asia, though growth potentials still healthy; last month's forecast remains the same in August*

**Indonesia** received 18.9% more foreign direct investment in the first quarter of this year than one year earlier. Despite this very high rate, it is the lowest foreign direct investment increase since 2010, according to Indonesia's investment coordinating board. Domestic investment, on the other hand, jumped by 59.1%. This rise in local investment has increased the demand for capital imports and hence contributed to the current account deficit. Indonesia is encouraging investment in iron, steel, and petrochemical production to cut its dependency on imports. Furthermore, Indonesia lifted subsidised fuel prices in June in an attempt to cut its energy-import bill. The Bank of Indonesia raised its key interest rate — its reference rate — in June by 50 basis points to 6.5%, aiming at supporting the weakening currency and easing inflation pressures after a fuel price increase imposed by the government in June. The Indonesian central bank has lowered its economic growth forecast for 2013 to between 5.8% and 6.2%, compared with the previous forecast of 6.6%. The Indonesian economy grew 6.0% in the first quarter of this year after gaining 6.1% in the last quarter of 2012. HSBC's PMI for Indonesia fell slightly in July to 50.7 from 51.0 the previous month, the third fall in a row this year. The index signaled an export order contraction for the second month and highlighted a rise in input costs at the strongest rate in the survey's history.

Citing **Malaysia**'s increasing debt and the need for budgetary reform, Fitch has cut its outlook to negative from stable. The Malaysian government is trying to meet its target to trim the deficit to 3% of GDP by 2015, in addition to not allowing state debt to exceed 55% of GDP. The deficit stood at 4.5% of GDP at the end of 2012 and is expected to narrow to 4% of GDP this year and the economy is projected to grow at between 5% and 6% this year, according to the Central Bank of Malaysia.

**Singapore**'s exports declined in June by 8.8% y-o-y, the fifth consecutive month of decline. Shipments of electronics plunged 12.4% in June from a year earlier, the 11th consecutive month of falling percentages. This series of export falls suggests that the fastest pace of growth registered in the first quarter of this year may not be sustained. Strong performance in the second quarter is attributed to an improving services sector as well as a rebound in manufacturing. The relative slowdown in China's economy is expected to impact East Asian economies due to their strong trade relationships with the world's second largest economy.

**Taiwan**'s manufacturing PMI reduced its negative standing in July, being in contraction mode for the third month running due to a reduction in output together with deceleration in total new orders, mainly based on a slide in new business from abroad. The survey showed easing pressures on a sharp fall in input prices during July.

In **Vietnam**, a slower pace of deterioration in operating conditions was signaled in July. The HSBC manufacturing PMI registered 48.5 in July, an improvement from June's 46.4. However, with the July reading, the index now remains in contraction territory for the third month in a row. The survey showed that output and new orders have fallen,

though at slower rates, while the employment level has not changed.

## Africa

*Security uncertainty stemming from geo-political tensions in economies across North Africa*

Political unrest is hindering economic potential across North Africa. Ongoing developments in **Egypt** have paralysed that country's economic activities. Tourism — a crucial sector — is receiving a significant hit, sharply declining over the past two months, normally the peak summer tourism period. Financial and energy support from Gulf Cooperation Council (GCC) countries is playing a critical role in backing the Egyptian pound. It had a relative appreciation as a result of an increase in dollar reserves to over $20 billion immediately after receiving governmental deposits from Saudi Arabia and the United Arab Emirates. Egypt's PMI slipped to 41.7 in July, down substantially from 47.5 in the previous month. The survey signalled an acute plunge in both output and new orders, due to political uncertainty. Furthermore, the survey showed a further decline in the workforce and in purchasing activity.

The reserve bank of **South Africa** trimmed its 2013 GDP growth forecast last month to 2% from 2.4%. It also kept its benchmark lending rate unchanged for the 12th consecutive month at 5%, the lowest level for more than 30 years. The reserve bank has little room to use monetary policy as an economic revival tool due to increasing inflation stemming from rising fuel prices and the declining rand. Inflation increased slightly at a rate of 5.54% in June, up from 5.46% the month before. The decelerating demand for manufactured exports from Europe and strikes in the mining industry are reducing revenues in Africa's biggest economy. To accommodate smaller revenues, the government is lowering spending for the next three years and aiming to lower this year's fiscal deficit from around 5.2% of GDP last year to 4.6% through to March 2014. In June 2013, South Africa's credit growth slowed from 9.1% to 8.9%. This is the second consecutive fall in borrowing growth by households and companies. It is expected that high existing personal debt will discourage consumers from applying for more credit. South Africa's PMI improved in July to 52.2 from 51.6 the previous month, mainly as a result of new sales orders climbing in the same month.

## Latin America

*Latin America is forecast to grow by 3.4% in 2013 and 3.5% in 2014*

Consumer confidence in **Argentina** as reported by Universidad Torcuato di Tella has increased in July to 47.48 from 44.49 the previous month. In the first quarter, capital flows in Argentina perked up to $1.26 billion from minus $2.76 billion in the last quarter of last year. Exports from Argentina plunged in June of 2013 to $7.55 billion from $8.43 billion in May of this year.

The Mexican administration has pledged $315 billion in infrastructure investment over the coming six years in order to expedite economic growth. **Mexico** is expected to benefit from the economic acceleration in the US. Mexican exports increased 2.5% y-o-y in June due to higher demand from the US. Imports grew at a slower pace the same month at 1.7%, resulting in a rebound in the country's trade balance to a surplus of $855 million, following a deficit of $470 million in May. The country's unemployment rate rose from 4.93% in May to 5.09% in June, while the Bank of Mexico kept its benchmark rate unchanged last month at 4.0%. The central bank refrained from increasing the interest rate based on the volatility of financial markets, the latest inflation figure (at 4.09% in June down from 4.63% in May) and higher risks to economic growth.

## Transition region

The **Czech** central bank has signaled that it will keep a zero interest rate for some time as inflation is still lower than the bank's target, suggesting a slow economic revival. The economy has contracted for six consecutive quarters through March, as reduced Euro-zone demand for the country's exports due to the economic crisis compounded lower household spending. The picture in the second quarter may, however, see some improvement. Retail sales increased for a second month in June and a gauge of Czech manufacturing performance rose for a third month.

Inflation in **Poland** slowed to a record low in June. It increased by 0.2% in June from a year earlier. This is the lowest reading since 1989. For the last five months, Polish inflation stayed below the lower end of the central bank target of 1.5–3.5%. Industrial

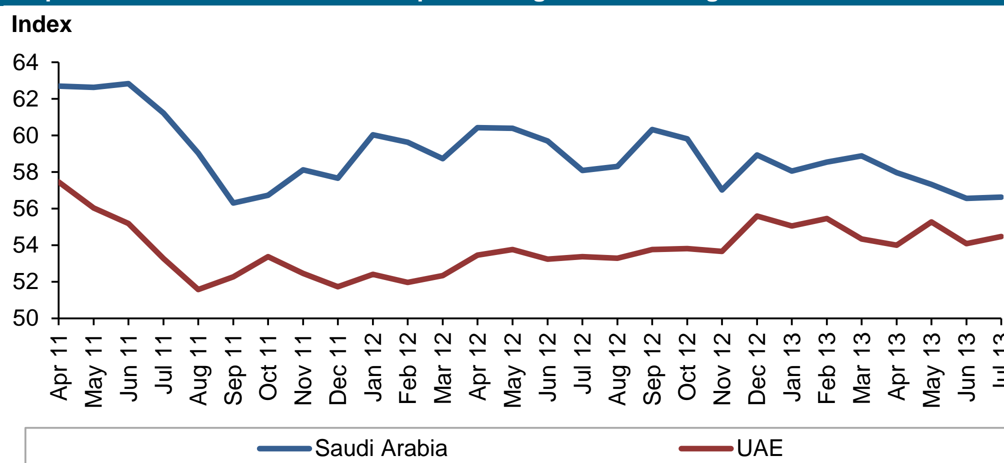
production increased in June by 3.10% m-o-m from -0.50% in May. The unemployment rate eased in June to 13.2% from 13.5% in May as reported by the Central Statistical Office of Poland.

## OPEC Member Countries

*GDP growth forecast is unchanged at 3.3% and 4.2% for 2013 and 2014, respectively*

OPEC Member Country economies are foreseen to post output growth of 3.3% this year. For 2014, OPEC Member Countries' GDP growth is forecast to reach 4.2%. **Kuwait's** oil revenue is foreseen to hit 16.88 billion dinars during the current fiscal year according to the budget announced last month, while non-oil revenue is expected to rise by 4.2% compared to last fiscal year. The July SABB-HSBC PMI for **Saudi Arabia** continued pointing towards an expansion in the non-oil producing private sector. The index, maintained its growth momentum to stand unchanged at 56.6 in July from the previous month. In addition, the survey indicated a marginal increase in new order growth. Likewise, the **United Arab Emirates**' PMI remained well in expansion territory in July (54.5) from the June reading (54.1). The survey concluded an accelerating pace of growth in demand from export markets

**Graph 3.13: Saudi Arabian and UAE purchasing manufacturing indices**




*Source: SABB, HSBC, Markit and Haver Analytics.*

## Oil prices, US dollar and inflation

*The US dollar increased versus all major currencies in July based on a monthly average. In real terms, the Basket price rose by 4.3% or $2.68/b to $65.02/b from $62.34/b*

The US dollar increased versus all major currencies in July based on a monthly average. It rose by 0.7% versus the euro, 2.3% compared to the Japanese yen, 1.9% versus the British pound sterling and 1.1% against the Swiss franc. This slight appreciation has mainly been supported by a tender recovery in the US and indications by the Federal Reserve Board (Fed) that it may reduce some of its extraordinary monetary supply measures.

However, since the beginning of August the US dollar has again slightly retreated. This comes after some slightly disappointing data for the very short term in the US economy with lower-than-expected job growth and on the other side somewhat improved data from the Euro-zone and Japan, the economies which represent the US' most important currency counterparts. In the potential case that a strengthening of the US economy materialises in the second half with the consequence that the Fed downsizes its extraordinary supply measures- contrary to the European Central Bank (ECB), which announced it will keep interest rates at 0% for an extended period of time - the US dollar could be expected to strengthen again and move below the $1.30/€ level. Also in this scenario, the yen is relatively likely to move again beyond the ¥100.0/$ level. The average currency level for the euro in July was $1.3093/€, while at the beginning of August it rose to around $1.32/€. The average July yen level was ¥99.666/$, about the same level as in the first week of August. With the ECB, the Bank of Japan (BoJ) and the Bank of England (BoE) continuing an expansive monetary policy in the relative near term, the US dollar should go on to be well supported.

In nominal terms, the price of the OPEC Reference Basket increased based on a monthly average in July. It rose by $3.42/b or 3.4% from $101.03/b in June to $104.45/b in July. In real terms, after accounting for inflation and currency fluctuations, the Basket price rose by 4.3% or $2.68/b to $65.02/b from $62.34/b (base June 2001=100). Over the same period, the US dollar rose by 0.9% against the import-weighted modified Geneva I + US dollar basket* while inflation remained flat.

* *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 growth for 2013 revised up slightly to 0.8 mb/d*

## World oil demand

World oil demand growth for 2013 has been revised up by a marginal 17 tb/d from last month's report. This revision is based on actual and preliminary data for the first half of the year, primarily from OECD America, which experienced an upward revision of 32 tb/d for the year. In quarterly terms, the first quarter was revised up 60 tb/d; the second by 70 tb/d, while data for the 3Q and 4Q was left unchanged. OECD Europe also experienced upward revisions in the 2Q, 3Q and 4Q of 50 tb/d, 40 tb/d, and 50 tb/d, respectively. These revisions reflect the improvement in oil demand observed in June 2013, especially in the UK, and an expected increase in transportation fuel demand. However, oil demand in OECD Europe in 1Q was revised down by 70 tb/d due to historical data adjustments. Hence, the yearly revision for OECD Europe currently stands at 10 tb/d from previous month's report. OECD Asia Pacific experienced its share of revisions with both 1Q and 2Q being reduced by 30 tb/d and 40 tb/d, respectively. The main contributor to these changes has been the fall in direct burning of crude and fuel oil in Japan. For the year, the forecast for OECD Asia Pacific has been revised down by 16 tb/d compared to last months' report.

**Table 4.1: World oil demand in 2013, mb/d**

| | | | | | | | *Change 2013/12* | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 2013 | Growth | % |
| Americas | 23.70 | 23.71 | 23.74 | 23.87 | 23.81 | 23.78 | 0.09 | 0.37 |
| Europe | 13.74 | 13.15 | 13.54 | 13.53 | 13.35 | 13.40 | -0.34 | -2.50 |
| Asia Pacific | 8.59 | 8.95 | 7.97 | 8.29 | 8.74 | 8.49 | -0.10 | -1.21 |
| **Total OECD** | **46.03** | **45.82** | **45.25** | **45.69** | **45.91** | **45.67** | **-0.36** | **-0.78** |
| Other Asia | 10.83 | 10.89 | 11.02 | 11.13 | 11.17 | 11.05 | 0.23 | 2.08 |
| Latin America | 6.26 | 6.21 | 6.47 | 6.70 | 6.59 | 6.49 | 0.23 | 3.69 |
| Middle East | 7.58 | 7.79 | 7.75 | 8.18 | 7.75 | 7.87 | 0.29 | 3.80 |
| Africa | 3.42 | 3.42 | 3.42 | 3.38 | 3.52 | 3.43 | 0.01 | 0.26 |
| **Total DCs** | **28.10** | **28.30** | **28.66** | **29.39** | **29.04** | **28.85** | **0.75** | **2.68** |
| FSU | 4.41 | 4.33 | 4.18 | 4.59 | 4.84 | 4.49 | 0.07 | 1.63 |
| Other Europe | 0.64 | 0.63 | 0.59 | 0.63 | 0.71 | 0.64 | -0.01 | -0.81 |
| China | 9.74 | 9.79 | 10.19 | 9.89 | 10.41 | 10.07 | 0.33 | 3.38 |
| **Total "Other regions"** | **14.80** | **14.75** | **14.95** | **15.10** | **15.96** | **15.19** | **0.40** | **2.68** |
| **Total world** | **88.92** | **88.86** | **88.86** | **90.18** | **90.90** | **89.71** | **0.79** | **0.89** |
| Previous estimate | 88.87 | 88.85 | 88.74 | 90.13 | 90.83 | 89.64 | 0.77 | 0.87 |
| Revision | 0.05 | 0.01 | 0.11 | 0.05 | 0.08 | 0.06 | 0.02 | 0.02 |

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

In **Other Asia**, oil demand growth has been revised down by 11 tb/d in 2013, equally divided between the 2Q and 3Q by 20 tb/d each. These revisions were due to weaker oil demand from India and Indonesia – driven by rather lacklustre economic data in India, and expected slow growth in transportation fuels in Indonesia. In contrast, **Latin America**'s oil demand figures were revised up by 15 tb/d in 2Q to reflect higher fuel requirements for construction activities in Brazil.

Minor positive revisions of 50 tb/d were also incorporated in the 2012 oil demand figures compared with last month's report. In absolute terms, **total oil demand in 2013** is estimated to reach its highest level of 90.9 mb/d in 4Q13, gradually advancing from the 3Q figures of 90.18 mb/d supported by seasonality variances. With 1Q and 2Q expecting to average around 88.86 mb/d, total 2013 oil demand is expected to average 89.71 mb/d.

*World oil demand growth in 2014 expected at 1.0 mb/d, unchanged from the previous report*

In **2014**, **world oil demand growth** is projected at 1.04 mb/d, unchanged from the previous report. However, in absolute terms, **world oil demand** has been adjusted to account for the minor revisions in the 2012 and 2013 figures to now stand at around 90.75 mb/d.

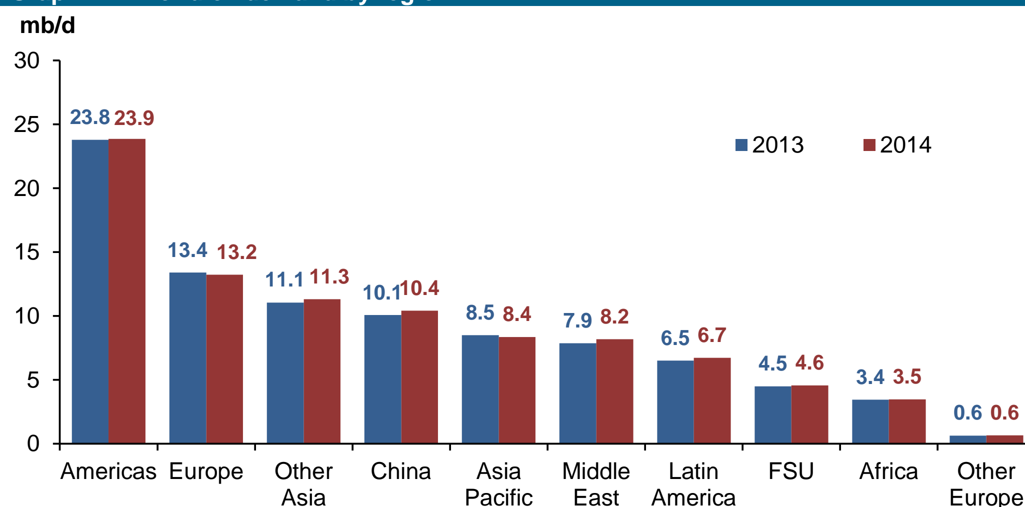
**Table 4.2: World oil demand in 2014, mb/d**

| | 2013 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 2014 | Change 2014/13 Growth | % |
|---|---|---|---|---|---|---|---|---|
| Americas | 23.78 | 23.81 | 23.78 | 23.98 | 23.92 | 23.87 | 0.09 | 0.38 |
| Europe | 13.40 | 12.97 | 13.26 | 13.40 | 13.24 | 13.22 | -0.17 | -1.30 |
| Asia Pacific | 8.49 | 8.82 | 7.90 | 8.16 | 8.55 | 8.36 | -0.13 | -1.53 |
| **Total OECD** | **45.67** | **45.60** | **44.95** | **45.55** | **45.71** | **45.45** | **-0.21** | **-0.47** |
| Other Asia | 11.05 | 11.15 | 11.24 | 11.39 | 11.45 | 11.31 | 0.26 | 2.32 |
| Latin America | 6.49 | 6.44 | 6.70 | 6.95 | 6.83 | 6.73 | 0.24 | 3.65 |
| Middle East | 7.87 | 8.11 | 8.04 | 8.52 | 8.03 | 8.17 | 0.31 | 3.89 |
| Africa | 3.43 | 3.45 | 3.45 | 3.41 | 3.56 | 3.47 | 0.03 | 0.96 |
| **Total DCs** | **28.85** | **29.15** | **29.43** | **30.26** | **29.87** | **29.68** | **0.83** | **2.88** |
| FSU | 4.49 | 4.41 | 4.25 | 4.67 | 4.93 | 4.57 | 0.08 | 1.78 |
| Other Europe | 0.64 | 0.64 | 0.58 | 0.64 | 0.72 | 0.64 | 0.01 | 0.82 |
| China | 10.07 | 10.09 | 10.54 | 10.25 | 10.72 | 10.40 | 0.33 | 3.32 |
| **Total "Other regions"** | **15.19** | **15.14** | **15.37** | **15.56** | **16.36** | **15.61** | **0.42** | **2.76** |
| **Total world** | **89.71** | **89.89** | **89.76** | **91.36** | **91.94** | **90.75** | **1.04** | **1.16** |
| Previous estimate | 89.64 | 89.88 | 89.64 | 91.31 | 91.87 | 90.68 | 1.04 | 1.16 |
| Revision | 0.06 | 0.01 | 0.11 | 0.05 | 0.07 | 0.06 | 0.00 | 0.00 |

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

In **OECD Americas**, the key factors in the first five months of the year have been growing distillate fuel and propane/propylene requirements, which can be linked to rising industrial production and improvements of specific economic indicators. Preliminary weekly data for June and July show a flat-to-slight increase in total product demand, due to a y-o-y rise in auto sales. The high Purchasing Managers' Index (PMI) for the last four months and increasing manufacturing activities are all factors driving product demand in those months.

**Graph 4.1: World oil demand by region**




In **OECD Europe**, oil demand is still in decline mode, though signs of a bottoming-out have begun to show. The most noticeable of these has been the manufacturing PMI, which reached a 16-month peak and was rising in almost all countries of the region. Also, European "Big Four" oil demand showed a slight improvement in June, with the UK and Germany leading gains.

In **OECD Asia Pacific**, Japanese oil demand showed a contraction as oil requirements in crude and fuel oil for direct burning and electricity generation fell mainly as a result of the high baseline levels in 2012. Improvements in the Japanese economy, rising manufacturing Purchasing Manager's Index (PMI) and consumer confidence, as well as a healthy petrochemical industry were the main reasons behind the increases in some product demand.

In the non-OECD, for **Other Asia**, Indian oil demand growth has been rather slow in the past six months. A heavy rainy season, lower auto sales -- particularly diesel

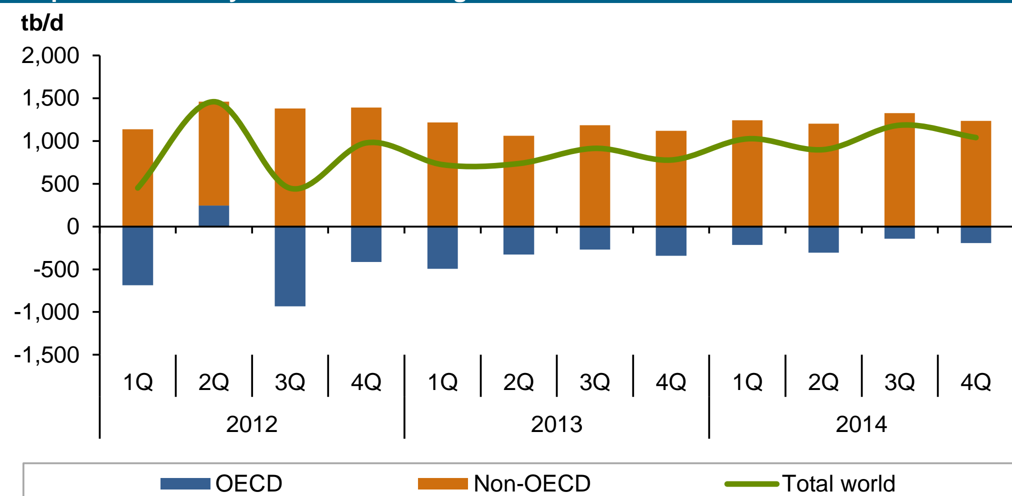
vehicles – in addition to the slowdown in economic activities are all contributing factors in this slow growth. In Indonesia, subsidy cuts have started to have their impact on transportation fuel consumption with gas/diesel oil demand figures already contracting in May.

In **Latin America**, consumption in Brazil has managed to stay above last year's levels led by diesel which continues to grow, as preparations for two world sports events are underway. In Ecuador, oil product consumption continued to grow at a stable pace. Transportation fuel demand and industrial activities are thought to be the driving force behind the country's demand growth.

In **Saudi Arabia**, transportation fuels registered positive growth in the first six months of the year. At the same time, crude oil for burning in power generation has been mostly in decline, mainly as a result of switching to rival fuels.

In **China**, apparent oil demand for the country revived in June. This could be attributed to the increase in domestic output of oil products following months of extended refinery maintenance. Additionally, a build in inventory levels could be another factor, rather an increase in real oil consumption. At the same time, expectations for the Chinese economy now see it expanding at 7.6%, down from the previous month's forecast of 7.7%. This revision is in line with moderating economic indicators in that country.

**Graph 4.2: Quarterly world oil demand growth**




## OECD Americas

*OECD Americas oil demand to grow by 0.1 mb/d in 2013*

Following increasing oil requirements for March and April, May's **US monthly oil demand** data switched once more to a downward trend. US oil demand in May fell by 0.7% compared with the same month in the previous year. However, in the first five months, oil demand showed an increase of around 0.13 mb/d y-o-y.

The main characteristics in the first five months of 2013 are growing distillate fuel and propane/propylene requirements and falling gasoline demand. These developments are closely associated with rising industrial production and strengthening of certain economic indicators, such as the housing and auto markets, as well as in consumer confidence.

Preliminary weekly data for **June** shows rising distillate fuel requirements partly being offset by declining gasoline and propane/propylene demand, resulting in more or less flat total oil demand compared with the same month last year.

The figures for **July** – also based on preliminary weekly data – show a strong increase of around 5% y-o-y, with all main product categories except residual fuel oil experiencing a rise. Although the July 2013 oil demand figures are still preliminary, there are several factors that would support this growth: an increase in auto sales by almost 16% y-o-y, a strong PMI -- the highest in the last 4 months -- and increasing

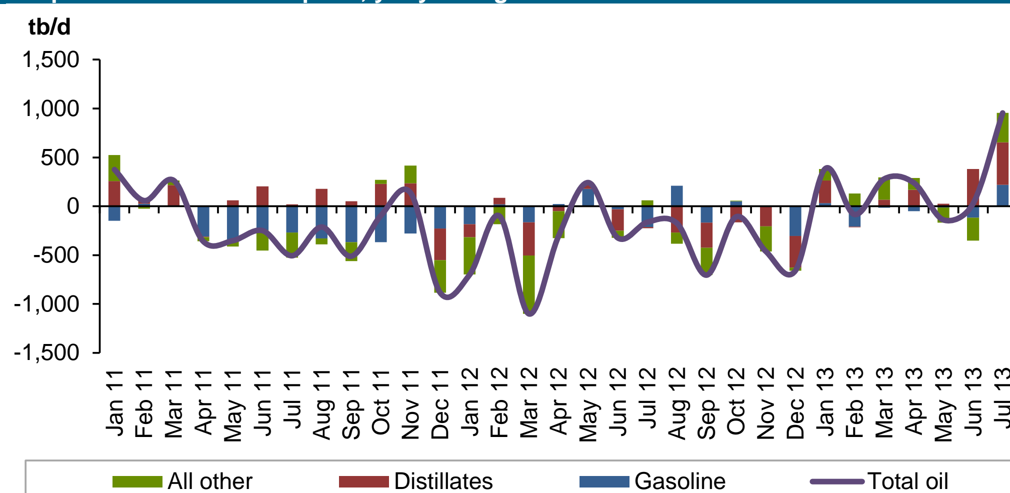
momentum in manufacturing.

**US oil demand** in 2013 remains strongly dependent on the development and pace of recovery of the US economy, but is slightly skewed to the upside compared to last month, as a result of the positive developments over the last three months. Nevertheless, there are also downside risks, which are mainly related to pending fiscal issues. In 2014, US oil demand projections remain unchanged from the last report and indicate slightly higher growth than a year ago.

In **Mexico**, June was marked by falling output in the country's automotive manufacturing sector. Consequently, Mexican oil demand for that month decreased by 2.2% y-o-y, with gasoline and distillates accounting for the bulk of these reductions. For the year, Mexico's oil demand is expected to grow slightly by 0.5% and almost the same growth level is projected for **2014**. Both projections remain unchanged since last month.

Decreasing industrial activity and less demand for transportation fuels have led to an overall 0.5% decline in **Canada**'s oil requirements for May 2013, following strong growth over the first four months of the year. Projections for **2013** Canadian oil demand remain, however, unchanged from those in the previous month. As a result, Canada's oil demand in 2013 and 2014 is expected to remain broadly flat at 2012 levels.

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




In 2012, oil demand in **OECD Americas** shrank by 0.27 mb/d, while oil demand during 2013 will grow by 0.09 mb/d compared with the previous year. In 2014, OECD Americas oil demand is projected to increase by 0.09 mb/d compared with 2013.

## OECD — Europe

*OECD Europe oil demand seen stabilizing with a lower contraction of 0.17 mb/d in 2014*

The signs of stabilization in the European oil demand, which were evident since the beginning of the 2Q13, have been also observed in the month of June. While oil demand continues to contract, this has been of a smaller magnitude compared with the beginning of the year, with a very low historical baseline playing a significant role.

