OPEC

Monthly Oil Market Report

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Feature article:

The outlook for the oil market in 2016

Organization of the Petroleum Exporting Countries

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Oil market highlights

Crude Oil Price Movements

The OPEC Reference Basket averaged $60.21/b in June, representing a decline of $1.95. Crude oil futures prices saw mixed movement with ICE Brent falling by $1.86 to average $63.75/b, while Nymex WTI gained 46¢ to reach $59.83/b. This caused the Brent-WTI spread to narrow to around $3.90/b for the month. Money managers further reduced net-long positions in the futures markets.

World Economy

World economic growth for 2016 is forecast at 3.5%, slightly higher than this year's growth of 3.2%. The OECD economies are expected to expand by 2.1% in 2016, compared to 2.0% in the current year. China is expected to decelerate to 6.5% from 6.9% in 2015, while India is forecast to reach higher growth at 7.7% in 2016, compared to 7.5% this year. Positively, both Russia and Brazil are forecast to move out of recession. Risks to the global economic growth forecast appear to be slightly on the downside.

World Oil Demand

World oil demand in 2015 is now expected to grow by 1.28 mb/d, following an upward revision of 0.10 mb/d since the last report. In 2016, world oil demand growth is forecast to pick up, reaching 1.34 mb/d. OECD demand is expected to register positive growth of 0.18 mb/d, while non-OECD consumption is projected to grow by 1.16 mb/d.

World Oil Supply

Non-OPEC oil supply growth in 2015 has been revised up by 0.18 mb/d to stand at 0.86 mb/d, mainly driven by OECD Americas, Latin America and the FSU. In 2016, non-OPEC oil supply is projected to grow by 0.30 mb/d to average 57.69 mb/d. OPEC NGLs are expected to grow by 0.17 mb/d in 2016, down from 0.19 mb/d in the current year. In June, OPEC production increased by 283 tb/d to average 31.38 mb/d, according to secondary sources.

Product Markets and Refining Operations

Product markets in the Atlantic Basin were mixed in June. The US driving season pushed up gasoline demand to around 9.5 mb/d, a level not seen in years, providing support to the gasoline crack spreads. This partially offset the weakness in the middle of the barrel, allowing refinery margins to remain healthy in the region. Asian margins retained the strength seen in the previous month as regional demand amid a heavy maintenance season continued lending support to the Asian market.

Tanker Market

Average spot freight rates for dirty tankers went up by 12% in June, mainly as Aframax spot freight rates increased from the previous month. Aframax rates were supported by an active market and discharge delays at several ports. Clean tanker spot freight rates increased in both East and West of Suez as the tonnage demand remains high.

Stock Movements

OECD commercial oil stocks continued to rise in May to stand at 2,833 mb, some 142 mb higher than the five-year average, with crude and products indicating a surplus of around 115 mb and 26 mb, respectively. In terms of days of forward cover, OECD commercial stocks stand at 61.8 days in May, some 3.7 days higher than the five-year average.

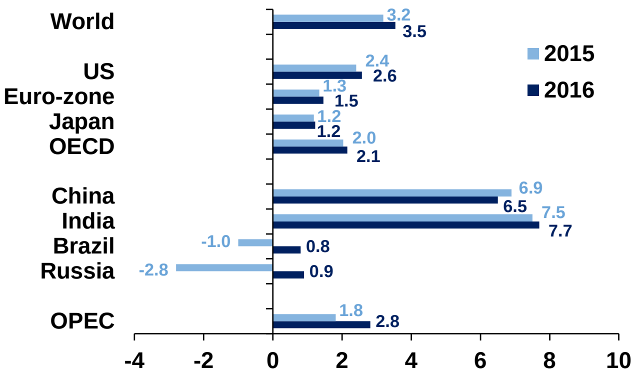
Balance of Supply and Demand

Demand for OPEC crude is estimated at 29.2 mb/d in 2015, a decline of 0.1 mb from the previous assessment and representing a gain of 0.2 mb/d over the previous year. In 2016, demand for OPEC crude is projected at 30.1 mb/d, up by 0.9 mb/d over the estimated level for the current year.

The outlook for the oil market in 2016

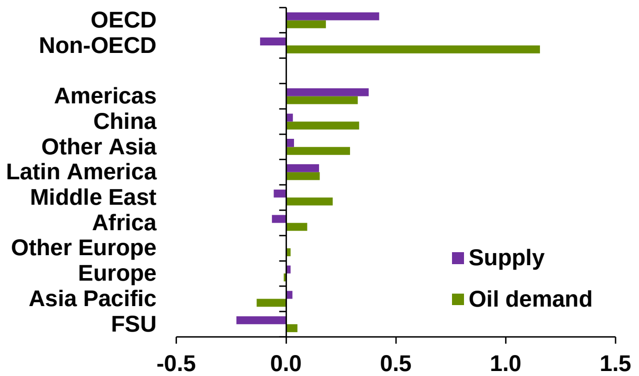
The global GDP growth forecast for 2015 has been revised down to 3.2% from 3.3%. This, however, assumes a relatively higher growth rate in the second half, particularly after a weak first quarter. In 2016, GDP growth is forecast to be higher at 3.5% (***Graph 1***). The OECD is forecast to expand by 2.1%, an increase from this year's 2.0%. China is expected to slow to 6.5% from 6.9% in the current year, while India is forecast to reach higher growth at 7.7%, compared to 7.5% in 2015. Both Russia and Brazil are forecast to move out of recession. While current oil prices will continue to support the world economy to some extent, numerous challenges are likely to offset this positive effect, preventing higher growth. Among these issues are the high debt levels across the OECD, still high unemployment in the Euro-zone in combination with the uncertainties in Greece, expectations of rising interest rates in the US, overcapacity amid a slowing economy in China, and on-going geopolitical issues.

Graph 1: GDP growth rate in 2016, %



Source: OPEC Secretariat.

Graph 2: Growth in oil demand and non-OPEC supply in 2016, mb/d



Source: OPEC Secretariat.

The improvement in global economic activities in 2016 is projected to translate into higher oil consumption. As a result, 1.34 mb/d of oil demand growth is forecast for next year with total oil consumption reaching 93.94 mb/d. OECD oil demand is expected to increase by 0.18 mb/d, with growth in the OECD Americas seen rising firmly, while OECD Europe and Asia Pacific are expected to decline (***Graph 2)***. In the non-OECD, oil demand growth is expected to be around 1.16 mb/d. The highest contribution is seen coming from China, although growth is forecast to be lower than in the current year. Looking at the oil product mix, diesel oil and gasoline will continue to drive growth to supply the expanding transportation sector. At the same time, the demand forecast for next year is subject to some uncertainty factors, including the scope of economic growth, industrial production developments, oil price trends, weather conditions, and changing oil intensity in different regions, as well as policy changes, including fuel substitution.

Non-OPEC supply growth in 2015 has slowed compared to last year, although expectations have been revised up since the beginning of July to average 0.86 mb/d. For 2016, non-OPEC supply growth is projected to slow further, increasing by 0.30 mb/d to average 57.7 mb/d. This prediction is based on a bottom-up approach, looking at field-by-field developments and the latest information regarding project ramp-ups and startups. Total US liquids production is expected to grow by 0.33 mb/d, just one third of the growth of 0.93 mb/d expected this year. The main contributors to the growth are seen to be the US, Brazil, Canada, Australia, Norway and China, which will be partially offset by declines in Russia, Mexico, Azerbaijan, Kazakhstan, and Yemen. OPEC NGLs and non-conventional liquids are expected to grow by 0.17 mb/d to average 6.18 mb/d in 2016.

Based on the above forecasts, incremental world oil demand will outpace projected non-OPEC supply and OPEC NGLs, resulting in demand for OPEC crude in 2016 of 30.1 mb/d. This represents a projected increase of 0.9 mb/d over the current year and follows an expected rise of 0.2 mb in 2015. This would imply an improvement towards a more balanced market. Better-than-expected momentum in the global economy, especially in the emerging markets, would contribute further to oil demand growth in the coming year.

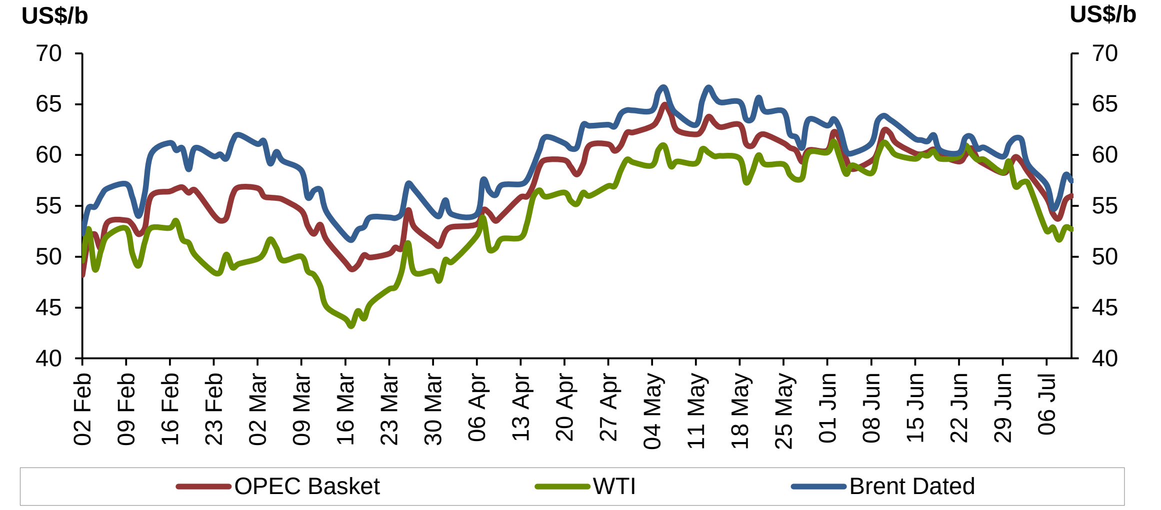
Crude Oil Price Movements

Moving within a tight range, the OPEC Reference Basket (ORB) ended on average lower for the month, but higher for the quarter. On average, the Basket fell 3.1% in June, but rose a significant 19% in the second quarter, the most in more than three years. Prices were supported earlier in the month by consecutive crude oil inventory draws in the US, but subsequently fell on expectations of slowing refinery demand after an unexpected build in product inventories. The Basket slipped $1.95 to stand at $60.21/b. Crude oil futures were mixed over the month. ICE Brent fell by $1.86 to reach $63.75/b, while Nymex WTI gained 46¢ to end at $59.83/b. ICE Brent has been largely range-bound since the beginning of the second quarter, hovering around $60–65/b. Prices have been trapped within this range by competing concerns with lower prices supporting demand growth, but affecting US supply growth. US crude stocks have fallen since late April on firm refinery demand, supporting WTI. Both contracts were down for the year. Speculative bets fell further on higher oil prices in both futures markets. The transatlantic spread narrowed more amid advantageous WTI fundamentals and the Atlantic Basin continued to experience a persistent oversupply. The Brent-WTI spread decreased significantly to around $3.92/b.

OPEC Reference Basket

The ORB value moved within a relatively tight range between $58/b and $62/b throughout the month. On average, the Basket fell 3.1% in June, but rose a significant 19% for the quarter. Prices were supported by consecutive weeks of crude oil inventory draws in the US on firm refinery demand as refineries have been running at above 90% capacity since early April. Subsequently, prices fell on expectations of slowing refinery demand in the US after an unexpected build in gasoline and diesel inventories. Prices also dropped as global supplies remained plentiful. Oil prices were under pressure as markets worried over the impact of the Greek debt crisis.

Graph 1.1: Crude oil price movement, 2015



On a monthly basis, the OPEC Reference Basket was down $1.95/b or 3.1% at $60.21/b on average. The second quarter was a hefty $9.95/b higher at $59.89/b compared with the first quarter. Meanwhile, compared with a year ago, the ORB value continued to lag at $55.12/b versus its $105.30/b year-to-date value in 2014.

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

	May 15	Jun 15	Change Jun/May	Year-to-date 2014	Year-to-date 2015
OPEC Reference Basket	**62.16**	**60.21**	**-1.95**	**105.30**	**55.12**
Arab Light	62.62	60.94	-1.68	106.01	55.32
Basrah Light	60.40	58.63	-1.77	103.20	53.29
Bonny Light	65.31	62.19	-3.12	111.22	58.66
Es Sider	63.22	60.79	-2.43	108.60	56.81
Girassol	65.51	63.28	-2.23	109.40	58.86
Iran Heavy	61.38	59.86	-1.52	105.17	54.17
Kuwait Export	60.92	59.29	-1.63	104.15	53.57
Marine	63.26	61.79	-1.47	105.12	56.49
Merey	55.09	51.74	-3.35	94.96	48.09
Murban	66.18	64.59	-1.59	108.46	59.50
Oriente	58.04	56.71	-1.33	95.77	50.46
Saharan Blend	64.12	61.69	-2.43	110.09	58.12
Other Crudes					
Brent	64.32	61.69	-2.63	108.95	57.92
Dubai	63.54	61.76	-1.78	105.27	56.69
Isthmus	63.78	63.48	-0.30	100.98	56.05
LLS	64.95	63.23	-1.72	104.97	57.97
Mars	61.77	59.41	-2.36	100.76	54.44
Minas	62.98	60.09	-2.89	110.51	56.35
Urals	64.33	62.52	-1.81	107.44	57.76
WTI	59.28	59.81	0.53	100.88	53.25
Differentials					
Brent/WTI	5.04	1.88	-3.16	8.07	4.67
Brent/LLS	-0.63	-1.54	-0.91	3.98	-0.05
Brent/Dubai	0.78	-0.07	-0.85	3.68	1.23

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

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

The performance of major oil benchmarks was mixed over the month. North Sea Dated Brent and Dubai values were down by $2.63 and $1.78, respectively, while US light sweet marker WTI was up slightly by 53¢. Spot differentials for physical crude related to Brent were hammered over the month with an oversupply of light sweet crude in the Atlantic Basin. Low US demand for light sweet imports has left a backlog of unsold cargoes in the Atlantic Basin.

The Nigerian National Petroleum Corporation (NNPC) cut its July official selling price formulae for Bonny Light and Qua Iboe to 10-year lows relative to North Sea Dated in response, and Bonny Light's spot premium to North Sea Dated more than halved to just 20¢/b. An overhang of around 15 unsold July cargoes emerged a week after the August programme. Loading delays also hurt certain Nigerian grades as refiners looked for more reliable alternatives. Moreover, West African (WAF) crudes were undermined by plentiful supply and relatively high fright rates for their cargoes, making cheap North Sea and Mediterranean grades more attractive to some European buyers.

Spot premiums for Mideast Gulf cargoes also fell on slimmer demand and the prospect of Atlantic Basin crude arriving in Asia Pacific. Asia Pacific cargoes came under pressure as cargoes were sold from storage, adding to the region's supply glut. Oversupply in the Atlantic Basin eroded Brent's premium to Dubai to about 50¢/b from $3/b in January. Yet crude supply is plentiful in the Asia Pacific, the key market for Mideast Gulf exports, with abundant storage and an increase in Malaysian crude production weighing on price.

Brent-related West and Northern African light sweet Basket components Saharan Blend, Es Sider, Girassol and Bonny Light saw a decrease in the average value of $2.55/b or 4% to $61.99/b in June. Middle Eastern spot components and multi-destination grades deteriorated by $1.53/b and $1.65/b to $62.70/b and $59.68/b, respectively. For Latin American ORB components, Merey was down $3.35/b or 6.1% while Oriente slipped $1.33/b or 2.3%.

On 10 July, the OPEC Reference Basket stood at $55.99/b, $4.22 under the June average.

The oil futures market

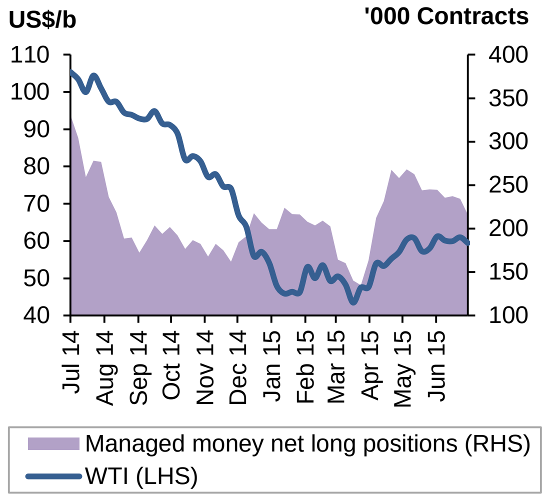
Crude oil futures were mixed over the month. ICE Brent fell by $1.86 to $63.75/b, while Nymex WTI gained 46¢ to reach $59.83/b. ICE Brent has been largely range-bound since the beginning of the second quarter, hovering at around $60–65/b. Prices have been trapped within this range by competing concerns; lower prices are supporting demand growth, but damaging US supply growth. US crude stocks have fallen since late April on firm refinery demand, supporting WTI. Crude inventories fell by 12.0 mb in June and US refineries have been running at above 90% of capacity since early April. Crude prices fell under pressure from a supply overhang in the Atlantic Basin. Gasoline margins weakened as US product stocks rose. Uncertainty regarding progress on resolving Greece's crisis also forced oil prices lower. Meanwhile, consumption in oil importing countries has risen more strongly than expected in response to economic growth and lower pump prices. Yet not even this has offset the negative effect of supply growth on crude prices.

ICE Brent settled down $1.86 to $63.75/b. It fell 2.8% for June, but rose q-o-q 15.2% for its best quarter since September 2012. Nymex WTI settled up 46¢ to $59.83/b. It gained 0.8% on the month, jumping 19.3% in the second quarter to show its best quarterly gain since December 2011. Compared with 2014, Nymex WTI and Brent were $47.51/b and $49.47/b lower at $53.33/b and $59.35/b, respectively.

Crude oil futures prices improved in the second week of July. On 10 July, ICE Brent stood at $58.73/b and Nymex WTI at $52.74/b.

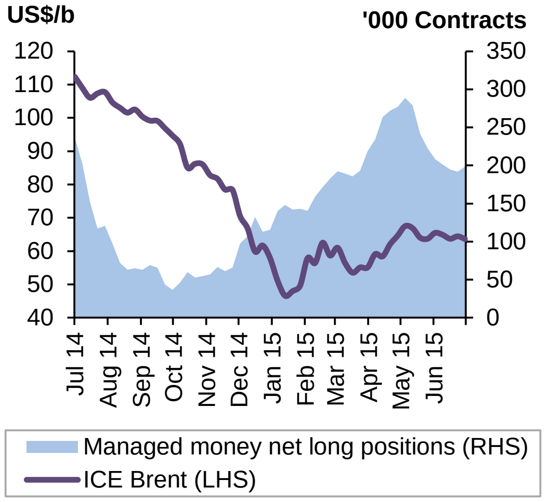
In June, hedge funds and other money managers reduced their bets on rising Brent crude oil prices further. **Speculators** decreased net long positions in ICE Brent futures and options by 23,664 contracts to 198,693 lots m-o-m, InterContinental Exchange (ICE) data showed. CFTC data also showed a decrease in the net length of money managers in WTI futures. M-o-m, the net length in WTI futures dropped by 28,975 contracts to 216,152 lots. However, total futures and options open interest volume in the two markets increased by 129,099 contracts to reach 4.66 million lots.

Graph 1.2: Nymex WTI price vs. speculative activity, 2014-2015



Source: CFTC.

Graph 1.3: ICE Brent price vs. speculative activity, 2014-2015



Source: IntercontinentalExchange, Inc.

The **daily average traded volume** during June for Nymex WTI contracts dropped 41,471 lots to average 636,128 contracts, while ICE Brent daily traded volume rose 61,109 contracts to 685,965 lots. The daily aggregate traded volume in both crude oil futures markets increased by 19,638 contracts to around 1.32 million lots, equivalent to around 1.3 billion barrels per day. The total traded volume in Nymex WTI was up, reaching 13.99 million contracts, while ICE Brent was sharply higher at 15.09 million lots.

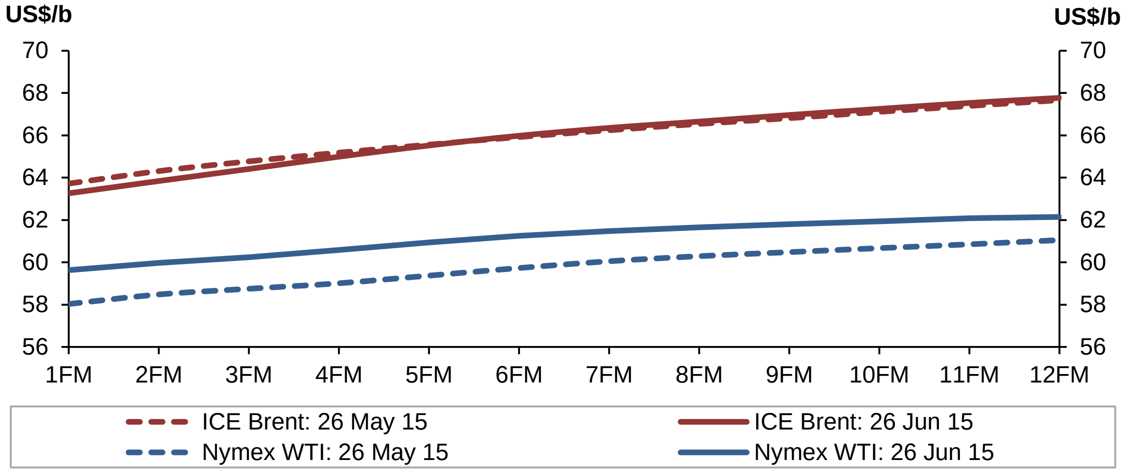
The futures market structure

Although all three markets remained in contango, the **Brent contango** widened over June by close to 25¢, to reach $1.31/b (M1-M3). A surplus of unsold prompt loading North Sea and West African crude cargoes has been putting prompt differentials under pressure. Supply has been strong and European and Asian refineries have not bought as much crude as expected. Strong production from the Buzzard field and the deferring of a maintenance shutdown to October from June has boosted supplies. The North Sea was also cluttered with tankers carrying cargoes that have failed to find buyers, despite European refineries running hard to take advantage of strong margins.

On the other hand, the **WTI contango** eased by almost 50¢/b, while the gap between M1 and M3 narrowed from $1.20/b to 70¢/b. Successive weeks of crude stock draws at Cushing, Oklahoma, higher US refinery runs and reduced incentive to import crude for storage amid narrower WTI intermonth contango have all reduced crude availability. Expectations also persist that crude production is set to slow, supporting the WTI.

The **Dubai market structure** was flat over the month with the M1 to M3 space moving from minus 88¢/b to minus 82¢/b, a 6¢/b contraction. Firm demand from Asian refiners continued to support the Middle East crude market, but signs of higher arbitrage shipments to the region created pressure. Complex refining margins in the Singapore hub were holding well above average for the past year, boosting demand for crude, though Brent's narrowing premium to Dubai made some Asian refiners consider taking regional and Atlantic Basin cargoes instead.

