OPEC

Monthly Oil Market Report

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Feature article:

Review of global oil demand trend

Organization of the Petroleum Exporting Countries

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Oil market highlights

Crude Oil Price Movements
The OPEC Reference Basket declined by almost $3 to $104.71/b in January amid bearish sentiment. ICE Brent futures dropped 3.2% to $107.11/b following a 2.5% gain a month earlier. Nymex WTI also lost 3% to average $94.86/b, following a steep gain of more than 4% in December. The Brent-WTI spread narrowed slightly to $12.25/b.

World Economy
World economic growth for 2013 and 2014 remains at 2.9% and 3.5%, respectively. The 2014 forecast for the OECD has been revised up by 0.1 percentage points (pp) to 2.0%, compared to 1.2% in 2013. In contrast, China's growth for 2014 has been revised down by 0.1 pp to the 2013 growth level of 7.7%, while India's 2014 forecast remains at 5.6% and at 4.7% for 2013. The recent trend confirms the acceleration in economic growth in the OECD, compared to a slowdown in emerging economies.

World Oil Demand
World oil demand growth for 2013 was revised up by 30 tb/d to stand at 1.0 mb/d, mainly based on upward revisions for OECD Americas and Europe. For 2014, world oil demand growth is expected to increase to around 1.1 mb/d, revised up by 50 tb/d from the previous month.

World Oil Supply
Non-OPEC oil supply growth in 2013 is estimated at 1.28 mb/d and is expected to increase slightly to stand at 1.29 mb/d in 2014, with growth mainly in the US, Canada, and Brazil, while Norway, UK and Mexico are seen declining. OPEC NGLs are expected to increase by 0.15 mb/d in 2014. In January, OPEC crude production according to secondary sources averaged 29.71 mb/d, up 28 tb/d from a month ago.

Product Markets and Refining Operations
Product markets in the US strengthened in January, supported by severe winter weather causing a spike in heating fuel demand and port operational problems affecting supply. Meanwhile, European margins remained impacted by low domestic demand and lack of export opportunities, while in Asia, refinery margins continued to recover on stronger seasonal demand, mainly from the petrochemical sector.

Tanker Market
In January, dirty spot freight rates continued rising on average by 27% from last month, with Suezmax and Aframax rates increasing, while VLCC freight rates dropped. This came on the back of weather delays and tight vessels' supply. Clean tanker spot freight rates decreased, except for tankers trading on the NW Europe-to-US route.

Stock Movements
OECD commercial stocks fell in December, driven by the decline in both crude and products. Crude showed a surplus of 41 mb over the five-year average, while products indicated a deficit of 110 mb. OECD commercial stocks stood at 56.7 days of forward cover. Preliminary data for January indicated a drop in US commercial stocks, predominantly in products, driven mainly by rising demand for heating oil.

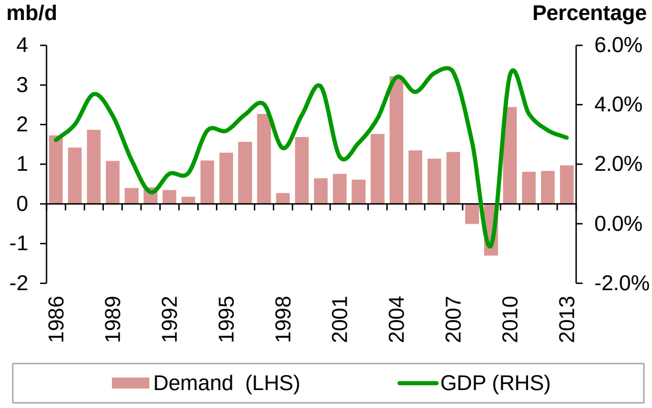
Balance of Supply and Demand
Demand for OPEC crude remained unchanged from the previous report at 29.9 mb/d in 2013, a decrease of 0.5 mb/d from the previous year. In 2014, required OPEC crude is forecast at 29.6 mb/d, also unchanged, and down by 0.3 mb/d from a year earlier.

Review of global oil demand trend

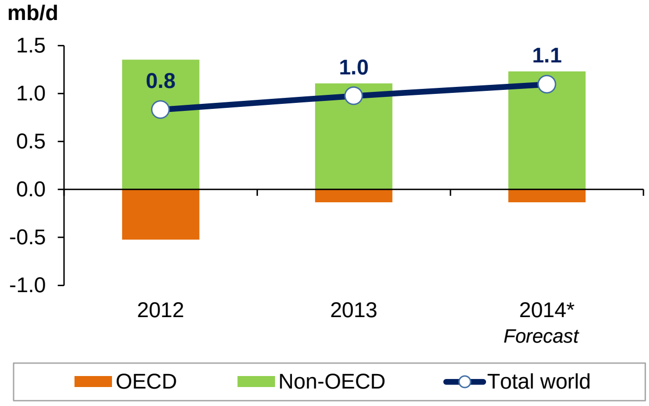
With the exception of 2008 and 2009, world oil demand has grown for the past 25 years. Within this period, the long-term trend suggests that oil demand growth typically follows the development of economic activities (***Graph 1***). The steady increase in world oil demand was driven by the combined effects of a growing world population and rising per capita income levels in the developing countries, despite increasing energy efficiency in the advanced economies and growing concern in the developing nations as well. Most incremental demand has been seen in non-OECD countries – led by China, India and the Middle East – while OECD demand declined during the same period after peaking in 2005.

The expected world economic growth this year, estimated at 3.5% from 2.9% last year, would be associated with higher demand growth; however, the pace of this growth will vary within the economies. Furthermore, demand growth could be capped by implementation of government policies that seek to not only increase efficiency for oil usage, but also encourage a shift away from oil to alternative fuels in a number of sectors, including transportation. The decline in global oil intensity is expected to accelerate in both OECD and non-OECD, with the US and China leading this decrease, each at their respective pace. The rise in fuel efficiency standards combined with the substantial oil-to-gas substitution in the US on the one hand, and on the other hand, the transformation of China from industry to a service-oriented economy along with increasing concern about pollution, will impact oil intensity in both countries, albeit at different magnitudes. As a result, world oil demand in 2014 is projected to see some improvement, but will remain below potential growth, as rising economic activities counterbalance the decline in oil intensity.

Graph 1: World oil demand growth vs. GDP growth



Graph 2: World oil demand growth



Within the OECD regions, oil demand in 2014 is expected to decline by 0.1 mb/d; however, growth is mixed within the regions. In OECD Americas, industrial fuels will be the driving force behind expected growth of around 0.1 mb/d, in line with the anticipated improvement in industrial activities. In OECD Europe, the contraction in demand in 2014 will likely continue to ease as experienced in the second half of last year. In OECD Asia Pacific, the flourishing petrochemical industry will partly offset losses from direct fuel and crude oil burning for electricity generation, due to substitution in favour of gas and coal.

In the non-OECD, the bulk of the 1.2 mb/d growth expected in 2014 will originate from China and the Middle East. In China, the transportation sector will dominate oil consumption, while in Middle East industrial activities and the petrochemical sector will lead to increased oil usage. In Other Asia, India is projected to return to its more typical oil demand growth levels, in line with expectations for higher economic growth, with the transportation sector accounting for most of the increase. Therefore, world oil demand is projected to grow by 1.1 mb/d (***Graph 2***) compared with the estimated 1.0 mb/d a year ago.

Nevertheless, 2014 world oil demand growth could be subject to some revisions. The potential of the forecast for OECD oil demand leans to the upside, as the improving economic conditions in the US and Europe may turn out better than expected. However, downside risks still remain from fiscal issues in some OECD countries. For the non-OECD countries, risks are skewed to the downside due to fiscal and monetary issues, especially in some countries in Other Asia and Latin America. Given the improvement in OECD oil demand, the likelihood for upward adjustments for world oil demand growth in 2014 is currently higher than existing projections.

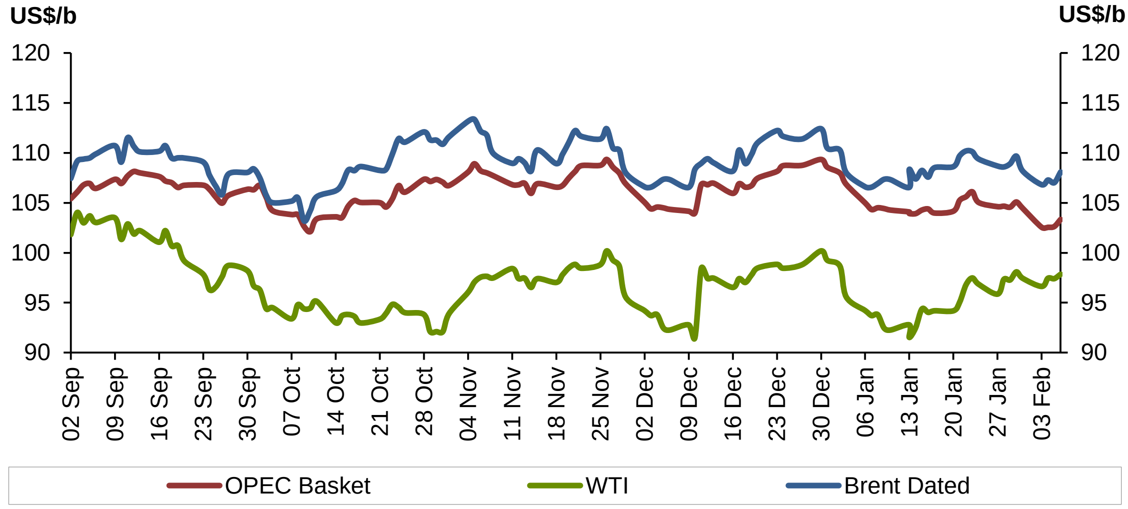
Crude Oil Price Movements

The OPEC Reference Basket (ORB) kicked off the year down almost $3 at $104.71/b in January amid bearish crude oil market sentiments. Rising supply, weak demand, poor refining margins and refinery maintenance have all weighed down on the ORB component values. The main crude oil futures declined over the month on worries over the outlook for emerging economies and the outcome of the US Federal Reserve Board's decision to continue tapering its stimulus programme. North Sea Brent futures declined around 3.2% to $107.11/b following a 2.5% gain in the previous month. US crude oil futures also lost 3% this month to $94.86/b, but that follows a steep gain of more than 4% in December. The Brent-WTI spread narrowed mostly during the latter part of the month supported by the start of TransCanada's Gulf Coast pipeline and the strengthening US economy, while Brent continued to be pressured by increases in oil supplies. On average, the spread in January narrowed slightly to $12.26/b from $12.81/b in the previous month.

OPEC Reference Basket

The OPEC Reference Basket (ORB) began 2014 down by almost $3 at $104.71/b, shadowing the bearish global crude oil market sentiment in January that led to an over 3% deterioration in most major markets. On the physical side, despite finding support from the unexpected shutdown at the Buzzard field, which accounted for 40% of Forties, Atlantic Basin light sweet crude prices weakened amid sluggish European refining margins and rising North Sea and Libyan production. Extreme winter weather in the US affected refinery operations and lowered transport fuel demand, also weighing heavily on prompt crude oil prices. In Europe, medium sour grade values slipped over the month on poor demand and rising exports. In Asia, bearish factors for light-medium sour Mideast Gulf crude mounted, including the relatively mild winter in major Asian consumers such as China and Japan, the coming refinery maintenance season in 2Q, and soft demand growth in top importer China. In the US Gulf Coast (USGC), crude oil values were exceptionally supported by refinery restocking, delay to Mexican waterborne crude deliveries and lower Canadian production due to bad weather.

Graph 1.1: Crude oil price movement, 2013-14



On a monthly basis, the ORB decreased to an average of $104.71/b in January, down $2.96/b, or 2.75%, below the previous month. The Basket also slipped $4.57 or 4.18% compared to the same period last year, when it stood at $109.28/b.

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

	Dec 13	Jan 14	Change Jan/Dec	Year-to-date 2013	Year-to-date 2014
OPEC Reference Basket	**107.67**	**104.71**	**-2.96**	**109.28**	**104.71**
Arab Light	108.07	105.74	-2.33	110.64	105.74
Basrah Light	105.12	102.70	-2.42	107.51	102.70
Bonny Light	113.11	110.26	-2.85	115.41	110.26
Es Sider	110.41	107.86	-2.55	113.01	107.86
Girassol	111.31	107.96	-3.35	112.24	107.96
Iran Heavy	108.96	104.89	-4.07	108.52	104.89
Kuwait Export	107.30	103.79	-3.51	108.31	103.79
Marine	107.76	103.95	-3.81	107.87	103.95
Merey	96.61	93.72	-2.89	96.99	93.72
Murban	111.22	107.66	-3.56	110.39	107.66
Oriente	96.56	93.44	-3.12	101.39	93.44
Saharan Blend	112.66	109.96	-2.70	114.21	109.96
Other Crudes					
Brent	110.81	108.26	-2.55	113.01	108.26
Dubai	107.80	104.01	-3.79	107.94	104.01
Isthmus	98.39	96.35	-2.04	106.48	96.35
LLS	102.73	102.79	0.06	112.65	102.79
Mars	97.86	99.58	1.72	107.87	99.58
Minas	106.38	110.60	4.22	116.92	110.60
Urals	110.44	106.40	-4.04	111.62	106.40
WTI	97.72	94.90	-2.82	94.77	94.90
Differentials					
Brent/WTI	13.09	13.36	0.27	18.25	13.36
Brent/LLS	8.08	5.47	-2.61	0.37	5.47
Brent/Dubai	3.01	4.25	1.24	5.08	4.25

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.

All Basket components lost value in January. The return of Libyan oil production to around 510,000 b/d from 240,000 b/d and higher freight rates undermined European demand for longer-haul West African cargoes. Weaker European refining margins and rising North Sea supply also pushed down Atlantic Basin crude prices. Russian medium sour Urals, the benchmark for sour crudes in Europe, weakened on poor demand and rising Ural exports.

Meanwhile, the prospect of tighter sour crude supply has been more than offset by thin demand in Europe. Fuel oil margins have weakened, and diesel crack spreads reached a six-month low as product supplies from Russia were plentiful. Weaker gasoil margins and slow northeast Asian winter demand weighed on light-medium sour Middle East crude.

Demand was also less as refiners in Northeast Asia prepared for the end of the peak winter heating season, while refinery maintenance and gasoil demand in the Middle East has already passed its seasonal peak. Mild weather also capped Japanese fuel oil consumption.

Meanwhile, Texas and Louisiana refiners restocked after reducing inventories in December and early January, supporting US Gulf Coast (USGC) domestic crude values. A delay in Mexican waterborne crude deliveries and lower Canadian production added further support. Nevertheless, the arrival of new supplies on the TransCanada pipeline to the USGC weakened the differentials toward the end of the month.

Brent-related crudes, Saharan Blend, Es Sider, Girassol and Bonny Light declined by $2.70, on average. Middle Eastern spot components and multi-destination grades slipped by around $3.70 and $2.90, respectively. The value of Venezuela’s Merey and Ecuador’s Oriente dropped about $3.

On 11 February, the ORB stood to $105.30/b, $2.37 below the December average.

The oil futures market

Crude oil futures fell in January, with North Sea Brent futures declining around 3.2% following a 2.5% gain in the previous month. US crude oil futures also lost 3% this month, following a steep gain of more than 4% in December. Worries over the outlook for emerging economies and fallout over the US Federal Reserve's decision to continue tapering its stimulus programme were the main factors that weighed down on crude oil futures prices.

Investors withdrew from emerging markets over the month as the latest round of central bank actions proved insufficient to offset concern about rising economic and political risks in many developing countries. Currencies, stocks and bonds fell in developing nations, from Asia to Europe to Latin America, with the Russian rouble sliding to a five-year low. Tighter global liquidity resulting from the US Federal Reserve's decision to cut back on stimulus only exacerbates the emerging markets' own problems, which include unsustainable current account deficits, rising political risks and a possible economic slowdown in China. China’s factory sector shrank in January for the first time in six months, suggesting a weak start for the economy in 2014.

Increases in supply also pressured the futures market, particularly Brent. OPEC crude output rose in January from December's 2-1/2-year low due to a partial recovery in Libyan supply. Further weighing on oil was a stronger US dollar supported by the US Federal Reserve Board's plan to keep cutting monetary stimulus. A strong US dollar usually weighs on commodities such as oil that are priced in the currency.

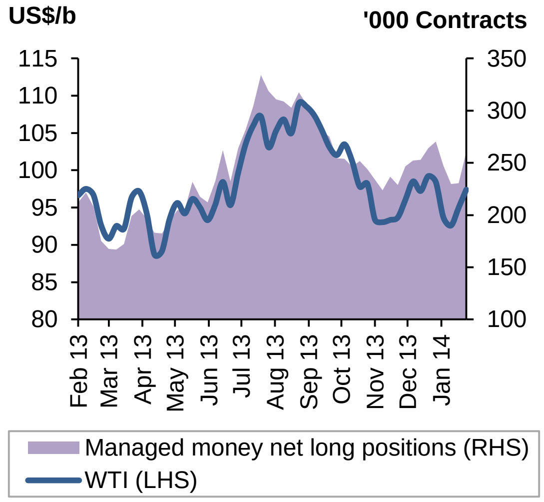
Nymex WTI front-month futures lost $2.97 to average $94.86/b in January. Compared to the same period in 2013, the WTI value is slightly less by 3¢. On the ICE exchange, Brent front-month futures slipped by $3.53 to an average of $107.11/b. ICE Brent was also lower in value compared to the same period last year. Its value weakened by $5.21 or 4.6% from $112.32/b in January 2013.

On 11 February, ICE Brent stood at $108.68/b and Nymex WTI at $99.94/b.

Data from the US Commodity Futures Trading Commission (CFTC) showed that, on average, speculators decreased their net long positions in US crude oil futures and options during the month of January. Compared to the previous month, hedge funds and other large investors reduced their net long positions on Nymex by 10,104 contracts to 260,282 lots, a fall of almost 4%. WTI prices dropped nearly 3% during that same period. Similarly, managed money net long positions for ICE Brent in January decreased by 38,340 lots to 98,271 contracts. At the same time, Brent prices slipped from $110/b in December to finish at around $107/b in January. The total

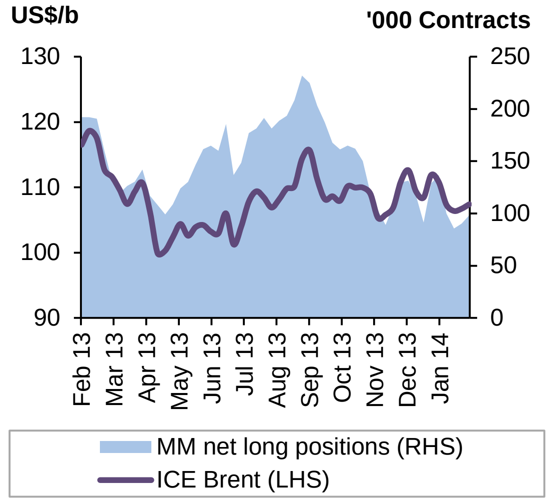
futures and options open interest volume in the two markets increased in January by 64,078 contracts to 3.91 million contracts.

Graph 1.2: Nymex WTI price vs. speculative activity, 2013-14



Source: CFTC.

Graph 1.3: ICE Brent price vs. speculative activity, 2013-14



Source: IntercontinentalExchange, Inc.

The daily average traded volume during January for Nymex WTI contracts increased by 64,003 lots to average 531,414 contracts. ICE Brent volume also moved up by 113,211 lots to 592,358 contracts. The daily aggregate traded volume in both crude oil futures markets increased by 177,224 contracts in January to around 1.12 million futures contracts, equivalent to 1.12 billion b/d. The total traded volume in Nymex WTI and ICE Brent contracts in January was 11.16 million and 13.03 million contracts, respectively.

The futures market structure

The **Nymex WTI** market structure flipped into backwardation mid-month onward supported largely by the startup of the southern leg of the Keystone project known as the Gulf Pipeline Project. The line, having a nameplate capacity of 700,000 b/d, is reported to be currently transporting around 300,000 b/d of light sweet crude out of the Cushing hub into the USGC. Keystone provided an immediate boost for WTI prices upon start-up on 22 January and is seen to have removed what was left of the Cushing bottleneck.

Short-term support for the US crude market has also come from a surge in buying interest as refiners replenished stocks after end-year run-downs for tax considerations.

Commercial crude stocks remained on the thin side over the first month of the year. US Energy Information Administration (EIA) data showed inventories at around 350 mb mid-month, some 15 mb below year-ago levels. The suspension of lifting from major Mexican oil ports due to bad weather was also a supportive factor. As a result, the prompt-month Nymex WTI futures contract saw its spread vs. the second month contract go from a 20¢/b discount to a 6¢/b premium.

The **ICE Brent** market structure widened its backwardation as a result of short-term factors rather than actual crude demand. A brief outage at the Buzzard field, followed by loading problems in the North Sea, pushed the Dated Brent vs. 3rd month spread to the widest level since September, but this has already softened since then. The

backwardation continued to weaken as Libya managed to add more than 200,000 b/d to its export programme after production at the El-Sharara field restarted at the beginning of the year, while CPC loadings are also increasing. The spread between the second and the first month of the ICE Brent contract averaged around 60¢/b in January compared to 40¢/b in the previous month.

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

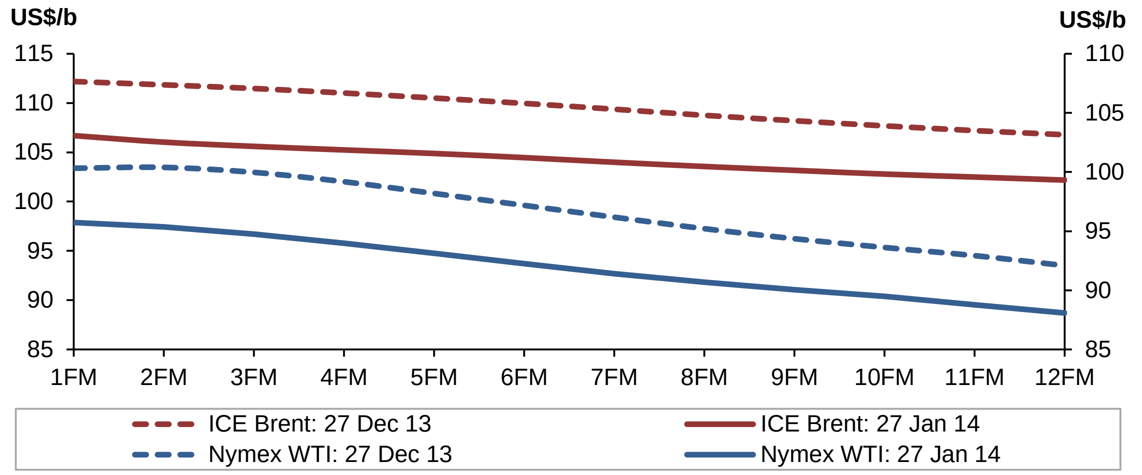
Nymex WTI	1st FM	2nd FM	3rd FM	6th FM	12th FM
27 Dec 13	100.32	100.39	99.97	97.18	92.09
27 Jan 14	95.72	95.36	94.74	92.24	88.08

ICE Brent	1st FM	2nd FM	3rd FM	6th FM	12th FM
27 Dec 13	112.18	111.84	111.47	109.96	106.78
27 Jan 14	106.69	106.03	105.60	104.46	102.18

FM = future month.

US crude oil futures narrowed its discount to European Brent mostly during the latter part of the month, supported by the start of TransCanada's Gulf Coast pipeline, which will eventually carry 700,000 b/d from Cushing, Oklahoma, the pricing point for the New York Mercantile Exchange (Nymex), to US Gulf Coast (USGC) refineries. Meanwhile, US oil prices continue to be supported by signs of strength in the US economy and tight supply in the distillates market, while Brent continues to be pressured by increases in Libyan oil supply. The transatlantic (Brent-WTI) spread in January narrowed slightly from a monthly average of $12.80/b in the previous month to $12.25/b.

Graph 1.4: Nymex WTI and ICE Brent forward curves, 2013-14



FM = future month.

The light sweet/medium sour crude spread

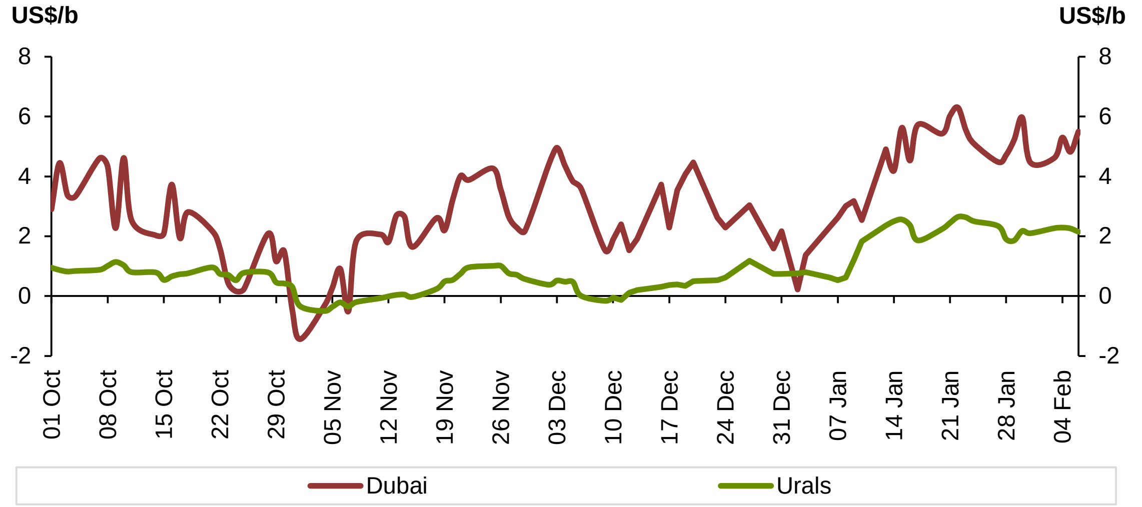
Global sweet/sour differentials were mixed over the month, widening sharply in Europe and slightly in Asia while narrowing severely in the USGC.

In **Asia**, Dubai widened its discount to Tapis slightly over the month. Tapis was supported strongly by an improvement in gasoline cracks as well as a solid naphtha crack, although the latter appears to have softened despite supply disruptions at Indian and Mideast Gulf refineries as demand from South Korea dries out. Firm LPG prices failed to boost the naphtha market, with abundant US supplies available for sale to Japanese, South Korean and Chinese buyers. This support, however, was largely offset by strong fuel oil cracks. In December, the Tapis-Dubai spread widened to average $8.70/b compared to $8.10/b in the previous month, an increase of 60¢.

In **Europe**, the Russian medium sour Urals spread to North Sea Dated widened as Urals moved to a firm discount to Dated Brent amid poor demand. Ongoing medium sour tightness in the Mediterranean and disrupted Iraqi exports were not enough to offset the pressure stemming from the beginning of turnaround season and poor refining margins that impacted buying interest. At the same time, Dated Brent surged ahead on the back of production outages at the Buzzard field as well as arbitrage to East of Suez. On average, the Dated Brent/Urals spread in January widened by a hefty $1.50/b to $1.86/b

In the **US**, the LLS/Mars spread narrowed sharply to an average of around $3.50/b in January. The medium-sour Mars was supported over the month as imports were reduced due to severe weather that closed three Mexican oil ports several times in December and January. Shipments to the US from Mexico dropped to 555,000 b/d mid-month, the lowest since May, preliminary EIA data shows. Severe weather-impeded imports as fog disrupted vessel traffic in Texas, and freezing cold weather hampered transportation of heavier crudes because of viscosity issues. Repairs on Royal Dutch Shell's Ship Shoal sour crude pipeline were also partly behind the rally in USGC sour grades. Meanwhile, LLS was affected by the start of the new Oklahoma-to-Texas pipeline that begins commercial service on its Cushing Market Link pipeline at an estimated rate of 300,000 b/d. The pipeline will bring Canadian and other light sweet domestic crude oils to the USGC. The premium of LLS over Mars averaged $3.20/b in January compared to $4.90/b in December.

Graph 1.5: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2013-14



Commodity Markets

On a monthly average commodity prices have been relatively unchanged. Backed by uncertainties in the global economy, precious metals appreciated while natural gas experienced a strong increase supported by the cold snap in the US. This positive trend has been counterbalanced by a decline in the price of crude, coal, agriculture and food products, while base metals remained almost flat. Following the current growth pattern in the global economy, demand for commodities in emerging economies is decelerating, while improvements in the OECD are not expected to offset this relative demand reduction due to their less commodity-intensive growth structure. The development of China's economy will need close monitoring as it has had a large impact on global demand and prices in the past years due to its strong role as a marginal buyer. Moreover, it seems that solid inventory levels and increasing supply will continue to cap a larger upside from current average price levels.

Trends in selected commodity markets

The most recent volatility experienced in currency markets has again been a strong reminder of slowing growth in emerging markets. While India's rupee did not decline significantly – probably since most divestments from the currency already took place last summer – and the yuan is turning out to be stable, the Brazilian real and the Russian rouble – among the most important emerging market currencies – have both experienced some depreciation. As weakness in emerging economies' currencies is expected to continue, it remains to be seen how this will effect commodity importers compared to exporters. While commodity importing emerging economies with large current account deficits is forecast to be negatively impacted, exporters are expected to be less affected by these currency moves, but could be incentivised to produce more commodities in order to recover US dollars to compensate for their weakening currencies.

Inflation as another factor providing support to investments from advanced economies into commodities has continued to be largely absent recently. Hence, the need to hedge inflation expectations has been largely absent. It also seems that decreasing support of emerging markets demand is a major factor currently weighing on commodity prices, which – with the possible exception of gold – makes the use of commodities for hedging inflation currently less attractive. January inflation stood at only 1.5% y-o-y in the US and at 0.7% in the Euro-zone, significantly below the 2% level that central banks consider reasonable.

As monetary stimulus has turned out to have been an important driver for growth in emerging economies, future policy expectations will be of great importance amid the tapering of the Federal Reserve Board (Fed). The Fed has already started to reduce its stimulus, while the European Central Bank (ECB) has unexpectedly at least decided not to increase its stimulus efforts. With the current underlying dynamic in the UK, the Bank of England (BoE) is also forecast to start tightening their supply efforts rather sooner than later. The recent tapering of the Fed has been relatively minor at $20 billion, but the market's expectations that further measures will be put in place to reduce the monetary supply has already had enough influence on capital outflows from emerging markets. This dynamic is expected to continue as long as the current trend of improving major OECD economies is ongoing at the current pace. Hence, the additional support on commodity demand and prices remains limited from the monetary side.

As highlighted in the past month, some upside potential for certain metals – particularly nickel, tin and copper – comes from the fact that the Indonesian government has initiated an export ban on unprocessed minerals, which could have an important effect on price developments in the metals market in the near future. If such an export ban remains in place until after this year's April parliamentary elections and July presidential elections, prices could rise later this year and into 2015 as consumers will likely eat into the metal stockpiles. This and other market-specific issues will need more focus as it seems that the similar trading pattern of commodities and other asset classes – mainly equities and, to some extent, bonds – may have ended and that the future valuation of the various commodity classes will be more influenced by sector-specific parameters than large macro influences.

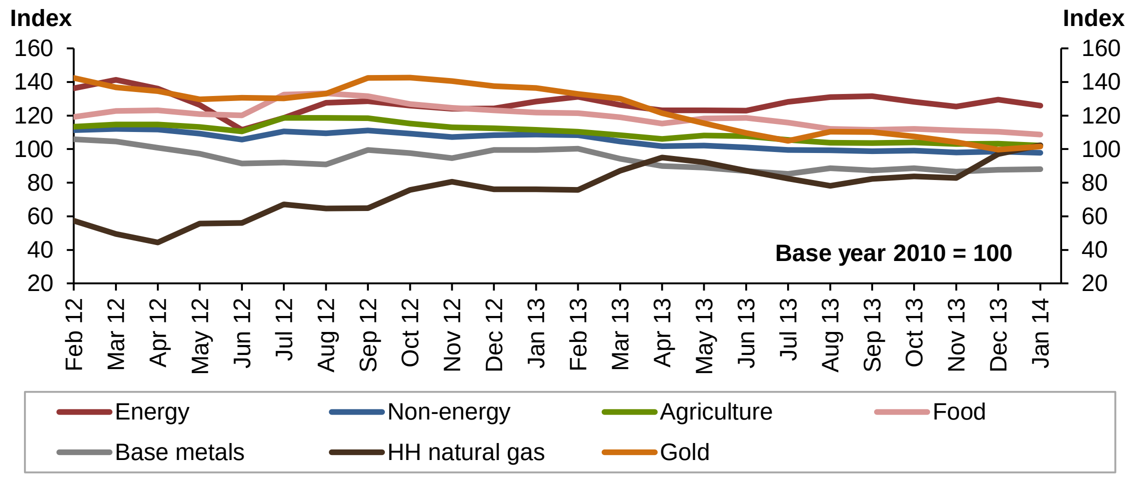
Table 2.1: Commodity price data, 2013-14

Commodity	Unit	*Monthly averages*			*% Change*		
		Nov 13	Dec 13	Jan 14	Nov/Oct	Dec/Nov	Jan/Dec
World Bank commodity price indices for low and middle income countries (2010 = 100)							
Energy		125.4	129.5	126.0	-2.2	3.2	-2.7
Coal, Australia	$/mt	82.3	84.3	81.6	3.6	2.5	-3.2
Crude oil, average	$/bbl	102.6	105.5	102.1	-2.7	2.8	-3.2
Natural gas, US	$/mmbtu	3.6	4.3	4.5	-1.1	17.2	5.3
Non Energy		98.0	98.5	97.8	-1.1	0.5	-0.8
Agriculture		103.1	103.3	102.2	-0.9	0.3	-1.1
Food		111.2	110.5	108.7	-0.7	-0.6	-1.6
Soybean meal	$/mt	566.0	564.0	567.0	-2.4	-0.4	0.5
Soybean oil	$/mt	996.0	989.0	943.0	0.9	-0.7	-4.7
Soybeans	$/mt	553.0	568.0	566.0	1.7	2.7	-0.4
Grains		109.0	107.6	105.6	-2.5	-1.2	-1.9
Maize	$/mt	199.1	197.4	198.1	-1.3	-0.9	0.3
Wheat, US, HRW	$/mt	306.8	291.6	276.1	-5.8	-5.0	-5.3
Sugar World	$/kg	0.4	0.4	0.3	-5.4	-6.3	-5.6
Base Metal		86.5	87.7	88.1	-2.4	1.4	0.5
Aluminum	$/mt	1,748.0	1,739.8	1,727.4	-3.7	-0.5	-0.7
Copper	$/mt	7,070.7	7,214.9	7,291.5	-1.8	2.0	1.1
Iron ore, cfr spot	$/dmtu	136.3	135.8	128.1	2.8	-0.4	-5.6
Lead	$/mt	2,089.6	2,136.7	2,143.2	-1.2	2.3	0.3
Nickel	$/mt	13,684.0	13,924.6	14,101.3	-3.1	1.8	1.3
Tin	$/mt	22,826.9	22,762.1	22,063.9	-1.2	-0.3	-3.1
Zinc	$/mt	1,866.4	1,975.0	2,036.9	-1.0	5.8	3.1
Precious Metals							
Gold	$/toz	1,275.9	1,221.5	1,244.3	-3.1	-4.3	1.9
Silver	$/toz	20.8	19.7	19.9	-5.3	-5.2	1.0

Source: World Bank, Commodity price data.

Energy prices in January declined by an average of 2.7% m-o-m. However, within this group, natural gas experienced significant support by the unusually cold weather in the US. Natural gas rose by 5.3% m-o-m. Agricultural sector prices as well as food prices declined. While agricultural products declined by 1.1%, food fell by 1.6%. Base metal prices rose by 0.5% m-o-m in January in general, after a rise in December of 1.4% m-o-m. A solid price increase of 1.3% m-o-m came from nickel amid Indonesia's export ban, while zinc rose 3.1% m-o-m and copper rose by 1.1% m-o-m. Iron ore declined the most by 5.6% m-o-m, after having also fallen in December by 0.4%. In precious metals, rising demand seems to have turned out to be supportive with gold rising by 1.9% m-o-m and silver rising by 1.0% m-o-m in January.

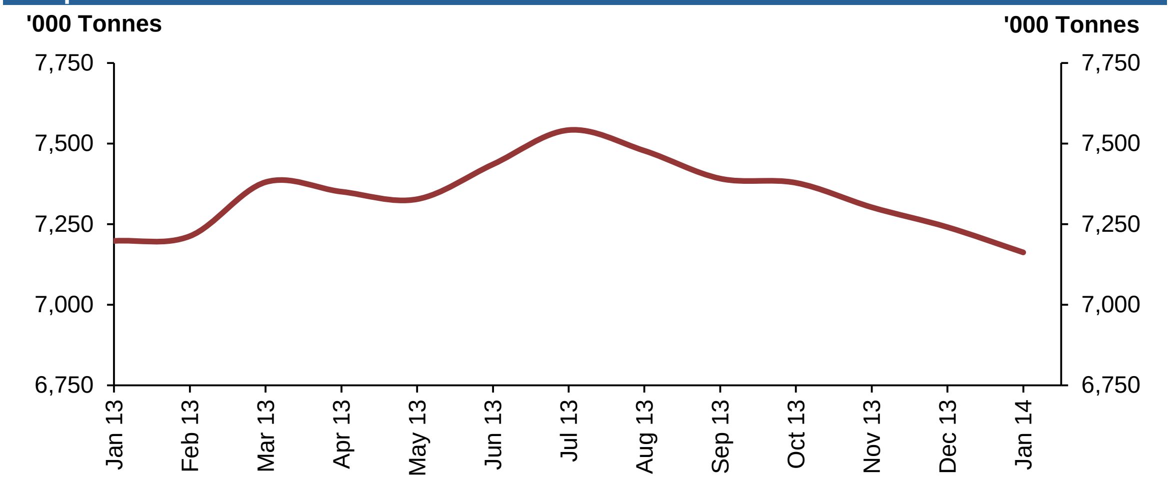
Graph 2.1: Major commodity price indices, 2012-14



Source: World Bank, Commodity price data.

In January, the **Henry Hub (HH) natural gas price index** ended higher and continues to break the $4 level for the second month in a row. The index ended up 23¢, or 5.3%, at $4.49 per million British thermal units (mmbtu), after trading at an average of $4.26/mmbtu in the previous month. During January, brutal cold hovering over half of the US pushed front-month futures prices as high as $5.21/mmbtu, their highest point since June 2010, as natural gas rocketed higher along with other heating fuels like propane. Data from the US National Weather Service showed that extreme cold continued in the heavily populated Midwest and Northeast for most of the month, boosting heating demand for homes and businesses, and exposing weaknesses in infrastructure used to pipe gas to high-density areas. Moreover, the far below normal temperatures have plagued the Midwest and Eastern US, drawing unusually high levels of natural gas from storage to be used as fuel for heat. US natural gas inventories sank to their lowest level since 2008 as cold winter weather forced utilities to pull a record amount of gas from storage to meet the surge in heating demand. Meanwhile, nuclear plant outages created additional draw on natural gas as a substitute power source.

Graph 2.2: Inventories at the LME

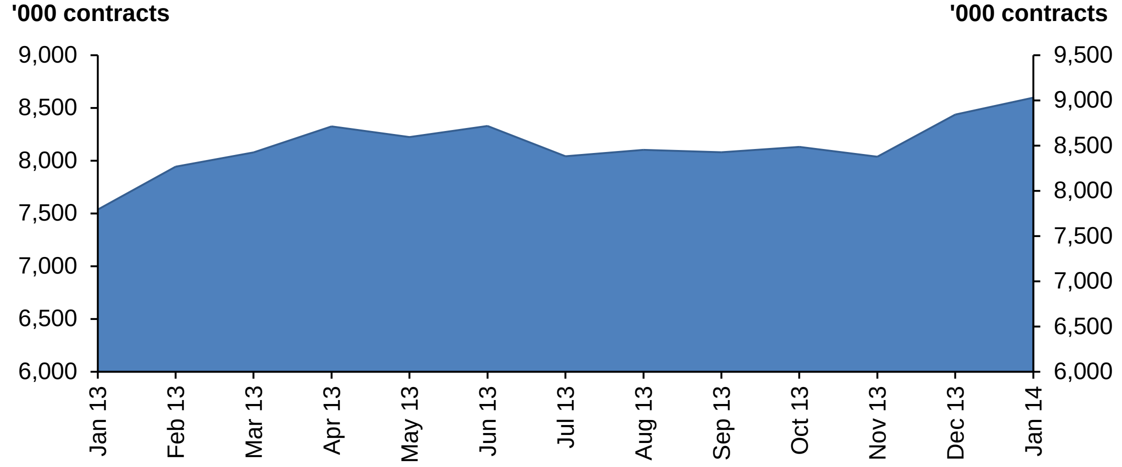


Sources: London Metal Exchange and Haver Analytics.

Investment flows into commodities

The **total open interest volume (OIV)** in major commodity markets in the US increased slightly by almost 1.9% m-o-m to 8.7 million contracts in January as the OIV of most commodities improved, with the exception of the energy sector and copper. The OIV of livestock, agriculture, and precious metals was up by 6.1%, 3.2% and 3.9%, respectively. On the other hand, the OIV of crude oil, natural gas and copper decreased moderately by 1.1%, 1.1% and 0.5%, respectively. Gold's OIV increased again this month by 3.3%.