Additionally, some early indicators improved in June, the most prominent being the manufacturing PMI, which reached a 16-month peak and was rising in all countries of the region, with the exception of Germany. Moreover, continuing negative developments for other indicators, such as car sales, underline the on-going deep economic recession in the region. In June 2013 the auto industry faced losses in all major markets, with the only exception being the UK which expanded strongly compared with the same month last year. As in previous months, oil demand fell in all southern European countries, with the largest decreases in Spain, Italy and Greece, while Portugal's oil requirements remained flat in yearly terms. Also, in some countries such as France, there are plans to implement subsidies for low income families ahead of the coming winter. These subsidies will be related to natural gas and heating oil,

and will cover around 4 million households.

Oil demand in the **European "Big Four"** in June showed some improvement growing by 0.08 mb/d, with the bulk of increases seen in the UK and Germany. General expectations for the region's oil demand during 2013 have slightly improved since the last month's projections as the economies of some countries seemed to have started stabilizing. As a result, the 2014 projections remain unchanged from the previous month.

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

| | Jun 13 | Jun 12 | Change from Jun 12 | Change from Jun 12, % |
|---|---|---|---|---|
| LPG | 361 | 367 | -6 | -1.6 |
| Gasoline | 1,189 | 1,190 | -1 | -0.1 |
| Jet/Kerosene | 804 | 745 | 59 | 7.9 |
| Gas/Diesel oil | 3,454 | 3,343 | 112 | 3.3 |
| Fuel oil | 364 | 370 | -6 | -1.7 |
| Other products | 979 | 1,054 | -75 | -7.1 |
| **Total** | **7,151** | **7,069** | **82** | **1.2** |

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

While **European oil demand** shrank by 0.54 mb/d in 2012 as a result of the deep economic crisis in several of the regions' countries, oil demand in **2013** is projected to decrease by a lesser 0.34 mb/d. In **2014**, the contraction in the region's oil demand is projected to be at 0.17 mb/d.

## OECD — Asia Pacific

*OECD Asia Pacific oil consumption projected to fall by 0.10 mb/d in 2013 and continue to drop in 2014 by a further 0.13 mb/d*

**Japanese** oil demand in June contracted by 0.17 mb/d y-o-y with a mixed picture as far as the main product categories are concerned. Oil requirements in crude and fuel oil for direct burning and electricity generation fell once again compared to the same month last year as a result of the high baseline in 2012. In contrast, demand for gasoline, naphtha and jet fuel increased sharply, partially offset these decreases.

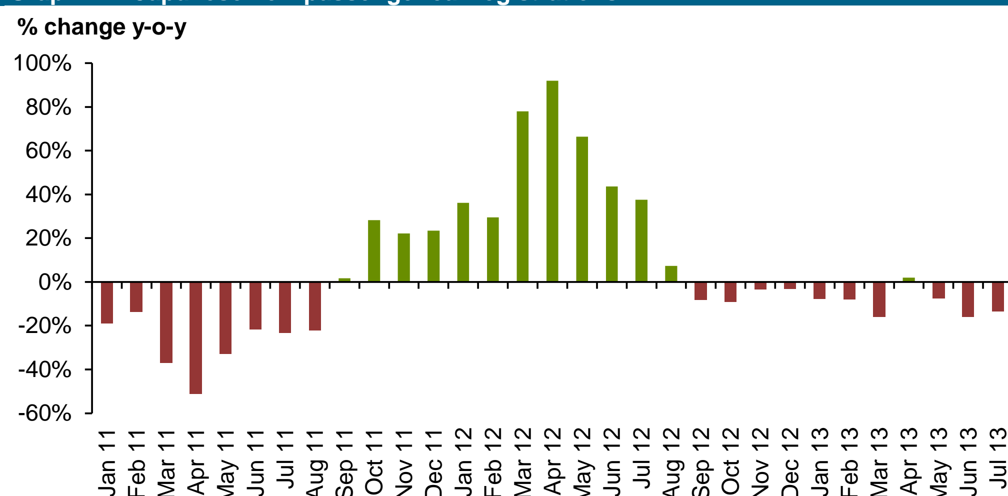
Improvements in the Japanese economy, solid manufacturing PMI and consumer confidence, as well as a flourishing petrochemical industry, were the main reasons behind the increases in some product demand.

Direct burning of crude and fuel oil for electricity generation is expected to continue to decline, due in part to plans to increase fuel substitution with coal to meet electricity demand, which usually peaks in the summer months. The status of Japanese nuclear power plants has, however, remained largely unchanged since last month, with any additional operation in 2013 to remain highly unlikely following the release of new safety guidelines by the Japanese Nuclear Regulatory Authority (NRA), as checks by the authority are expected to take at least six months to conduct. Four utilities applied to restart a total of 10 nuclear reactors. All reactors are pressurized-water designed and hence less vulnerable than boiling-water reactors – such as those in Fukushima – to accidents affecting their cooling system.

The forecast for Japanese oil demand in 2013 has been slightly lowered from last month with the risks being skewed more towards the downside as a result of indications towards more coal usage for electricity generation. However, oil demand projections for **2014** remain unchanged since last month and assume the likelihood that some of the nuclear plants will return to operation.

In **South Korea**, oil demand in May decreased by 0.02 mb/d y-o-y. Gains in the petrochemical industry, which called for increasing LPG requirements, have been largely offset by declining requirements in fuel oil as a result of lower manufacturing activity. The forecast for South Korean oil consumption in **2013** and **2014** remains unchanged from last month's projections.

**Graph 4.4: Japanese new passenger car registrations**




**OECD Asia Pacific** oil consumption grew in 2012 by 0.36 mb/d, resulting mainly from Japanese direct crude/fuel oil burning for electricity generation. For **2013**, OECD Asia Pacific oil consumption is projected to fall by 0.10 mb/d, while the fall will continue also in **2014** to a larger extent by 0.13 mb/d, y-o-y.

## Other Asia

*Other Asia's oil demand expected to grow by 0.23 mb/d in 2013; growth for 2014 projected at 0.26 mb/d*

**Indian oil demand** growth has been rather slow in the past six months. With the exception of the month of January, growth was relatively modest in the first half of the year compared with the same period the year before. Year-to-date, the country managed to remain in positive territory with growth of about 83 tb/d or just above 2%. On a y-o-y basis, demand declined compared to the same month last year. The decline is also greater when compared to the month before.

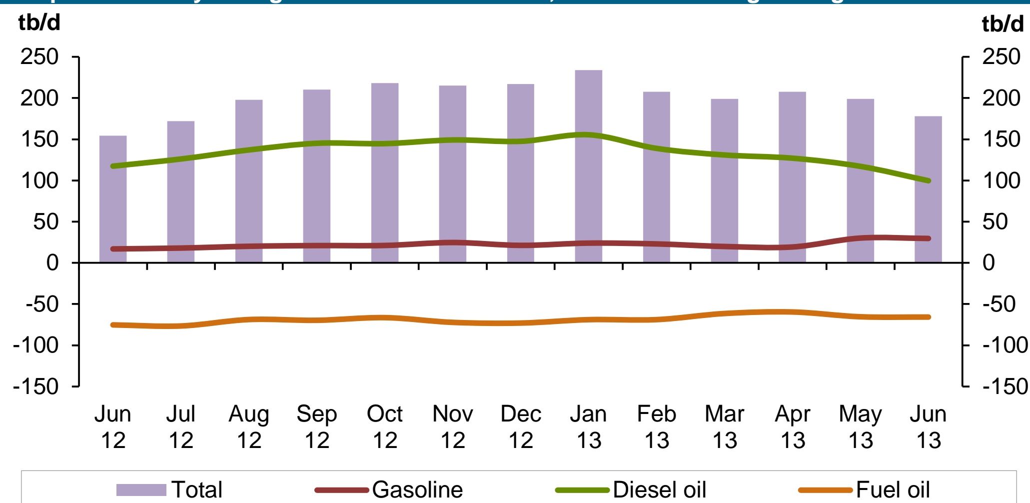
Total **product demand** for the month of June stood at 3.65 mb/d compared with 3.70 mb/d in May. Diesel – the main petroleum product consumed in India, recorded negative growth in y-o-y terms in June, despite cumulative numbers from January to June hinting at positive growth. The heavy rainy season across the sub-continent, lower sales of diesel vehicles, a shift to other fuel types due to economical viabilities, as well as a slowdown in economic activities have all weighed on product demand for the month.

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

| | Jun 13 | May 13 | Jan-Jun 13 | Difference to Jan-Jun 12 | % |
|---|---|---|---|---|---|
| LPG | 454 | 478 | 487 | -13 | -2.6 |
| Motor gasoline | 411 | 476 | 405 | 33 | 9.0 |
| Jet Kero | 259 | 323 | 286 | -9 | -3.2 |
| Gas diesel oil | 1,487 | 1,410 | 1,507 | 39 | 2.6 |
| Residual fuel oil | 259 | 235 | 287 | -63 | -18.1 |
| Other products | 784 | 782 | 794 | 96 | 13.8 |
| **Total oil demand** | **3,653** | **3,704** | **3,765** | **83** | **2.2** |

Another product of high consumption in India is Liquefied Petroleum Gas (LPG). The country consumes an average of 0.47 mb/d of LPG, which accounts for around 11% of the total oil products, from time to time overtaking gasoline in terms of demand volume. LPG consumption showed a decline of 6.0% compared with the same period last year. The demand for the product dropped by 30 tb/d from the previous year and currently stands at 0.45 mb/d. On a cumulative basis, the picture is no different as LPG has declined by just under 3% from last year's levels. Supply and logistical issues, primarily, have promoted this reduction in demand. Nevertheless, despite declining, the July PMI remained above the 50 expansion mark.

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




In **Indonesia**, oil demand growth slowed down on a y-o-y basis. This was an apparent response to the subsidies cuts of late June 2013, in which the country reduced price subsidies for gasoline and gasoil for the first time since 2008. Gasoline price rose by 44% to 66¢ per litre and diesel by 22% to 55¢ per litre. Data for the month of May showed a sharp decrease in gasoil/diesel consumption in the country, falling by 12% y-o-y to stand at 0.44 mb/d. Gasoline, however, was almost stable with a marginal decline to stand at similar levels from a year earlier. On a cumulative basis, data for the first six months of 2013 showed modest growth thanks to LPG, with gasoline and fuel oil registering above 5% growth while gasoil was down by more than 5%. Total product consumption in the country was slightly higher than 1.32 mb/d from January to May of 2013, compared with 1.28 mb/d for the same period in 2012.

**Other Asia**'s oil demand is expected to grow at the rate of 0.23 mb/d in **2013**, down from the growth level of 0.34 mb/d seen in 2012. This is primarily a result of slower economic activities in India and subsidy reductions in countries such as Indonesia. In **2014**, Other Asian's oil demand is projected to be marginally higher at 0.26 mb/d.

## Latin America

*Latin America oil demand to grow by 0.23 mb/d in 2013, and 0.24 mb/d in 2014*

Oil demand in **Latin America** is projected to grow by 0.23 mb/d in 2013 and by 0.24 mb/d in 2014, unchanged from the previous month's forecast.

**Total product demand** is expected to reach 6.49 mb/d and 6.73 mb/d, respectively, in 2013 and 2014. Looking at the region's highest consuming nation, **Brazil**, in the first half of this year, consumption managed to stay above last year's levels with total product demand registering an increase of 0.14 mb/d or 6.5%. This was mainly due to diesel consumption which continues to grow despite the 5.4% rise in prices implemented in January and another hike of 5% in May. Brazil imported around 0.25 mb/d of diesel during the months of April and May, up by 0.06 mb/d from a year earlier. The country consumes around 1 mb/d of diesel, part of which has to be imported, mainly from the US. However, jet/kero demand growth figures continue to disappoint, falling by more than 3% y-o-y in cumulative terms. Demand for the product is expected to worsen during the second half of the year as eight airports will be closed for construction and maintenance ahead of the 2014 world cup tournament. The manufacturing PMI fell below 50 in July, the lowest recorded index measure so far for 2013.

In **Ecuador**, the 1H13 cumulative figures, including June's monthly data, are all indicating growth in oil demand. The country's oil product consumption continued to grow at a stable pace with cumulative oil consumption at around 0.25 mb/d in absolute figures. This equates to an increase of more than 4%. June data is somewhat better with demand improving by more than 8% during the month. Similar to Brazil, most of the demand is focused on gasoil/diesel and the y-o-y increase is mainly attributed to improved consumption of transportation fuels and better industry activity in the country.

**Latin America oil demand** is expected to grow by 0.23 mb/d in 2013, after an increase of 0.20 mb/d in the previous year. In 2014, oil demand growth is projected to remain broadly steady at 0.24 mb/d.

## Middle East

*Middle East oil demand to grow by 0.29 mb/d in 2013 and 0.30 mb/d in 2014*

Oil demand growth in **Saudi Arabia** remains steady on both a cumulative and monthly basis. Growth in the first half of the year was above 3%, while in the month of June it was barely in the positive. Transportation fuels, gasoline and gas/diesel all showed positive growth in cumulative terms, despite a minor dip in gas/diesel oil demand growth during the month of June.

Crude oil used for burning to generate power has been mostly in decline, mainly as a result of other types of fuels being consumed as a substitute. Saudi Arabia usually utilizes a mix of fuels for power generation, which varies between natural gas, gasoil, fuel oil and crude oil. Data for the month of June suggests that fuel oil was used in lieu of crude oil to generate electricity during the high demand summer season when air conditioning is being used the most. Fuel oil recorded a staggering growth of 0.19 mb/d, or almost 100%, y-o-y, while direct crude oil burning declined by almost the same amount.

**Middle East** oil demand is expected to rise by 0.29 mb/d, after increasing by 0.24 mb/d the year before. In **2014**, Middle East oil demand growth is projected to be in the 0.31 mb/d range.

## China

*Chinese oil consumption to increase by 0.33 mb/d in both 2013 and 2014*

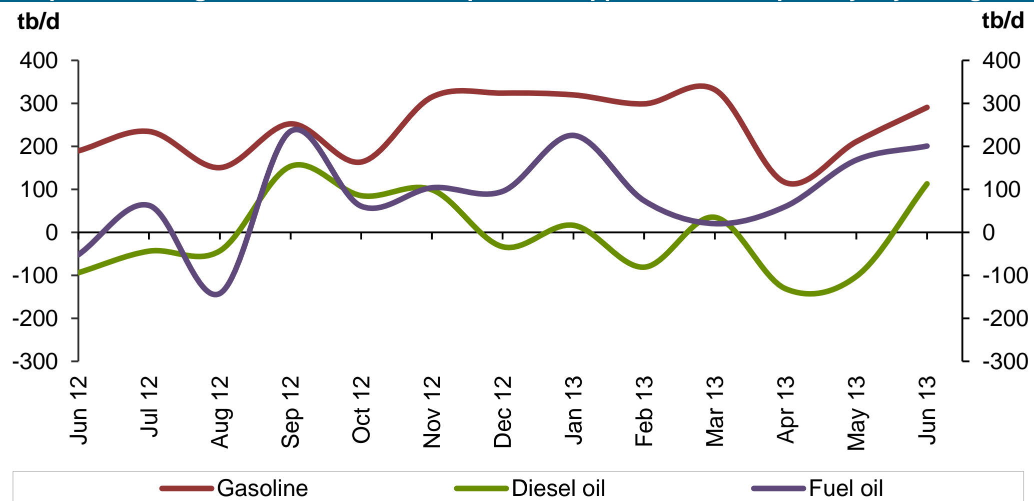
Unexpected news came from **China**, where apparent oil demand for the country defied expectations in June. According to preliminary data, product demand for the month surged by 0.43 mb/d y-o-y, the highest demand growth since early this year. Fuel oil dominated the mix, showing a of 0.2 mb/d surge over last year's figures translating into a rise of more than 35% in percentage terms. This surge could be largely attributed to the increase in the domestic output of oil products following the completion of maintenance activities at a number of refineries.

Product imports also increased during the month of June, with data showing a rise of 0.47 mb/d on a y-o-y basis. The oil demand picture for China for the first half of the year remained positive, with total demand for the country standing at 10.1 mb/d for the first six months of 2013, a 0.1 mb/d or 1% increase from last year's level.

This development in product demand differed from expectations for Chinese oil demand in general, which have been very much linked to economic conditions in the country. The latest drop in economic activities in China has run counter to the postive demand growth data for the month of June. This strongly suggest an inventory buildup in the country. Expectations for the Chinese economy in 2013 are to expand at a slower base than initially forecast. This revision is in line with moderating economic indicators such as export levels and the country's manufactoring PMI. With the latter continuing to display contraction signs for the third consecutive month below the 50 mark, which determines expansion of activities from contraction, the index fell to 47.7 in July from June's final reading of 48.2. This is the weakest level since August of last year. Adding to this softer picture, on 20 July, the Chinese National Development Reform Commission (NDRC) increased domestic gasoil and gasoline retail prices by 310 yuan/t (approx. $50.52/t) and 325 yuan/t (approx. $52.97/t), respectively. This represents the highest increase in oil products prices since the NDRC established its new oil products pricing mechanism.

China oil consumption grew by 0.33 mb/d in 2012. Demand for 2013 and 2014 remain unchanged with Chinese oil consumption estimated to rise by around 0.33 mb/d in both years.

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



# World Oil Supply

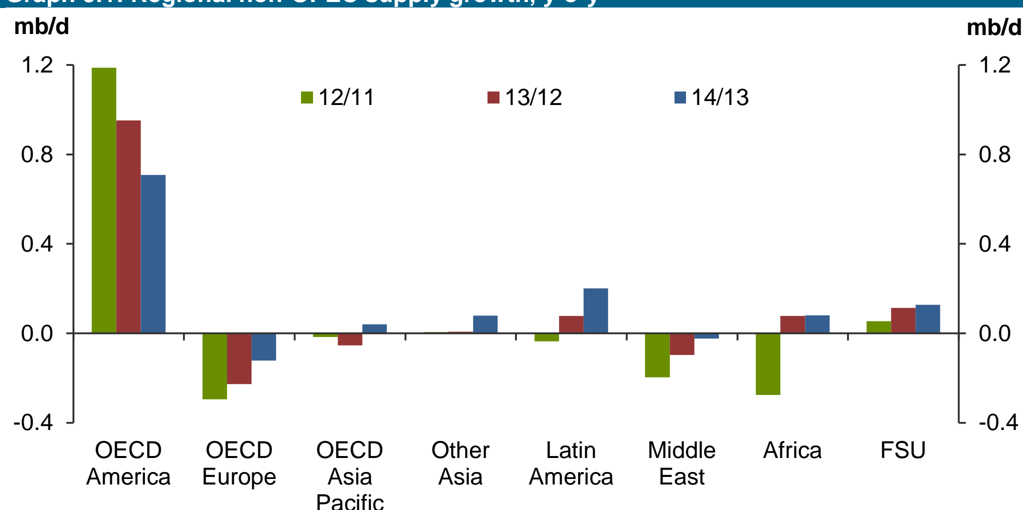
## Non-OPEC

### Forecast for 2013

*Non-OPEC supply expected to increase by 1.01 mb/d in 2013*

Non-OPEC oil supply is expected to increase by 1.01 mb/d in 2013 to average 53.93 mb/d. In absolute terms, the non-OPEC supply forecast shows a minor upward revision of 10 tb/d compared to the previous *Monthly Oil Market Report* (MOMR). The anticipated growth in 2013 saw an upward adjustment of 20 tb/d compared to a month ago. A historical revision to the 2012 oil supply estimate partially led to the upward revision in 2013, while certain changes to individual countries' supply profile further impacted the growth forecast. A few upward and downward revisions were introduced this month to supply expectations, mainly on updated production data as well as changes to the supply profile of individual countries.

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




The oil supply forecast for the 1H13 saw an upward revision while 3Q supply projections remained steady and 4Q oil supply estimates were revised down. Despite the downward revision, 4Q oil supply is seen to rebound from maintenance in 3Q. On a regional basis, OECD Americas was revised the most from a month ago, followed by Other Asia and Latin America. On a quarterly basis, non-OPEC supply is expected to stand at 53.80 mb/d, 53.70 mb/d, 53.88 mb/d and 54.34 mb/d, respectively.

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

| | 2012 | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 2013 | *Change* 13/12 |
|---|---|---|---|---|---|---|---|
| Americas | 16.74 | 17.64 | 17.64 | 17.66 | 17.81 | 17.69 | 0.95 |
| Europe | 3.78 | 3.62 | 3.56 | 3.43 | 3.58 | 3.55 | -0.23 |
| Asia Pacific | 0.56 | 0.45 | 0.50 | 0.53 | 0.54 | 0.51 | -0.05 |
| **Total OECD** | **21.07** | **21.71** | **21.70** | **21.63** | **21.94** | **21.74** | **0.67** |
| Other Asia | 3.64 | 3.64 | 3.59 | 3.68 | 3.69 | 3.65 | 0.01 |
| Latin America | 4.67 | 4.68 | 4.66 | 4.82 | 4.85 | 4.75 | 0.08 |
| Middle East | 1.49 | 1.47 | 1.37 | 1.40 | 1.35 | 1.40 | -0.10 |
| Africa | 2.32 | 2.32 | 2.42 | 2.40 | 2.44 | 2.39 | 0.08 |
| **Total DCs** | **12.12** | **12.10** | **12.04** | **12.30** | **12.33** | **12.19** | **0.07** |
| FSU | 13.30 | 13.44 | 13.38 | 13.38 | 13.45 | 13.41 | 0.11 |
| Other Europe | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.00 |
| China | 4.17 | 4.24 | 4.27 | 4.26 | 4.30 | 4.27 | 0.10 |
| **Total "Other regions"** | **17.61** | **17.81** | **17.78** | **17.78** | **17.89** | **17.82** | **0.21** |
| **Total Non-OPEC production** | **50.81** | **51.62** | **51.52** | **51.70** | **52.16** | **51.75** | **0.94** |
| Processing gains | 2.12 | 2.18 | 2.18 | 2.18 | 2.18 | 2.18 | 0.06 |
| **Total Non-OPEC supply** | **52.93** | **53.80** | **53.70** | **53.88** | **54.34** | **53.93** | **1.01** |
| Previous estimate | 52.94 | 53.79 | 53.65 | 53.88 | 54.36 | 53.92 | 0.98 |
| Revision | -0.01 | 0.01 | 0.06 | 0.00 | -0.02 | 0.01 | 0.02 |

## OECD

*Total OECD supply forecast to increase by 0.67 mb/d to average 21.74 mb/d in 2013*

Total OECD oil supply is forecast to increase by 0.67 mb/d in 2013 to average 21.74 mb/d, constituting an upward revision of 30 tb/d from the previous month. The supply forecasts for the US and Canada were revised up, while that for the Mexico and Denmark were adjusted down. OECD Americas remains the only region within the OECD with expected supply growth in 2013, while supply from OECD Europe and OECD Asia Pacific is expected to decline. On a quarterly basis, OECD oil supply is seen to average 21.71 mb/d, 21.70 mb/d, 21.63 mb/d and 21.94 mb/d, respectively.

**Graph 5.2: OECD's quarterly production**

### *OECD Americas*

**OECD Americas** oil production is projected to average 17.69 mb/d in 2013, an increase of 0.95 mb/d over the previous year. This represents an upward revision of 40 tb/d from the previous MOMR, which came from the US and Canada, while Mexico's supply estimate encountered a minor downward revision. OECD Americas supply is expected to have the highest regional growth among all the non-OPEC regions in 2013, supported by the strong growth forecasts from the US and Canada, as well as a limited decline from Mexico. According to preliminary data, the region's supply averaged 17.64 mb/d during the 1H13, which is a significant 1.17 mb/d higher than the same period in 2012. On a quarterly basis, OECD Americas oil supply in 2013 is estimated to stand at 17.64 mb/d, 17.64 mb/d, 17.66 mb/d and 17.81, mb/d respectively.

### *US*

*US supply to grow by 0.76 mb/d in 2013 to average 10.79 mb/d*

**US** oil supply is forecast to average 10.79 mb/d in 2013, indicating growth of 0.76 mb/d over the previous year and an upward revision of 30 tb/d from the previous MOMR. This growth is the highest among all the non-OPEC countries. The upward revision was incorporated to adjust for updated production data during the 1H13 that was partly carried over to the rest of the year. The upward revision was supported mainly by the strong output of the tight oil. North Dakota oil production achieved a new record high in May as output exceeded the 800 tb/d for the first time. In May, despite the heavy rainfall that impacted drilling activities, North Dakota production averaged 810 tb/d, supported by a record number of wells of 8915 well. Furthermore, Texas oil production continued to increase supported by the growth from Eagle Ford basin, with output exceeding 2.5 mb/d in May, the highest monthly level since April 1982. Crude oil production from the Eagle Ford averaged 580 tb/d in May, a significant increase of more than 200 tb/d compared to same period a year earlier while the Permian basin production averaged 855 tb/d, a minor decline on a y-o-y basis.

The new platform for the Mars field has sailed and expected to start operations by the end of the year toward 2014 and support the output. The start-up of the new NGL facilities in Utica Ohio is seen to further support the growth in the US in 2013. Moreover, the start-up of the US first commercial scale quantities of cellulosic ethanol in Florida is seen to support the anticipated growth despite the volume being small. On the other hand, Alaska oil supply continued to decline with reports providing that June 2013 ending fiscal year indicated an annual decline of 8% from the same period a year

earlier and average 533 tb/d. According to preliminary and estimated data, US oil supply averaged 10.78 mb/d during the first half of 2013, a growth of 1.0 mb/d compared to the same period a year earlier. On a quarterly basis, US oil supply is expected to average 10.63 mb/d, 10.94 mb/d, 10.76 mb/d and 10.83 mb/d, respectively.

***Canada and Mexico***

*Maintenance and pipeline shutdowns limited Canada supply in 2Q*

**Canada**'s oil supply forecast has been revised up by a slight 15 tb/d from the previous month. It now averages 4.01 mb/d in 2013, representing at 0.24 mb/d above the previous year, the highest annual growth since 1974. The upward revision came only from the first quarter to adjust for updated production data. Canada supply forecast indicates that 2Q output is seen to decline as maintenance is seen impacting oil sand production. Additionally, the severe flooding that caused the shutdown of part of major pipeline and let to reduction of production from some projects, is seen impacting 2Q supply. The Kearl project is ramping up toward the peak capacity of 110 tb/d by the year end and 2014. During the 1H13, Canada's oil supply increased by 0.22 mb/d from the same period of 2012. On a quarterly basis, Canada oil supply is seen to average 4.08 mb/d, 3.82 mb/d, 4.02 mb/d and 4.12 mb/d, respectively.

*Mexico's first half output was lower by 40 tb/d than the same period in 2012*

**Mexico**'s oil supply is projected to average 2.88 mb/d in 2013, a decline of 50 tb/d from the previous year, indicating a minor downward revision of 5 tb/d compared to previous month. The downward revision came on the back of updated production figures in the 2Q that was partially carried over to the rest of the year. The downward revision came despite June production indicated an increase from the previous month, marking the highest monthly level since February. According to recent production data, Mexico oil supply averaged 2.89 mb/d during the 1H13, constituting a minor decline of 40 tb/d from the same period of 2012. According to field data, the Cantarell field output continue to be in slow decline so far in 2013. Moreover, the lowering of the production target by the national operators for 2013 is seen in line with Mexico's forecast. On a quarterly basis, Mexico's oil supply is expected to average 2.91 mb/d, 2.87 mb/d, 2.87 mb/d and 2.85 mb/d, respectively.

***OECD Europe***

Total **OECD Europe** oil supply is forecast to decrease 0.23 mb/d in 2013 to average 3.55 mb/d, representing a downward revision of 10 tb/d from the previous MOMR. Oil supply from all major producers in the region is seen to decline in 2013. On a quarterly basis, OECD Europe supply is expected to stand at 3.62 mb/d, 3.56 mb/d, 3.43 mb/d and 3.58 mb/d, respectively. According to preliminary data, OECD Europe supply averaged 3.59 mb/d during the first half of 2013, a decline of 0.41 mb/d from the same period of 2012.