Graph 1.4: Nymex WTI and ICE Brent forward curves, 2015



FM = future month.

The **Brent–WTI (transatlantic) spread** narrowed sharply from $6.25/b in May to $3.92/b in June amid stronger US refinery margins and higher refinery crude intake compared with Europe or Asia. Persistent oversupply in the Atlantic Basin, coupled with recent worries of the effect of the crisis in Greece on demand in Europe pressured the North Sea Brent market relative to WTI. The narrowing Brent–WTI spread reflected opposing market dynamics on either side of the Atlantic. This smaller discount of WTI to Brent is making foreign imports – which are commonly priced against Brent – much more attractive.

Struggling to find buyers, unsold cargoes of West African crude began to stack up, seeking a window of opportunity to return to the US market. Theoretically, the narrowing spread has made it about $2/b cheaper to import West African crude than to ship Bakken by rail from North Dakota.

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

	1st FM	2nd FM	3rd FM	6th FM	12th FM
Nymex WTI					
26 May 15	58.03	58.48	58.75	59.73	61.05
26 Jun 15	59.63	59.97	60.24	61.25	62.15
ICE Brent					
26 May 15	63.72	64.31	64.77	65.92	67.66
26 Jun 15	63.26	63.84	64.41	65.98	67.77

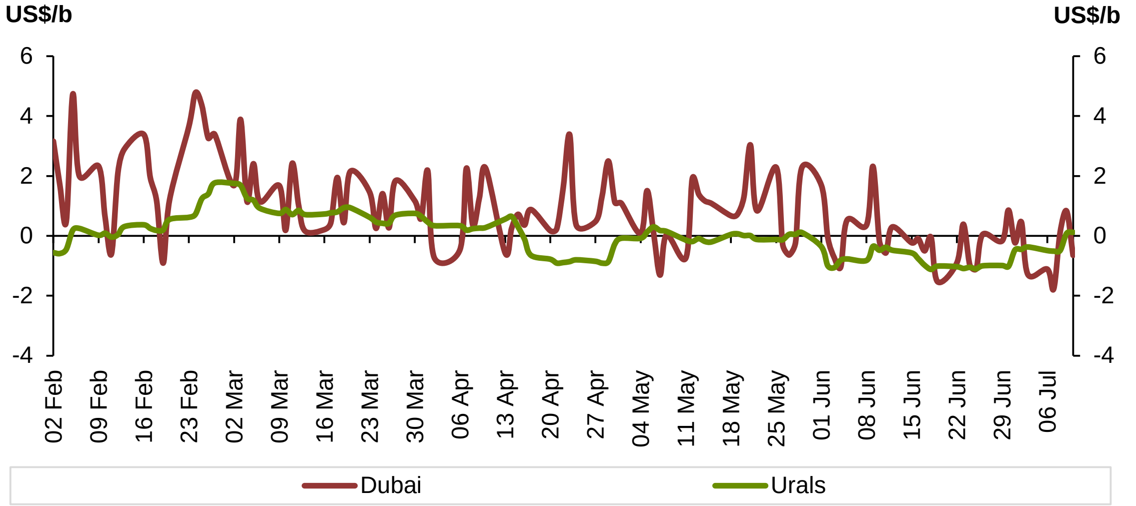
FM = future month.

The light sweet/medium sour crude spread

Sweet/sour differentials narrowed in Europe and Asia, while widening in the US Gulf Cost (USGC).

In **Asia**, the sweet/sour spread, represented by the Tapis/Dubai spread, continued to narrow as firm demand from Asian refiners continued to support the Mideast Gulf crude market, but signs of higher arbitrage shipments to the region started to create pressure. Refining margins in Asia are still holding well above average for the past year. Oversupply in the Atlantic Basin has switched the 78¢/b North Sea Dated premium to Dubai in May to a 7¢/b discount in June. This has widely opened arbitrage from west to east, pressuring the Asia Pacific light sweet market. Supply is plentiful in the Asia Pacific region, with abundant storage and an increase in Malaysian crude production weighing on prices. Asia Pacific cargoes came under further pressure as cargoes were sold from storage, adding to the region’s supply glut. Over the month, the Dubai crude discount to Tapis dropped 89¢ to $4.20/b. In January, the spread was close to $7/b.

Graph 1.5: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2014-2015



In **Europe**, the Urals medium sour crude discount to Brent flipped into a significant premium in June amid a shortfall of Iraqi Kirkuk and Russian Urals in contrast to plentiful light sweet crudes. High freight rates have cut the flow of Baltic-loading Urals to Mediterranean markets. Loading delays at Ceyhan in Turkey, the terminal for Kirkuk, reached around 20 days, prompting some cancellations. This has boosted demand for alternative sour grades such as Iraq’s Basrah Light and Colombian Vasconia. On the other hand, oversupply in the Atlantic Basin of unsold North Sea cargoes and of West African crude has eroded light sweet North Sea Brent crude prices. Supply was strong, while European and Asian refinery demand was less than expected. Higher production from the Buzzard field and the deferring of a maintenance shutdown to October from June has boosted supplies. The Urals Med discount of 1¢/b in May to Dated Brent moved to a premium of 83¢/b in June.

In the **USGC**, an unanticipated increase in the supply of June medium sour crude in Louisiana pressured sour grade July Mars. However, firm demand for naphtha-rich crude and strong gasoline crack spreads supported Light Louisiana Sweet (LLS); LLS’s premium to Mars increased by nearly 65¢ to $4.80/b.

Commodity Markets

In June, the average price for energy commodities declined, though still rising on average for the second quarter. Non-energy commodities dropped due to a broad-based fall in base metal prices, while agricultural prices advanced slightly. Precious metals prices declined on an improvement in economic activity in the US, which made room for the US Federal Reserve (Fed) to increase interest rates.

Trends in selected commodity markets

Continuing improvement in the US labour market translated into higher odds for an increase in interest rates, thereby raising support for the US dollar during the month, while lowering the attractiveness of precious metals. Meanwhile, manufacturing prospects as shown by Purchasing Manager Indices (PMIs) improved in the US (the Institute of Supply Management PMI was at 53.5 versus 52.8 in May) and the Euro-zone (52.5 versus 52.2 in May), while declining in Japan (50.0 from 50.9 in May). In China, the world's largest metal producer and consumer, the PMI slightly improved (49.4 versus 49.2 in May), but still remained in contraction territory at less than 50 points for the fourth consecutive month.

In fact, concerns over the manufacturing sector in both Japan and China put pressure on base metal prices. Moreover, slower imports for selected metals to China and the sell-off experienced in the stock market of the country at the end of the month also added downward pressure to metal prices. However, the real estate market in China appears to be further stabilizing; in May new home prices decreased in 43 of the 70 largest cities versus 48 of 70 in April, while prices advanced in 20 of them according to the National Bureau of Statistics. This could provide support for metal prices, should the recovery trend continue. Meanwhile, iron ore continued its rebound for the second consecutive month, but gains were capped at the end of the month on continuing oversupply and a decline of 2.1% in world steel output for the month of May, according to the Word Steel Association.

Agricultural prices were mainly affected by weather-related events, higher demand and a stronger US dollar. In the US, the Department of Agriculture reported a decline in crop conditions for soybeans and maize in the current year, due to wet conditions. Moreover, quarterly stocks estimations reported at the end of June were below market expectations, which triggered price rallies. Sugar prices were down sharply on continuing weakness in the Brazilian real and the expectation of increasing exports from India. Meanwhile, in the group of beverages, cocoa prices continued to rise for the second consecutive month due to crop damage in Ghana, the second-largest producing country.

Energy prices retreated for the first time in June as the average prices of crude oil, natural gas and coal were down. Natural gas prices declined in the US as working gas inventory levels continue to run significantly higher (35%) than a year ago – according to the Energy Information Agency (EIA). Meanwhile in Europe, average import prices remained broadly stable in spite of EU-28 inventories, which were at 47.8% of capacity at the end of the month versus around 70% last year, according to Gas Infrastructure Europe, reflecting soft demand.

In the short term, further recoveries in China's property market may provide support to the group of metals, however a recent drop in the stock market and continuing softness in manufacturing activity could drag on prices. In the case of agricultural commodities, support may be provided by the meteorological phenomenon “El Niño”, though it could also further pressure natural gas prices in the US, if it results in a cooler-than-average summer.

Table 2.1: Commodity price data, 2015

Commodity	Unit	Monthly averages			% Change		
		Apr 15	May 15	Jun 15	Apr/Mar	May/Apr	Jun/May
World Bank commodity price indices (2010 = 100)							
Energy		72.2	77.9	76.4	5.7	7.9	-1.9
Coal, Australia	$/mt	57.8	60.4	58.7	-3.8	4.5	-2.9
Crude oil, average	$/bbl	57.5	62.5	61.3	8.9	8.6	-1.9
Natural gas, US	$/mmbtu	2.6	2.8	2.8	-7.9	10.0	-2.4
Non-energy		84.8	85.4	84.5	-0.1	0.7	-1.0
Agriculture		90.5	90.1	90.7	-0.2	-0.5	0.7
Food		93.2	91.0	91.5	-0.8	-2.3	0.5
Soybean meal	$/mt	395.0	389.0	408.0	-2.0	-1.5	4.9
Soybean oil	$/mt	749.0	781.0	796.0	0.1	4.3	1.9
Soybeans	$/mt	395.0	389.0	408.0	-2.0	-1.5	4.9
Grains		92.5	88.9	88.3	-1.7	-3.9	-0.7
Maize	$/mt	172.1	166.3	166.7	-1.2	-3.3	0.3
Wheat, US, HRW	$/mt	223.3	215.1	209.9	-3.2	-3.7	-2.5
Sugar, world	$/kg	0.3	0.3	0.3	-0.6	2.0	-6.7
Base Metal		80.6	82.4	76.7	1.7	2.2	-6.9
Aluminum	$/mt	1,819.2	1,804.0	1,687.7	2.6	-0.8	-6.4
Copper	$/mt	6,042.1	6,294.8	5,833.0	1.7	4.2	-7.3
Iron ore, cfr spot	$/dmtu	52.0	60.0	63.0	-10.3	15.4	5.0
Lead	$/mt	2,005.4	1,991.8	1,829.5	11.9	-0.7	-8.1
Nickel	$/mt	12,830.9	13,511.3	12,825.2	-6.7	5.3	-5.1
Tin	$/mt	15,900.9	15,803.6	15,064.9	-8.7	-0.6	-4.7
Zinc	$/mt	2,212.7	2,281.8	2,082.1	9.1	3.1	-8.8
Precious Metals							
Gold	$/toz	1,198.9	1,198.6	1,181.5	1.7	0.0	-1.4
Silver	$/toz	16.3	16.8	16.1	0.6	3.0	-4.5

Source: World Bank, Commodity price data.

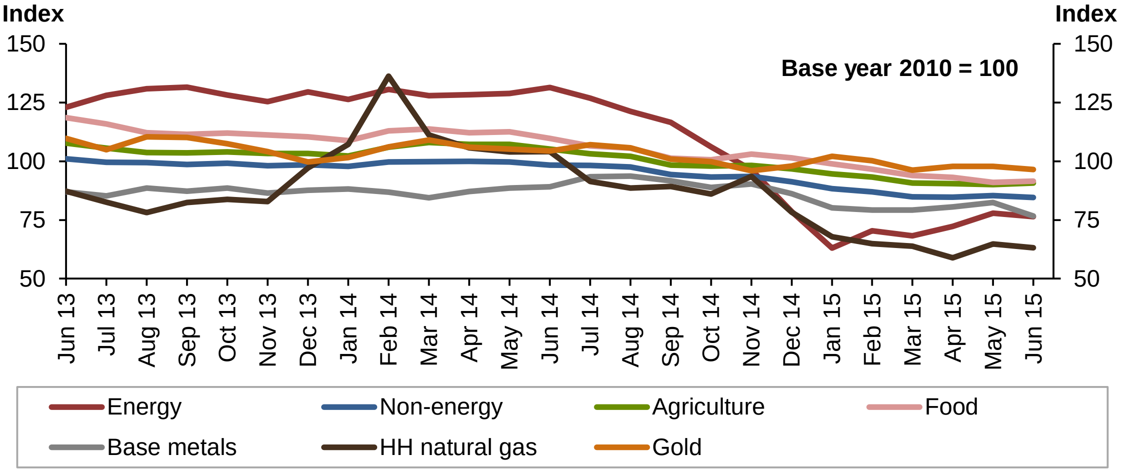
Average **energy** prices decreased by 1.9% m-o-m, mainly due to a 1.9% decrease in the price of crude. Natural gas prices decreased in the US by 2.4% m-o-m, while average import prices in Europe advanced slightly by 0.3%.

Agricultural prices increased by 0.5% due to a 0.7% advance in food prices, while beverages (cocoa, coffee and tea) and raw material (timber, cotton, rubber and tobacco) prices increased by 2.7% and 0.2%, respectively. Prices in the soy complex increased, with soybeans, soybean oil and soybean meal up by 4.9%, 1.9% and 4.9% m-o-m. Meanwhile, cocoa prices increased by 7.9% m-o-m.

Average **base metal** prices decreased sharply by 6.7%, with declines among all group components. Aluminium, copper and lead experienced the largest declines in 2015, down by 6.4%, 7.4% and 8.1%, respectively. Meanwhile, average iron ore prices continued to rebound, moving up by 5.0%. This trend started the previous month, though gains reversed at the end of this month.

In the group of **precious metals**, gold prices saw a decrease of 1.4% on the prospect of increasing interest rates in the US, while silver prices declined by 4.5% m-o-m.

Graph 2.1: Major commodity price indices, 2013-2015

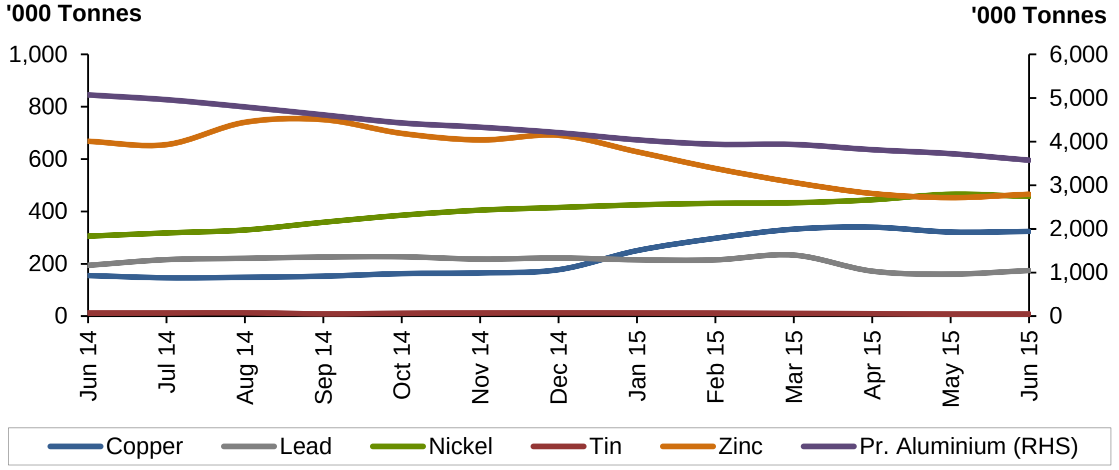


Source: World Bank, Commodity price data.

In June, the **Henry Hub natural gas** price decreased after storage build-ups were broadly in-line with market expectations during the month. The average price was down by 7¢ or 2.4% to $2.77 per million British thermal units (mmbtu) after trading at an average of $2.84/mmbtu the previous month.

The EIA said utilities put 69 billion cubic feet (Bcf) of **gas into storage** during the week ending 26 June. This was slightly above market expectations of a 70 Bcf increase. Total gas in storage stood at 2,577 Bcf, which was 35% higher than the previous year at the same time and 1.0% higher than the previous five-year average. One month ago it was also 1% below that average. The EIA noted that temperatures were warmer both than the previous year and the 30-year average during the reported week.

Graph 2.2: Inventories at the LME

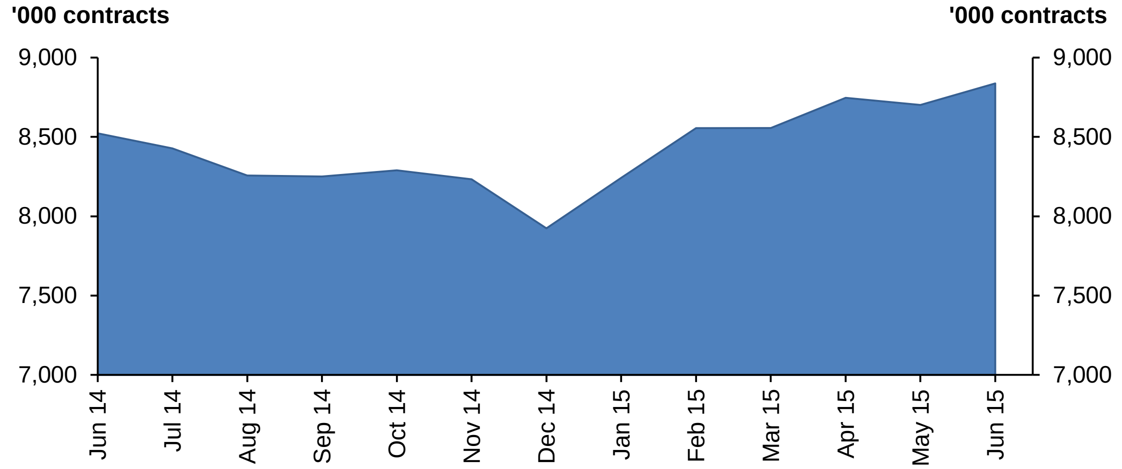


Sources: London Metal Exchange and Thomson Reuters.

Investment flows into commodities

Open interest volume (OIV) in selected US commodity markets increased in June for natural gas, agriculture and precious metals, while it declined for crude oil, copper and livestock. Meanwhile, speculative net length positions advanced in agriculture, with a reduction in net short positions, but declined for the other reported groups.

Graph 2.3: Total open interest volume

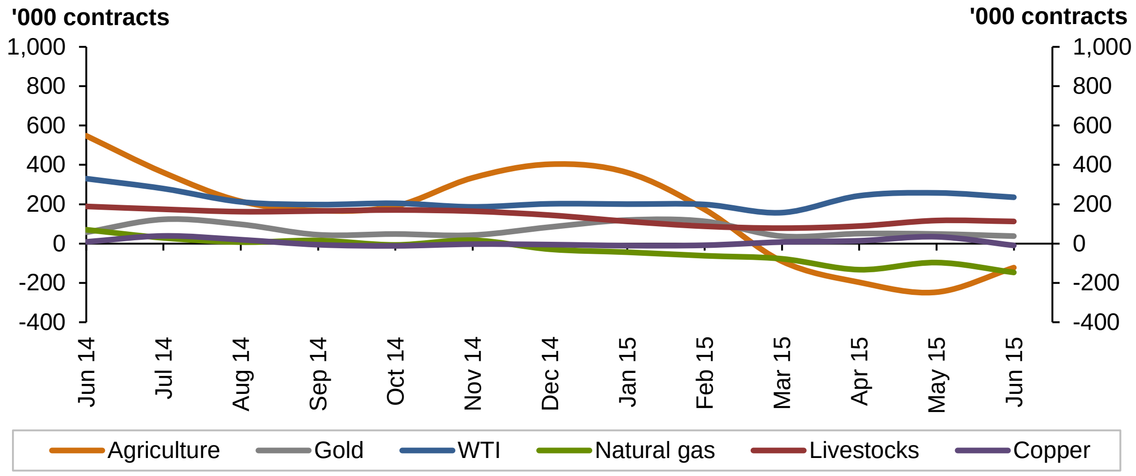


Source: US Commodity Futures Trading Commission.

Agriculture's OIV advanced 2.7% m-o-m to 4,998,499 contracts in June. Meanwhile, money managers decreased their net short positions by 50.5% to 122,224 lots, mainly due to lower reported stocks of maize and soybeans and adverse weather conditions during the month.

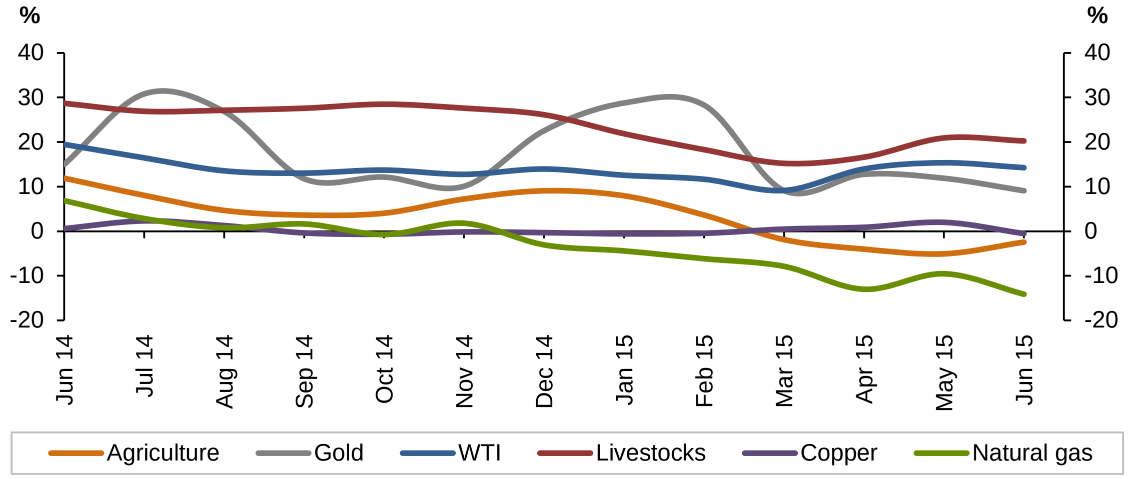
Henry Hub's natural gas OIV increased by 2.6% m-o-m to 1,037,265 contracts in June. Money managers increased their net short positions by 51.9% to reach to 146,614 lots; US Energy Information Administration (EIA) reports indicate that natural gas production has consistently increased in spite of low prices.

Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

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



Source: US Commodity Futures Trading Commission.

Copper's OIV decreased by 0.7% m-o-m to 172,961 contracts in June. Money managers switched to a bearish net short position of 9,292 lots from a net long position of 34,595 contracts the previous month on concerns about slowing demand in China.