Graph 2.3: Total open interest volume

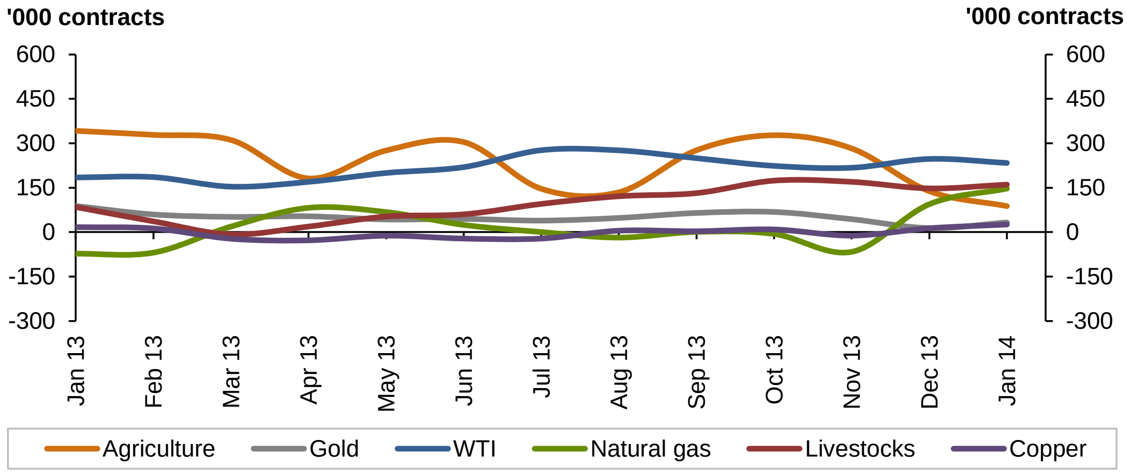


Source: US Commodity Futures Trading Commission.

Total net length speculative positions in commodities increased by almost 6% m-o-m to 695,906 contracts in January. This was mainly attributed to a sharp increase in the managed money net length of precious metals, natural gas and copper. Money managers' activities in crude oil and agriculture reflected deep bearish sentiments.

Agricultural OIV was up 3.2% m-o-m to 4,466,587 contracts in January. Meanwhile, money managers' net long positions in the agricultural sector retreated sharply for a third month in a row by over 36% to 87,805 lots in November.

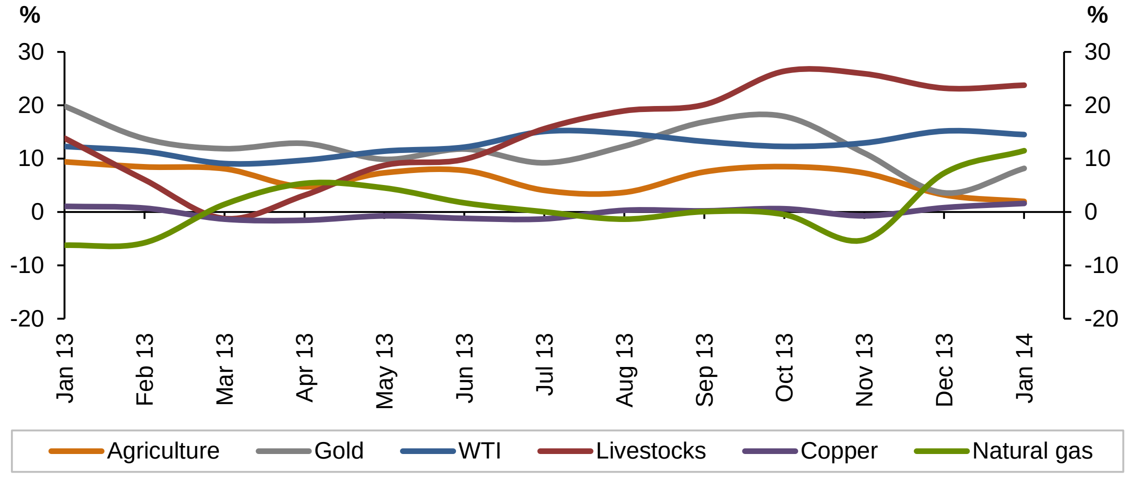
Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

Henry Hub natural gas' OIV decreased by 1.1% m-o-m to 1,282,282 contracts in January. Money managers increased their net long positions sharply by 56% to increasing by 52,784 lots to stand at 147,110 lots. As the previous month, this was driven by higher demand amid unusually cold weather in the US that led to extreme inventory drawdowns.

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



Source: US Commodity Futures Trading Commission.

Copper's OIV slipped 0.5% m-o-m to 161,457 contracts in January. Meanwhile, investors almost doubled their net long positions to 25,779 contracts. This despite copper drifting towards near two-month lows, on track to log its biggest monthly loss in seven months due to weaker growth in top metals consumer China. Business conditions for China's manufacturers worsened in January as output and new order growth eased, a private survey showed, pointing to a weak start for the economy in 2014.

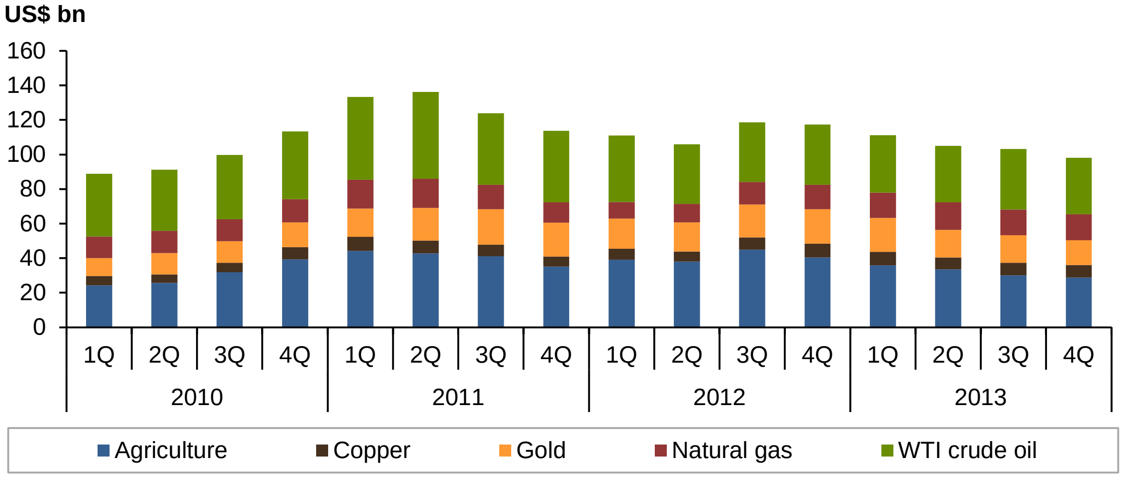
Table 2.2: CFTC data on non-commercial positions, '000 contracts

	Open interest		*Net length*			
	Dec 13	Jan 14	Dec 13	% OIV	Jan 14	% OIV
Crude oil	1,630	1,612	247	15	234	14
Natural gas	1,297	1,282	94	7	147	11
Agriculture	4,327	4,467	138	3	88	2
Precious metals	516	536	16	3	41	8
Copper	162	161	13	8	26	16
Livestock	637	676	148	23	161	24
Total	**8,569**	**8,734**	**657**	**8**	**696**	**8**

Source: US Commodity Futures Trading Commission.

Gold's OIV increased by 4% m-o-m to 398,036 contracts in January. Hedge funds and money managers were very bullish in US gold, accumulating almost three times as much net long position to stand at 32,491 from 13,684 lots in the previous month. During this period, gold prices rallied on safe-haven demand as equities were battered by emerging market jitters during the period covered by the CFTC's Commitments of Traders report.

Graph 2.6: Inflow of investment into commodities, 2010-13



Source: US Commodity Futures Trading Commission.

World Economy

Recent developments point to a slightly more accentuated trend of improving OECD economies while emerging economies continue to decelerate. The situation in emerging economies has become even more aggravated after the recent decline in their currencies. Consequently, while the 2014 GDP growth forecast for the OECD has been revised up from 1.9% to 2.0%, China's growth expectation has been lowered to 7.7% from 7.8%, in line with its 2013 GDP growth level. India has experienced some improvements recently and the 2014 GDP growth forecast remains at 4.7% for 2013 and 5.6% for 2014. However, Russia's 2014 forecast has been lowered from 2.2% to 1.9% and Brazil's growth expectations now stand at 2.7%, compared to 2.8% in the past month. This deceleration in the emerging economies will need to be closely monitored in the coming months. But major OECD economies are also facing serious challenges, ranging from slowing manufacturing activity, ongoing debt ceiling negotiations in the US, the fragility of France in the Euro-zone and a sales tax increase in Japan, all of which could act as a potential drag on growth.

Table 3.1: Economic growth rate and revision, 2013-14, %

	2013E *	Difference from January	2014F *	Difference from January
World	2.9	0.0	3.5	0.0
OECD	1.2	0.0	2.0	0.1
US	1.9	0.1	2.7	0.2
Japan	1.7	0.0	1.5	0.0
Euro-zone	-0.4	0.1	0.7	0.0
China	7.7	-0.1	7.7	-0.1
India	4.7	0.0	5.6	0.0
Brazil	2.5	0.0	2.7	-0.1
Russia	1.3	-0.2	1.9	-0.3

** E = estimate and F = forecast.*

OECD

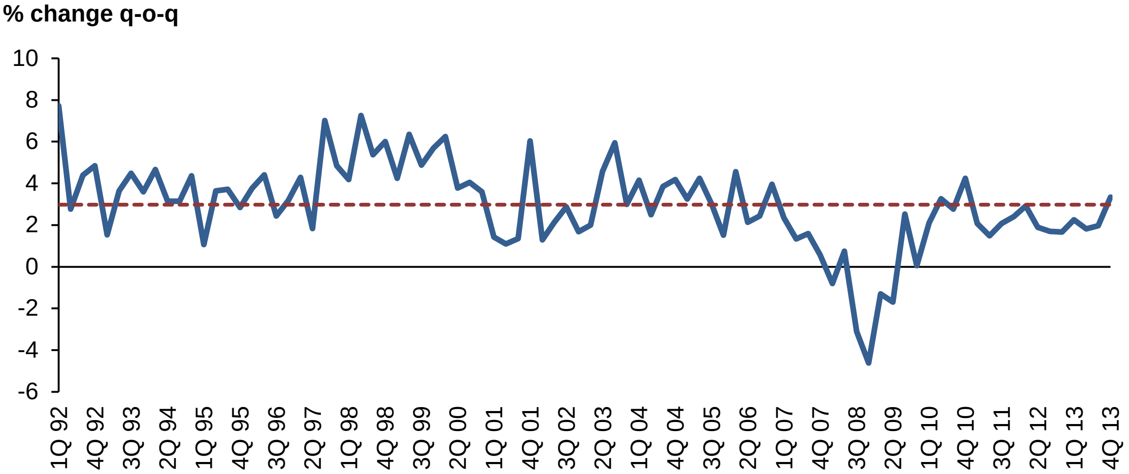
OECD Americas

US

The United States recovery continues with a better than expected dynamic. This has become visible not only in the 3Q13 GDP number but even more so in the strong continuation of this growth trend during the 4Q13. Also, the labour market continued improving in the second half. However, the recent deceleration of leading indicators and slowing job growth have highlighted the fact that challenges still remain. In addition, the issues of slowing momentum in the manufacturing sector, the ongoing negotiations over the debt ceiling and recent improvements in a sluggish job market will need close monitoring in the coming months. So far, amid sufficient signs of improvements, the Federal Reserve Board (Fed) has been confident enough to continue its tapering of the extraordinary $85 billion monetary stimulus. But this may not be permanent, as a continuation of the recent soft trend may lead the Fed to consider pausing its stimulus reduction efforts.

A strong growth number for the final quarter of last year – at the seasonally adjusted annualized rate of 3.2% q-o-q – confirmed a significant uptick of economic momentum in the 2H13. GDP grew by 4.1% q-o-q in the 3Q13. While the 3Q number has also confirmed a significant recovery from a sluggish 1H13, it has largely been driven by inventory build and, to a lesser extent, private household consumption, which constitute the main factor for US GDP growth. The 4Q13 number, however, showed a significant improvement in the composition of GDP supporting factors with consumption increasing by 3.3%. This compares to a 22-year average of 3.0% growth in consumption. Since private household consumption accounts for around 70% of GDP, this development is important.

Graph 3.1: Private household expenditure, seasonally adjusted annualised rate (SAAR)



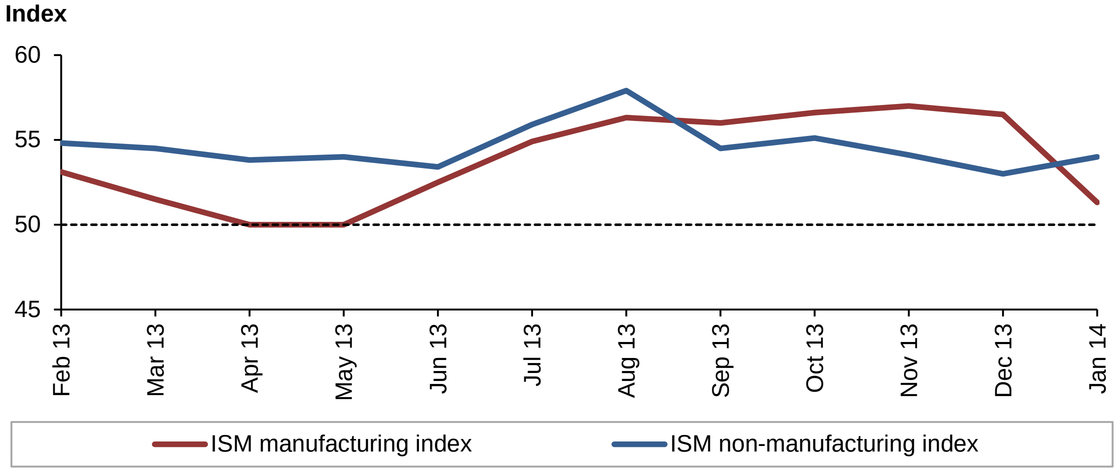
Sources: Bureau of Economic Analysis and Haver Analytics.

This momentum is even more impressive when considering that in October, the US was in the midst of the debt ceiling debate and facing a government shut-down, both of which led to some weakening in business and consumer confidence. The recent positive trend has led the Fed to again recognize the uptrend and further continue tapering its quantitative easing (QE) from $75 billion to $65 billion per month.

While the **labour market** has continued improving, the dynamic is weakening slightly. Non-farm payroll addition was less than expected at only 115,000 in January, compared to a low number of only 75,000 in December. Last year's average to November stood at a solid 200,000 monthly job additions. The participation rate has remained at a relatively low 63%, but this was slightly better compared to December's 62.8%. Another positive sign from a macro perspective was the once again improving long-term unemployment figure, which dropped from 37.7% to a low of 35.8%. This is indeed the lowest level of long-term unemployment since September 2009.

The **Purchasing Manager's Index** (PMI) for the manufacturing sector, as provided by the Institute of Supply Management (ISM), has posted a rising trend in most of the past months. However, the January level fell significantly and more than expected to only 51.3 from 56.5 in December. This has been partially explained by the extraordinary cold weather, which the US was facing in January. But it should also be highlighted that most of the expectation components were pointing at a slowing dynamic in the near-future for the sector. Industrial production rose by a healthy 3.7% y-o-y in December, at around the same level as in October and November. The ISM for the services sector – which constitutes more than two-thirds of the economy – increased to 54.0 from 53.0 in December, also showing a positive trend.

Graph 3.2: Manufacturing and non-manufacturing ISM indices



Source: Institute for Supply Management.

The most recent developments in the 2H13 have led to an upward revision of 2014 growth expectations from 2.5% to 2.7%. There is still upside potential if the dynamic from the momentum of 2H13 is fully taken into consideration. But with all the challenges in the economy, this currently seems too early. US growth for 2013 has been revised according to the preliminary full-year growth number of the Bureau of Economic Analysis of 1.9%, which compares to last month's growth estimate for 2013 of 1.8%.

Canada

In Canada, improvements in the economic situation continue along with those taking place in its most important trading partner, the US. But a recent slow-down has also become apparent. Industrial production in November rose by 2.3% y-o-y, almost the same level as in October, when it rose by 2.8% y-o-y, which at that time was the highest growth level since June 2012. However, the manufacturing component of industrial production in November grew by a smaller rate, while manufacturing orders (new orders) declined by 2.3% y-o-y, confirming a mixed trend. GDP growth expectations remain unchanged for 2014 and 2013 at 2.3% and 1.7%, respectively.

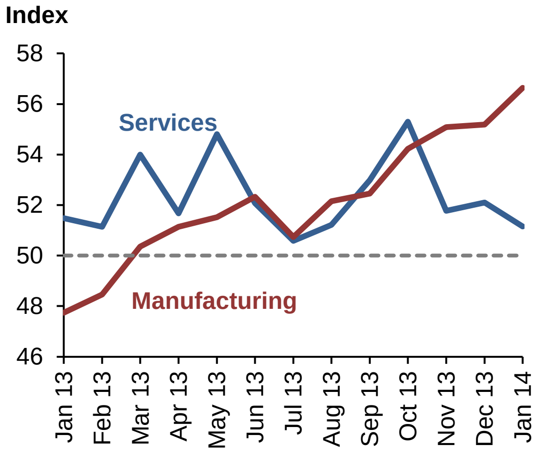
OECD Asia-Pacific

Japan

The economy of Japan continues to expand as it improves its growth momentum not only domestically but also via a continued expansion in export levels. All in all, the economic support program initiated last year continues bearing fruit. This is one of the reasons that the 4Q13 GDP growth level is forecast to move from the 3Q13 seasonally adjusted annualized rate of only 1.1% q-o-q to a higher level of more than 3%. This will again be very high growth for an economy that had average GDP growth of around 1% in the past 20 years. So the stimulus policy – comprising of the three arrows of fiscal measures, monetary support and structural improvements – are continuing to improve the economic landscape for Japan. However, this stimulus policy comes at a price. There is some uncertainty about where such aggressive monetary policy will lead to. This is unprecedented at these levels and while it has been successful so far, it may lead to unintended consequences. Japan's monetary policy has been enacted to push the consumer price development out of the negative zone in which it has been in the past years up to a more reasonable and healthier level of 2%, which the Bank of Japan (BoJ) has defined as their target for the end of the current year.

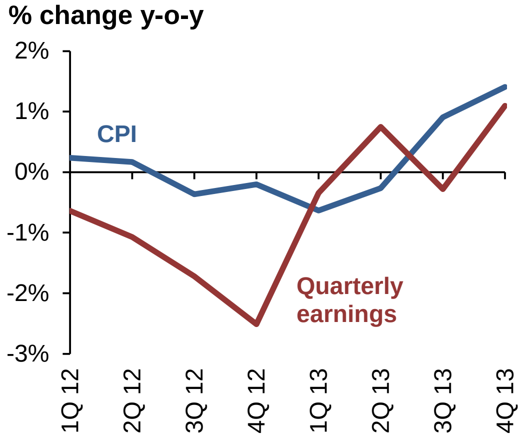
It now seems that this target might be achieved at an earlier stage. The most recent **inflation** number for December stood at 1.6% y-o-y, at around the same non-seasonally adjusted level as in November. This seems to be an impressive achievement, particularly since the unemployment rate in Japan recorded a new low of only 3.7%. Inflation without food and energy is still low at only 0.7% y-o-y. One obstacle to this policy, however, might be that household incomes have not risen at the same pace. So while a reasonable inflation level might be a positive development, it is so only as long consumers can also afford this relatively low level of consumer price inflation. Earnings in the 4Q13 rose only by 1.1% y-o-y, i.e. below the inflation level. In this environment it is relatively unclear how the BoJ will pursue its monetary policy since the already high inflation would call for a reduction of monetary stimulus, while at the same time growth would probably need further monetary support, when considering the near term sales tax increase and sluggish growth in household earnings.

Graph 3.3: Japanese PMI indices



Sources: Markit, Japan Materials Management Association and Haver Analytics.

Graph 3.4: Japanese consumer price index (CPI) vs. household earnings



Sources: Ministry of Internal Affairs and Communications; Ministry of Health, Labour and Welfare; and Haver Analytics.

In this respect, it will be important to see what the impact of the planned **sales tax increase in April** from 5% to 8% will be as this will also eating away real income from consumers. On the other side, this constitutes a very necessary step in the direction of lowering the record high debt pile of the country to a more reasonable level. The government has announced that it will try to counterbalance the immediate negative effect to the economy via further stimulus measures, but has also made clear that it is aware of the need to reduce public debt. This will reduce the future ability of the government to implement stimulus measures and, therefore, the need for the current policy to be successful is important. So far, no GDP growth is forecast for 2Q14 due to the negative effect of the sales tax increase. But if the fiscal counterbalancing turns out to be even more successful, it could see some expansion.

Industrial production increased by an impressive 5.9% y-o-y in December after 6.2% y-o-y in November. This again has been fuelled by rising exports which increased by 17.0% y-o-y, almost the same level as in November and October. In addition, the other important component has certainly been rising domestic demand. Retail sales in December rose by 2.6% y-o-y, after rising 4.1% y-o-y in November. Lead indicators point to a continuation of the current growth momentum. The latest numbers from the PMI, as provided by Markit, shows an increase for the manufacturing sector from 55.2 in December to an impressive 56.6 in January, while the services sector PMI has declined slightly from 52.1 in December to 51.2 in January.

With almost the same trend as in the past months, the **GDP forecasts** for 2013 and 2014 remain unchanged at 1.7% and 1.5%, respectively. For this year, the increase of the consumption tax is expected to have a large impact on the 2Q14 growth number, which is now expected to be flat, after a more significant rise in the current quarter ahead of the tax increase.

South Korea

Growth in South Korea has been strong again for most of 2013 and stood at a seasonally adjusted annualized rate of 4.0% q-o-q in the 4Q13, after 3.3% q-o-q growth in 3Q13, leading to a fiscal year expansion of 2.8% in 2013. This compares to last month's expectation of 2.4% growth for 2013. The positive trend in the economy is expected to continue, with the composite leading index of the National Statistical Office having reached a new record high of 117.7 in December. While the growth forecast for 2014 remains unchanged at 3.0%, the underlying upside potential may lead to a higher forecast in the coming months, if the current trend continues.

OECD Europe

Euro-zone

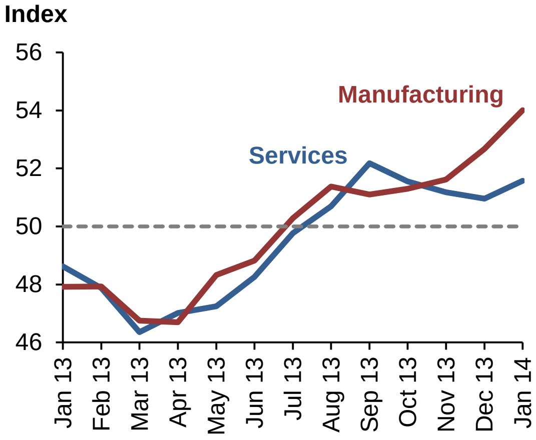
The Euro-zone continues its recovery from a very low level and a mixed growth pattern, as has been observed in the past months. While some of the latest indicators confirm expectations of an improving economy – albeit from a relatively low level – the most recent output data from other major economies in the Euro-zone remains sluggish. Industrial output in both Germany and France declined on a monthly basis in December, the latest available number. In Germany it fell by 0.7% m-o-m and in France it declined by 0.3% m-o-m. Italy also posted a negative trend of 0.9% m-o-m and only Spain added positively to the Euro-zone's industrial output with 1.0% m-o-m. This has not become available in total for December but will likely point to a slow-down after a strong rise of 1.9% m-o-m in November. Moreover, the danger of inflation remains with a record low inflation number of only 0.7% in January, after already registering a low number of 0.8% in December. This is the fourth consecutive month of inflation below the 1.0% level. This low inflation number has also been acknowledged by the European Central Bank (ECB). But while many observers expected the ECB would act in response to that, it decided to wait until its March meeting, when more evidence will become available for future inflation and growth patterns. The ECB will then have its forecast to 2016 available. So while some parts of the Euro-zone's economy continue to recover, the dynamic of this rebound seems to be relatively modest. Leading indicators point to a continued but fragile pattern. Also, the still high unemployment rate of 12.0% in December is a hurdle that is providing a significant challenge to the economy.

The **ECB**'s somewhat surprising move caused the euro to strengthen again as expectations had been that the ECB would continue easing its monetary supply more aggressively, given that the economic situation in the Euro-zone remains fragile and that inflation has moved to record low levels. Moreover, lending of financial intermediaries to private households remains low and has declined again in December at 2.9% y-o-y, while this is better than the November decline of 3.2% y-o-y, a bottom level so far.

Leading indicators confirm the unevenness of the Euro-zone's growth pattern. The latest PMI for manufacturing, as provided by Markit, stood at 54.0 in January, better than the 52.7 in December and the 51.6 in November. It reached 56.5 in Germany but stood at only 49.3 in France. In Italy it reached 53.1. So while the economy is on

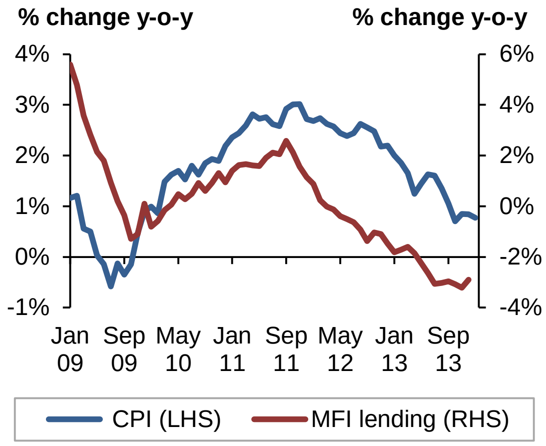
average gently improving, the main issues of the Euro-zone remain: patchy and uneven growth, record unemployment and an impaired monetary transition channel – now exaggerated by low inflation levels, particularly when considering the ECB's inflation target of below but close to 2%.

Graph 3.5: Euro-zone PMI indices



Sources: Markit and Haver Analytics.

Graph 3.6: Euro-zone CPI and lending activity



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

Taking into consideration the slightly improving general trend since the 3Q13, the 2013 estimate for **GDP growth** has been slightly revised upwards to -0.4%, compared to last month's level of -0.5%. The 2014 GDP growth forecast remains at 0.7%. It has to be seen to what extent the economy will manage to rebound in the coming months as many uncertainties prevail. But it will certainly need larger economies – mainly Germany and France – to improve with the other peripheral economies supporting growth.

UK

The United Kingdom's most recent economic performance has been stronger than in most of its fellow EU countries. After a relatively soft start of the year, growth in 2013 accelerated considerably and moved to a seasonally adjusted annualized rate of 3.1% q-o-q and to 2.8% q-o-q in 3Q13 and 4Q13, respectively, leading to 1.9% growth in 2013. The momentum was broad-based and after industrial production increased by 2.1% y-o-y in November, it rose again by 1.8% y-o-y in December. Also, the PMI for manufacturing stood at a significantly positive level of 57.3 in December and only slightly lower at 56.7 in January, all pointing at a continued expansion of the sector. The important services PMI also almost remained at the elevated December level of 58.8, falling only very slightly to 58.3 in January. The current positive situation of the UK needs close monitoring as the risk is currently skewed to the upside. Consequently, the forecast for 2014 has been revised upwards to 2.2% from 1.8% in the past month.

Emerging and Developing Economies

Prudent monetary policy and a robust stock of reserves is helping **Brazil** to cope with uncertainties and volatility in international markets. Nevertheless, the slowing momentum of consumer confidence that began at the end of 2013 and which has extended to the first month of this year, along with a softened momentum in the services sector, do not suggest a quick improvement in retail sales in Brazil. The estimate for 2013 GDP growth remains intact this month at 2.5%, whereas this year's forecast has been pared back slightly to 2.7%.

The preliminary 2013 GDP growth rate highlights how sluggish the pace of recovery from the financial crisis is in the **Russian** economy. With some positive effects that may emerge from limited currency depreciation on exports (and imports) – by making domestically-produced products and services more competitive amid ongoing recovery in the Euro-zone – little else promises much of a rebound in Russian economic activity this year. Substantial capital outflows from the economy in the past two years are seen to remain a big drag on growth rates in the near future. This obviously points to the need to pare back the forecast for Russia's 2014 GDP growth. Indeed, it has been revised down from 2.2% to 1.9%, whereas the 2013 estimate is now at 1.3%, down from last month's 1.5%.

India's industrial production contracted for the second consecutive month, falling 3.2% y-o-y in November, as manufacturing activity slumped. Manufacturing activity as part of industrial production also contracted by 5.7% y-o-y during November-December and it seems to have had a downward effect on India's GDP in 4Q13. However, all negative effects seem the same as in the previous month despite the mentioned output deterioration. Indian manufacturers signalled a slight improvement in operating conditions during January 2014 but services activity shows no signs of rapid recovery. The GDP growth forecast remains at 4.7% for 2013 and 5.6% for 2014.

China's National Bureau of Statistics issued economic data for 2013 showing that the Chinese economy achieved growth of 7.7% y-o-y during the 4Q13, down marginally from 7.8% in the 3Q13. Slowing exports and investments led to a softer than expected industrial output. China's economy will continue to be influenced by various factors, including shadow banking, in coming months.

Table 3.2: Summary of macroeconomics performance of BRIC countries

	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2013E*	2014F*	2013	2014	2013	2014	2013	2014	2013	2014
Brazil	2.5	2.7	5.9	5.9	-82.3	-81.9	-2.7	-3.5	59.1	60.7
Russia	1.3	1.9	6.8	5.8	47.4	41.8	-0.5	-0.5	8.1	8.2
India	4.7	5.6	10.1	8.0	-59.8	-61.3	-5.1	-5.0	51.4	51.0
China	7.7	7.7	2.7	3.1	179.9	180.2	-2.0	-2.1	16.3	17.0

Source: OPEC Secretariat, Economic Intelligence Unit and Financial Times.
**E = estimate and F = forecast.*

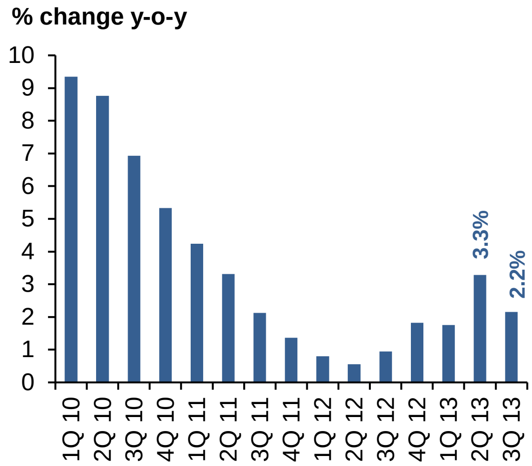
Brazil

In 2013, Brazil's **current account** deficit increased from $54 billion in the previous year to $81 billion. Most of the deterioration in the external deficit was caused by a widening trade deficit, which in turn was driven by a slowing oil exports, soaring oil-related imports, and worsening service and income accounts. This has brought the current

account deficit in 2013 to 3.7% of GDP, up from 2.4% in 2012. For the first time since 2000, Brazil had to use foreign exchange reserves to cover some of the deficit – approximately $6 billion. The good news is that Brazil still has around $370 billion in foreign exchange reserves, an amount that exceeds the total stock of external debt.

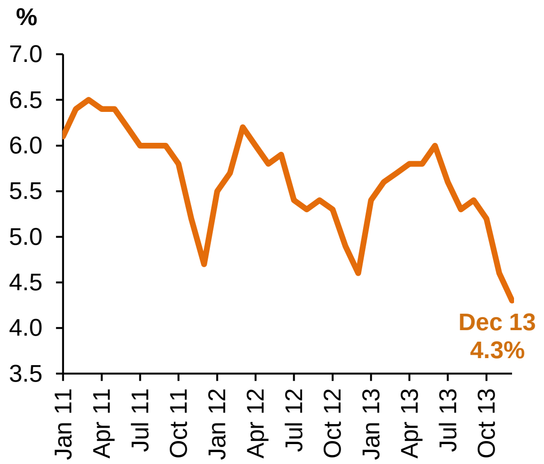
As for the **primary surplus share of GDP**, the total public sector ended 2013 with a primary surplus of 1.9%, down from 2.4% in 2012, and below the 2.1% target specified in the budget law. The central government posted a 1.6% surplus, benefiting from a huge amount of one-off revenues at the end of last year. Meanwhile, the local government surplus was as low as 0.3%, down from 0.5% registered in 2012.

Graph 3.7: Brazilian quarterly GDP growth, NSA



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

Graph 3.8: Brazilian unemployment rate, NSA



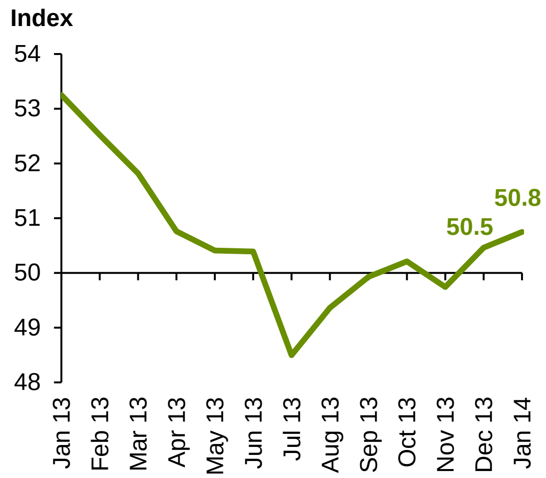
Sources: Instituto Brasileiro de Geografia e Estatística and Haver Analytics.

In December, Brazil's **unemployment rate** fell to 4.3%, the lowest rate on record since the survey started in early 2001. However, data showed that the number of unemployed people declined but the number of employed people declined as well. Employment was down by 106,000 people from a year earlier (or 0.6%). What brought the unemployment rate down was the decline of the labour force (down by 181,000 people or 0.8%). December's employment survey brought mixed news regarding personal income. Average **personal income** was up 3.2% in real terms from a year earlier but down 0.7% compared to November 2013.

Brazil's **exports** increased by only 0.4% y-o-y in January, slowing from 5.6% a month earlier but also sustaining its positive growth for the fifth month running. But **consumer confidence** in Brazil seems to be sliding for the second consecutive month, falling to 112.3 in January 2014 from 113.8 in December 2013. This also highlights a much lower reading for the index than the 121.1 of January 2013.

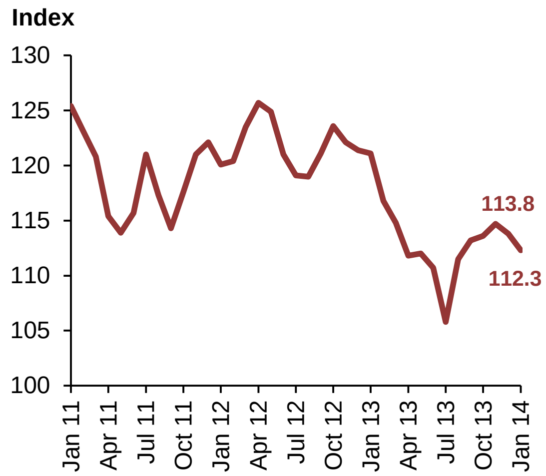
The **manufacturing sector** managed to keep its expansionary direction in January, though it was still too close to the neutral line and showed only a slight improvement over the last month of 2013. Brazil's manufacturing PMI posted 50.8 in January, up from 50.5 a month earlier. The survey showed a faster expansion of new orders. But while production increased, it was at a slower speed. The **services sector** showed a downward sign at the beginning of the year with the services PMI sliding into the contraction territory. The country's business activity index fell to 49.6 in January from 51.7 in December.

Graph 3.9: HSBC Brazil manufacturing PMI



Sources: HSBC, Markit and Haver Analytics.

Graph 3.10: Brazilian consumer confidence index, NSA



Sources: Fundação Getúlio Vargas and Haver Analytics.

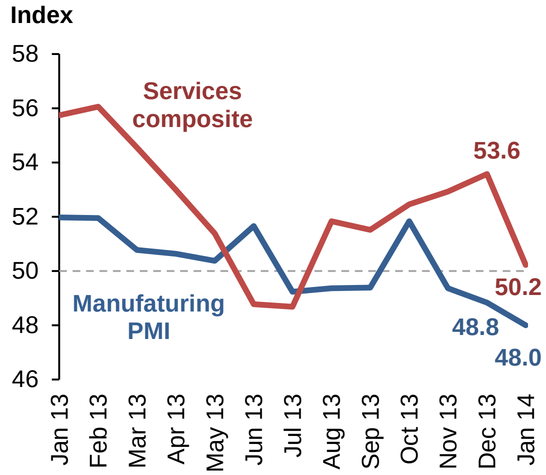
All in all, the Brazilian economy continues to create jobs. This is unsurprising since during the 2009 recession labour market indicators remained positive. Still, the outlook for growth in consumption is less positive as a big jump in new job creation is not forecast for 2014 and household credit might not expand rapidly this year. Moreover, the slowing momentum of consumer confidence which began at the end of 2013 and extended to the first month of this year, along with a softened momentum in the services sector, do not suggest a quick improvement in retail sales in Brazil. This, in turn, is going to put a significant limit on GDP growth in 2014. On the other hand, the robust stock of reserves is helping Brazil to cope with uncertainties and volatility in international markets, and to appease investors that otherwise would be tempted to take their capital out of the country. The estimate for 2013 GDP growth remains intact this month at 2.5%, whereas this year’s forecast is being pared back slightly to 2.7%.

Russia

At the beginning of 2014, business conditions facing Russian manufacturers continued to worsen. The **manufacturing PMI** survey found that all key economic activity indicators point to a broad-based contraction. The PMI posted below the 50 point threshold for the sixth time in seven months in January. Notably, **manufacturing output** decreased for the first time since July 2013. The PMI declined from 48.8 to 48.0, the lowest reading since June 2009. The survey showed that manufacturers have shed staff and cut input purchases in January.

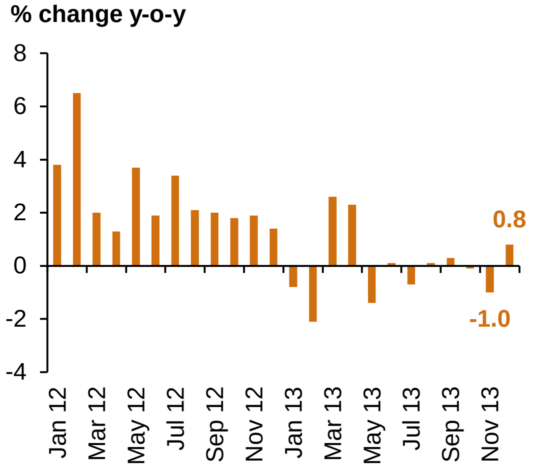
With regards to December 2013, **industrial production** showed a positive y-o-y movement, increasing by 0.8% over the same month of 2012. Still, this needs to be followed with more obvious acceleration to suggest any departure from the sluggish pattern seen since May 2013. Following the strong performance in retail sales in November 2013, the percentage change in **retail sales** in December y-o-y could not maintain that improvement and fell once again below a 4% rate of increase. This came as the **unemployment rate** rose above 5.5% for the first time in December since April 2013.

Graph 3.11: Russian manufacturing PMI and services composite



Sources: HSBC, Markit and Haver Analytics.

Graph 3.12: Russian industrial production

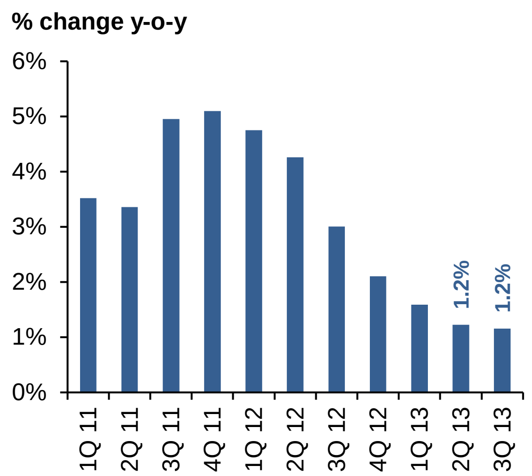


Sources: Federal State Statistics Service and Haver Analytics.

On the last day of January, Russia's Federal Statistics Service announced its preliminary GDP estimate. The figure showed that GDP increased by only 1.3% y-o-y in 2013, an even slower pace than the latest official down revision of 1.4%. This also means that the 4Q13 was as sluggish as the preceding two quarters. Performance in industry was a major disappointment, with an increase in value added at only 0.6%, compared with 2.1% in 2012. The sharpest deceleration came in manufacturing, with growth in value added at only 0.8%, down from 2.7% a year earlier and 6.4% in 2011. Consumer sentiment started weakening late last year in Russia as households had to spend a growing portion of their income to service debt. As the growth of household consumption in 2013 was significantly slower than in 2012, it is not surprising that growth of value added in the trade sector slowed to 1.1% from 3.8% in 2012.