*Norway's oil supply is forecast to drop 0.12 mtb/d in 2013 to average 1.80 mb/d*

**Norway**'s oil production is predicted to decline by 0.12 mb/d from 2012 to average 1.80 mb/d in 2013, unchanged from previous MOMR. Despite the steady state from previous month, Norway oil supply projection encountered upward and downward revisions that offset each other. The 2Q supply estimate experienced an upward revision on updated production data that came slightly higher than expected. The second half supply encountered a downward revision on the back of reported fields shutdown and maintenance. Norway oil supply is expected to decline in the 3Q compared to the 2Q as further maintenance and shutdowns are seen in the horizon. The restart of the Ekofisk output by the end of July is part of the maintenance program. The field output averaged 50 tb/d in June compared to 200 tb/d in previous month. Technical difficulties continued to impact Norway oil production as first half oil production averaged 1.82 mb/d, a decline of 200 tb/d compared to the same period a year earlier. On a quarterly basis, Norway oil supply is expected to average 1.83 mb/d, 1.82 mb/d, 1.72 mb/d and 1.82 mb/d, respectively.

*Forties maintenance to reduce 3Q output*

**UK** oil supply is estimated to average 0.89 mb/d in 2013, a decline of 60 tb/d compared to previous year, unchanged from previous MOMR. The expected 2013 annual average is the lowest level for the UK since 1977. The experienced shutdowns on technical background of some fields were covered by the forecast and required no further revisions. The short shutdown of the Buzzard field in June and reduced output in July on technical reason did not impact the projection. The UK oil supply in the 3Q is

expected to decline compared to the 2Q as the upcoming maintenance of the Forties field in August as well as other fields is seen to limited production. According to preliminary data, UK oil supply declined by 0.15 mb/d during the 1H13, compared with the same period in 2012. On a quarterly basis, the UK oil production is seen to stand at 0.92 mb/d, 0.90 mb/d, 0.85 mb/d and 0.91 mb/d, respectively.

***OECD Asia Pacific***

**OECD Asia Pacific** oil production is forecast to average 0.51 mb/d in 2013, a drop of 50 tb/d from 2012, flat from last month. On a quarterly basis, OECD Asia Pacific oil output is estimated to average 0.45 mb/d, 0.50 mb/d, 0.53 mb/d and 0.54 mb/d respectively.

*Australian oil supply to drop 50 tb/d in 2013*

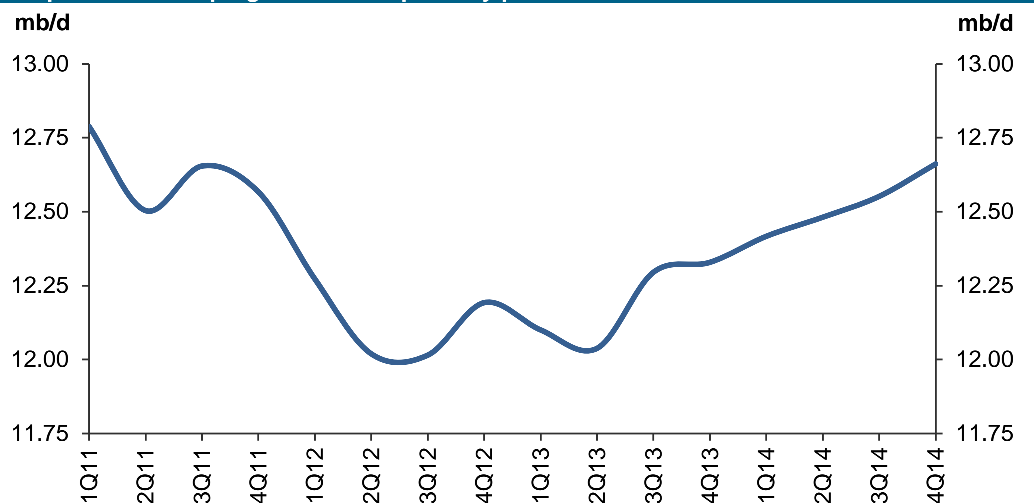
**Australian** oil supply is expected to decline by 50 tb/d in 2013 to average 0.43 mb/d, unchanged from the previous month assessment. The steady state came on the back of the negative impact of the maintenance at the North West Shelf production facilities offset by the ramp-up of the Montara oil production. During the 1H13, Australia oil supply averaged 0.40 mb/d, a decline of 80 tb/d compared to the same period a year earlier. The decline came on the back of the impact of the weather and maintenance on production, especially during the 1Q, which averaged 0.37 mb/d, the lowest level since the 3Q of 1972 for Australia. Production is seen to increase in the 3Q and 4Q as new volume is expected to support Australia output in 2013. On a quarterly basis, Australia oil supply is seen to stand at 0.37 mb/d, 0.42 mb/d, 0.46 mb/d and 0.47 mb/d, respectively.

## Developing countries

*DC supply to average 12.19 mb/d in 2013, a growth of 70 tb/d*

Total **developing countries**' (DC) oil supply is forecast to average 12.19 mb/d in 2013, representing an increase of 70 tb/d over 2012 and a downward revision of 35 tb/d from the previous month. Latin America and Africa are the only two regions with forecast supply growth, while the Middle East production is expected to experience declines in 2013 and Other Asia output is estimated to remain steady. The downward revision to the DCs' supply forecast came from Other Asia and Latin America, while The Middle East and Africa remained steady from the previous MOMR. Latin America is now forecast to experience the fourth-largest increase among all non-OPEC regions, supported by Colombia. On a quarterly basis, total supply in the DCs is seen to average 12.10 mb/d, 12.04 mb/d, 12.30 mb/d and 12.33 mb/d, respectively. According to preliminary and estimated data, DC oil supply averaged 12.07 mb/d during the 1H13, a decrease of 80 tb/d compared to the same period a year earlier.

**Graph 5.3: Developing Countries' quarterly production**




*Other Asia supply to increase by 10 tb/d in 2013*

**Other Asia**'s oil supply is expected to remain relatively steady in 2013, averaging 3.65 mb/d, compared with a year earlier, with a minor increase of 10 tb/d, indicating a downward revision of 15 tb/d from the previous month. Malaysia oil supply encountered the only revision among the region's countries. Oil production from Malaysia, Thailand and Vietnam is expected to encounter growth while Indonesia and India output is seen to decline in 2013.

**India**'s oil supply is seen to average 0.87 mb/d in 2013, a minor decline of 10 tb/d compared to previous year, and flat from previous MOMR. **Indonesia**'s oil supply is expected to average 0.93 mb/d, a decline of 50 tb/d from the previous year. The decline is seen coming from limited new development and decline in mature producing areas. The government reduced the output target on the back of the actual data.

During the 1H13, Indonesia oil supply averaged 0.93 mb/d, a drop of 70 tb/d compared to the same period a year earlier. On a quarterly basis, Other Asia's supply is forecast to stand at 3.64 mb/d, 3.59 mb/d, 3.68 mb/d and 3.69 mb/d, respectively.

**Vietnam**'s supply is expected to increase by 10 tb/d in 2013 and average 0.40 mb/d, flat from the previous MOMR. **Malaysia**'s supply is seen to average 0.71 mb/d in 2013, an increase of 50 tb/d, indicating a downward revision of 20 tb/d compared to previous month. This growth is the highest among the region's countries. The ramp-up of production Gumusut field is expected to drive the growth in 2013.

*Latin America supply to grow by 80 tb/d in 2013 to average 4.75 mb/d*

**Latin America**'s oil production is projected to increase by 80 tb/d over 2012 to average 4.75 mb/d in 2013, indicating a downward revision of 15 tb/d from the previous month. The revision took Latin America's growth to fourth on the list from among all the non-OPEC regions. Colombia is expected to support this growth, while Argentina and Trinidad and Tobago are seen to decline slightly in 2013 and Brazil remain steady.

**Argentina**'s supply is expected to decline by 20 tb/d in 2013 to average 0.67 mb/d, indicating a downward revision of 20 tb/d from the previous MOMR. This revision came from a historical data update. Compared with the same period of 2012, Argentina's supply dropped 30 tb/d in the 1H13, as per preliminary data. The decline is expected despite the conclusion of the deal to develop the Vaca Muerta shale in Argentina, where minor volume from shale formation is reported from the drilling activities.

**Colombia**'s supply is expected to average 1.03 mb/d in 2013, representing growth of 80 tb/d, unchanged from the last month. The strong growth remains expected despite the production figure coming below the 1.0 mb/d for the first time in 2013, due to pipeline damages on security issues. Accordingly, the risk remains whether the security situation will continue to impact the supply in the coming period.

According to preliminary data, Latin America's oil supply averaged 4.67 mb/d during the 1H13, a minor decline of 20 tb/d compared to the same period a year earlier. On a quarterly basis, Latin America's supply is expected to stand at 4.68 mb/d, 4.66 mb/d, 4.82 mb/d and 4.85 mb/d, respectively.

*Brazil supply expected to rebound in 2H13*

**Brazil's** oil supply is forecast to remain steady in 2013 and average 2.60 mb/d, indicating a minor upward revision of 10 tb/d to the previous MOMR. The revision was introduced to partly adjust for updated production data in the 2Q that turned out to be higher than expected. Brazil oil supply remained below last year level in the 1H13 and the forecast steady state is seen as output is expected to rebound in the 2H13. In May, Brazil oil supply indicated a monthly increase. However, it remained below last year's levels mainly on maintenance. Brazil oil production in May averaged 2.56 mb/d, 20 tb/d lower than May 2012. The monthly y-o-y decline continued in May and has now reached 14 consecutive months. According to preliminary data, Brazil oil supply averaged 2.54 mb/d in the 1H13, a decline of 100 tb/d compared to the same period a year earlier. On a quarterly basis, Brazil's oil supply is seen to stand at 2.54 mb/d, 2.54 mb/d, 2.65 mb/d and 2.67 mb/d, respectively.

*Middle East production to average 1.40 mb/d in 2013*

**Middle East** oil supply is expected to decrease by 100 tb/d from 2012 to average 1.40 mb/d in 2013, representing a minor downward revision of 5 tb/d from the previous month. Within the Middle East, supply from Oman and Bahrain is expected to grow in 2013, while output in Yemen and Syria is seen to decline.

**Oman**'s production is forecast to average 0.94 mb/d in 2013, representing growth of 20 tb/d from the previous year and flat from the last MOMR. **Yemen**'s oil supply is seen to average 0.17 mb/d in 2013, a decline of 10 tb/d from previous year and a downward revision of 5 tb/d from last month. The downward revision came on the back

of continued damages on Marib pipeline that led to production shutdown. Reports suggested the Yemen oil production dropped to 100 tb/d in May due to various attacks. **Syria**'s oil production is estimated to average 90 tb/d in 2013, a decline of 0.12 mb/d compared to previous year and unchanged from last MOMR.

The Middle East supply forecast remains associated with a high level of risk mainly due to unavailability of data and the political situation. On a quarterly basis, Middle East supply is seen to average 1.47 mb/d, 1.37 mb/d, 1.40 mb/d and 1.35 mb/d, respectively.

*African oil supply to average 2.39 mb/d in 2013, an increase of 80 tb/d*

**Africa**'s oil production is anticipated to increase by 80 tb/d in 2013 to 2.39 mb/d, unchanged from the previous MOMR. Despite the steady state, there were minor upward and downward revisions that offset each other. In Africa, oil production from South Sudan and Sudan and Ghana is seen to experience annual growth while supply from other countries is seen to either remain flat or decline.

**Equatorial Guinea** oil supply is seen to remain steady in 2013 and average 0.31 mb/d. The start-up of the Alen field by end of July is seen to support the production and offset the decline from mature producing areas. Similarly, the expected start-up of the Badila oil field in **Chad** in the 3Q is seen to support the output to remain stable in 2013 and average 0.13 mb/d. **Ghana** oil supply is seen to increase despite the technical issues that is reported to curtail the Jubilee field average in 2013 at 95 tb/d, lower than the project capacity of 120 tb/d.

**South Sudan** and **Sudan** oil production is seen to average 0.21 mb/d in 2013, an increase of 90 tb/d from previous year and a minor upward revision of 5 tb/d from previous MOMR. The revision came to adjust for updated production data, while the ongoing situation between the two nations is driving to adopt wait and see mode regarding the forecast. Sudan issued a deadline to halt oil export from South Sudan due to political issue. In July, South Sudan started a gradual shutdown as the deadline of 7 August approached. Reports suggested that South Sudan output reach more than 200 tb/d and came down to 100 tb/d in July. Sudan deadline was postponed to 22 August. Accordingly, the coming period will be crucial for South Sudan and Sudan oil supply forecast and risk remains on the high side.

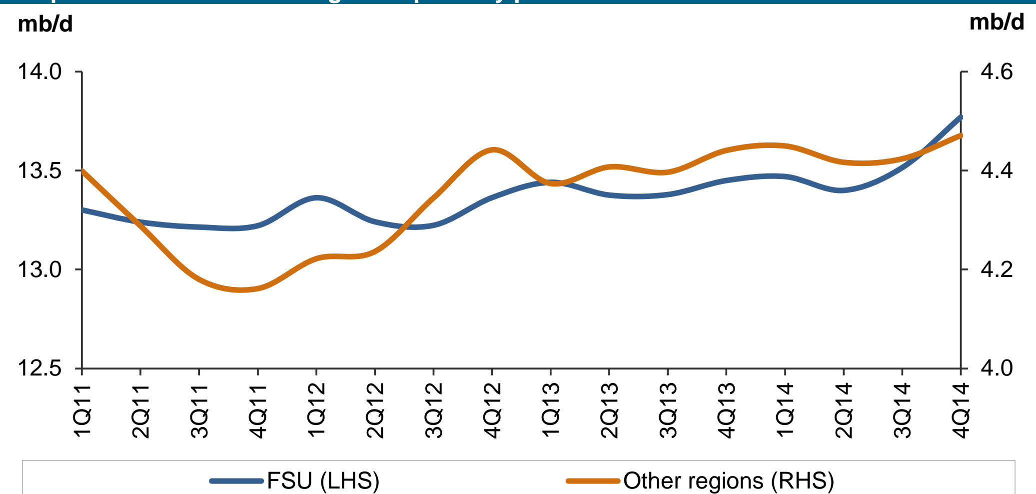
On a quarterly basis, supply from Africa is expected to average 2.32 mb/d, 2.42 mb/d, 2.40 mb/d and 2.44 mb/d, respectively.

## FSU, Other regions

*FSU supply to increase by 0.11 mb/d in 2013 and average 13.41 mb/d*

**Total FSU** oil supply is estimated to increase by 0.11 mb/d in 2013 to average 13.41 mb/d, representing an upward revision of 10 tb/d from the previous month. The revision came from Kazakhstan and Azerbaijan, while the supply forecast for Russia remained steady from the previous MOMR.

**Graph 5.4: FSU and other region's quarterly production**



Russia and Kazakhstan supply is expected to drive the growth in the FSU, while Azerbaijan supply is seen as declining in 2013. According to preliminary data, FSU supply averaged 13.41 mb/d in the 1H13, an increase of 0.11 mb/d from the same period of 2012. On a quarterly basis, total FSU supply is forecast to average 13.44 mb/d, 13.38 mb/d, 13.45 mb/d and 13.41 mb/d, respectively. Supply in China is seen to increase by 0.10 mb/d to average 4.27 mb/d in 2013. Other Europe's supply is expected to remain unchanged from 2012 and average 0.14 mb/d in 2013.

***Russia***

*Russia output is expected to increase 80 tb/d in 2013 and average 10.45 mb/d*

**Russia**'s oil production is forecast to increase by 80 tb/d to average 10.45 mb/d in 2013, unchanged from the previous MOMR. The expected growth in 2013 is the lowest since 2008. Preliminary data indicated that Russia's supply averaged 10.40 mb/d in July, lower by 100 tb/d from the new record of June production. Despite the decline from the previous month, July's healthy production level is in line with the forecast. Russian authorities approved a government proposal on tax breaks for developing hard-to-recover reserves, which includes tight oil developments, seen as supporting future oil production. The risk to the forecast remains high, especially on price, decline rates, and technical and taxation developments. According to preliminary data, Russia's supply averaged 10.45 mb/d during the first seven months of the year, indicating an increase of 0.12 mb/d on the same period of 2012. On a quarterly basis, Russia oil production is seen to average 10.45 mb/d, 10.47 mb/d, 10.44 mb/d and 10.44 mb/d, respectively.

***Caspian***

*Kazakhstan supply to average 1.64 mb/d in 2013*

**Kazakhstan**'s oil production is projected to increase 50 tb/d in 2013 and average 1.64 mb/d, representing a minor downward revision of 5 tb/d from the previous MOMR. The downward revision was effected in 2H13 due to the delay of the Kashagan start-up. The oil minister of Kazakhstan provided that the start-up of the field will be "no later" than October 2013 despite other reports of possible delays up until April of next year, partially due to upcoming winter season. The operators of the fields also maintain that the field will start-up in 2013.

According to preliminary data, Kazakhstan oil production averaged 1.64 mb/d in the 1H13, an increase of 40 tb/d compared to the same period in 2012. On a quarterly basis, Kazakhstan oil production is estimated to stand at 1.68 mb/d, 1.60 mb/d, 1.63 mb/d and 1.66 mb/d, respectively.

*Azeri oil production to average 0.87 mb/d in 2013*

**Azerbaijan**'s oil production is forecast to decline 30 tb/d in 2013 and average 0.87 mb/d, representing an upward revision of 15 tb/d compared to last month. The upward revision came on the back of updated production data in the 2Q that came slightly higher than previously expected and was carried over to the rest of the year. The drop in Azeri oil supply in 2013 is seen on the back of limited new development and decline in mature producing areas.

According to preliminary data, Azerbaijan oil production averaged 0.87 mb/d during the 1H13, a decline of 70 tb/d compared to the same period a year earlier. On a quarterly basis, Azerbaijan's supply is forecast to stand at 0.87 mb/d, 0.86 mb/d, 0.86 mb/d and 0.87 mb/d, respectively.

## China

*China supply to grow by 100 tb/d in 2013*

**China**'s oil supply is forecast to average 4.27 mb/d in 2013, which is 0.10 mb/d higher than the previous year, unchanged from the last MOMR. China's oil supply averaged 4.32 mb/d in June, 70 tb/d more than the previous month, and the highest level since September 2012. Oil production from China is seen to remain at the same level in the coming months, with some increases. During 1H13, China oil supply averaged 4.25 mb/d, an increase of 0.16 mb/d compared to the same period a year earlier. On a quarterly basis, China oil output is seen to stand at 4.24 mb/d, 4.27 mb/d, 4.26 mb/d and 4.30 mb/d, respectively.

## Forecast for 2014

*Non-OPEC supply to increase by 1.15 mb/d in 2014*

Non-OPEC oil supply in 2014 is expected to grow by 1.15 mb/d to average 55.08 mb/d, indicating an upward revision of 20 tb/d to the average, while expected growth has increased 10 tb/d from the previous MOMR. Historical revisions to 2012 and 2013 have been carried over to the 2014 supply forecast.

On a regional basis, OECD Americas is expected to have the highest growth in 2014, followed by Latin America, the FSU and Africa, while OECD Europe is seen to decline. On a quarterly basis, non-OPEC supply in 2014 is expected to average 54.67 mb/d, 54.57 mb/d, 54.98 mb/d and 56.09 mb/d, respectively.

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

| | 2013 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 2014 | Change 14/13 |
|---|---|---|---|---|---|---|---|
| Americas | 17.69 | 18.05 | 18.14 | 18.46 | 18.93 | 18.40 | 0.71 |
| Europe | 3.55 | 3.55 | 3.38 | 3.27 | 3.51 | 3.42 | -0.12 |
| Asia Pacific | 0.51 | 0.53 | 0.56 | 0.56 | 0.54 | 0.55 | 0.04 |
| **Total OECD** | **21.74** | **22.13** | **22.07** | **22.29** | **22.98** | **22.37** | **0.63** |
| Other Asia | 3.65 | 3.71 | 3.73 | 3.74 | 3.72 | 3.73 | 0.08 |
| Latin America | 4.75 | 4.87 | 4.90 | 4.96 | 5.07 | 4.95 | 0.20 |
| Middle East | 1.40 | 1.37 | 1.37 | 1.38 | 1.38 | 1.37 | -0.02 |
| Africa | 2.39 | 2.46 | 2.47 | 2.48 | 2.48 | 2.47 | 0.08 |
| **Total DCs** | **12.19** | **12.42** | **12.48** | **12.55** | **12.66** | **12.53** | **0.34** |
| FSU | 13.41 | 13.47 | 13.40 | 13.51 | 13.77 | 13.54 | 0.13 |
| Other Europe | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.00 |
| China | 4.27 | 4.31 | 4.28 | 4.29 | 4.33 | 4.30 | 0.04 |
| **Total "Other regions"** | **17.82** | **17.92** | **17.82** | **17.94** | **18.24** | **17.98** | **0.16** |
| **Total Non-OPEC production** | **51.75** | **52.46** | **52.37** | **52.78** | **53.88** | **52.88** | **1.13** |
| Processing gains | 2.18 | 2.21 | 2.21 | 2.21 | 2.21 | 2.21 | 0.02 |
| **Total Non-OPEC supply** | **53.93** | **54.67** | **54.57** | **54.98** | **56.09** | **55.08** | **1.15** |
| Previous estimate | 53.92 | 54.65 | 54.55 | 54.96 | 56.06 | 55.06 | 1.14 |
| Revision | 0.01 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.01 |

## Revisions to the 2014 forecast

The oil supply forecasts for the US, Indonesia and Azerbaijan have seen some upward revisions for 2014, while the supply projections for Mexico, Norway, Argentina, Ghana and Kazakhstan have been revised down. The revisions were due to changes to the 2011 and 2012 estimates, as well as changes to the 2013 forecast, which were carried over to 2014.

# OPEC natural gas liquids and non-conventional oils

Production of OPEC natural gas liquids (NGLs) and non-conventional oils in 2013 are expected to increase by 0.21 mb/d over the previous year to 5.87 mb/d. In 2014, OPEC NGLs and non-conventional oils are forecast to grow by 0.15 mb/d to 6.01 mb/d.

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

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

# OPEC crude oil production

*OPEC crude oil production fell to 30.31 mb/d in July*

Total OPEC crude oil production averaged 30.31 mb/d in July, according to secondary sources, down 0.10 mb/d from the previous month. Crude oil output from Libya and Iraq fell, while production increased from Saudi Arabia. According to secondary sources, OPEC crude oil production, not including Iraq, stood at 27.34 mb/d in July, a drop of 0.05 mb/d over the previous month.

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

| | 2011 | 2012 | 4Q12 | 1Q13 | 2Q13 | May 13 | Jun 13 | Jul 13 | Jul/Jun |
|---|---|---|---|---|---|---|---|---|---|
| Algeria | 1,240 | 1,210 | 1,186 | 1,169 | 1,165 | 1,171 | 1,148 | 1,154 | *6.6* |
| Angola | 1,667 | 1,738 | 1,728 | 1,754 | 1,745 | 1,767 | 1,725 | 1,710 | *-14.6* |
| Ecuador | 490 | 499 | 502 | 502 | 506 | 505 | 504 | 504 | *0.0* |
| Iran, I.R. | 3,628 | 2,973 | 2,680 | 2,709 | 2,678 | 2,669 | 2,685 | 2,684 | *-0.8* |
| Iraq | 2,665 | 2,979 | 3,118 | 3,031 | 3,098 | 3,108 | 3,023 | 2,972 | *-50.9* |
| Kuwait | 2,538 | 2,793 | 2,820 | 2,787 | 2,836 | 2,842 | 2,837 | 2,826 | *-11.0* |
| Libya | 462 | 1,393 | 1,468 | 1,399 | 1,342 | 1,402 | 1,186 | 1,062 | *-124.4* |
| Nigeria | 2,111 | 2,073 | 1,965 | 1,992 | 1,917 | 1,929 | 1,871 | 1,881 | *10.0* |
| Qatar | 794 | 753 | 732 | 736 | 729 | 725 | 731 | 731 | *0.0* |
| Saudi Arabia | 9,296 | 9,737 | 9,436 | 9,105 | 9,470 | 9,540 | 9,599 | 9,696 | *97.0* |
| UAE | 2,516 | 2,624 | 2,650 | 2,690 | 2,728 | 2,721 | 2,757 | 2,742 | *-14.8* |
| Venezuela | 2,380 | 2,359 | 2,328 | 2,345 | 2,347 | 2,352 | 2,342 | 2,347 | *5.6* |
| **Total OPEC** | **29,788** | **31,132** | **30,613** | **30,218** | **30,562** | **30,729** | **30,406** | **30,308** | ***-97.3*** |
| **OPEC excl. Iraq** | **27,122** | **28,152** | **27,495** | **27,187** | **27,463** | **27,621** | **27,383** | **27,337** | ***-46.4*** |

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

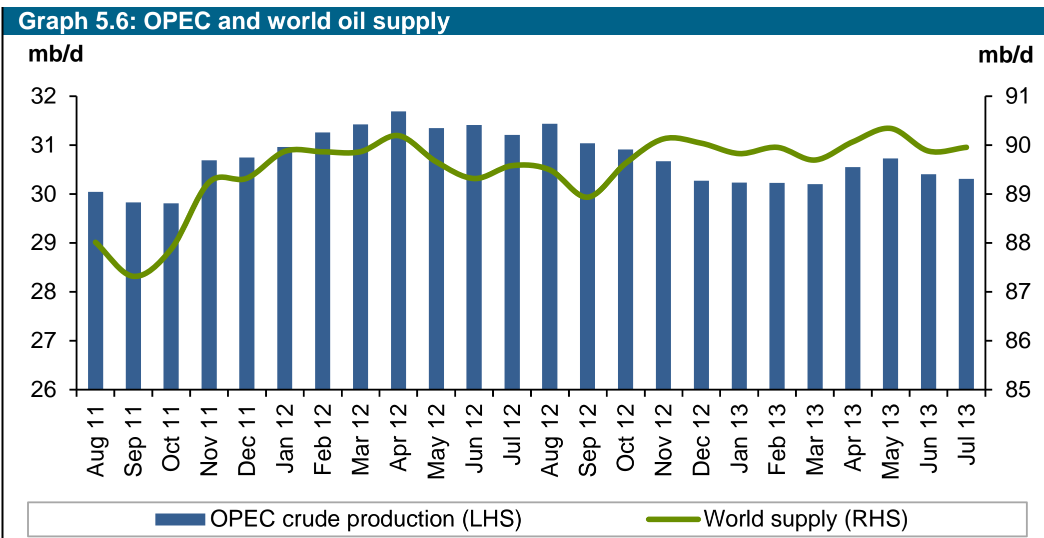
**Table 5.5: OPEC crude oil production based on *direct communication*, tb/d**

| | 2011 | 2012 | 4Q12 | 1Q13 | 2Q13 | May 13 | Jun 13 | Jul 13 | Jul/Jun |
|---|---|---|---|---|---|---|---|---|---|
| Algeria | 1,173 | 1,203 | 1,184 | 1,199 | 1,202 | 1,204 | 1,207 | 1,210 | *3.0* |
| Angola | 1,618 | 1,704 | 1,690 | 1,734 | 1,730 | 1,730 | 1,748 | .. | .. |
| Ecuador | 500 | 504 | 503 | 506 | 520 | 522 | 524 | 530 | *6.3* |
| Iran, I.R. | 3,576 | 3,740 | 3,713 | 3,704 | 3,711 | 3,710 | 3,708 | 3,721 | *13.0* |
| Iraq | 2,653 | 2,944 | 3,058 | 2,957 | 3,042 | 3,070 | 2,994 | 2,989 | *-5.0* |
| Kuwait | 2,660 | 2,977 | 2,967 | 2,813 | 2,970 | 2,960 | 2,980 | 3,011 | *31.0* |
| Libya | 462 | 1,450 | 1,498 | 1,489 | 1,415 | 1,441 | 1,286 | 1,242 | *-44.0* |
| Nigeria | 1,896 | 1,954 | 1,864 | 1,820 | 1,649 | 1,676 | 1,544 | 1,610 | *65.9* |
| Qatar | 734 | 734 | 727 | 728 | 724 | 723 | 721 | 722 | *1.5* |
| Saudi Arabia | 9,311 | 9,763 | 9,413 | 9,111 | 9,538 | 9,657 | 9,642 | .. | .. |
| UAE | 2,565 | 2,652 | 2,664 | 2,823 | 2,792 | 2,770 | 2,836 | 2,877 | *41.2* |
| Venezuela | 2,795 | 2,804 | 2,785 | 2,743 | 2,762 | 2,758 | 2,774 | .. | .. |
| **Total OPEC** | **29,942** | **32,429** | **32,066** | **31,626** | **32,055** | **32,221** | **31,964** | **..** | **..** |
| **OPEC excl. Iraq** | **27,290** | **29,485** | **29,008** | **28,669** | **29,013** | **29,151** | **28,970** | **..** | **..** |

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

## World Oil Supply

Preliminary figures indicate that global oil supply increased by 0.08 mb/d in July to average 89.95 mb/d. Non-OPEC supply saw growth of 0.17 mb/d, while OPEC crude production decreased by 0.10 mb/d. The share of OPEC crude oil in global production remained steady at 33.7%. The estimate is based on preliminary data for non-OPEC supply, estimates for OPEC NGLs and OPEC crude production from secondary sources.