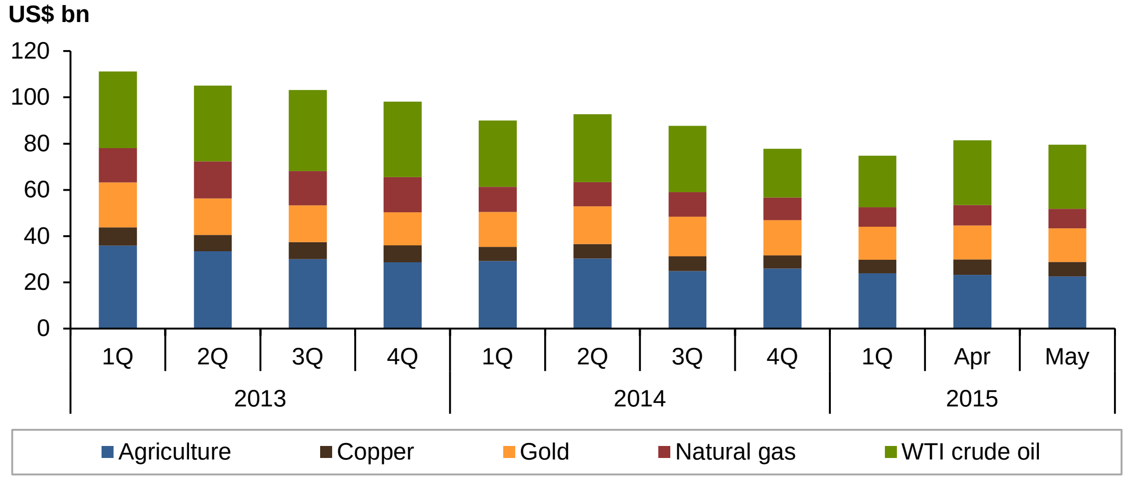
Table 2.2: CFTC data on non-commercial positions, '000 contracts

	Open interest		*Net length*			
	May 15	**Jun 15**	**May 15**	**% OIV**	**Jun 15**	**% OIV**
Crude oil	1,679	1,653	258	15	235	14
Natural gas	1,011	1,037	-97	-10	-147	-14
Agriculture	4,865	4,998	-247	-5	-122	-2
Precious metals	586	610	77	13	44	7
Copper	174	173	35	20	-9	-5
Livestock	560	557	117	21	113	20
Total	**8,876**	**9,028**	**143**	**2**	**114**	**1**

Source: US Commodity Futures Trading Commission.

Precious metals OIV increased by 4.1% m-o-m to 610,086 contracts in June. Money managers decreased their net long positions by 43.2% to 43,703 lots on the prospect of higher real interest rates in the US after stronger performance of its economy in the second quarter.

Graph 2.6: Inflow of investment into commodities, 2013-2015



Source: US Commodity Futures Trading Commission.

World Economy

While the global economy continues to gradually expand, the most recent developments have highlighted again that this growth momentum may be impacted by many existing uncertainties quite quickly. The global GDP growth forecast for 2015 has been revised to 3.2% from 3.3%, given ongoing challenges in the Euro-zone. But it has also taken into account actual growth numbers from the first half of the year that were less-than-anticipated. Growth in 2016 is forecast at 3.5%, slightly higher than this year. The OECD is forecast to grow by 2.1%, higher than this year's 2%. China is expected to further slow down to 6.5% from 6.9% in 2015, while India is forecast to reach 7.7% growth in 2016, compared to 7.5% in 2015. Both Russia and Brazil are forecast to move out of recession. The upside potential to next year's forecast is mainly coming from OECD economies and, to some extent, India. The downside risk, however, seems to currently outweigh the upside potential. Among the most important issues that need to be considered is the combination of the Euro-zone's debt issues, the likelihood of an interest rate hike in the US and growing concerns about the economic consequence of overcapacity in China. Moreover, it remains to be seen to what extent Japan will be able to balance its fiscal necessities with its growth ambitions. Also, the slow-down in China may not only affect domestic growth, but could have further negative effects on its trading partners. Furthermore, ongoing geopolitical issues across the globe will need close monitoring as well.

Table 3.1: Economic growth rate and revision, 2014-2015, %

	World	OECD	US	Japan	Euro-zone	China	India	Brazil	Russia
2015*	**3.2**	**2.0**	**2.4**	**1.2**	**1.3**	**6.9**	**7.5**	**-1.0**	**-2.8**
Change from previous month	-0.1	-0.1	0.0	0.2	-0.1	0.0	0.0	-0.6	0.2
2016*	**3.5**	**2.1**	**2.6**	**1.2**	**1.5**	**6.5**	**7.7**	**0.8**	**0.9**

**Forecast.*

OECD

OECD Americas

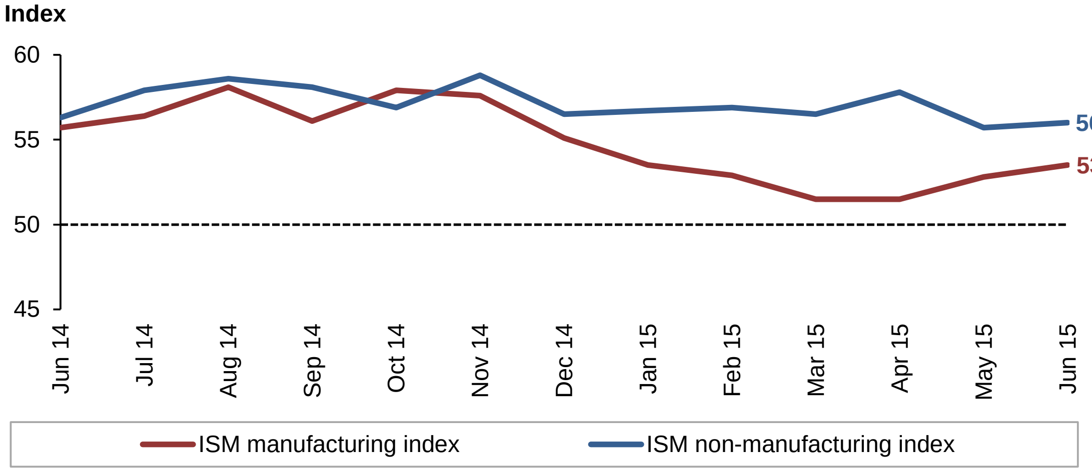
US

While the US labour market (an important guide to monetary policy) has improved over the past months, positive developments in the economy's underlying growth pattern have not fully materialised yet. The final number for GDP growth in 1Q15 has been revised up to a seasonally-adjusted-annualized rate (SAAR) of -0.2% from a previous SAAR of -0.7% q-o-q. While this is certainly a positive development, it remains to be seen to how the economy will continue to perform in the remainder of the year. Following a large decline in the 1Q14, 2014 saw a strong rebound, and, similarly, the expectation is of around 3% growth for the remaining three quarters of 2015, as the current momentum is pointing clearly at an improvement. The magnitude, however, is not entirely clear yet. Some factors also point at potential structural changes in the US economy. Falling productivity and a participation rate in the labour market that is below the historical average, point at the possibility of an extended period of sub-par growth. Hence, while positive surprises may not be ruled out, the past years' economic growth pattern has demonstrated that the economy may have lost some of it strength and the recovery will probably take a while longer. On a positive note, personal consumption expenditures rose at a solid SAAR of 2.1% q-o-q. The decision of the Federal Reserve Board (Fed) will also be an influential data point in the upcoming months. While it still seems likely that, given the expectations of an improving US economy, the Fed may raise its interest rate level from almost 0% currently, the strength of the US dollar and the impact it may have on capital flows in emerging economies may delay this decision.

Labour **market indicators** were mixed in June. The unemployment rate fell to 5.3% from 5.5% in May. Non-farm payrolls increased by 221,000 after an increase of 187,000 in May. Capex reductions in the energy sector have also become obvious. Jobs in mining and logging fell by 70,000 since the beginning of the year, but the situation seems to have improved with only 3,000 jobs lost in June. The share of long-term unemployed improved again to 25.8% in June, significantly lower than the 28.6% in May. This marks the lowest level since March 2009.

In line with the improvements in the labour market, **consumer confidence** rose strongly again in June, after having declined during the two months before. The conference board index stood at 101.4, after reaching a level of 95.4 in May. Signs of some recovery from the recent deceleration have also become visible in the **purchasing manager's index** (PMI) for the manufacturing sector, as provided by the Institute of Supply Management (ISM), which improved to 53.5 in June from 52.8 in May. The ISM for the services sector, which contributes more than 70% to the economy, increased to 56 from 55.7 in May.

Graph 3.1: Manufacturing and non-manufacturing ISM indices



Sources: Institute for Supply Management and Haver Analytics.

While the **GDP growth forecast** for 2015 remains at 2.4%, it remains to be seen if the economy will deliver an average growth rate of 3% for the remainder of the year as many uncertainties – not only domestically but also in the global economy – prevail. The 2016 growth forecast is pointing at slightly higher growth in the next year, when it may reach 2.6%. This will mainly be supported by rising domestic consumption and some improvement in exports.

Canada

In **Canada**, the slow-down of the US economy and declining income from the energy sector have been felt considerably. These have caused the 1Q15 GDP to decline by 0.6%. Industrial production has also been significant as it fell in April by 1.7% y-o-y, after a decline of 0.4% y-o-y in March. This points to a continued weak economy. Given the challenges in the resource sector, mining, oil and gas extraction growth declined by 2.9% y-o-y in March and even stood at -5.8% y-o-y in April. This development has led to a downward revision of the 2015 GDP growth forecast to 1.6% from 2.1%. Growth in the coming year is expected to be only slightly higher at 2%.

OECD Asia-Pacific

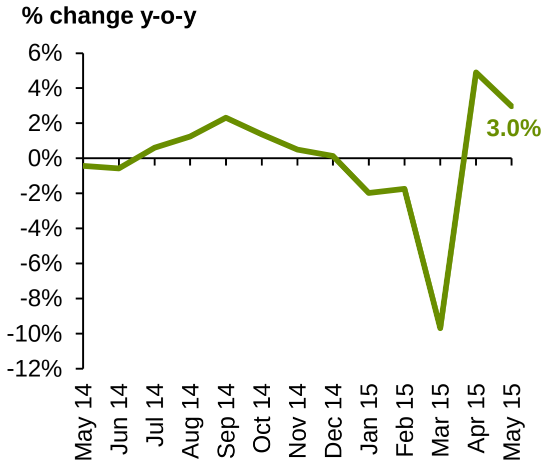
Japan

The situation in Japan is improving, but the uncertainty is also relatively large, which is being highlighted by the wide range of consensus forecasts for this year and next. For this year's GDP growth, the range is from 0.5% to 1.7% and for 2016 the range is between 1% and 2.8%. The most recent actual numbers and lead indicators have pointed at a continuation of the recovery from last year's recession. However, the magnitude of the recovery still remains uncertain to some extent. Given also that a major support factor for the strong seasonally adjusted annualized GDP growth rate in 1Q15 of 3.9% q-o-q came from investments, it is not entirely clear how sustainable this GDP growth level will be, but it seems quite obvious that growth will have to be supported at a higher rate from private household consumption.

Domestic demand has only recently picked up. After last year's sales tax increase, retail sales continued to be negatively impacted and have only now, in May and April, improved, entering growth territory. **Inflation** rose by 0.5% y-o-y in May, lower than the 0.6% y-o-y in April. Rising inflation has certainly depressed real income and should be considered an important factor that has so far dragged down any possible domestic improvements. Importantly, China is also slowing and, given its weight as Japan's most important trading partner in Asia, this trend will continue to impact the latter country's economy. Positive momentum could, however, come from a rebound in the US and a continued recovery in the Euro-zone.

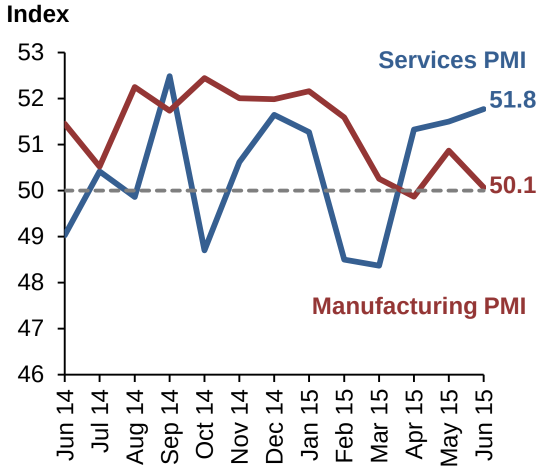
The current weakness in domestic demand has been overcome in May and April after months of considerably declining **retail sales**. In May retail sales grew by 3% y-o-y, after a rise of 4.9% y-o-y in April. Exports increased by 5.5% in May compared to 8% y-o-y in April. Industrial production remained sluggish on a yearly comparison. It has improved from the low levels of recent months, having remained almost flat in April, but it declined by 4% in May.

Graph 3.2: Japanese retail trade



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

Graph 3.3: Japanese PMI indices



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

The **PMI numbers**, as provided by Markit, point also at some weakening of the sector in June and beyond. It fell to 50.1 in June from 50.9 in May. Positively, the very important services sector index rose to 51.7 in June from 51.5 in May.

Given the tentative signs of an improving economy and also taking into consideration the strong 1Q GDP growth rate, the 2015 **GDP growth forecast** has been raised to 1.2% from 1% in the past month. This is significantly above last year's level of -0.1%, as reported by the government's statistical office. The forecast for 2016 is to remain at this year's growth level, given the ongoing challenges, particularly the uncertainty about a sales tax increase next year, in order to improve the fiscal situation. In the meantime, it remains to be seen whether current investments in the economy will result in sustainable higher private household consumption.

South Korea

The **South Korean economy** continues to decelerate, having been impacted by slowing exports and domestic demand over the past months. GDP growth in the 1Q15 stood at 2.4% q-o-q, after 2.7% y-o-y in the 4Q14 and 3.3% in the 3Q14. Industrial production grew by only 1% y-o-y, which was better than in in April when it expanded by 0.8% y-o-y. Importantly, exports strongly rebounded in June when they rose by 7.3% y-o-y after four consecutive months of decline. Given the current weakness, the PMI numbers for the manufacturing sector also fell to 46.1 in June from 47.8 in May Consequently the 2015 GDP growth forecast has been revised down to 2.8% from 3%. GDP growth in 2016 is forecast only a slightly higher level of 2.9%.

OECD Europe

Euro-zone

While the Euro-zone's output measures continue to improve, the still unresolved debt-crisis in Greece is currently overshadowing recent positive developments. It is clear that this debt issue will burden the Euro-zone economy in various ways, independently of how it will be finally managed. It remains to be seen what the solution will be, but it seems relatively obvious that some of Greece's more than 300 billion euro debt will be supported financially by other Euro-zone member countries. If no solution can be found and Greece exits the Euro, burden-sharing among Euro-zone member states seems inevitable. The more than 300 billion euro debt is an amount that can be digested by the Euro-zone economy, as it is only around 3% of its annual GDP. But some of the economies that have contributed to the support Greece has received in the past years are also facing some challenges – mainly, Italy and Spain. So a default will keep growth in the Euro-zone at a lower level. For the time being, a default has not been considered in the growth forecast, but some effect from the current discussion has already been taken into consideration. Moreover, the situation in Greece may also further impact the still fragile banking sector. It may also dent consumer sentiment in the Euro-zone, leading to less consumer spending and keeping inflation a low level, despite the quantitative easing measures of the European Central Bank (ECB).

The positive underlying momentum so far has been reflected in the latest industrial production number, which increased by 1.8% y-o-y in March, after rising 1.6% y-o-y in February. However, the latest May number already showed some sign of weakness, when it decelerated to only 0.7% y-o-y growth. The capacity utilisation rate increased to 81.1% in the 2Q15, again slightly higher than the already high 81% in the 1Q. Moreover, retail trade performed well, with yearly growth rates of 2.6% y-o-y in May and April. The latest available consumer confidence indicator, as provided by the European Commission, remained unchanged in June at -5.6, the same level as in May.

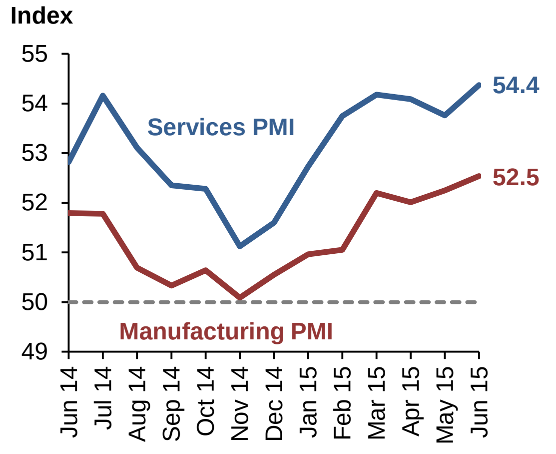
While the **ECB** is continuing with its liquidity programme, inflation has started to rise slightly and it stood again at a lower level in June, when it rose only by 0.2% y-o-y. This compared to 0.3% y-o-y in May. Core inflation – excluding energy and food – also retraced slightly in June to 0.8% y-o-y from 0.9% y-o-y in May.

While the situation of the Euro-zone's banking sector remains challenging, some positive trends have become visible over the last several months. **Credit lending** from financial intermediaries to the private sector has shown a positive trend since the end of 2013 and while the transmission channels still seem to be somewhat impaired, loan growth was positive in May for the fifth consecutive month, growing by 1.2% y-o-y. This marks the highest expansion in three and a half years.

While some modest improvements have become apparent, the legacies of the global financial crisis are still present in the Euro-zone not only for Greece but for the whole economic region. The average level of general consolidated **government debt** compared to the SAAR of GDP has been growing over the last several years and in 4Q14 stood at 91.9%, only slightly below the 2014 yearly average of 92.1%. The unemployment rate remains at a high level of 11.1% in May.

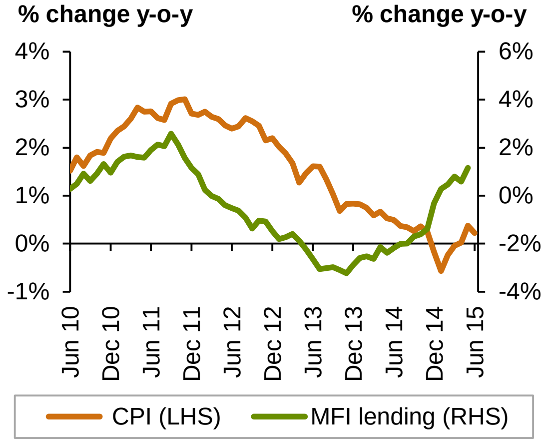
Some improvements are also visible in the **PMI indicators**. The latest manufacturing PMI rose to 52.5 in June from 52.3 in May and also slightly higher than the 52 in April. In addition, the PMI for the important services sector stood at 54.4 in June – the highest level since mid-2011 – compared to the 53.8 in May.

Graph 3.4: Euro-zone PMI indices



Sources: Markit and Haver Analytics.

Graph 3.5: Euro-zone consumer price index and lending activity



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

The recovery in the Euro-zone continues slowly, but uncertainties remain. Considering this and given some negative impact from slowing industrial production, the 2015 growth forecast has been revised to 1.3% from 1.4%. Growth in 2016 is forecast at a slightly higher level of 1.5%. This is, however, depends on whether the Greece debt issue is managed in an orderly manner.

UK

GPD growth for the 1Q has been revised up to 0.4% y-o-y but remains much below the past quarters, when the UK has enjoyed a much stronger growth momentum. While growth is forecast to pick up again this year and to remain strong in 2016, the rising sovereign debt level is an element that probably will need closer monitoring in the coming year. While back in 2008, the central government's debt stood at slightly more than 40%, it moved to almost 80% in 2011. While some of the larger EU economies have tried to reduce their debt pile since then, the UK's level has steadily increased to stand to at 87%. Some softening has been confirmed in the latest PMI number for the manufacturing sector, which stood at 51.4 in June, compared to 51.8 in April and May. Despite this recent weakness, GDP growth this year seems to be well supported. It is forecast at 2.5% for 2015, unchanged from the previous month and at the same level in 2016, but the economic development in the coming months will need close monitoring.

Emerging and Developing Economies

In **Brazil**, the recent contraction in GDP in 1Q15 and other signals during the 2Q – in addition to tax increases, a reduction in welfare and pension benefits, and spending cuts – all suggest the economy is heading towards a notable slowdown this year. GDP is forecast to shrink 1% in 2015, before slightly growing by 0.8% in 2016.

In **Russia**, a significant cut in imports, combined with a much faster depreciation of the ruble compared to the rise of inflation, have brought about a better-than-expected GDP figure. Real GDP is anticipated to contract 2.8% y-o-y in 2015, while the forecast for 2016 points to growth of 0.9%. The Ministry of Economy forecasts GDP will decline between 2.5% and 2.8% in 2015.

India's economy offers a fairly mixed set of statistics. The recent pick-up in growth of industrial output is an encouraging sign, with capital goods leading the way. However, non-oil trade flows remain fairly sluggish. On the inflation side, the news has been quite reasonable. Although consumer price index (CPI) inflation – with the exception of food and energy – has started to rise, it was still less than 5% in April. There is, however, still concern that a weak monsoon season could push up inflation sharply in the next few months and block any further easing of the country's monetary policy. Despite a decrease in the manufacturing Purchasing Managers' Index (PMI), the health of the Indian manufacturing economy improved further in June, but output growth eased on the back of a weaker rise in new business inflows.

Economic data published in the past month indicates slower economic growth in the 2Q. Meantime, an increased emphasis on stimulus policy reflects the worries of a further deterioration in the next half of the year by the **Chinese** government. The People's Bank of China (PBOC) announced a 25 basis point (bp) interest rate cut, its fourth in seven months, and a 50 bp reduction for the reserve requirement ratio (RRR) for commercial banks. These steps seemed to have boosted growth significantly because of weak credit demand and underlying fundamentals. The so-called "Grey Friday" in China's stock market last week also helped trigger the monetary easing announcement. The final reading of China's Manufacturing PMI points to a further decline in the health of the manufacturing sector in June.