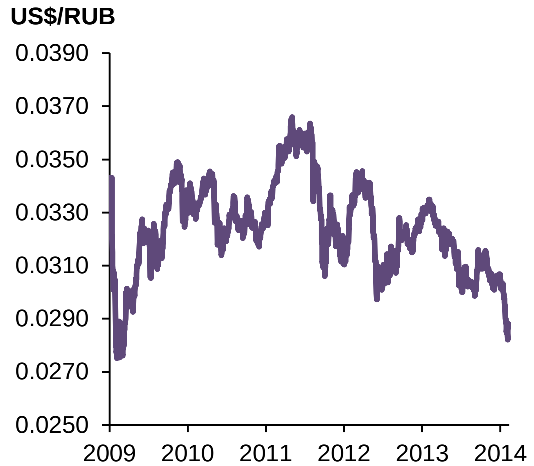
The rouble fell last month near a five-year low against the US dollar. The rouble's depreciation could prove helpful to support economic growth in Russia as a weaker currency makes its exports more competitive. A recent survey showed that respondents were the most positive on exchange rate conditions in January.

Graph 3.13: Russian GDP growth, NSA



Sources: State Committee of the Russian Federation and Haver Analytics.

Graph 3.14: Russian ruble against US dollar exchange rate



Source: Thomson Reuters.

The preliminary GDP growth rate in 2013 highlights how sluggish the pace of recovery from the financial crisis is in the Russian economy. The minister of economy expects a growth of 1% in the 1Q14, to be accelerated to no higher than 2% in the 2Q14. The ongoing recovery in Western Europe seen for 2014 should provide some further support for exports of goods and services from Russia. Little else promises much of a rebound in Russian economic activity this year. This obviously points to the need to pare back the forecast for Russian GDP growth in 2014. Indeed, it has been revised down from 2.2% to 1.9%, whereas the 2013 estimate is now at 1.3%, down from last month's 1.5%.

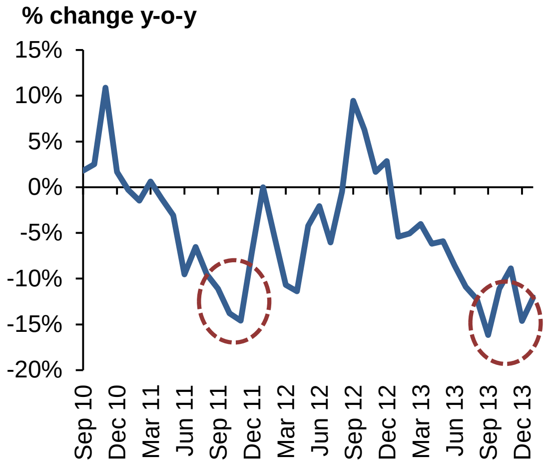
India

The impact of protracted tight monetary policy conditions in India since 2011 have taken a heavy toll on the manufacturing sector during 2012 and 2013. India's industrial production in November 2013 showed a 3.24% contraction year on year, reflecting continued recessionary conditions in the Indian industrial sector.

Industrial production contracted for the second consecutive month, falling 3.2% in November, as manufacturing activity slumped and manufacturing industrial production contracted by 5.7% y-o-y in November. The manufacturing output index in November 2013 was at its lowest level since October 2011, highlighting the protracted duration of the current economic downturn. A total of 10 of the 22 sub-segments of the manufacturing sector showed negative growth rates for November. The weakest sector of manufacturing production was for food products, which showed a 8.7% contraction in November y-o-y, with the consumer durable goods sub-segment down even more sharply, by 21.5% y-o-y.

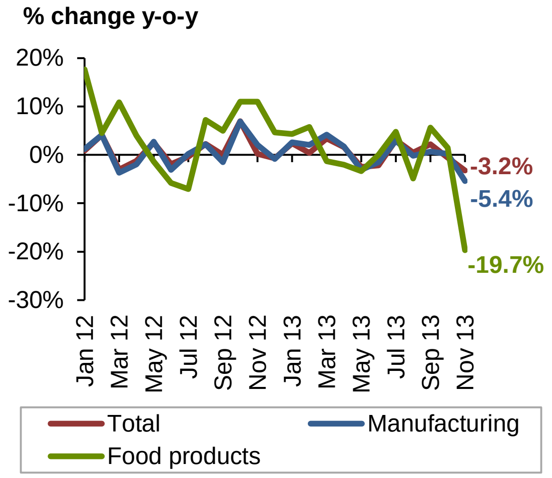
It seems food prices have continued to correct sharply in January and are expected to do so until the general elections. Continued weakening of the growth momentum in 1Q14 – because of the sharp fiscal squeeze needed for the government to meet its budgeted fiscal deficit – are expected to put some downward pressure on core inflation.

Graph 3.15: Indian composite output PMI



Sources: HSBC, Markit and Haver Analytics.

Graph 3.16: Indian industrial production breakdown



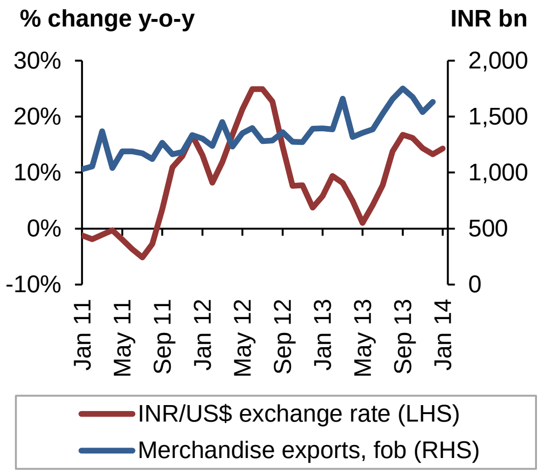
Sources: Central Statistical Organisation of India and Haver Analytics.

The protracted weakness of the **Indian manufacturing** sector in November is also having a significant impact on the quality of Indian commercial bank loan portfolios in the 4Q13. This deterioration in asset quality continues to be a major concern for Indian

commercial banks. Moreover, if current weak economic conditions persist, the credit quality of Indian commercial banks would likely deteriorate further. Some key sectors of manufacturing – particularly infrastructure, iron and steel, aviation and textiles – are of great concern, contributing significantly to the problem assets of the banking sector.

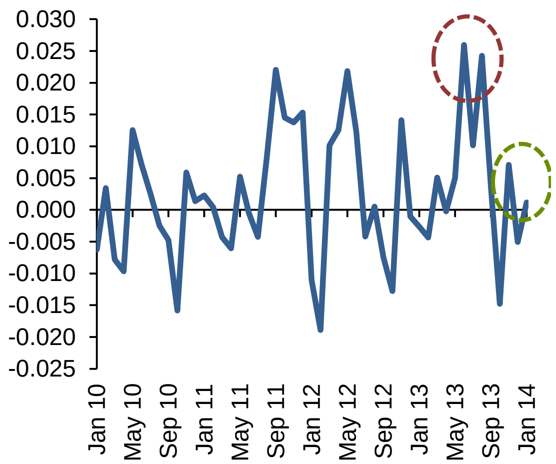
The **Indian export** sector is also showing a slight upturn in momentum in December, helped by the significant depreciation of the Indian rupee. The global growth environment will also be supportive for Indian exports. India merchandise exports increased to 3.89% y-o-y in December from 5.84% in November. Also, it should be noted that the current account improved sharply during the July-September period and following the US Fed's September announcement to postpone the tapering of its quantitative easing programme, the rupee has largely stabilized. It seems the volatility of the rupee exchange rate decreased in December 2013 and January 2014.

Graph 3.17: Indian exports vs. rupee depreciation



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

Graph 3.18: Indian rupee volatility



Sources: Reserve Bank of India and Haver Analytics.

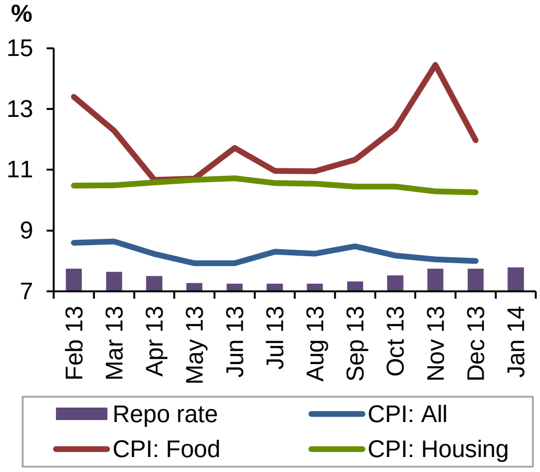
In recent days, a number of emerging markets have raised interest rates, largely in response to currency and balance of payments pressures. The Reserve Bank of India (RBI) hiked policy rates by 25 basis points (bp) at a repo rate of 8% and deftly moved closer to a flexible inflation-targeting approach, committing to a “glide path” that would bring the headline Consumer Price Index (CPI) down to below 8% in a year’s time, as per the recommendations of the Urjit Patel Committee Report.[*] Markets were surprised by the rate hike because the RBI had chosen to keep them on hold in December. In addition, given the fact that headline inflation had moderated by 130 bp since then, and that food prices were continuing to correct, growth was continuing to disappoint and uncertainty about when the Committee Report would be adopted, the majority of market participants had expected the RBI to stay on hold.

Indian inflationary pressures are still stubbornly high and domestic monetary policy settings remain tight, which is choking off domestic consumption and investment, and which has kept the industrial sector in recession since 2013. Given the long lags in monetary policy transmission effects to the real economy, even a gradual moderate easing of monetary policy during the first half of 2014 would be unlikely to deliver any

[*] *Urjit R. Patel (b. October 28, 1963) is an eminent economist, consultant and banker, currently serving as Deputy Governor of the Reserve Bank of India (RBI). He was also Advisor of the Boston Consulting Group. As Deputy Governor of the RBI, Dr. Patel oversees monetary policy, economic policy research, statistics and information management, deposit insurance, communication and right to information.*

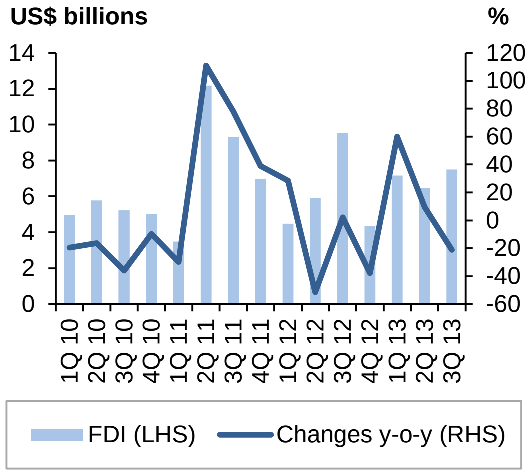
rapid economic recovery over the course of 2014. India's growth-inflation dynamics remain challenging, but there has been a significant macroeconomic adjustment in the ensuing months, resulting in the rupee outperforming most of its peers in the current bout of emerging market stress. The adjustment has been most impressive on the external front, with the current account narrowing to less than half its level from last spring.

Graph 3.19: Indian inflation vs. repo rate



Sources: Ministry of Statistics and programme implementation and Haver Analytics.

Graph 3.20: Indian foreign direct investment (FDI)



Sources: Reserve Bank of India and Haver Analytics.

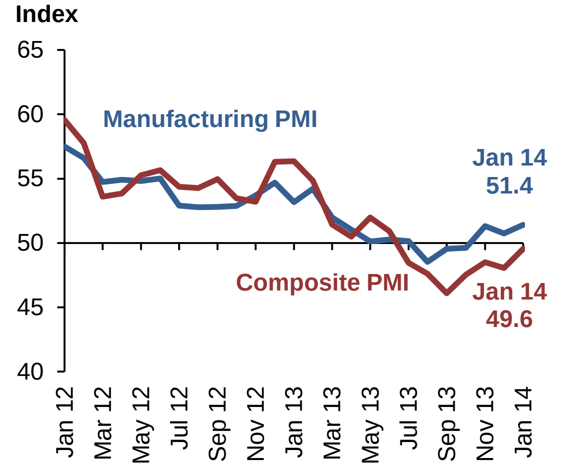
Consequently, the broader pace of Indian economic recovery is expected to be sluggish at best during 2014. Until inflationary pressures abate sufficiently to allow significant monetary policy easing, the Indian economy is not expected to stage a strong recovery.

Despite a deterioration of manufacturing output in November and December 2013, the Indian manufacturers signalled a slight improvement in operating conditions during January 2014. The headline HSBC India PMI, a seasonally adjusted index designed to measure the performance of the manufacturing economy, posted 51.4, up from 50.7 in December. The latest reading was the highest since March 2013 but pointed to a marginal pace of expansion that was well below the series' average of 55.1. The seasonally adjusted HSBC India Composite Output Index indicated an improvement in private sector activity from 48.1 in December to 49.6 in January, but remained below the expansion line of 50 for the seventh consecutive month. It seems service sector activity remains weak and broad-based, although the Post & Telecommunications sector led the softening in January.

Sector data indicated that consumer goods continued to outperform the remaining two monitored categories, while operating conditions deteriorated at capital goods producers. Growth rates for output and new orders in the consumer goods sub-category surpassed those seen at intermediate goods companies.

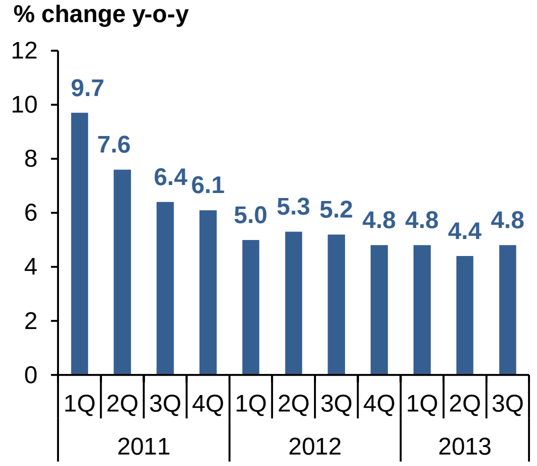
Employment rose for the fourth month running in January, with all three broad areas of the manufacturing economy posting job creation. Despite being a slight rise, the overall rate of expansion was broadly in line with the long-run series average. However, given that imports may recover once administrative restrictions are removed and considering additional capital outflows are still possible, the exchange rate will remain volatile over the near term.

Graph 3.21: Indian PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.22: Indian GDP growth



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

In conclusion, forecasts for the Indian economy have been lowered to reflect expectations of weaker growth, higher inflation, and ongoing external and fiscal strains, and there are risks that the country's sovereign rating will deteriorate further. This would have an adverse effect on public finances and eventually on growth. Uncertainty about the outcome of this year's general elections is also likely to limit progress, especially on much needed economic reform, while rising risks in the banking sector heighten central bank worries about the financial stability of the economy.

The expectation is that all risks this month will be similar to the previous month. For this reason, the expectation for 2013 and 2014 GDP growth rates remain unchanged: 4.7% and 5.6%, respectively.

China

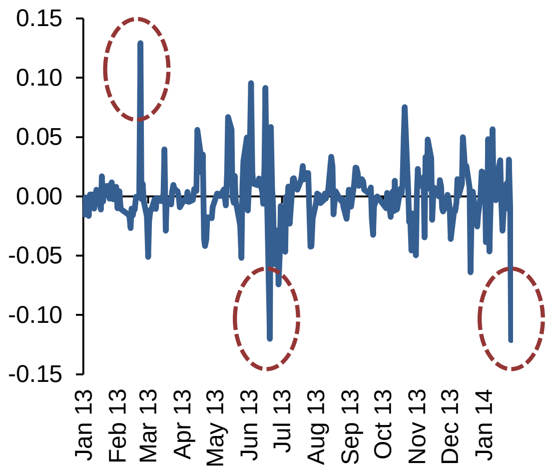
China's National Bureau of Statistics issued economic data for 2013, showing that the Chinese economy achieved growth of 7.7% y-o-y during the 4Q13, down marginally from 7.8% in the 3Q. Slowing exports and investments led to softer than expected industrial output, which dipped back into the less than 10% range after an extended spell in that territory during the 1H13. A point of resilience has been steady retail sales, registering 13.6% growth, and slightly improving real estate investment, which accelerated to 19.8% y-o-y growth.

In the 4Q13, GDP growth for the primary industry (agriculture, etc.) was 4.0% y-o-y. It was up 7.8% for the second-tier sectors, and up to 8.3% for the third-tier sectors.

As emphasized in previous months, it seems the Chinese economy is still being impacted by the downward risks of shadow banking. The Shanghai Interbank Offered Rate (Shibor) rose sharply again in the end of January 2014 following the near default of one of China's shadow banking products. The episode shed light both on how risky these products can be (with, in this case, all the assets linked to one coal mine) and on the lack of a clear debt-resolution mechanism. Moreover, the regulators missed an opportunity to address moral hazard in the shadow banking sector and show that these products are not ultimately backed by the government through their links with state banks.

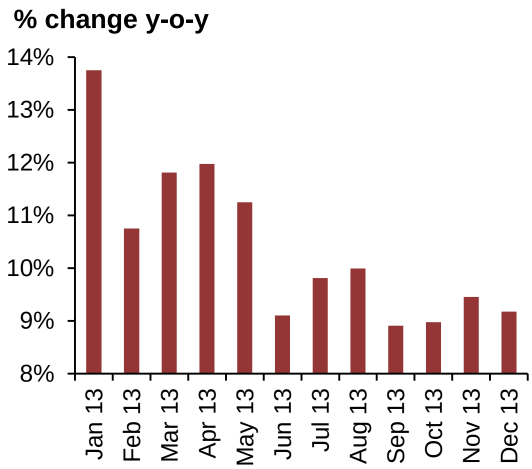
As a result of the nervousness in China's banking sector and pressures on liquidity, interbank interest rates rose sharply again at end of January with the overnight rate closing 100 bp higher at 4.8% over the course of two days on January 28, before falling back slightly to 4.4% two days later. Moreover, reflecting wider pressures, the three-month interbank rate rose from 4.7% in early December to 5.6% currently, close to the levels seen in June's Shibor crisis, while the five-year government bond yield remained elevated at 4.5%, up from 3.2% in early June.

Graph 3.23: Shibor volatility



Source: The National Interbank Funding Center in Shanghai.

Graph 3.24: China money supply, M1



Sources: People's Bank of China and Haver Analytics.

According to the result of China's local government debt audit, government debt rose to around 45% of GDP, which is still a very manageable level for a fast-growing economy. But with a 70% increase in the level of local government debt in three years, the rate of expansion is not sustainable. China's core challenge is to manage a slowdown in credit growth, bringing the debt-to-GDP ratio back to more sustainable levels, while allowing consumption growth to take up the slack.

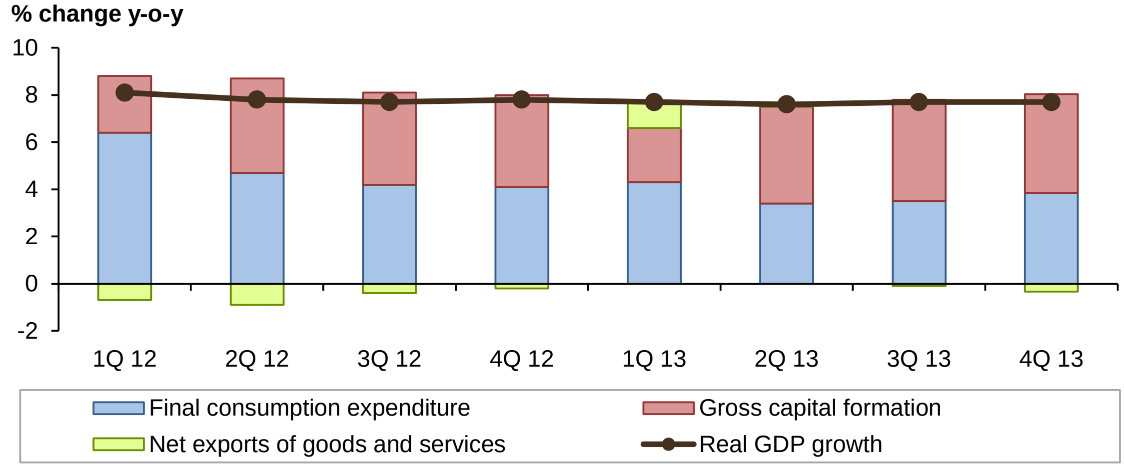
According to China's National Bureau of Statistics, industrial profits (including all industrial companies with annual sales from principal business exceeding 20 million yuan) increased 12.2% y-o-y by the end of December (down 1.0% from the January-November figure) and compared to 5.3% y-o-y for 2012. For the monthly figures, industrial profits slowed to 6.0% y-o-y in December, compared to 9.7% y-o-y in November and a recent peak of 24.2% y-o-y in August 2013. Meanwhile, total industrial sales revenue (from principal businesses) increased by 11.2% y-o-y by December (the same as in November), compared to 11.0% y-o-y for 2012.

It seems that over the past year, the Ministry of Housing and Urban-Rural Development, which formulates policies and provides subsidies supporting urbanisation, have indicated a probable shift towards a smaller-scale urbanisation pattern, focusing instead on smaller cities and towns rather than further growth in existing mega-cities.

In the fourth quarter of 2013, total fixed assets investments (including rural and urban areas) reached 117 trillion yuan ($19.3 trillion), with a growth rate of 20% from the same period in 2012.

Gross fixed capital formation remains the top driver of China's growth, accounting for 4.19 pp of growth throughout all of 2013, representing a slight acceleration relative to 2012 and reversing a trend over the past two years wherein consumption led investment. Meanwhile, final consumption expenditure climbed to 3.85 pp from a low in 2Q13, although it remains down relative to its 2012 reading. Together, final consumption and capital formation figures highlight the fact that drawing direct conclusions from fixed asset investment and retail sales data can be tricky (both showed contrary evidence if assessed only in nominal terms). Lastly, net exports of goods and services showed a further decline, contributing -0.34 pp to 2013 growth, as exports oscillated month to month while imports grew steadily. In the coming year, net exports still may play a minor role in some quarters, particularly as major foreign demand centres stabilise further – although maintaining a neutral impact on the whole would be seen as a positive.

Graph 3.25: Contribution to Chinese GDP growth



Sources: China National Bureau of Statistics and Haver Analytics.

More importantly, the capital formation and consumption shifts highlight the response of economic policy-makers faced with the dual problem of encouraging structural adjustment while maintaining a steady growth trajectory. Since 2008 growth has been primarily investment-led during 2009, 2010 and the latter half of 2013; the remaining quarters have seen consumption-led growth. This highlights the fact that when growth is faltering, a strong policy response is likely, with the easiest lever being investment promotion through various channels. The fact that the economy once again returned to this state during the 2H13 merely highlights the increasing cyclicality of the Chinese economy, and that the adjustment will be a long and gradual one.

Economic data for October to December paint a stable picture of economic conditions in China. On the whole, the Chinese economy is performing well through its adjustment phase, which is likely to continue in fits and starts as leaders balance adjustment with total growth. The primary risk to growth in 2014 is a prolonged real estate slowdown, although urbanisation policies expected during the first half may help to reduce that slowdown to merely local pockets of contraction, rather than becoming a national trend.

In conclusion, it seems that the banking crisis could lead to a sharp slowing of growth. But on the other hand, low inflationary pressure, export growth and the government deficit will support the Chinese economy in 2013.

OPEC Member Countries

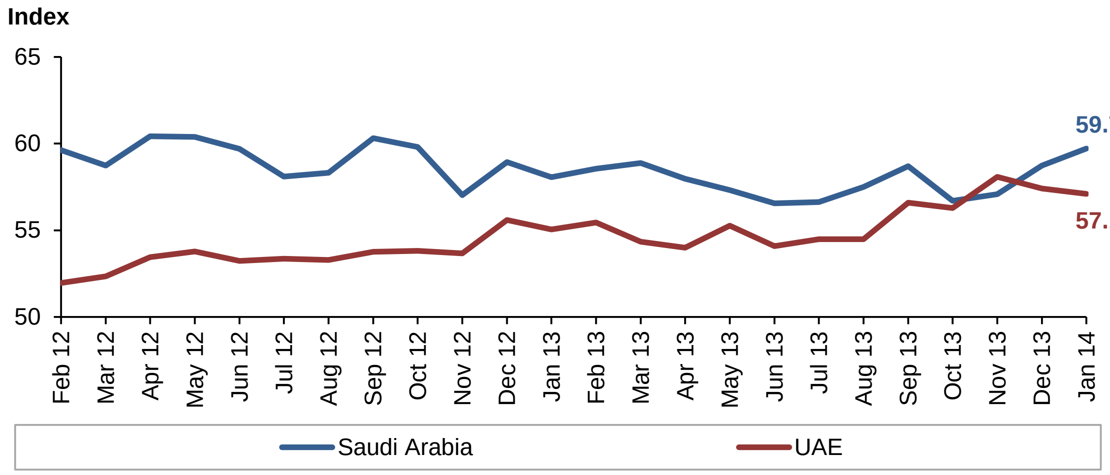
Saudi Arabia's net foreign assets, held on the government's behalf by the Saudi Arabian Monetary Agency (SAMA), rose by $4.8 billion in November 2013 to a record high of $713.5 billion. Net foreign assets rose by 0.7% from the previous month and were 12.6% higher compared with November 2012. The CPI eased in Saudi Arabia to a 3.0% annual rate in December 2013 from 3.1% in November 2013, according to the Central Department of Statistics and Information (CDSI). Consumer prices were up 0.2% on the previous month. SABB HSBC PMI stood at 59.7 in January, up from 58.7 in December and rising for the third month in a row. The survey indicated a strong rise in new orders, output and employment.

Iran's Tax Affairs Organization showed that direct tax income rose 30% over the ten months to January 2014 over the previous period. Tax income amounted to around 12.7 billion during the past Iranian calendar year and it is forecasted to register nearly $18 billion in the current calendar year. Inflation eased by 0.5% in the 12-month period to December 2013, according to the Statistical Center of Iran. The government plans to decrease the inflation rate by 6 pp to 7% by the end of the current calendar year and to below 25% by the end of the next Iranian calendar year. Meanwhile, the economy ministry showed that Iran attracted $4.85 billion in foreign investment in the last Iranian year, following $2.60 billion and $4.60 billion in 2011 and 2012, respectively. This improvement came in part as a result of the policies aimed at increasing the share of industrial exports in non-oil exports to 45%. The Ministry of Industry, Mines and Trade pledged to attract $8 billion in foreign direct investment annually.

In **Iraq**, the Central Statistical Organization (CSO) showed that the headline inflation indicator for December 2013 increased at a rate of 0.4% as compared with the previous month and at a rate of 3.1% as compared with December 2012. Meanwhile, core inflation increased at a rate of 0.4% as compared with the previous month and at a rate of 1.6% as compared with December 2012.

In **Venezuela**, the Banco Central De Venezuela announced that consumer spending has increased to 11,605 million bolivar fuertes (VEF) in the 3Q13 from 11,160 million VEF in the 2Q13.

Graph 3.26: Saudi Arabia and UAE: manufacturing PMIs



Sources: SAAB, HSBC, Markit and Haver Analytics.

The CPI rose in the **United Arab Emirates** slightly to a 1.4% annual rate in November, after holding at 1.3% during the previous five straight months. Food inflation experienced unseasonable price increases in November. But even given the

unfavourable base effects, overall price pressures in the UAE remain in check. Of note, food prices in the Emirate of Dubai leapt 2.3% on a monthly basis and 4.3% y-o-y in November. Housing price inflation was steady at 1.2% y-o-y in November, as prices were flat on a monthly basis. As a result, housing relinquished its position as the main inflation driver in the UAE with food retaking the lead, although likely only briefly as the recovery in the housing market gains further traction. According to the HSBC PMI, operating conditions continued their robust improvement in January, though at a slightly slower speed. The headline PMI fell slightly to 57.1 in January from December's 57.4.

According to **Ecuador**'s central bank, the country's trade deficit between January and October 2013 was $1.1 billion. The government has announced that further controls are to be applied on imports into the country as it is aiming to reduce imports by $6 billion by 2017.

Nigeria National Bureau of Statistics is going to replace the present GDP price scheme for the first time in 23 years with the intention of reflecting structural changes in the economy. The re-basing exercise will change the base year to 2010, instead of 1990. The new GDP figures will give greater weight to communications, entertainment and mining. Meanwhile, the Central Bank of Nigeria held the benchmark interest rate at 12% in December, while ratcheting up the reserve requirement on government deposits at commercial banks to 75%.

Other Asia

In **Taiwan**, preliminary data showed the economy grew by 2.9% y-o-y in the 4Q13, significantly higher than the 1.7% y-o-y expansion in the previous quarter. Hence, the economy of Taiwan grew in 2013 by 2.2% over the previous year which had grown by 1.5%. In seasonally adjusted terms, the economy climbed 10.1% q-o-q annualised rate, strengthening sharply from a 1.1% gain in the previous quarter. The q-o-q rate represented the strongest expansion since the 2Q11. Exports of goods and services regained some strength in the 4Q, expanding 4% from 2012, accelerating from a 1.7% increase in the previous quarter. This improvement was a result of an export bounce of 1.4% in 2013, following the 2.3% deceleration in exports in 2012.

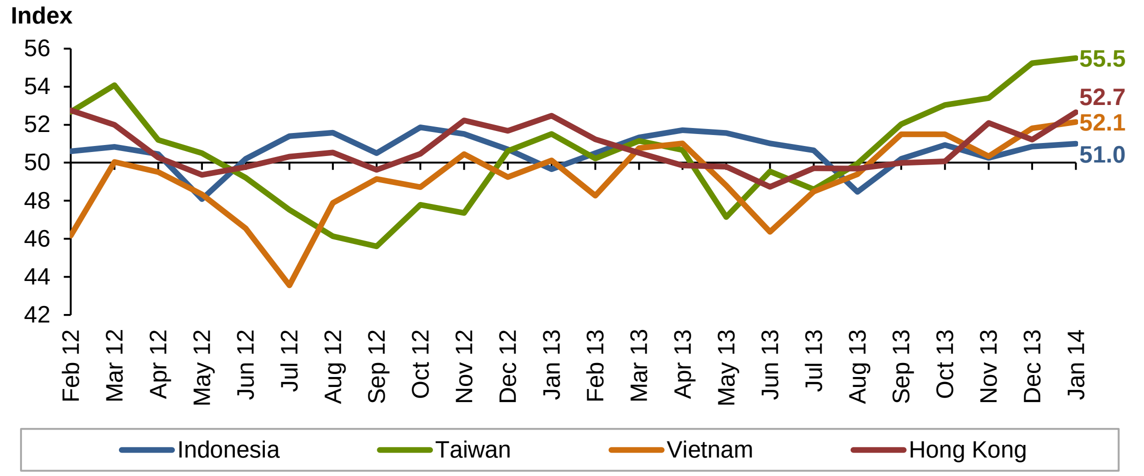
Last year's recovery in the economy of the US, alongside the gradual improvement in the Euro-zone economies, have created a positive momentum for Taiwan's exports that is anticipated to extend into 2014. Furthermore, demand from China was holding up and helped sustain export momentum. In addition, import growth also strengthened on the back of strong demand for capital and consumer goods. Imports advanced 6.1%, after gaining just 0.69% in the previous quarter. Stronger import growth resulted in a shrink in net exports, subtracting 0.25 pp from GDP growth. Concurrently, private consumption picked up at a strong pace, rising 3.3%, accelerating from a 1.5% gain in the previous quarter. The acceleration in consumer spending was underpinned by positive wealth effect from rising asset prices, which, coupled with heavy promotion and higher confidence, helped boost auto and retail sales. Taiwan's manufacturing PMI of January showed the quickest expansion of production since April 2011. The index posted at 55.5, up from 55.2 in December. The survey revealed an input price increase to 32-month high along with orders acceleration at the fastest pace in three years.

In **Indonesia**, the manufacturing sector continued to grow in January. The manufacturing PMI registered 51.0, up from 50.9 in December. The survey indicated a strong acceleration in new business along with slight contraction in output levels. Last month, the government of **Vietnam** announced plans to partially privatise several major

state-owned enterprises (SOEs) in 2014, including Vietnam Airlines, Vietnam Motor Industry Corporation, and Vietnam National Textile and Garment Group. This signals the willingness of quickening macroeconomic reform efforts and is aimed at increasing the competitiveness of companies across all sectors with a particular focus on infrastructure, transportation, and the garment and apparel industry.

In **Hong Kong**, merchandise exports came in flat in December 2013 as demand from Asia stalled, while sales to the US and Europe fell. Official data shows that total exports were virtually unchanged from a year earlier at around $40 billion, following a 5.8% increase recorded in November. Shipments to Asia as a whole rose by a mere 0.4%, after increasing 4.3% in November. Exports to China were muted in December, up just 0.5% following a 3.7% gain in November. However, sales to several Asian economies recorded strong gains, including India (up 38.4%), Vietnam (up 22.6%) and South Korea (up 13.6%). These helped counterbalance a sharp 31.2% decline in shipments to Taiwan and an 18.9% drop in exports to Japan. In addition, exports to the US weakened again, decreasing 7% in December, reversing a 2% gain in November. Shipments to Europe also faltered, led by an 11.1% drop in exports to Germany. Meanwhile, imports rose 1.8% in December, slowing from a 5.2% gain in November. For 2013 as a whole, exports rose 3.6%, while imports gained 3.8%.

Graph 3.27: Manufacturing PMIs in Other Asia



Sources: HSBC, Markit and Haver Analytics.

In the **Philippines**, growth in the 4Q13 held up better than expected amid natural disasters, allowing the annual expansion to hit a three-year high of 7.2%. However higher imports to facilitate reconstruction are expected to put pressure on the 2014 growth rate. The performance of fixed investment during the 4Q was encouraging. There was a slowdown to 7.0% y-o-y growth in the 4Q13 compared with 11.9% y-o-y in the 3Q, but this would have been expected even without any exogenous shocks. Historically, fixed investment had been the weak link in the Philippine economy, with the sector's share in GDP languishing at very low levels relative to other countries at similar stages of development. Most recently, there has been a decided uptick in investment spending. However, this has been brought about by a combination of higher public outlays on infrastructure and a much improved political environment that has boosted investor sentiment and encouraged more robust private sector investment. During 2010-13, real fixed investment growth has averaged 9.8% annually, far above the 2000-09 average of 3.7%. Investor perceptions about the country's business environment continue to improve. In fact, the country managed an impressive 25 point jump in global rankings in the 2014 World Bank’s Doing Business Survey thanks to considerable progress in areas such as getting credit and resolving insolvencies.

However, sustaining the recent strong growth in investment is becoming somewhat more difficult. Thanks to its favourable external accounts position, the Philippines has not been much affected by the latest bout of global financial market volatility and aversion to emerging markets. However, the country is not entirely immune to such adverse developments.

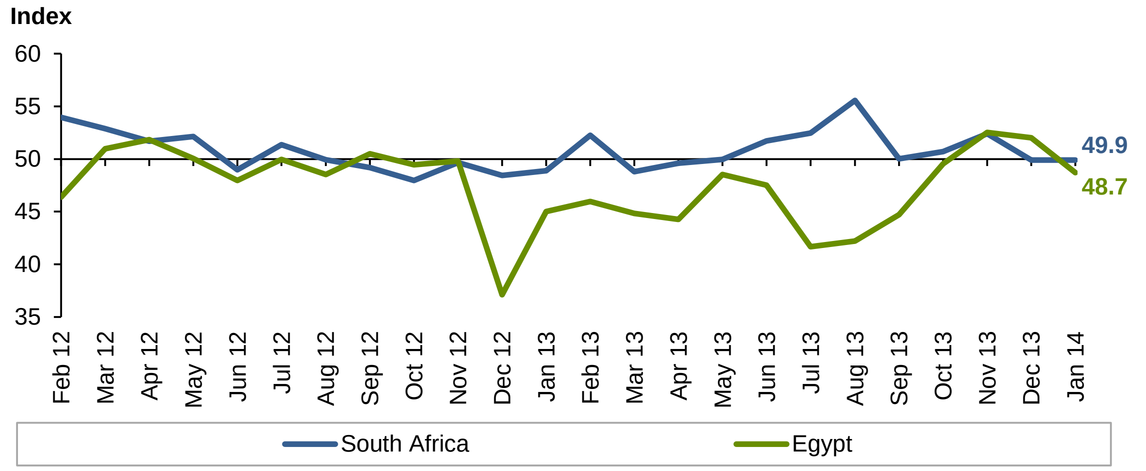
Africa

According to the Kenya National Bureau of Statistics, the CPI in **Kenya** was unchanged at 7.2% y-o-y in January. On a m-o-m basis, the CPI increased by 1.1%, compared with 0.3% and 0.5% in November and December 2013, respectively. The main driver of the CPI during the month was a 2% increase in transport prices, which have an 8.7% weighting in the index, due to a higher prices of petrol and diesel and increases in public transport fares. This pushed the y-o-y rate in the category up to 6.8% in January, from 5.4% in December. Food and non-alcoholic beverages, with a 36.0% weighting in the index, increased by 1.0% m-o-m with the y-o-y rate in the category easing further from 10.4% to 10.1%.

In **Uganda**, the CPI increased to 6.9% from 6.7% y-o-y in December 2013, according to the Uganda Bureau of Statistics. On a m-o-m basis, the CPI declined by 0.1% in January, after having risen by the same percentage in December. The main driver was a 0.7% m-o-m drop in food prices in January, which have a 27.2% weighting in the CPI.

In **South Africa**, the central bank raised the policy rate by 50 bp to 5.5% per annum late last month aiming at lending support to the weakening rand. The central bank's inflation forecast deteriorated significantly since the last meeting. The forecast average inflation rate for 2014 is 6.3% and 6.0% in 2015. Inflation is expected to breach the upper end of the target range in the 2Q14. However, the currency weakening is expected to remain influenced by the cutback in quantitative easing by the US Fed and continuing labour issues South Africa over the short-term. South Africa's January PMI indicated a fractional improvement in the economy's operating conditions, with the index remaining just above the neutral 50 point level by falling from 50.5 in December to 50.3 in January.

Graph 3.28: Manufacturing PMIs in South Africa and Egypt



Sources: Investec, IPSA, Markit, Reuters Telerate and Haver Analytics.

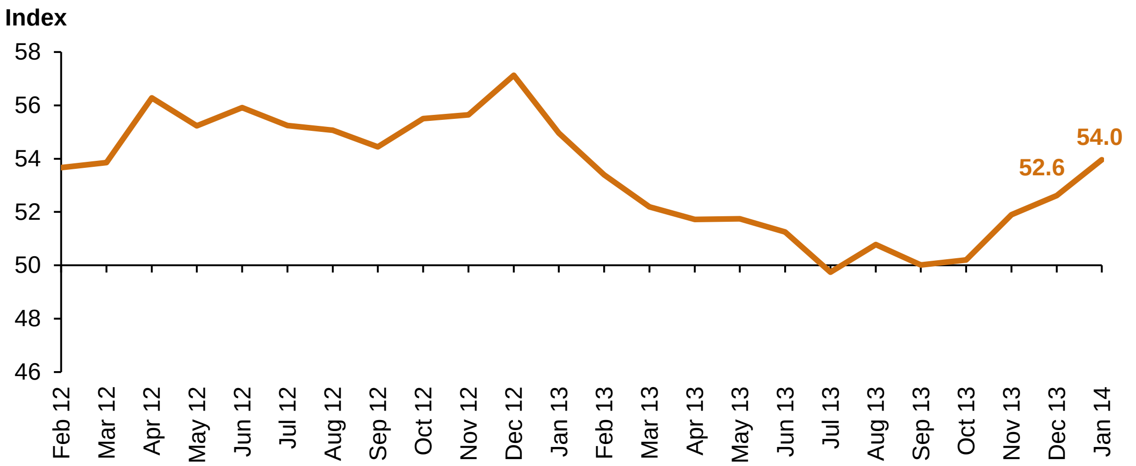
Egypt's foreign exchange reserves decreased by $678 million in December to $13.2 billion, following two sizeable non-recurring outflows, according to the Central Bank of Egypt (CBE). December marked the fourth consecutive monthly decline of

reserves. However, despite the 4.9% m-o-m drop, the foreign exchange reserves ended the year up 27.0% compared with December 2012. The financial support from the Gulf countries – amounting to nearly $14 billion in grants, interest-free and soft loans, and fuel shipments, of which $8 billion had been disbursed by early December – have helped boost the CBE's foreign currency reserves. Overall, Egypt's net international reserves (which include gold reserves and special drawing rights) declined 4.1% m-o-m in December. However, on an annual basis, they concluded 2013 up 13.4%, topping $17.0 billion. The CBE's international reserves slumped to a 2013 low of $14.4 billion in April. The country's PMI demonstrated that the economy's private sector is back into contraction in the first month of 2014. The index slipped from December's 52.0 to 48.7 in January, highlighting the first retreat in operating conditions in three months. However, the survey showed that new export business increased for the third consecutive month in January.

Latin America

In **Mexico**, the economy's January manufacturing PMI reached its highest in a year with output volumes and new order intakes both rising at solid rates. The index stood at 54.0 in January, up from 52.6 a month earlier. The survey also indicated that new export orders expanded at their quickest pace since October 2012. Last month, the Central Bank of Mexico maintained its main policy rate at 3.50%. As of mid-January, inflation had exceeded the upper boundary of the targeted band, driven by the implementation of a fiscal reform that, among other things, includes a new excise taxes on certain goods and removes tax exemptions for border cities. Annual inflation stood at 4.6% as of 15 January.