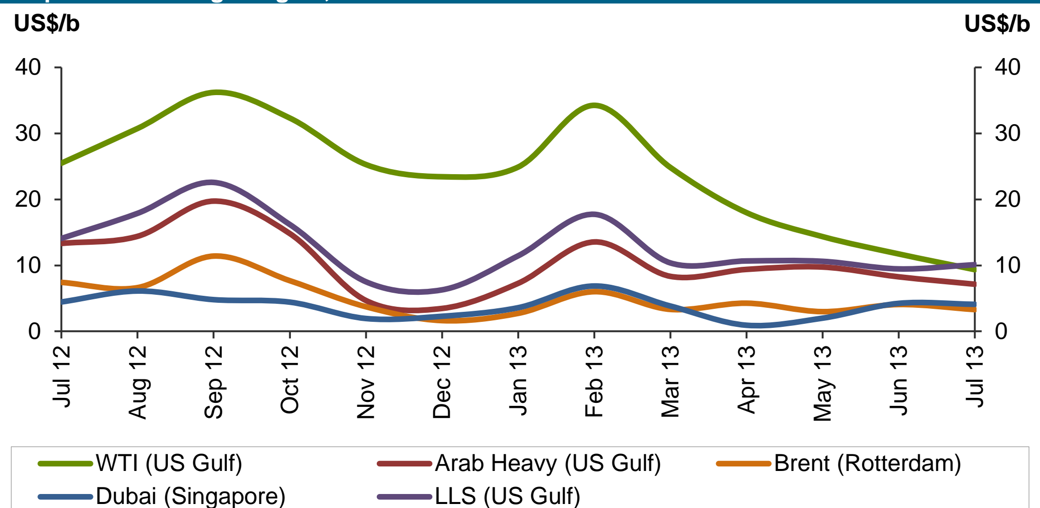

Graph 5.6: OPEC and world oil supply
mb/d
mb/d
32
31
30
29
28
27
26
91
90
89
88
87
86
85
Aug 11
Sep 11
Oct 11
Nov 11
Dec 11
Jan 12
Feb 12
Mar 12
Apr 12
May 12
Jun 12
Jul 12
Aug 12
Sep 12
Oct 12
Nov 12
Dec 12
Jan 13
Feb 13
Mar 13
Apr 13
May 13
Jun 13
Jul 13
OPEC crude production (LHS)
World supply (RHS)

# Product Markets and Refinery Operations

*Refinery margins in the Atlantic Basin hit by crude developments*

Product markets exhibited a mixed performance in July. Asian margins remained relatively healthy on the back of cracks strengthening across the top and middle of the barrel, supported by strong regional seasonal demand in contrast to developments in the Atlantic Basin, where refinery margins have fallen pressured by developments in the crude markets. On the other hand, the bottom of the barrel crack spread suffered a sharp drop, caused by weaker demand in the bunker and power sectors worldwide.

**Graph 6.1: Refining margins, 2012-13**




**US** product cracks showed a mixed performance. While gasoline remained relative healthy on the back of increasing demand during the driving season, heavy losses were seen at the bottom of the barrel, sinking the fuel oil crack into negative territory.

Despite higher production and with stocks remaining above the typical level, gasoline cracks remained healthy on the back of supply concerns since the end of June due to the outages of some production units. Additional support came with the increasing demand of the driving season, averaging around 9 mb/d, 220 tb/d above the level reached in the same month last year.

The losses exhibited at the bottom of the barrel, along with the developments in the crude market, made the margin for WTI to continue to fall during July, losing more than $2 to average around $9.4/b, while the margin for Arab Heavy crude on the US Gulf Coast (USGC) showed a drop of $1.2 in July to average $7/b.

**European** product markets also registered a mixed performance, with gasoline cracks retaining part of the ground gained last month on the back of export opportunities to the US Atlantic Coast, though this outlet has been limited during last weeks.

Meanwhile, Middle distillates which had driven the margins in previous months weakened slightly under the pressure exerted by the supply side.

At the bottom of the barrel, high fuel oil inventories combined with unseasonably low demand in Europe and limited arbitrage to Asia Pacific caused the crack to plummet and the margin for Brent crude in Northwest Europe to drop by around $1, averaging $3/b in July.

In **Asia**, light and middle distillates cracks continued to rise, with fundamentals being quite healthy on higher seasonal requirements in gasoline and middle distillates. Bullish sentiment was further boosted by temporarily tight supply due to some persistent disruptions in some refinery units.

At the bottom of the barrel, cracks remained pressured by the higher inventories while the region continued to suffer from weak power and bunker demand causing a sharp

loss of more than $5 in the fuel oil cracks in Singapore. However, this loss at the bottom was offset by a strengthening at the top and middle of the barrel, which allowed refinery margins to keep the ground gained during June.

Refinery margins in Asia continued at the level reached during the previous month, around an average of $4/b.

## Refinery operations

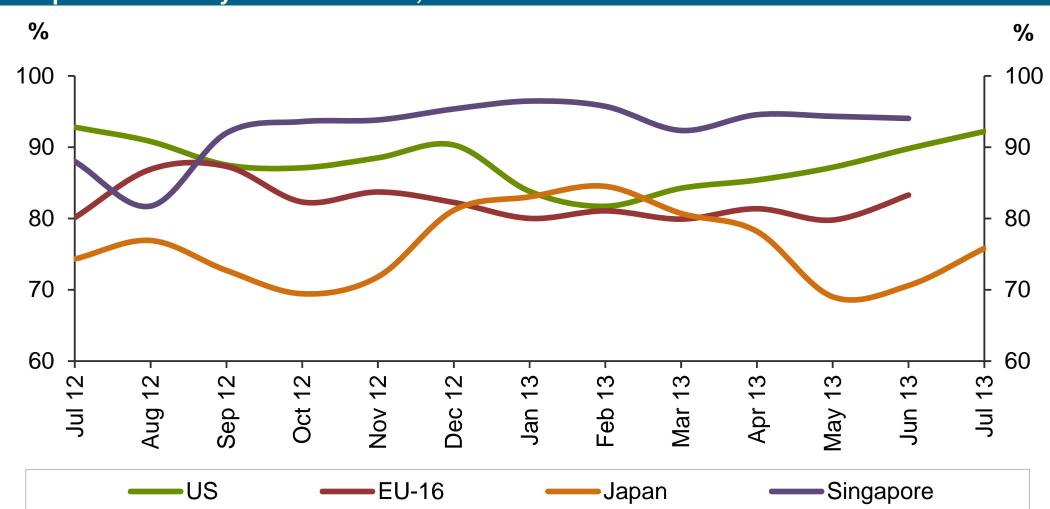
*Refinery runs on the rise worldwide*

Refinery throughputs have been on the rise worldwide. This has been driven by the Atlantic Basin's efforts to monetize healthy margins seen last month and expectations that the driving season will increase demand. At the same time, in Asia, runs started to increase after the maintenance season ended in some countries and in the face of increasing seasonal demand in the light and middle distillates, as well as efforts to compensate for some outages in the region.

Gasoline demand in the **US** continued to increase in July to hit 9 mb/d, encouraging refiners to continue to raise runs to average 92% of capacity in July, 2.4 percentage points (pp) over the previous month and the highest level seen this year.

Despite higher domestic demand and higher exports, the US gasoline inventories remained comfortable, above the latest five-year average. Refiners were changing their operational modes trying to limit gasoline output by reducing yields to reduce the pressure on the market and enjoy healthy margins.

**Graph 6.2: Refinery utilization rates, 2012-13**




In Europe, the refinery utilisation rate averaged around 83% in June, recovering from lower levels seen in previous months. Moderate throughput levels are expected to continue unless an uptick in distillate demand helps margins to remain healthy in the Atlantic Basin.

Demand in the **European** market had been hit by the region's weak economic outlook during the last months. However, during July some hopes of a recovery have arisen although the margins have been hit by the increase in crude prices and supply pressures, which could encourage potential run cuts in the coming months to safeguard margins.

In **Asia**, Chinese and Indian refineries reduced runs to levels of around 86% during May; however, since last month they are again on the rise to average around 90% and 87%, respectively. The rise came after finishing the heavy maintenance season in order to meet increasing demand. Additionally, some outages have been affecting several units in the Asia region, mainly in Taiwan and South Korea. In Singapore, runs continued above 94%, while Japanese throughputs rose to 75% of capacity in July.

*US gasoline demand on the rise during the driving season*

***US market***

US gasoline demand stood at around 9.0 mb/d in July, 120 tb/d higher than the previous month and up by around 220 tb/d from the same month a year earlier.

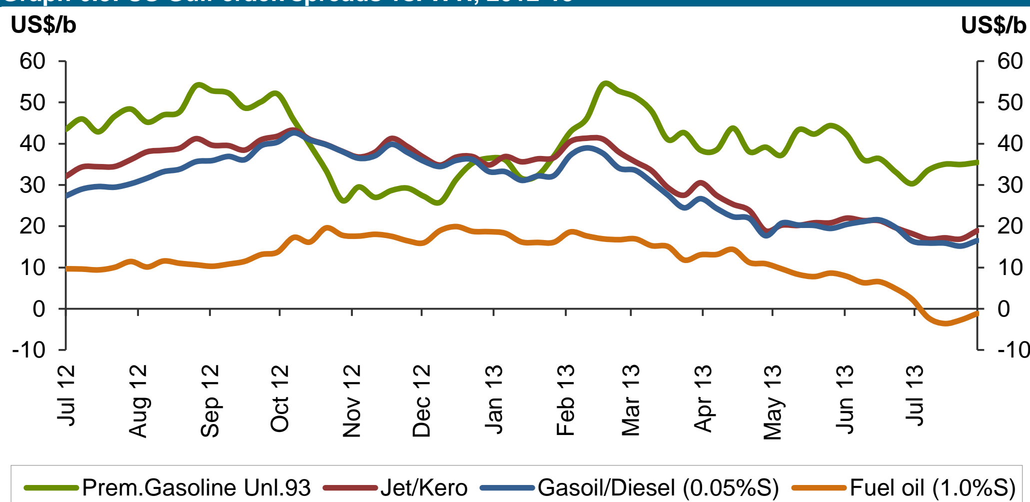
The gasoline crack lost ground, despite a slight improvement seen in the implied demand, which reached 9 mb/d, thus remaining above the previous year's level.

However, higher domestic demand and the uptick in export levels of gasoline were not enough to balance higher production as refinery runs remained high and the persistently high seasonal inventories -- particularly the high levels seen in PADD-1 on the back of higher imports during the previous months -- kept pressure on the gasoline market.

In recent weeks, the supply side lent some support with refiners trying to limit gasoline output by reducing its yield, although this still remains above levels seen last year. Another support for gasoline prices remains structural, thanks to high octane differentials. Moreover, a high Renewable Identification Number (RIN) price has started to limit some inflows from Europe since the recent increase.

On the other hand, supply concerns started to ease in the middle of the month, as most of the gasoline production units suffering outages starting July are already back on line. The gasoline crack showed a loss of $3 in July, to average $34/b. The developments in the crude market also played a role in this negative performance.

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




**Middle distillate demand** stood at around 4.0 mb/d in July, 110 tb/d lower than in the previous month but around 430 tb/d above the same month a year earlier.

Middle distillate cracks weakened over the last month, despite domestic demand recovering from the low levels seen in the previous months, due to increasing supplies and higher crude prices weighing on the market.

On the other hand, exports, which during the previous months had been declining sharply, have being showing signs of recovering thanks to higher demand in Central and South America and continued diesel exports to Europe.

Despite the relatively high cost of production with firm WTI crude prices, high cost of biofuel blending in recent weeks has provided firms with an incentive to export their products.

These higher exports have lent some support to the market and prevented the crack from falling further. However, middle distillate prices were unable to follow the impressive rise in crude prices and the USGC gasoil crack exhibited a sharp loss of more than $4 to stand at around $16/b in July.

At the **bottom of the barrel**, fuel oil cracks continued losing ground, and during July took a big hit, affected by feeble bunker demand, unfavourable arbitrage to Asia and reduced exports to Latin America.

The fuel oil crack lost almost $8 to average minus $1.5/b in July, sinking into the negative territory after being on the positive side for more than 24 months.

***European market***

*Fuel oil cracks plummeted*

Product market fundamentals remained mixed in Europe, with gasoline retaining some strength as the summer driving season lent enough support to the crack to remain healthy, despite crude prices increasing. While the bottom of the barrel plummeted due to lacklustre demand and inventories continued on the rise.

The **gasoline crack** in Northwest Europe partially retained the ground gained during the last months, supported by the bullish summertime in the Atlantic.

The US summer driving season has been lending support to the European gasoline market and the crack spreads have remained healthy on the back of increased demand.

In addition, fears of supply shortages in the US and Asia due to some secondary unit shutdowns have fuelled bullish sentiment since the end of June. However, since mid-July the gasoline crack showed a weak performance as the opportunities to ship European gasoline to the US remain poor with supply across the Atlantic being more than sufficient, thus exerting pressure from the supply side.

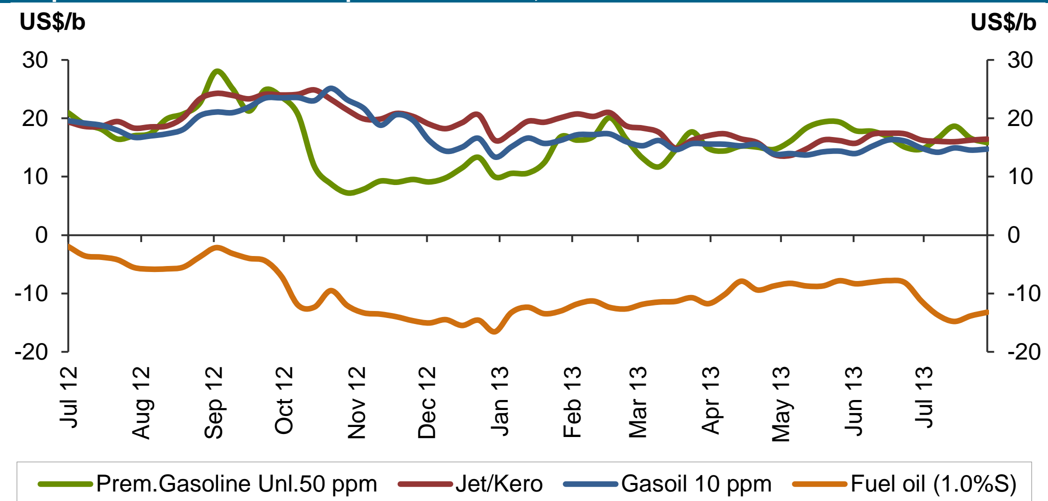
Losses were limited by some exports from West African arbitrage being active as Nigerian buyers sought gasoline cargoes, and some cargoes were booked to go to Latin America, lending additional support.

The gasoline crack spread against Brent crude dropped slightly by 40¢ to remain at around $16.5/b in July.

Low demand in Europe for gasoline reforming and thin demand from the petrochemicals sector, amid an environment of oversupply, continued to pressure the Northwest European and Mediterranean naphtha markets, causing the naphtha crack to edge down marginally over the month.

Additionally, the arbitrage to northeast Asia, which had been providing an outlet for rising supplies, has been limited amid cracker capacity going temporarily offline in Asia, thus weighing on the cracks.

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



The **middle of the barrel** remained relative balanced and the crack slightly weakened and lost part of the ground recovered last month.

On the supply side, middle distillate yields have been consistently high over the year, and June data showed middle distillate output nearly 1.5% higher compared to the 5-year average as refiners continue to shift yields to the middle of the barrel.

The gasoil crack has been healthy, supported by demand in key export regions for power generation in Europe, with recent preliminary data for France showing that gasoil/diesel demand during 1H13 has been stronger than in the same period in 2012.

The ULSD complex crack edged down slightlyas the supply side exerted pressure in a relative balanced market on the back of higher refinery runs and higher yields, which -- along with rising Russian ULSD exports from Primorsk and US inflows continuing high -- have been able to more than offset the lower imports coming from India´s Reliance Jamnagar refinery, due to operational problems in its hydrocracker unit.

The gasoil crack spread against Brent crude at Rotterdam lost part of the recovery seen last month to average $14.6/b in July, losing 80¢.

At the **bottom of the barrel**, fuel oil cracks have plummeted since the end of June, due to pressure exerted by persistently increasing inventories along with lacklustre demand

Fuel oil prices failed to keep pace with crude amid slim demand. The arbitrage to Asia-Pacific was more workable from the Mediterranean, but remained shut from Northwest Europe. High low-sulphur fuel oil inventories, combined with unseasonably low demand in Europe and the Mediterranean, exerted pressure on the market.

The Northwest European fuel oil crack spread against Brent exhibited a sharp loss of more than $5 in July to stand at minus $13/b.

***Asian market***

*Asian distillate cracks continue to strengthen on strong seasonal demand*

The Asian market was mixed over July, as cracks strengthened across the top and middle of the barrel on the back of strong seasonal demand, amid some supply limitations due to outages of some processing units in the region. On the other hand, the bottom of the barrel crack spread suffered a sharp drop, caused by weaker demand in the bunker and power sector.

The **gasoline crack** continued to strengthen in July on the back of firmer regional demand amid a tightening environment.

The Asian gasoline market continued bullish, and cracks remained at elevated levels as supplies and stocks were stretched by unscheduled outages at the FCC gasoline producing units in Taiwan, India and South Korea, as well as by support coming from the demand side with firm seasonal import requirements from countries such as Indonesia and Vietnam.

Additionally, robust seasonal demand in the Middle East has been drawing supplies from India and this is helping to constrain supplies within the Asian market. This supply squeeze is resulting in stock-draws in Asia with light distillate stocks in Singapore remaining low; although during the last weeks they have been recovering due to increasing Chinese gasoline exports to Singapore.

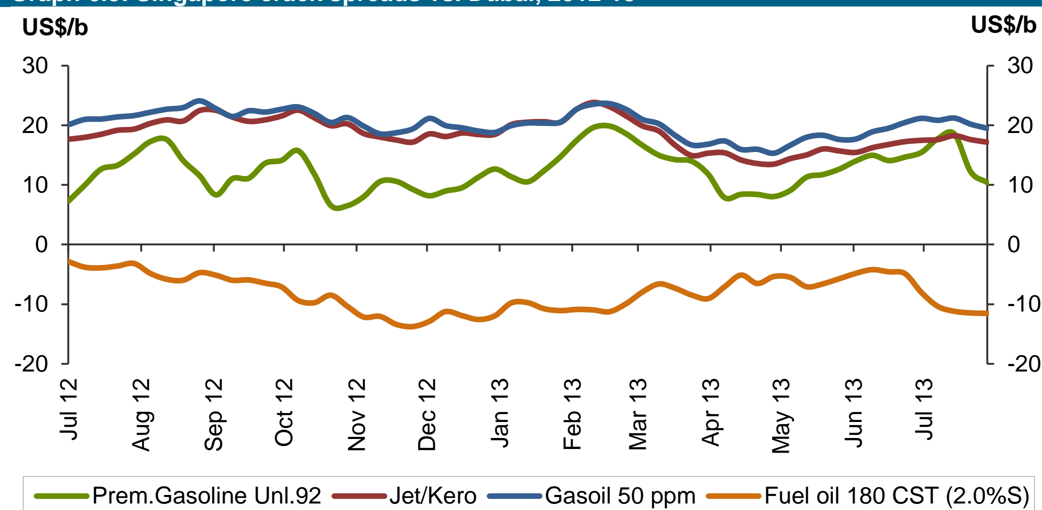
Additionally, some export opportunities have arisen to the East African market, with Kenya and Tanzania seeking deliveries for the next months.

The gasoline crack spread against Dubai crude in Singapore gained $1 to average $15/b in July.

The Asian naphtha market continues to be weak and the crack showed little movement over the month with ample supplies being balanced by steady-to-firm petrochemical demand as well as improving demand from gasoline blenders.

Looking ahead, the outlook for the naphtha market is uncertain due to bearish supply signals from the expected heavy Western inflows and high Indian exports, while LPG is now being once again priced under naphtha, thereby removing incentives for petrochemical players to switch to cracking naphtha.

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




At the **middle of the barrel**, the gasoil crack continued to extend gains over July on the back of higher seasonal demand supporting fundamentals with the import requirements in the region continue on the rise.

The gasoil crack continued gaining ground over the month due to a pickup in demand from regional Asian importers and the Middle East, while several refinery issues that may affect upcoming gasoil loadings also added support.

The elevated volumes leaving Singapore helped to draw down middle distillate stocks in Singapore, which stood at the lowest levels seen in the last years.

The arbitrage from Northeast Asia to Europe was largely closed, however this was more than offset by demand emerging from the Philippines and Africa.

The gasoil crack spread in Singapore against Dubai gained almost $2 to average around $21/b in July

Looking forward, gasoil demand could be impacted by the rainy season in the region, taking into consideration that in India the monsoon season typically dents demand from the power and agriculture sectors.

At the bottom of the barrel, cracks were pressured as the region continues to suffer from weak power and bunker demand, while residual stocks in Singapore kept rising.

The lower bunker demand in Singapore continues to weigh on the market. This declining demand comes primarily from higher efficiency as the latest Port Authority of Singapore data showed vessel arrivals up 7% y-o-y and calls for bunkering were also up 3.3% y-o-y, while total bunker demand in June was down 5% y-o-y.

Additionally, pressure came from weakening demand from the Japanese power sector, as the major power utilities in the country reduced fuel oil intake by almost 40% y-o-y in the last months.

The fuel oil crack spread in Singapore against Dubai showed a sharp loss of more than $5 to average minus $10/b in July.

## Table 6.1: Refined product prices, US$/b

| | | May 13 | Jun 13 | Jul 13 | Change Jul/Jun |
|---|---|---|---|---|---|
| **US Gulf (Cargoes):** | | | | | |
| Naphtha | | 98.81 | 94.18 | 109.63 | 15.45 |
| Premium gasoline | *(unleaded 93)* | 136.02 | 133.55 | 138.57 | 5.02 |
| Regular gasoline | *(unleaded 87)* | 119.04 | 117.28 | 124.75 | 7.47 |
| Jet/Kerosene | | 114.97 | 117.71 | 122.16 | 4.45 |
| Gasoil | *(0.05% S)* | 114.64 | 117.33 | 120.61 | 3.28 |
| Fuel oil | *(1.0% S)* | 97.88 | 96.42 | 96.90 | 0.48 |
| Fuel oil | *(3.0% S)* | 91.10 | 90.93 | 91.24 | 0.31 |
| **Rotterdam (Barges FoB):** | | | | | |
| Naphtha | | 92.13 | 94.24 | 96.98 | 2.74 |
| Premium gasoline | *(unleaded 10 ppm)* | 105.74 | 106.18 | 110.35 | 4.17 |
| Premium gasoline | *(unleaded 95)* | 120.23 | 120.73 | 124.48 | 3.75 |
| Jet/Kerosene | | 117.44 | 120.80 | 124.14 | 3.34 |
| Gasoil/Diesel | *(10 ppm)* | 116.51 | 119.21 | 122.60 | 3.40 |
| Fuel oil | *(1.0% S)* | 94.09 | 95.77 | 95.78 | 0.00 |
| Fuel oil | *(3.5% S)* | 92.26 | 92.82 | 95.52 | 2.71 |
| **Mediterranean** | | | | | |
| Naphtha | | 88.18 | 90.35 | 94.51 | 4.16 |
| Premium gasoline | *(50 ppm)* | 122.69 | 123.85 | 129.96 | 6.11 |
| Jet/Kerosene | | 111.26 | 114.50 | 118.49 | 4.00 |
| Gasoil/Diesel | *(50 ppm)* | 100.48 | 102.45 | 106.08 | 3.63 |
| Fuel oil | *(1.0% S)* | 93.79 | 95.32 | 94.81 | -0.51 |
| Fuel oil | *(3.5% S)* | 91.19 | 91.60 | 94.22 | 2.62 |
| **Singapore (Cargoes):** | | | | | |
| Naphtha | | 93.56 | 95.06 | 97.70 | 2.64 |
| Premium gasoline | *(unleaded 95)* | 114.40 | 118.75 | 121.73 | 2.98 |
| Regular gasoline | *(unleaded 92)* | 111.08 | 115.65 | 118.79 | 3.13 |
| Jet/Kerosene | | 115.37 | 117.65 | 121.18 | 3.53 |
| Gasoil/Diesel | *(50 ppm)* | 117.66 | 120.36 | 124.19 | 3.82 |
| Fuel oil | *(180 cst 2.0% S)* | 95.87 | 97.76 | 95.23 | -2.53 |
| Fuel oil | *(380 cst 3.5% S)* | 94.19 | 94.68 | 93.15 | -1.53 |

## Table 6.2: Refinery operations in selected OECD countries

| | *Refinery throughput, mb/d* | | | *Refinery utilization, %* | | |
|---|---|---|---|---|---|---|
| | Jun 13 | Jul 13 | Jul/Jun | Jun 13 | Jul 13 | Jul/Jun |
| **US** | 15.64 | 16.09 | 0.45 | 89.80 | 92.20 | 2.40 |
| **France** | 1.25 | - | - | 71.71 | - | - |
| **Germany** | 1.91 | - | - | 84.99 | - | - |
| **Italy** | 1.22 | - | - | 55.44 | - | - |
| **UK** | 1.27 | - | - | 71.58 | - | - |
| **Euro-16** | 10.50 | - | - | 83.28 | - | - |
| **Japan** | 3.16 | 3.39 | 0.23 | 70.48 | 75.80 | 5.33 |

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

*–: not available*

# Tanker Market

*Global spot fixtures increased in July from the previous month by 1.45 mb/d, to average 19.23 mb/d*

According to preliminary data, global spot fixtures increased in July from the previous month by 8%, or 1.45 mb/d, to average 19.23 mb/d. OPEC spot fixtures also increased by 1.36 mb/d over a month ago to average 14.35 mb/d. Annually, global and OPEC fixtures went up by 7.5% and 5%, respectively.

OPEC sailings, as per preliminary data, increased in July from last month to average 24.36 mb/d. Arrivals in North America, Europe and the Far East increased by 0.86 mb/d, 0.47 mb/d and 0.3 mb/d from last month, to average 9.87 mb/d, 12.46 mb/d and 8.73 mb/d, respectively, while arrivals in West Asia declined by 0.15 mb/d to average 4.26 mb/d. Arrivals in all reported regions were up in July from the same month a year earlier.