Table 3.2: Summary of macroeconomic performance of BRIC countries*

	GDP growth rate		Consumer price index, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Brazil	-1.0	0.8	8.3	5.5	-83.4	-77.1	-6.4	-4.4	64.8	65.1
Russia	-2.8	0.9	14.8	5.7	67.7	57.4	-3.5	-1.6	13.4	14.3
India	7.5	7.7	5.9	6.1	-33.5	-52.3	-4.0	-3.8	49.6	47.9
China	6.9	6.5	1.5	2.2	366.0	334.2	-2.5	-2.8	17.5	19.1

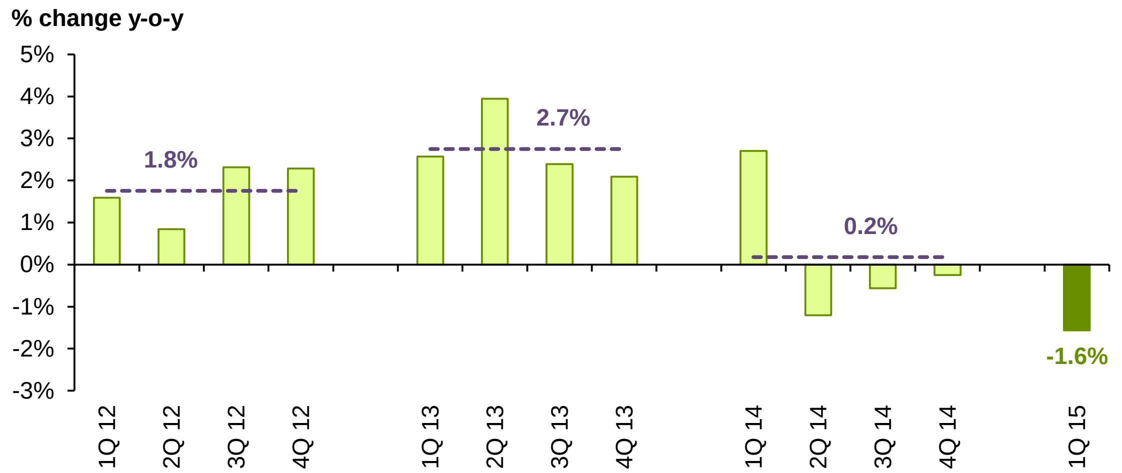
Sources: OPEC Secretariat, Consensus Economics, Economic Intelligence Unit, Financial Times and Oxford.

**Forecast.*

Brazil

Private consumption in 1Q15 fell into negative territory for the first time since 3Q03, contracting 0.9% y-o-y. The deceleration of **government consumption** witnessed in the previous quarter accelerated in 1Q15, falling by 1.5% y-o-y. The contraction in Gross Fixed Capital Formation **(GFCF)** also deepened to 7.8% y-o-y in 1Q15 from a 5.8% y-o-y deceleration in the previous quarter. The improvement came from both exports and imports, where **exports** increased 3.2% y-o-y and **imports** declined 4.7% y-o-y in the same period. **GDP** contracted 1.6% y-o-y in 1Q15.

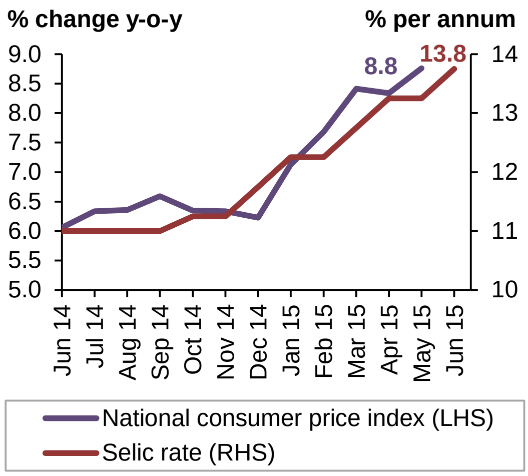
Graph 3.6: Brazilian quarterly GDP growth



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

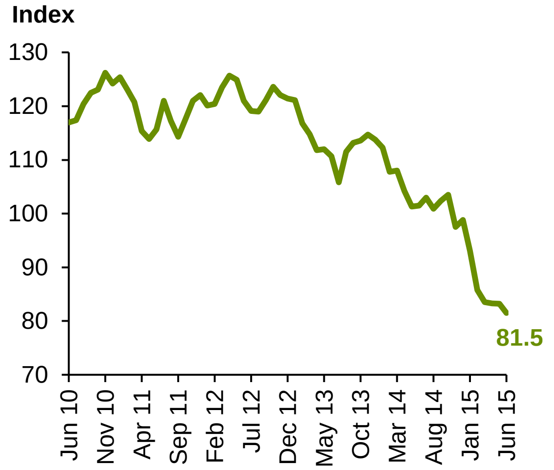
Since the beginning of the year, **inflation** showed a clear ascending trend. The government introduced a number of austerity measures and tax increases aimed at balancing the overall budget. These new taxes have raised the prices of basics like electricity, bus fares and gasoline. Inflation increased to 8.8% in May, up from 8.3% in April. The central bank raised its benchmark **interest rate** once again in May by 50 bp to 13.75%, aiming at limiting the increase in inflation. The Brazilian **consumer confidence index** continued registering record-low readings in June for the sixth consecutive month. The index fell to 81.5 last month. The **unemployment rate** in May rose for the fifth consecutive month to 6.7% from 6.4% in April. This marks the highest rate since August 2010.

Graph 3.7: Brazilian inflation vs. interest rate



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

Graph 3.8: Brazilian consumer confidence index



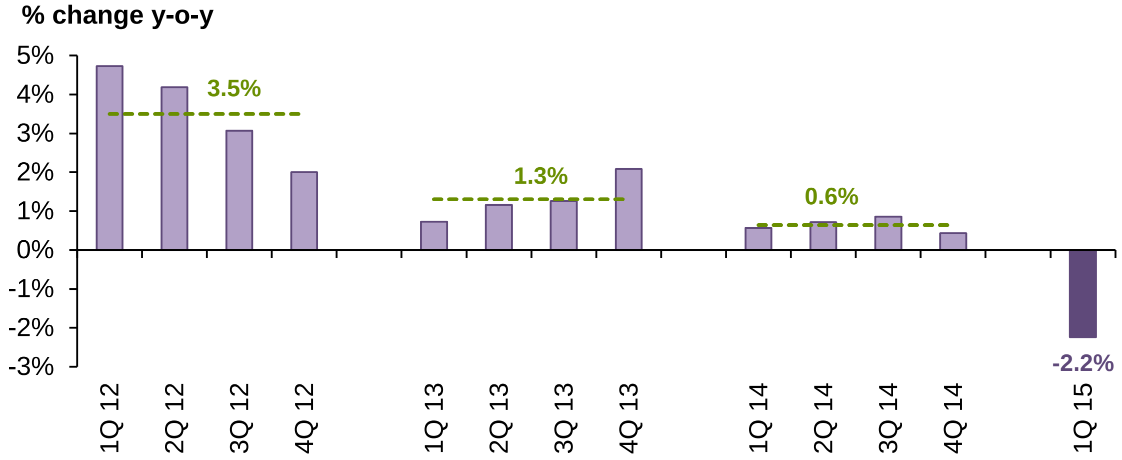
Sources: Fundação Getúlio Vargas and Haver Analytics.

The **manufacturing sector's** contractionary performance continued in June with the manufacturing PMI at 46.5, up from 45.9 in May. Production was lower along with employment as companies faced further reductions in new work intakes. The survey signaled an easing in the declining pace of new export orders. The domestic market, however, remained the major source of the slowdown. Considering the contraction in GDP in 1Q15 and signals during the second quarter, in addition to an increase in taxes, reduction in welfare and pension benefits, and spending cuts, the economy is seen as heading towards a notable slowdown this year. **GDP is forecast to shrink 1% in 2015, before slightly growing by 0.8% in 2016.**

Russia

GDP contracted 2.2% y-o-y in 1Q15, which was worse than the 1.9% decrease previously reported. This is the first decline since the last quarter of 2009, final data from the statistical office showed. **Household consumption** dropped 9% y-o-y, signaling its first shrinkage since 4Q09. **Government consumption**, on the other hand, only slightly fell by 0.1% y-o-y. The downturn in **GFCF** accelerated, dropping 8.8% y-o-y from a decrease of 1.2% in the previous quarter. The major support to GDP growth came from **net exports** which jumped by more than 53% y-o-y mainly due to the sharp cut in imports. Imports fell 25% y-o-y. On sectoral basis, manufacturing contracted 0.6% and construction decreased 4.1%. Among services, wholesale and retail trade shrank 7.6%. On the upward side, there were mining, agriculture, hunting and forestry, public administration and military security, electricity, water and gas production, all of which increased. On a q-o-q seasonally adjusted basis, the economy contracted for the third consecutive period by 1.3%, confirming that a recession started in 4Q14.

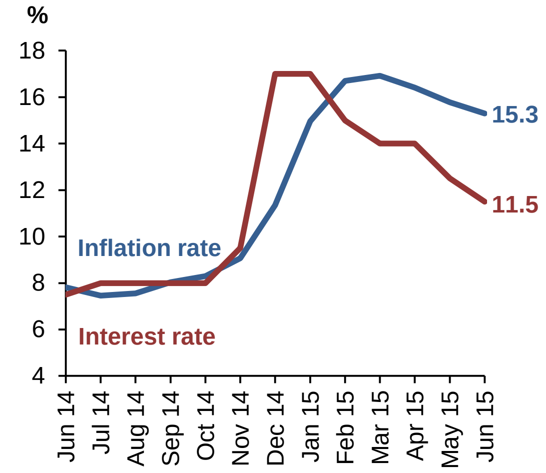
Graph 3.9: Russian quarterly GDP growth



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

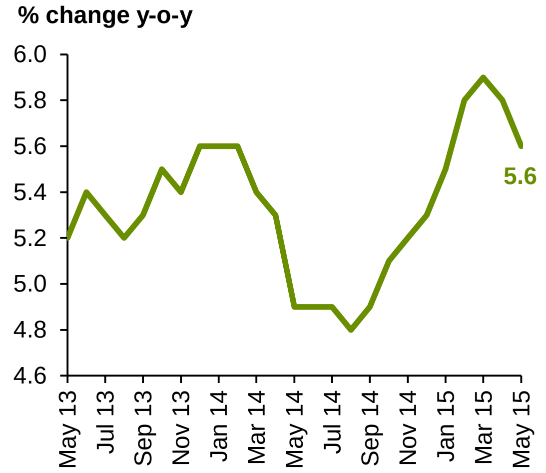
Following three consecutive months of appreciation, the **ruble** lost 7.5% m-o-m of its value against the dollar. Having reached its peak in March, annual **inflation** fell to 15.8% in May from 16.4% in April. The annual rate of consumer price growth stood at 15.6% as of June 8, 2015. According to the central bank forecast, annual inflation will fall to less than 7% in June 2016 to reach 4% in 2017. The central bank lowered its benchmark **interest rate** by 100 bp to 11.5% in last month. It is the fourth straight cut as inflation slows and risks to growth persist. The **unemployment rate** decreased to 5.6% in May from 5.8% in April. **Real wages** fell 7.3% in May after dropping by 9.6% in the previous month. **Real disposable income** shrank 6.4% after a 3.9% drop in April.

Graph 3.10: Russian inflation vs. interest rate



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

Graph 3.11: Russian unemployment rate



Sources: Central Bank od the Russian Federation and Haver Analytics.

Operating conditions in the **manufacturing sector** continued to deteriorate last month. The manufacturing PMI of June showed another slowdown in activity for the seventh month in a row. The index stood at 48.7 from 47.6 in the previous month. The survey showed that production, new orders and job creation all slid somewhat in June. Price levels continued to increase. Manufacturing accounts for around 16% of Russia's economy.

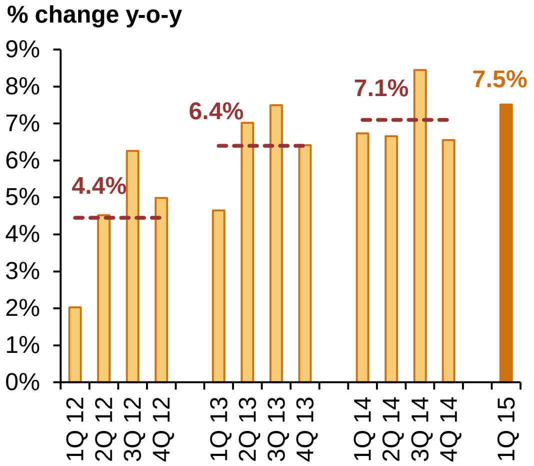
The recession in Russia's economy continued into the first three months of this year and is expected to persist for at least two more quarters as low oil prices and the impact of sanctions over the conflict in Ukraine have outweighed successive cuts in central bank interest rates aimed at spurring growth. Nevertheless, the significant cut in imports combined with way faster depreciation in the ruble compared to the rise in inflation have brought about a better-than-expected GDP figure. Real **GDP is anticipated to contract 2.8% y-o-y in 2015, while the forecast for 2016 points to a growth of 0.9%.** The Ministry of Economy forecasts that GDP will decline between 2.5% and 2.8% in 2015.

India

Following three 25 bp rate cuts earlier this year, the easing cycle of the Reserve Bank of India (RBI) may not be over just yet, given still-high real interest rates and a slow recovery in domestic demand. So far, retail inflation has remained below the bank's target, while deflation continues to affect the wholesale price index. However, as favourable base effects taper off, global oil and commodity prices begin to stabilize, and domestic demand improves, inflation is seen accelerating in the second half of 2015. The rising likelihood of an unfavourable monsoon season is adding another risk, which in the end may play a major role in the RBI's upcoming monetary policy decisions, given its effect on food prices – and their subsequent impact on India's rate of inflation.

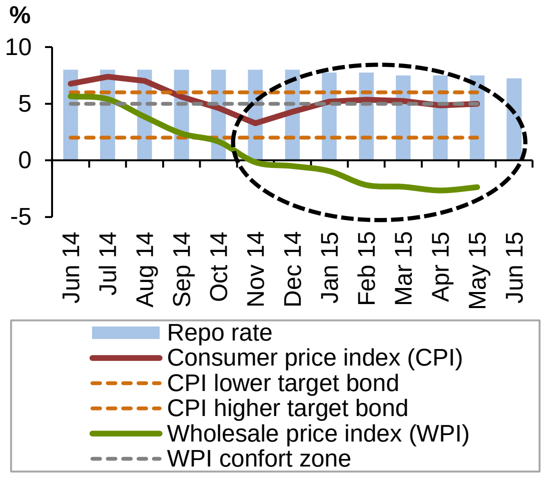
India's **CPI inflation** ended its easing trend in May, accelerating 5% y-o-y from April's 4.9%. This modest uptick in the headline figure was largely on account of firming crude oil prices, which contributed to building price pressures in fuel and lighting, as well as transport and communication components. Although some monthly variations are still possible, the general inflation trend is now on the upside. The ongoing recovery in oil prices are seen pushing consumer price inflation up to 5% by the end of 2015. This is combined with a likelihood of rising food prices, given the Indian Meteorological Department's projections that the summer monsoon rains will be below their historic average. During its recent policy meeting earlier in June, the RBI cut the leading repo rate by 25 bp, taking advantage of favourable inflation trends so far. The pace of deflation in the y-o-y **wholesale price index** (WPI) slowed to -2.4% y-o-y in May from a decline of -2.7% in April, which was broadly in line with expectations. Smaller y-o-y declines in the WPI in May compared to previous months were attributed to firming crude oil prices, which affected the "fuel and power" and "transport" components of the WPI. Nonetheless, the WPI continued to fall for the seventh straight month, the longest stretch of WPI deflation in the series' publication. Following three policy interest rate cuts this year (the latest one in June), the scope for further policy easing may narrow, with any additional easing in 2015 highly conditional on the outcome of the monsoon season.

Graph 3.12: Indian GDP growth, SAAR



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

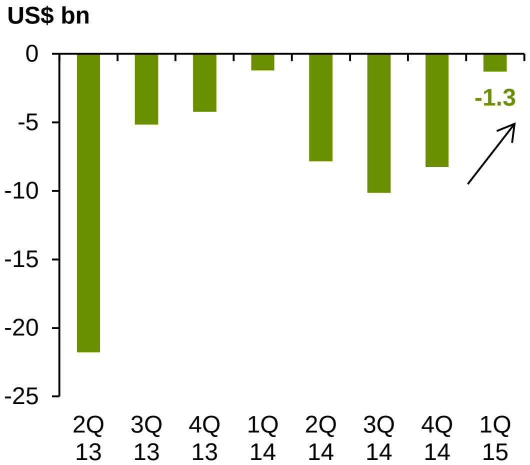
Graph 3.13: Indian inflation vs. Repo rate



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

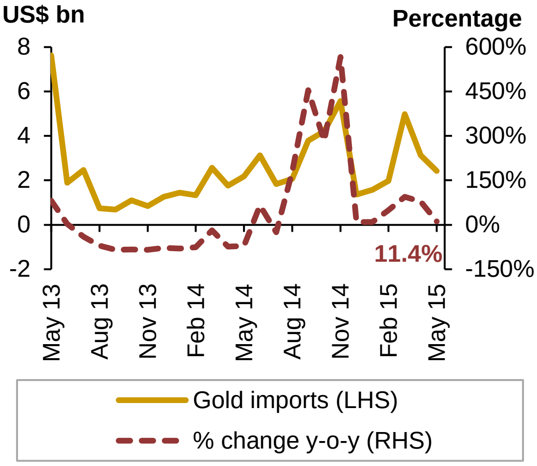
In terms of **current account deficit** (CAD), India's CAD decreased sharply to in 1Q15, falling to 0.2% of GDP from 1.7% in 4Q14. As a consequence, the CAD for the full fiscal year 2015 narrowed to 1.3% of GDP, the lowest in seven years, from 1.7% of GDP in FY14. It seems falling oil prices accounted for the bulk of the decline in the CAD, which narrowed by about \$6.9 billion between 4Q14 and 1Q15. However, 80% of the sharp decrease is related to lower net oil imports. Lower oil prices dragged down commodity exports, but even manufacturing exports contracted in 1Q15 (versus 1Q14) and grew by only 5.4% in nominal terms for the full fiscal year, implying even weaker volume growth. India's May deficit narrowed to \$10.4 billion after reaching \$11 billion in April. **Gold imports** narrowed but the compression, rather than being driven by weak exports, was largely a monthly decline in non-oil and non-gold imports, which took some of the sheen off of other high frequency data pointing to firming growth in the 2Q. On a y-o-y basis, exports nose-dived a remarkable 20.2%. But this fall was largely due to lower commodity exports, which plunged 45.4% y-o-y in May on the back of lower commodity prices.

Graph 3.14: Indian current account balance, NSA



Sources: Reserve Bank of India and Haver Analytics.

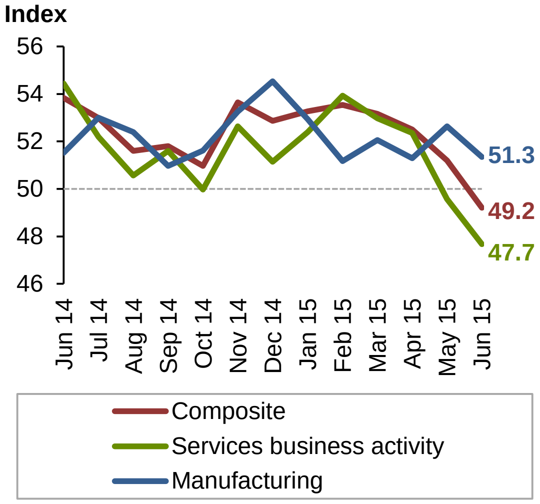
Graph 3.15: Indian gold imports



Sources: Ministry of Commerce and Industry and Haver Analytics.

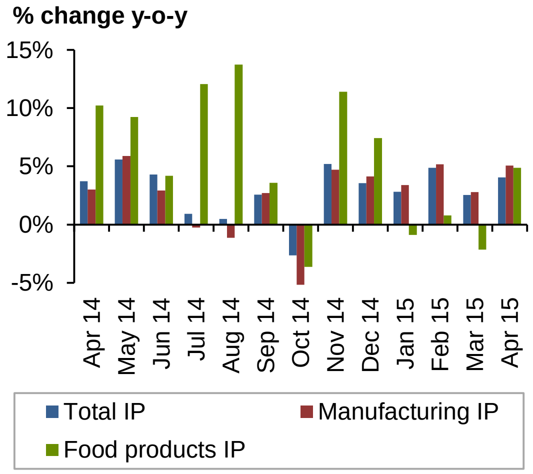
The growth in April's **Industrial Production** (IP) was a remarkable 4.1% y-o-y on the back of surging capital goods output. Given the high volatility of monthly IP data, it is normally risky to over-interpret any one month's number, especially if driven by volatile capital goods production. But this time may be different. For starters, March's IP growth was revised up from 2.1% y-o-y to 2.5%. But more importantly, the upside IP surprises have come on the heels of strong indirect tax collection in April and May, as well as solid commercial vehicle sales in May, suggesting growth may finally be gaining some impetus.

Graph 3.16: Indian PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.17: Indian industrial production breakdown



Sources: Central Statistical Organisation of India and Haver Analytics.

Following the pick-up in the growth rates for output and new orders seen in May, June's **PMI** data pointed to a slowdown in India's economic upturn. New business expanded at a noticeably weaker pace, in part reflecting a loss of momentum in export business. Moreover, manufacturers remained cautious and employment numbers were unchanged once again. Recording above the 50 no-change mark for the twentieth successive month, the PMI pointed to continued improvements in operating conditions. The index fell from 52.6 in May to 51.3 in June. New export orders received by Indian manufacturers rose for the twenty-first month in a row in June.

The Modi government has set an April 2016 deadline for rolling out a dual goods and services tax that is intended to replace the country's plethora of indirect taxes. It is expected to have positive effects on GDP growth in 2016 because it is seen as contributing to a boost in productivity, the creation of a unified market and cutting down on the large number of taxes imposed by the central government. It is also seen as lowering the incentive to evade taxes and widening the tax base.

The growth forecast for 2015 remains unchanged at 7.5% and the expectation for 2016 is 7.7%.

China

The economic data published in the past month indicates slower economic growth in the 2Q. The implementation of additional stimulus policies reflects the Chinese government's worries of a further deterioration in the next half of the year. Besides the repeated fiscal stimulus – which has included investment in transportation and infrastructure projects, easing local government debt burden and promoting public-private partnership programmes during the past few months – the central government has also mentioned the acceleration of credit fuel. This indicates further monetary easing in the coming month. Given that, infrastructure investment may remain relatively robust and lead to a moderate recovery in economic growth in the second half of 2015. Moreover, the sustained rebound in housing sales and prices is likely to improve real estate investments in the coming months.

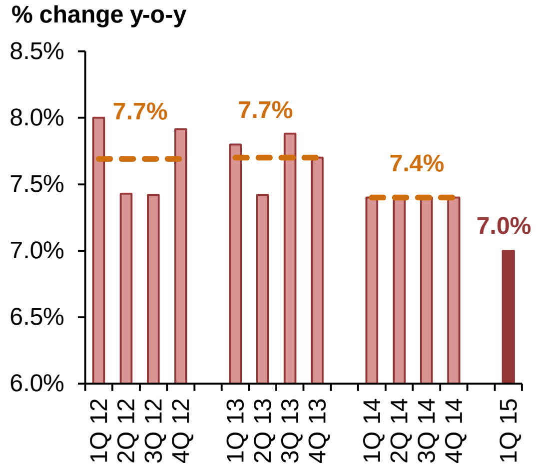
The PBOC announced a 25 bp interest rate cut, its fourth in seven months, and a 50 bp reduction for the RRR for commercial banks. But lowering interest rates, cutting the RRR and scrapping the loan-to-deposit ratio have been of little use, given the weak demand for loans. The targeted RRR cut was expected to inject between 200 billion yuan and 300 billion yuan into the economy. However, the use of a targeted RRR cut (instead of a universal cut) is meant mainly to direct more funding to the rural sector and smaller businesses, not to expand already abundant short-term liquidity. The 25 bp cut was unlikely to boost growth significantly by itself because of weak credit demand and the underlying fundamentals.