Graph 3.29: Mexico's manufacturing PMI



Sources: Markit and Haver Analytics.

In **Argentina**, the Argentine authorities lifted support to the peso on January 23, 2014, triggering a sharp devaluation of its official rate by 20%. This was followed by relaxation of controls on dollar purchases by Argentine nationals. Access to dollars for personal savings, which had been restricted since October 2011, was blocked totally in July 2012. However, under the new measures, from January 27, Argentine nationals with a minimum monthly income of 7,200 Argentine pesos (ARS) – $900 – are allowed to buy up to $2,000 per month for personal savings. Furthermore, a tax imposed on dollar purchases since March 2013 was cut back substantially, from 35% to 20%, although this reduction did not apply to credit card operations abroad. Also, the central bank raised interest rates by 600 bp to 25.9% on January 28. Inflation is likely to be higher in 2014 than last year given the cost impacts of the recent peso depreciation,

and the unwillingness of the government to rein in public spending and the printing of money. Given this expectation, economic actors are expected to seek renewed protection by increasing their dollar holdings. Similarly, labour unions will seek wage settlements that match expected inflation, as they have successfully done so far, increasing the upward pressure on prices.

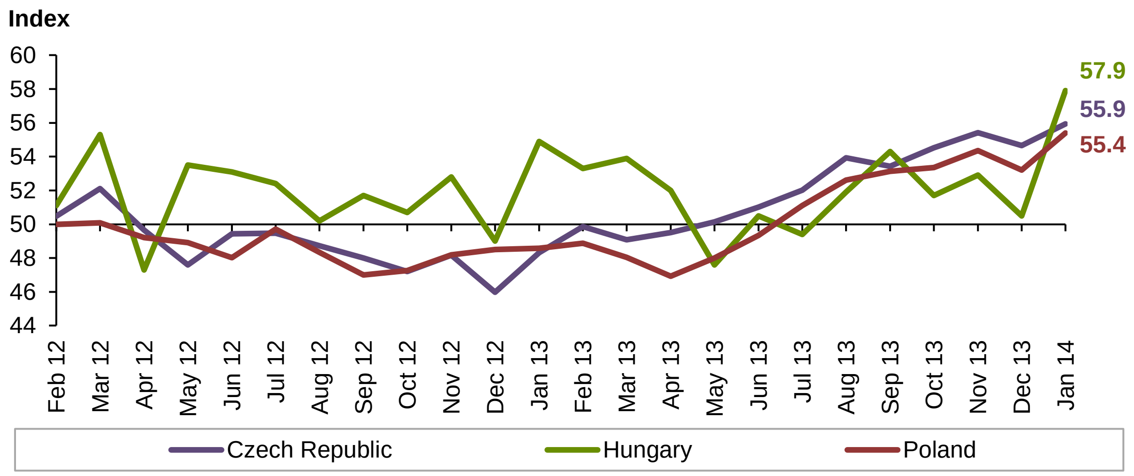
Bolivia's GDP is estimated to have reached 6.5% during 2013, according to the latest estimates from that country's central bank. The number reflected a year of buoyant economic conditions fuelled by strong domestic demand amid still high commodity export prices. This rate is one of the highest Bolivia has achieved in the last 30 years and situates the country as the second-best performer in the region after Paraguay. Bolivia's private consumption was strong, mainly fuelled by an increase in credit. The financial sector portfolio grew 18.6% and deposits in the financial sector grew 17.5% y-o-y in December.

Transition region

The **Romanian** central bank reduced last month its benchmark interest rate to a record low of 3.75%. This came as the government changed its four-year-old mortgage guarantee program that provide state-guaranteed loans amounting to 4.2 billion euros. The program guarantees half of the value of mortgages of as much as 75,000 euros with a 5% down payment. The program has been changed to only cover credit in Romanian currency so as to avoid any possible turbulence in the case of currency depreciation.

According to the "flash" estimate, **Poland**'s GDP rose by a preliminary 1.6% in 2013, down from 1.9% the previous year. The new figures indicate that 4Q growth reached approximately 2.8% y-o-y, the strongest rate since early 2012. So far, Poland's Central Statistical Office has published only a partial breakdown of 2013 GDP growth. It is likely that net exports were the primary reason for the better-than-expected 4Q results. In 2013 as a whole, domestic demand declined slightly, indicating that net exports were the key driver of growth. Personal consumption did rise 0.8% in 2013 and government consumption appears to have increased considerably faster, given that final consumption was up 1.1%. With regard to manufacturing, the sector registered a strong start in 2014, with the PMI index reaching 55.4 in January from December's 53.2. The employment in manufacturing rose at a record pace, while new business showed a three-year high growth rate.

Graph 3.30: Manufacturing PMIs in transition region



Sources: HALPIM, HSBC, Markit and Haver Analytics

The **Czech** manufacturing economy showed a positive start to 2014, with the manufacturing PMI rising to its strongest reading since May 2011. The index posted 55.9 in January, up from 52.4 in the previous month. The survey demonstrated the strongest rise in output since April 2011 together with a 43-month record high in new export orders.

In **Croatia**, industrial production contracted in December as total output fell by 2.8% m-o-m in seasonally adjusted data. This followed a 0.8% decline in November 2013 and a 3.4% contraction in October. In December, energy production dropped sharply by 6.8% from a month earlier, followed by manufacturing, which was down by 2.8% m-o-m. The downturn in December drove industrial production downward by 2.8% from the previous year. For 2013 as a whole, industrial output fell by 2% compared with 2012. Double-digit growth of 10.9% in energy output was offset by the sustained weakness of manufacturing output, which accounts for nearly 80% of total production and was down by 3.7%, while mining and quarrying was down by 2.3%.

According to a “flash estimate” published by the Serbian Statistical Office (SSO), **Serbia**'s economic growth weakened modestly in the 4Q. Real GDP is estimated to have growth by 2.6% y-o-y in the 4Q13, down from 3.7% y-o-y in the 3Q13. As a result, real GDP grew by an estimated 2.5% y-o-y. The contribution from domestic demand to Serbia's economic revival in 2013 has been negative, with retail trade turnover falling by 5.1% y-o-y at constant prices. In 2013, exports amounted to 11 billion euros – an increase of 25.8% compared with 2012. At the same time, imports rose by just 5.1% y-o-y to 15.5 billion euros. As a result, the customs-based trade deficit in 2013 amounted to 4.5 billion euros, a narrowing of more than one-quarter compared with 2012. The export-import ratio also underwent a vast improvement, rising to 71.1% from 59.3% in 2012. In 2013, the EU remained Serbia's most important trade partner, accounting for more than 60% of total foreign trade, led by Italy and Germany. Exports to the bloc increased by 33% y-o-y, while imports jumped by 10% y-o-y. The strong export performance in 2013 underpinned the positive industrial output data. Output performance in 2013 increased by 5.5% y-o-y but grew by a more modest 0.5% y-o-y in December 2013.

Data published by the Albanian National Institute of Statistics showed that **Albania’s** trade gap in December widened by 13.5% from previous year. This is the first time in 2013 that the trade gap has widened in an annual comparison. In December 2013, exports grew by 19.5% y-o-y, although import growth was weaker at 15.8% y-o-y. As a result, the narrowing trend seen for the first 11 months of 2013 came to an abrupt end in December. Nonetheless, for 2013 as a whole, the foreign trade gap narrowed by more than 15% y-o-y with exports growing by 15.6% y-o-y while imports fell by 3% y-o-y. EU countries continued to account for more than two-thirds of Albania's trade turnover in 2013, increasing by 4% from 2012.

Oil prices, US dollar and inflation

While the **US dollar** has been relatively resilient compared to its major currency counterparts, the main event on currency markets has been the deceleration of emerging market currencies in the second half of January. While this has been triggered by developments in the Argentine peso, in combination with the decision by the Fed to continue tapering a week later, some emerging market currencies were also affected by a contagious sell-off. With the exception of the peso, and after some strong key policy interest rate changes, these other currencies have recovered almost to the levels seen before the depreciation.

Compared to the major currencies, the US dollar remained almost unchanged on a monthly average. Compared to the **euro**, the dollar gained 0.6% in January and stood at a monthly average of $1.3612/€. Versus the **Japanese yen**, it rose by 0.5% to ¥103.935/$. Only when compared to the pound sterling did it fall again for the second consecutive month by 0.6% after minus 1.8% in December, while compared to the Swiss franc it rose by 1.0%. With the ongoing recovery in the US and the tapering of the Fed, as well as expectations of continued monetary stimulus from the ECB (which is to be reviewed in March), continued efforts to weaken the yen by the BoJ and the weakness of emerging markets, the US dollar should be expected to appreciate in the coming months.

In nominal terms, the price of the **OPEC Reference Basket** fell by a monthly average of $2.96/b, or 2.7%, from $107.67/b in December to $104.71/b in January. In real terms, after accounting for inflation and currency fluctuations, the Basket declined by 2.4%, or $1.58/b, to $63.45/b from $65.03/b (base June 2001=100). Over the same period, the US dollar rose by 0.3% 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.*

Reflection on the most recent sell-off in emerging market currencies

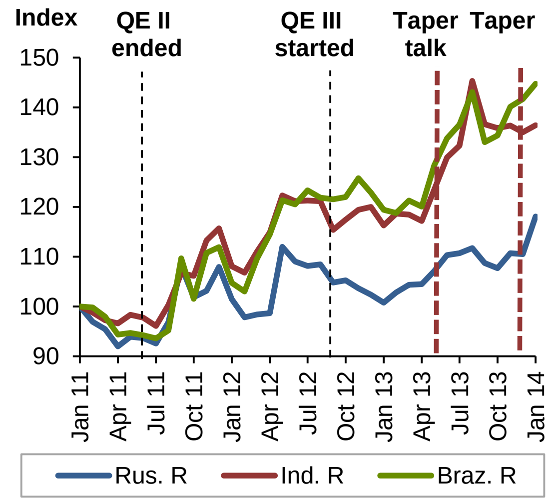
The most recent swift deceleration in some of the currencies of emerging markets had a significant impact on asset markets. This January's developments have been mainly triggered by the sudden drop in the Argentine peso, following the 22 January decision of the Argentine central bank to remove its support in the currency market amid its declining currency reserves, which dropped from almost $50 billion at the beginning of 2012 to less than $30 billion in January. This had a widespread effect on many emerging markets' currency values, with mainly the exception of the Chinese yuan. While shortly thereafter most currencies recovered, the decline re-started after the decision of the US Federal Reserve Board (Fed) at its 29 January meeting to continue tapering its extraordinary monetary stimulus by a further $10 billion.

While developments in the currency markets had an immediate impact on capital markets across the globe, the effect has swiftly balanced out and currencies have recovered quickly since the beginning of February, with the exception of the Argentine peso. Stock markets have also recovered to some extent from this impact and crude oil prices have been only slightly affected. It seems that so far the fallout has been short-lived. However, it is important to better understand the recent dynamic and to put these events into perspective. It is also important to highlight the fact that the Chinese yuan has so far not been affected by the currency moves and it is not expected to be impacted by this development in the near future. This certainly would move the sensitivity of this issue to the next level to have a global reach. Also, the Indian rupee, one of the important emerging market currencies, has been relatively resilient during the most recent events and could continue along the same lines, as its economy is forecast to regain traction.

The most recent events in the currency market are actually part of the long-time decline in values of emerging market currencies versus the US dollar, as can be seen in *Graph 3.31-3.32*. While monetary easing policies of the major central banks and particularly the most recent start of tapering the US monetary stimulus have played an important role, the depreciation in certain emerging markets' currencies seems to have come mainly from domestic challenges. Central banks in some of the affected economies have lifted key policy rates in order to prevent a continuation of the decline of their currencies. This has turned out as a relatively successful strategy in the short-term. In the medium-term however this could affect negatively GDP growth in those economies.

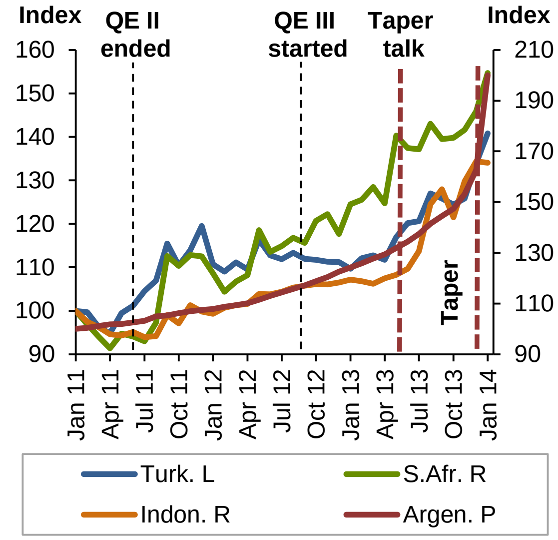
Development of affected currencies versus the US-dollar

Graph 3.31: Major EM currency moves, indexed (01/11=100)



Source: Haver Analytics.

Graph 3.32: Recently affected currencies, indexed (01/11=100)



Emerging economies have been the main driver of oil demand growth in past years. While the major OECD economies are experiencing stronger GDP growth this year and are forecast to compensate for the shortfall of the emerging and developing economies, the outcome of the currency depreciation in the large emerging economies could potentially have a slowing effect on demand growth, particularly if the volatility in the currency market – causing second-round effects – continues.

World Oil Demand

World oil demand was revised upward by 30 tb/d to average 89.89 mb/d in 2013, an increase of 0.97 mb/d over a year earlier, reflecting the most recent data and indicating the latest improvement in OECD Americas oil consumption. For 2014, growth is expected to be around 1.09 mb/d, up by 45 tb/d, to reach 90.98 mb/d.

On a regional basis, the most recent data for 2013 indicates strong growth in OECD Americas and to a lesser extent in OECD Europe with a combined upward growth revision of 30 tb/d distributed between the 2Q, 3Q and 4Q. OECD Asia Pacific and other non-OECD regions had no revisions since the last MOMR.

In **OECD Americas**, US oil demand continued its 4Q13 strong upward trend with transportation and industrial fuels once again dominating gains in the product mix. November 2013 oil demand figures, based on actual data, are placing the month as the second highest growth month in 2013 after the month of September 2013. Oil demand growth in November 2013 recorded a rise of more than 0.9 mb/d as compared with the same month in 2012. Both industrial activity and transportation indicators are illustrating improvement in their respective trends. Preliminary weekly data for December 2013 and January 2014 are also providing encouraging positive views for the oil demand picture in the US, as oil demand is expected to grow by more than 1 mb/d and 0.6 mb/d, respectively, in those months.

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

							Change 2013/12	
	2012	1Q13	2Q13	3Q13	4Q13	2013	Growth	%
Americas	23.62	23.73	23.78	24.13	23.97	23.90	0.28	1.17
of which US	*18.84*	*18.98*	*18.94*	*19.36*	*19.29*	*19.15*	*0.30*	*1.61*
Europe	13.74	13.19	13.75	13.83	13.46	13.56	-0.18	-1.34
Asia Pacific	8.59	8.94	7.81	8.05	8.65	8.36	-0.23	-2.63
Total OECD	**45.95**	**45.85**	**45.34**	**46.00**	**46.07**	**45.82**	**-0.13**	**-0.29**
Other Asia	10.86	10.91	11.08	11.11	11.13	11.06	0.20	1.84
of which India	*3.65*	*3.82*	*3.69*	*3.55*	*3.74*	*3.70*	*0.05*	*1.34*
Latin America	6.27	6.21	6.47	6.74	6.58	6.50	0.23	3.62
Middle East	7.59	7.79	7.76	8.19	7.75	7.87	0.29	3.76
Africa	3.45	3.42	3.45	3.38	3.56	3.45	0.00	0.11
Total DCs	**28.17**	**28.33**	**28.76**	**29.42**	**29.02**	**28.89**	**0.72**	**2.54**
FSU	4.41	4.33	4.18	4.58	4.83	4.48	0.07	1.52
Other Europe	0.64	0.63	0.59	0.63	0.71	0.64	-0.01	-0.80
China	9.74	9.79	10.19	9.91	10.38	10.07	0.33	3.38
Total "Other regions"	**14.80**	**14.75**	**14.95**	**15.12**	**15.92**	**15.19**	**0.39**	**2.64**
Total world	**88.92**	**88.93**	**89.05**	**90.54**	**91.01**	**89.89**	**0.97**	**1.09**
Previous estimate	88.92	88.93	89.03	90.50	90.93	89.86	0.94	1.06
Revision	0.00	0.00	0.01	0.03	0.08	0.03	0.03	0.04

Totals may not add up due to independent rounding.

In **OECD Europe**, oil consumption in the Big Four European nations — Germany, UK, France and Italy — was slightly positive during the month of December 2013 on a y-o-y basis, with gains in France, UK and Germany outpacing a decline in Italy. Demand for transportation fuels seemed to be leading the modest growth in the region with jet/kerosene recording most of the positive gains while gasoil and gasoline were almost flat. This is in spite of promising y-o-y car sales for the month of December 2013.

In **OECD Asia**, Japanese oil demand in December 2013, based on preliminary data, decreased substantially by more than 5%. This is not a new development as the

reduced requirements for crude and fuel oil for direct burning and electricity generation continue to affect oil demand growth in the country negatively. Naphtha consumption in the country however provides a glimpse of hope going into the future as the positive rise in Japanese industrial production, especially in the petrochemical sector, caused the demand for products to record positive gains.

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

							Change 2014/13	
	2013	**1Q14**	**2Q14**	**3Q14**	**4Q14**	**2014**	**Growth**	**%**
Americas	23.90	23.87	23.91	24.29	24.13	24.05	0.15	0.63
of which US	*19.15*	*19.20*	*19.01*	*19.47*	*19.37*	*19.26*	*0.12*	*0.61*
Europe	13.56	13.05	13.49	13.70	13.35	13.40	-0.16	-1.16
Asia Pacific	8.36	8.81	7.74	7.92	8.47	8.23	-0.13	-1.55
Total OECD	**45.82**	**45.73**	**45.14**	**45.91**	**45.94**	**45.68**	**-0.13**	**-0.29**
Other Asia	11.06	11.12	11.28	11.37	11.39	11.29	0.23	2.09
of which India	*3.70*	*3.92*	*3.76*	*3.68*	*3.86*	*3.80*	*0.10*	*2.84*
Latin America	6.50	6.44	6.70	6.99	6.82	6.74	0.24	3.65
Middle East	7.87	8.11	8.05	8.53	8.03	8.18	0.31	3.89
Africa	3.45	3.46	3.48	3.41	3.59	3.49	0.03	0.96
Total DCs	**28.89**	**29.12**	**29.52**	**30.29**	**29.83**	**29.69**	**0.81**	**2.80**
FSU	4.48	4.41	4.25	4.66	4.92	4.56	0.08	1.79
Other Europe	0.64	0.64	0.58	0.64	0.72	0.64	0.01	0.82
China	10.07	10.10	10.54	10.27	10.70	10.40	0.34	3.34
Total "Other regions"	**15.19**	**15.15**	**15.37**	**15.57**	**16.33**	**15.61**	**0.42**	**2.78**
Total world	**89.89**	**90.00**	**90.03**	**91.77**	**92.09**	**90.98**	**1.09**	**1.22**
Previous estimate	89.86	90.00	89.96	91.69	91.95	90.91	1.05	1.17
Revision	0.03	0.01	0.07	0.08	0.14	0.08	0.05	0.05

Totals may not add up due to independent rounding.

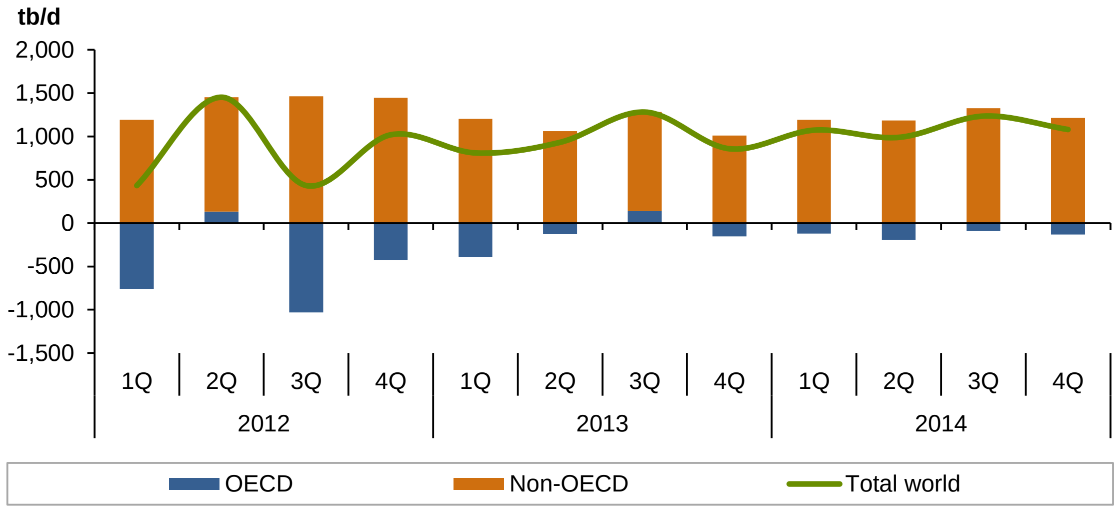
In **Other Asia**, India's oil demand in December 2013 grew at a modest pace. Demand for gasoline continued to draw positive signs as compared with the same period last year. This is very much in line with the increase in two-wheeler vehicle sales and seasonal activities in the country. On the contrary, gasoil — the most consumed product in the country with around 40% of total fuel consumption — continued its declining trend. This can mainly be attributed to the higher baseline from the supplementary gasoil demand in 2012 for power generation in addition to the slowing economic activity in the country.

In **Latin America**, November 2013 oil consumption in Brazil grew by more than 3% y-o-y, lower than the growth levels recorded in the previous month. The decline in residual fuel lowered the overall gains of the total product mix, which hints towards lower industrial production activity in the country.

In the **Middle East**, December 2013 oil demand in Saudi Arabia was dominated by gains in all product categories, notably gasoline, gas/diesel oil and residual fuel oil. Moreover, direct crude burning for electricity generation increased for the first month since July 2013.

In **China**, oil demand is now back to previous levels after two months of declines on a y-o-y basis. Oil demand for the month of December 2013 grew by around 5% led by a rise in gasoline, LPG and naphtha requirements. Additionally, the country's growing petrochemical industry was one of the reasons behind firm improvements in naphtha and LPG demand. On the other hand, a switch from residual fuel to natural gas and coal lead to declines in residual fuel usage.

Graph 4.1: Quarterly world oil demand growth

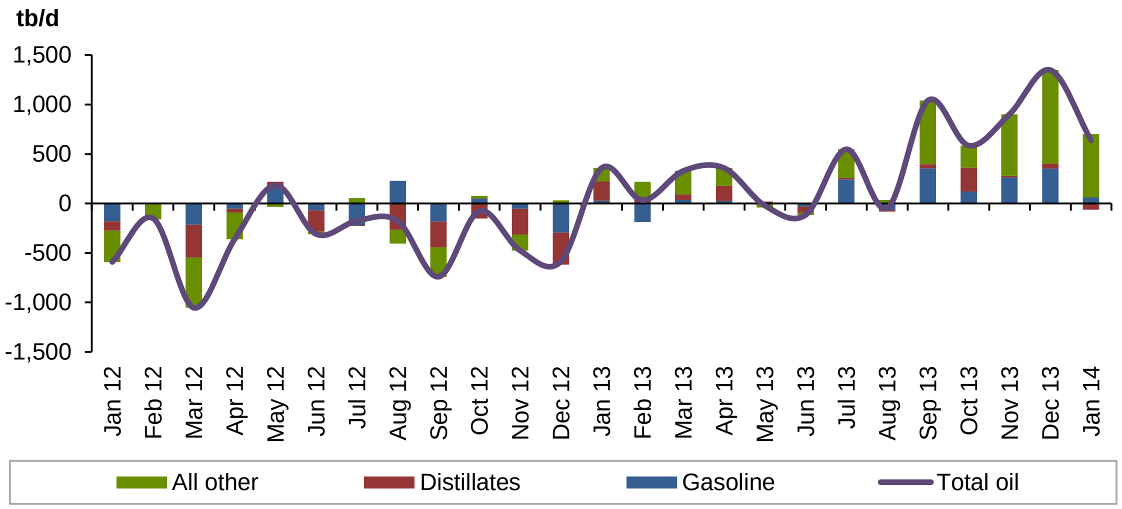


OECD Americas

In the **US**, oil consumption for November 2013 recorded almost a 5% increase from the same levels seen in 2012, with total growth remaining at around 0.9 mb/d. This means that November 2013 was the month with the second highest growth rate during 2013, a year that saw a continuous upward trend of oil consumption.

Looking at the product mix, all products registered positive growth to different degrees, with propane/propylene, other products and gasoline leading the increases, pointing towards improvement in the manufacturing and transportation sectors. Focusing on the industrial sector, the purchasing manager index (PMI) of the US has been in expansion territory, remaining above the 50 point threshold for all of 2013 and expanding the most in the last two months of the year, settling well above 54, which is in line with the generally improved economic activities in the country. The vehicle miles travelled, on the other hand, which is one of the transportation sector indicators, supported the significant increase in the gasoline demand as compared to a year earlier. This indicator also rose sharply towards 4Q13, resulting in an increase in the country's gasoline demand.

Graph 4.2: US oil consumption, y-o-y changes



The preliminary weekly data for the month of December 2013 draws similar overall oil demand growth figures as in the previous month, characterized by firm growth across all products. While January 2014 preliminary weekly data also showed growth as compared with January 2013, however, the scale of the growth is anticipated to be somewhat lower than the level seen in 4Q13. Although the improvement of oil consumption in the US during the current year should hold steady with the development of the US economy. The upside growth potential is more likely to affect oil demand growth. However, pending fiscal issues call for careful consideration.

In **Canada**, November 2013 total oil consumption fell by more than 0.17 mb/d or more than 7%, leaving the total oil consumption of the country at around the 2.0 mb/d. All main product categories witnessed increases with the exception of LPG and fuel oil. The fuel oil performance was rather poor, declining by more than 33%, largely as a result of switching programmes due to environmental concerns.

In **Mexico**, oil consumption in December 2013 was sharply in the negative, falling by more than 0.17 mb/d or 9% as compared with the same period last year. All products registered declines with the exception of jet fuel and other products, which were marginally in the positive. Fuel oil noted negative data as it fell by more than 64% as agriculture and industrial activity contracted unexpectedly for the fourth month running. On a cumulative basis, oil demand in 2013 was lower by around 55 tb/d or approximately 3%.

In 2013, **OECD Americas** oil demand grew by 0.28 mb/d compared to 2012. 2014 OECD Americas oil demand is projected to grow once more by 0.15 mb/d compared to 2013.

OECD Europe

Oil consumption in the **EU Big Four** during the month of December 2013 showed a positive growth. Oil demand in Germany, UK and France outpaced losses in Italy. Oil consumption grew by a mere 20 tb/d to stand at 6.5 mb/d.

Looking at the product mix, jet fuel consumption was notable in Germany and the UK, leading total consumption of the product in the EU Big Four, rising by around 3% as flight operations expanded towards the year-end holidays. Furthermore, the low baseline recorded in 2012 provided a greater gap between the yearly variance when examining the total product changes. Gasoline consumption, on the other hand, was flat in these four countries despite the latest data highlighting a more than 13% rise in new car registrations in December 2013; the EU region noted the highest monthly y-o-y growth since early April 2010, when there was an increase of more than 16%. However, total new car registrations in absolute figures was more than 900,000 units.

Focusing on the **UK**, overall oil demand was slightly above the levels recorded in 2012 by around 1% supported by growth in jet/kerosene and other products, implying higher activity in the industrial sector as indicated by the PMI, which remained elevated from the level's seen in the first half of 2013. Car sale registrations in 2013 recorded double-digit growth of more than 10%, the highest growth in Europe, suggesting firm demand for transportation fuels. In cumulative terms, in 2013, total oil demand growth was higher than 2012 by 18 tb/d or more than 1%.

Oil consumption in **Germany** grew in November 2013; oil demand in the country rose by 1% to stand at 2.2 mb/d. Most of the growth, however, came from power generation fuels, inferring stabilization of the economic momentum in the country. On the contrary,

new car registrations declined by more than 4% compared with the same period in 2013, leading to moderation in gasoline consumption and a decline in gasoil/diesel oil requirements on a cumulative basis.

Oil consumption in **France** rose slightly by 16 tb/d during December 2013 despite slowing industrial activity and sluggish new car sales data. The PMI indicator remained in the contraction zone for the 22nd consecutive month, recording 47.06 points, which was also lower than the previous month. New car registrations in 2013 declined by almost 6% y-o-y leading to a drop in gasoline consumption and flat gasoil/ diesel oil requirements on a cumulative basis. For the year 2013, the country recorded a decline of around 18 tb/d or more than 1%.

In **Italy**, the picture is quite the reverse; the nation experienced a dip in oil consumption for the year, declining by 5%, and in December 2013, falling by 2%. All product categories declined on a cumulative basis with the exception of LPG, which rose slightly. New car registrations for 2013 were deeply in the negative, registering a decline of more than 7% compared with 2012.

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

	Dec 13	Dec 12	Change from Dec 12	Change from Dec 12, %
LPG	394	434	-40	-9.2
Gasoline	1,049	1,049	0	0.0
Jet/Kerosene	736	709	27	3.8
Gas/Diesel oil	3,069	3,063	6	0.2
Fuel oil	323	317	6	2.0
Other products	879	857	22	2.6
Total	**6,449**	**6,428**	**21**	**0.3**

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

European oil demand declined by 0.18 mb/d in 2013, while the contraction in oil demand in 2014 is expected to ease to stand at around 0.16 mb/d less than in 2013.

OECD Asia Pacific

In December 2013, coal and natural gas influenced total **Japanese oil consumption**, resulting in a decrease compared with 2012, a phenomenon experienced during most of 2013. The substitution of fuel oil and crude oil as burning fuels for power generation plants has been decreasing sharply as the switch to coal and LNG seems to be taking its toll on the consumption of those products.

Preliminary data for the month of December suggests that demand for crude oil used for direct burning decreased by more than 80 tb/d or 24%, as well as there being a drop in fuel oil used for the power generation sector, however to a lesser extent, decreasing by 0.12 mb/d or a negative 14%. Similarly, the consumption of kerosene used for heating purposes dipped by around 14% as the country's cold winter weather was not as severe as expected. However, jet aviation fuel registered a sharp increase in demand growth compared with the same period last year, growing by almost 20%, led by improvements in air flight operations just before the year-end as well as the low base line. Total oil demand in Japan shrank by more than 5% during December 2013 to leave total oil consumption for the country standing at 4.7 mb/d, 0.26 mb/d less than the same period last year.

Table 4.4: Japanese domestic sales, tb/d

	Dec 13	Change from Dec 12	Change from Dec 12, %
LPG	552	-15	-2.7
Gasoline	1,013	-33	-3.2
Naphtha	879	84	10.6
Jet fuel	77	13	19.8
Kerosene	587	-99	-14.4
Gas oil	611	-17	-2.7
Fuel oil	709	-116	-14.1
Other products	71	4	6.1
Direct crude burning	243	-78	-24.2
Total	**4,742**	**-257**	**-5.1**

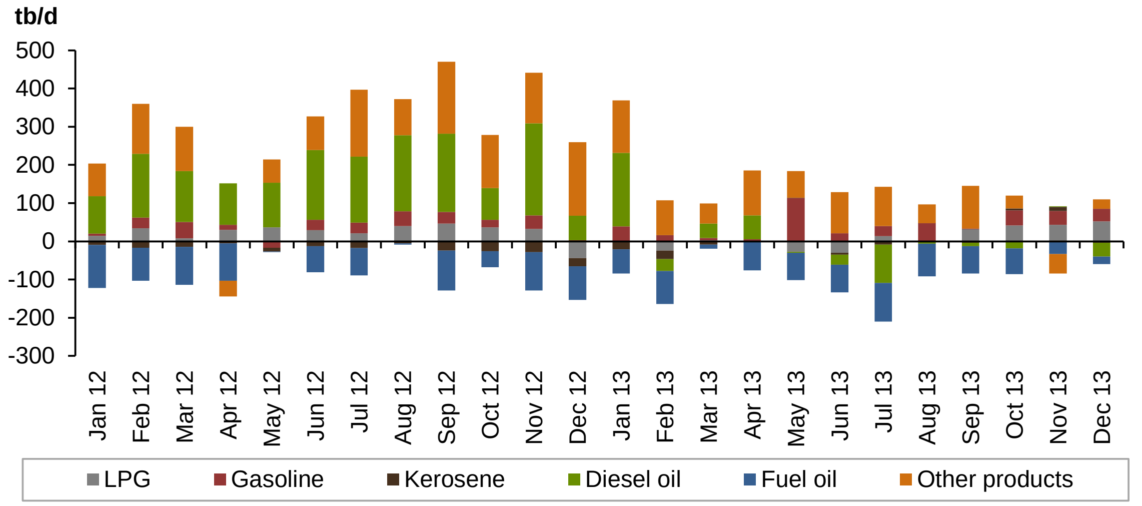
In **South Korea**, December 2013 oil consumption increased by around 60 tb/d or 2% above the previous year's consumption levels with all products recording positive growth data except residual fuels. Gasoline stepped up during the month as the product registered about 8% of gains y-o-y, reflecting healthy demand for the transportation fuel while LPG also recorded similar gains, implying an improved petrochemical sector. Conversely, residual fuel oil was sharply lower, by 17%, mainly due to lower marine bunkering activities during the month. The estimate for South Korean oil demand during 2013 and the forecast for 2014 remained unchanged from the previous month's projections.

2013 **OECD Asia Pacific** oil consumption shrank by 0.23 mb/d. This downward trend will continue in 2014 but to a smaller degree, by 0.13 mb/d.

Other Asia

Indian oil demand grew slightly, by 1%, in December 2013, compared with the same month in 2012 and remained relatively flat m-o-m. LPG, gasoline and notably bitumen usage registered increases, while demand for all other main products fell compared with the same month in 2012. Gasoline demand grew in line with expansions in the sector of two-wheeler vehicles, which account for around half of the country's gasoline consumption. However, growth in gasoline has been furthermore negatively influenced by the continuous declining trends in other sectors of the auto industry.

Graph 4.3: Changes in Indian oil demand, y-o-y



Declines in requirements for transportation diesel also stemmed from higher fuel prices and stringent winter conditions in north, west, east and central India during December 2013. The main causes for higher LPG requirements originate in the petrochemical and residential sectors, while the impressive bitumen usage was attributed to strong road construction activities, implying also rising petroleum coke demand as an electricity generating fuel in the manufacturing of metals involved in cement production. Increasing air traffic in spite of higher airfares lead to higher jet fuel demand, offsetting declines of kerosene consumption in the residential sector. Fuel oil demand came up weak in December 2013 due to increasing substitution with natural gas in the agricultural sector.

The 2013 overall growth in Indian oil demand was substantially weaker than the exceptional year 2012, mainly characterized by strong demand for diesel oil for private electricity generators, with gasoline and LPG being the only product categories on the rise. The overall forecast for 2014 Indian oil demand remained unchanged since the previous month, but the risks are pointing more towards the downside as a result of the country's fiscal concerns.

Table 4.5: Indian oil demand by main products, tb/d

				Difference to	
	Dec 13	**Nov 13**	**Jan-Dec 13**	**Jan-Nov 12**	**%**
LPG	559	578	512	9	1.7
Motor gasoline	461	388	406	32	8.5
Jet Kero	276	325	285	-5	-1.6
Gas diesel oil	1,522	1,600	1,463	5	0.4
Residual fuel oil	242	240	268	-63	-19.1
Other products	899	598	765	71	10.2
Total oil demand	**3,959**	**3,729**	**3,699**	**49**	**1.3**

In **Indonesia**, the latest November 2013 data is led by rising demand for transportation fuels, particularly diesel, and strong requirements for LPG and fuel oil, the first mostly in the residential sector and the latter for industrial purposes. The central concern for Indonesia and other countries in the region are still budget deficits, which may curb subsidies for some oil products.

Oil demand in **Thailand** came up flat y-o-y in November 2013 with gains in transportation fuels being largely offset by decreases in other product categories. Finally, Taiwan's oil demand grew solidly for another month, almost 8% in November 2013 y-o-y, with LPG and gasoline taking the bulk of increases. The risks for 2014 oil demand in Other Asia are skewed more to the downside as a result of the concerns regarding the economies in some of the region's countries.

Other Asia's oil demand grew 0.20 mb/d y-o-y in 2013. As for 2014, oil demand growth in the region is forecasted to be 0.23 mb/d higher than in 2013.

Latin America

In **Brazil**, November 2013 brought more demand for diesel and gasoline, while residual fuel oil requirements fell, partly lowering the overall gains, to stand approximately at 3.5% y-o-y. The declines in residual fuel oil demand can be largely seen in industrial production, which stood on a declining trend for October and November 2013.

Table 4.6: Brazilian inland deliveries, tb/d

	Jan-Nov 13	Jan-Nov 12	Change	Change, %
LPG	229	223	6	2.8
Gasoline	708	676	32	4.7
Jet/Kerosene	124	126	-2	-1.3
Diesel	1,017	965	52	5.4
Fuel oil	86	65	21	31.8
Alcohol	182	168	14	8.4
Total	**2,347**	**2,223**	**124**	**5.6**

In **Argentina**, November 2013 oil demand was not as strong as in the months before, showing signals of a weakening economy reflected in declining industrial production and thus falling distillates demand.

The latest **Ecuadorian** data for December 2013 shows higher oil requirements compared with the same month last year, by around 3%, with gains in gasoline and diesel requirements being partly offset by losses in fuel oil demand.

Latin American oil demand grew by 0.23 mb/d in 2013 and is forecasted to increase slightly higher, by 0.24 mb/d, during 2014.

The risks for 2014 oil demand in the region are quite balanced with the upside relating to Brazilian oil demand and to the construction activities for the international events that take place in the country during 2014. Downside risks concern mostly the further development of the ongoing tumbling of the Argentinean economy that could also negatively influence Brazil as an important trade partner if it remains unsolved for a longer period.

Middle East

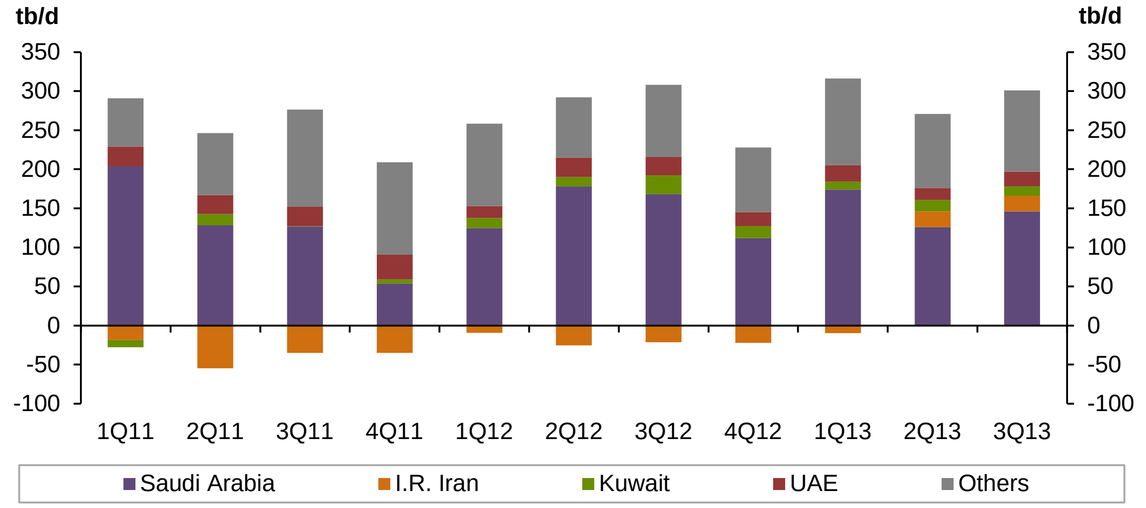
In **Saudi Arabia**, December 2013 oil demand was dominated by gains in all product categories, notably gasoline, gas/diesel oil and residual fuel oil. Moreover, direct crude burning for electricity generation increased for the first month since July 2013.

Oil demand grew in **Iraq** during November 2013, with direct crude burning for electricity generation taking the bulk of these increases. Gains were partly offset by declining demand in other product categories, especially jet fuel/kerosene and gasoline.

The latest December 2013 **Qatari** and **Kuwaiti** data shows oil demand increasing y-o-y, with fuel oil in Kuwait and jet fuel in Qatar, being the products accounting for the greater part of these increases. The outlooks for 2014 Middle East oil demand remained unchanged since the previous month's projections, with risks being equally distributed both to the upside and downside.

For 2013, **Middle East oil demand** grew by 0.29 mb/d, while in 2014, it is projected to increase by 0.31 mb/d.