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

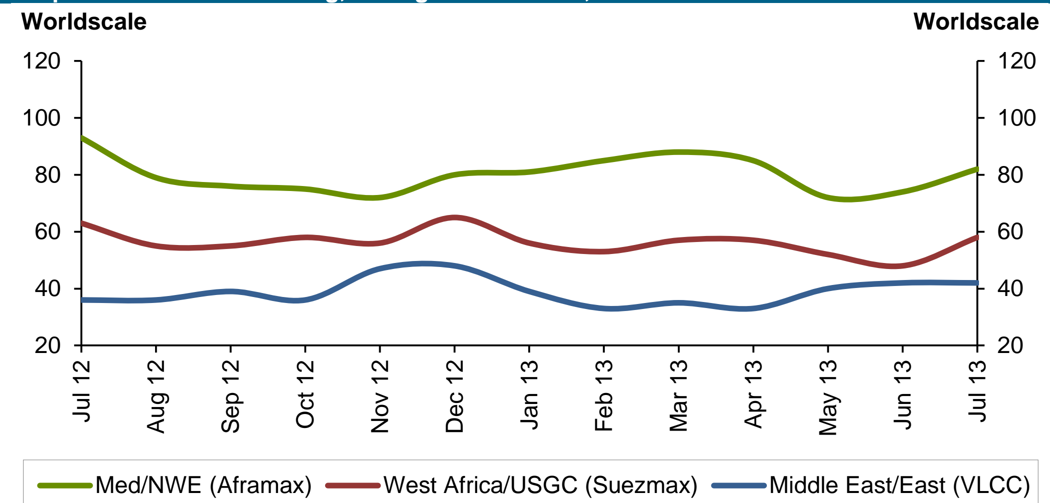
| | May 13 | Jun 13 | Jul 13 | *Change* Jul/Jun 13 |
|---|---|---|---|---|
| **Spot Chartering** | | | | |
| All areas | 19.85 | 17.78 | 19.23 | 1.45 |
| OPEC | 14.09 | 12.99 | 14.35 | 1.36 |
| Middle East/East | 6.43 | 6.29 | 6.30 | 0.02 |
| Middle East/West | 2.71 | 2.67 | 3.55 | 0.88 |
| Outside Middle East | 4.95 | 4.03 | 4.50 | 0.47 |
| **Sailings** | | | | |
| OPEC | 23.90 | 23.74 | 24.36 | 0.62 |
| Middle East | 17.57 | 17.44 | 18.01 | 0.57 |
| **Arrivals** | | | | |
| North America | 8.56 | 9.01 | 9.87 | 0.86 |
| Europe | 12.11 | 11.99 | 12.46 | 0.47 |
| Far East | 7.96 | 8.43 | 8.73 | 0.30 |
| West Asia | 4.74 | 4.41 | 4.26 | -0.15 |

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

*Spot freight rates for crude oil tankers increased in July across most reported routes*

A general positive trend was detected in the dirty tanker market. Spot freight rates for crude oil tankers increased in July across most reported routes. While the average spot freight rate for Suezmax saw the strongest gain, increasing by 13% in comparison with the month before, spot freight rates for VLCC and Aframax increased by 3% and 7%, respectively. The increase in dirty freight rates came on the back of higher activities and fixtures seen in the Middle East, in addition to several delays reported in different ports in the world.

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



*VLCC freight rates started the month of July positive to end under pressure*

The **VLCC** market saw an active start in July when an influx of inquiries came to correct the downward trend reported earlier. The first week of the month registered a jump of more than 10 WS points for Middle East loadings, mainly for liftings in the first ten days (decade) of July. Tanker owners were trying to get the maximum out of the market, while charterers held back their requirements to prevent rates from achieving further gains. Tight vessel availability for certain dates, in addition to VLCC delays seen in several parts of the world, mainly India and Singapore, together supported freight rates in July. Freight rates stabilized later as activities lessened and tonnage started to build up for August loading and were under pressure by the end of the month.

On average, VLCC spot freight rates for tankers operating on the Middle East-to-East route ended the month flat to settle at 42 WS points, while Middle East-to-West increased by 8% to average 27 WS points. Freight rates seen for tankers operating on West Africa-to-East routes increased by 2.5% from last month to average 41 WS points. This increase came mainly as freight rates in the Middle East increased and despite a stable amount of activity. VLCC freight rates for all reported routes in July were higher than the same month last year, ranging from 4% to 17%.

**Table 7.2: Spot tanker crude freight rates, Worldscale**

| | Size 1,000 DWT | May 13 | Jun 13 | Jul 13 | *Change* Jul/Jun 13 |
|---|---|---|---|---|---|
| ***Crude*** | | | | | |
| Middle East/East | 230-280 | 40 | 42 | 42 | 0 |
| Middle East/West | 270-285 | 24 | 25 | 27 | 2 |
| West Africa/East | 260 | 38 | 40 | 41 | 1 |
| West Africa/US Gulf Coast | 130-135 | 52 | 48 | 58 | 10 |
| NW Europe/USEC-USGC | 130-135 | 48 | 46 | 48 | 2 |
| Indonesia/US West Coast | 80-85 | 69 | 72 | 83 | 11 |
| Caribbean/US East Coast | 80-85 | 110 | 94 | 90 | -4 |
| Mediterranean/Mediterranean | 80-85 | 72 | 74 | 82 | 8 |
| Mediterranean/North-West Europe | 80-85 | 66 | 70 | 75 | 5 |

*Source: Galbraith's tanker market report and Platts.*

*Suezmax began the month with marginally higher freight rates which tapered off by month-end*

At the beginning of the month, **Suezmax** saw an active market for West African loadings however freight rates registered only marginally higher as the increase in rates was less than what was expected. The situation changed later on, when July fixtures were completed as the demand on tankers loading in West Africa clearly reduced as July programme was finalized.

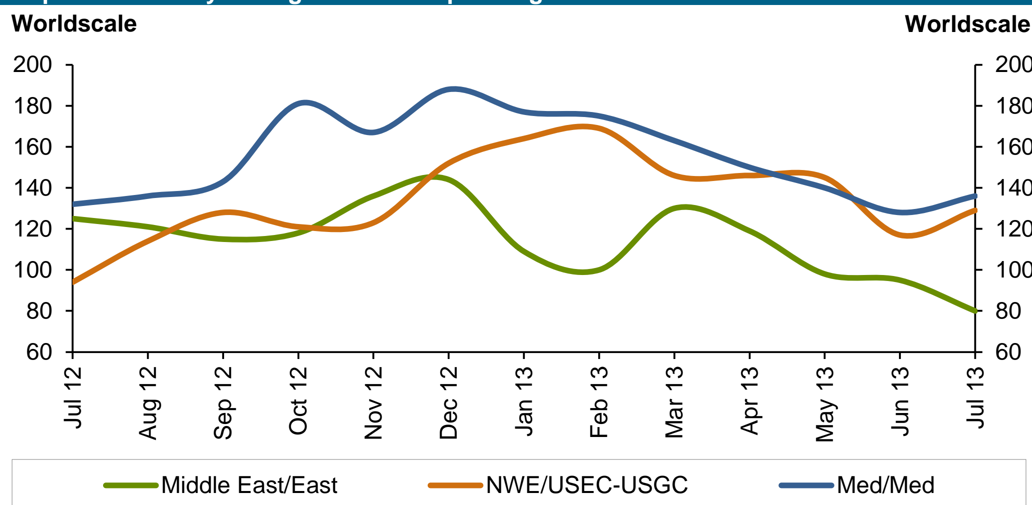
Suezmax saw improved freight rates for tankers operating on West Africa-to-West routes as a steady flow of inquiries entered the market for August loadings. Freight rates increased accordingly, despite vessels supply in the region being sufficient. Therefore the rates for tankers operating from West Africa to the US showed healthy gains of 21% in July over the previous month, while spot freight rates for Suezmax operating on the Northwest Europe-to-US route saw a smaller increase rising by 4% over the last month. Suezmax freight rates in the Middle East firmed mainly as a result of a firmer market for VLCCs, as well as lower number of available tonnage due to ullage problems and delays reported in Indian ports, in addition to busy and active Middle East and Red Sea loadings for both crude and fuel oil.

*Aframax average spot freight rates increased in July on all reported routes except for the Caribbean-to-US route*

**Aframax** average spot freight rates increased by 7% in July from the previous month. This increase has been registered on all reported routes except for the Caribbean-to-US route. Compared with a month earlier, Aframax spot freight rates on the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe routes increased by 11% and 7% to average 82 WS and 75 WS points, respectively. This increase came mainly as a result of steady activity of consecutive loading dates coupled with tight vessel availability due to delays seen in the ports of Ceyhan and Trieste which tied up tankers and reduced the amount of available vessels. This created the need for prompt replacements thus increasing the freight rates in that area.

Spot trading of Aframax rates on the Indonesia-to-East route increased by 15% in July from the month before. However, rates are still down by 3% from the same month a year ago. On the other hand, rates between the Caribbean and the US East Coast dropped by 4% in July marking the only negative performance amid the other reported routes. This occurred despite the fact that the Aframax market in the Caribbean was active and often balanced during the month and freight rates increased on several occasions, although the pre-holiday rush of activity, which the owners had hoped for, did not materialize. Caribbean rates dropped significantly by the end of the month due to slow activity and limited requirements to average 90 WS points.

**Graph 7.2: Monthly averages of clean spot freight rates**




*Clean spot freight rates show a diverging pattern in July from East or West of Suez*

**Clean tanker market** sentiment was mixed in July, with clean spot freight rates showing a diverging pattern. On average, rates increased by 7% West of Suez and dropped by 13% in the East.

East of Suez, spot freight rates on reported routes Middle East-to-East and Singapore-to-East both dropped significantly by 16% and 10%, respectively, from last month. They averaged 80 WS points and 109 WS points respectively. This decline came on the back of limited activity in the Middle East versus accumulating tanker availability. The same scenario applies to the East, where the limited cargo requirement had led to low freight rates which were barely covering operational costs. Compared with a year earlier, rates from the Middle East-to-East and Singapore-to-East declined by 36% and 12%, respectively, in July.

In contrast, West of Suez spot freight rates reported gains on all routes. Rates for tankers operating on the Northwest Europe-to-US route experienced the largest rate gain as they increased by 10% over the previous month, to settle at 129 WS points. Both Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe rates also increased by 6% to average at 136 WS and 147 WS points from last month. Few tonnage replacements and gasoline arbitrage activity both contributed to these rate increases during the month.

**Table 7.3: Spot tanker product freight rates, Worldscale**

| | Size *1,000 DWT* | May 13 | Jun 13 | Jul 13 | *Change* Jul/Jun 13 |
|---|---|---|---|---|---|
| ***Products*** | | | | | |
| Middle East/East | 30-35 | 98 | 95 | 80 | -15 |
| Singapore/East | 30-35 | 130 | 121 | 109 | -12 |
| NW Europe/USEC-USGC | 33-37 | 145 | 117 | 129 | 12 |
| Mediterranean/Mediterranean | 30-35 | 140 | 128 | 136 | 8 |
| Mediterranean/North-West Europe | 30-35 | 150 | 138 | 147 | 9 |

*Source: Galbraith's tanker market report and Platts.*

# Oil Trade

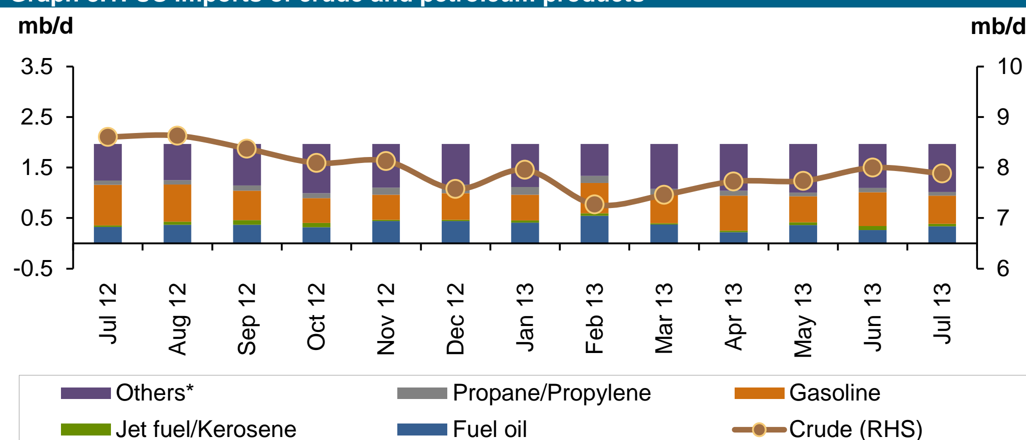
## US

*US crude oil imports dropped by 115 tb/d to average 7.9 mb/d in July*

According to preliminary data, US crude oil imports averaged 7.9 mb/d in July 2013, down by 115 tb/d, or 1.4%, from June and 722 tb/d, or 8%, from the same month last year. Year-to-date, US crude oil imports averaged 7.7 mb/d, reflecting a decline of 11% from the same period last year. US product imports decreased as well by 105 tb/d, or 5%, from last month. However, the decrease is higher on an annual basis as it averaged 173 tb/d, or 8%, from last year. On the other hand, US product exports increased by 114 tb/d, or 4%, m-o-m yet registered a decline of 275 tb/d, or 9%, y-o-y.

Consequently, **US net imports decreased in July to average 6.9 mb/d,** reflecting both a monthly and an annual decrease of 8% and 14%, respectively.

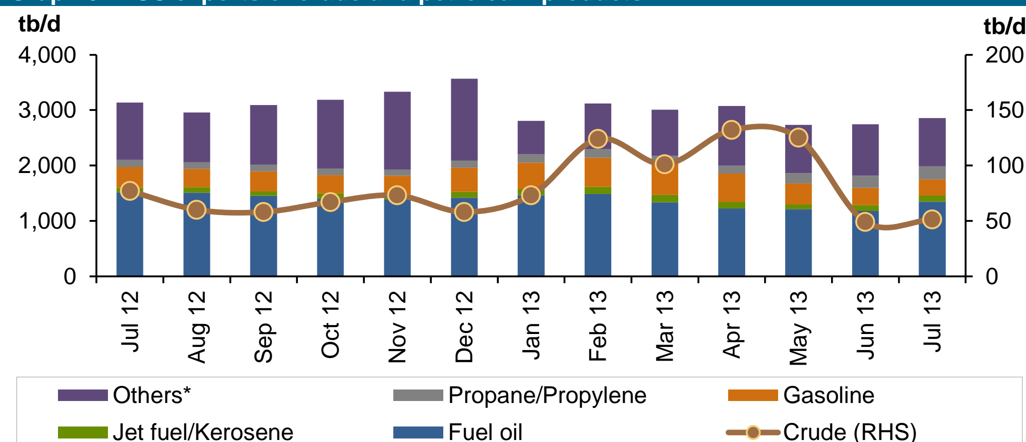
**Graph 8.1: US imports of crude and petroleum products**




**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.*

As per the latest US government release, crude imports averaged 7.7 mb/d in May 2013. These were the highest since January, as refineries lifted crude processing to the highest levels so far this year. Crude imports were 13% lower y-o-y, while US production was 15% higher.

**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.*

Canada continued to be the top supplier of crude to the US in May, averaging 2.3 mb/d, which is 188 tb/d, or 8%, less than the previous month. Canada accounted for 30% of total US crude imports in May. Imports from Saudi Arabia, the second largest supplier to the US, were up from last month's level accounting for 19% of total US crude imports. The monthly imports of Saudi crude in May were 30% higher m-o-m,

yet 2% lower than last year. Additionally, Mexico decreased its exports to the US in May by 128 tb/d, or 14%, from the previous month to stand as the third crude supplier, accounting for 10% of total US crude imports in May.

Crude imports from OPEC Member Countries went up by 267 tb/d, or 8%, in May to average 38 mb/d. OPEC Member Countries accounted for 49% of all US imports in May, while US product imports from OPEC Member Countries were almost stable from a month ago as they only decreased by 2 tb/d, or 0.8%, from the previous month to average 2.6 mb/d.

As for product supplier share, Russia and Canada maintained their positions as top suppliers to the US holding a share of 23% and 22%, respectively. However, while Russia increased its volumes by 47 tb/d, or 10%, Canada's exports to the US declined by 133 tb/d or 21%. India came in as the third largest product supplier to the US in May as it increased its monthly product exports to the US by 44 tb/d, or 50%, to average 142 tb/d.

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

| | May 13 | Jun 13 | Jul 13 | *Change* Jul/Jun |
|---|---|---|---|---|
| Crude oil | 7,612 | 7,949 | 7,832 | -117 |
| Total products | -1,027 | -671 | -890 | -219 |
| **Total crude and products** | **7,094** | **7,549** | **6,942** | **-606** |

## Japan

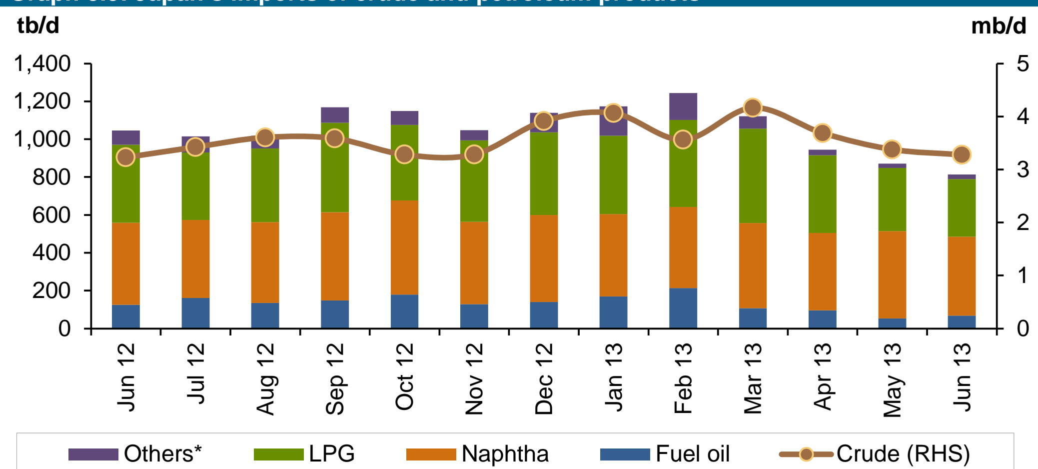
*Japan's crude imports declined in June by 102 tb/d to average 3.3 mb/d*

In June, Japan saw a decline in its crude oil imports by 102 tb/d, or 3% m-o-m, to average 3.3 mb/d, the lowest since November 2012 despite an increase in refinery runs. On an annual comparison, crude imports registered a gain of 49 tb/d or 1.5%.

As to crude supplier share, Saudi Arabia and the United Arab Emirates maintained their positions as top crude supplier to Japan accounting for 27% each. However, while Saudi Arabia saw a decline in its crude exports to Japan by 129 tb/d, or 13%, from a month ago, the UAE increased its exports to Japan by 176 tb/d or 24%. On the other hand, Qatar came in third place as it raised its exports by 12% from previous month to hold a share of 15% of total Japanese crude imports.

However, product imports dropped in June for the third consecutive month by 28 tb/d, representing a 5% m-o-m decline in product imports.

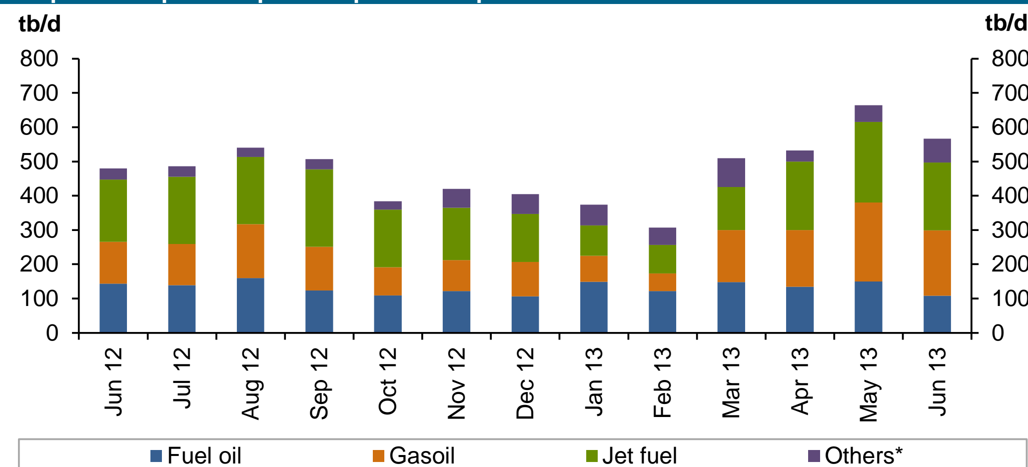
**Graph 8.3: Japan's imports of crude and petroleum products**




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

Japan's monthly product imports were the lowest since May 2011, while y-o-y they dropped by 123tb/d or 20%. On a year-to-date comparison, product imports were 15 tb/d or 2% lower.

**Graph 8.4: Japan's exports of petroleum products**




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

Product exports lost 98 tb/d in June to average 556 tb/d, which is 15% lower m-o-m but 17% higher y-o-y. As a result, **Japan net trade imports decreased by 31 tb/d in June to average 3.23 mb/d**. This is 1% lower than May and is considered the lowest since June 2011. Additionally, it reflects a loss of 4.5% on an annual basis.

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

| | Apr 13 | May 13 | Jun 13 | *Change Jun/May* |
|---|---|---|---|---|
| Crude oil | 3,688 | 3,379 | 3,278 | -102 |
| Total products | 10 | -116 | -45 | 71 |
| **Total crude and products** | **3,698** | **3,263** | **3,232** | **-31** |

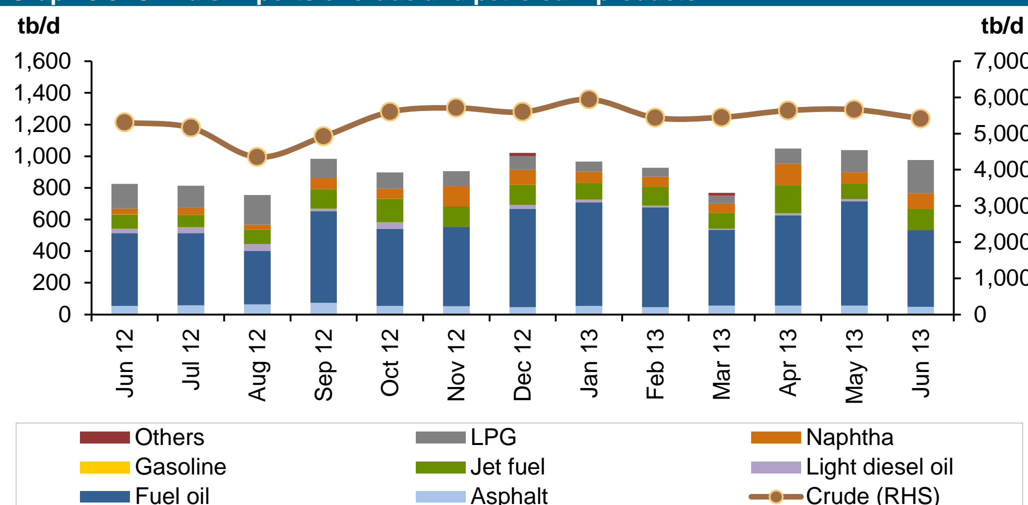
## China

*China's crude imports dropped in June by 246 tb/d to average 5.4 mb/d*

China's crude oil imports dropped in June by 246 tb/d, or 4%, to average 5.4 mb/d. China's crude imports in June were the lowest since August 2012. China imported lower volumes in June from both top suppliers. Oil imports in June were higher by 110 tb/d, or 2%, than June 2011. On a year-to-date basis, the numbers show a decline of 43 tb/d or 0.8%.

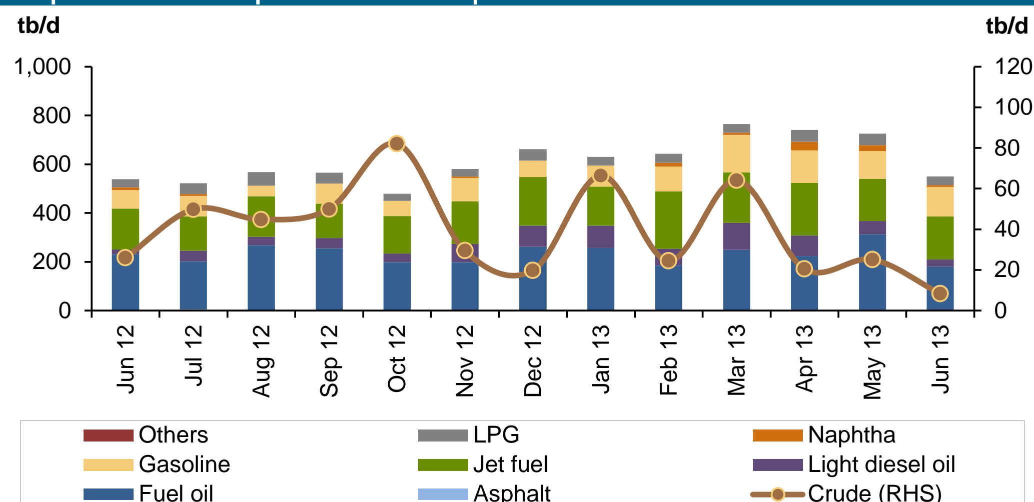
Regarding crude imports, in June both top suppliers to China reduced their crude exports: Saudi Arabia and Angola -- which account for 18% and 15% of China's total crude imports, respectively -- saw a drop in volume from a month ago by 1.5% and 3%, respectively. Russia came in as third supplier to China with an increase of 182 tb/d, or 40%, and accounting for 12% of total Chinese imports. Venezuela was in fourth place, showing an increase of165 tb/d, or 51%, in exported volumes from last month.

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



China's product imports dropped as well from the previous month to average 833 tb/d, a decrease of 149 tb/d or 15%. Annually, it showed an increase of 88 tb/d or 12%. Chinese crude exports declined in June by 17 tb/d, or 67%, from the previous month to average 8 tb/d, the lowest level seen since February 2008. It showed a greater decline on a y-o-y basis of 18 tb/d or 68%.

**Graph 8.6: China's exports of crude and products**




Product exports showed a similar pattern, with a monthly drop of 192 tb/d, or 28%, while decreasing by 21 tb/d, or 4%, from the previous year's level.