It seems that China's **GDP growth** momentum may improve slightly in the second half of 2015, largely due to the fiscal and monetary policy steps taken in recent months. Despite an interest rate cut and according to a short-run effect, Shanghai stocks fell more than 7%, while all mainland markets slumped. The state-backed provider of margin-financed loan services, China Securities Finance Corporation, after the mentioned fall, tried to calm the market, saying that margin trades accounted for less than 1% of Shanghai's turn-over. Nevertheless, after a brief turnaround following the statement, mainland stocks continued to spiral down.

It seems that loose monetary policy used to combat tight market conditions and heavy capital outflows are reducing liquidity, while the trade-weighted exchange rate has appreciated significantly, squeezing exporters. To counter these factors, the PBOC is lowering long- and short-term rates and injecting liquidity. The PBOC may lower interest rates further, cutting the one-year lending rate to 4.6% by the end of 2015, and inject additional liquidity more generally by cutting the reserve requirements of banks. This will be part of efforts to ensure a controlled slowdown in the economy.

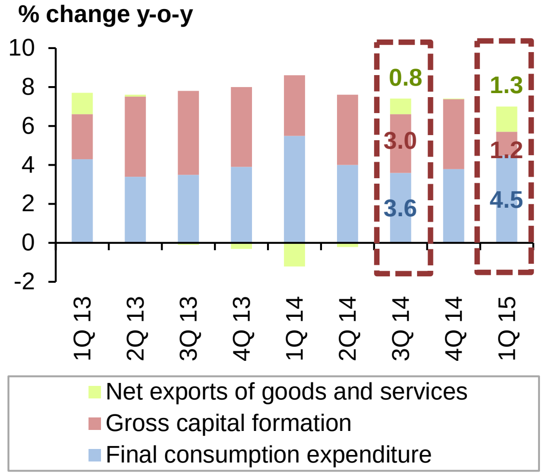
In terms of the movement of the **GDP component**, consumption growth will continue to exceed that of overall GDP. The authorities are gradually steering the economy towards one that depends less on investment and more on consumer spending. Strong real wage growth and high state spending are lifting the living standards of households, feeding through into reasonably robust spending. In the 1Q, real disposable income per capita rose 8.1% on the year. As part of efforts to support the economy, public spending on railways, infrastructure, affordable housing and support for small businesses will be increased further, with projects brought forward. The central government has targeted a spending increase of 10.6% this year. Against a background of sluggish domestic demand, import volumes are forecast to fall by 2.9% in 2015. Export growth is expected to remain moderate in light of still subdued global demand and the appreciation in China's trade-weighted exchange rate but should outpace imports by a wide margin.

Graph 3.18: Chinese GDP growth rate, SAAR



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

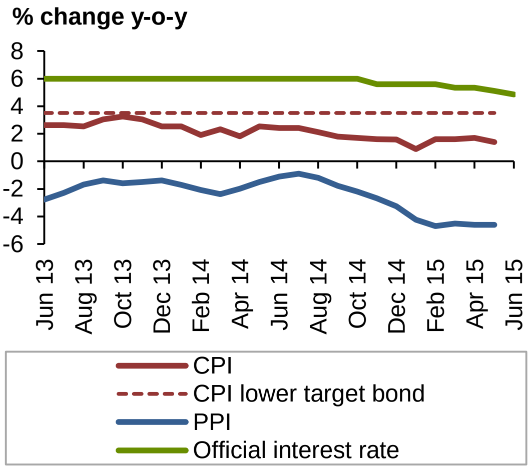
Graph 3.19: Chinese GDP breakdown



Sources: China National Bureau of Statistics and Haver Analytics.

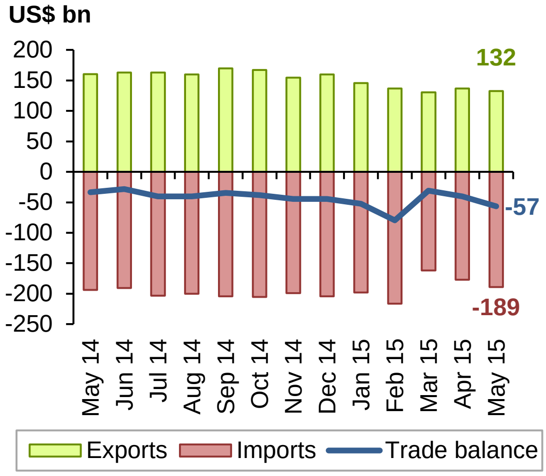
There are still some domestic risks in the economy even though the shadow banking sector now appears to be under control. China's total debt ratio exceeds 265%, non-performing loans are rising quickly and the imbalances in the housing market continue to rise. With the monetary overhang resulting from the large-scale stimulus in 2009/2010 still likely to be substantial, the economy remains prone to asset price bubbles. The latest examples are the sudden surges in the stock market. Further risks arise from the fragility of the balance sheets of local governments, which rely on the sale of land-use rights. Given these distortions, the authorities will have to be very careful in steering the economy towards a more stable growth path.

Graph 3.20: Chinese consumer price index (CPI) vs. producer price index (PPI)



Sources: China National Bureau of Statistics and Haver Analytics.

Graph 3.21: Chinese trade balance

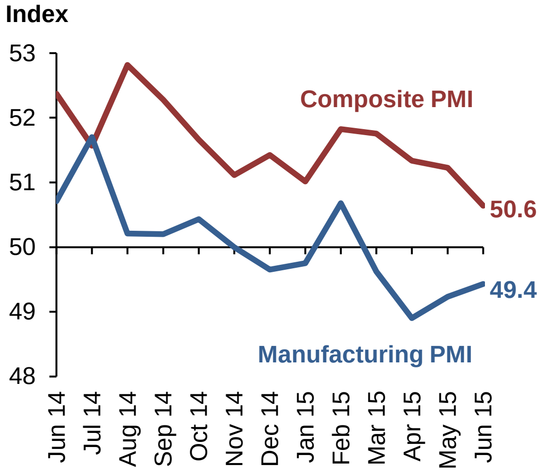


Sources: China Customs and Haver Analytics.

The latest survey data indicated that operating conditions faced by Chinese **manufacturers** continued to deteriorate in June, albeit at a weaker rate. Total **new orders** rose for the first time in four months, though only slightly, while output contracted at a weaker pace than in May. However, manufacturers continued to cut their workforce numbers in June, with the latest reduction the strongest seen since February 2009. The composite **PMI** indicator posted 49.4 in June. This was the fourth successive month that the PMI has registered a level in the contractionary territory.

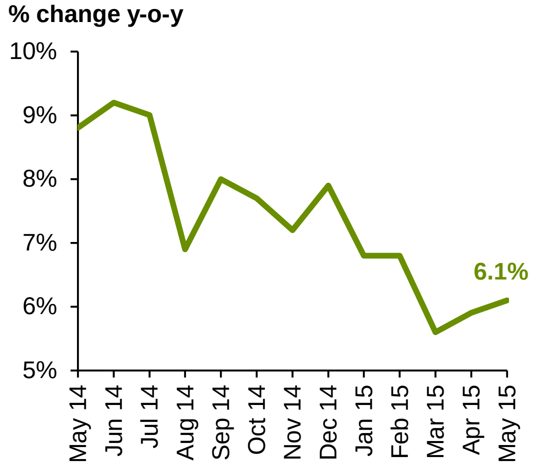
However, this was up from 49.2 in May and signalled a marginal rate of deterioration that was the slowest since March.

Graph 3.22: Chinese PMIs



Sources: HSBC, Markit and Haver Analytics.

Graph 3.23: Chinese industrial production



Sources: China National Bureau of Statistics and Haver Analytics.

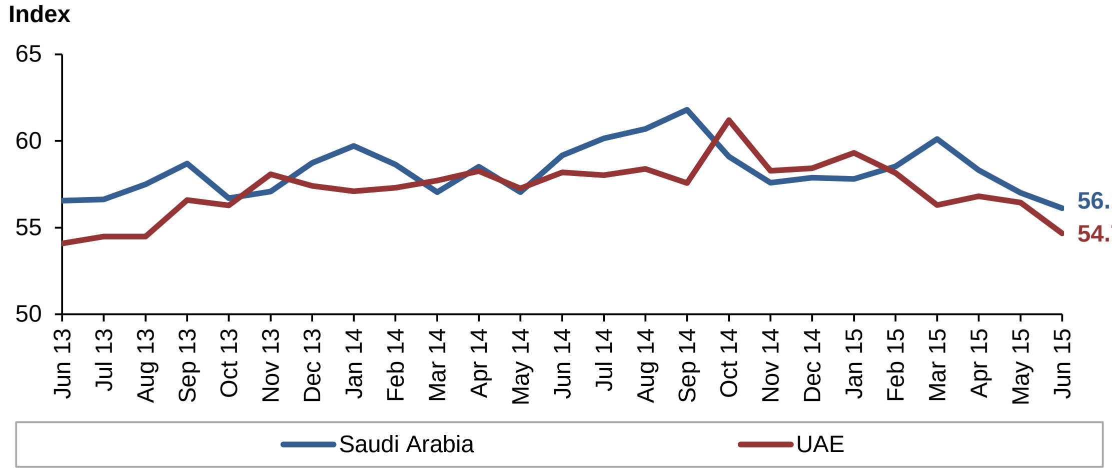
The **GDP growth** expectation is unchanged at 6.9% for this year. The expectation for 2016 is 6.5%, as the adjustments in the industry and housing sectors will continue to depress growth. Given the sluggishness of domestic demand, goods imports should recover only slowly from the estimated 7.0% y-o-y fall in 1Q15. They will contract only by an average of 2.2% this year and, as a result, net exports should contribute significantly to growth in 2015.

OPEC Member Countries

The non-oil private sector in **Saudi Arabia** continued expanding at high rates in June with the Saudi Arabia PMI, as provided by Emirates NBD, dropping to 56.1 from 57 in May. This resulted in further improvements in business conditions. However, the index eased on the basis of a slow increase in new orders combined with lower growth in production. The survey also signalled a rise in job creation in June, with little change from the previous month's level.

In the **United Arab Emirates**, the PMI posted 54.7 in June compared to 56.4 in May, signalling solid growth in the non-oil private sector. The survey revealed an increase in production, though at a notably lower rate, amid a ramp up in new business taking place at its slowest pace since April 2012. The slower rise in new export orders has also resulted in fewer overall new orders. Employment posted a solid rate of expansion in June, little changed from the past two months, on the opening of new branches and expanding operating capacity.

Graph 3.24: Saudi Arabia and UAE: PMIs



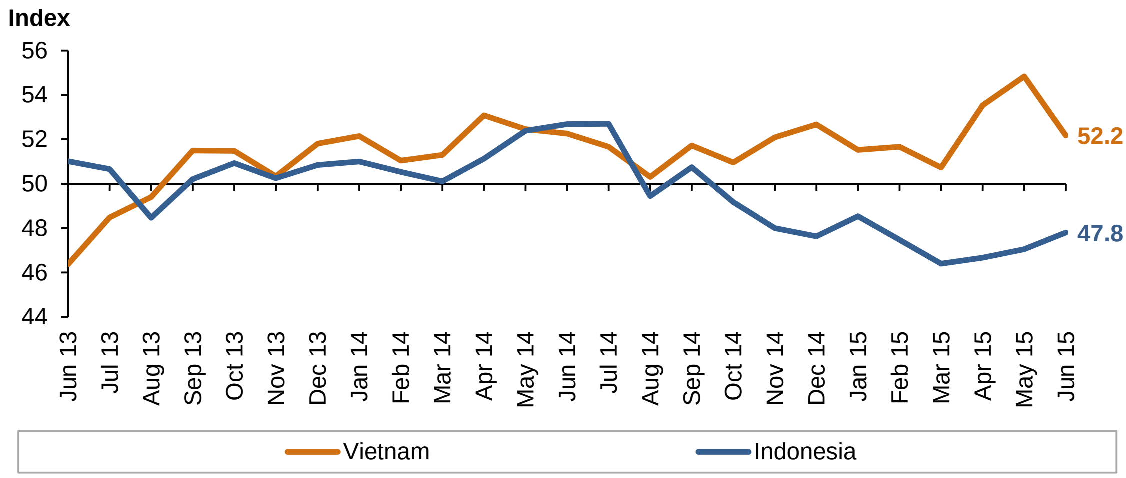
Sources: SAAB, HSBC, Markit and Haver Analytics.

Other Asia

In **Indonesia**, the central bank left its benchmark interest rate unchanged at 7.5% in June. The wholesale price index posted 4.6% y-o-y in May. The bank is targeting inflation at 4% plus/minus 1% in 2015 and 2016, as well as narrowing the current account deficit to between 2.5% and 3% of GDP over the medium-term. The rupiah slightly depreciated 1.5% m-o-m in June and the consumer confidence index remained in the growth region of 111.3, though lower than May's 112.8. Expectations, according to the survey, continued to be much better than what the survey revealed about the present situation. The Nikkei Indonesia Manufacturing PMI rose to 47.8 in June, but remained in the contraction region, indicating that business conditions in the manufacturing sector continued to deteriorate.

The manufacturing sector in **Vietnam** continued to expand last month, with the respective PMI rising to 52.2 from 45.8 in the previous month. The survey showed a weaker increase in production and new business, while cost inflation remained weak along with a slight increase in job creation. GDP grew 6% in 1Q15 on robust performance of industry and construction, which accelerated 8.4% y-o-y in 1Q15 from 7.1% in the previous quarter.

Graph 3.25: Manufacturing PMIs of Indonesia and Vietnam



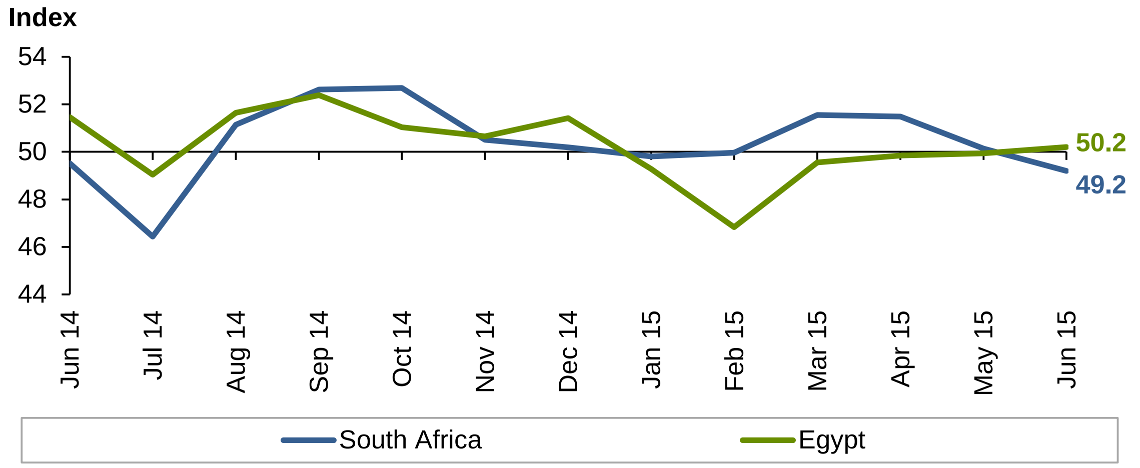
Sources: HSBC, Markit and Haver Analytics.

In **Malaysia**, the manufacturing economy showed a further slowdown in operating conditions in June. The manufacturing PMI registered 47.6 last month from 49.5 in May. This signals the lowest reading in 32 months as output and new business sharply dropped.

Africa

In **Egypt**, the PMI of June signalled a return to growth in the country's non-oil private sector, in contrast to the downturn observed over the first five months of this year. The index stood at 50.2 in June, up from 49.9 in the previous month, marking the first reading in the growth region since December 2014. The survey outcome suggests a marginal expansion in output, as well as new orders and new export work. Inflation increased on a continued depreciation of the currency. The currency depreciated 6.7% y-o-y in June.

Graph 3.26: Composite PMIs of Egypt and South Africa



Sources: Emirates NBD, Standard Bank, Markit and Haver Analytics.

In **South Africa**, GDP expanded 2.1% y-o-y in 1Q15, the fastest growth since 4Q13. The private sector economy sent a negative signal last month as the PMI fell to below 50 on declines in output and new work at the sharpest rates in almost a year. The index posted 49.2 in June from 50.1 in May. The report highlighted exchange rate factors, rising fuel prices and increasing staff costs had continued to exert upward pressure on overall input costs.

Latin America

Consumer price inflation in **Argentina** was 15.3% y-o-y in May, down for the fifth consecutive month. Inflation posted 15.8% in the month before. On a monthly comparison, inflation increased 1% in May over April's 1.1%. The consumer confidence index was largely stable in June at 54.88 from 54.99 in May. The country's export value declined 25.9% y-o-y in May, after falling 19.2% in April. The central bank's foreign reserves decreased from $33.9 billion in April to $33.2 billion in May.

Transition region

The manufacturing sector in the **Czech Republic** signalled the strongest improvement in business conditions last month since May 2014 as suggested by the manufacturing PMI reading of June which stood at 56.9, up from 55.5 in May. Faster growth in production, as well as new orders and exports, in addition to a record increase in manufacturing employment, all supported the index. GDP growth accelerated in 1Q15 to 4.2% y-o-y, up from 1.2% in the previous quarter. This marks the highest growth rate since 2Q08.

In **Poland**, the manufacturing PMI remained above the neutral line in June, posting 54.3, up from May's seven-month low of 52.4. This marks the first rise in the index since the beginning of the year. Manufacturing production ramped up to five-month fastest growth. New manufacturing business increased for the ninth month in a row. GDP growth improved in 1Q15 to 3.7% y-o-y from 3.1% in 4Q14. Higher growth in household consumption, increased exports, growing GFCF and reduced imports were the main drivers of this progress.

Oil prices, US dollar and inflation

For a second consecutive month the appreciating trend of the **US dollar** seems to have come to a temporary halt. The US dollar has barely moved against its major counterparts with the exception of the yen. On a monthly average in June, the US dollar declined by 0.5% compared to the euro and the pound sterling, and gained 0.2% versus the Swiss franc. Compared to the yen, the dollar's value increased by 2.5%. In addition, the Russian rouble declined again in June by 7.8% m-o-m versus the US dollar on average, after it had posted a recovery of around 23% from March to May. The Brazilian real also continued declining by 1.6% m-o-m versus the US dollar in June.

The landscape in the currency markets again has become more complex. While central bank policies remain the key determinants of exchange rates, other issues are becoming increasingly important. China's ability to manage its sliding stock market and the outcome of the Greece crisis will become two important drivers. But another important factor is the ability of the US to recover and get back to quarterly growth rates of around 3%.

In nominal terms, the price of the **OPEC Reference Basket (ORB)** fell by a monthly average of $1.95/b, or 3.14%, from $62.16/b in May to $60.21/b in June. In real terms, after accounting for inflation and currency fluctuations, the ORB fell by 2.9%, or $1.23/b, to $40.71/b from $41.94/b (base June 2001=100). Over the same period, the US dollar remained stable against the import-weighted modified Geneva I + US dollar basket[*], while inflation declined by 0.2%**.**

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

World Oil Demand

World oil demand growth in 2015 was revised 0.1 mb/d higher from the previous month's report to stand at 1.28 mb/d, leading to total consumption of 92.61 mb/d. This positive upward revision reflects the latest actual data for 1Q15.

In 2016, world oil demand is projected to grow at a higher rate than in the current year, rising by 1.34 mb/d from the 2015 levels to average around 93.94 mb/d. Non-OECD countries are likely to lead oil demand growth with 1.16 mb/d in total demand, while growth in OECD nations is anticipated to increase by 0.18 mb/d. The progress of economic development in major economies around the globe is the key risk factor affecting world oil demand projections in 2016.

World oil demand in 2015

Table 4.1: World oil demand in 2015, mb/d

							Change 2015/14	
	2014	1Q15	2Q15	3Q15	4Q15	2015	Growth	%
Americas	24.17	24.19	24.00	24.63	24.91	24.44	0.26	1.10
of which US	*19.39*	*19.52*	*19.30*	*19.74*	*20.05*	*19.66*	*0.27*	*1.38*
Europe	13.51	13.40	13.60	13.83	13.50	13.58	0.07	0.54
Asia Pacific	8.14	8.73	7.63	7.56	8.17	8.02	-0.12	-1.46
Total OECD	**45.82**	**46.32**	**45.22**	**46.02**	**46.58**	**46.04**	**0.22**	**0.48**
Other Asia	11.32	11.38	11.71	11.66	11.59	11.59	0.26	2.33
of which India	*3.79*	*4.00*	*3.94*	*3.76*	*3.99*	*3.92*	*0.13*	*3.56*
Latin America	6.60	6.41	6.71	7.06	6.76	6.74	0.13	2.01
Middle East	8.14	8.27	8.20	8.73	8.15	8.34	0.20	2.40
Africa	3.78	3.88	3.87	3.79	3.94	3.87	0.09	2.38
Total DCs	**29.85**	**29.95**	**30.48**	**31.24**	**30.44**	**30.53**	**0.68**	**2.28**
FSU	4.54	4.40	4.25	4.65	4.94	4.56	0.02	0.44
Other Europe	0.65	0.65	0.61	0.65	0.74	0.67	0.01	1.84
China	10.46	10.44	10.99	10.63	11.19	10.81	0.35	3.34
Total "Other regions"	**15.66**	**15.49**	**15.85**	**15.94**	**16.87**	**16.04**	**0.38**	**2.44**
Total world	**91.32**	**91.76**	**91.55**	**93.20**	**93.89**	**92.61**	**1.28**	**1.40**
Previous estimate	91.32	91.51	91.37	93.21	93.89	92.50	1.18	1.29
Revision	0.00	0.25	0.18	-0.02	0.00	0.10	0.10	0.11

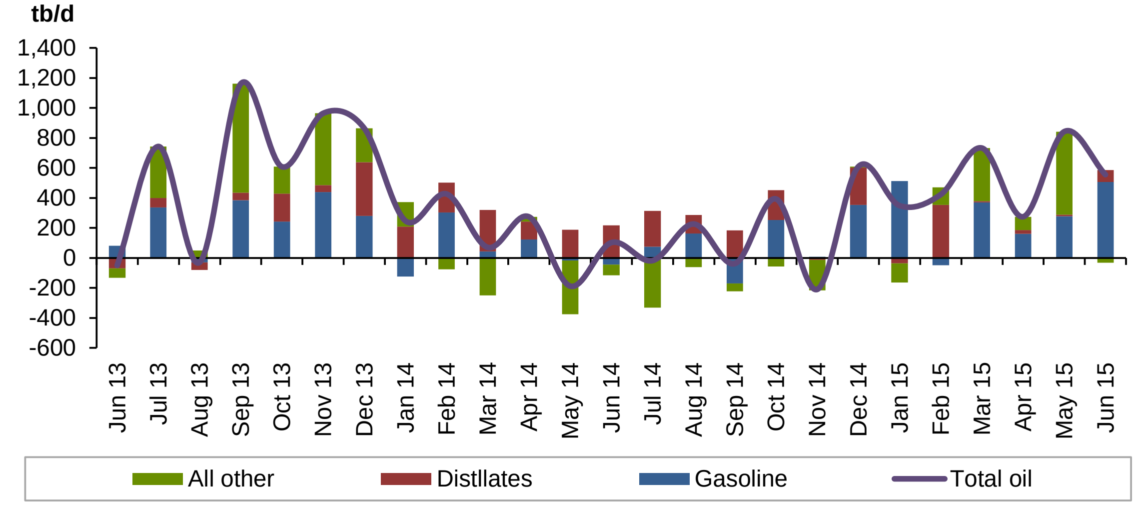
Totals may not add up due to independent rounding.