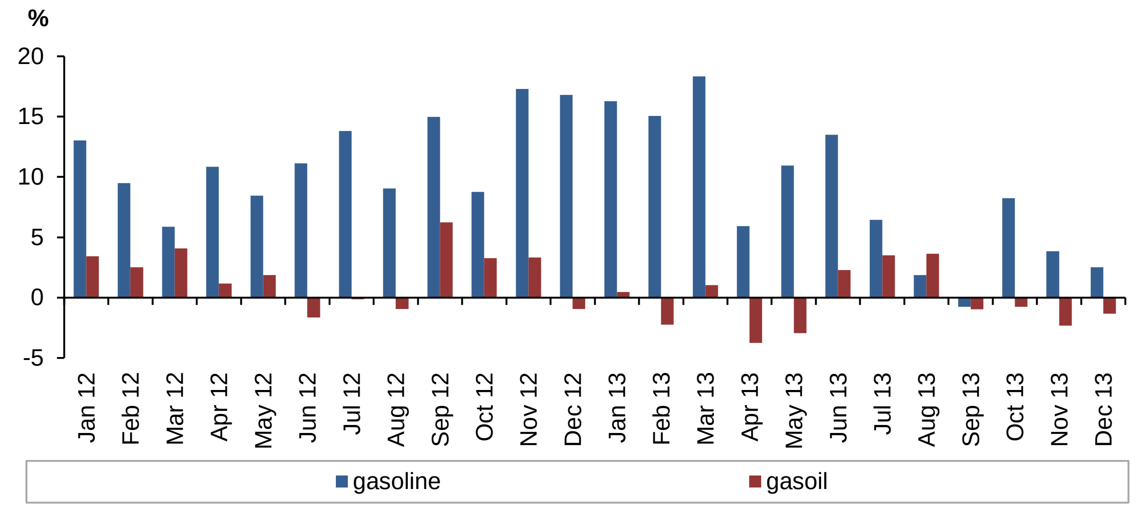
Graph 4.4: Oil demand growth in the Middle East, y-o-y



China

Chinese oil demand continued its increasing trend with growth in December 2013 of around 5% y-o-y, largely determined by rising gasoline, LPG and naphtha requirements. While gasoline demand moved in line with strong car sales during December 2013, concerns for future gasoline demand are eminent, as more Chinese cities are planning to introduce restrictions upon new car sales in an effort to reduce emissions.

Graph 4.5: Chinese gasoil and gasoline demand growth, y-o-y



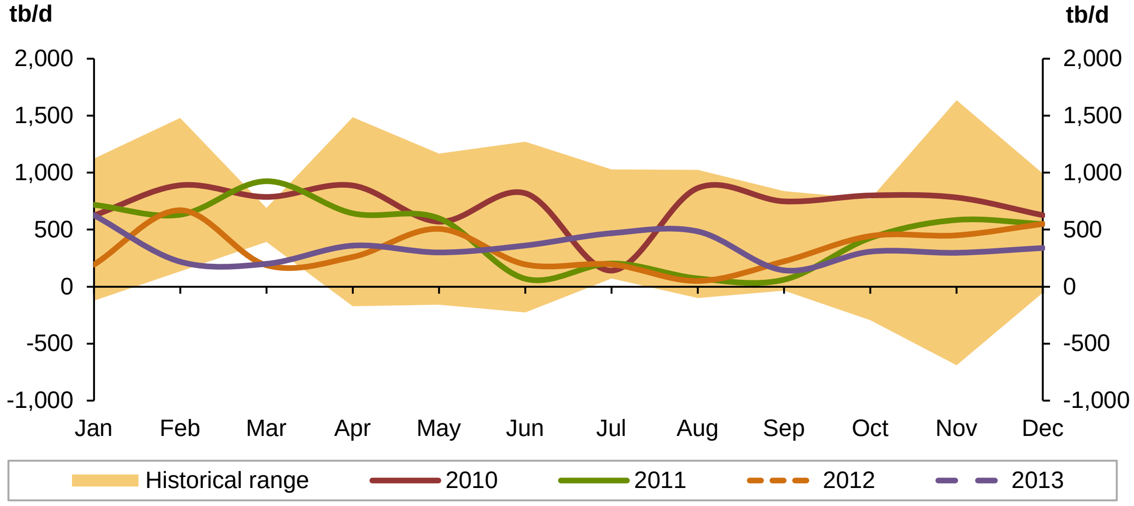
The country's growing petrochemical industry was the main reason behind the solid gains in naphtha and LPG demand, while substitution with natural gas and coal lead to declines in residual fuel usage. The substitution between oil and natural gas is expected to increase in China in the short term, one reason being the positive shale gas developments in the country during 2013. Additionally, rising jet fuel demand also attributed to the overall positive picture seen in December 2013.

The overall 2014 outlook remains relatively unchanged since last month, with the same factors pointing to downside risks (i.e. an economic slowdown and implementation of measures in order to curb transportation fuels demand as well as exemptions on imported natural gas). The flourishing petrochemical sector in the country and

expansions in refining capacity could, on the other hand, be considered as the major factors that could increase current 2014 oil demand projections.

For 2013, **Chinese oil demand** grew 0.33 mb/d, while in 2014, it is projected to increase again by 0.34 mb/d.

Graph 4.6: Changes in Chinese apparent oil demand, y-o-y changes



World Oil Supply

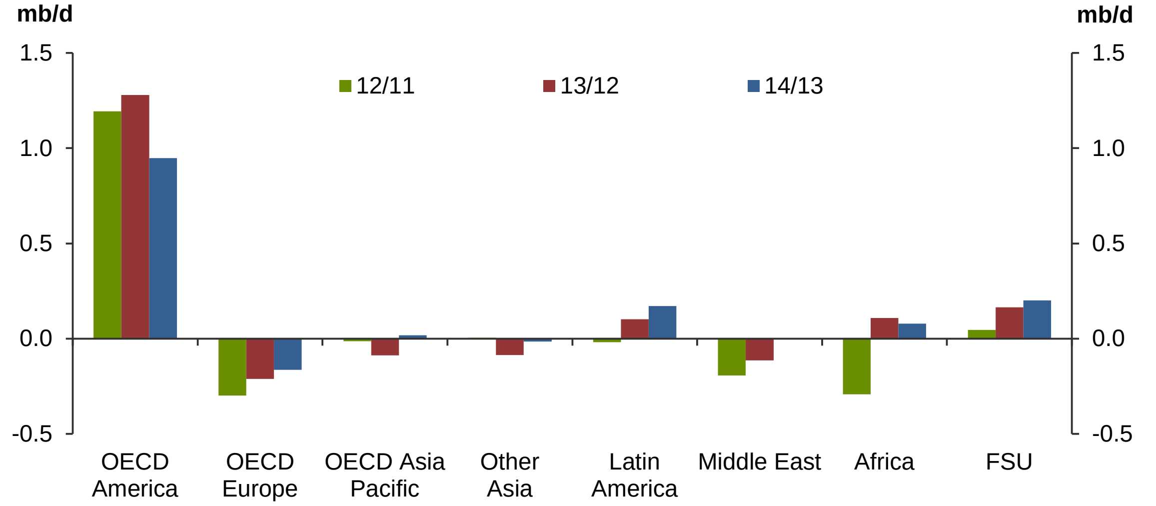
Non-OPEC oil supply is estimated to have averaged 54.14 mb/d in 2013, an increase of 1.28 mb/d over a year earlier and up by 30 tb/d from the previous *MOMR*, driven by strong growth from OECD Americas. In 2014, non-OPEC oil supply is projected to grow by 1.29 mb/d — up by 20 tb/d from the previous assessment — to average 55.43 mb/d. OPEC NGLs production is forecast to average 5.95 mb/d in 2014, following output of 5.80 mb/d in 2013, unchanged from the last report. In January 2014, OPEC production rose by 28 tb/d to average 29.71 mb/d, according to secondary sources. As a result, preliminary data indicates that global oil supply decreased 0.03 mb/d in January to average 90.50 mb/d.

Non-OPEC supply

Non-OPEC supply encountered upward revisions in all quarters. It is estimated to have averaged 54.14 mb/d in 2013, an increase of 1.28 mb/d over 2012, up by 30 tb/d from the previous *MOMR* on the back of updated production data.

Non-OPEC supply in **2013** saw strong growth from OECD Americas and minor increases in the Former Soviet Union (FSU), Africa, Latin America and China, while all other regions experienced declines. OECD Americas' oil supply growth estimate of 1.28 mb/d in 2013 was the highest on record, while OECD Europe registered a decline of 0.21 mb/d the Middle East showed a drop of 0.11 mb/d and OECD Asia Pacific and Other Asia both experienced a decline of 0.09 mb/d, representing the largest contractions.

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



The non-OPEC oil supply revision in 2013 from 1.24 mb/d to 1.28 mb/d was due to updated historical data, with estimates for all quarters seeing upward movement. However, the supply profiles of the US and Canada were revised down slightly for the first time, while upward revisions were made to Indonesia, Thailand and Brazil. Despite this downward revision, the still strong growth of 1.28 mb/d in OECD Americas was supported by tight oil formation developments in the US, while declines in the other regions were driven mainly by political, technical and weather-related factors. There were no changes in 2013 production and supply figures for key non-OPEC countries

like Mexico, Norway, UK, Other Europe, Australia, India, Malaysia, Argentina, Colombia, China and the Middle East, Africa and FSU regions.

According to preliminary and estimated data, total non-OPEC supply in the fourth quarter of 2013 increased by 1.22 mb/d over the same period the previous year. During the second half of 2013, non-OPEC supply increased by 1.6 mb/d compared with the same period one year earlier.

On a quarterly basis, non-OPEC supply for 2013 is estimated to be 53.83 mb/d, 53.68 mb/d, 54.15 mb/d and 54.90 mb/d, respectively.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013	*Change 13/12*
Americas	16.73	17.63	17.59	18.31	18.51	18.01	1.28
of which US	*10.03*	*10.61*	*10.92*	*11.39*	*11.65*	*11.15*	*1.12*
Europe	3.77	3.63	3.57	3.45	3.59	3.56	-0.21
Asia Pacific	0.56	0.45	0.50	0.51	0.45	0.48	-0.09
Total OECD	**21.07**	**21.71**	**21.66**	**22.27**	**22.55**	**22.05**	**0.98**
Other Asia	3.64	3.66	3.59	3.47	3.50	3.55	-0.09
Latin America	4.68	4.73	4.76	4.80	4.83	4.78	0.10
Middle East	1.50	1.48	1.35	1.36	1.35	1.39	-0.11
Africa	2.31	2.29	2.40	2.44	2.53	2.42	0.11
Total DCs	**12.13**	**12.18**	**12.10**	**12.08**	**12.21**	**12.14**	**0.01**
FSU	13.26	13.41	13.37	13.37	13.55	13.42	0.17
of which Russia	*10.37*	*10.45*	*10.47*	*10.49*	*10.61*	*10.51*	*0.13*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.15	4.24	4.27	4.15	4.30	4.24	0.09
Total "Other regions"	**17.55**	**17.79**	**17.78**	**17.65**	**17.99**	**17.80**	**0.25**
Total Non-OPEC production	**50.75**	**51.67**	**51.53**	**52.00**	**52.75**	**51.99**	**1.24**
Processing gains	2.12	2.15	2.15	2.15	2.15	2.15	0.04
Total Non-OPEC supply	**52.87**	**53.83**	**53.68**	**54.15**	**54.90**	**54.14**	**1.28**
Previous estimate	52.86	53.78	53.64	54.12	54.89	54.11	1.24
Revision	0.01	0.04	0.05	0.04	0.01	0.04	0.03

In **2014**, non-OPEC supply is forecast to increase by 1.29 mb/d over the previous year to average 55.43 mb/d. The current supply expectation indicates an upward revision of 50 tb/d to total non-OPEC supply, while anticipated growth was revised up 20 tb/d from a month earlier. The upward change to total non-OPEC supply was due to the carry-over of some revisions introduced to 2013 supply estimates, particularly regarding Brazil's biofuels output in December, as well as new project output expected from the US and Canada in 2014.

In addition to historical revisions, there were a few offsetting adjustments to the 2014 non-OPEC supply forecast. The total US and Canada oil supply forecast for 2014 is a respective average of 11.99 mb/d and 4.13 mb/d. Growth was revised up by 0.1 mb/d and 0.2 mb/d, respectively, compared with the previous *MOMR*. Oman was also revised up by 10 tb/d, while projections for Canada, Australia, Malaysia, Other Asia and the FSU were revised down.

Non-OPEC oil supply decreased by 0.08 mb/d in January compared with the previous month. On a quarterly basis, non-OPEC supply in 2014 is expected to average 54.94 mb/d, 54.91 mb/d, 55.39 mb/d and 56.48 mb/d, respectively.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014	*Change* 14/13
Americas	18.01	18.59	18.68	19.05	19.51	18.96	0.95
of which US	*11.15*	*11.66*	*11.78*	*12.08*	*12.43*	*11.99*	*0.84*
Europe	3.56	3.52	3.35	3.24	3.48	3.40	-0.16
Asia Pacific	0.48	0.48	0.50	0.51	0.49	0.49	0.02
Total OECD	**22.05**	**22.59**	**22.53**	**22.80**	**23.48**	**22.85**	**0.80**
Other Asia	3.55	3.53	3.54	3.55	3.54	3.54	-0.02
Latin America	4.78	4.86	4.90	4.96	5.09	4.95	0.17
Middle East	1.39	1.38	1.38	1.39	1.39	1.38	0.00
Africa	2.42	2.46	2.51	2.51	2.51	2.50	0.08
Total DCs	**12.14**	**12.22**	**12.33**	**12.41**	**12.52**	**12.37**	**0.23**
FSU	13.42	13.56	13.49	13.61	13.84	13.62	0.20
of which Russia	*10.51*	*10.58*	*10.51*	*10.57*	*10.71*	*10.59*	*0.09*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.24	4.26	4.24	4.26	4.31	4.27	0.03
Total "Other regions"	**17.80**	**17.96**	**17.87**	**18.01**	**18.29**	**18.03**	**0.23**
Total Non-OPEC production	**51.99**	**52.76**	**52.73**	**53.21**	**54.30**	**53.26**	**1.26**
Processing gains	2.15	2.18	2.18	2.18	2.18	2.18	0.02
Total Non-OPEC supply	**54.14**	**54.94**	**54.91**	**55.39**	**56.48**	**55.43**	**1.29**
Previous estimate	54.11	54.96	54.87	55.28	56.39	55.38	1.27
Revision	0.04	-0.02	0.04	0.11	0.09	0.05	0.02

OECD

Total OECD oil supply in 2013 is estimated to grow by 0.98 mb/d to average 22.05 mb/d, indicating a downward revision of 20 tb/d from the previous report. Output in the fourth quarter reached 22.55 mb/d, with an increase of 0.93 mb/d compared with the same quarter in 2012. The downward revision came from OECD Americas; while OECD Asia Pacific experienced an upward revision by 10 tb/d and OECD Europe registered unchanged data compared with the last *MOMR*. On a quarterly basis, total OECD supply is estimated to average 21.71 mb/d, 21.66 mb/d, 22.27 mb/d and 22.55 mb/d, respectively.

Graph 5.2: OECD's quarterly production

Total OECD output in 2014 is expected to average 22.85 mb/d, the highest level since 2003, indicating an increase of 0.80 mb/d over 2013 and an upward revision of 0.20 mb/d from the previous report. The upward revision came from OECD Americas. OECD Asia Pacific will grow by 20 tb/d while Europe is expected to decline by 0.16 mb/d to average 3.40 mb/d. On a quarterly basis, total OECD supply is seen to stand at 22.59 mb/d, 22.53 mb/d, 22.80 mb/d and 23.48 mb/d, respectively.

OECD Americas

OECD Americas' oil supply saw a downward revision of 20 tb/d compared with the previous *MOMR*. It is estimated to average 18.01 mb/d, showing growth of 1.28 mb/d over the preceding year. It is projected to increase by 0.95 mb/d in 2014 over a year earlier — below 2013 growth but still the highest among all non-OPEC regions — to average 18.96 mb/d. Supplies from the US and Canada are expected to grow in 2014, while that of Mexico is estimated to decline by 60 tb/d. On a quarterly basis, OECD Americas' oil supply is forecast to average 18.59 mb/d, 18.68 mb/d, 19.05 mb/d and 19.51 mb/d, respectively.

US

US total liquids supply is estimated to increase by 1.12 mb/d to average 11.15 mb/d in 2013, representing a downward revision of 10 tb/d from the last *MOMR*. This revision was due to weaker fourth quarter output than expected; all quarters were affected, though revision of the fourth quarter was much higher than for the other three quarters. Actual data for liquids production in November 2013 show an increase by 0.15 mb/d to average 11.75 mb/d, compared with updated numbers from the previous month. This is supported by tight oil production in Texas and North Dakota, where US crude oil production in November increased by 50 tb/d to average 7.80 mb/d.

US oil production continues to perform well, helping to offset downward revisions to growth forecasts for several other non-OPEC producers. US weekly reports of oil supply show lower amounts delivered to the market in December and January, due to the freezing winter in North America. The severe cold weather sweeping across the mid-United States is threatening to curtail booming oil production as it disrupts traffic, strands wells and interrupts drilling and fracking operations. Output in North Dakota, the second-largest oil producing state, usually ebbs in winter as producers scale back on drilling and well completion services such as fracking, which pumps a slurry of water, sand and chemicals into wells. Bakken crude oil freezes into a substance resembling plastic when temperatures drop to between minus 40°C and minus 51°C, according to studies from oil producers in the region, hindering its extraction.

US oil supply is projected to increase by 0.84 mb/d in 2014 — the highest growth among all non-OPEC countries — to average 11.99 mb/d, representing an upward revision of 10 tb/d from the previous *MOMR*. This revision was supported by a lower baseline in 2013. It is expected that US crude oil production growth, primarily concentrated in the Bakken, Eagle Ford and Permian regions, will continue in 2014 at a slower rate over 2013. It is also expected that production in the Permian Basin, which averaged 1.32 mb/d in 2013, will grow more than in any other region in 2014. Offshore production in the US Gulf of Mexico averaged 1.27 mb/d in 2013, unchanged from 2012, but is projected to reach 1.37 mb/d in 2014, due to the high number of permissions issued for companies operating in the region. Growth in 2014 is expected to come online from eight projects: Jack, St. Malo, Entrada, Big Foot, Tubular Bells, Atlantis Phase 2, Hadrian South and Lucius. An increase in capital expenditure in 2013 and 2014, as well as vast drilling developments, both support this growth. Forecast supply growth is backed by an expected strong increase in tight oil from the Bakken,

Barnett, Haynesville, Permian and Eagle Ford formations and NGLs from gas plant projects. On a quarterly basis, the US oil supply is forecasted to average 11.66 mb/d, 11.78 mb/d, 12.08 mb/d and 12.43 mb/d, respectively.

Canada and Mexico

Canada's oil supply is estimated to grow by 0.19 mb/d in 2013 to average 3.96 mb/d, indicating a downward revision by 20 tb/d compared with the previous month. Fourth quarter supply saw a drop of 50 tb/d to average 3.96 in this revision. There is no change in 4Q13 supply compared with the same quarter one year earlier. On a quarterly basis, Canada's supply in 2013 is estimated to average 4.08 mb/d, 3.78 mb/d, 4.02 mb/d and 3.96 mb/d, respectively.

Canada's oil output is forecast to average 4.13 mb/d in 2014, showing growth of 0.17 mb/d over the previous year. Forecasted production is at the same level as reported last month, but with an upward revision of 20 tb/d because of a base change in 2013. Despite a downward revision which impacted 2013 supply estimates, Canada's oil production outlook for 2014 remains steady on expected healthy oil sands growth, as well as oil shale developments. On a quarterly basis, Canada's supply in 2014 is expected to average 4.07 mb/d, 4.07 mb/d, 4.13 mb/d and 4.24 mb/d, respectively.

Mexico's crude oil and NGLs production increased to 2.89 mb/d in 4Q13 compared with the previous quarter, and exports eked out a small gain as higher flows of the Isthmus grade more than covered declines in the other two grades. Despite the decline in offshore crude output, associated offshore natural gas volumes increased, causing a reported sharp drop in domestic product demand to below 1.6 mb/d compared with over 1.8 mb/d in November 2013. Mexico's NGLs production in 4Q13 is estimated to be 360 tb/d. Mexico's oil supply reached an average of 2.89 mb/d in 2013, showing a decline of 10 tb/d compare with the same quarter one earlier year. On a quarterly basis, Mexico's supply is seen to average 2.91 mb/d, 2.87 mb/d, 2.88 mb/d and 2.89 mb/d, respectively.

Mexican oil output is expected to decline by 60 tb/d in 2014 from 2013 to average 2.83 mb/d, unchanged from the last report. Mexico's crude oil supply seems to be steadier, supported by a return from maintenance and the startup of new projects. However, an output decline is still forecast for 2014, despite an expected increase in capital expenditures (CAPEX). Nonetheless, uncertainty surrounding the 2014 forecast remains on both sides, especially related to the decline rate and new volumes. On a quarterly basis, Mexico's supply is seen to average 2.85 mb/d, 2.82 mb/d, 2.84 mb/d and 2.83 mb/d, respectively. This remains unchanged compared with the previous month's forecast.

OECD Europe

Total **OECD Europe oil supply,** averaged 3.56 mb/d in 2013, a decline of 0.21 mb/d. In 2014, it is expected to decline by a further 0.16 mb/d from one year earlier to average 3.40 mb/d, unchanged from the previous *MOMR*. Output from the region is expected to continue on a downward trend in 2014, yet at a lower rate than in 2013, when unplanned shutdowns affected output. OECD Europe is expected to see a quarterly supply of 3.52 mb/d, 3.35 mb/d, 3.24 mb/d and 3.48 mb/d, respectively.

Norway's oil supply dropped by 0.08 mb/d from one year earlier to average 1.83 mb/d in 2013, unchanged from the previous *MOMR*. On a quarterly basis, Norway's production is seen to average 1.84 mb/d, 1.84 mb/d, 1.80 mb/d and 1.87 mb/d,

respectively. Norway's liquids supply continued to recover during December from a long period of planned operation maintenance earlier in the year to average an estimated 1.92 mb/d and it is expected this level of supply will continue in January. Scattered maintenance affected Statfjord's various platforms, causing shutdown several times for a few days at a time in December.

In addition, production is still thought to be shut-in from one of the platforms in Gullfaks oil field. A decrease in 2014 is expected on the back of a natural decline in mature fields, coupled with limited new developments and expected shutdowns and maintenance. Despite the plan by operators to fast-track some fields — mostly small in area — and satellite projects, new volumes are not expected to be enough to offset anticipated natural decline. Therefore, maintenance and decline are seen to have a heavier impact on output in 2014. The risk to the forecast lies in the ability of producers to reduce their production shutdowns in 2014. Norway's output in 2014 is predicted to decline by 70 tb/d to average 1.76 mb/d, with an upward revision of 10 tb/d from the previous monthly report. On a quarterly basis, Norway's production is seen to average 1.83 mb/d, 1.73 mb/d, 1.67 mb/d and 1.82 mb/d, respectively.

The **UK's** oil supply registered an average 0.86 mb/d in 2013, the lowest level since 1977, representing a decline of 90 tb/d or approximately 10% from the previous year, unchanged from the previous prediction. The relatively stable profile is helped by increased reliability at the Buzzard field, which has seen improved performance over the year, following increased investment.

In January, production from the Huntington oil field was completely shut-in due to severe weather. Huntington has struggled with production issues since its startup in 2013, but it had reached an average production of over 25 tb/d prior to its latest shut-in. It has been said that continuing bad weather delayed startup of the second production well at the Rochelle gas-condensate field in the UK North Sea from the end of December to the second week of January. However, it reaffirmed its production target of 12 tboe/d to 13 tboe/d for the fourth quarter of 2013. UK oil production has fallen from a peak of close to 2.82 mb/d in 1999, when the country's net exports were 972,000 b/d. Until recently, the UK's mature North Sea fields have seen decline rates averaging around 6% a year. However, oil output slumped by more than 17% in 2011 and 14% in 2012 to less than 1 mb/d, exacerbated by heavy maintenance and unplanned outages.

Projected production in 2014 could be lower than actual production in 2013 by 70 tb/d to average 0.80 mb/d, since supply is likely to experience fewer unplanned shutdowns in 2014 compared with 2013. On a quarterly basis, UK oil output in 2014 is expected to average 0.84 mb/d, 0.78 mb/d, 0.73 mb/d and 0.83 mb/d, respectively.

OECD Asia Pacific

OECD Asia Pacific's oil supply is estimated to decrease by 90 tb/d in 2013 to average 0.48 mb/d, representing an upward revision of 10 tb/d from the previous month. Australia's oil supply is likely to decrease by 80 tb/d in 2013; New Zealand's production is also forecast to decline by 10 tb/d from one year earlier. On a quarterly basis, total OECD Asia Pacific oil supply is estimated to average 0.45 mb/d, 0.50 mb/d, 0.51 mb/d and 0.45 mb/d, respectively.

Australia's oil supply is expected to increase by 30 tb/d to an average output of 0.43 mb/d in 2014, unchanged compared with the last *MOMR*. Australia's oil production outlook for 2014 remains steady on expected healthy oil supplies from new startup

projects. The Montara field development operation, started in 2013, will boost oil production in 2014. Current production levels average 14 tb/d and are expected to ramp-up to a peak of 30 tb/d through subsea wells and a fourth production well, scheduled to be completed by early 2014. Production from other projects including Skua, Swift and Swallow, will be co-mingled with Montara crude starting in January or February 2014. All four fields produce crude with an API gravity of 35–55 degrees.

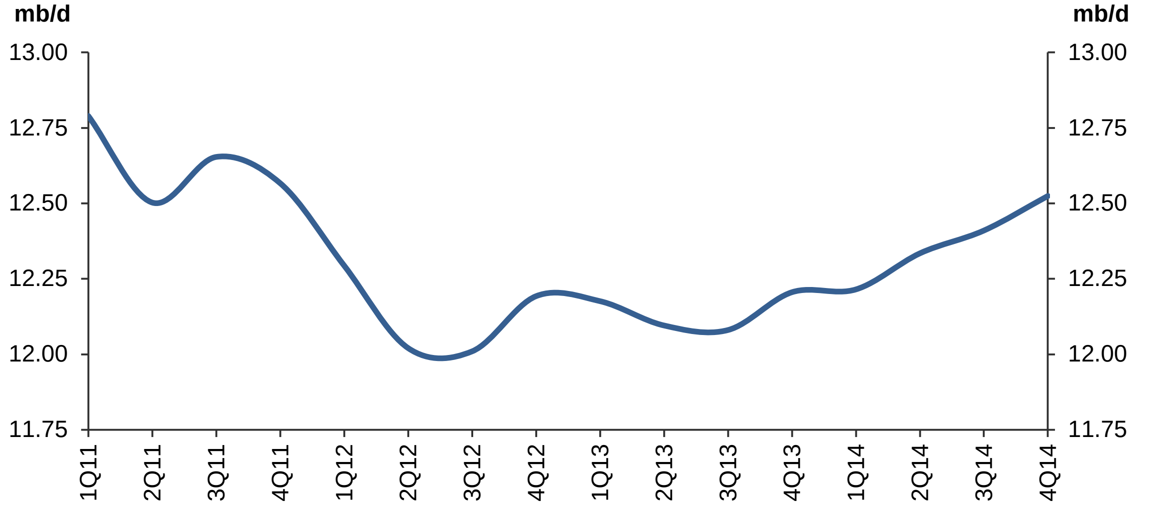
Probable growth in 2014 is also expected to come from a return to normal output levels. The forecast risk is on the high side regarding logistics as well as unplanned shutdowns due to the weather. On a quarterly basis, Australia's oil supply in 2014 is seen to stand at 0.41 mb/d, 0.44 mb/d, 0.44 mb/d and 0.42 mb/d, respectively.

Developing countries

Total **developing countries' (DCs')** oil output reached 12.14 mb/d in 2013, showing growth of 10 tb/d compared with one year earlier, an upward revision of 50 tb/d from the last *MOMR*. This was mainly due to an upward revision of 4Q13 by 75 tb/d. On a quarterly basis, total oil supply in DCs is estimated to average 12.18 mb/d, 12.10 mb/d, 12.08 mb/d and 12.21 mb/d, respectively.

Total DC oil supply is projected to grow by 0.23 mb/d to average 12.37 mb/d in 2014, representing a downward revision of 30 tb/d from the previous month, due to a base change. This growth is mainly supported by Latin America and Africa, while Other Asia's supply is expected to drop during the year. Growth in 2014 is foreseen after a significant decline was evident in 2013, due mainly to political, technical and weather factors. On a quarterly basis, total oil supply in DCs is projected to average 12.22 mb/d, 12.33 mb/d, 12.41 mb/d and 12.52 mb/d, respectively.

Graph 5.3: Developing countries' quarterly production



Other Asia

Other Asia's oil production is estimated to decrease by 90 tb/d in 2013 to average 3.55 mb/d, representing an upward revision of 20 tb/d from the previous *MOMR.* This has partially carried over to 2014. The revision came from higher-than-expected numbers in 4Q13, up by 36 tb/d. Other quarters in 2013 were also positively revised. On a quarterly basis, total oil supply in Other Asia is estimated to average 3.66 mb/d, 3.59 mb/d, 3.47 mb/d and 3.50 mb/d, respectively. It is predicted that the total oil supply from this region will drop by 20 tb/d to average 3.54 mb/d in 2014. Quarterly averages of 3.53 mb/d, 3.54 mb/d, 3.55 mb/d and 3.54 mb/d are expected in the 2014 supply.

India's oil supply was sustained at 0.87 mb/d in all quarters of 2013 and is expected to decrease by 10 tb/d in 2014 to average 0.86 mb/d, unchanged from the previous month's prediction.

Thailand's production in 2013 is expected to grow by 10 tb/d to reach 0.37 mb/d. A minor decline of 20 tb/d from the previous year is foreseen in 2014, to average 0.35 mb/d. This revision comes on the back of updated production figures in 4Q13.

Indonesia's oil production in the previous year averaged 0.94 mb/d, a minor decline of 5 tb/d over 2012. It is expected to increase by 20 tb/d in 2014 to average 0.95 mb/d, flat from the previous *MOMR*, despite the fact that Indonesia's oil and gas industry faces difficulties in 2014 in the form of land clearance issues, high decline rates at producing fields, difficulties in procuring rigs for exploration and slow processing of operating permits by several regional governments. Some Indonesian fields are showing decline rates of as much as 10%–20% annually. Efforts will be made to boost production in 2014 despite oil contractors' expectations of lower output. Indonesia failed to achieve its 840,000 b/d crude and condensate production target for 2013. Indonesia, which produced more than 1.5 million b/d in the 1990s, has set itself a goal of hauling output back up to the 1 million b/d mark by 2015. Aside from a brief resurgence in 2008, the country's oil production has been in steady decline since 1995.

Malaysia's liquid supply is estimated to average 0.64 mb/d in 2013, declining by 20 tb/d compared with 2012, but its expected production will reach 2012 levels in the current year to average 0.66 mb/d.

Vietnam's production were unchanged to average 0.39 mb/d compared with the previous year and will remain at same level this year. **Brunei's** oil supply in 2013 declined by 30 tb/d to average 0.13 mb/d. It is forecasted to see a drop of 10 tb/d in 2014, to average 0.12 mb/d. **Other Asia's** oil supply is forecast to decline by 10 tb/d to average 0.21 mb/d in 2014. It produced 0.22 mb/d in 2013, unchanged from one year earlier.

Latin America

Latin America's liquids supply is estimated to grow by 0.1 mb/d to average 4.78 mb/d in 2013. On a quarterly basis, Latin America's supply in 2013 is estimated to average 4.73 mb/d, 4.76 mb/d, 4.80 mb/d and 4.83 mb/d, respectively. Supply from this region is forecasted to grow by 0.17 mb/d to average 4.95 mb/d in 2014, representing the third-highest world growth level, after OECD Americas and the FSU. Latin America's 4Q13 total oil supply saw an upward revision of 38 tb/d compared with the previous monthly report, mainly due to the development of Brazilian ethanol production.

Colombia's oil supply in 2013 grew by 70 tb/d, registering 1.03 mb/d. This slower growth rate is expected to continue on the back of further development of heavy oil at the Rubiales and Quifa fields, with other incremental production attributed to the Ecopetrol's Llanos Heavy Oil Project, including fields such as Castilla and Castilla Norte in 2014. Predictions show that production will increase this year by 30 tb/d to average 1.05 mb/d. The other producing countries in Latin America are now in decline, and are expected to remain unchanged or see a minor decline in 2014, although some growth is expected to come on stream. On a quarterly basis, Latin America's supply in 2014 is expected to stand at 4.86 mb/d, 4.90 mb/d, 4.96 mb/d and 5.09 mb/d, respectively.

Brazil's liquids supply is estimated to average 2.64 mb/d in 2013, indicating an increase of 40 tb/d over the previous year, with an upward revision of 21 tb/d from the *MOMR* of one month ago, mainly on the back of updated production data for ethanol for the fourth quarter of 2013. Continued offshore development is expected to add production volumes. However, Petrobras is facing significant challenges in maintaining production levels from the Campos Basin, with higher-than-expected production declines and a poor level of operational performance at some of its legacy assets. Oil output exclusively from Petrobras projects delivering growth in the near term include: Baleia Azul, Papa Terra, Peregrino and the large Sapinhoa, Lula and Lara pre-salt fields. Roncador is one of the largest and most important projects in Petrobras's portfolio, particularly in the near-term. The first of these platforms was successfully brought online in late December 2013. First oil was scheduled for 2012, so the project has faced significant delays. The facility has a capacity of 180 tb/d oil, through gas and water injection. The addition of the P-55 and P-62 platforms should reverse an ongoing production decline that started at the field in 2009 and lift output from around 245,000 b/d in 2013 to back over 300,000 b/d in 2014. Updated analysis for total liquids production in Brazil in 2013 on a quarterly basis has been changed to average 2.57 mb/d, 2.61 mb/d, 2.63 mb/d and 2.68 mb/d, respectively. The revision was due to higher-than-expected production in 4Q13, causing an upward revision to all quarters and a new base for the 2013 supply revision, which will also carry over to all quarters of 2014. The current annual supply will reach to 2.80 mb/d with y-o-y growth of 0.16 mb/d. It is expected that the total Brazilian liquids supply, including biofuels production, will be revised on a quarterly basis to average; 2.72 mb/d, 2.74 mb/d, 2.84 mb/d and 2.90 mb/d, respectively.

Middle East

Middle East's oil supply is estimated to decrease by 0.11 mb/d in 2013 from one year earlier to average 1.39 mb/d, unchanged from the previous *MOMR*. On quarterly basis, this region could produce an average of 1.48 mb/d, 1.35 mb/d, 1.36 mb/d and 1.35 mb/d, respectively.

Oman's supply is estimated to increase by 20 tb/d in 2013 to average 0.94 mb/d, remaining unchanged compared with the previous estimation. Oman's output is also expected to increase by 30 tb/d to average 0.97 mb/d in 2014.

Syria's production is expected to drop by 0.12 mb/d in 2013 to average 90 tb/d. This downward movement is due to the country's current political situation, which is associated with a high level of risk. For the same reason, Syrian oil production is expected to drop by another 50 tb/d in 2014.

Yemen's production is expected to average 0.14 mb/d in 2013, a decrease of 40 tb/d from one year earlier, but its output is expected to increase by 20 tb/d to average

0.16 mb/d in 2014. Yemen is ramping up oil production to full capacity, following repairs on its main export pipelines, both of which were hit by separate bombing attacks late last month. The Marib pipeline and the Masila pipeline started working again in the first week of February. The two pipelines handle Yemen's total production of around 0.18 mb/d, occasionally reaching as high as 0.2 mb/d. All of the 100 tb/d produced from Masila is exported, but around half of the 100 tb/d sent through the Marib pipeline is consumed domestically, with the remainder being exported. However, continued attacks on infrastructure place the supply forecast at a high risk.

The **Middle East supply** forecast is generally associated with a very high level of risk — mainly due to political factors — which could dramatically change the outlook in either direction. Middle East oil output is forecast to remain unchanged in 2014 compared with the previous year, and no changes have been seen since the previous *MOMR*. On a quarterly basis, Middle East's supply in 2014 is seen to average 1.38 mb/d, 1.38 mb/d, 1.39 mb/d and 1.39 mb/d, respectively.

Africa

Africa's oil supply is projected to average 2.42 mb/d in 2013, an increase of 0.11 mb/d from the previous year, with an upward revision of 32 tb/d in the fourth quarter from the previous *MOMR*. Africa's frontier plays are seen as offering the majors large-scale conventional light oil discoveries. But the outlook is mixed, with many deepwater pre-salt discoveries featuring low volumes of less desirable natural gas with limited condensates rather than actual oil. Indeed, the largest new offshore oil discovery of 2013 was a newly productive part of a mature shallow-water area off Congo (Brazzaville). Big Oil is now playing catch-up as the majors belatedly emulate those pioneering efforts and plunge into frontier exploration, mainly on Africa's Atlantic margins. On a quarterly basis, the region's liquids supply registered an average of 2.29 mb/d, 2.40 mb/d, 2.44 mb/d and 2.53 mb/d, respectively. The current year's supply is expected to grow by 80 tb/d, a downward revision compared with last month's forecast. This could increase the output level to average 2.50 mb/d in 2014. On a quarterly basis, Africa's oil supply in 2014 is expected to average 2.46 mb/d, 2.51 mb/d, 2.51 mb/d and 2.51 mb/d, respectively.

Discovery on **Congo's** Marine XII Block was estimated at 600 million barrels of oil and 700 billion cubic feet of gas-in-place, far larger than any of the frontier exploration wells drilled last year. Liquid production in Congo continued its steep decline in 2013, falling to around 0.27mb/d, down 10 tb/d from the 0.28 mb/d produced in 2012, although other sources' estimations are lower than this level due to higher field declines, delays in development projects during the year and the low output performance from the Azurite field. Azurite production was severely affected by very poor well performance and operators decided to cease output from the field at the end of 2013. Liquids production is expected to stabilise in 2014 with a potential uptick in volumes from the Haute Mer Zone A fields and M'Boundi, to average 0.25 mb/d.

The main inspiration here is **Ghana's** giant deepwater Jubilee field. The 2006 discovery is in a Cretaceous-era fan system that radicalized thinking about the hydrocarbon potential of West Africa's transformative margin. The country's supply is expected to increase in 2014 on the back of full production. Deepwater pre-salt exploration is just getting started in Angola and Gabon, while the ongoing quest for more Jubilees is widening to the west and north, with deepwater drilling set for Liberia, Guinea, Mauritania and Morocco in 2014.

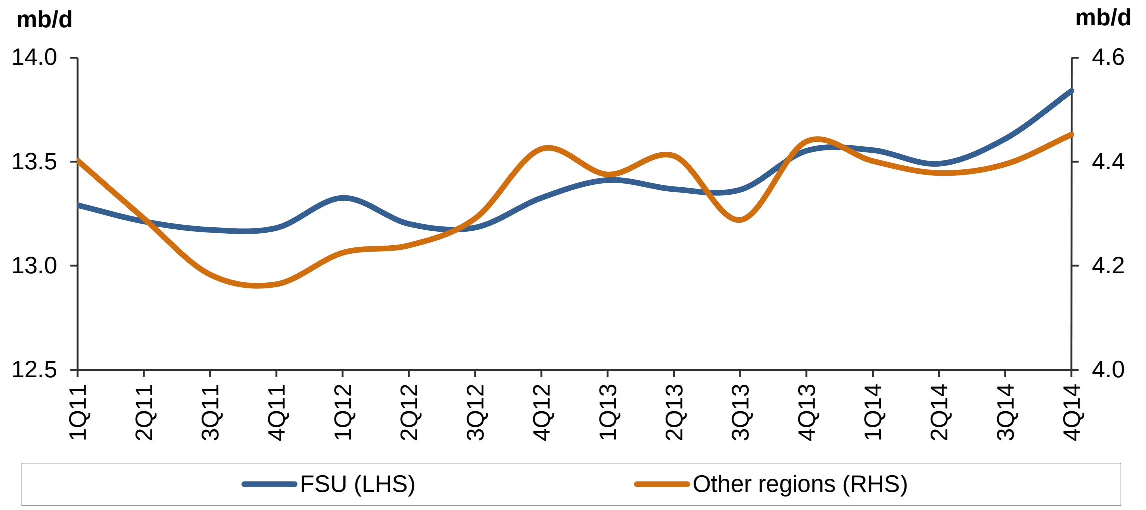
Expected growth from **South Sudan** and **Sudan** is associated with a high level of risk, as South Sudan earlier raised its overall oil output to 245 tb/d, close to its end-2013 target of 250 tb/d. Eight months after restarting oil production, fighting between rival army factions is threatening the oil industry once more. Fighting erupted in mid-December between government troops and rebels; volumes dropped to 150 tb/d that month as a result. Violence caused the shutdown of several blocks. Oil regions became strategic areas of control between rebel forces and the government, with several oil workers reportedly killed at the Thar Jath and Unity fields after being caught up in the fighting. Several clashes were also reported in the east of the country around the Adar and Yale and Palogue fields in the Melut Basin. It is believed that around 45 tb/d is shut-in in Unity State and that production from the Melut Basin Oil Project has also been cut by around 40–50 tb/d. Recent reports indicate lower-than-normal loading schedules for the Dar Blend in January and February. It is believed that the fighting and general unrest is likely to persist through the first half of 2014. As a result, forecasts for oil output in the Sudans (South Sudan and Sudan) have been lowered. It is now expected to increase from 0.23 mb/d in 2013 to 0.34 mb/d in 2014, a downward revision of 10 tb/d compared with the previous *MOMR*.