Accordingly, **China's net oil trade saw a drop of 186 tb/d, or 4%, from last month yet an increase of 237 tb/d or 4% from last year.**

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

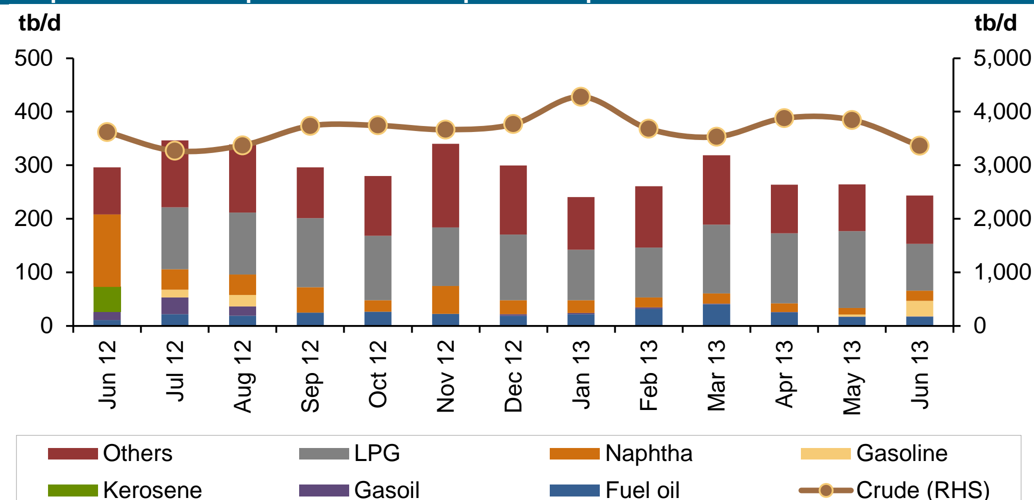
| | Apr 13 | May 13 | Jun 13 | *Change Jun/May* |
|---|---|---|---|---|
| Crude oil | 5,618 | 5,637 | 5,409 | -229 |
| Total products | 309 | 285 | 328 | 43 |
| **Total crude and products** | **5,927** | **5,923** | **5,737** | **-186** |

## India

*India's crude imports decreased in June by 483 tb/d to average 3.4 mb/d*

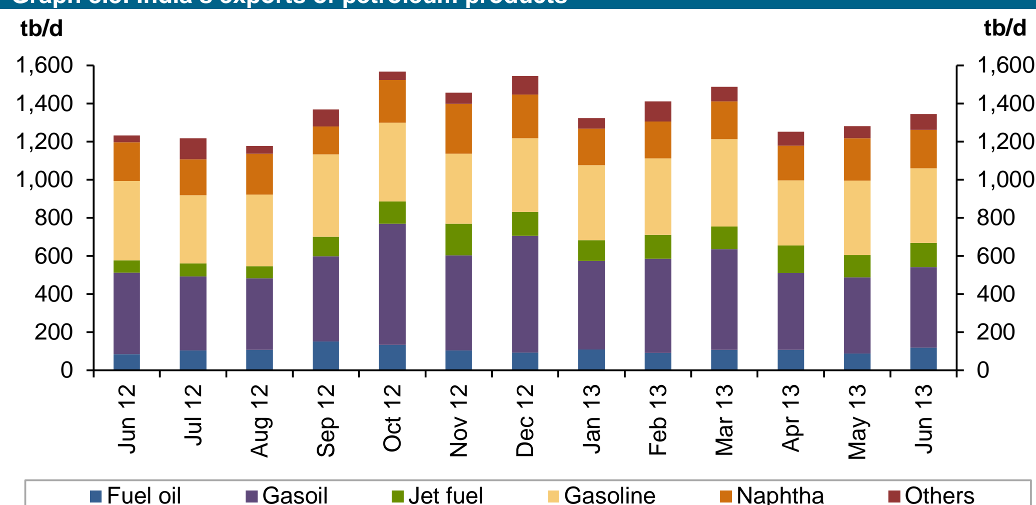
India's crude oil imports decreased for the second month in a row in June both on a monthly and annual basis. M-o-m the drop is equal to 483 tb/d, or 13%, while y-o-y it saw a decline of 259 tb/d, or 7%, to average 3.4 mb/d. India crude imports are considered to be at their lowest level since July 2012.

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



India's product imports dropped as well in June by 21 tb/d, or 8%, to average 243 tb/d, the lowest this year so far and down from same month last year by 18%. The drop in product imports came on the back of reduced imports of LPG, which declined in June by 40%.

**Graph 8.8: India's exports of petroleum products**




With regard to Indian product exports, the figure reflects an increase in all exports except for naphtha, which dropped by 21 tb/d or 9% from last month. Therefore, total product exports increased by 5% from May and by 10% from last year to average 1.3 mb/d. The monthly gain in product exports was the result of higher exported volumes of diesel, jet fuel and fuel oil.

Consequently, **India's net oil trade saw a drop of 567 tb/d, or 20%, from last month and a drop of 423 tb/d, or 16%, from a year ago.**

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

| | Apr 13 | May 13 | Jun 13 | *Change Jun/May* |
|---|---|---|---|---|
| Crude oil | 3,878 | 3,845 | 3,362 | -483 |
| Total products | -988 | -1,017 | -1,101 | -84 |
| **Total crude and products** | **2,890** | **2,828** | **2,261** | **-567** |

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

## FSU

*Tota FSU exports in June decreased by 173 tb/d to average 6.25 mb/d*

**In June 2013, total crude oil exports from FSU decrease by 173 tb/d, or 2.7%, to average 6.25 mb/d**. Crude exports through the Russian pipelines decreased as well by 225 tb/d, or 5.5%, to average 3.9 mb/d. Crude exports from the Black Sea and the Druzhba increased in June by 5% and 1%, respectively. Exports from the Baltic and Kozmino both declined by 15% and 7%, respectively, from their May level. Flow from Russian rail increased by 56 tb/d, or 42%, from last month. Similarly, the Kazakh rail supplies increased by 54 tb/d, or 43%, in June. The Caspian and Kaliningrad increased from last month by 29% and 26%, respectively.

On the other hand, total product exports increased in June by 535 tb/d, or 17%, to average 3.6 mb/d. Product exports rose mainly in fuel oil, which increased by 358 tb/d, while it declined in VGO by 163 tb/d from a month ago.

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

| | 2011 | 2012 | 4Q12 | 1Q13 | 2Q13 | May 13 | Jun 13* |
|---|---|---|---|---|---|---|---|
| **Crude** | | | | | | | |
| **Russian pipeline** | | | | | | | |
| Black Sea | 918 | 858 | 774 | 769 | 752 | 735 | 770 |
| Baltic | 1,511 | 1,747 | 1,665 | 1,574 | 1,647 | 1,612 | 1,369 |
| Druzhba | 1,170 | 1,079 | 980 | 991 | 1,020 | 1,035 | 1,044 |
| Kozmino | 309 | 331 | 380 | 438 | 433 | 456 | 421 |
| **Total** | **4,224** | **4,322** | **4,100** | **4,086** | **4,152** | **4,125** | **3,900** |
| **Other routes** | | | | | | | |
| Russian rail | 173 | 107 | 195 | 196 | 178 | 131 | 187 |
| Russian-Far East | 283 | 258 | 242 | 243 | 261 | 276 | 243 |
| Kazakh rail | 158 | 97 | 165 | 183 | 169 | 123 | 177 |
| Vadandey | 82 | 66 | 104 | 103 | 109 | 101 | 105 |
| Kaliningrad | 23 | 20 | 17 | 18 | 21 | 19 | 24 |
| CPC | 685 | 656 | 614 | 672 | 703 | 709 | 705 |
| BTC | 695 | 654 | 590 | 601 | 714 | 736 | 729 |
| Kenkiyak-Alashankou | 222 | 210 | 252 | 240 | 232 | 227 | 228 |
| Caspian | 170 | 173 | 166 | 189 | 148 | 102 | 132 |
| **Total crude exports** | **6,558** | **6,466** | **6,280** | **6,349** | **6,518** | **6,425** | **6,252** |
| **Products** | | | | | | | |
| Gasoline | 162 | 130 | 124 | 141 | 123 | 121 | 133 |
| Naphtha | 259 | 313 | 345 | 339 | 347 | 332 | 332 |
| Jet | 10 | 9 | 10 | 14 | 16 | 11 | 18 |
| Gasoil | 773 | 791 | 787 | 977 | 881 | 862 | 923 |
| Fuel oil | 1,305 | 1,416 | 1,314 | 1,339 | 1,646 | 1,533 | 1,891 |
| VGO | 211 | 250 | 234 | 219 | 199 | 218 | 55 |
| **Total** | **2,721** | **2,909** | **2,814** | **3,028** | **3,298** | **3,076** | **3,611** |
| **Total oil exports** | **9,279** | **9,375** | **9,095** | **9,377** | **9,816** | **9,501** | **9,863** |

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

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

# Stock Movements

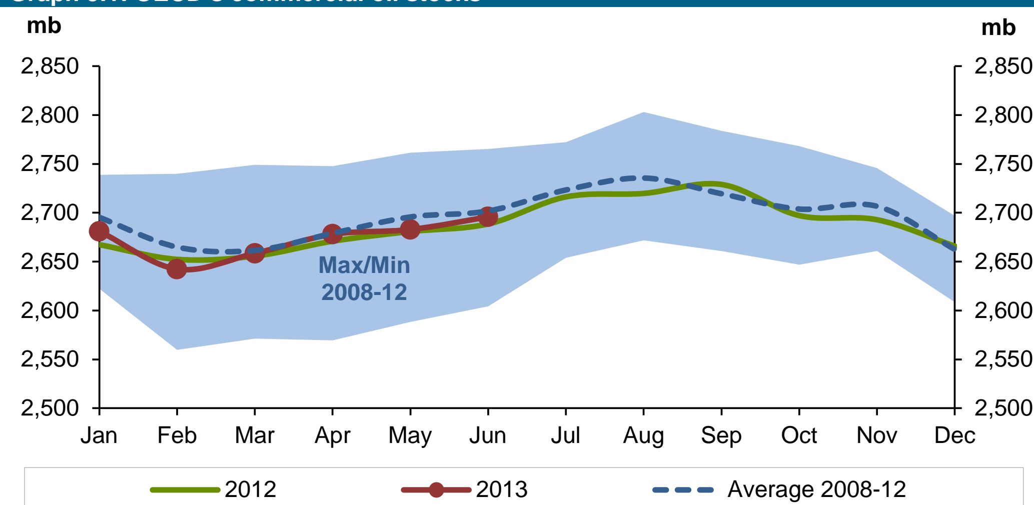
*Preliminary data for June shows total **OECD commercial oil stocks** rose by 13.0 mb for the fourth consecutive month*

## OECD

Preliminary data for June shows **total OECD commercial oil stocks** rose by 13.0 mb for the fourth consecutive month, ending June at 2,696 mb, the highest level since October 2012. At this level, inventories were slightly below the five-year average but showed a surplus of 7.3 mb compared with the same time a year ago. Within the components, crude declined by 10.2 mb, while products increased by 23.2 mb. On a regional basis, the bulk of the build in total commercial stocks was in the Americas, rising by 7.8 mb, followed by a 7.3 mb build in Europe, while OECD Asia-Pacific experienced a drop of 2.1 mb compared with the previous month.

At 1,289 mb, **OECD crude commercial stocks** in June are in line with the five-year average but remained 36.4 mb below the same period one year earlier. **Product stocks** ended the month at 1,407 mb, showing a deficit of 6.4 mb with the seasonal average. However, they are at healthy levels compared with the previous year, indicating a surplus of 43.7 mb.

**Graph 9.1: OECD's commercial oil stocks**




**OECD Americas'** inventories rose by 7.8 mb for the third consecutive month to end June at 1,383 mb. With this build, inventories are at comfortable levels, indicating a surplus of 23.4 mb over the same time last year and 53.1 mb higher than the seasonal norm. This surplus was divided between crude oil and products, with an excess of 27.0 mb and 26.1 mb, respectively. In June, the build in total commercial stocks came from products increasing by 16.3 mb, while crude abated this build, declining by 8.5 mb. A rise in US refinery inputs of nearly 16.0 mb/d boosted product stocks, which accumulated to a build in inventories of around 40.0 mb during May and June. In contrast, a fall in crude oil imports was behind the stock-draw in June. Higher crude runs also contributed to the decline in crude oil inventories.

**OECD Europe's** inventories rose by 7.3 mb, reversing the stock-draw of the previous month and ending June at 908 mb. Despite this build, OECD Europe's inventories still indicated a deficit of nearly 57 mb with the five-year average and stood around 7.7 mb lower than in the same period a year earlier. The deficit with the seasonal average is attributed to both crude and products, which were down by 26.6 mb and 30.6 mb, respectively. The total shortage vis-a-vis the previous year was attributed to crude, as it showed a deficit of 12.0 mb, while products saw a surplus of 4.3 mb.

Commercial inventories in **OECD Asia Pacific** fell by 2.1 mb in June, following a drop in the last two months, to stand at 405 mb. At this level, they were 8.4 mb below the same period a year ago and 2.0 mb less than the five-year average. Within the components, crude saw a drop of 1.9 mb in June while products fell by 0.2 mb. Crude inventories stood at 6.9 mb below a year ago but are in line with the five-year average.

OECD Asia Pacific total product inventories indicated a slight deficit 1.5 mb over a year ag. and are also 1.9 mb below the five-year average.

In terms of **days of forward cover**, OECD commercial stocks rose by 0.2 days in June to stand at 59.1 days. At this level, inventories were around 0.5 days above the same period last year and 1.2 days more than the latest five-year average. Despite the lower absolute level of OECD Europe's inventories in terms of days of forward cover, they stood at around 67.3 days in June, reflecting weak demand in the region.

**Table 9.1: OECD commercial stocks, mb**

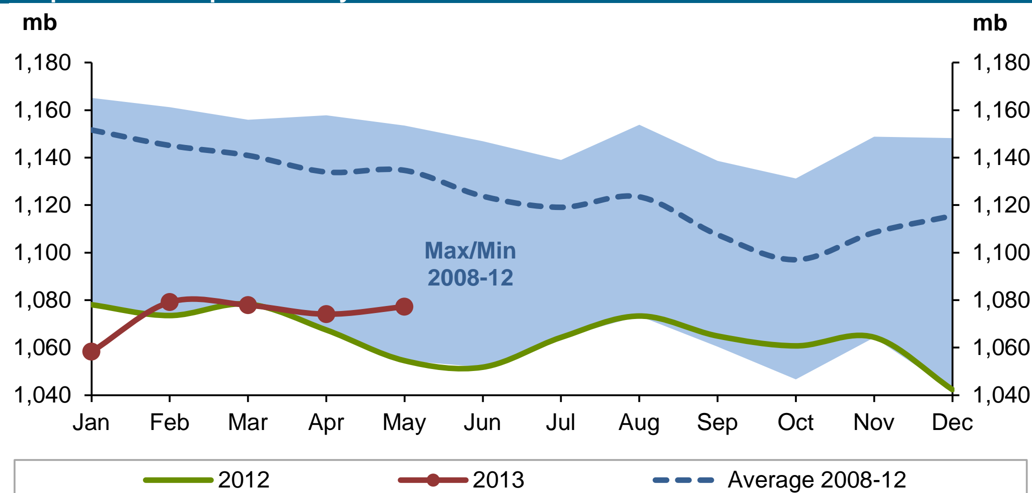
| | Apr 13 | May 13 | Jun 13 | Change Jun 13/May 13 | Jun 12 |
|---|---|---|---|---|---|
| **Crude oil** | 1,311 | 1,299 | 1,289 | -10.2 | 1,325 |
| Products | 1,367 | 1,384 | 1,407 | 23.2 | 1,363 |
| **Total** | **2,678** | **2,683** | **2,696** | **13.0** | **2,689** |
| **Days of forward cover** | **59.4** | **58.9** | **59.1** | **0.2** | **58.5** |

## EU plus Norway

*Preliminary data for June shows European stocks rising by 7.3 mb to reach a two-year high*

Preliminary data for June shows that **European stocks** rose by 7.3 mb for the second consecutive month to reach a two-year high, ending the month at 1,084.6 mb. With this build, stocks stood at a comfortable level compared with the same time last year, indicating a surplus of 32.8 mb, or 3.1%, though they are still 25.2 mb, or 2.3%, below the five-year average. The bulk of this stock-build came from products, as crude saw a slight build.

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




European **crude inventories** rose slightly by 0.2 mb in June following a build for the last five months, ending the month at 464.7 mb, the highest level since November 2012. Crude stocks have risen by more than 15.0 mb since the beginning of this year. Despite this build, European crude oil stocks were in line with numbers from a year ago and represent a deficit of 9.6 mb, or 2.0%, compared with the latest five-year average. The increase in regional supply was more or less offset by higher refinery throughputs. Indeed, refiners have increased crude runs by around 335,000 b/d in June to average around 10.4 mb/d. This corresponds to utilisation rates of about 83%.

**Product stocks** in Europe saw a build of 7.1 mb in June, reversing the stock-draw of the last two months. At 619.9 mb, European product stocks represented a surplus of 33.2 mb, or 5.7%, over the same period last year, but remained some 15.6 mb or 2.5% below the five-year average. All products saw a build, with the bulk of the increase coming from gasoline and distillates.

**Gasoline stocks** rose by 3.1 mb, reversing the fall of the last two months and ending June at 116.6 mb. At this level, they represent a surplus of 13.3 mb, or 12.9%, over a year ago, and are 4.1 mb, or 3.6%, above the five-year average. Higher gasoline production was behind the increase in gasoline stocks. Lower gasoline demand in the region, combined with limited exports to the US, contributed to the build in gasoline.

**Distillate stocks** rose by 2.6 mb, reversing the fall of the last three months, ending the month of June at 385.9 mb. With this build, the surplus over the previous year has widened to 4.6% from 1.2% a month earlier. This build also helped to switch the deficit with the seasonal norm of last month to a surplus of 0.3 mb. The stock build mainly reflected higher refinery output. Greater gasoline imports from Russia also contributed to the build in distillate stocks.

**Residual fuel oil stocks** also rose by 0.9 mb following last month's build, ending June at 89.3 mb, the highest level since November. At this level, they were 5.5 mb, or 7.0%, above the same time last year, but still remained at 16.4 mb, or 15.5%, below the seasonal average. The build in residual fuel oil stocks came on the back of lower exports as arbitrage to Singapore remained marginal. Naphtha stocks rose by 0.4 mb to end June at 28.2 mb, standing at 2.7 mb, or 8.8%, below the same period last year and 16.4 mb, or 15.5%, lower than the latest five-year average.

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

| | Apr 13 | May 13 | Jun 13 | Change Jun 13/May 13 | Jun 12 |
|---|---|---|---|---|---|
| **Crude oil** | **460.1** | **464.4** | **464.7** | **0.2** | **465.1** |
| Gasoline | 114.3 | 113.5 | 116.6 | 3.1 | 103.3 |
| Naphtha | 28.2 | 27.7 | 28.2 | 0.4 | 30.9 |
| Middle distillates | 384.4 | 383.3 | 385.9 | 2.6 | 369.1 |
| Fuel oils | 87.1 | 88.3 | 89.3 | 0.9 | 83.4 |
| **Total products** | 614.0 | 612.8 | 619.9 | 7.1 | 586.7 |
| **Total** | **1,074.1** | **1,077.2** | **1,084.6** | **7.3** | **1,051.8** |

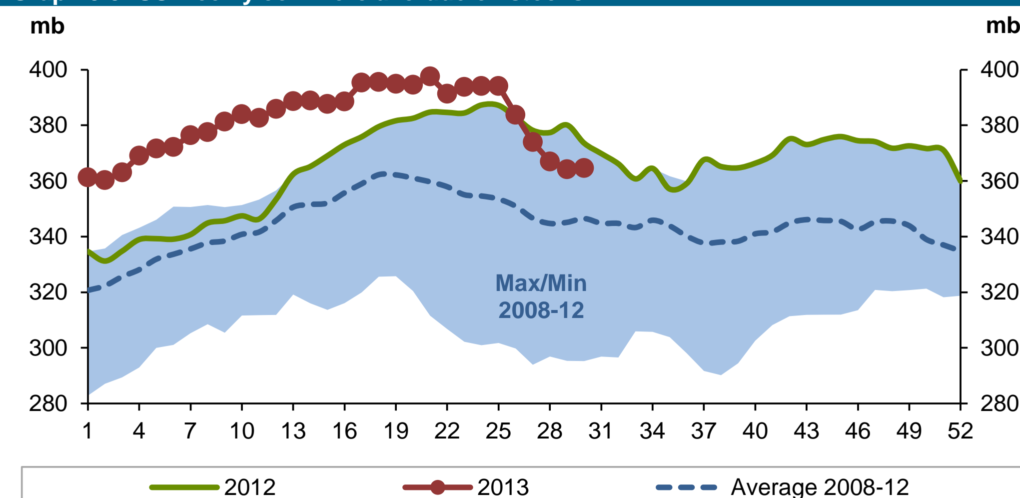
*Source: Argus and Euroilstock.*

## US

*Preliminary data for July shows that US total commercial oil stocks fell by 8.1 mb, reversing the build of the last fourth months*

Preliminary data for July shows that **US total commercial oil stocks** fell by 8.1 mb, reversing the build of the last fourth months, to stand at 1,121.2 mb. Despite this decline, inventories stood at 7.8 mb, or 0.7%, above last year at the same time and indicated a gain of 29.7 mb, or 2.7%, over the five-year average. The stock-draw was attributed to crude, which decreased by 19.2 mb, while products abated this fall, increasing by 11.1 mb.

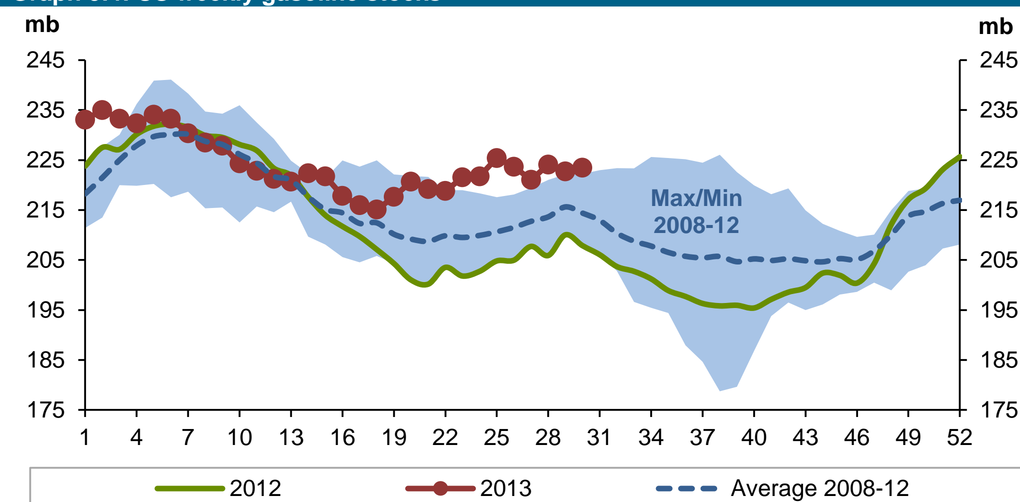
**Graph 9.3: US weekly commercial crude oil stocks**



**US commercial crude stocks** fell by 19.2 mb for the third month to end July at 383.3 mb. Despite this drop, US crude oil commercial stocks finished the month at 21.9 mb, or 6.4%, above the five-year average, while they were 5.2 mb, or 1.4%, lower than a year ago at the same time.

The stock draw in in July US crude came on the back of higher refinery crude runs; they increased by more than 400,000 b/d to average 16.1 mb/d. At this level, they are also around 410,000 b/d more than at the same time the previous year. US refineries operated at around 92.2%, which was 2.4 percentage points (pp) higher than in June but still 0.3 pp less than last year at the same time. A fall in crude oil imports of about 115,000 b/d also contributed to the stock draw in crude oil commercial inventories. At 7.9 mb/d, US crude oil imports remained very low compared with a year ago, showing a deficit of almost 0.8 mb/d. It should be highlighted that following several weeks of large draws, crude oil inventories built by 0.4 mb/d in the week ending 26 July. Inventories in Cushing also fell by more than 7.0 mb in July from the previous month to stand at 42.1 mb.

**Graph 9.4: US weekly gasoline stocks**




**Total product stocks** rose in July for four consecutive months to stand at 756.6 mb, which is the highest level since September 2010. Since last April, US product inventories accumulated more than 51 mb on the back of higher refinery throughput. With this build, they stood at 13 mb, or 1.8%, higher than a year ago. Compared with the seasonal average, product stocks stood at 7.8 mb, or 1.0%, above the five-year average. Within products, the picture was mixed; gasoline, fuel oil and jet fuel saw a stock draw, while distillate, unfinished products and propylene witnessed builds.

**Distillate stocks** rose by 5.2 mb, reversing last month's drop to end July at 126.0 mb. Despite this build, they still indicated a deficit of 0.6% compared with a year ago at the same time, and they remained 23.6 mb, or 15.7%, below the five-year average. Higher distillate output, which increased by around 220,000 b/d to average nearly 5.0 mb/d, was behind the build. A decline of around 110,000 b/d in apparent demand also contributed to the build in distillate stocks.

In contrast, **gasoline stocks** fell slightly by 0.2 mb, reversing the build of the last two months and ending July at 223.5 mb. Despite this decline, gasoline stocks stood at 14 mb, or 6.7%, above a year ago, and 10.3 mb or 4.8% higher than the seasonal average. The draw in gasoline stocks was driven mainly by higher gasoline demand, which increased by nearly 120,000 b/d to average 9.0 mb/d. However, higher gasoline production limited a further drop in gasoline stocks.

**Residual fuel oil stocks** fell by 0.7 mb to finish the month of July at 37.3 mb. At this level, they were 1.4 mb, or 3.8%, higher than one year ago but indicated a slight deficit of 0.1 mb or 0.2% over the seasonal norm. Jet fuel stocks also declined by 1.9 mb in July to stand at 37.9 mb, remaining 1.2 mb, or 5.3%, lower than the same month a year ago to stand at 6.1 mb, or 13.8%, below the latest five-year average.

**Table 9.3: US onland commercial petroleum stocks, mb**

| | May 13 | Jun 13 | Jul 13 | Change Jul 13/Jun 13 | Jul 12 |
|---|---|---|---|---|---|
| **Crude oil** | 392.3 | 383.8 | 364.6 | -19.2 | 369.8 |
| Gasoline | 221.7 | 223.7 | 223.5 | -0.2 | 209.5 |
| Distillate fuel | 122.2 | 120.8 | 126.0 | 5.2 | 126.6 |
| Residual fuel oil | 38.9 | 38.0 | 37.3 | -0.7 | 35.9 |
| Jet fuel | 40.8 | 39.8 | 37.9 | -1.9 | 40.0 |
| **Total** | **1,121.5** | **1,129.3** | **1,121.2** | **-8.1** | **1,113.4** |
| SPR | 696.0 | 696.0 | 696.0 | 0.0 | 696.0 |

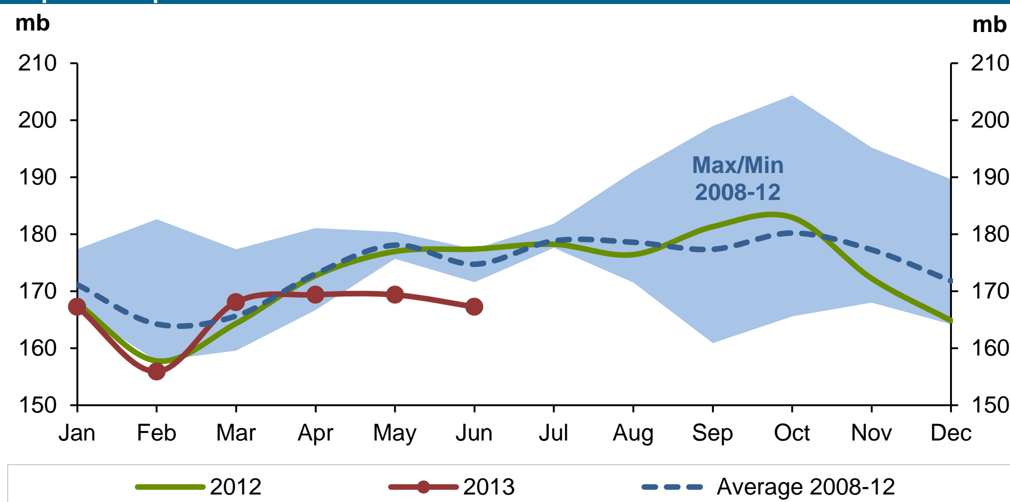
*Source: US Department of Energy's Energy Information Administration.*

## Japan

*In June, total commercial oil stocks in Japan declined by 2.1 mb after remaining flat the previous month*

In June, total **commercial oil stocks** in Japan declined by 2.1 mb after remaining flat the previous month to stand at 167.2 mb. As this level, they are 10.2 mb, or 5.7%, below one year ago at the same time and they stood at 7.5 mb, or 4.3%, lower than the five-year average. Within the components, crude saw the bulk of the stock-draw as it decreased by 1.9 mb, while products fell by only 0.2 mb.