OECD Americas

The latest available **US** monthly oil demand data from April 2015 was in line with the upward trend observed since the beginning of 3Q14 with demand growing by 1.4% compared with the same month in the previous year and the first four months of this year showing oil requirements solidly higher, by around 0.4 mb/d, compared with the same period last year. The main products in the first four months of 2015 are: growing requirements for gasoline, distillate fuel and jet fuel, supported by a low oil price environment. During the same period, residual fuel oil and propane/propylene demand fell, mainly as a result of increasing substitution with natural gas. Rising car sales and employment figures during the first four months of 2015 also contributed to rising oil requirements. Preliminary weekly data for May and June show oil demand strongly increasing y-o-y and with the product pattern observed for the first four months of 2015 largely continuing, with increasing gasoline, distillate fuel, propane/propylene and jet fuel demand together with falling residual fuel oil. The risks in the development of 2015

US oil demand are mainly dependent on the development of the US economy and the oil price environment – most likely skewed to the upside compared with last month.

Graph 4.1: US oil consumption, y-o-y changes

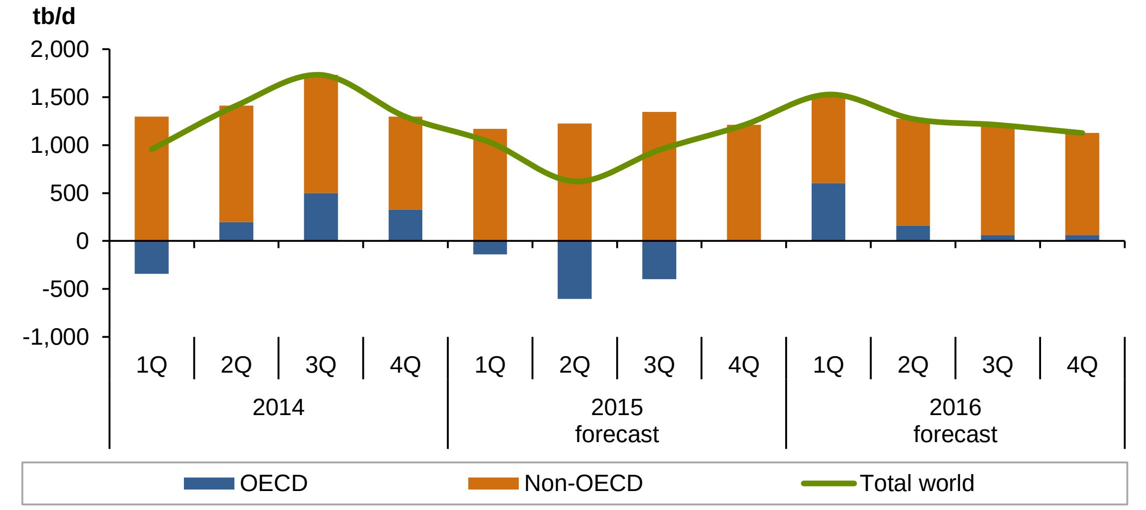


Mexican oil demand in May 2015 decreased by 4.4% y-o-y. As during the first four months of 2015, all main product categories declined, with fuel oil accounting for the bulk of these decreases and, as a result of increasing substitution with other commodities, largely natural gas.

Declining oil demand in the transportation sector and declining industrial fuel requirements led to an overall 2.4% decrease in **Canadian** oil demand for the first four months of 2015. Projections for 2015 Canadian oil demand remain unchanged from those in the previous month, leaving oil requirements during 2015 at 2.2%, approximately the same level as in 2014.

In 2015, **OECD Americas** oil demand is projected to grow by 0.26 mb/d compared with the previous year.

Graph 4.2: Quarterly world oil demand growth



OECD Europe

European oil demand increased in May 2015 y-o-y, for another month, in line with the improvements in the economy in many parts of the region. The magnitude of increase was, however, smaller than in previous months, which contained baseline effects and cold weather, particularly during the first quarter of this year. Oil demand grew also in countries that are undergoing stringent austerity measures and aim to reduce their public debts.

Early indications for May 2015 showed some gains in Germany, France and the UK, while Italy continued to be on the decline. The positive momentum in auto sales, continuously increasing since August 2013, continued in May 2015, particularly in Poland and the Czech Republic. The general expectations for the region's oil demand during the remainder of 2015 have remained stable since last month's projections. Improvements in the economies of the majority of countries are counter-balanced by concerns regarding the economic development of specific areas in the region.

European oil demand is projected to increase in 2015 by 0.07 mb/d.

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

	May 15	May 14	Change from May 14	Change from May 14, %
LPG	377	363	13	3.6
Gasoline	1,096	1,106	-10	-0.9
Jet/Kerosene	786	761	25	3.2
Gas/Diesel oil	3,025	2,967	58	1.9
Fuel oil	235	231	4	1.7
Other products	952	999	-47	-4.7
Total	**6,471**	**6,429**	**42**	**0.7**

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

OECD Asia Pacific

In May 2015, **Japanese** y-o-y oil demand decreased, mainly due to direct fuel and crude burning for electricity generation as a result of increasing substitution with natural gas and coal. Decreases have also been seen in the requirements of all other product categories, with the exception of naphtha, leading to an overall 0.06 mb/d decline in oil demand y-o-y. Japanese auto sales continue to be down, falling by 2.2% y-o-y in June 2015, in line with declining fuel demand during the same month. The status of the Japanese nuclear power plants remained unchanged since last month, with a likely restart of the first nuclear reactor since the Fukushima disaster expected to take place in August 2015.

As far as the outlook for 2015 Japanese oil demand is concerned, current indications remain roughly unchanged from last month's forecasts with the risks being equally balanced both to the downside and to the upside.

In **South Korea**, April 2015 saw a solid increase of 0.13 mb/d y-o-y with the bulk of increases being in transportation fuels (i.e. diesel, gasoline) and naphtha for the petrochemical industry. The outlook for South Korean oil consumption during 2015 remained positive, unchanged as compared with last month's projections.

OECD Asia Pacific oil consumption is expected to fall in 2015 by 0.12 mb/d.

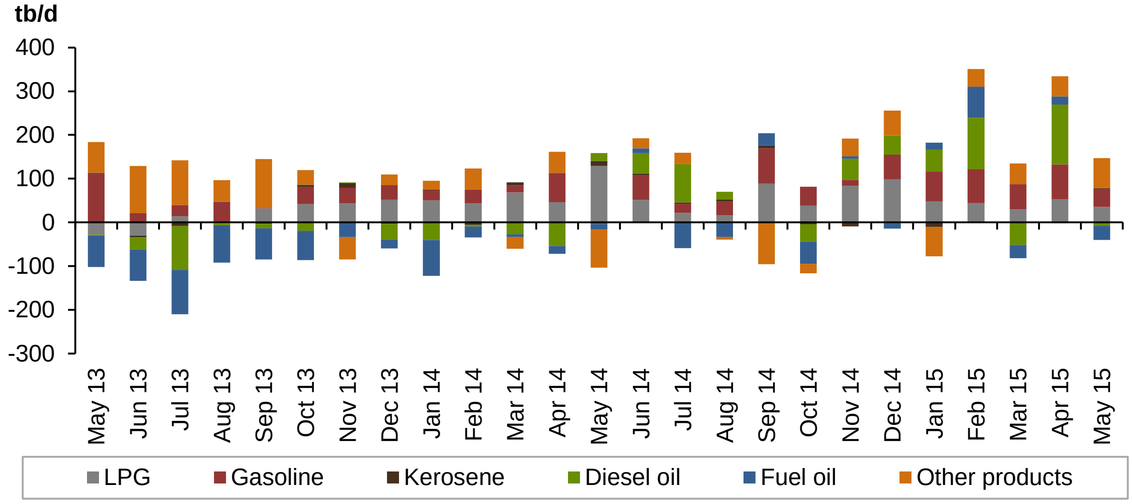
Table 4.3: Japanese domestic sales, tb/d

	May 15	Change from May 14	Change from May 14, %
LPG	331	-12	-3.6
Gasoline	884	-1	-0.1
Naphtha	732	74	11.3
Jet fuel	75	-4	-5.3
Kerosene	108	-22	-16.8
Gasoil	536	-20	-3.6
Fuel oil	453	-21	-4.5
Other products	54	-1	-1.0
Direct crude burning	97	-50	-34.1
Total	**3,271**	**-57**	**-1.7**

Other Asia

For the month of May 2015, **Indian** oil demand increased by over 0.10 mb/d or 3% compared with the same period in 2014, with total consumption standing at 3.86 mb/d. As for products, light distillates continued to support growth while diesel oil and fuel oil were in the negative during the month. LPG demand saw an increase of 35 tb/d or 6% y-o-y, largely driven by the residential sector. Gasoline demand also increased by around 42 tb/d or 9% y-o-y. This increase is attributed to rising car sales, which were higher by 8% y-o-y in May, marking the seventh successive month of positive growth. The lower baseline also provided support to gasoline consumption growth data.

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



On the other hand, diesel oil requirements were 8 tb/d lower in May, compared with massive growth of around 0.14 mb/d seen in April. A healthy improvement in manufacturing activities and hotter-than-expected temperatures across the country failed to provide support y-o-y growth in these products as consumption was high in the same month of the previous year.

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

	May 15	May 14	Change	Change, %
LPG	642	607	35	5.8
Gasoline	515	472	42	8.9
Kerosene	336	335	1	0.3
Diesel oil	1,421	1,428	-8	-0.5
Fuel oil	191	223	-32	-14.5
Other products	763	694	69	9.9
Total oil demand	**3,866**	**3,759**	**107**	**2.9**

In **Indonesia**, the latest available data for April 2015 showed rising demand for all products with fuel oil and jet kerosene increasing by around 8% and 5% y-o-y, respectively. This led total consumption to reach 1.49 mb/d with an increase of around 44 tb/d or 3% y-o-y. Going forward, oil demand in Indonesia will continue to be dependent on the country’s overall economic performance and the level of subsidy cuts for petroleum products. In Taiwan, oil demand grew by a solid 63 tb/d or around 7% in April 2015, compared with the same period last year, with the bulk of increases coming from other products, including fuel oil and jet/kerosene.

The risks for 2015 oil demand in Other Asia are currently skewed towards the upside as a result of the possible overall economic improvement in the region’s biggest oil consumer, India, and the general economic performance in some other countries in the region.

Other Asia’s oil demand is expected to grow at the rate of 0.26 mb/d in 2015.

Latin America

In April 2015, product demand fell in **Brazil** compared with a year earlier, losing more than 0.14 mb/d or around 6% y-o-y as the economic situation worsened. This marks the second consecutive decline, pushing y-t-d data into negative territory. The growth level was above 60 tb/d in 1Q15 mainly as drought conditions supported fossil fuel demand. All products showed declines, with the exception of ethanol and jet/kerosene. Ethanol demand increased by more than 90 tb/d or 45% y-o-y, leading to total consumption of 0.29 mb/d, mainly due to support stemming from lower ethanol prices in major cities. On the other hand, the largest decline was in fuel oil demand, which dipped by more than 22% y-o-y, marking the fourth consecutive month of decline. This decline can be attributed to a reduction in power generation usage, which declined by 3% y-o-y due to lower air conditioning demand.

Table 4.5: Brazilian inland deliveries, tb/d

	May 15	May 14	Change	Change, %
LPG	223	236	-13	-5.5
Gasoline	663	755	-92	-12.2
Jet/Kerosene	123	125	-2	-1.5
Diesel	940	1,041	-101	-9.7
Fuel oil	79	102	-23	-22.6
Alcohol	291	201	90	44.5
Total	**2,320**	**2,462**	**-142**	**-5.8**

Gasoline demand also declined sharply by 92 tb/d or around 12% y-o-y to reach a total consumption of 0.66 mb/d as ethanol seemed to be more economical for drivers. Diesel oil demand fell by a staggering 0.1 mb/d or 10% y-o-y with total consumption at 0.94 mb/d as major macroeconomic indicators of the country – GDP growth, the unemployment rate and industrial activities – continued on a downward trend.

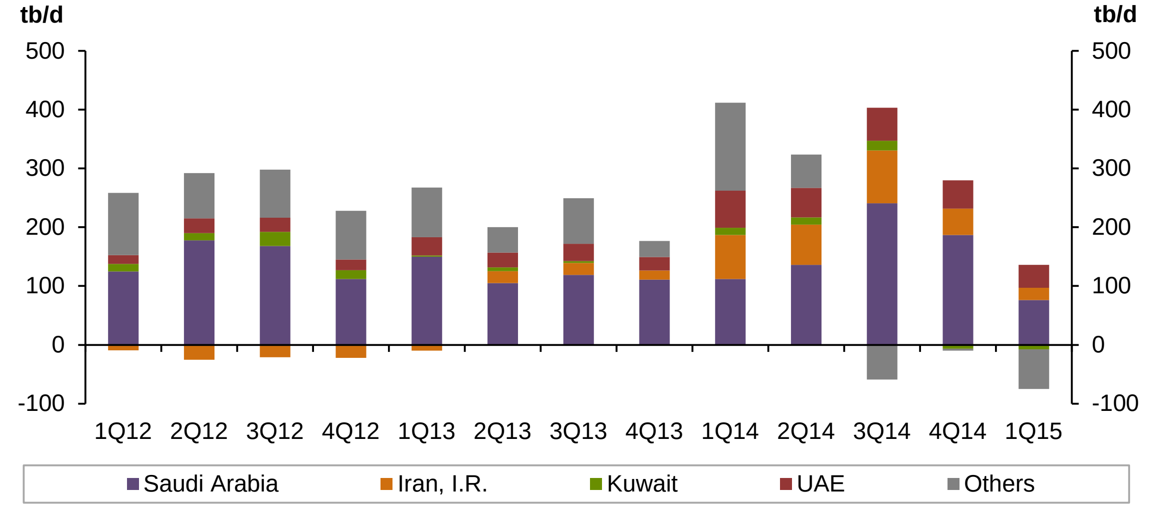
In **Argentina**, which accounts for around 11% of Latin America's oil demand, oil product consumption increased by around 50 tb/d or 7% y-o-y during the month of April 2015, according to latest data. In terms of product performance, fuel oil and gasoline were on the rise, while LPG and jet/kerosene decreased.

Oil demand in **Latin America** is projected to grow by 0.13 mb/d in 2015 to reach 6.74 mb/d, which is around 40 tb/d lower than last month's report.

Middle East

In **Saudi Arabia**, oil demand figures were very robust during the month of May 2015, rising by around 0.30 mb/d or more than 12% as compared with the same month in 2014. All products grew at different rates, with the exception of direct crude for burning and LPG, which were flat to declining. The highest growth originated in industrial and power generation fuels with fuel oil rising by a sharp 0.12 mb/d or around 33% y-o-y, however, crude oil utilized for direct burning to generate power was almost flat. The increased usage of these products was mainly a result of the heatwave seen across most of the country, which resulted in additional usage of air conditioning. Jet/kerosene and diesel oil also grew at the high rates of 21% and 16% y-o-y, respectively. Additional air travel activities at the beginning of the summer holidays combined with increased consumption in the transportation and industrial sectors supported the demand for middle distillates. Looking ahead, oil demand is expected to remain robust in the coming months as the transportation and industrial sectors in the country are performing well due to summer's peaking demand and to meet the Ramadan and Eid al-Fitr requirements.

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



Iraqi oil consumption continued to decline, led by diesel oil and LPG, which decreased by more than 45% and 23% y-o-y, respectively. Overall demand decreased by around 0.11 mb/d or 16% y-o-y for the 12th consecutive month.

In **Kuwait**, weaker gasoline and fuel oil requirements implied an overall drop in oil requirements in April 2015. Oil demand also grew in **Qatar** and the **UAE**, with transportation fuels, notably gasoline, dominating these increases in both countries.

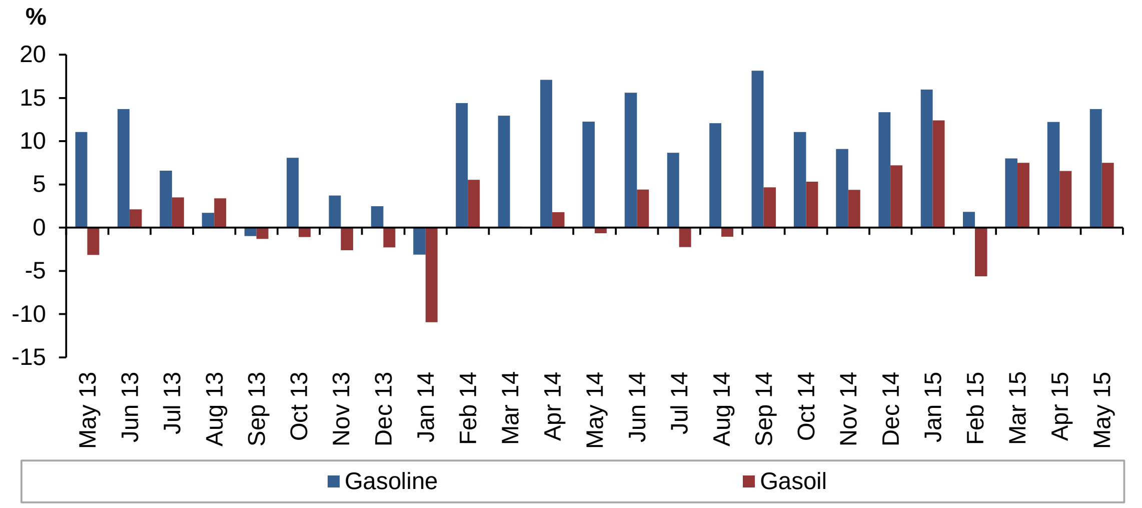
In 2015, **Middle Eastern oil demand** is anticipated to expand by 0.20 mb/d as compared with 0.34 mb/d in 2014.

China

While uncertainties prevail, several of **China's** oil demand indicators were positive during the month of May, with car sales continuing to improve and stable development in the air travel sector. As such, most of the product mix has shown strong growth y-o-y with no exceptions.

Demand for LPG increased y-o-y by 0.18 mb/d or around 17%, bringing total consumption to around 1.2 mb/d, a record high, supported by a number of startup propane dehydrogenation plants (PDHs). The Yangzijiang Petrochemical plant started operations in March with a capacity of 0.6 million tonnes per year, while Yantai Wanhua Group's 0.75 million tonnes per year-unit increased its production levels and Oriental Energy's 0.66 million tonnes per year-facility is anticipated to start production in July 2015.

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



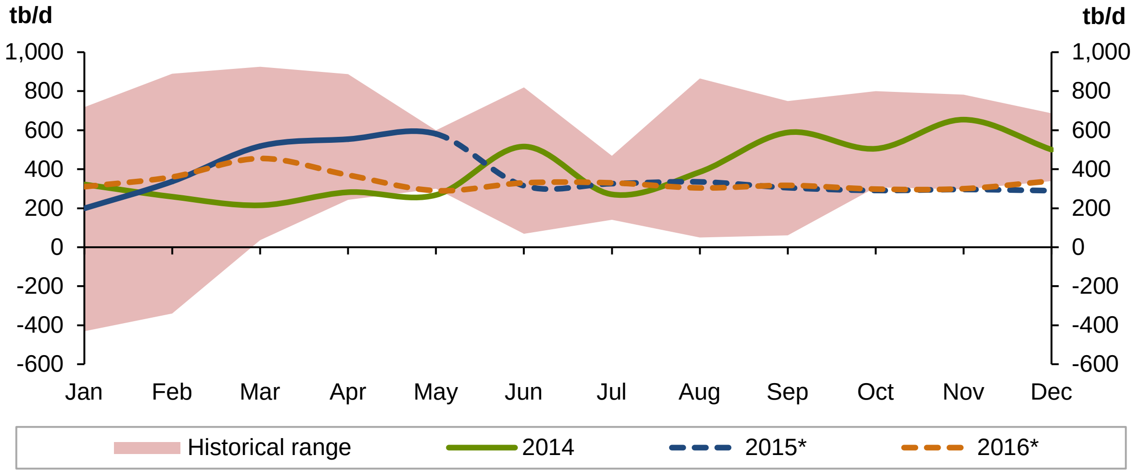
Gasoline demand averaged 2.73 mb/d, higher by a sharp 0.33 mb/d or 14% as compared with a year earlier. Car sales data continued to support demand for the product, with SUV sales increasing yet again, despite passenger vehicle sales slowing down in May. Diesel oil demand showed robust growth too, increasing by around 0.25 mb/d or around 8% y-o-y. This substantial growth was mainly driven by increased government spending on infrastructure projects supporting diesel demand. Jet kerosene saw an increase of around 50 tb/d, which equates to a more than 10% increase y-o-y supported by robust air travel as China's passenger traffic growth rose by 15% y-o-y.

Fuel oil demand increased y-o-y by around 40 tb/d or around 7% as teapot refineries continued to ramp up operation encouraged by healthy refinery margins.

Looking ahead, oil consumption in China currently looks balanced. Downside risks are linked to slower economic activities as well as a speed-up in policies encouraging reduction in transportation fuels. On the other hand, expansion in the petrochemical sector, especially in PDH plants, and additional government spending on infrastructure projects provide the potential for oil demand growth.

China's oil consumption is anticipated to rise in 2015 by 0.35 mb/d.

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



** Forecast.*

World oil demand in 2016

Improvement in global economic activities in 2016 is anticipated to be translated into higher oil consumption. As such, world oil demand is forecast to grow by 1.34 mb/d y-o-y, approximately 56 tb/d higher than the growth anticipated in 2015.

Regionally, the OECD is projected to rise by 0.18 mb/d and OECD Americas is expected to be firmly in the positive, while OECD Europe and Asia Pacific are expected to decline. In the non-OECD region, growth is expected to be around 1.16 mb/d with slightly higher Chinese oil demand growth.