FSU, other regions

Total **FSU oil supply** is estimated to increase by 0.17 mb/d in 2013 to average 13.42 mb/d, with an upward revision in growth of 10 tb/d. The minor upward revision applied to the fourth quarter was due to a rise of 18 tb/d over what was expected from Russia. This carried over to all quarters of 2014, raising the total supply in the current year by 39 tb/d. FSU oil supply in 4Q13 was the higher than in all previous quarters at 13.55 mb/d, 22 tb/d more than the same quarter in 2012. On a quarterly basis, total supply from the FSU in 2013 is seen to average 13.41 mb/d, 13.37 mb/d, 13.37 mb/d and 13.55 mb/d, respectively.

FSU's major oil producers are expected to increase oil supplies in 2014. FSU's oil output has seen an upward revision of 30 tb/d compared with the previous *MOMR*. It is forecast to grow by 0.20 mb/d to average 13.62 mb/d; some of the expected growth comes from the assumption that output will return to normal levels after dropping due to maintenance and shutdown in 2013 in the Caspian. On a quarterly basis, FSU total oil output in 2014 is anticipated to average 13.56 mb/d, 13.49 mb/d, 13.61 mb/d and 13.84 mb/d, respectively.

Graph 5.4: FSU and other region's quarterly production



Russia

Russia's liquid output is estimated to increase by 0.13 mb/d in 2013 to average 10.51 mb/d, representing a minor upward revision of 10 tb/d from the previous *MOMR*. The revision came from updated 4Q13 numbers, based on December's output, hitting a post-Soviet monthly high with an average of 10.64 mb/d. Russia remained the largest global oil producer in 2013, increasing production 1.4% over 2012 to reach a post-Soviet Union high of 10.51 mb/d. Development of natural declines at mature fields played an important role in the outcome of Russia's 2013 oil supply, as new expected volumes are seen to offset anticipated declines in mature fields. According to preliminary data, Russia's supply averaged 10.61 mb/d in the fourth quarter of 2013, an increase of 0.24 mb/d from the same period in 2012.

On a quarterly basis, Russia's 2013 supply is estimated to average 10.45 mb/d, 10.47 mb/d, 10.49 mb/d and 10.61 mb/d, respectively. Russia continues to prioritise oil output, which shows in its budget revenues; oil and gas account for more than half. Enough investment is being made to slow declines in West Siberia and increase production in East Siberia to create small net production increases. Oil production from Russia's first Arctic offshore oil project, the giant Prirazlomnoye field in the Pechora Sea, started recently. It is expected to produce 6 tb/d in 2014, peaking at 120 tb/d after 2020. The first tanker is to be loaded in the first quarter of this year. Much demand for Russia's record-breaking oil output comes from China, which has an agreement with Russia that will allow for more deliveries of oil. With increased deliveries, China is poised to outpace Germany as the largest consumer of Russian oil in the first quarter of 2014.

Russia's oil supply forecast in 2014 is facing uncertainty. Nonetheless, upward revisions have been made to the forecast for Russian liquids production in 2014. Total liquids supply is now forecast to rise by 90 tb/d compared with last year's growth, climbing from 10.51 mb/d in 2013 to 10.59 mb/d in 2014 with an upward revision by 20 tb/d. Production growth will be mostly driven by East Siberian fields such as Vankorskoye and Srednebotuobinskoye and the Talakanskoye group. A significant increment is expected from the launch of the offshore Arkutun-Dagi field within the Sakhalin-1 project in the Far East. Condensate production will increase in northern West Siberia at the Novatek and SeverEnergia fields, and at Urengoiskoye and Zapolyarnoye. Russia's liquids supply on a quarterly basis will average, 10.58 mb/d, 10.51 mb/d, 10.57 mb/d and 10.71 mb/d, respectively.

Caspian

Kazakhstan's oil supply increased by 60 tb/d over one year earlier to average 1.64 mb/d in 2013, unchanged from the previous *MOMR*. Last year was meant to be the year of Kashagan, when the supergiant field in the northern Caspian Sea off Kazakhstan finally came on stream after nearly a decade of disappointments. But the 13 billion barrel development has endured yet another false start, and ended the year overshadowed by progress on Azerbaijan's massive Shah Deniz field on the other side of the Caspian Sea. Technical problems have delayed the start of commercial production at Kashagan until spring this year. Kazakhstan produced its highest historical level of oil output at 1.69 mb/d in the fourth quarter. Kazakhstan's Tengiz field expansion is expected to boost crude production to around 0.8 mb/d by 2019 from just less than 0.55 mb/d last year.

Beyond Kashagan and Tengiz, Kazakhstan is also trying to drum up interest in plans to exploit ultra-deep oil resources both on and offshore in the vast northern Caspian region, which would involve drilling the world's deepest-ever well. In 2013, on a

quarterly basis, Kazakhstan's supply came to an average of 1.68 mb/d, 1.60 mb/d, 1.61 mb/d, and 1.69 mb/d, respectively. The Kazakh oil supply will register a 90 tb/d production growth, to average 1.73 mb/d this year. On a quarterly basis in 2014, it will average 1.69 mb/d, 1.68 mb/d, and 1.73 mb/d and 1.81 mb/d, respectively.

Azerbaijan's oil output is estimated to decrease by 30 tb/d over the previous year to average 0.87 mb/d in 2013, unchanged from the previous *MOMR*. Due to the start of production at West Chirag in the Azeri sector of the Caspian Sea, it is predicted production at the field will reach 80 tb/d, which will be partially offset by declines at the Azeri-Chirag-Guneshli (ACG) fields. Total output in Azerbaijan in 2014 will average 0.88 mb/d. This is a modest increase from 0.82 mb/d in 2012 and 0.87 mb/d in 2013.

Falling production at the ACG oilfields, which account for most of Azerbaijan's output, has raised concern over oil output in the country. On a quarterly basis, it is forecast to average 0.86 mb/d, 0.86 mb/d, 0.88 and 0.89 mb/d, respectively.

China

China's supply is estimated to grow by 90 tb/d over one year ago to average 4.24 mb/d in 2013, unchanged from the previous month's assessment. A minor downward revision in the fourth quarter was introduced to adjust for updated production in earlier quarters, although fourth quarter output, at its highest level in 2013 at 4.30 mb/d, increased by 20 tb/d compared with same quarter in 2012. On a quarterly basis, China's supply in 2013 is seen to average 4.24 mb/d, 4.27 mb/d, 4.15 mb/d and 4.30 mb/d, respectively. New supply coming from offshore developments in 2014, such as Nanpu in the Bohai Bay and the Weizhou and Liuhua Areas of the South China Sea, will be offset by onshore declines from mature assets. Growth for 2014 is expected to reach 30 tb/d to average 4.27 mb/d. On a quarterly basis, China's supply in 2014 is forecast to average 4.26 mb/d, 4.24 mb/d, 4.26 mb/d and 4.31 mb/d, respectively.

OPEC NGLs and non-conventional oils

OPEC NGLs and non-conventional oils were estimated to average 5.80 mb/d in 2013, representing growth of 0.24 mb/d over the previous year. In 2014, OPEC NGLs and non-conventional oil are projected to average 5.95 mb/d, an increase of 0.15 mb/d over the previous year. There are no changes in the 2013 estimation and 2014 predictions for OPEC NGLs compared with the last *MOMR*.

Table 5.3: OPEC NGLs + non-conventional oils, 2011-14

			Change						*Change*		*Change*
	2011	**2012**	12/11	1Q13	2Q13	3Q13	4Q13	**2013**	13/12	**2014**	14/13
Total OPEC	**5.37**	**5.57**	0.20	5.76	5.78	5.81	5.85	**5.80**	0.24	**5.95**	0.15

OPEC crude oil production

According to secondary sources, total OPEC crude oil production averaged 29.71 mb/d in January, an increase of 28 tb/d over the previous month. Crude oil output increased mainly from Libya, while production fell in other Member Countries. According to secondary sources, OPEC crude production — not including Iraq — stood at 26.71 mb/d in January, an increase of 53 tb/d over the previous month.

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

	2012	2013	2Q13	3Q13	4Q13	Nov 13	Dec 13	Jan 14	Jan/Dec
Algeria	1,210	1,159	1,168	1,155	1,144	1,116	1,150	1,148	-2.8
Angola	1,738	1,732	1,752	1,720	1,703	1,687	1,702	1,633	-68.8
Ecuador	499	515	511	520	527	528	531	529	-1.8
Iran, I.R.	2,973	2,693	2,678	2,678	2,705	2,700	2,736	2,733	-3.8
Iraq	2,979	3,036	3,101	2,998	3,015	3,019	3,023	2,998	-24.9
Kuwait	2,793	2,822	2,839	2,842	2,821	2,816	2,827	2,806	-20.4
Libya	1,393	928	1,342	653	332	243	240	510	270.3
Nigeria	2,073	1,911	1,889	1,906	1,868	1,815	1,895	1,903	8.0
Qatar	753	731	729	731	731	730	731	738	7.0
Saudi Arabia	9,737	9,584	9,480	10,024	9,721	9,707	9,743	9,628	-115.7
UAE	2,624	2,741	2,737	2,780	2,743	2,694	2,757	2,756	-0.3
Venezuela	2,359	2,356	2,355	2,361	2,358	2,359	2,350	2,331	-18.8
Total OPEC	**31,132**	**30,207**	**30,581**	**30,368**	**29,668**	**29,412**	**29,683**	**29,711**	**28.1**
OPEC excl. Iraq	**28,152**	**27,171**	**27,480**	**27,370**	**26,653**	**26,393**	**26,660**	**26,713**	**53.0**

Totals may not add up due to independent rounding.

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

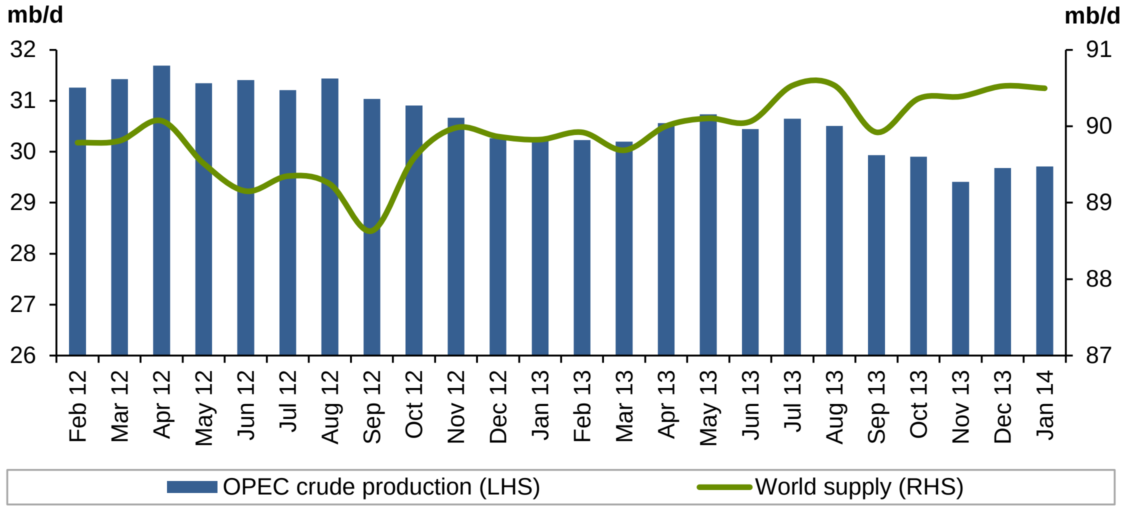
	2012	2013	2Q13	3Q13	4Q13	Nov 13	Dec 13	Jan 14	Jan/Dec
Algeria	1,203	1,203	1,202	1,202	1,208	1,213	1,207	1,193	-14.0
Angola	1,704	1,697	1,730	1,701	1,625	1,568	1,626	1,616	-10.0
Ecuador	504	526	520	534	544	545	548	550	1.9
Iran, I.R.	3,740	3,576	3,711	3,653	3,239	3,300	3,220	3,250	30.0
Iraq	2,944	2,980	3,042	3,006	2,915	2,773	3,002	2,848	-154.0
Kuwait	2,977	2,922	2,970	2,992	2,912	2,922	2,940	2,935	-5.0
Libya	1,450	993	1,415	752	332	226	228	508	280.4
Nigeria	1,954	1,749	1,649	1,824	1,706	1,655	1,702	1,917	214.5
Qatar	734	724	724	719	725	719	733	732	-1.5
Saudi Arabia	9,763	9,637	9,538	10,115	9,773	9,746	9,819	9,767	-52.1
UAE	2,652	2,797	2,792	2,859	2,714	2,572	2,739	2,717	-22.5
Venezuela	2,804	2,784	2,762	2,773	2,858	2,854	2,894	2,888	-6.1
Total OPEC	**32,429**	**31,589**	**32,055**	**32,131**	**30,550**	**30,092**	**30,659**	**30,921**	**262**
OPEC excl. Iraq	**29,485**	**28,609**	**29,013**	**29,125**	**27,636**	**27,319**	**27,657**	**28,073**	**416**

Totals may not add up due to independent rounding.

World oil supply

Preliminary data indicates the global oil supply decreased by 0.03 mb/d to average 90.50 mb/d in January 2014 compared with one month earlier. The growth of non-OPEC supply in January decreased global oil output; this was partially offset by a increase in OPEC production. The share of OPEC crude oil in total global production declined slightly to 32.8% in January compared with the previous month. Estimates are based on preliminary data for non-OPEC supply, while estimates for OPEC NGLs and OPEC crude production come from secondary sources.

Graph 5.5: OPEC and world oil supply



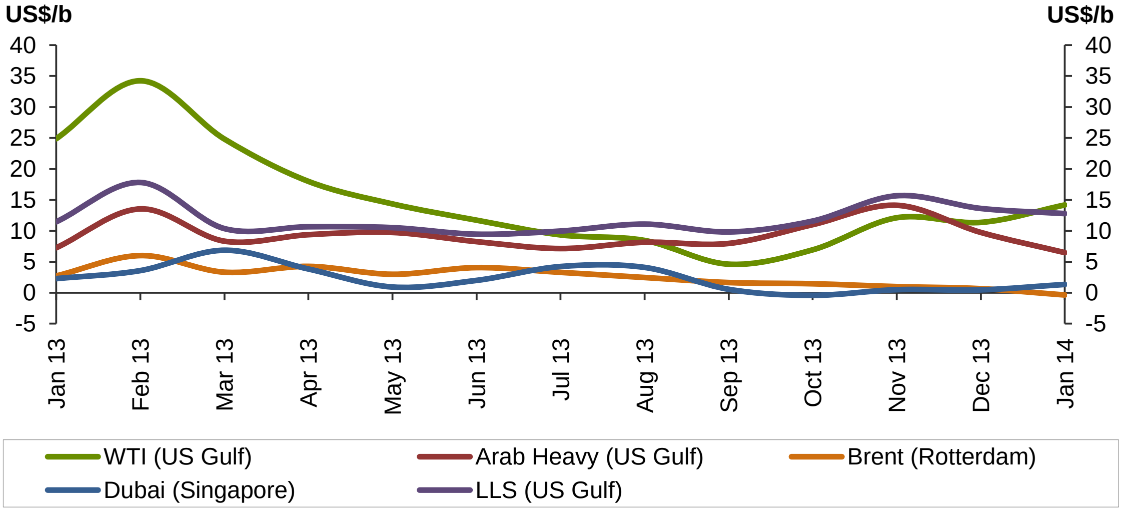
Product Markets and Refinery Operations

Severe winter weather in the US caused a spike in the price of US natural gas, driving fuel substitution in power generation and boosting demand for heating fuels, supporting the US product markets. On the other hand, European margins continue to be impacted by low domestic demand and a lack of export opportunities.

The lower margins made refineries in Europe continue at moderate levels, while in the US refinery throughputs were reduced during January due to the impact of the bad weather on the operations of some refineries and ports.

In Asia, refinery margins continued their recovery trend on the back of stronger seasonal demand – mainly from the petrochemical sector – amid a temporarily tightening environment due to some refinery outages.

Graph 6.1: Refinery margins, 2013-14



US product markets strengthened during January, getting support from the severe winter weather which caused a spike in demand for heating fuels. It also caused some refinery and ports to experience operational problems, thus affecting the required supplies.

In addition, the extreme cold limited demand for transport fuels across the country as roads became impassable. Atlantic coast gasoline fell as wintry weather depressed demand and Gulf and West Coast refiners were turning to export markets instead. Thus, despite the drop in domestic demand, the gasoline crack spread remained supported by export opportunities.

The refinery margin for WTI crude on the US Gulf Coast (USGC) gained $3 to average $14/b in January, while the margin for Light Louisiana Sweet (LLS) crude on the USGC fell almost 80¢ to average $12.80/b, with LLS crude price slightly increasing during January.

Product markets in **Europe** continued weakened as a result of heavy declines across product cracks, especially at the top of the barrel where cracks were falling due to muted domestic demand and weak arbitrage opportunities. The export of gasoline to the US East Coast was limited due to rising inventories in that area, causing the margins in Europe to continue losing ground.

The refinery margin for Brent crude in Northwest Europe suffered a decline of $1, to average minus 35¢/b in January, the lowest level seen during last years.

Asian refining margins continued on recovery. The market showed a positive performance during January as margins at the top and bottom of the barrel showed a sharp recovery on the back of a temporarily tightening environment amid increasing regional demand.

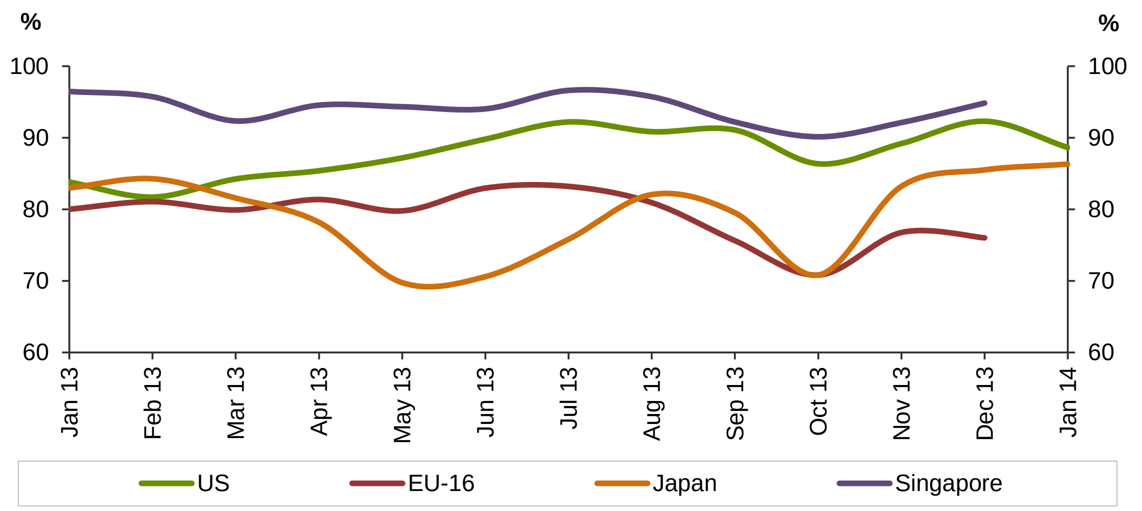
The gasoline crack spreads continued their upwards trend on the back of some refinery disruptions, generating a temporarily tight environment amid the continued strengthening of naphtha. This is in line with the strong petrochemical demand seen throughout the region.

Refinery margins in Singapore gained $1 in January to average $2.40/b.

Refinery operations

Refinery utilization rates were seen falling in the US to average 88.6% during January, decreasing 3.7 percentage points (pp) versus the previous month, as some operational activities were impacted in several refineries and ports due to bad weather conditions, mainly in the East Coast and Midcontinent.

Graph 6.2: Refinery utilisation rates, 2013-14



European refinery margins have been falling during the last month due to slack seasonal demand. In concert with the seasonally low demand, the weak margins resulted in European refiners continuing at moderated crude intake levels. Refinery runs in Europe remained around 72% during December, similar to the level in November, as the downtick linked to strikes at several refineries across France was partially compensated by refineries in other countries, mainly the UK.

In **Asia**, refinery maintenance moderated refinery runs amid several outages affecting India and Taiwan. This has limited outputs and has thus contributed to a tightening in the market. Refinery runs in Singapore during December averaged around 95%, more than 2 pp higher than the previous month, while Japanese throughputs averaged 86% of capacity in January, similar to the previous month's level after refinery maintenance had finished.

US market

US gasoline demand stood at around 8.3 mb/d in January, around 500 tb/d lower than the previous month and up by more than 60 tb/d from the same month a year earlier.

Severe winter weather depressed gasoline demand in the US, resulting in a substantial stock build of almost 8 mb starting this year, pushing overall stocks to the highest seasonal level during mid-January. However, since then gasoline inventories stopped the increase due to lower supply since some refineries were affected by bad weather conditions as well as imports reduction.

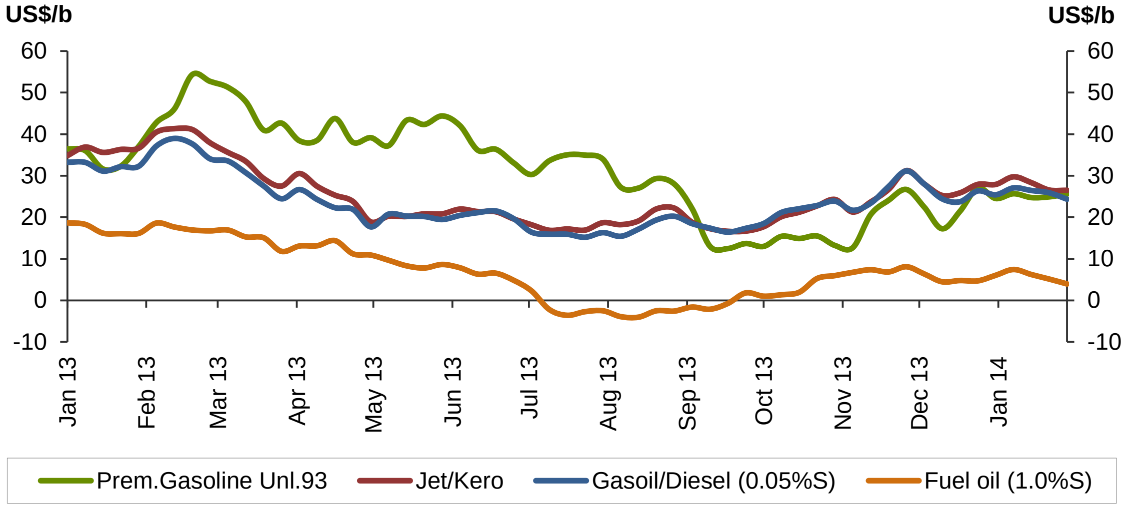
In the US Atlantic Coast, heavy snowfall depressed demand, thus leading to a hefty stock build. The inventories level stopped rising at the end of the month with a reduction in imports as some European grades bypassed the US market for destinations in Latin America.

On the West Coast, the supply side exerted pressure with increasing stocks and the restarting of the 168 tb/d Tesoro refinery following maintenance. However, this was offset by support coming from the Asian market with several cargoes scheduled to depart the US West Coast for delivery in Asia.

On the other hand, gasoline exports continued to rise from the USGC, thus supporting the market.

Export opportunities, along with the help from the crude side, managed to offset pressure from higher inventories and lower domestic demand, thus allowing the gasoline crack spread to strengthen, gaining $3 to average $25/b in January.

Graph 6.3: US Gulf crack spread vs. WTI, 2013-14



Middle distillate demand stood at around 4, 0 mb/d in January, some 300 tb/d higher than the previous month and 60 tb/d below the same month a year earlier.

The middle of the barrel continued gaining ground over the month on the back of stronger heating oil demand amid falling inventories.

Gas oil cracks improved marginally as unusually cold weather lifted heating oil demand, impacted transport fuels demand and shut down some refineries. Heating oil prices on the East Coast neared parity to diesel and refineries in the US Atlantic Coast, Midcontinent and Gulf Coast suffered weather-related production problems.

This increasing demand for heating oil amid expected colder weather and falling inventories has opened up a “reverse” arbitrage from Europe to the US. Additionally, middle distillates continued to receive support from US Gulf Coast refiners which have significantly boosted product exports, especially diesel. Following a relatively muted period of trading around the end of the year, exports to West Africa and Latin America (mainly Brazil) are increasing.

The USGC gasoil crack slightly strengthened, gaining 20¢ to stand at around $25.80/b in January.

Distillate imports, mainly of heating oil quality, have surged during the last weeks, particularly in PADD-1. It is expected to remain elevated over the coming period as “reverse arbitrage” opportunities persist and around 4 mb of gasoil are making their way to the US from Russia, Europe and Asia.

At the **bottom of the barrel**, the fuel oil crack recovered part of the ground lost last month, with the market becoming tightened due to lower supply and an abrupt decline in imports caused by weather-related disruptions to port operations. Additional support came from increasing demand for power generation amid a spike in natural gas prices.

The fuel oil crack recovered almost $1 to average $6/b during January.

European market

Product markets in Europe continued weakened as a result of heavy declines across product cracks, especially at the top of the barrel, where cracks were falling due to muted domestic demand and weak arbitrage opportunities.

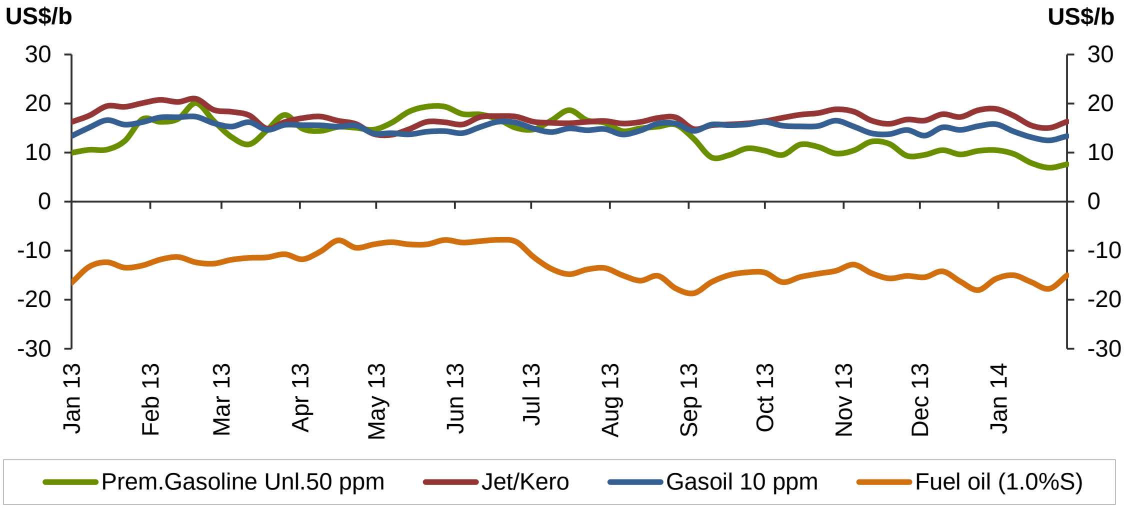
In **light distillates**, the gasoline crack continued under pressure from seasonally lower domestic demand and limited export opportunities, while naphtha lost part of the ground gained in the previous months.

Gasoline cracks remained under pressure with fundamentals steady as a workable arbitrage to West Africa continued being overweighed by scarce export opportunities to the US, where inventories continued to rise. And, in addition, European stocks also continued to rise as supplies outstripped thin seasonal demand, causing the gasoline crack spread to fall sharply against crude.

The gasoline crack spread against Brent crude fell $2.50 versus the previous month to stand at an average of $8.50/b in January.

The crack of fellow light distillate naphtha witnessed a downtick of more than $1, impacted by a weakened gasoline complex, along with weakening LPG prices which have come down at a significantly faster pace than those of naphtha and have thus impacted naphtha demand. However, with demand in Asia still strong, further downside potential should remain limited as this may continue pulling cargoes out of Europe.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2013-14



The **middle of the barrel** weakened and diesel margins suffered a slide on persistently slow demand as a result of milder-than-average weather and plentiful supplies.

Middle distillate cracks fell due to the relatively muted gasoil demand situation in the domestic market, amid above-average temperatures which continued to be the key source of pressure by limiting heating oil demand. The market backwardation structure limited interest in storing the product. As a result, some market participants were looking for any opportunities to ship gasoil out of Europe and some volumes were seen on their way to the US East Coast, where the extreme cold weather boosted demand for heating.

As arbitrage opportunities into Europe became more difficult, some vessels originally routed to Europe from the Middle East were diverted to the US or Asia.

The supply side was also under pressure as increasing shipments from Russian refineries offset the loss of imports from India and the US. In addition, expectations that the Jubail refinery in Saudi Arabia will soon begin exporting middle distillates to Europe compounded the weakness.

The gasoil crack spread against Brent crude at Rotterdam in January lost around $1 versus the previous month's level to average $13.80/b.

At the **bottom of the barrel**, fuel oil cracks continued weakened due to lower domestic demand amid lower export opportunities.

High-sulphur fuel showed relatively steady development, although pressure stemmed from scarcer export opportunities to Asia. Meanwhile, LSFO received some support on the back of weak crude margins and higher US demand.

The Northwest European fuel oil crack against Brent kept the previous month's level of around minus $16/b.

Asian market

The Asian market showed a positive performance during January as the top and bottom of the barrel margins showed a sharp recovery on the back of a temporarily tightening environment amid increasing regional demand.

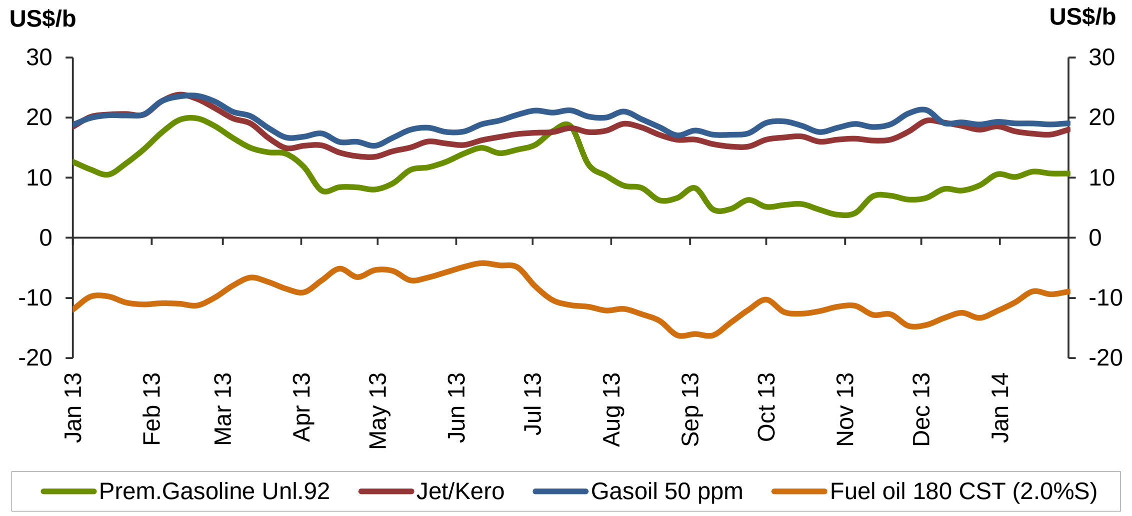
The Singapore gasoline crack trended up, supported by a supply reduction. In addition to an outage at Taiwan´s Formosa refinery, the CPC's Taiwanese refinery gasoline production unit is going to maintenance for three month, thus deferring some volumes of gasoline exports. Meanwhile, in Japan refiners were producing less gasoline by adjusting the yields to favour middle distillates output.

Additional support came from demand developments in the Philippines and Vietnam, and export opportunities to East Africa (especially Kenya and Tanzania). On the other hand, gasoline consumption has been ticked higher in several countries in the region, such as South Korea, China, Japan and India.

The gasoline crack spread against Dubai crude in Singapore gained almost $3 to average $10.60/b in January.

Asian naphtha continued strengthening in line with strong seasonal demand throughout the region as rising LPG prices have made it unprofitable as an ethylene feedstock for the petrochemical sector, thus allowing the Singapore naphtha crack to continue its upward trend. Looking ahead, the upside potential of the Asian naphtha crack could be limited by higher arbitrage inflows arriving in the coming weeks.

Graph 6.5: Singapore crack spread vs. Dubai, 2013-14



At the **middle of the barrel**, the gasoil crack continued healthy on the back of steady regional demand. However, abundant supplies weighed on the market and made the cracks fall slightly.

On the demand side, some support stemmed from Vietnam and Sri Lanka, as well as East and South Africa. However, Chinese gasoil consumption was limited by low seasonal demand from the agricultural sector.

Additionally, poor sales of kerosene in Northeast Asia incentivized Japanese refiners to raise gas oil production to seasonally-high levels and increase gasoil output by 15% y-o-y.

On the supply side, the market remained amply supplied, with Singapore middle distillate stocks increasing.

The gasoil crack spread in Singapore against Dubai showed a loss of 60¢ to average around $19/b in January.

The fuel oil crack showed a sharply recovery on the back stronger demand amid a tightening market.

Seasonal Asian demand for bunker and power generation was relatively robust, while on the supply side lower arbitrage inflows also contributed to the upward sentiment for the crack.

The fuel oil crack spread in Singapore against Dubai gained more than $3 to average minus $10/b in January.

Table 6.1: Refined product prices, US$/b

		Nov 13	Dec 13	Jan 14	*Change* Jan/Dec
US Gulf (Cargoes FOB):					
Naphtha		105.50	115.27	112.57	-2.70
Premium gasoline	*(unleaded 93)*	114.06	119.83	119.74	-0.09
Regular gasoline	*(unleaded 87)*	104.36	107.61	108.72	1.11
Jet/Kerosene		118.85	124.45	122.61	-1.84
Gasoil	*(0.2% S)*	119.07	123.21	120.73	-2.48
Fuel oil	*(1.0% S)*	97.82	99.54	98.76	-0.78
Fuel oil	*(3.0% S)*	89.62	91.83	88.25	-3.58
Rotterdam (Barges FoB):					
Naphtha		102.81	105.86	101.62	-4.24
Premium gasoline	*(unleaded 98)*	118.89	120.87	116.51	-4.36
Jet/Kerosene		124.93	128.43	124.57	-3.86
Gasoil/Diesel	*(10 ppm)*	122.47	125.54	121.84	-3.70
Fuel oil	*(1.0% S)*	93.49	94.96	92.37	-2.59
Fuel oil	*(3.5% S)*	90.63	91.72	89.22	-2.50
Mediterranean (Cargoes FOB):					
Naphtha		100.56	102.81	98.76	-4.05
Premium gasoline*		112.43	115.53	113.28	-2.26
Jet/Kerosene		122.15	124.56	121.66	-2.90
Gasoil/Diesel*		123.29	126.27	123.07	-3.20
Fuel oil	*(1.0% S)*	93.94	95.90	92.94	-2.96
Fuel oil	*(3.5% S)*	91.29	90.93	90.16	-0.77
Singapore (Cargoes FOB):					
Naphtha		103.69	107.53	104.47	-3.06
Premium gasoline	*(unleaded 95)*	114.89	118.66	117.98	-0.68
Regular gasoline	*(unleaded 92)*	111.94	115.81	114.66	-1.15
Jet/Kerosene		122.63	126.68	121.63	-5.05
Gasoil/Diesel	*(50 ppm)*	125.18	127.47	123.01	-4.46
Fuel oil	*(180 cst 2.0% S)*	96.32	97.02	96.46	-0.56
Fuel oil	*(380 cst 3.5% S)*	93.88	94.92	94.56	-0.36

**Cost, Insurance and Freight (CIF).*
Source: Platts and Argus Media.

Table 6.2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	Nov 13	Dec 13	Jan 14	*Change* Jan/Dec	Nov 13	Dec 13	Jan 14	*Change* Jan/Dec
US	15.52	16.14	15.51	-0.63	89.18	92.30	88.62	-3.68
France	1.13	0.95	-	-	64.78	54.59	-	-
Germany	1.90	1.85	-	-	84.46	82.28	-	-
Italy	1.29	1.25	-	-	58.76	56.85	-	-
UK	1.00	1.18	-	-	59.40	70.06	-	-
Euro-16	9.63	9.56	-	-	72.71	72.16	-	-
Japan	3.51	3.72	3.73	0.02	83.20	85.50	86.30	0.80

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

Tanker Market

Despite of the decline of VLCC freight rates seen in January compared to the previous month, average dirty spot freight rates remained in the positive zone, supported mainly by a considerable gain registered in both Suezmax and Aframax freight rates. VLCC spot freight rate losses in the first month of 2014 came from lower activities and tonnage oversupply on all VLCC routes. On average, VLCC spot freight rates dropped by 8% from last month. In contrast, spot freight rates for Suezmax and Aframax exhibited an increase over the previous month by 18% and 50%, respectively. Those gains were driven by bad weather conditions, shortage of suitable tonnages and increased activities. Clean tanker sentiments were bearish on most reported routes with an exception of Northwest Europe-to-US where cold weather and gasoil trade increased tonnage demand and freight rates.

Spot fixtures

OPEC spot chartering declined by 0.5% in January compared to the previous month to reach 13.06 mb/d, according to preliminary data. Within the Middle East, spot chartering towards the East displayed a drop of 5%, while those towards the West lost 1.5%. The Middle East-to-East spot chartering ended the month at 6.08 mb/d, less than the 6.40 mb/d in December, while the Middle East-to-West route ended the month at 2.76 mb/d, lower from the 2.8 mb/d registered one month ago. On a y-o-y basis, OPEC spot chartering in December showed an increase of 6% compared to the same month a year ago, while global spot chartering declined in January by 3.4% compared to the previous month to stand at 18.76 mb/d. However, this was 12% higher compared to the same month a year ago.

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

	Nov 13	Dec 13	Jan 14	*Change Jan/Dec*
Spot Chartering				
All areas	17.56	19.43	18.76	-0.67
OPEC	12.10	13.12	13.06	-0.06
Middle East/East	5.92	6.40	6.08	-0.32
Middle East/West	2.32	2.80	2.76	-0.04
Outside Middle East	3.60	3.60	3.32	-0.28
Sailings				
OPEC	23.51	24.00	23.80	-0.20
Middle East	17.20	17.63	17.44	-0.19
Arrivals				
North America	8.92	10.09	10.73	0.65
Europe	12.05	12.12	11.93	-0.20
Far East	8.45	8.59	8.17	-0.42
West Asia	4.50	4.29	4.50	0.20

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

Sailings and arrivals

Sailings from OPEC were 0.2% lower in January, standing at 23.8 mb/d, down from 24 mb/d in the previous month, while still 9% higher than in the same month a year ago. Middle East sailings in January averaged 17. 44 mb/d, down 1% from both the previous month and the previous year.

Crude oil arrivals in the North America increased by 6.4% in January compared to the previous month. In contrast, compared to December, crude oil arrivals to Europe, the Far East and West Asia were all lower in January by 1.6%, 4.8% and 4.7%, respectively.

Spot freight rates

VLCC

After **VLCC** spot freight rates achieved the least gains in the previous month, the new year saw a slow start for VLCC while tonnage build up started accumulating as the level of activities kept waning. At that point the limited number of inquiries kept attracting many offers. Thus, the increased competition kept VLCC freight rates under pressure beginning of January mainly in the Middle East. VLCC freight rates in West Africa followed a similar trend to those in the Middle East. However, fixtures across the Atlantic were done at higher levels as a result of a firm Suezmax market. VLCC spot freight rates fluctuated dramatically during the month as the freight rates drop seen in the first half of the month was corrected in the second half as a result of a firmer market and a tighter tonnage list, particularly for February loadings. A VLCC freight rates surge was seen in several regions: Middle East, West Africa and the Caribbean. The last couple of days in January registered a drop in freight rates with a downward trend seen in freight rates as the first decade of February requirements were mostly fulfilled. As a result of several gains and losses seen during the month, average spot freight rates for tankers operating from the Middle East-to-East showed the highest decline from the same class operating in the different routes, dropping by 10% from the previous month to average WS 57 points. Freight rates for VLCC trading on both Middle East-to-West and West Africa-to-East showed drops of 8% and 7%, respectively, in January from a month ago. Despite the drop on a monthly comparison, freight rates registered for VLCC on all reported routes were significantly higher than those registered in the same month of 2013. A whole number of fixtures in January were found to be lower than in previous months.