**Graph 9.5: Japan's commercial oil stocks**




Japanese commercial **crude oil stocks** saw a drop of 1.9 mb in June, reversing the last two months' build to stand at 99.5 mb. At this level, they are 6.7 mb, or 4.4%, below a year ago at the same time and 4.4 mb, or 4.2%, below the five-year average. The drop in crude oil stocks was driven by a decline in crude imports, which fell by around 102,000 b/d, or 3.0%, averaging 3.3 mb/d. At this level, they are 1.5% higher than the same month a year ago.

Higher **crude throughput** in June also contributed to the decline in crude oil stocks. Indeed, crude input to refineries rose by 71,000 b/d, or 2.3%, to average 3.2 mb/d. At this level, they were also 3.6% higher than over the same period last year. Japanese refiners were running at 70.6%, around 1.6 pp higher than in the previous month and 2.6 pp more than in the same period last year. Direct crude burning in power plants fell by 20.4% in June from July, ending the month at around 187,450 tb/d and coming in 20% less than during the same period last year.

On the product side, Japan's **total product inventories** saw a drop of 0.2 mb in June, following a decline of 2.3 mb a month earlier. At 67.8 mb, they showed a deficit of 3.0 mb, or 4.2%, compared with one year ago and are 3.1 mb, or 4.4%, lower than the five-year average. May's decline of 1.2% in refinery output was behind the decline in product stocks. A drop in product imports of 5.5% also contributed to the drop in Japanese product stocks. However, the lower total sale of oil products in Japan, which fell by 0.7% from a month earlier to an average of 2.9 mb/d, limited a further drop in product stocks. Within products, the picture was mixed; distillates and naphtha witnessed builds, while gasoline and residual fuel oil dropped.

**Distillate stocks** rose by 1.3 mb, reversing last month's fall and ending June at 28.8 mb. At this level, they are 1.2 mb, or 3.9%, below a year ago and 1.1 mb, or 3.7%, above the seasonal average. Within distillate components, jet fuel and kerosene stocks rose, while gasoil stocks went down.

In June, kerosene inventories rose by 12.6%, driven by lower domestic sales which declined by almost 40%, while lower output limited a further build in kerosene stocks. Jet fuel stocks rose by 16% on the back of higher production, which increased by 10.5%. In contrast, gasoil stocks fell by 7.8%, reflecting lower output, which declined by 5.2%. Naphtha stocks rose by 0.4 mb to finish the month at 11.4 mb. At this level, they represent a surplus of 0.3 mb, or 2.6%, compared with a year ago, and 0.7 mb, or 7.0%, above the seasonal norm. The build in naphtha stocks came from lower domestic sales, which declined by 2.5%. The increase of 5.5% in naphtha output also contributed to this build.

**Gasoline stocks** fell by 1.0 mb in June, ending the month at 13.2 mb. At this level, they are 0.4 mb, or 2.7%, less than at the same time last year, and 0.3 mb, or 2.5%, below the five-year average. A decline of 5.7% in gasoline production was behind this stock-draw, while slow gasoline sales limited a bigger drop in gasoline stocks. Total residual fuel oil stocks went down by 0.8 mb to end the month at 14.4 mb. At this level, they were 1.7 mb, or 10.8%, less than a year ago and 2.4 mb, or 14.3%, lower than the five-year average. Within the fuel oil components, the picture was mixed as fuel oil A inventories rose by 2.5%, while fuel oil B.C stocks fell by 9.8%.

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

| | Apr 13 | May 13 | Jun 13 | Change Jun 13/May 13 | Jun 12 |
|---|---|---|---|---|---|
| **Crude oil** | **99.1** | **101.4** | **99.5** | **-1.9** | **106.6** |
| Gasoline | 14.2 | 14.3 | 13.2 | -1.0 | 13.6 |
| Naphtha | 10.4 | 11.0 | 11.4 | 0.4 | 11.1 |
| Middle distillates | 29.6 | 27.5 | 28.8 | 1.3 | 30.0 |
| Residual fuel oil | 16.1 | 15.3 | 14.4 | -0.8 | 16.2 |
| **Total products** | **70.3** | **68.0** | **67.8** | **-0.2** | **70.8** |
| **Total**** | **169.4** | **169.4** | **167.2** | **-2.1** | **177.4** |

** 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 June, product stocks in Singapore reversed the build of the last two months, declining by 3.1 mb*

At the end of June, **product stocks in Singapore** reversed the build of the last two months and declined by 3.1 mb, ending the month at 38.0 mb. This stock-draw indicated a deficit of 3.2 mb, or 7.8%, compared with a year ago. All products saw a drop, with the bulk of the fall coming from middle distillates.

**Middle distillate stocks** fell by 1.7 mb for the second consecutive month, finishing the month of June at 8.1 mb. Despite this stock draw, middle distillate stocks remained in line with the level observed over the same period last year. Higher diesel exports to Malaysia, as a refinery outage cut domestic supply, were behind the stock draw in Singapore middle distillates.

**Residual fuel oil** also fell by 0.6 mb in June, reversing last month's build and ending the month at 20.8 mb. With this stock draw, the surplus of a year ago switched to a deficit of 1.2 mb or 5.4%. The stock draw was driven by massive trading volumes combined with lower arbitrage flows which weighed on inventories.

**Light distillate stocks** fell by 0.8 mb for the third consecutive month, ending the month at 9.1 mb. With this stock draw, which was driven by higher demand for gasoline from Indonesia and Malaysia, light distillate stocks stood at 2.1 mb, or 18.4%, below a year ago in the same period.

*Product stocks ARA fell by 1.8 mb in June for the third consecutive month*

Product stocks in **Amsterdam-Rotterdam-Antwerp (ARA)** fell by 1.8 mb in June for the third consecutive month to end at 29.5 mb. With this stock-draw, they switched last month's surplus with a year ago to a deficit of 2.1 mb or 6.7%. Within products, the picture was mixed, with naphtha, jet oil and fuel oil witnessing builds, while gasoline and gasoil saw a drop.

**Gasoil** stocks fell the most and declined by 2.6 mb to end the month of June at 14.0 mb. At this level, gasoil stocks remained at 3.4 mb, or 19.4%, lower than the same period last year. The fall in gasoil stocks mainly reflects higher demand in the region. **Gasoline** also fell by 0.2 mb, ending the month at 6.1 mb. Despite this fall, inventories remained at 0.5 mb above a year ago at the same time. The fall in gasoil stocks partly reflects higher summer demand for diesel. The backwardated structure of ICE gasoline futures also contributed to the stock draw. **Jet fuel** stocks saw a drop of 0.4 mb to end the month at 2.8 mb but remained at 0.2 mb, or 7.4 %, above a year ago during the same period.

In contrast, **residual fuel oil** stocks saw a build of 0.8 mb, reversing the draw of the last two months and ending June at 5.0 mb. Despite this build, ARA fuel oil stocks stood at 0.6 mb, or 10.5%, lower than a year ago over the same period. Higher exports to the ARA hub were the main driver behind the build in fuel oil stocks. **Naphtha** stocks also rose by 0.6 mb to finish the month at 1.5 mb, standing at almost double the level seen at the same time last year.

# Balance of Supply and Demand

## Forecast for 2013

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

Demand for OPEC crude in 2013 remained almost unchanged from the previous report. The first and third quarters were unchanged, while the second and fourth quarters saw an upward revision of around 0.1 mb/d, reflecting upward adjustments in demand data as non-OPEC supply remained almost unchanged. The demand for OPEC crude stood at 29.9 mb/d in 2013, a decline of 0.4 mb/d from a year ago.

For 2013, the first quarter is estimated to drop by 0.3 mb/d from the same quarter last year; the second and third quarters are expected to see negative growth of 0.6 mb/d and 0.7 mb/d, respectively. The fourth is forecast to drop by 0.2 mb/d versus the same quarter last year.

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

| | 2012 | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 2013 |
|---|---|---|---|---|---|---|
| **(a) World oil demand** | **88.92** | **88.86** | **88.86** | **90.18** | **90.90** | **89.71** |
| Non-OPEC supply | 52.93 | 53.80 | 53.70 | 53.88 | 54.34 | 53.93 |
| OPEC NGLs and non-conventionals | 5.66 | 5.83 | 5.85 | 5.88 | 5.92 | 5.87 |
| **(b) Total supply excluding OPEC crude** | **58.58** | **59.63** | **59.55** | **59.75** | **60.25** | **59.80** |
| **Difference (a-b)** | **30.34** | **29.24** | **29.31** | **30.43** | **30.65** | **29.91** |
| OPEC crude oil production | 31.13 | 30.22 | 30.56 | | | |
| Balance | 0.80 | 0.98 | 1.25 | | | |

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

## Forecast for 2014

*Demand for OPEC crude in 2014 is forecast at 29.7 mb/d, 0.3 mb/d less than 2013*

Demand for OPEC crude in 2014 saw a little change from the previous report to stand at 29.7 mb/d. This represents negative growth of 0.3 mb/d compared with 2013. The second quarter saw an upward revision of 0.1 mb/d from the previous assessment, while the other quarters remained unchanged.

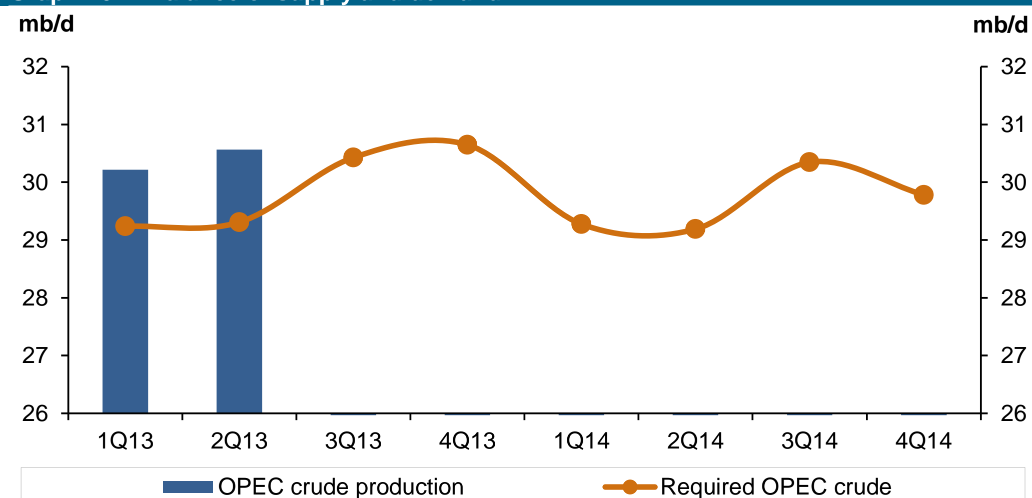
For 2014, the first quarter is estimated flat versus the same quarter last year; the second and third are expected to see negative growth of 0.1 mb/d each. The fourth is forecast to drop by 0.9 mb/d versus the same quarter of this year.

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

| | 2013 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 2014 |
|---|---|---|---|---|---|---|
| **(a) World oil demand** | **89.71** | **89.89** | **89.76** | **91.36** | **91.94** | **90.75** |
| Non-OPEC supply | 53.93 | 54.67 | 54.57 | 54.98 | 56.09 | 55.08 |
| OPEC NGLs and non-conventionals | 5.87 | 5.95 | 6.00 | 6.04 | 6.08 | 6.01 |
| **(b) Total supply excluding OPEC crude** | **59.80** | **60.61** | **60.57** | **61.02** | **62.16** | **61.09** |
| **Difference (a-b)** | **29.91** | **29.27** | **29.19** | **30.35** | **29.78** | **29.65** |

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

**Graph 10.1: Balance of supply and demand**



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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 2013 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| World demand | | | | | | | | | | | | | | | |
| OECD | 48.4 | 46.4 | 47.0 | 46.5 | 46.0 | 45.8 | 45.3 | 45.7 | 45.9 | 45.7 | 45.6 | 44.9 | 45.5 | 45.7 | 45.5 |
| Americas | 24.5 | 23.7 | 24.1 | 24.0 | 23.7 | 23.7 | 23.7 | 23.9 | 23.8 | 23.8 | 23.8 | 23.8 | 24.0 | 23.9 | 23.9 |
| Europe | 15.5 | 14.7 | 14.7 | 14.3 | 13.7 | 13.2 | 13.5 | 13.5 | 13.4 | 13.4 | 13.0 | 13.3 | 13.4 | 13.2 | 13.2 |
| Asia Pacific | 8.4 | 8.0 | 8.2 | 8.2 | 8.6 | 9.0 | 8.0 | 8.3 | 8.7 | 8.5 | 8.8 | 7.9 | 8.2 | 8.6 | 8.4 |
| DCs | 25.0 | 25.5 | 26.5 | 27.3 | 28.1 | 28.3 | 28.7 | 29.4 | 29.0 | 28.8 | 29.1 | 29.4 | 30.3 | 29.9 | 29.7 |
| FSU | 4.1 | 4.0 | 4.2 | 4.3 | 4.4 | 4.3 | 4.2 | 4.6 | 4.8 | 4.5 | 4.4 | 4.2 | 4.7 | 4.9 | 4.6 |
| Other Europe | 0.7 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.7 | 0.6 |
| China | 8.0 | 8.3 | 9.0 | 9.4 | 9.7 | 9.8 | 10.2 | 9.9 | 10.4 | 10.1 | 10.1 | 10.5 | 10.2 | 10.7 | 10.4 |
| (a) Total world demand | 86.1 | 84.8 | 87.3 | 88.1 | 88.9 | 88.9 | 88.9 | 90.2 | 90.9 | 89.7 | 89.9 | 89.8 | 91.4 | 91.9 | 90.7 |
| Non-OPEC supply | | | | | | | | | | | | | | | |
| OECD | 19.6 | 19.8 | 20.0 | 20.2 | 21.1 | 21.7 | 21.7 | 21.6 | 21.9 | 21.7 | 22.1 | 22.1 | 22.3 | 23.0 | 22.4 |
| Americas | 14.0 | 14.4 | 15.0 | 15.5 | 16.7 | 17.6 | 17.6 | 17.7 | 17.8 | 17.7 | 18.0 | 18.1 | 18.5 | 18.9 | 18.4 |
| Europe | 4.9 | 4.7 | 4.4 | 4.1 | 3.8 | 3.6 | 3.6 | 3.4 | 3.6 | 3.5 | 3.5 | 3.4 | 3.3 | 3.5 | 3.4 |
| Asia Pacific | 0.6 | 0.6 | 0.7 | 0.6 | 0.6 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.5 | 0.5 |
| DCs | 12.2 | 12.4 | 12.7 | 12.6 | 12.1 | 12.1 | 12.0 | 12.3 | 12.3 | 12.2 | 12.4 | 12.5 | 12.6 | 12.7 | 12.5 |
| FSU | 12.6 | 13.0 | 13.2 | 13.2 | 13.3 | 13.4 | 13.4 | 13.4 | 13.4 | 13.4 | 13.5 | 13.4 | 13.5 | 13.8 | 13.5 |
| Other Europe | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| China | 3.8 | 3.8 | 4.1 | 4.1 | 4.2 | 4.2 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 | 4.3 |
| Processing gains | 2.0 | 2.0 | 2.1 | 2.1 | 2.1 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| Total non-OPEC supply | 50.4 | 51.1 | 52.3 | 52.4 | 52.9 | 53.8 | 53.7 | 53.9 | 54.3 | 53.9 | 54.7 | 54.6 | 55.0 | 56.1 | 55.1 |
| OPEC NGLs + non-conventional oils | 4.1 | 4.3 | 5.0 | 5.4 | 5.7 | 5.8 | 5.8 | 5.9 | 5.9 | 5.9 | 5.9 | 6.0 | 6.0 | 6.1 | 6.0 |
| (b) Total non-OPEC supply and OPEC NGLs | 54.5 | 55.4 | 57.3 | 57.8 | 58.6 | 59.6 | 59.5 | 59.8 | 60.3 | 59.8 | 60.6 | 60.6 | 61.0 | 62.2 | 61.1 |
| OPEC crude oil production (secondary sources) | 31.3 | 28.8 | 29.2 | 29.8 | 31.1 | 30.2 | 30.6 | | | | | | | | |
| Total supply | 85.8 | 84.2 | 86.5 | 87.6 | 89.7 | 89.8 | 90.1 | | | | | | | | |
| Balance (stock change and miscellaneous) | -0.4 | -0.6 | -0.7 | -0.5 | 0.8 | 1.0 | 1.3 | | | | | | | | |
| OECD closing stock levels (mb) | | | | | | | | | | | | | | | |
| Commercial | 2,697 | 2,662 | 2,679 | 2,608 | 2,666 | 2,659 | 2,696 | | | | | | | | |
| SPR | 1,530 | 1,568 | 1,565 | 1,536 | 1,547 | 1,578 | 1,574 | | | | | | | | |
| Total | 4,227 | 4,231 | 4,244 | 4,145 | 4,213 | 4,237 | 4,270 | | | | | | | | |
| Oil-on-water | 969 | 919 | 871 | 825 | 801 | 895 | 881 | | | | | | | | |
| Days of forward consumption in OECD | | | | | | | | | | | | | | | |
| Commercial onland stocks | 58 | 57 | 58 | 57 | 58 | 59 | 59 | | | | | | | | |
| SPR | 33 | 33 | 34 | 33 | 34 | 35 | 34 | | | | | | | | |
| Total | 91 | 90 | 91 | 90 | 92 | 94 | 93 | | | | | | | | |
| Memo items | | | | | | | | | | | | | | | |
| FSU net exports | 8.5 | 9.0 | 9.1 | 9.0 | 8.9 | 9.1 | 9.2 | 8.8 | 8.6 | 8.9 | 9.1 | 9.1 | 8.8 | 8.8 | 9.0 |
| (a) - (b) | 31.6 | 29.4 | 29.9 | 30.3 | 30.3 | 29.2 | 29.3 | 30.4 | 30.6 | 29.9 | 29.3 | 29.2 | 30.3 | 29.8 | 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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 2013 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| World demand | | | | | | | | | | | | | | | |
| OECD | 0.1 | - | 0.1 | - | - | - | 0.1 | 0.1 | 0.1 | 0.1 | - | 0.1 | 0.1 | 0.1 | 0.1 |
| Americas | - | - | - | -0.1 | - | - | - | - | - | - | - | - | - | - | - |
| Europe | - | - | - | - | - | -0.1 | - | - | - | - | -0.1 | - | - | - | - |
| Asia Pacific | 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 |
| DCs | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| FSU | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Europe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| China | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| (a) Total world demand | 0.1 | - | 0.1 | - | - | - | 0.1 | - | 0.1 | 0.1 | - | 0.1 | - | 0.1 | 0.1 |
| World demand growth | - | - | - | -0.11 | 0.06 | - | 0.07 | - | - | - | - | - | - | - | - |
| Non-OPEC supply | | | | | | | | | | | | | | | |
| OECD | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Americas | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Europe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Asia Pacific | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| DCs | - | - | - | - | - | - | - | - | -0.1 | - | - | - | - | - | - |
| FSU | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Europe | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| China | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Processing gains | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total non-OPEC supply | - | - | - | - | - | - | 0.1 | - | - | - | - | - | - | - | - |
| Total non-OPEC supply growth | - | - | - | - | - | - | 0.08 | - | - | - | - | - | - | - | - |
| OPEC NGLs + non-conventionals | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| (b) Total non-OPEC supply and OPEC NGLs | - | - | - | - | - | - | 0.1 | - | - | - | - | - | - | - | - |
| OPEC crude oil production (secondary sources) | - | - | - | - | - | - | - | | | | | | | | |
| Total supply | - | - | - | - | - | - | 0.1 | | | | | | | | |
| Balance (stock change and miscellaneous) | -0.1 | - | -0.1 | - | - | - | - | | | | | | | | |
| OECD closing stock levels (mb ) | | | | | | | | | | | | | | | |
| Commercial | - | - | - | - | 1 | -5 | - | | | | | | | | |
| SPR | - | - | - | - | - | -2 | - | | | | | | | | |
| Total | - | - | - | - | 1 | -6 | - | | | | | | | | |
| Oil-on-water | - | - | - | - | - | - | - | | | | | | | | |
| Days of forward consumption in OECD | | | | | | | | | | | | | | | |
| Commercial onland stocks | - | - | - | - | - | - | - | | | | | | | | |
| SPR | - | - | - | - | - | - | - | | | | | | | | |
| Total | - | - | - | - | - | - | - | | | | | | | | |
| Memo items | | | | | | | | | | | | | | | |
| FSU net exports | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| (a) - (b) | 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 July 2013 issue.
This table shows only where changes have occurred.

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

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2Q09 | 3Q09 | 4Q09 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | 1Q13 | 2Q13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Closing stock levels, mb | | | | | | | | | | | | | | | | | | | | | | |
| OECD onland commercial | 2,697 | 2,662 | 2,679 | 2,608 | 2,666 | 2,765 | 2,784 | 2,662 | 2,684 | 2,765 | 2,753 | 2,679 | 2,648 | 2,686 | 2,671 | 2,608 | 2,656 | 2,689 | 2,729 | 2,666 | 2,659 | 2,696 |
| Americas | 1,278 | 1,285 | 1,329 | 1,308 | 1,362 | 1,364 | 1,369 | 1,285 | 1,312 | 1,367 | 1,396 | 1,329 | 1,298 | 1,338 | 1,341 | 1,308 | 1,330 | 1,359 | 1,382 | 1,362 | 1,341 | 1,383 |
| Europe | 1,012 | 995 | 959 | 908 | 907 | 1,000 | 996 | 995 | 986 | 994 | 957 | 959 | 962 | 941 | 916 | 908 | 947 | 916 | 919 | 907 | 905 | 908 |
| Asia Pacific | 406 | 383 | 391 | 392 | 397 | 401 | 419 | 383 | 386 | 404 | 400 | 391 | 388 | 407 | 415 | 392 | 379 | 413 | 428 | 397 | 413 | 405 |
| OECD SPR | 1,530 | 1,568 | 1,565 | 1,536 | 1,547 | 1,565 | 1,568 | 1,568 | 1,571 | 1,566 | 1,553 | 1,565 | 1,562 | 1,565 | 1,529 | 1,536 | 1,536 | 1,539 | 1,542 | 1,547 | 1,578 | 1,574 |
| Americas | 704 | 729 | 729 | 697 | 696 | 726 | 727 | 729 | 729 | 729 | 728 | 729 | 727 | 727 | 696 | 697 | 697 | 697 | 696 | 696 | 697 | 697 |
| Europe | 420 | 431 | 427 | 426 | 436 | 430 | 433 | 431 | 433 | 426 | 423 | 427 | 424 | 427 | 424 | 426 | 426 | 429 | 433 | 436 | 471 | 466 |
| Asia Pacific | 406 | 409 | 410 | 414 | 414 | 408 | 408 | 409 | 409 | 411 | 402 | 410 | 411 | 411 | 409 | 414 | 414 | 413 | 414 | 414 | 411 | 411 |
| **OECD total** | **4,227** | **4,231** | **4,244** | **4,145** | **4,213** | **4,330** | **4,352** | **4,231** | **4,255** | **4,330** | **4,306** | **4,244** | **4,210** | **4,251** | **4,201** | **4,145** | **4,192** | **4,228** | **4,271** | **4,213** | **4,237** | **4,270** |
| Oil-on-water | 969 | 919 | 871 | 825 | 801 | 904 | 869 | 919 | 919 | 897 | 926 | 871 | 891 | 853 | 835 | 825 | 787 | 812 | 797 | 801 | 895 | 881 |
| Days of forward consumption in OECD | | | | | | | | | | | | | | | | | | | | | | |
| OECD onland commercial | 58 | 57 | 58 | 57 | 58 | 60 | 59 | 57 | 58 | 58 | 58 | 57 | 58 | 57 | 57 | 56 | 58 | 58 | 59 | 58 | 59 | 59 |
| Americas | 54 | 53 | 55 | 55 | 57 | 58 | 57 | 54 | 54 | 56 | 58 | 55 | 55 | 55 | 56 | 56 | 56 | 57 | 58 | 58 | 57 | 58 |
| Europe | 69 | 68 | 67 | 66 | 67 | 68 | 68 | 69 | 69 | 66 | 64 | 67 | 68 | 64 | 65 | 66 | 69 | 66 | 67 | 69 | 67 | 67 |
| Asia Pacific | 51 | 47 | 47 | 46 | 47 | 53 | 50 | 44 | 50 | 51 | 48 | 45 | 52 | 50 | 48 | 43 | 47 | 50 | 49 | 44 | 52 | 49 |
| OECD SPR | 33 | 33 | 34 | 33 | 34 | 34 | 33 | 33 | 34 | 33 | 33 | 33 | 34 | 33 | 33 | 33 | 34 | 33 | 33 | 34 | 35 | 34 |
| Americas | 30 | 30 | 30 | 29 | 29 | 31 | 30 | 31 | 30 | 30 | 30 | 30 | 31 | 30 | 29 | 30 | 29 | 29 | 29 | 29 | 29 | 29 |
| Europe | 29 | 29 | 30 | 31 | 32 | 29 | 30 | 30 | 30 | 28 | 28 | 30 | 30 | 29 | 30 | 31 | 31 | 31 | 32 | 33 | 35 | 35 |
| Asia Pacific | 51 | 50 | 50 | 48 | 49 | 54 | 49 | 47 | 53 | 51 | 48 | 47 | 55 | 51 | 47 | 45 | 51 | 50 | 47 | 46 | 51 | 50 |
| **OECD total** | **91** | **90** | **91** | **90** | **92** | **94** | **93** | **90** | **92** | **91** | **91** | **90** | **93** | **91** | **90** | **89** | **92** | **92** | **92** | **92** | **94** | **94** |