Looking at the product mix, transportation fuels will continue to drive growth in diesel oil and gasoline the major economies. Nevertheless, the forecast is subject to uncertainties, with possible impacts in both directions, from the scope of economic growth, industrial production developments, oil price trends, weather conditions, changing oil intensity in different regions, and policy changes including fuel substitution.

OECD

In **OECD Americas**, oil demand is projected to be slightly higher by 0.33 mb/d, compared with 2015. US oil demand in 2016 is projected to grow by approximately 0.28 mb/d, slightly higher than the growth seen in 2015, driven by a projected increase in economic growth. As was the case for 2015, 2016 forecasts are mainly dependent on the growth of the US economy and on oil prices. Another factor that could push US oil demand upwards is further expansion in the petrochemical industry, while some downside risks are imposed by increasing fuel substitution with natural gas and implementation of fuel efficiencies in the road transportation sector. Mexican oil demand in 2015 is expected to fall by 1.2% y-o-y, while in 2016, positive expectations for economic growth are projected to influence oil demand growth towards the positive, with growth expected to be at around 1% y-o-y. Growth in Canadian oil requirements in 2016 is projected to be only slightly higher than in 2015.

In **OECD Europe**, oil demand growth is anticipated to fall slightly by 10 tb/d from the growth level seen in 2015. The estimated developments in the economies along with the low historical baseline are the major assumptions for OECD Europe in 2016. The region is anticipated to contract slightly during the year. In terms of products, transportation fuels, namely diesel and gasoline, are anticipated to lead product consumption in 2016. Nevertheless, high uncertainty and downside risks are also part of the assumptions, which are mainly linked to economic uncertainties, fuel substitution and efficiencies in the road transportation sector.

In **OECD Asia Pacific**, oil demand growth is anticipated to be slightly lower than the levels seen in 2015 with a total expected shrinkage of 0.13 mb/d, some 10 tb/d lower than the levels anticipated at the end of 2015. Projections for 2016 are based on the assumption that five-to-seven nuclear plants will re-join operation in Japan and that there are similar economic conditions as those projected for 2015. Petrochemical plants are the motor for oil demand with a minor uptick in transportation fuels. South Korea's expectations for 2016 paint a slightly better picture than in the current year.

Non-OECD

Other Asia's oil demand growth is anticipated to be higher than the growth level in 2015, reaching 0.29 mb/d of growth. In 2016, assumptions are focused towards higher GDP growth than the current year, as well as stable retail prices. India is anticipated to be the main contributor to growth with smaller contributions from Indonesia, Thailand, Pakistan, Vietnam and Singapore. From the downside, a smaller impact of subsidies on oil demand is also anticipated as compared with previous years. Middle distillates, followed by gasoline, will be the products leading oil demand next year.

In **Latin America**, oil demand growth is anticipated to improve slightly over the growth levels of 2015 to reach 0.15 mb/d. This growth will be driven by a higher-then-expected development in economic activities. Brazil is projected to be the main contributor to growth with a boost in transportation fuels as a result of 2016 Olympic Games. Construction and industrial fuels will be the other main contributors to growth.

In the **Middle East**, oil demand growth is anticipated to gain momentum in 2016 over the levels of 2015, reaching 0.21 mb/d, mainly as a result of the assumed improvement in the economy. Saudi Arabia is projected to be the main contributor to growth with transportation fuels (i.e. gasoline and diesel oil), petrochemical feedstock, construction fuels and crude oil for direct use anticipated to be the main products contributing to the growth. From the downside perspective, geopolitical concerns are expected to have a negative impact.

In **China**, oil demand growth is anticipated to reach 0.33 mb/d in 2016, some 20 tb/d lower than the level of growth for 2015. Oil demand in the transportation and industrial sectors is projected to continue rising along with passenger car sales. Slightly lower GDP growth as compared with 2015, the continuation of fuel quality programmes targeting fewer emissions, as well as the continuation of fuel substitution with natural gas and coal are the factors to be watched in the days ahead.

Table 4.6: World oil demand in 2016, mb/d

							Change 2016/15	
	2015	1Q16	2Q16	3Q16	4Q16	2016	Growth	%
Americas	24.44	24.49	24.34	24.97	25.24	24.76	0.33	1.33
of which US	*19.66*	*19.77*	*19.60*	*20.04*	*20.34*	*19.94*	*0.28*	*1.45*
Europe	13.58	13.41	13.59	13.81	13.47	13.57	-0.01	-0.08
Asia Pacific	8.02	8.58	7.49	7.44	8.04	7.89	-0.13	-1.67
Total OECD	**46.04**	**46.48**	**45.42**	**46.22**	**46.75**	**46.22**	**0.18**	**0.39**
Other Asia	11.59	11.68	12.00	11.95	11.88	11.88	0.29	2.51
of which India	*3.92*	*4.15*	*4.08*	*3.90*	*4.14*	*4.07*	*0.15*	*3.70*
Latin America	6.74	6.58	6.86	7.20	6.92	6.89	0.15	2.27
Middle East	8.34	8.48	8.41	8.95	8.36	8.55	0.21	2.55
Africa	3.87	3.97	3.96	3.88	4.04	3.96	0.10	2.49
Total DCs	**30.53**	**30.71**	**31.23**	**31.97**	**31.20**	**31.28**	**0.75**	**2.46**
FSU	4.56	4.45	4.30	4.70	4.99	4.61	0.05	1.13
Other Europe	0.67	0.67	0.63	0.67	0.76	0.69	0.02	3.00
China	10.81	10.81	11.32	10.95	11.50	11.15	0.33	3.07
Total "Other regions"	**16.04**	**15.94**	**16.25**	**16.32**	**17.26**	**16.44**	**0.40**	**2.52**
Total world	**92.61**	**93.13**	**92.90**	**94.51**	**95.21**	**93.94**	**1.34**	**1.44**
Previous estimate	92.50							
Revision	0.10							

Totals may not add up due to independent rounding.

World Oil Supply

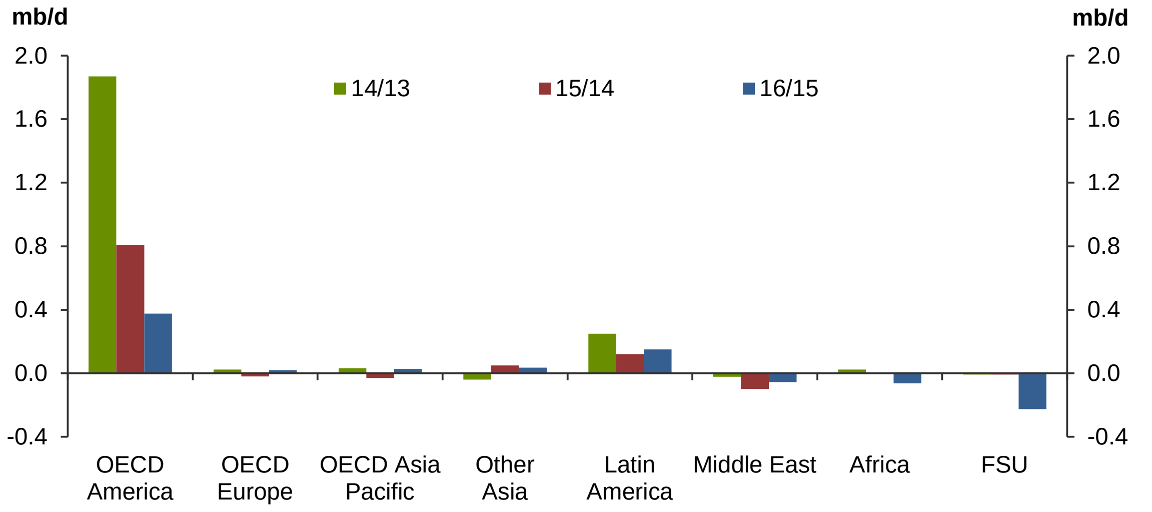
Non-OPEC oil supply was revised up by 0.22 mb/d from the previous *Monthly Oil Market Report (MOMR),* averaging 57.39 mb/d in 2015, an increase of 0.86 mb/d y-o-y. Non-OPEC oil supply in 2016 is projected to grow by 0.30 mb/d to average 57.69 mb/d. The number of US oil rigs has declined for the 29th straight week, dropping to 628 in late-June after reaching its peak in the week ended 10 October 2014. Despite this steep decline, crude oil and condensate production in 1H15 increased by about 23% compared to 1H14, as producers worked through a backlog of uncompleted wells. OPEC NGL production in 2015 and 2016 is expected to grow by 0.19 mb/d and 0.17 mb/d, to average 6.01 mb/d and 6.18 mb/d, respectively. In June, OPEC production increased by 283 tb/d to average 31.38 mb/d, according to secondary sources. As a result, preliminary data indicates that global oil supply decreased by 0.22 mb/d in June, to average 94.03 mb/d.

Forecast for 2015

Non-OPEC supply

Non-OPEC oil supply is forecast to grow by 0.86 mb/d in 2015 to average 57.39 mb/d, revised up by 0.22 mb/d from the previous *MOMR*. It is estimated that OECD oil supply will grow by 0.76 mb/d to average 24.92 mb/d, an increase of 60 tb/d compared with the last estimation. This increase was due to higher-than-expected growth in US supply in 1Q15 and preliminarily in 2Q15. However, according to the latest estimates, there was a reduction in DC supply, leading to a decline of 90 tb/d, while FSU supply was revised up by 0.19 mb/d to average 13.54 mb/d, indicating higher-than-expected growth in Russia, despite on-going sanctions.

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



Canadian oil supply growth in 2015 was revised down to 80 tb/d, indicating that the weak supply situation seen in 2Q will foreseeably be carried over to the next quarters. Outside of North America, more growth is expected in Brazil, Malaysia, Norway, the UK, Indonesia, Colombia, Russia and Azerbaijan during 2015.

Non-OPEC supply growth in 2015 is expected to decrease q-o-q from 1Q to 3Q, but it will increase in 4Q due to seasonality. The main factors for lower growth expectations in 2015 are the current low oil price (despite a small rise in 1Q15), the declining number of active rigs in North America and insufficient investment in upstream projects, as non-OPEC supply is sensitive to oil prices.

It is estimated that non-OPEC unplanned supply disruptions averaged about 0.76 mb/d in June 2015. Wildfires in western Canada (Alberta) that started on 22 May led to oil sand production outages averaging approximately 0.25 mb/d for May and June. It has also been reported that three of six major pipelines have been attacked in Colombia during June, shutting them down entirely for at least five days and resulting in an expected oil output decline of 0.85 mb/d. Nevertheless, Syria, Yemen and South Sudan were the main countries with total non-OPEC supply disruptions, which were higher than in the previous year.

Table 5.1: Non-OPEC oil supply in 2015, mb/d

	2014	1Q15	2Q15	3Q15	4Q15	2015	*Change* 15/14
Americas	20.05	21.03	20.60	20.80	20.98	20.85	0.81
of which US	*12.92*	*13.78*	*13.88*	*13.83*	*13.92*	*13.85*	*0.93*
Europe	3.61	3.69	3.64	3.41	3.63	3.59	-0.02
Asia Pacific	0.51	0.43	0.48	0.51	0.49	0.48	-0.03
Total OECD	**24.16**	**25.14**	**24.72**	**24.72**	**25.10**	**24.92**	**0.76**
Other Asia	3.48	3.63	3.58	3.49	3.42	3.53	0.05
Latin America	5.01	5.24	5.09	5.12	5.08	5.13	0.12
Middle East	1.34	1.31	1.24	1.21	1.20	1.24	-0.10
Africa	2.39	2.42	2.40	2.37	2.35	2.38	0.00
Total DCs	**12.22**	**12.60**	**12.31**	**12.20**	**12.05**	**12.29**	**0.07**
FSU	13.55	13.70	13.56	13.42	13.49	13.54	-0.01
of which Russia	*10.68*	*10.76*	*10.72*	*10.60*	*10.65*	*10.68*	*0.01*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.28	4.33	4.35	4.26	4.30	4.31	0.02
Total "Other regions"	**17.97**	**18.17**	**18.06**	**17.82**	**17.93**	**17.99**	**0.02**
Total Non-OPEC production	**54.36**	**55.91**	**55.10**	**54.73**	**55.08**	**55.20**	**0.84**
Processing gains	2.16	2.19	2.19	2.19	2.19	2.19	0.02
Total non-OPEC supply	**56.52**	**58.09**	**57.28**	**56.91**	**57.26**	**57.39**	**0.86**
Previous estimate	56.48	57.75	57.13	56.82	56.97	57.16	0.68
Revision	0.04	0.35	0.15	0.10	0.30	0.22	0.18

OECD

Total OECD oil supply in 2015 is expected to grow by 0.76 mb/d to average 24.92 mb/d, revised up by 60 tb/d from the last *MOMR*. The estimated output in all quarters was changed, with 1Q15 increasing by 1.63 mb/d, compared with the same quarter in 2014, and 2Q15 expected to grow by 0.81 mb/d y-o-y. OECD Americas is forecast to see an increase of 0.81 mb/d in 2015 y-o-y, while OECD Europe is expected to decline by 20 tb/d from the previous year.

On a quarterly basis, total OECD supply is estimated to average 25.14 mb/d, 24.72 mb/d, 24.72 mb/d and 25.10 mb/d, respectively.

OECD Americas

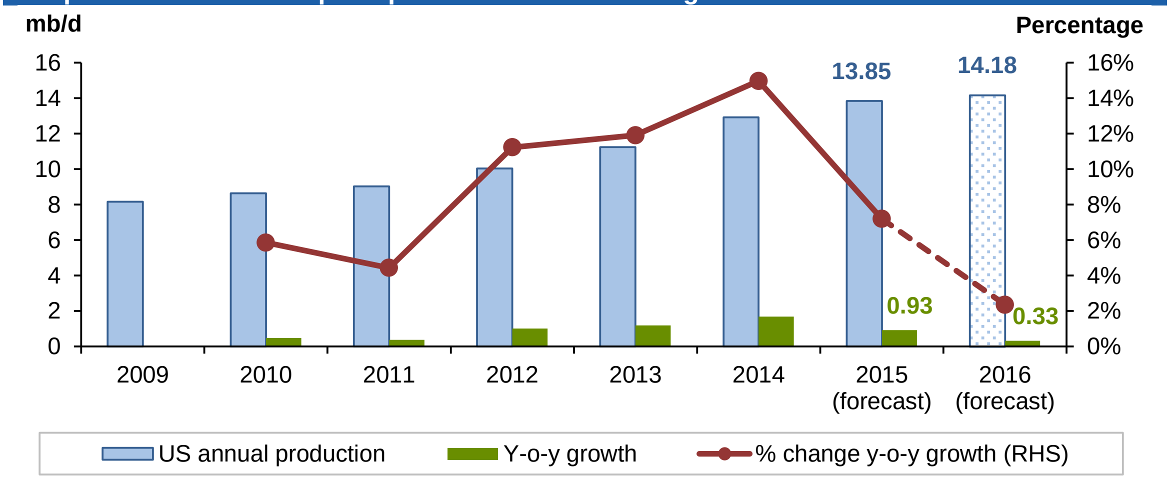
OECD Americas' oil supply is estimated to grow by 0.81 mb/d y-o-y to average 20.85 mb/d, an upward revision of 80 tb/d from the previous monthly report. Supply from the US and Canada is expected to grow in 2015, while that of Mexico will decline. On a quarterly basis, OECD America's oil supply in 2015 is expected to average 21.03 mb/d, 20.60 mb/d, 20.80 mb/d and 20.98 mb/d, respectively.

US

US total oil supply is anticipated to grow by 0.93 mb/d to average 13.85 mb/d in 2015, revised up by 0.23 mb/d from the previous *MOMR*. US crude oil production reached an average of 9.70 mb/d in April according to the US Energy Information Administration (EIA), indicating a slight increase of only 9 tb/d from the previous month.

US liquids production was more or less steady in March and April, breaching 14 mb/d for the first time, led entirely by NGL output, which jumped by 0.39 mb/d, to a record 3.3 mb/d, coming mainly from unconventional sources, such as shale gas. Crude output rose by only 9 tb/d as falling output from the Bakken and Niobrara basins largely offset a recovery in Gulf of Mexico (GOM) output, which in April recovered to reach 1.51 mb/d, the highest level seen since October 2010. Several projects (i.e. Enchilada and Auger platforms) resumed operations early in the month. Nevertheless, the Atlantis field (output at 0.1 mb/d) was offline for 18 days through early June. The Thunder Horse and Thunder Hawk were also offline across the month, restarting in early June.

Graph 5.2: US annual liquids production and annual growth



Source: OPEC Secretariat.

With crude production last year that averaged 1.4 mb/d, new field developments throughout the Gulf and especially from deep waters should bring that to 1.49 mb/d this year and 1.57 mb/d in 2016, the EIA said in its latest Short-Term Energy Outlook released recently. Moreover, tight oil output in the Bakken and Niobrara basins continued to fall, while Eagle Ford started to decline in May, although Permian output growth seems to be continuing.

A total of 13 projects are scheduled to come online in the GOM in 2015 and 2016, pushing production up from an average of 1.4 mb/d in 4Q14 to almost 1.7 mb/d in the same period of 2016, an increase of 17%.

US oil rig count

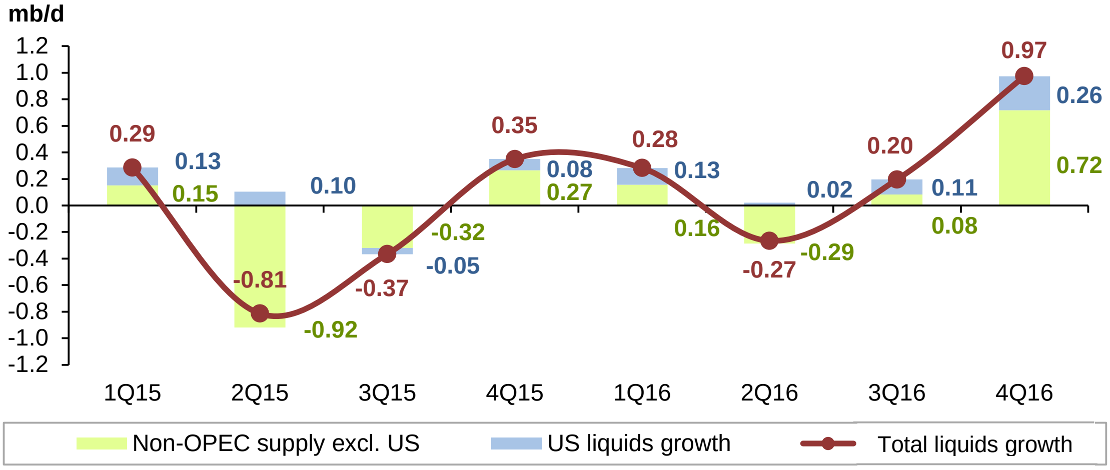
The number of US oil rigs has declined for the 29th straight week, dropping to 628 in late-June after reaching a peak in the week ended 10 October 2014. Despite this steep decline, crude oil and condensate production in 1H15 increased by about 23% compared to 1H14 as producers worked through a backlog of uncompleted wells. Nevertheless, according to the EIA, US crude oil production will begin to drop in June, with continuing declines expected through early 2016. Cuts in upstream spending and lower drilling activity levels have started to impact output.

According to data from the EIA, rates for drilling activities, which primarily represent service fees for contractors to drill oil and gas wells, from June 2014 to May 2015, declined 19.6%. Rates for support activities, which include the surveying, cementing, casing and otherwise treating of wells, declined by 1.4%. The price of sands primarily used for hydraulic fracturing declined by 12.5%.

A slowdown in the US shale boom is continuing to show through the rig data provided by Baker Hughes. The oilfield services company reported 31 consecutive weeks of a falling horizontal rig count in its report for the week ending 26 June. This showed the horizontal rig count falling by 20 during the month of June (29 May-26 June). During the full 12 months ending on 26 June, the number of horizontal rigs in operation fell by 609, or 48%. This is attributable to a cutback in the tally of both oil and gas-directed rigs, in reaction to the drop in oil prices since mid-2014. Nevertheless, the share of horizontal rigs in the US total rig count increased to 76.1% compared to one year ago at 67.4%. Baker Hughes' figures for that week showed that the number of active rigs (all types for oil and gas) declined by 111 rigs to 106 units in Eagle Ford and 104 rigs to 74 units in Williston Basin (Bakken shale), while in the Permian Basin, there was a decrease of 323 rigs to 231 units during one year.

Total US production (all liquids) on a quarterly basis was revised up in July to 13.78 mb/d, 13.88 mb/d, 13.83 mb/d and 13.92 mb/d, respectively. The q-o-q US supply growth is shown in ***Graph 5.3***, along with other non-OPEC supply figures for 2015 and 2016.

Graph 5.3: US liquids vs. non-OPEC supply, q-o-q growth



Source: OPEC Secretariat.

Canada and Mexico

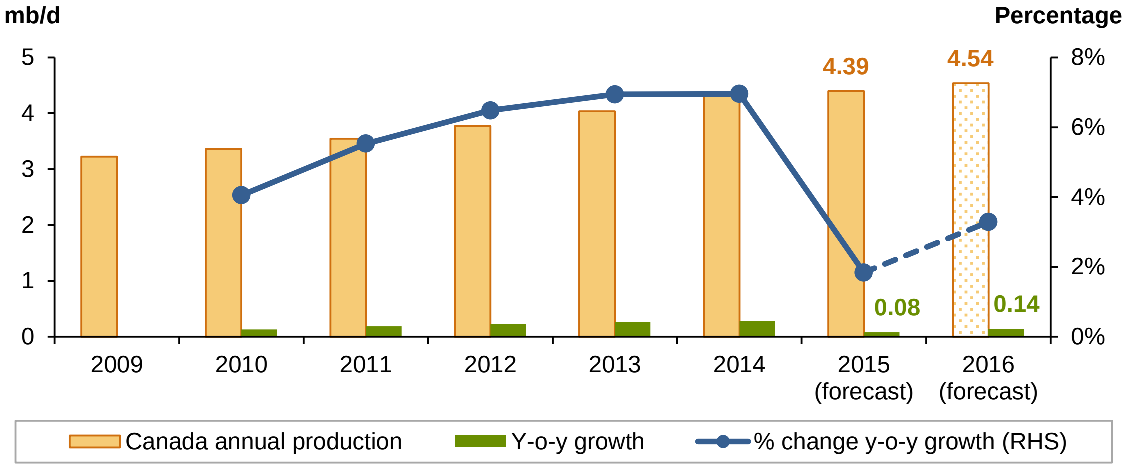
Canada's oil supply is expected to grow by 80 tb/d to average 4.39 mb/d in 2015 y-o-y, a downward revision of 0.06 mb/d from the previous month. Canadian oil output was revised up by 0.14 mb/d in 1Q15 due to strong output but all three next quarters was revised down by 0.22 mb/d in 2Q15, 0.07 mb/d in 3Q15 and 0.07 mb/d in 4Q15, respectively, compared to the last estimation, due to a wildfire in northeastern Alberta in May, which shut down around 233 tb/d of production at three oil sands projects. Canadian Natural Resources Ltd had also cut production at its nearby Kirby South thermal project to 12,000 b/d from around 30,000 b/d. Cenovus evacuated about 1,800 workers and shut down production at its Foster Creek oil sands site. In total, roughly 9% of Alberta's crude output is offline (-0.25 mb/d from June) as a result of the fire, with no clear indication of when production can resume.