Graph 7.1: Monthly averages of crude oil spot freight rates

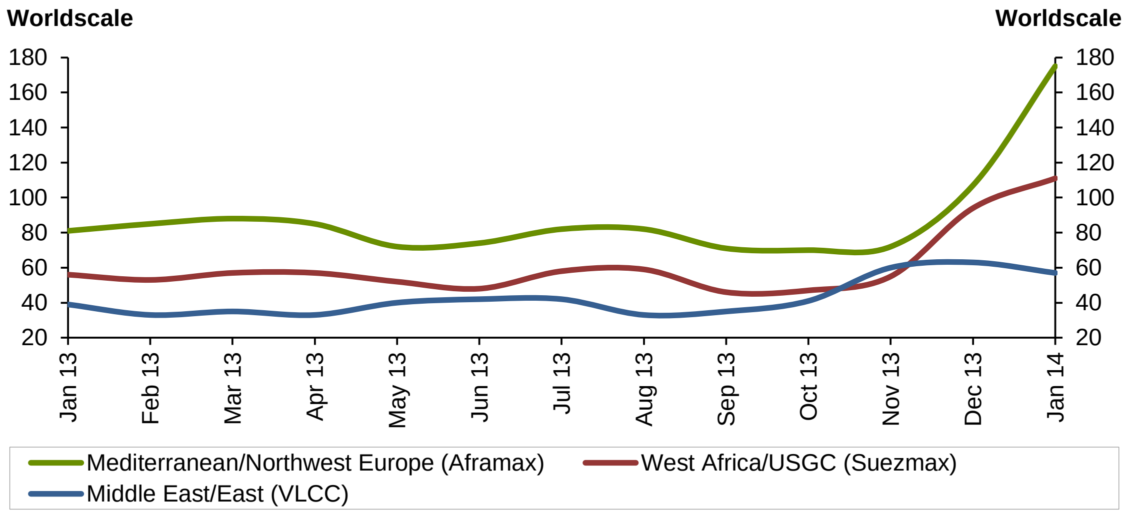


Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	Nov 13	Dec 13	Jan 14	*Change* Jan/Dec
Crude					
Middle East/East	230-280	60	63	57	-6
Middle East/West	270-285	38	39	36	-3
West Africa/East	260	58	61	57	-4
West Africa/US Gulf Coast	130-135	55	94	111	17
Northwest Europe/USEC-USGC	130-135	51	89	105	16
Indonesia/US West Coast	80-85	82	109	113	4
Caribbean/US East Coast	80-85	102	146	245	99
Mediterranean/Mediterranean	80-85	72	107	175	68
Mediterranean/Northwest Europe	80-85	63	102	164	62

Source: Galbraith's tanker market report and Platts.

Suezmax

Suezmax spot freight rate developments in January followed a pattern opposite to VLCC rates, as average rates increased by 18% compared with the previous month as the rate for Suezmax operating on the West Africa-to-US route and Northwest Europe-to-US routes both increased by 18% from a month earlier. Suezmax freight rates continued their rising trends as seen in 3Q13. Suezmax continuous freight rates gains were mainly supported by high activity and constant delays caused by adverse weather conditions, which increased the need for prompt replacements. Moreover, the tremendous increase for Aframax freight rates, particularly in the Caribbean, had a spillover effect on Suezmax freight rates as it supported freight rates.

Aframax

Aframax spot freight rates experienced the biggest gains in January, compared with the previous month. The average rate increased by a remarkable 50% on the reported routes. In East of Suez, the rate on the Indonesia-to-the-East route exhibited the smallest increase amid other routes, increasing by 4%. While in West of Suez, the Caribbean-to-US rate reflected a bounce of 68% from a month ago, while the Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe rates increased by 64% and 61%, respectively. These worthy gains were driven by a tightening in tonnage supply, an increase in delays in the Turkish Straits as worsening weather conditions lead to prolonged total transit time and increased activity in the Mediterranean coupled with a noticeable shortage in available vessels.

Clean spot freight rates

The clean tanker spot freight rates showed a mixed pattern in January. Clean West of Suez spot freight rates gained 3% on average. This gain came mainly as a result of higher freight rates registered for tankers operating on the Northwest Europe-to-US route which exhibited healthy growth of 15% to stand at WS 144 points compared to last month. The upward momentum in spot freight rates in the West was supported by cold weather in the US and open gasoil arbitrage. In the Mediterranean, clean spot freight rates slightly declined in January compared to the previous month, as weather delays seen in the Turkish Straits could not support freight rates. Clean spot freight rates for tankers moving between both sides of the Mediterranean dropped by 1% in comparison to a month ago. In the East, clean tanker spot freight rates from the Middle East-to-East experienced a drop of 12% compared to the previous month to average WS 90 points. While Singapore-to-East freight rates were also affected negatively as they dropped by 6% from last month to average WS 108 points despite steady tonnage demand for naphtha trade seen occasionally during the month.

Graph 7.2: Monthly average of clean spot freight rates

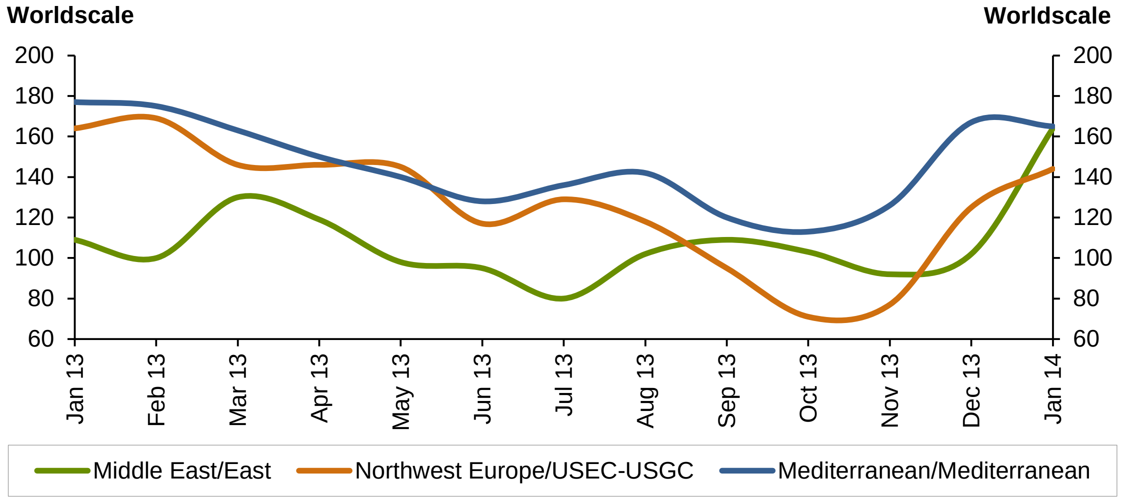


Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	**Nov 13**	**Dec 13**	**Jan 14**	***Change*** **Jan/Dec**
Products					
Middle East/East	30-35	92	102	90	-12
Singapore/East	30-35	109	115	108	-7
Northwest Europe/USEC-USGC	33-37	77	125	144	19
Mediterranean/Mediterranean	30-35	126	167	165	-2
Mediterranean/Northwest Europe	30-35	136	177	175	-2

Source: Galbraith's tanker market report and Platts.

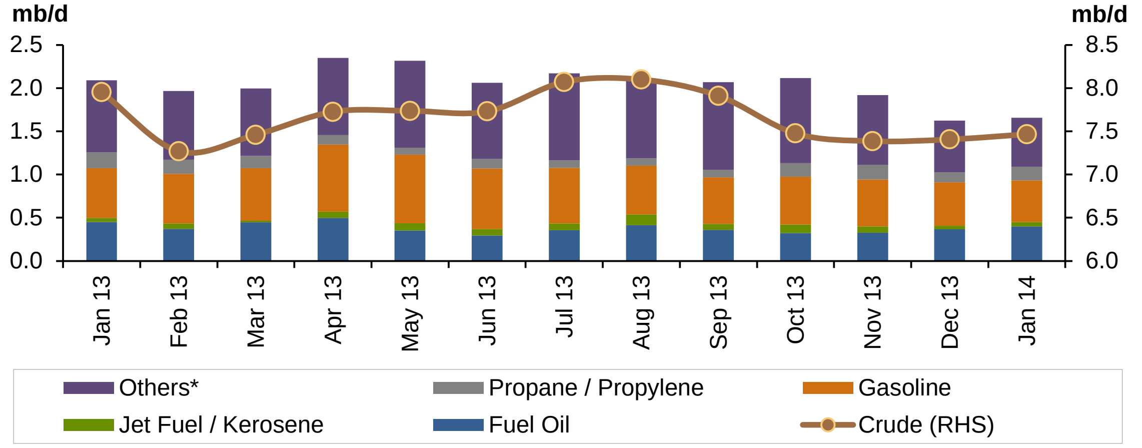
Oil Trade

Preliminary data for January shows that US crude oil imports increased for the second consecutive month by 60 tb/d, to average 7.4 mb/d. December crude imports increased in Japan to their highest level since March 2013, up by 150 tb/d or 4% to average 3.9 mb/d. In a y-o-y comparison, crude imports dropped in December by 42 tb/d or 1%. China's crude oil imports increased for the second consecutive month in December by 574 tb/d or 10% over the previous month to average 6.3 mb/d, while India's crude imports for December declined for the fourth consecutive month to their lowest level since June 2013, slipping 36 tb/d or 1% to average 3.57 mb/d.

US

Preliminary data for January shows that US crude oil imports increased for the second consecutive month by 60 tb/d from the previous month to average 7.4 mb/d on an annual basis. This reflects a loss of 487 tb/d or 6% from one year earlier.

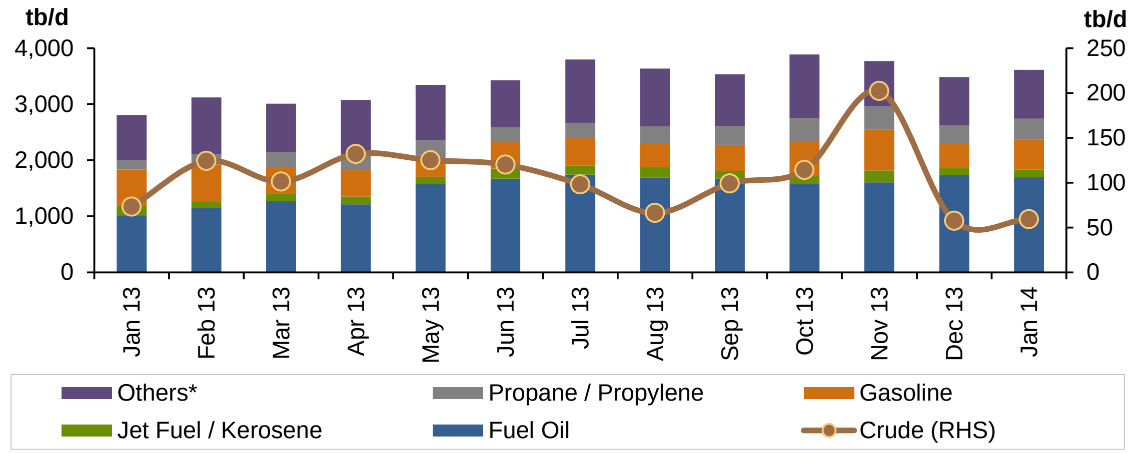
Graph 8.1: US imports of crude and petroleum products



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

US product imports increased by 35 tb/d or 3.9% to average 1.66 mb/d m-o-m, while y-o-y they dropped by 433 tb/d or 21%. In a year-to-date comparison, both crude and product imports declined, by 6% and 21%, respectively. US product exports in January registered a gain of 129 tb/d or 4% over the previous month to average 3.6 mb/d. Annually, figures reflected a bigger drop of 805 tb/d or 29%. **As a result, US total net imports slightly declined in January to average 5.45 mb/d, 0.7% lower than the previous month and 24% below the level one year ago.**

Graph 8.2: US exports of crude and petroleum products



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

In November, the first and second top suppliers to the US maintained their order compared with the previous month. Canada remained the premier crude supplier to the US, accounting for 34% of total US crude imports, slightly lower by 87 tb/d or 3% from one month earlier. Saudi Arabia maintained its position as second largest supplier to the US with greater volumes seen than in the previous month, up by 196 tb/d or 14%. Mexico also increased its crude exports to the US in November, placing third in supplier position with an increase of 149 tb/d from the month before.

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

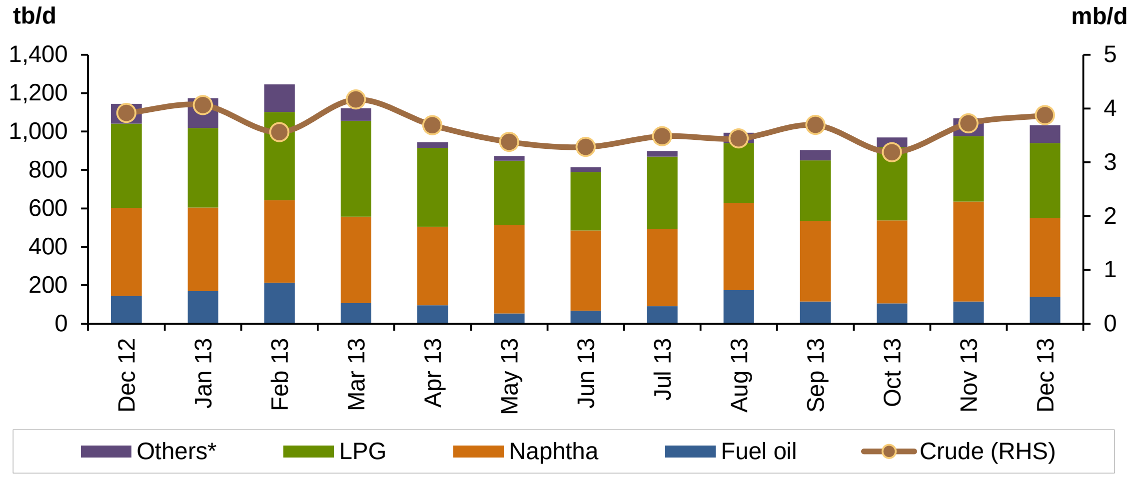
	Nov 13	Dec 13	Jan 14	*Change* Jan/Dec
Crude oil	7,184	7,349	7,407	58
Total products	-1,850	-1,862	-1,957	-95
Total crude and products	**5,334**	**5,487**	**5,450**	**-37**

Crude imports from OPEC Member Countries increased in November from the previous month, accounting for 45% of total US crude imports. In addition, US product imports from OPEC Member Countries increased by 10% over a month earlier. Canada and Russia maintained their positions as first and second suppliers, respectively, to the US. Nevertheless, Canada's and Russia's shares of US product imports in November dropped by 4% and 37%, respectively, from levels seen one month ago. The UK also saw a drop in product exports to the US by 13% from the previous month, though still holding on to forth position.

Japan

Japan's crude oil imports saw a gain in December by 150 tb/d or 4% to average 3.9 mb/d. In a y-o-y comparison, crude imports dropped in December by 42 tb/d or 1%. Monthly crude import volumes were found to be the highest since March 2013.

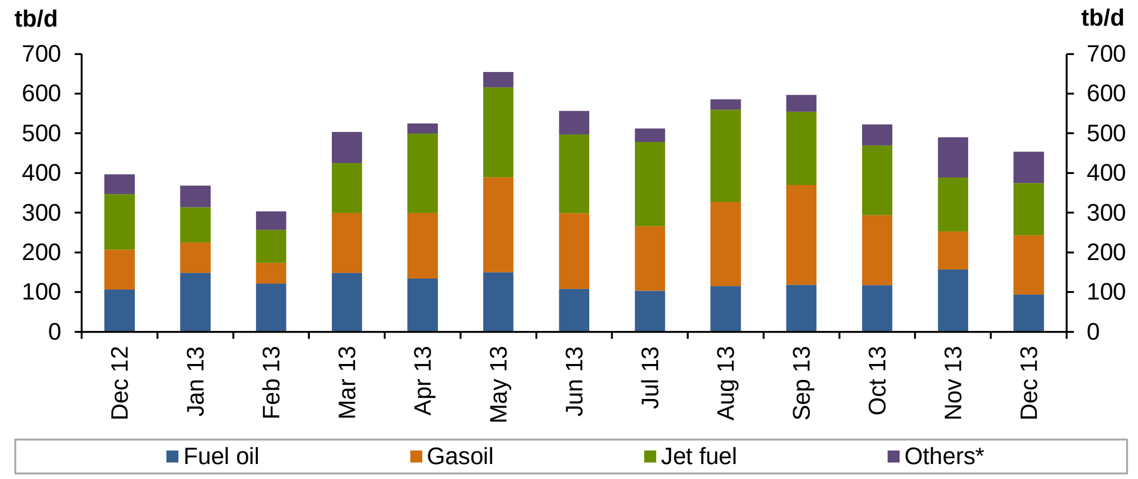
Graph 8.3: Japan's imports of crude and petroleum products



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

Saudi Arabia, the UAE and Qatar were the top suppliers to Japan in December. Saudi Arabia, as seen previously, was the top crude supplier to Japan, representing 32% of the country's total crude imports. The UAE was the second largest supplier to Japan, with a share of 20% of its imports, while Qatar held the third position in December with a share of 12%. Volumes from Saudi Arabia and the UAE were lower than one month earlier. Qatar saw a 3% increase in volumes exported to Japan from the previous month. Kuwait increased its exports to Japan by 79 tb/d or 38% from a month earlier. On the other hand, product imports dropped in December by 87 tb/d to average 641 tb/d, a decline of 12% m-o-m and 9% y-o-y.

Graph 8.4: Japan's exports of petroleum products



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

Similarly, Japan's product sales dropped by 4% in December from the same month one year ago. Japan's product exports in December declined by 36 tb/d or 7% to average 454 tb/d, the lowest since February 2013. A y-o-y comparison reflected a gain of 57 tb/d or 14%.

Accordingly, Japan's net imports increased in December by 99 tb/d to average 4.1 mb/d, reflecting a monthly gain of 2.5%. However, a total annual drop of 164 tb/d or 4% was registered.

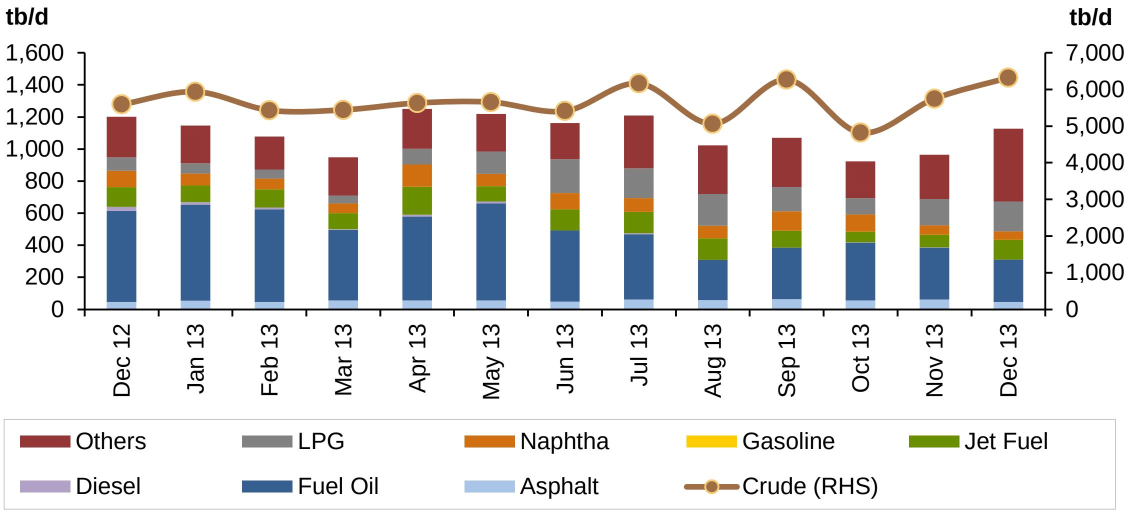
Table 8.2: Japan's crude and product net imports, tb/d

	Oct 13	Nov 13	Dec 13	*Change* Dec/Nov
Crude oil	3,186	3,721	3,871	150
Total products	67	238	187	-51
Total crude and products	**3,253**	**3,959**	**4,058**	**99**

China

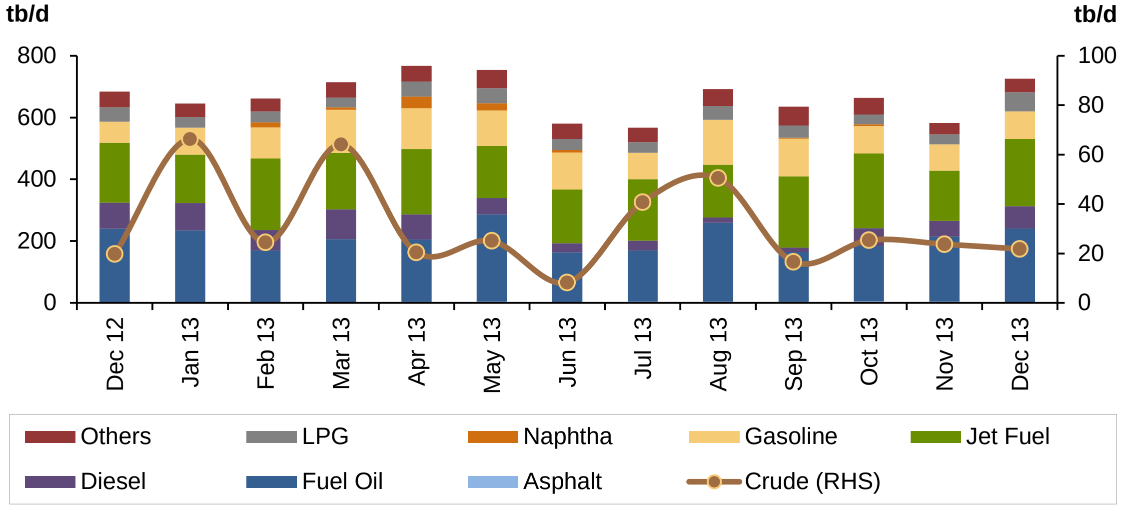
China's crude oil imports increased for the second consecutive month in December by 574 tb/d or 10% from the previous month to average 6.3 mb/d. An annual comparison shows China's crude imports increased by 733 tb/d, 13% higher than the previous year's levels. For 2013, the figures reflect an increase of 234 tb/d or 4%. Saudi Arabia, Angola, Oman and Iraq were the top suppliers to China in December, accounting for 15%, 15%, 11% and 9%, respectively. Volumes exported from Saudi Arabia were slightly lower than seen last month, down by 5%, while volumes from Angola, Oman and Iraq increased by 81%, 23% and 8%, respectively.

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



However, Chinese product imports increased in December by 161 tb/d over the previous month, though they dropped by 74 tb/d from one year earlier to average, 1.1 mb/d, the highest level seen since July of last year.

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



China's crude exports dropped in December by 2 tb/d to average 22 tb/d, while Chinese product exports saw an increase of 143 tb/d or 24% m-o-m and 41 tb/d or 6% y-o-y. This increase in product exports came as a result of higher exported volumes of jet fuel, fuel oil and diesel. **As a result, China's net oil imports increased by 592 tb/d or 10% over the previous month and 615 tb/d or 10% from one year earlier.**

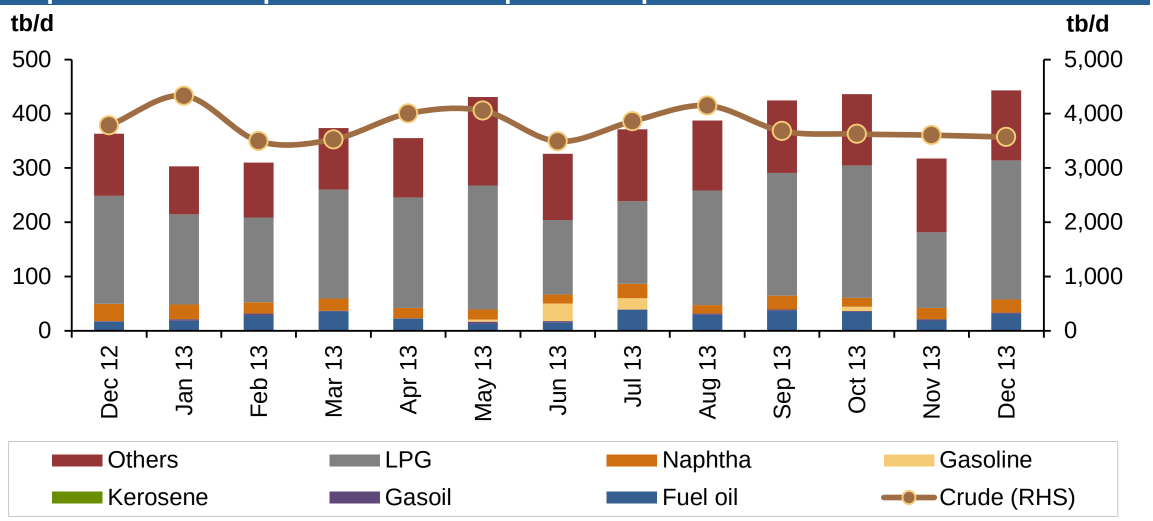
Table 8.3: China's crude and product net imports, tb/d

	Oct 13	Nov 13	Dec 13	*Change* Dec/Nov
Crude oil	4,795	5,725	6,301	576
Total products	260	383	401	18
Total crude and products	**5,055**	**6,107**	**6,702**	**594**

India

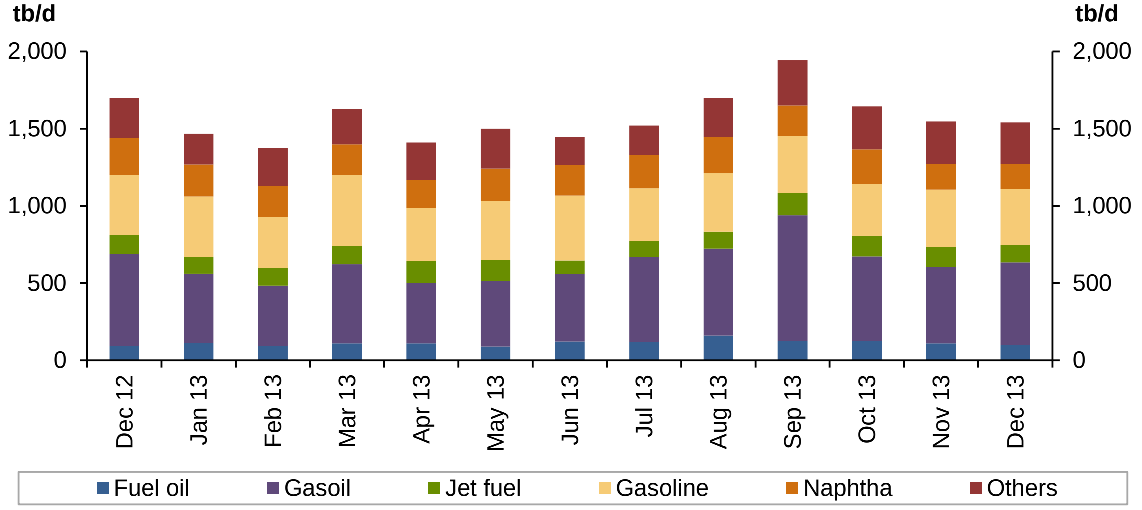
India's crude imports in December declined for the fourth consecutive month, by 36 tb/d or 1%, to average 3.57 mb/d. India's crude imports in December are the lowest since June 2013, reflecting an annual drop of 213 tb/d or 6%.

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



On the product side, India's imports in December saw a decrease of 126 tb/d or 40% m-o-m to average 443 tb/d, the highest since August 2012, while y-o-y they increased by 80 tb/d or 22%. The decrease seen in product imports was mainly caused by greater imported volumes of LPG and fueloil, which increased by 84% and 63%, respectively, over the previous month. No petrol imports were registered for the second month in a row.

Graph 8.8: India's exports of petroleum products



In terms of exports, India's product exports were nearly unchanged compared with last month, averaging 1.42 mb/d. Y-o-y product exports declined by 149 tb/d or 9%. A drop in monthly product exports was registered for all products, with the exception of fuel oil exports, which increased by 5% from the same month last year. **Consequently, Indian net imports increased by 82 tb/d to average 2.58 mb/d, reflecting a gain of 3% m-o-m and 0.6% y-o-y.**

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

	Oct 13	Nov 13	Dec 13	*Change* Dec/Nov
Crude oil	3,627	3,605	3,570	-36
Total products	-1,075	-1,100	-982	118
Total crude and products	**2,553**	**2,505**	**2,588**	**82**

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

FSU

In December, total crude oil exports from the FSU dropped by 405 tb/d or 6% to average 6.2 mb/d. Crude exports through Russia's pipeline dropped by 292 tb/d or 7% to average 3.8 mb/d.

Shipments from the Black Sea dropped by 78 tb/d or 11% to average 642 tb/d. Volumes coming through the Baltics dropped as well, by 236 tb/d or 15% the previous month, while Kozmino and Druzhba shipments increased by 3% each. Exports by Russian rail remained stable at the same level seen for the past five months, averaging 9 tb/d. Kazakh oil-by-rail increased over last month by a slight 4 tb/d or 2%. Loadings of CPC blend saw almost no changes from last month, averaging 713 tb/d. FSU total product exports increased by 450 tb/d or 17% from last month to average 3.1 mb/d.

This gain in product exports came on the back of higher exported quantities seen for naphtha, jet fuel, gasoil and fuel oil, which increased from the previous month's levels by 34%, 15%, and 18%, respectively.

Table 8.6: Recent FSU exports of crude and products by sources, tb/d

	2012	1Q 13	2Q 13	3Q 13	4Q 13	Nov 13	Dec 13
Crude							
Russian pipeline							
Black Sea	858	769	752	738	699	720	642
Baltic	1,644	1,574	1,647	1,409	1,554	1,593	1,357
Druzhba	1,079	991	1,020	1,063	1,055	1,051	1,082
Kozmino	330	439	433	437	429	446	432
Total	**4,218**	**4,086**	**4,152**	**3,984**	**4,070**	**4,140**	**3,848**
Other routes							
Russian rail**	15	12	9	9	9	9	9
Kazakh rail	131	183	169	194	212	206	210
Russian - Far East	260	243	261	252	282	287	301
Varandey	62	103	109	120	113	105	116
Kaliningrad	20	18	21	18	18	20	23
CPC	654	672	703	707	732	709	713
BTC	655	580	714	636	609	672	576
Kenkiyak-Alashankou	214	240	236	222	262	259	233
Caspian	174	176	182	124	134	163	136
Total crude exports	**6,403**	**6,313**	**6,555**	**6,265**	**6,441**	**6,570**	**6,165**
Products							
Gasoline	130	141	123	109	114	115	104
Naphtha	311	339	355	433	432	396	531
Jet	7	14	16	8	7	8	1
Gasoil	784	977	875	822	753	734	846
Fuel oil	1,336	1,339	1,557	1,463	1,302	1,210	1,427
VGO	242	219	288	311	236	220	224
Total	**2,810**	**3,029**	**3,214**	**3,145**	**2,843**	**2,683**	**3,133**
Total oil exports	**9,213**	**9,342**	**9,769**	**9,410**	**9,284**	**9,253**	**9,298**

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

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

Stock Movements

OECD commercial stocks fell in December due to increasing refinery runs, improving demand during the winter season and year-end taxes, to stand at 69 mb below the five-year average. However, the picture differs between crude and products; crude showed a surplus of 41 mb, while products experienced a deficit of 110 mb. In terms of days of forward cover, OECD commercial stocks fell by 0.2 days in December to stand at 56.7 days. This is around 0.4 days above the latest five-year average. Preliminary data for January indicated a drop in US commercial stocks, concentrated in products. Distillate inventories saw the bulk of this fall driven by rising demand for heating oil. With this drop, US commercial inventories stood at 44 mb below the latest five-year average, however, crude remained 8 mb above the seasonal norm. Total Chinese oil commercial inventories rose by 2.2 mb in December, driven by an increase of 4.2 mb in products, while crude abated this build, declining by 2.0 mb. The drop in crude commercial stocks was primarily due to higher crude throughput.

OECD

Preliminary data for December show that **total OECD commercial oil stocks** declined by 33 mb for the third consecutive month to stand at 2,592 mb. At this level, inventories were around 72 mb below the same period of the previous year and showed a deficit of 69 mb compared with the five-year average.

Within the components, typical year-end tax issues combined with higher refinery runs contributed to a crude stock draw for refiners of 22.4 mb, while better-than-expected demand led to a product stock draw of 10.6 mb. At 1,277 mb, OECD crude commercial inventories stood 40.7 mb above the seasonal norm, and 21.7 mb higher than the same period a year ago. In contrast, product stocks stood at 1,315 mb, indicating a deficit of 110 mb with the five-year average, and coming in around 94 mb lower than the same time one year earlier.

In terms of **days of forward cover**, OECD commercial stocks fell by 0.2 days in December to stand at 56.7 days. This is around 0.4 days lower than the five-year average, and around 1.4 days below the same month last year. OECD Americas was 0.2 days above the historical average at 55.4 days in December and OECD Europe stood at 0.3 days above the seasonal average to finish the month at 67.8 days. Meanwhile, OECD Asia-Pacific indicated a deficit of 1.1 days, averaging 43.7 days.

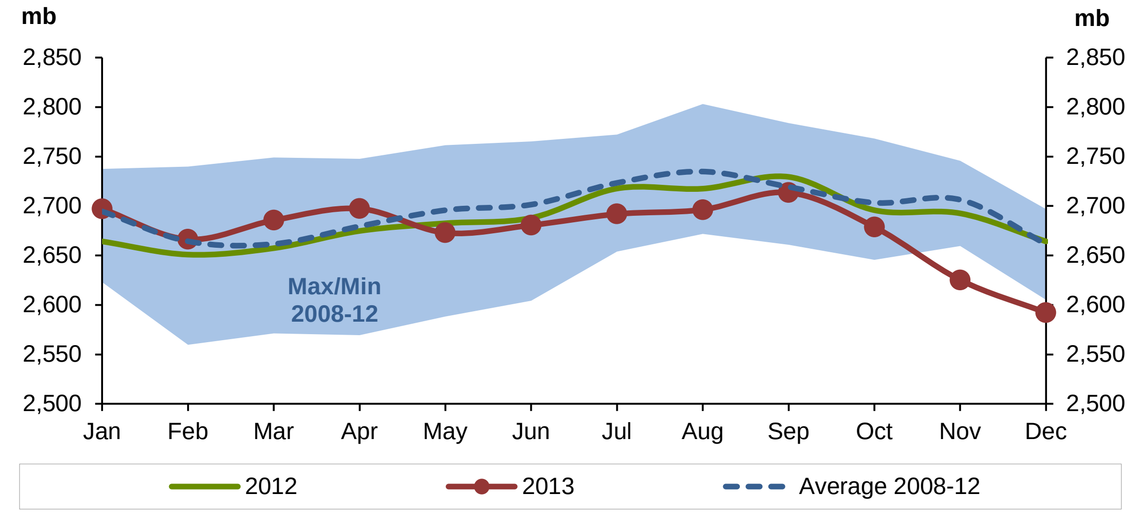
In December, **commercial stocks** in **OECD Americas** fell by 33.0 mb for the third consecutive month to stand at 1,323 mb. Despite this drop, inventories were 9.7 mb above the seasonal norm, though they stood 43 mb below what they were a year ago at the same time.

At the end of December, **crude commercial oil stocks** in **OECD Americas** fell by 18.6 mb versus the previous month to stand at 677 mb. Despite this drop, OECD Americas' crude oil commercial stocks finished the month at 56 mb above the latest five-year average and 15 mb above a year ago at the same time.

The drop in OECD Americas' commercial crude oil stocks came from higher refinery crude runs, especially in the US as they increased by nearly 500,000 b/d to stand at around 16.1 mb/d over a month earlier. Refineries operated at 92.3% of capacity, up from 89.7% seen in the previous month. A fall in crude oil imports also contributed to a

stock draw in US commercial crude oil stocks. It should be highlighted that by the end of each year, refineries withdraw stocks for tax purposes.

Graph 9.1: OECD's commercial oil stocks



OECD Americas' product stocks also fell in December, declining by 10.0 mb to finish at 646 mb. This represents a deficit of 46 mb below the seasonal norm, and 58 mb below the same time a year ago. The bulk of the drop came from 'other products', as gasoline and middle distillates experienced a build. However, gasoline and distillate stocks ended December lower than at the end of 2012 by 5 mb and 24 mb, respectively. Distillate inventories remained tight in OECD Americas, indicating a deficit of 41 mb with the latest five-year average. This deficit could widen if cold weather conditions continue in the coming months, resulting in greater stock draws of heating oil. In contrast, gasoline stocks stood at 6 mb above the latest five-year average.

In December, **OECD Europe's commercial stocks** rose slightly by 1.7 mb, reversing the drop of the past two months. At 884 mb, OECD Europe's commercial stocks stood at 71.0 mb below the seasonal norm, and 18.4 mb less than one year ago at the same time.

OECD Europe's crude oil stocks fell in December by 2.2 mb, following a drop of 10 mb in November. At 384 mb, crude oil stocks indicated a deficit of 4.6 mb below the seasonal norm, while they stood 16.4 mb above the same time one year ago. This drop is mainly due to lower supply outpacing the decline of refinery throughputs.

In contrast, **OECD Europe's commercial product stocks** rose by 3.9 mb in December, reversing the fall of the last three months. At 500 mb, OECD Europe commercial product inventories showed a deficit of 67 mb below the seasonal norm and stood at 35 mb below a year ago at the same time. The major products — namely gasoline and distillates — saw a build of around 2 mb each, driven by lower gasoline exports to the US East Coast and higher distillate imports from the US and Russia.

Commercial inventories in **OECD Asia-Pacific** fell by 6.1 mb in December, after declining by 12.3 mb in November. At 386 mb, they were 11.2 mb below the same period a year ago and 8.0 mb lower than the five-year average. Within the components, both crude and product inventories declined, by 1.6 mb and 4.5 mb, respectively. **Crude inventories** ended the month of December at 216 mb and stood at 10 mb below one year ago and 4.6 mb lower than the seasonal norm. OECD Asia-Pacific's

total **product inventories** indicated a deficit of 1.1 mb compared with one year ago, but showed a surplus of 2.4 mb with the seasonal norm.

Table 9.1: OECD's commercial stocks, mb

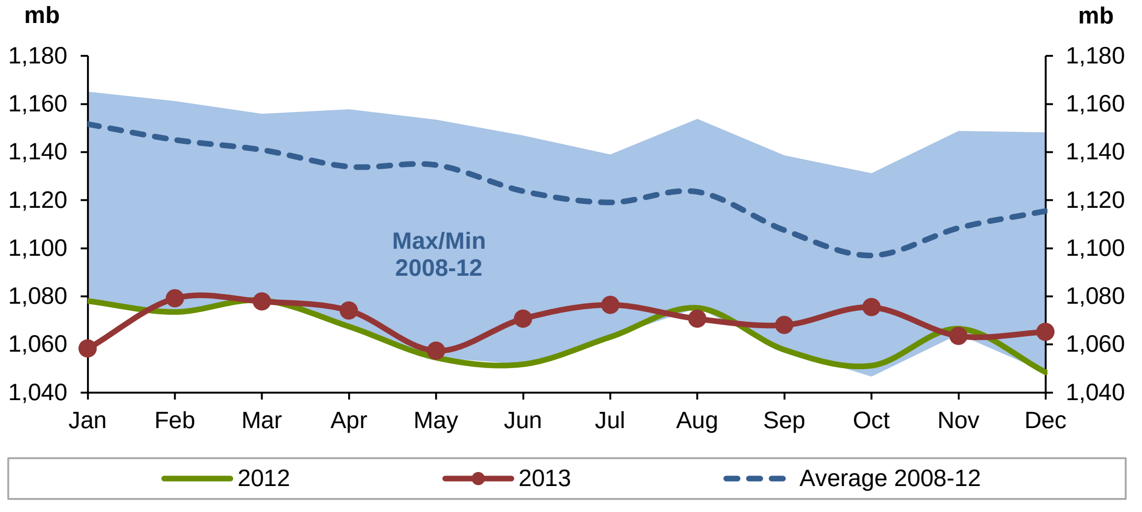
	Oct 13	Nov 13	Dec 13	*Change* Dec 13/Nov 13	Dec 12
Crude oil	1,320	1,299	1,277	-22.4	1,255
Products	1,359	1,326	1,315	-10.6	1,409
Total	**2,679**	**2,625**	**2,592**	**-33.0**	**2,664**
Days of forward cover	**58.0**	**56.8**	**56.7**	**-0.2**	**58.1**

EU plus Norway

Preliminary data for December shows that **European stocks** rose by 1.7 mb, reversing a fall of 11.9 mb in November. At 1,065.2 mb, European stocks stood at 16.8 mb or 1.6% higher than the same time one year ago, but remained at 37.0 mb or 3.4% below the five-year average. Products saw a stock build of 3.9 mb, while crude oil stocks dropped by 2.2 mb.

European crude inventories fell in December for the second consecutive month to stand at 466.1 mb. Crude inventories were still 18.4 mb or 4.1% above the same period last year, but 6.8 mb or 1.5% less than the latest five-year average. The drop in crude oil stocks came mainly on the back of lower supply, as European refinery crude runs declined by 70,000 b/d in December versus November to average 9.6 mb/d. At this level, the refinery utilisation rate remained 80% below capacity for the fourth consecutive month.

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



In contrast, **OECD Europe's product stocks** rose by 3.9 mb in December, reversing the fall of the last fourth months to stand at 599.1 mb. Despite this build, European stocks were 1.7 mb or 0.3% below the same level one year ago and 43.9 mb or 6.8% below the seasonal norm. Within products, the picture was mixed; distillate, gasoline and naphtha saw a build, while residual oil experienced a drop.