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

| | 2008 | 2009 | 2010 | 2011 | Change 11/10 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | 2012 | Change 12/11 | 1Q13 | 2Q13 | 3Q13 | 4Q13 | 2013 | Change 13/12 | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 2014 | Change 14/13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| US | 7.57 | 8.17 | 8.64 | 9.04 | 0.39 | 9.77 | 9.82 | 9.93 | 10.60 | 10.03 | 0.99 | 10.63 | 10.94 | 10.76 | 10.83 | 10.79 | 0.76 | 11.05 | 11.18 | 11.43 | 11.79 | 11.37 | 0.57 |
| Canada | 3.25 | 3.23 | 3.36 | 3.55 | 0.20 | 3.81 | 3.65 | 3.67 | 3.96 | 3.77 | 0.22 | 4.08 | 3.82 | 4.02 | 4.12 | 4.01 | 0.24 | 4.15 | 4.14 | 4.20 | 4.31 | 4.20 | 0.19 |
| Mexico | 3.17 | 2.98 | 2.96 | 2.95 | -0.02 | 2.92 | 2.94 | 2.93 | 2.90 | 2.92 | -0.02 | 2.91 | 2.87 | 2.87 | 2.85 | 2.88 | -0.05 | 2.84 | 2.81 | 2.83 | 2.82 | 2.82 | -0.05 |
| **OECD Americas*** | **14.01** | **14.39** | **14.97** | **15.55** | **0.58** | **16.52** | **16.41** | **16.54** | **17.47** | **16.74** | **1.19** | **17.64** | **17.64** | **17.66** | **17.81** | **17.69** | **0.95** | **18.05** | **18.14** | **18.46** | **18.93** | **18.40** | **0.71** |
| Norway | 2.47 | 2.35 | 2.14 | 2.04 | -0.10 | 2.08 | 1.98 | 1.75 | 1.85 | 1.91 | -0.13 | 1.83 | 1.82 | 1.72 | 1.82 | 1.80 | -0.12 | 1.80 | 1.69 | 1.63 | 1.78 | 1.72 | -0.07 |
| UK | 1.57 | 1.48 | 1.37 | 1.12 | -0.24 | 1.09 | 1.02 | 0.83 | 0.89 | 0.96 | -0.17 | 0.92 | 0.90 | 0.85 | 0.91 | 0.89 | -0.06 | 0.90 | 0.83 | 0.79 | 0.89 | 0.85 | -0.04 |
| Denmark | 0.28 | 0.26 | 0.25 | 0.22 | -0.02 | 0.21 | 0.21 | 0.21 | 0.20 | 0.21 | -0.01 | 0.20 | 0.18 | 0.18 | 0.17 | 0.18 | -0.03 | 0.17 | 0.16 | 0.16 | 0.15 | 0.16 | -0.02 |
| Other OECD Europe | 0.62 | 0.63 | 0.64 | 0.69 | 0.04 | 0.69 | 0.70 | 0.70 | 0.69 | 0.70 | 0.01 | 0.67 | 0.66 | 0.68 | 0.68 | 0.67 | -0.02 | 0.69 | 0.69 | 0.69 | 0.69 | 0.69 | 0.02 |
| **OECD Europe** | **4.94** | **4.73** | **4.39** | **4.07** | **-0.32** | **4.08** | **3.92** | **3.49** | **3.62** | **3.78** | **-0.30** | **3.62** | **3.56** | **3.43** | **3.58** | **3.55** | **-0.23** | **3.55** | **3.38** | **3.27** | **3.51** | **3.42** | **-0.12** |
| Australia | 0.53 | 0.54 | 0.56 | 0.49 | -0.07 | 0.47 | 0.49 | 0.50 | 0.45 | 0.48 | -0.01 | 0.37 | 0.42 | 0.46 | 0.47 | 0.43 | -0.05 | 0.46 | 0.49 | 0.49 | 0.47 | 0.48 | 0.05 |
| Other Asia Pacific | 0.10 | 0.10 | 0.10 | 0.09 | -0.01 | 0.09 | 0.09 | 0.08 | 0.08 | 0.08 | 0.00 | 0.08 | 0.08 | 0.07 | 0.07 | 0.07 | -0.01 | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 | -0.01 |
| **OECD Asia Pacific** | **0.63** | **0.64** | **0.66** | **0.58** | **-0.08** | **0.55** | **0.57** | **0.59** | **0.52** | **0.56** | **-0.02** | **0.45** | **0.50** | **0.53** | **0.54** | **0.51** | **-0.05** | **0.53** | **0.56** | **0.56** | **0.54** | **0.55** | **0.04** |
| **Total OECD** | **19.58** | **19.76** | **20.02** | **20.20** | **0.17** | **21.15** | **20.90** | **20.62** | **21.62** | **21.07** | **0.88** | **21.71** | **21.70** | **21.63** | **21.94** | **21.74** | **0.67** | **22.13** | **22.07** | **22.29** | **22.98** | **22.37** | **0.63** |
| Brunei | 0.17 | 0.16 | 0.17 | 0.17 | 0.00 | 0.16 | 0.14 | 0.16 | 0.17 | 0.16 | -0.01 | 0.17 | 0.16 | 0.16 | 0.16 | 0.16 | 0.00 | 0.16 | 0.16 | 0.16 | 0.16 | 0.16 | -0.01 |
| India | 0.80 | 0.78 | 0.86 | 0.89 | 0.03 | 0.88 | 0.88 | 0.88 | 0.88 | 0.88 | -0.01 | 0.87 | 0.87 | 0.88 | 0.88 | 0.87 | -0.01 | 0.88 | 0.88 | 0.88 | 0.88 | 0.88 | 0.01 |
| Indonesia | 1.05 | 1.03 | 1.04 | 1.02 | -0.02 | 1.01 | 0.99 | 0.97 | 0.96 | 0.98 | -0.04 | 0.94 | 0.92 | 0.93 | 0.92 | 0.93 | -0.05 | 0.95 | 0.97 | 0.97 | 0.96 | 0.96 | 0.03 |
| Malaysia | 0.76 | 0.73 | 0.70 | 0.64 | -0.06 | 0.69 | 0.63 | 0.63 | 0.69 | 0.66 | 0.02 | 0.68 | 0.66 | 0.73 | 0.75 | 0.71 | 0.05 | 0.76 | 0.76 | 0.76 | 0.74 | 0.76 | 0.05 |
| Thailand | 0.36 | 0.37 | 0.34 | 0.33 | -0.01 | 0.35 | 0.35 | 0.36 | 0.36 | 0.35 | 0.02 | 0.37 | 0.36 | 0.36 | 0.36 | 0.36 | 0.01 | 0.36 | 0.36 | 0.36 | 0.35 | 0.35 | -0.01 |
| Vietnam | 0.33 | 0.37 | 0.35 | 0.35 | 0.00 | 0.37 | 0.37 | 0.39 | 0.39 | 0.38 | 0.03 | 0.39 | 0.39 | 0.40 | 0.40 | 0.40 | 0.01 | 0.40 | 0.40 | 0.40 | 0.41 | 0.40 | 0.00 |
| Asia others | 0.26 | 0.25 | 0.23 | 0.23 | 0.00 | 0.22 | 0.22 | 0.22 | 0.22 | 0.22 | -0.01 | 0.21 | 0.22 | 0.22 | 0.22 | 0.22 | 0.00 | 0.22 | 0.22 | 0.22 | 0.22 | 0.22 | 0.00 |
| **Other Asia** | **3.73** | **3.69** | **3.70** | **3.63** | **-0.07** | **3.68** | **3.59** | **3.61** | **3.67** | **3.64** | **0.01** | **3.64** | **3.59** | **3.68** | **3.69** | **3.65** | **0.01** | **3.71** | **3.73** | **3.74** | **3.72** | **3.73** | **0.08** |
| Argentina | 0.78 | 0.75 | 0.75 | 0.71 | -0.04 | 0.70 | 0.69 | 0.69 | 0.68 | 0.69 | -0.02 | 0.66 | 0.66 | 0.68 | 0.67 | 0.67 | -0.02 | 0.66 | 0.66 | 0.67 | 0.67 | 0.67 | 0.00 |
| Brazil | 2.38 | 2.51 | 2.66 | 2.64 | -0.03 | 2.71 | 2.57 | 2.53 | 2.60 | 2.60 | -0.03 | 2.54 | 2.54 | 2.65 | 2.67 | 2.60 | 0.00 | 2.68 | 2.69 | 2.78 | 2.83 | 2.75 | 0.15 |
| Colombia | 0.60 | 0.68 | 0.80 | 0.93 | 0.13 | 0.93 | 0.96 | 0.95 | 0.99 | 0.96 | 0.03 | 1.02 | 1.02 | 1.04 | 1.05 | 1.03 | 0.08 | 1.07 | 1.08 | 1.05 | 1.12 | 1.08 | 0.05 |
| Trinidad & Tobago | 0.16 | 0.15 | 0.15 | 0.14 | -0.01 | 0.12 | 0.12 | 0.12 | 0.11 | 0.12 | -0.02 | 0.12 | 0.11 | 0.11 | 0.10 | 0.11 | -0.01 | 0.10 | 0.10 | 0.09 | 0.09 | 0.10 | -0.01 |
| L. America others | 0.28 | 0.30 | 0.31 | 0.30 | -0.01 | 0.30 | 0.30 | 0.31 | 0.33 | 0.31 | 0.01 | 0.34 | 0.33 | 0.34 | 0.35 | 0.34 | 0.03 | 0.36 | 0.37 | 0.37 | 0.36 | 0.36 | 0.02 |
| **Latin America** | **4.20** | **4.39** | **4.66** | **4.71** | **0.05** | **4.75** | **4.63** | **4.60** | **4.71** | **4.67** | **-0.04** | **4.68** | **4.66** | **4.82** | **4.85** | **4.75** | **0.08** | **4.87** | **4.90** | **4.96** | **5.07** | **4.95** | **0.20** |
| Bahrain | 0.21 | 0.21 | 0.20 | 0.21 | 0.01 | 0.20 | 0.18 | 0.20 | 0.19 | 0.19 | -0.02 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.01 | 0.21 | 0.21 | 0.20 | 0.20 | 0.20 | 0.01 |
| Oman | 0.76 | 0.81 | 0.86 | 0.89 | 0.02 | 0.89 | 0.92 | 0.93 | 0.94 | 0.92 | 0.03 | 0.94 | 0.93 | 0.95 | 0.95 | 0.94 | 0.02 | 0.95 | 0.96 | 0.96 | 0.97 | 0.96 | 0.02 |
| Syria | 0.41 | 0.41 | 0.42 | 0.37 | -0.05 | 0.22 | 0.24 | 0.19 | 0.18 | 0.21 | -0.16 | 0.16 | 0.09 | 0.07 | 0.03 | 0.09 | -0.12 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 | -0.05 |
| Yemen | 0.30 | 0.30 | 0.29 | 0.23 | -0.06 | 0.14 | 0.18 | 0.21 | 0.19 | 0.18 | -0.05 | 0.18 | 0.16 | 0.18 | 0.18 | 0.17 | -0.01 | 0.18 | 0.18 | 0.18 | 0.18 | 0.18 | 0.00 |
| **Middle East** | **1.68** | **1.73** | **1.78** | **1.69** | **-0.09** | **1.44** | **1.51** | **1.52** | **1.50** | **1.49** | **-0.20** | **1.47** | **1.37** | **1.40** | **1.35** | **1.40** | **-0.10** | **1.37** | **1.37** | **1.38** | **1.38** | **1.37** | **-0.02** |
| Chad | 0.15 | 0.14 | 0.15 | 0.14 | 0.00 | 0.14 | 0.14 | 0.13 | 0.13 | 0.13 | -0.01 | 0.13 | 0.13 | 0.13 | 0.13 | 0.13 | 0.00 | 0.13 | 0.13 | 0.12 | 0.12 | 0.13 | -0.01 |
| Congo | 0.26 | 0.27 | 0.30 | 0.30 | 0.00 | 0.30 | 0.30 | 0.30 | 0.29 | 0.30 | 0.00 | 0.28 | 0.28 | 0.28 | 0.28 | 0.28 | -0.02 | 0.28 | 0.27 | 0.27 | 0.26 | 0.27 | -0.01 |
| Egypt | 0.69 | 0.69 | 0.71 | 0.70 | -0.01 | 0.71 | 0.71 | 0.71 | 0.71 | 0.71 | 0.01 | 0.71 | 0.72 | 0.69 | 0.69 | 0.70 | -0.01 | 0.68 | 0.68 | 0.68 | 0.67 | 0.68 | -0.02 |
| Equatorial Guinea | 0.38 | 0.36 | 0.32 | 0.30 | -0.02 | 0.32 | 0.31 | 0.31 | 0.31 | 0.32 | 0.01 | 0.32 | 0.32 | 0.30 | 0.31 | 0.31 | 0.00 | 0.32 | 0.33 | 0.32 | 0.32 | 0.32 | 0.01 |
| Gabon | 0.24 | 0.24 | 0.25 | 0.25 | 0.00 | 0.25 | 0.24 | 0.24 | 0.24 | 0.24 | -0.01 | 0.23 | 0.23 | 0.23 | 0.23 | 0.23 | -0.01 | 0.24 | 0.24 | 0.24 | 0.24 | 0.24 | 0.01 |
| South Africa | 0.18 | 0.17 | 0.18 | 0.18 | 0.00 | 0.19 | 0.19 | 0.19 | 0.19 | 0.19 | 0.01 | 0.19 | 0.19 | 0.19 | 0.18 | 0.19 | -0.01 | 0.19 | 0.18 | 0.18 | 0.18 | 0.18 | 0.00 |
| Sudans | 0.46 | 0.48 | 0.46 | 0.43 | -0.03 | 0.19 | 0.09 | 0.10 | 0.10 | 0.12 | -0.31 | 0.11 | 0.21 | 0.24 | 0.26 | 0.21 | 0.09 | 0.26 | 0.27 | 0.29 | 0.30 | 0.28 | 0.08 |
| Africa other | 0.27 | 0.25 | 0.23 | 0.29 | 0.06 | 0.30 | 0.30 | 0.30 | 0.32 | 0.31 | 0.01 | 0.35 | 0.34 | 0.34 | 0.35 | 0.34 | 0.04 | 0.36 | 0.37 | 0.38 | 0.38 | 0.37 | 0.03 |
| **Africa** | **2.62** | **2.60** | **2.60** | **2.59** | **-0.01** | **2.39** | **2.28** | **2.28** | **2.31** | **2.32** | **-0.28** | **2.32** | **2.42** | **2.40** | **2.44** | **2.39** | **0.08** | **2.46** | **2.47** | **2.48** | **2.48** | **2.47** | **0.08** |
| **Total DCs** | **12.22** | **12.41** | **12.74** | **12.63** | **-0.11** | **12.27** | **12.02** | **12.01** | **12.19** | **12.12** | **-0.50** | **12.10** | **12.04** | **12.30** | **12.33** | **12.19** | **0.07** | **12.42** | **12.48** | **12.55** | **12.66** | **12.53** | **0.34** |
| **FSU** | **12.60** | **12.95** | **13.21** | **13.24** | **0.03** | **13.36** | **13.24** | **13.22** | **13.36** | **13.30** | **0.05** | **13.44** | **13.38** | **13.38** | **13.45** | **13.41** | **0.11** | **13.47** | **13.40** | **13.51** | **13.77** | **13.54** | **0.13** |
| Russia | 9.78 | 9.92 | 10.14 | 10.27 | 0.12 | 10.34 | 10.32 | 10.36 | 10.47 | 10.37 | 0.11 | 10.45 | 10.47 | 10.44 | 10.44 | 10.45 | 0.08 | 10.47 | 10.40 | 10.46 | 10.60 | 10.48 | 0.03 |
| Kazakhstan | 1.41 | 1.54 | 1.60 | 1.60 | 0.01 | 1.62 | 1.57 | 1.52 | 1.63 | 1.59 | -0.02 | 1.68 | 1.60 | 1.63 | 1.66 | 1.64 | 0.05 | 1.64 | 1.64 | 1.70 | 1.78 | 1.69 | 0.05 |
| Azerbaijan | 0.94 | 1.06 | 1.07 | 0.95 | -0.12 | 0.96 | 0.91 | 0.91 | 0.82 | 0.90 | -0.05 | 0.87 | 0.86 | 0.86 | 0.87 | 0.87 | -0.03 | 0.88 | 0.87 | 0.88 | 0.91 | 0.89 | 0.02 |
| FSU others | 0.46 | 0.44 | 0.41 | 0.42 | 0.02 | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 | 0.02 | 0.44 | 0.44 | 0.45 | 0.47 | 0.45 | 0.01 | 0.48 | 0.48 | 0.48 | 0.47 | 0.48 | 0.02 |
| Other Europe | 0.15 | 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 | 0.14 | 0.14 | 0.14 | 0.14 | 0.14 | 0.00 |
| China | 3.84 | 3.84 | 4.12 | 4.11 | -0.01 | 4.08 | 4.09 | 4.20 | 4.30 | 4.17 | 0.06 | 4.24 | 4.27 | 4.26 | 4.30 | 4.27 | 0.10 | 4.31 | 4.28 | 4.29 | 4.33 | 4.30 | 0.04 |
| **Non-OPEC production** | **48.38** | **49.10** | **50.23** | **50.32** | **0.09** | **51.01** | **50.40** | **50.20** | **51.61** | **50.81** | **0.48** | **51.62** | **51.52** | **51.70** | **52.16** | **51.75** | **0.94** | **52.46** | **52.37** | **52.78** | **53.88** | **52.88** | **1.13** |
| Processing gains | 1.97 | 2.00 | 2.11 | 2.11 | 0.00 | 2.12 | 2.12 | 2.12 | 2.12 | 2.12 | 0.01 | 2.18 | 2.18 | 2.18 | 2.18 | 2.18 | 0.06 | 2.21 | 2.21 | 2.21 | 2.21 | 2.21 | 0.02 |
| **Non-OPEC supply** | **50.35** | **51.10** | **52.35** | **52.44** | **0.09** | **53.13** | **52.52** | **52.32** | **53.73** | **52.93** | **0.49** | **53.80** | **53.70** | **53.88** | **54.34** | **53.93** | **1.01** | **54.67** | **54.57** | **54.98** | **56.09** | **55.08** | **1.15** |
| OPEC NGL | 4.04 | 4.24 | 4.87 | 5.23 | 0.36 | 5.33 | 5.53 | 5.60 | 5.36 | 5.46 | 0.22 | 5.59 | 5.61 | 5.63 | 5.65 | 5.62 | 0.16 | 5.67 | 5.71 | 5.75 | 5.79 | 5.73 | 0.11 |
| OPEC Non-conventional | 0.11 | 0.11 | 0.11 | 0.13 | 0.02 | 0.19 | 0.20 | 0.19 | 0.23 | 0.20 | 0.07 | 0.24 | 0.24 | 0.25 | 0.27 | 0.25 | 0.05 | 0.28 | 0.29 | 0.29 | 0.29 | 0.29 | 0.04 |
| **OPEC (NGL+NCF)** | **4.14** | **4.35** | **4.98** | **5.37** | **0.39** | **5.53** | **5.72** | **5.79** | **5.58** | **5.66** | **0.29** | **5.83** | **5.85** | **5.88** | **5.92** | **5.87** | **0.21** | **5.95** | **6.00** | **6.04** | **6.08** | **6.01** | **0.15** |
| **Non-OPEC & OPEC (NGL+NCF)** | 54.49 | 55.45 | 57.33 | 57.80 | 0.48 | 58.65 | 58.24 | 58.11 | 59.31 | 58.58 | 0.78 | 59.63 | 59.55 | 59.75 | 60.25 | 59.80 | 1.22 | 60.61 | 60.57 | 61.02 | 62.16 | 61.09 | 1.30 |

* Chile has been included in OECD Americas.

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

## Table 10.7: World Rig Count

| | 2Q10 | 3Q10 | 4Q10 | 2010 | Change 10/09 | 1Q11 | 2Q11 | 3Q11 | 4Q11 | 2011 | Change 11/10 | 1Q12 | 2Q12 | 3Q12 | 4Q12 | 2012 | Change 12/11 | 1Q13 | 2Q13 | Jun 13 | Jul 13 | Change Jul/Jun |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| US | 1,508 | 1,622 | 1,687 | 1,541 | 459 | 1,717 | 1,829 | 1,945 | 2,031 | 1,881 | 340 | 1,990 | 1,971 | 1,906 | 1,809 | 1,919 | 39 | 1,757 | 1,761 | 1,761 | 1,766 | 5 |
| Canada | 166 | 364 | 389 | 347 | 129 | 587 | 188 | 443 | 474 | 423 | 76 | 599 | 172 | 326 | 367 | 366 | -57 | 536 | 154 | 183 | 290 | 107 |
| Mexico | 106 | 84 | 80 | 97 | -31 | 83 | 87 | 103 | 104 | 94 | -3 | 98 | 110 | 108 | 108 | 106 | 12 | 114 | 107 | 99 | 101 | 2 |
| Americas | 1,780 | 2,070 | 2,156 | 1,985 | 557 | 2,386 | 2,104 | 2,492 | 2,609 | 2,398 | 413 | 2,688 | 2,253 | 2,340 | 2,285 | 2,391 | -6 | 2,407 | 2,023 | 2,043 | 2,157 | 114 |
| Norway | 18 | 13 | 20 | 18 | -2 | 21 | 17 | 16 | 16 | 17 | -1 | 17 | 18 | 14 | 20 | 17 | 0 | 21 | 19 | 19 | 16 | -3 |
| UK | 20 | 21 | 21 | 19 | 1 | 18 | 17 | 15 | 15 | 16 | -3 | 14 | 19 | 18 | 21 | 18 | 2 | 21 | 17 | 18 | 17 | -1 |
| Europe | 96 | 92 | 100 | 94 | 11 | 118 | 112 | 123 | 119 | 118 | 24 | 112 | 117 | 117 | 129 | 119 | 1 | 134 | 133 | 138 | 139 | 1 |
| Asia Pacific | 18 | 23 | 22 | 21 | -4 | 17 | 17 | 17 | 18 | 17 | -4 | 19 | 25 | 25 | 27 | 24 | 7 | 30 | 28 | 27 | 25 | -2 |
| Total OECD | 1,893 | 2,185 | 2,278 | 2,100 | 543 | 2,521 | 2,232 | 2,632 | 2,745 | 2,532 | 433 | 2,819 | 2,395 | 2,483 | 2,441 | 2,534 | 2 | 2,571 | 2,184 | 2,208 | 2,321 | 113 |
| Other Asia | 249 | 253 | 255 | 248 | 31 | 257 | 234 | 232 | 233 | 239 | -9 | 231 | 216 | 205 | 215 | 217 | -22 | 215 | 224 | 223 | 216 | -7 |
| Latin America | 203 | 220 | 213 | 205 | 48 | 191 | 192 | 196 | 201 | 195 | -10 | 191 | 190 | 172 | 165 | 180 | -15 | 167 | 170 | 167 | 162 | -5 |
| Middle East | 150 | 163 | 159 | 156 | 6 | 101 | 107 | 102 | 107 | 104 | -52 | 116 | 112 | 110 | 100 | 110 | 6 | 72 | 78 | 89 | 73 | -16 |
| Africa | 19 | 19 | 18 | 19 | 9 | 1 | 2 | 0 | 5 | 2 | -17 | 3 | 3 | 9 | 11 | 7 | 5 | 9 | 15 | 18 | 16 | -2 |
| Total DCs | 621 | 655 | 645 | 628 | 93 | 549 | 535 | 530 | 546 | 540 | -88 | 542 | 522 | 496 | 491 | 513 | -27 | 463 | 487 | 497 | 467 | -30 |
| Non-OPEC rig count | 2,514 | 2,840 | 2,924 | 2,727 | 636 | 3,070 | 2,768 | 3,161 | 3,291 | 3,072 | 345 | 3,361 | 2,916 | 2,979 | 2,931 | 3,047 | -26 | 3,034 | 2,670 | 2,705 | 2,788 | 83 |
| | | | | | | | | | | | | | | | | | | | | | | |
| Algeria | 28 | 24 | 24 | 25 | -2 | 29 | 33 | 30 | 33 | 31 | 6 | 31 | 31 | 44 | 38 | 36 | 5 | 44 | 48 | 48 | 49 | 1 |
| Angola | 8 | 9 | 9 | 9 | 5 | 11 | 11 | 11 | 8 | 10 | 1 | 10 | 12 | 7 | 7 | 9 | -1 | 9 | 10 | 13 | 11 | -2 |
| Ecuador | 11 | 11 | 11 | 11 | 1 | 11 | 11 | 11 | 15 | 12 | 1 | 17 | 17 | 22 | 25 | 20 | 8 | 25 | 26 | 28 | 29 | 1 |
| Iran** | 52 | 52 | 52 | 52 | 0 | 54 | 54 | 54 | 54 | 54 | 2 | 54 | 54 | 36 | 54 | 54 | 0 | 54 | 54 | 54 | 54 | 0 |
| Iraq** | 36 | 36 | 36 | 36 | 0 | 36 | 36 | 36 | 36 | 36 | 0 | 36 | 50 | 76 | 69 | 58 | 22 | 66 | 80 | 89 | 93 | 4 |
| Kuwait** | 18 | 21 | 23 | 20 | 8 | 56 | 56 | 57 | 60 | 57 | 37 | 56 | 56 | 58 | 58 | 57 | 0 | 59 | 58 | 60 | 58 | -2 |
| Libya** | 17 | 14 | 15 | 16 | 1 | 10 | 3 | 8 | 9 | 8 | -8 | 12 | 11 | 11 | 14 | 12 | 4 | 16 | 15 | 15 | 16 | 1 |
| Nigeria | 13 | 18 | 17 | 15 | 8 | 35 | 35 | 36 | 36 | 36 | 21 | 37 | 35 | 37 | 33 | 36 | 0 | 36 | 40 | 39 | 36 | -3 |
| Qatar | 8 | 9 | 9 | 9 | 0 | 10 | 8 | 7 | 7 | 8 | -1 | 8 | 7 | 8 | 7 | 8 | 0 | 9 | 8 | 8 | 12 | 4 |
| Saudi Arabia | 67 | 67 | 65 | 67 | -1 | 98 | 98 | 98 | 105 | 100 | 33 | 106 | 114 | 111 | 115 | 112 | 12 | 116 | 114 | 113 | 112 | -1 |
| UAE | 13 | 13 | 13 | 13 | 1 | 17 | 21 | 24 | 22 | 21 | 8 | 22 | 24 | 23 | 26 | 24 | 3 | 28 | 27 | 26 | 27 | 1 |
| Venezuela | 64 | 70 | 80 | 70 | 10 | 125 | 125 | 125 | 113 | 122 | 52 | 126 | 122 | 112 | 110 | 117 | -5 | 119 | 122 | 129 | 126 | -3 |
| OPEC rig count | 335 | 344 | 355 | 342 | 31 | 493 | 490 | 495 | 498 | 494 | 152 | 515 | 534 | 546 | 556 | 542 | 48 | 582 | 601 | 622 | 623 | 1 |
| | | | | | | | | | | | | | | | | | | | | | | |
| Worldwide rig count* | 2,849 | 3,184 | 3,278 | 3,069 | 667 | 3,563 | 3,258 | 3,656 | 3,789 | 3,566 | 497 | 3,876 | 3,451 | 3,524 | 3,487 | 3,589 | 23 | 3,616 | 3,271 | 3,327 | 3,411 | 84 |
| of which: | | | | | | | | | | | | | | | | | | | | | | 0 |
| Oil | 1,534 | 1,783 | 1,896 | 1,701 | 479 | 2,197 | 2,023 | 2,354 | 2,453 | 2,257 | 556 | 2,709 | 2,528 | 2,677 | 2,682 | 2,654 | 397 | 2,781 | 2,544 | 2,598 | 2,648 | 50 |
| Gas | 1,276 | 1,356 | 1,337 | 1,325 | 200 | 1,319 | 1,187 | 1,257 | 1,286 | 1,262 | -63 | 1,116 | 879 | 799 | 749 | 886 | -376 | 795 | 672 | 669 | 706 | 37 |
| Others | 40 | 42 | 46 | 43 | 8 | 48 | 49 | 47 | 52 | 49 | 6 | 54 | 46 | 51 | 59 | 52 | 3 | 44 | 58 | 64 | 61 | -3 |

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

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

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# Data Summary

August 2013

## OPEC Basket average price

*US$ per barrel*

⬆ up 3.42 in July

| | |
|---|---|
| **July 2013** | **104.45** |
| **June 2013** | **101.03** |
| **Year-to-date** | **104.99** |

## July OPEC crude production

*in million barrels per day, according to secondary sources*

⬇ down 0.10 in July

| | |
|---|---|
| **July 2013** | **30.31** |
| June 2013 | 30.41 |

## World economy

**Global growth expectations now stand at 2.9% for 2013 and 3.5% for 2014. OECD economies are forecast to rebound from low growth of 1.1% in 2013 to 1.8% in 2014. Growth expectations for China now stand at 7.6% in 2013 and 7.7% in 2014, while India's forecasts are unchanged at 5.6% and 6.0%, respectively.**

## Supply and demand

*in million barrels per day*

| **2013** | | 12/13 |
|---|---|---|
| World demand | 89.7 | **0.8** |
| Non-OPEC supply | 53.9 | **1.0** |
| OPEC NGLs | 5.9 | **0.2** |
| **Difference** | **29.9** | **–0.4** |

| **2014** | | 13/14 |
|---|---|---|
| World demand | 90.7 | **1.0** |
| Non-OPEC supply | 55.1 | **1.1** |
| OPEC NGLs | 6.0 | **0.1** |
| **Difference** | **29.7** | **–0.3** |

*Totals may not add due to independent rounding.*

## Stocks

**Total OECD commercial oil stocks rose by 13 mb in June, slightly below the five-year average. Crude stocks were in line with the five-year average, while product inventories showed a deficit of 6.4 mb. In terms of forward cover, OECD commercial stocks stood at 59.1 days, 1.2 days more than the five-year average. Preliminary data for July showed that US total commercial oil stocks fell by 8.1 mb, reversing the build over the last four months, but still representing a surplus of 29.7 mb with the five-year average. Crude and products showed surpluses of 21.9 mb and 7.8 mb, respectively.**

*Issued 9 August 2013*
***Next report to be issued on 10 September 2013***

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