Gasoline stocks rose by 1.6 mb in December to stand at 108.6 mb, a surplus of 1.8 mb or 1.7% over a year ago but 7.1 mb or 6.1% less than the five-year average. The

December build in gasoline stocks came mainly from lower gasoline exports to the US East Coast as inventories remained high in this region. Low seasonal domestic demand in Europe also contributed to the build in gasoline stocks. However, a fall in refinery runs limited a further build in gasoline inventories.

Distillate stocks also rose by 1.1 mb, reversing the fall of the previous three months and ending December at 385.5 mb. At this level, distillate stocks showed a surplus of 7.7 mb or 2.0% over one year earlier, but remained 7.9 mb or 2.0% below the seasonal norm. Higher distillate imports from the US and Russia contributed to the build in distillate stocks, but increasing demand for heating oil limited the build.

Naphtha stocks rose by 1.8 mb in December, reversing the fall of last month to stand at 24.6 mb. At this level, they remained 5.4 mb or 6.7% below a year ago at the same time and 21.6 mb or 22.6% below the five-year average. **Residual fuel oil** stocks fell by 0.6 mb, ending December at 80.3 mb. At this level, they were 5.8 mb or 5.0% below the same time the previous year and 21.6 mb or 21.2% less than the seasonal average. Higher exports to Asia-Pacific, along with a reduction in fuel output, were the main reasons behind the fall in residual fuel inventories.

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

	Oct 13	Nov 13	Dec 13	*Change* Dec 13/Nov 13	Dec 12
Crude oil	**472.9**	**468.3**	**466.1**	**-2.2**	**447.7**
Gasoline	110.5	107.0	108.6	1.6	106.8
Naphtha	24.2	22.9	24.6	1.8	30.0
Middle distillates	387.0	384.4	385.5	1.1	377.8
Fuel oils	80.9	80.9	80.3	-0.6	86.1
Total products	602.6	595.2	599.1	3.9	600.8
Total	**1,075.5**	**1,063.5**	**1,065.2**	**1.7**	**1,048.5**

Source: Argus and Euroilstock.

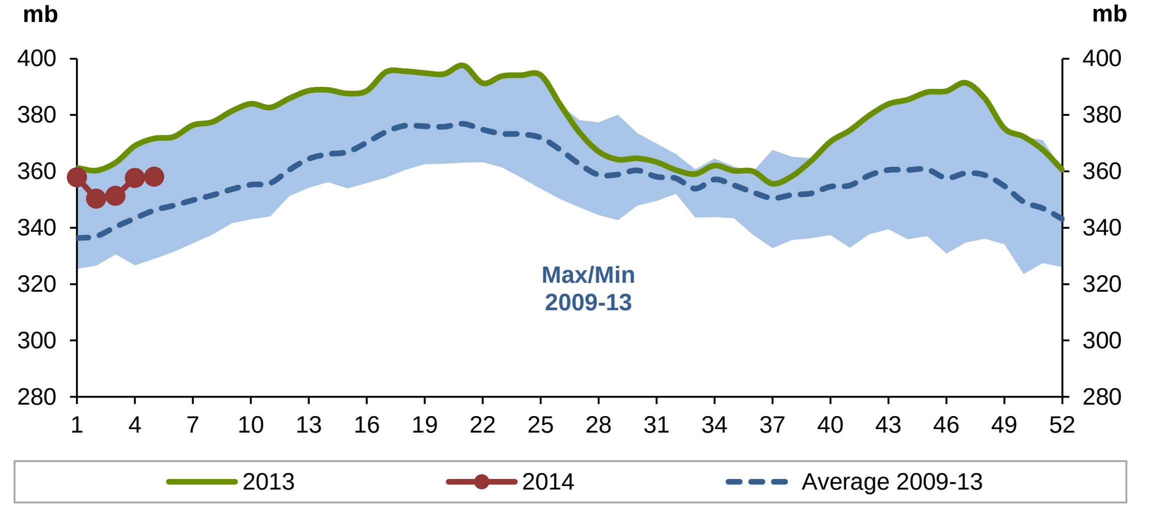
US

Preliminary data for January shows that **US total commercial oil stocks** fell by 23.3 mb for the fourth consecutive month to stand at 1,033.6 mb. With this drop, inventories stood at 43.6 mb or 4.0% below the latest five-year average, indicating a deficit of 83.1 mb or 7.4% compared with one year ago. The total stock draw came from products, as crude remained almost unchanged.

US commercial crude stocks saw a minor build of 0.2 mb, reversing the drop of the last two months to end January at 358.1 mb. At this level, US crude oil commercial stocks finished the month at 8.0 mb, or 2.3% above the five-year average, while they were 19.6 mb, or 5.2% lower than one year ago at the same time.

US commercial crude oil stocks were almost unchanged in January. Us crude oil imports rose slightly to average 7.4 mb/d. At this level they were also 500,000 b/d lower than the same period last year. At the same, refinery crude runs fell by around 700,000 b/d to stand at 15.6 mb/d. Refineries operated at 88.6% of capacity, down from 92.3% the previous month. In contrast to a slight total crude stock build in the US in January, inventories at **Cushing, Oklahoma,** dropped in the last two weeks of the month, driven by new pipeline connections, which began to drain stocks in the midcontinent. Cushing stocks fell 1.5 mb to end January at 40.28 mb.

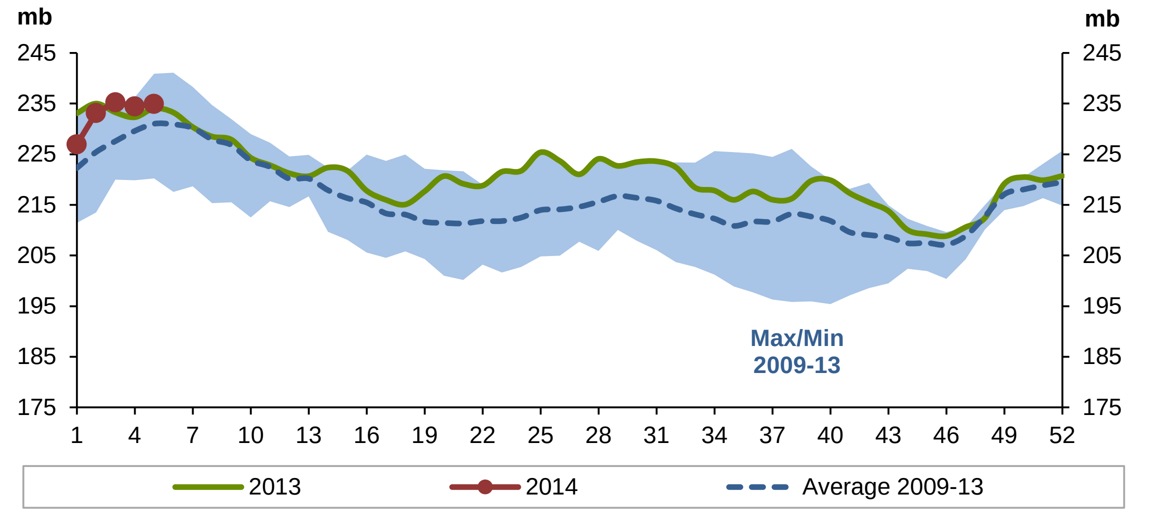
Graph 9.3: US weekly commercial crude oil stocks



Total product stocks fell by 23.5 mb in January for the fourth consecutive month, ending the month at 675.5 mb. With this fall, US product stocks stood at 83.1 mb or 7.4% below a year ago at the same time, representing a deficit of 43.6 mb or 4.0% below the seasonal norm. Within products, the bulk of the decline came from distillates, propylene and unfinished products, while gasoline saw a build.

Gasoline stocks rose by 8.0 mb in January for the third consecutive month, ending the month at 235.0 mb. With this build, gasoline stock numbers are in line with the same period one year ago, and they remained 3.7 mb or 1.6% above the latest five-year average. A drop of around 560,000 b/d in apparent demand was behind the stock build in gasoline inventories. Lower gasoline output limited a further build in gasoline stocks.

Graph 9.4: US weekly gasoline stocks



Distillate stocks fell by 11.2 mb in January, reversing the build of the previous two months to stand at 113.8 mb. At this level, distillate stocks stood at 17.5 mb or 13.3% below a year ago and remained at 36.0 mb or 24.0% lower than the seasonal average. The fall in middle distillate stocks came mainly from stronger apparent demand, which rose to nearly 4.0 mb/d, around 300,000 b/d higher than in the previous month. Continued cold weather and early maintenance scheduled by some refiners in the coming weeks will likely lead to a further stock draw, keeping distillate markets tight.

Residual fuel oil stocks rose slightly by 0.2 mb to finish the month of January at 37.9 mb, 2.5 mb or 6.9% higher than a year ago and 1.4 mb or 4.0% above the seasonal norm. In contrast, jet fuel stocks fell by 1.3 mb in January to stand at 36.2 mb, remaining 3.5 mb or 8.9% lower than the same month one year ago and 5.5 mb or 13.2% below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

	Nov 13	Dec 13	Jan 14	*Change* Jan 14/Dec 13	Jan 13
Crude oil	376.5	357.9	358.1	0.2	377.7
Gasoline	217.1	227.0	235.0	8.0	234.5
Distillate fuel	121.3	125.0	113.8	-11.2	131.3
Residual fuel oil	35.8	37.7	37.9	0.2	35.4
Jet fuel	37.0	37.4	36.2	-1.3	39.7
Total	**1,095.8**	**1,056.9**	**1,033.6**	**-23.3**	**1,116.7**
SPR	696.0	696.0	696.0	0.0	695.8

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

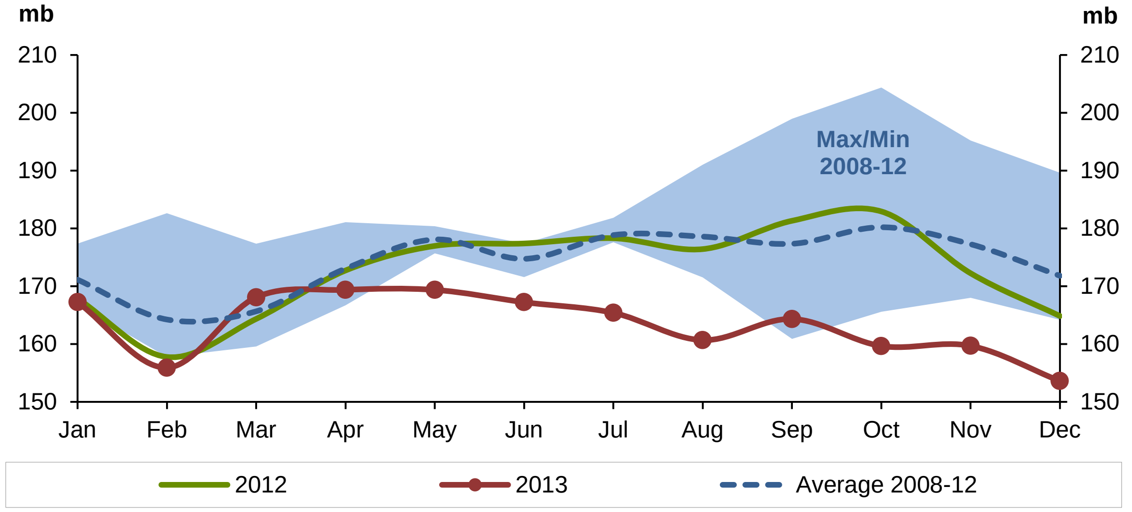
Japan

In December, total **commercial oil stocks** declined by 6.1 mb to stand at 153.6 mb. As this level, Japanese oil inventories are 11.2 mb or 6.8% below one year ago and 18.2 mb or 10.6% lower than the five-year average. Within the components, both crude and products dropped, by 1.6 mb and 4.5 mb, respectively.

Japanese commercial **crude oil stocks** declined in December, reversing the previous month's build, to stand at 88.0 mb. At this level, they are 9.0 mb or 9.4% below a year ago at the same time and 11.4 mb or 11.5% below the five-year average. The stock draw in crude oil was driven by higher crude throughput, which rose by around 190,000 b/d or 5.4%, to average 3.7 mb/d. At this level, crude throughput was also 0.5% higher than last year at the same time. Japanese refiners were running at 86.3% of capacity in December, around 0.8 pp higher than in the previous month, and 3.0 pp more than in the same period one year ago. Higher crude oil imports in December limited a further stock draw in Japanese inventories. Indeed, crude oil imports rose by around 150,000 b/d or 4.0% from the previous month, but remained 1.1% less than last year in the same period. Direct crude burning in power plants saw an increase of 5.4% in December compared with the previous month, averaging 234,500 b/d; they are also 0.5% higher than in the same period last year.

Japan's total product inventories saw a drop of 4.5 mb in December for the fourth consecutive month to stand at 65.6 mb. At this level, product stocks showed a deficit of 2.2 mb or 3.3% compared with one year ago at the same time and remained below the five-year average by a deficit of 6.8 mb or 9.4%. Higher domestic sales, which rose by 440,000 b/d or 9.7% in December, averaging 3.9 mb/d, were behind the drop in product inventories. A decline in oil product imports by 12% also contributed to the fall in product inventories. With the exception of residual fuel oil, all products witnessed a draw, with the bulk coming from naphtha.

Graph 9.5: Japan's commercial oil stocks



Naphtha stocks fell by 2.4 mb, finishing the month of December at 8.0 mb, indicating a deficit of 2.3 mb or 22.4% compared with a year ago and 3.2 mb or 28.3% below the seasonal norm. The stock draw came mainly from higher domestic sales — which increased by 5.8% — combined with lower imports; they declined by almost 20%. Higher production limited a further draw in naphtha inventories.

Distillate stocks fell by 1.7 mb in December for the fourth consecutive month, to finish at 32.1 mb, which is 3.3 mb or 11.3% above the same period a year ago and almost in line with the seasonal average. Within distillate components, gasoil stocks rose, while kerosene and jet fuel stocks dropped. In December, gasoil inventories rose by 9.8% on the back of higher output. Kerosene stocks fell by 9.2%, on the back of higher domestic sales. Jet fuel stocks also fell by 12.9%, driven by strong outputs.

Gasoline stocks fell by 0.6 mb in December, ending the month at 10.9 mb, which is 1.0 mb or 8.3% less than the same time last year and 1.2 mb or 9.7% below the five-year average. An increase of 8.0% in domestic sales was behind this stock draw. Higher gasoline outputs limited a further drop in gasoline stocks.

Total residual **fuel oil stocks** went up by 0.7 mb to end the month of December at 14.5 mb, which is 2.2 mb or 13.1% less than one year ago and 2.2 mb or 13.0% lower than the five-year average. Within the fuel oil components, fuel oil A stocks rose by 5.3%, while and fuel oil B.C declined slightly by 0.4%. The build in fuel oil A stocks could be attributed to higher output outpacing the increase in domestic sales, while the stock draw in fuel oil B.C is solely attributed to higher demand.

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

	Oct 13	Nov 13	Dec 13	*Change* Dec 13/Nov 13	Dec 12
Crude oil	**89.1**	**89.6**	**88.0**	**-1.6**	**97.1**
Gasoline	11.8	11.5	10.9	-0.6	11.9
Naphtha	9.8	10.4	8.0	-2.4	10.3
Middle distillates	34.1	33.8	32.1	-1.7	28.9
Residual fuel oil	15.0	14.3	14.5	0.2	16.7
Total products	**70.6**	**70.1**	**65.6**	**-4.5**	**67.8**
Total**	**159.7**	**159.7**	**153.6**	**-6.1**	**164.9**

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

China

The latest information showed **Chinese total oil commercial inventories** rose by 2.2 mb in December, reversing the drop of the past three months to stand at 360.0 mb. Within components the picture is mixed; commercial crude fell by 2.0 mb for the third consecutive month, while product inventories rebounded by 4.2 mb after a five-month drawdown.

This drop in **crude commercial stocks** came mainly from higher crude throughput. It increased by 4.6% from the previous month, as an increase in crude oil imports limited further stock draw in crude commercial inventories.

In contrast, total **product stocks** in China went up in December, with the bulk of the build coming from gasoline's increase of 1.6 mb. Diesel and kerosene stocks rose by 1.3 mb each.

Table 9.5: China's commercial oil stocks, mb

	Oct 13	Nov 13	Dec 13	*Change* Dec 13/Nov 13	Dec 12
Crude oil	**238.1**	**231.3**	**229.3**	**-2.0**	**224.5**
Gasoline	55.3	55.1	56.7	1.6	62.8
Diesel	61.2	59.0	60.2	1.3	67.9
Jet kerosene	13.5	12.4	13.7	1.3	12.2
Total products	**130.0**	**126.5**	**130.7**	**4.2**	**142.9**
Total	**368.1**	**357.8**	**360.0**	**2.2**	**367.4**

Source: China oil, gas and petrochemicals.
OPEC Secretariat analysis

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of December, **product stocks in Singapore** dropped by 0.1 mb for the fourth consecutive month. At 38.0 mb, product stocks in Singapore represented a deficit of 1.3 mb or 3.3% over the same period the previous year. Within the products, the picture was mixed; light and middle distillates saw a build, while residual fuel oil experienced a drop.

Residual fuel oil reversed last month's build, falling by 1.2 mb in December to stand at 19.3 mb. Despite this stock draw, fuel oil stocks remained at 0.3 mb or 1.5% higher than the same month one year ago. This drop was driven by higher exports outpacing import volumes.

Light distillate stocks rose by 0.5 mb in December, reversing the build of the last two months to stand at 10.8 mb. At this level, light distillate stocks stood 0.8 mb or 8.0% higher than one year ago over the same period. The build mainly took place in the first three weeks of the month, as inventories fell in the last week following the shutdown of Taiwan Formosa's residue fluid catalytic cracker and thus limiting exports to Singapore.

Middle distillate stocks also rose by 0.7 mb in December, ending the month at 7.9 mb, which is 2.4 mb or 23.2% less than the same period last year. This build is mainly driven by higher diesel imports from China to Singapore.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) rose by 4.1 mb in December, reversing the fall of last two months. At 26.2 mb, product stocks in ARA stood at 2.3 mb or 8.0% above a year ago at the same time. Within the products, all experienced a build, with the bulk coming from gasoline.

Gasoline stocks rose by 1.7 mb in December, following a build the previous month and ending the month at 7.2 mb, which is 1.9 mb or 35% higher than the same period last year. **Gasoil** stocks also rose by 1.0 mb, ending December at 13.4 mb. At this level, gasoil stocks stood at 0.8 mb or 5.5 mb below those of the previous year. **Fuel oil** stocks saw a build of 0.3 mb to end the month of December at 5.0 mb. Despite this build, fuel oil inventories remained 0.8 mb or 13.1% lower than one year ago at the same time. This build was driven mainly by higher imports. **Naphtha stocks** also went up by 0.4 mb, reversing the fall of one month ago to finish December at 1.1 mb, which is 0.3 mb or nearly 33% higher than in the same month one year earlier.

Balance of Supply and Demand

Demand for OPEC crude remained unchanged in 2013 and 2014, however some upward revisions were observed during 4Q13. The demand for OPEC crude is estimated at 29.9 mb/d in 2013, representing a decrease of 0.5 mb/d from the 2012 level. In 2014, required OPEC crude is forecast at 29.6 mb/d, 0.3 mb/d less than last year.

Estimate for 2013

Demand for OPEC crude in 2013 remained unchanged from the previous report as world oil demand and non-OPEC supply saw minor adjustments. Within the quarters, the first three quarters were unchanged, while 4Q was revised up by 0.1 mb/d. Demand for OPEC crude stood at 29.9 mb/d in 2013, representing a decrease of 0.5 mb/d from the year ago level. 1Q is estimated to fall by 0.2 mb/d versus the same quarter of the previous year, and 2Q and 3Q are expected to see negative growth of 0.5 mb/d and 0.9 mb/d, respectively. 4Q is estimated to drop by 0.7 mb/d versus the same quarter of the previous year.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013
(a) World oil demand	**88.92**	**88.93**	**89.05**	**90.54**	**91.01**	**89.89**
Non-OPEC supply	52.87	53.83	53.68	54.15	54.90	54.14
OPEC NGLs and non-conventionals	5.57	5.76	5.78	5.81	5.85	5.80
(b) Total supply excluding OPEC crude	**58.44**	**59.59**	**59.47**	**59.97**	**60.75**	**59.95**
Difference (a-b)	**30.48**	**29.34**	**29.58**	**30.57**	**30.26**	**29.94**
OPEC crude oil production	31.13	30.22	30.58	30.37	29.67	30.21
Balance	0.65	0.87	1.00	-0.20	-0.59	0.27

Totals may not add up due to independent rounding.

Forecast for 2014

Demand for OPEC crude in 2014 remained unchanged from the previous report to stand at 29.6 mb/d as both world oil demand and non-OPEC supply both saw similar upward revisions. Within the quarters, all quarters remained unchanged. The demand for OPEC crude is forecast at 29.6 mb/d in 2014, representing a decrease of 0.3 mb/d from the previous year's level. 1Q and 2Q are estimated to show a decline of 0.2 mb/d and 0.4 mb/d, respectively, versus the same period a year earlier. 3Q is expected to see negative growth of 0.2 mb/d, while 4Q is forecast to drop much higher, by 0.7 mb/d, versus the same quarter of the previous year.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014
(a) World oil demand	**89.89**	**90.00**	**90.03**	**91.77**	**92.09**	**90.98**
Non-OPEC supply	54.14	54.94	54.91	55.39	56.48	55.43
OPEC NGLs and non-conventionals	5.80	5.88	5.93	5.97	6.01	5.95
(b) Total supply excluding OPEC crude	**59.95**	**60.82**	**60.84**	**61.36**	**62.49**	**61.38**
Difference (a-b)	**29.94**	**29.18**	**29.19**	**30.41**	**29.61**	**29.60**
OPEC crude oil production	30.21					
Balance	0.27					

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

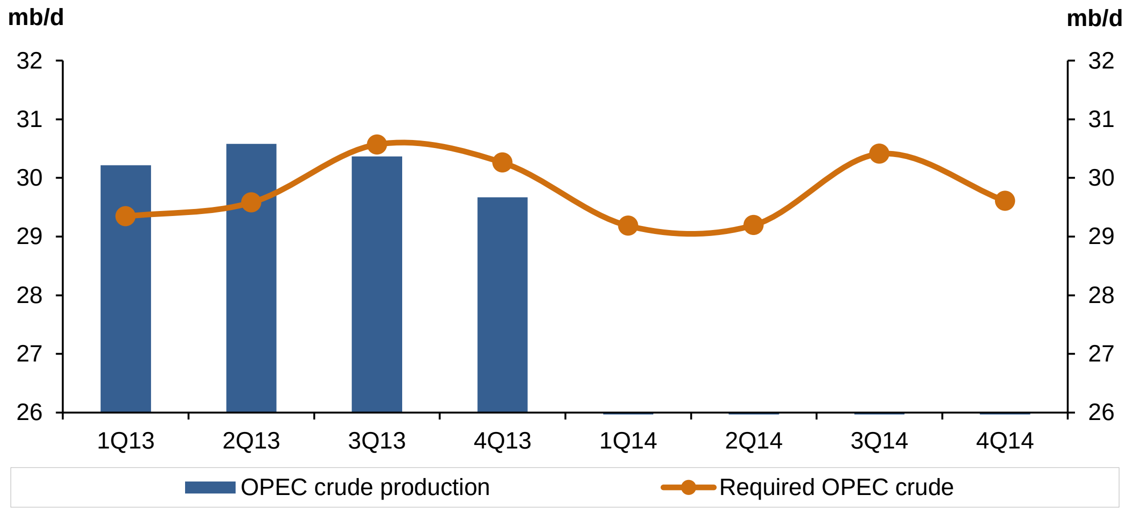


Table 10.3: World oil demand and supply balance, mb/d

	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
World demand													
OECD	47.0	46.5	46.0	45.9	45.3	46.0	46.1	45.8	45.7	45.1	45.9	45.9	45.7
Americas	24.1	24.0	23.6	23.7	23.8	24.1	24.0	23.9	23.9	23.9	24.3	24.1	24.1
Europe	14.7	14.3	13.7	13.2	13.8	13.8	13.5	13.6	13.1	13.5	13.7	13.3	13.4
Asia Pacific	8.2	8.2	8.6	8.9	7.8	8.1	8.6	8.4	8.8	7.7	7.9	8.5	8.2
DCs	26.5	27.3	28.2	28.3	28.8	29.4	29.0	28.9	29.1	29.5	30.3	29.8	29.7
FSU	4.2	4.3	4.4	4.3	4.2	4.6	4.8	4.5	4.4	4.3	4.7	4.9	4.6
Other Europe	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	9.0	9.4	9.7	9.8	10.2	9.9	10.4	10.1	10.1	10.5	10.3	10.7	10.4
(a) Total world demand	**87.3**	**88.1**	**88.9**	**88.9**	**89.0**	**90.5**	**91.0**	**89.9**	**90.0**	**90.0**	**91.8**	**92.1**	**91.0**
Non-OPEC supply													
OECD	20.0	20.2	21.1	21.7	21.7	22.3	22.6	22.0	22.6	22.5	22.8	23.5	22.9
Americas	15.0	15.5	16.7	17.6	17.6	18.3	18.5	18.0	18.6	18.7	19.1	19.5	19.0
Europe	4.4	4.1	3.8	3.6	3.6	3.5	3.6	3.6	3.5	3.3	3.2	3.5	3.4
Asia Pacific	0.7	0.6	0.6	0.4	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5
DCs	12.7	12.6	12.1	12.2	12.1	12.1	12.2	12.1	12.2	12.3	12.4	12.5	12.4
FSU	13.2	13.2	13.3	13.4	13.4	13.4	13.6	13.4	13.6	13.5	13.6	13.8	13.6
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	4.1	4.1	4.2	4.2	4.3	4.1	4.3	4.2	4.3	4.2	4.3	4.3	4.3
Processing gains	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	52.3	52.4	52.9	53.8	53.7	54.2	54.9	54.1	54.9	54.9	55.4	56.5	55.4
OPEC NGLs + non-conventional oils	5.0	5.4	5.6	5.8	5.8	5.8	5.9	5.8	5.9	5.9	6.0	6.0	5.9
(b) Total non-OPEC supply and OPEC NGLs	**57.3**	**57.8**	**58.4**	**59.6**	**59.5**	**60.0**	**60.8**	**59.9**	**60.8**	**60.8**	**61.4**	**62.5**	**61.4**
OPEC crude oil production (secondary sources)	29.2	29.8	31.1	30.2	30.6	30.4	29.7	30.2					
Total supply	86.5	87.6	89.6	89.8	90.0	90.3	90.4	90.2					
Balance (stock change and miscellaneous)	-0.7	-0.5	0.7	0.9	1.0	-0.2	-0.6	0.3					
OECD closing stock levels (mb)													
Commercial	2,679	2,605	2,664	2,686	2,681	2,714	2,592	2,592					
SPR	1,565	1,536	1,547	1,562	1,558	1,564	1,569	1,569					
Total	4,244	4,141	4,212	4,247	4,239	4,277	4,162	4,162					
Oil-on-water	871	825	879	895	871	878	909	909					
Days of forward consumption in OECD													
Commercial onland stocks	58	57	58	59	58	59	57	57					
SPR	34	33	34	34	34	34	34	34					
Total	91	90	92	94	92	93	91	91					
Memo items													
FSU net exports	9.1	8.9	8.8	9.1	9.2	8.8	8.7	8.9	9.1	9.2	8.9	8.9	9.1
(a) - (b)	**30.0**	**30.3**	**30.5**	**29.3**	**29.6**	**30.6**	**30.3**	**29.9**	**29.2**	**29.2**	**30.4**	**29.6**	**29.6**

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

	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
Americas	-	-	-	-	-	-	0.1	-	-	-	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	0.1	-	-	0.1	0.1	0.1	0.1
World demand growth	-	-	-	-	-	-	0.1	-	-	0.1	-	0.1	-
Non-OPEC supply													
OECD	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Americas	-	-	-	-	-	-	-0.1	-	-	-	-	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	0.1	-	-	-	-	-	-
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
Total non-OPEC supply growth	-	-	-	-	-	-	-	-	-0.1	-	0.1	0.1	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-	-	-	-	0.1	0.1	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	0.1	-					
Total supply	-	-	-	-	0.1	-	0.1	0.1					
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-	-					
OECD closing stock levels (mb)													
Commercial	-	-	-	-	-1	-1	-	-					
SPR	-	-	-	-	-	0	-	-					
Total	-	-	-	-	-1	-1	-	-					
Oil-on-water	-	-	78	-	-	-	-	-					
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	-	0	0	-	-					
SPR	-	-	-	-	-	0	-	-					
Total	-	-	0	-	0	0	-	-					
Memo items													
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	-	0.1	-	-	-	-	-	-

* *This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the January 2014 issue.*
This table shows only where changes have occurred.

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

	2011	2012	2013	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
Closing stock levels, mb												
OECD onland commercial	**2,605**	**2,664**	**2,592**	**2,605**	**2,657**	**2,688**	**2,729**	**2,664**	**2,686**	**2,681**	**2,714**	**2,592**
Americas	1,308	1,365	1,323	1,308	1,335	1,362	1,385	1,365	1,349	1,377	1,401	1,323
Europe	905	902	884	905	943	913	917	902	924	895	900	884
Asia Pacific	392	397	386	392	379	413	428	397	413	409	413	386
OECD SPR	**1,536**	**1,547**	**1,569**	**1,536**	**1,536**	**1,539**	**1,542**	**1,547**	**1,562**	**1,558**	**1,564**	**1,569**
Americas	697	696	697	697	697	697	696	696	697	697	697	697
Europe	426	436	457	426	426	429	433	436	452	452	454	457
Asia Pacific	414	415	416	414	414	413	414	415	413	409	413	416
OECD total	**4,141**	**4,212**	**4,162**	**4,141**	**4,194**	**4,227**	**4,272**	**4,212**	**4,247**	**4,239**	**4,277**	**4,162**
Oil-on-water	**825**	**879**	**909**	**825**	**787**	**812**	**844**	**879**	**895**	**871**	**878**	**909**
Days of forward consumption in OECD												
OECD onland commercial	**57**	**58**	**57**	**56**	**58**	**59**	**59**	**58**	**59**	**58**	**59**	**57**
Americas	55	57	55	56	57	57	58	58	57	57	58	55
Europe	66	67	66	66	68	66	67	68	67	65	67	68
Asia Pacific	46	47	47	43	47	50	49	44	53	51	48	44
OECD SPR	**33**	**34**	**34**	**33**	**34**	**34**	**33**	**34**	**34**	**34**	**34**	**34**
Americas	29	29	29	30	30	29	29	29	29	29	29	29
Europe	31	32	34	31	31	31	32	33	33	33	34	35
Asia Pacific	48	50	51	45	51	50	47	46	53	51	48	47
OECD total	**90**	**92**	**91**	**90**	**92**	**92**	**92**	**92**	**94**	**92**	**93**	**91**

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

	2010	2011	2012	3Q13	4Q13	2013	Change 13/12	1Q14	2Q14	3Q14	4Q14	2014	Change 14/13
US	8.6	9.0	10.0	11.4	11.6	11.1	1.1	11.7	11.8	12.1	12.4	12.0	0.8
Canada	3.4	3.5	3.8	4.0	4.0	4.0	0.2	4.1	4.1	4.1	4.2	4.1	0.2
Mexico	3.0	2.9	2.9	2.9	2.9	2.9	0.0	2.8	2.8	2.8	2.8	2.8	-0.1
OECD Americas*	**15.0**	**15.5**	**16.7**	**18.3**	**18.5**	**18.0**	**1.3**	**18.6**	**18.7**	**19.1**	**19.5**	**19.0**	**0.9**
Norway	2.1	2.0	1.9	1.8	1.9	1.8	-0.1	1.8	1.7	1.7	1.8	1.8	-0.1
UK	1.4	1.1	1.0	0.8	0.9	0.9	-0.1	0.8	0.8	0.7	0.8	0.8	-0.1
Denmark	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.1	0.2	0.0
Other OECD Europe	0.6	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
OECD Europe	**4.4**	**4.1**	**3.8**	**3.5**	**3.6**	**3.6**	**-0.2**	**3.5**	**3.3**	**3.2**	**3.5**	**3.4**	**-0.2**
Australia	0.6	0.5	0.5	0.4	0.4	0.4	-0.1	0.4	0.4	0.4	0.4	0.4	0.0
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
OECD Asia Pacific	**0.7**	**0.6**	**0.6**	**0.5**	**0.4**	**0.5**	**-0.1**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**
Total OECD	**20.0**	**20.2**	**21.1**	**22.3**	**22.6**	**22.0**	**1.0**	**22.6**	**22.5**	**22.8**	**23.5**	**22.9**	**0.8**
Brunei	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.9	0.9	0.9	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Indonesia	1.0	1.0	1.0	0.9	0.9	0.9	0.0	0.9	1.0	1.0	1.0	1.0	0.0
Malaysia	0.7	0.6	0.7	0.6	0.6	0.6	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Thailand	0.3	0.3	0.4	0.4	0.4	0.4	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Vietnam	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Other Asia	**3.7**	**3.6**	**3.6**	**3.5**	**3.5**	**3.6**	**-0.1**	**3.5**	**3.5**	**3.6**	**3.5**	**3.5**	**0.0**
Argentina	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Brazil	2.7	2.6	2.6	2.6	2.7	2.6	0.0	2.7	2.7	2.8	2.9	2.8	0.2
Colombia	0.8	0.9	1.0	1.0	1.0	1.0	0.1	1.0	1.1	1.0	1.1	1.1	0.0
Trinidad & Tobago	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
L. America others	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Latin America	**4.6**	**4.7**	**4.7**	**4.8**	**4.8**	**4.8**	**0.1**	**4.9**	**4.9**	**5.0**	**5.1**	**5.0**	**0.2**
Bahrain	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Oman	0.9	0.9	0.9	0.9	1.0	0.9	0.0	1.0	1.0	1.0	1.0	1.0	0.0
Syria	0.4	0.4	0.2	0.1	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1
Yemen	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Middle East	**1.8**	**1.7**	**1.5**	**1.4**	**1.4**	**1.4**	**-0.1**	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**	**0.0**
Chad	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Congo	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.2	0.2	0.2	0.0
Egypt	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.7	0.7	0.7	0.7	0.0
Equatorial Guinea	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Gabon	0.3	0.3	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
Sudans	0.5	0.4	0.1	0.3	0.3	0.2	0.1	0.3	0.3	0.4	0.4	0.3	0.1
Africa other	0.2	0.3	0.3	0.3	0.3	0.3	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Africa	**2.6**	**2.6**	**2.3**	**2.4**	**2.5**	**2.4**	**0.1**	**2.5**	**2.5**	**2.5**	**2.5**	**2.5**	**0.1**
Total DCs	**12.7**	**12.6**	**12.1**	**12.1**	**12.2**	**12.1**	**0.0**	**12.2**	**12.3**	**12.4**	**12.5**	**12.4**	**0.2**
FSU	**13.2**	**13.2**	**13.3**	**13.4**	**13.6**	**13.4**	**0.2**	**13.6**	**13.5**	**13.6**	**13.8**	**13.6**	**0.2**
Russia	10.1	10.3	10.4	10.5	10.6	10.5	0.1	10.6	10.5	10.6	10.7	10.6	0.1
Kazakhstan	1.6	1.6	1.6	1.6	1.7	1.6	0.1	1.7	1.7	1.7	1.8	1.7	0.1
Azerbaijan	1.1	1.0	0.9	0.9	0.8	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
FSU others	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.4	0.4	0.0
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
China	4.1	4.1	4.2	4.1	4.3	4.2	0.1	4.3	4.2	4.3	4.3	4.3	0.0
Non-OPEC production	**50.2**	**50.3**	**50.8**	**52.0**	**52.7**	**52.0**	**1.2**	**52.8**	**52.7**	**53.2**	**54.3**	**53.3**	**1.3**
Processing gains	2.1	2.1	2.1	2.2	2.2	2.2	0.0	2.2	2.2	2.2	2.2	2.2	0.0
Non-OPEC supply	**52.3**	**52.4**	**52.9**	**54.2**	**54.9**	**54.1**	**1.3**	**54.9**	**54.9**	**55.4**	**56.5**	**55.4**	**1.3**
OPEC NGL	4.9	5.2	5.4	5.6	5.6	5.6	0.2	5.6	5.6	5.7	5.7	5.7	0.1
OPEC non-conventional	0.1	0.1	0.2	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
OPEC (NGL+NCF)	**5.0**	**5.4**	**5.6**	**5.8**	**5.9**	**5.8**	**0.2**	**5.9**	**5.9**	**6.0**	**6.0**	**5.9**	**0.1**
Non-OPEC & OPEC (NGL+NCF)	**57.3**	**57.8**	**58.4**	**60.0**	**60.8**	**59.9**	**1.5**	**60.8**	**60.8**	**61.4**	**62.5**	**61.4**	**1.4**

** Chile has been included in OECD Americas.*

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

Table 10.7: World Rig Count

	2010	2011	2012	2013	*Change* 13/12	1Q13	2Q13	3Q13	4Q13	Dec	Jan	Change Dec/Nov
US	1,541	1,881	1,919	1,761	-158	1,757	1,761	1,769	1,758	1,774	1,769	-5
Canada	347	423	366	354	-12	536	154	348	379	372	504	132
Mexico	97	94	106	106	0	114	107	100	101	98	98	0
Americas	1,985	2,398	2,391	2,221	-170	2,407	2,023	2,217	2,238	2,244	2,371	127
Norway	18	17	17	20	2	21	19	21	18	14	14	0
UK	19	16	18	17	-1	21	17	16	14	12	14	2
Europe	94	118	119	135	16	134	133	140	133	126	126	0
Asia Pacific	21	17	24	27	3	30	28	24	25	28	29	1
Total OECD	2,100	2,532	2,534	2,383	-151	2,571	2,184	2,382	2,396	2,398	2,526	128
Other Asia	248	239	217	219	2	215	224	216	219	221	227	6
Latin America	205	195	180	166	-14	167	170	159	168	174	163	-11
Middle East	156	104	110	76	-33	72	78	69	86	91	88	-3
Africa	19	2	7	16	9	9	15	15	24	27	26	-1
Total DCs	628	540	513	477	-36	463	487	459	497	513	504	-9
Non-OPEC rig count	**2,727**	**3,072**	**3,047**	**2,860**	**-187**	**3,034**	**2,670**	**2,841**	**2,894**	**2,911**	**3,030**	**119**
Algeria	25	31	36	47	11	44	48	48	47	49	48	-1
Angola	9	10	9	11	2	9	10	12	14	14	14	0
Ecuador	11	12	20	26	6	25	26	27	26	26	25	-1
Iran**	52	54	54	54	0	54	54	54	54	54	54	0
Iraq**	36	36	58	83	25	66	80	93	92	93	90	-3
Kuwait**	20	57	57	58	1	59	58	58	57	57	59	2
Libya**	16	8	12	15	3	16	15	14	14	12	17	5
Nigeria	15	36	36	37	1	36	40	34	36	36	34	-2
Qatar	9	8	8	9	1	9	8	10	8	11	11	0
Saudi Arabia	67	100	112	114	3	116	114	111	115	120	124	4
UAE	13	21	24	28	4	28	27	28	30	30	29	-1
Venezuela	70	122	117	121	3	119	122	121	121	119	115	-4
OPEC rig count	**342**	**494**	**542**	**602**	**60**	**582**	**601**	**611**	**614**	**621**	**620**	**-1**
Worldwide rig count*	**3,069**	**3,566**	**3,589**	**3,462**	**-127**	**3,616**	**3,271**	**3,452**	**3,508**	**3,532**	**3,650**	**118**
of which:												
Oil	1,701	2,257	2,654	2,665	11	2,781	2,544	2,649	2,684	2,696	2,816	120
Gas	1,325	1,262	886	746	-140	795	672	747	769	786	792	6
Others	43	49	52	55	2	44	58	60	56	49	44	-5

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

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

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Disclaimer

OPEC Basket average price *US$/b*

down 2.96 in January

January 2014	104.71
December 2013	107.67
Year to date	**104.71**

January OPEC crude production *mb/d, according to secondary sources*

up 0.03 in January

January 2014	29.71
December 2013	29.68

Economic growth rate *per cent*

	World	OECD	US	Japan	Euro-zone	China	India
2013	2.9	1.2	1.9	1.7	–0.4	7.7	4.7
2014	3.5	2.0	2.7	1.5	0.7	7.7	5.6

Supply and demand *mb/d*

2013		**12/13**	**2014**		**13/14**
World demand	89.9	1.0	World demand	91.0	1.1
Non-OPEC supply	54.1	1.3	Non-OPEC supply	55.4	1.3
OPEC NGLs	5.8	0.2	OPEC NGLs	5.9	0.1
Difference	**29.9**	**–0.5**	**Difference**	**29.6**	**–0.3**

OECD commercial stocks *mb*

	Oct 13	Nov 13	Dec 13	Dec 13/Nov 13	Dec 12
Crude oil	1,320	1,299	1,277	–22.4	1,255
Products	1,359	1,326	1,315	–10.6	1,409
Total	**2,679**	**2,625**	**2,592**	**–33.0**	**2,664**
Days of forward cover	58.0	56.8	56.7	–0.2	58.1

Next report to be issued on 12 March 2014.