On the other hand, 25 well pairs are now on production at Sunrise oil sands project in northeastern Alberta. Strong reservoir and facility performance has contributed to increasing production volumes, averaging 5-5.5 tb/d at the end of June, which is ahead of schedule. According to Husky Chief Executive Officer, "Sunrise is one of many low sustaining capital projects in our near-term portfolio that is designed to provide increasing value through and beyond the current low oil price environment." Bitumen production from Sunrise launched in March. Production is expected to increase to a full capacity of 60 tb/d by the end of 2016.

Canada's average rig count in June increased by 48 units to 129 rigs, up by around 59% m-o-m, yet down by 111 rigs or around 46% y-o-y.

On a quarterly basis, Canada's supply in 2015 is expected to average 4.59 mb/d, 4.16 mb/d, 4.35 mb/d and 4.47 mb/d, respectively.

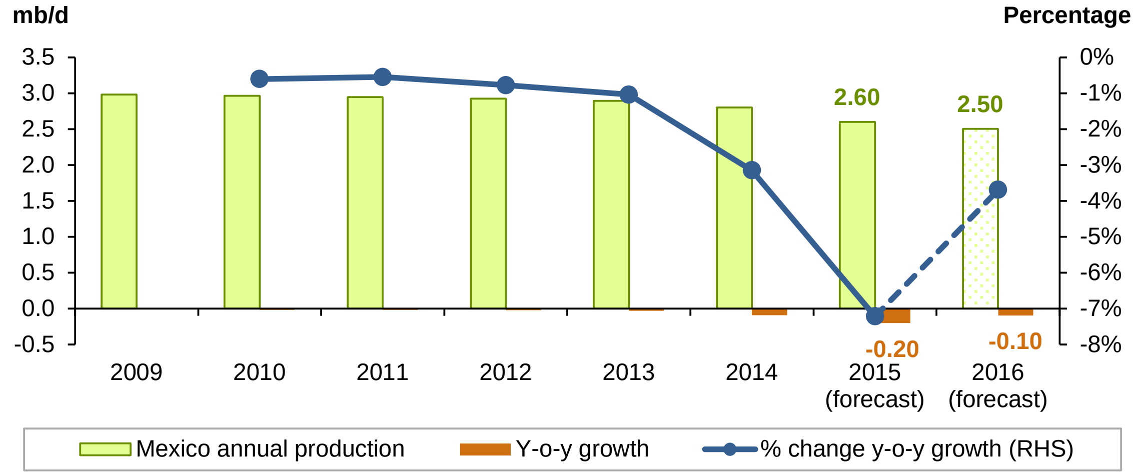
Graph 5.4: Canada's annual liquids production and annual growth



Source: OPEC Secretariat.

Mexican liquids production in 2015 is expected to see a heavy decline, dropping by 0.20 mb/d, to average 2.60 mb/d. For the second straight month, oil production in Mexico declined m-o-m by over 0.15 mb/d to settle at 2.52 mb/d in April, which is lower y-o-y by 0.34 mb/d. Mexican state oil company Pemex recently reported an explosion related to an oil and gas leak on its Akal-H platform in the Bay of Campeche, which is one of the most productive areas of the Cantarell field. This comes barely two months after the fire at the Abkatun Permanente platform, which curtailed output at Ixtal, Homol and Chuc, but more importantly, crippled Mexico's distribution network, resulting in Pemex reducing light and medium crude flows to Mexican refineries, and instead, diverting crude to export blends.

Graph 5.5: Mexico's annual liquids production and annual growth



Source: OPEC Secretariat.

Heavy crude output fell y-o-y by 0.14 mb/d, with decline rates having doubled since May of last year. June has seen crude output pick up by a further 12 tb/d as output from Ixtal and Chuc continues to recover, with y-o-y declines easing to 0.18 mb/d. Mexico's production declines increased in September of last year to over 0.1-0.15 mb/d, but following the fire at the Abkatun platform in April, y-o-y declines have steepened to over 0.3 mb/d. Just when output at the Ixtal and Chuc fields were in the process of recovering, Cantarell's output is likely to fall, keeping total declines high.

On a quarterly basis, Mexico's supply is seen to average 2.65 mb/d, 2.55 mb/d, 2.61 mb/d and 2.58 mb/d, respectively.

OECD Europe

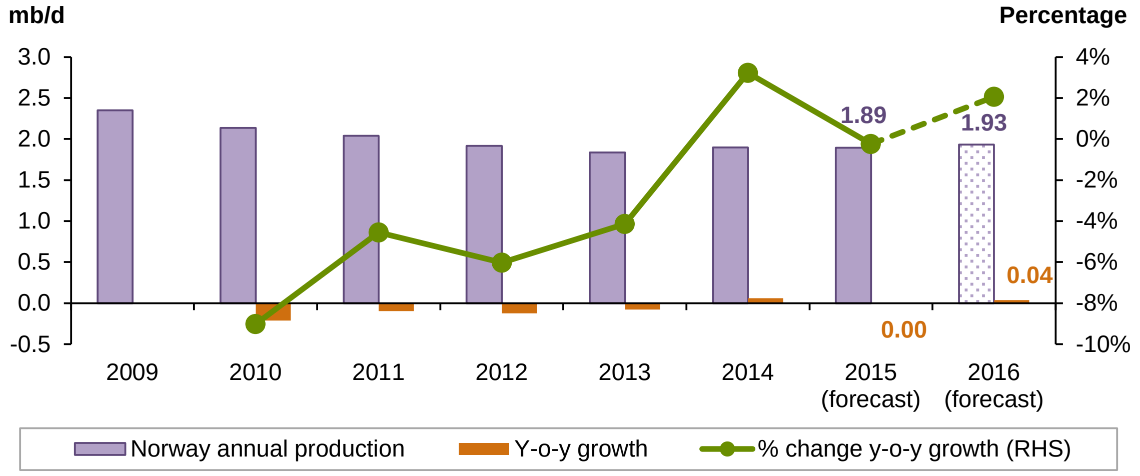
Total **OECD Europe oil supply,** which grew by 20 tb/d to average 3.61 mb/d in 2014, is expected to decline by 20 tb/d from the previous year to average 3.59 mb/d in 2015, revised up by 10 tb/d from the previous *MOMR*.

OECD Europe is estimated to see a quarterly supply of 3.69 mb/d, 3.64 mb/d, 3.41 mb/d and 3.63 mb/d, respectively.

Norway's oil supply is expected to remain unchanged from the previous year to average 1.89 mb/d in 2015, revised up by 10 tb/d from the previous *MOMR.* Preliminary production figures for May 2015 show an average daily production of about 1.87 mb/d of oil, NGLs and condensate. This is 85 tb/d or about 0.4% less than in April 2015. The average daily liquids production in May was 1.51 mb/d of oil, 0.33 mb/d of NGLs and 0.03 mb/d of condensate. Oil production is 2.4% above May of last year.

On a quarterly basis, Norway's production is seen to average 1.93 mb/d, 1.85 mb/d, 1.80 mb/d and 1.94 mb/d, respectively.

Graph 5.6: Norway's annual liquids production and annual growth

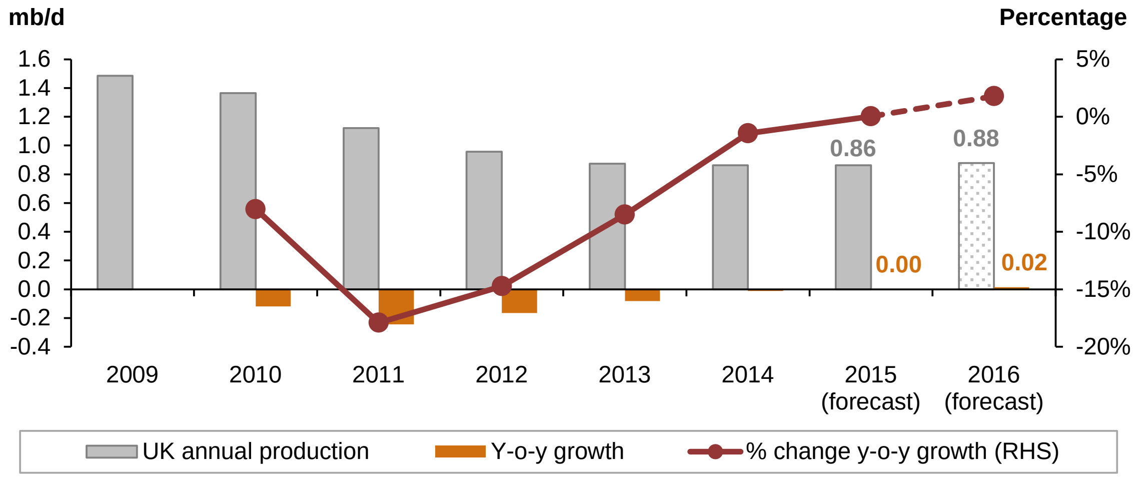


Source: OPEC Secretariat.

The **UK's** oil supply is predicted to remain unchanged in 2015 y-o-y to average 0.86 mb/d, revised up by 10 tb/d from the previous *MOMR*. UK liquids production in May 2015 decreased by 80 tb/d m-o-m and the output in June is expected to have decreased further to 0.84 mb/d. Nevertheless, 2Q15 is expected to grow by 20 tb/d over 1Q15 on strong output in April.

On a quarterly basis, UK oil output in 2015 is estimated to average 0.91 mb/d, 0.93 mb/d, 0.76 mb/d and 0.85 mb/d, respectively.

Graph 5.7: UK annual liquids production and annual growth



Source: OPEC Secretariat.

OECD Asia Pacific

OECD Asia Pacific's oil supply is expected to decline in 2015 to average 0.48 mb/d, revised down by 30 tb/d from the previous month. **Australia's** oil supply is likely to decline by 30 tb/d to average 0.40 mb/d due to weak output in 1Q and 2Q compared with the same quarters a year earlier, revised down by 30 tb/d from last month's prediction.

New Zealand's production will be stagnant y-o-y, and the forecast for this month has been revised down by 10 tb/d.

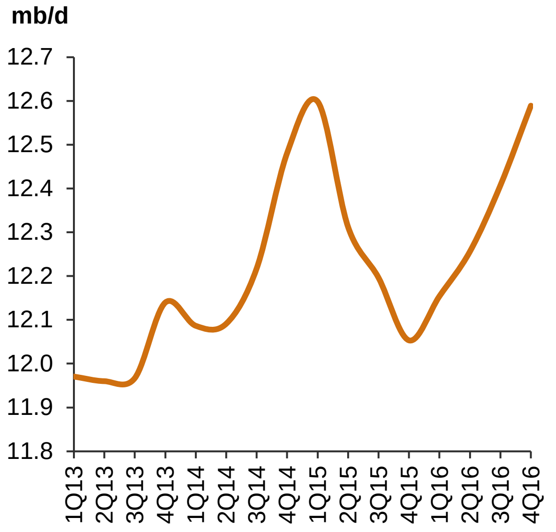
On a quarterly basis, total OECD Asia Pacific oil supply is expected to average 0.43 mb/d, 0.48 mb/d, 0.51 mb/d and 0.49 mb/d, respectively.

Developing countries

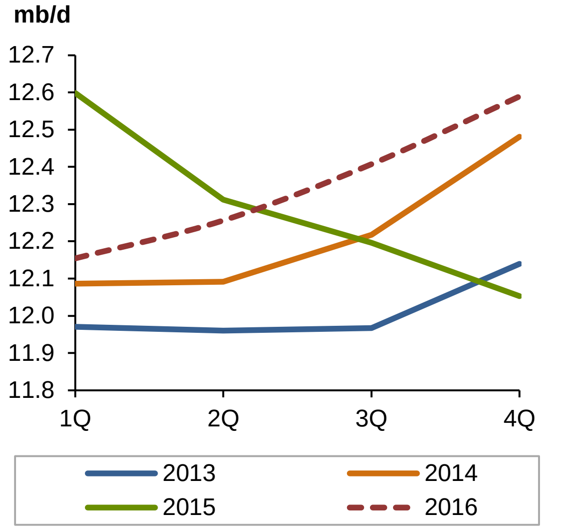
Total oil output from **developing countries (DCs)** will reach an average of 12.29 mb/d in 2015, an increase of 70 tb/d compared with 0.21 mb/d in 2014 and revised up by 50 tb/d from the previous *MOMR*. Moreover, the absolute volume of 2014 DC oil supply has been revised down by 140 tb/d to a new base of 12.22 mb/d for 2015's estimations, mainly due to an historical adjustment for Equatorial Guinea, Brazil, Indonesia and Vietnam.

On a quarterly basis, total oil supply in DCs is estimated to average 12.60 mb/d, 12.31 mb/d, 12.20 mb/d and 12.05 mb/d, respectively.

Graph 5.8: Developing Countries' quarterly production



Graph 5.9: Developing Countries' quarterly production, annual comparison



Other Asia

Other Asia's oil production is predicted to increase by 50 tb/d in 2015 to average 3.53 mb/d, revised down by 70 tb/d from the previous *MOMR*. It is expected that oil output in Malaysia, Thailand and Asia others will grow by 60 tb/d, 10 tb/d and 20 tb/d, respectively, while oil production in India, Indonesia and Vietnam will decrease by 10 tb/d each.

On a quarterly basis, Other Asia's supply in 2015 is forecast to average 3.63 mb/d, 3.58 mb/d, 3.49 mb/d and 3.42 mb/d, respectively.

Latin America

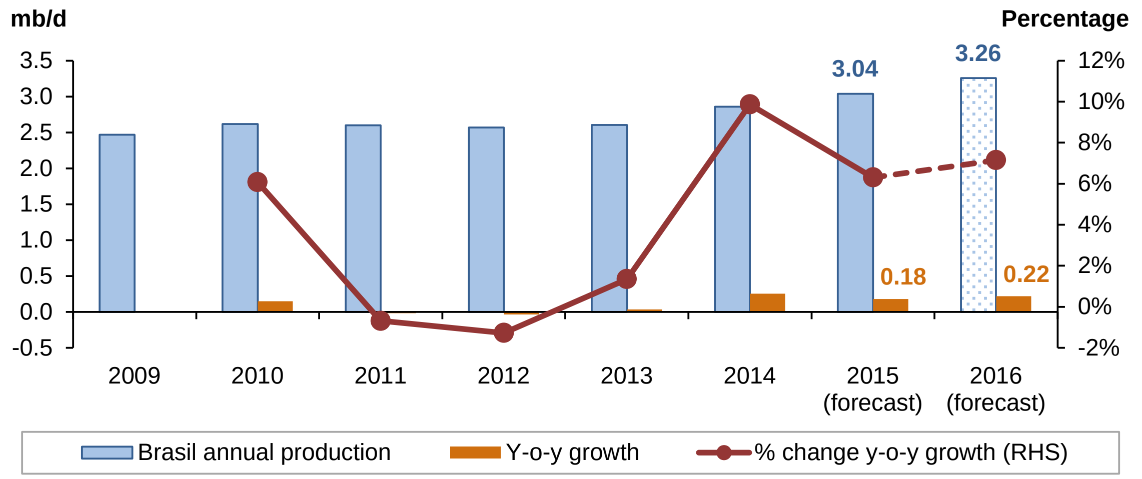
Latin America's oil supply is estimated to grow by 0.12 mb/d to average 5.13 mb/d in 2015, unchanged from the previous *MOMR*. Latin America was the second-highest driver of growth in 2014 among all non-OPEC regions. Brazil was the main driver of this growth in 2015, while oil production in Colombia is expected to decline by 40 tb/d to average 0.96 mb/d. Similarly, oil output is forecast to decrease in Argentina, Trinidad and Tobago, and Latin America Others, each by 10 tb/d in 2015.

On a quarterly basis, Latin America's supply in 2015 is expected to stand at 5.24 mb/d, 5.09 mb/d, 5.12 mb/d and 5.08 mb/d, respectively.

Brazil's liquids supply is expected to average 3.04 mb/d in 2015, an increase of 0.18 mb/d over the previous year, revised up by 20 tb/d from the previous *MOMR*. Brazilian liquids output was pegged at 2.99 mb/d, including biofuel output and 2.51 mb/d of petroleum liquids in May. Oil production from pre-salt fields reached an average of 0.73 mb/d in May, which will keep growth strong for the next few months up until the end of the year. It is expected that total liquids supply will remain more or less stagnant at 3.05 mb/d in the next quarters. Pre-salt investment was maintained, although post-salt spending was reduced drastically. So, while pre-salt output will continue to grow, overall production is at risk from high declines in the post-salt Campos basin, which, following 13 months of growth, has registered y-o-y declines across April and May. Moreover, Petrobras' new five-year business plan made severe cuts to upstream capex (-34%) and significantly reduced the number of production units due to enter operation by 2020 from 30 to 21, of which 16 are contracted. Nevertheless, defined projects for 2015 and 2016 have thus far not been cancelled.

On a quarterly basis, Brazil's supply in 2015 is estimated to stand at 3.06 mb/d, 2.99 mb/d, 3.06 mb/d and 3.05 mb/d, respectively.

Graph 5.10: Brazil's annual liquids production and annual growth



Source: OPEC Secretariat.

Colombia's output is expected to drop sharply in June, given the attacks that occurred on three of the country's six major pipelines, which caused production disruptions of about 0.2 mb/d during the month. Out of the country's six major oil pipelines (one under construction), four of them connect production fields to the Caribbean export terminal at Covenas. Three of these major pipelines − TransAndino, Cano Limon-Covenas and Bicentenario − with a total capacity of 400 tb/d, were attacked, and oil transportation was halted for several days. Oil production in Colombia is forecast to decline by 20 tb/d to average 0.99 mb/d in 2015, an upward revision by 20 tb/d over the last estimation.

On a quarterly basis, Colombia's supply in 2015 is estimated to stand at 1.05 mb/d, 0.98 mb/d, 0.96 mb/d and 0.96 mb/d, respectively.

Middle East

Middle Eastern oil supply is estimated to decrease by 0.10 mb/d in 2015 from the previous year to average 1.24 mb/d, unchanged from the previous *MOMR*. The Middle Eastern supply forecast is associated with a very high level of risk, mainly due to political factors, which could dramatically change the outlook in either direction.

Yemen's oil production has slumped to approximately 16,000 b/d from a capacity of 150,000 b/d in the first quarter, according to an estimate by the country's petroleum exploration and production authority. Diminishing storage availability, along with the strict coalition embargo on exports, means that remaining output from companies' assets in the southeastern Hadramawt province, which are already at low levels, could stop completely by August.

On a quarterly basis, Middle Eastern supply in 2015 is seen to average 1.31 mb/d, 1.24 mb/d, 1.21 mb/d and 1.20 mb/d, respectively.

Africa

Africa's oil supply is projected to average 2.38 mb/d in 2015, unchanged from both the previous year and the previous *MOMR*, although the absolute production of 2015 was revised down by 40 tb/d to 2.38 mb/d from 2.42 mb/d in the last *MOMR*, which was due to a 2014 historical data adjustment. It is expected that oil production will remain stagnant in Egypt, South Africa, the Sudans, Gabon and Africa Others in 2015. Oil output in Congo and Equatorial Guinea will grow by 10 tb/d each, while oil production in Chad will decline by 10 tb/d in the current year.

The Tullow Oil Company has raised its full-year 2015 production forecast in West Africa and remains optimistic despite funding cuts. The company has increased its full year 2015 average working interest production in West Africa to 66-70 tb/d from 63-68 tb/d, according to the company. Production in **Ghana's** Jubilee field has been averaging around 105 tb/d during 1H15 and has increased its average working interest production guidance for the field in 2015 to 103 tb/d. Tullow remained optimistic about the TEN oil development in Ghana, which is on track for first oil in mid-2016. And in **Gabon**, it was still having ongoing license discussions with the government regarding the Onal fields, with an agreement expected soon.

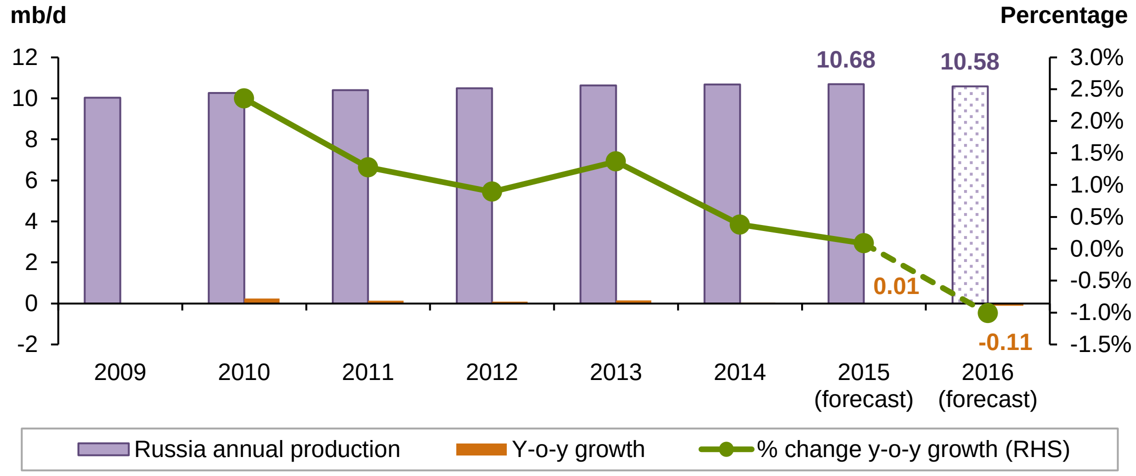
On a quarterly basis, Africa's oil supply in 2015 will stand at an average of 2.42 mb/d, 2.40 mb/d, 2.37 mb/d and 2.35 mb/d, respectively.

FSU, other regions

Russia

Russia's oil supply is expected to increase by 10 tb/d to average 10.68 mb/d in 2015, revised up by 40 tb/d from the previous *MOMR*. Russian June output was broadly unchanged m-o-m at 10.72 mb/d, but remained higher y-o-y by 0.16 mb/d. In June, output was supported by the start of commercial operations at Novatek's Termokarstovoye gas field in late May, which supported condensate production. In 1H 2015, Russian production ran higher y-o-y by 0.06 mb/d at 10.68 mb/d.

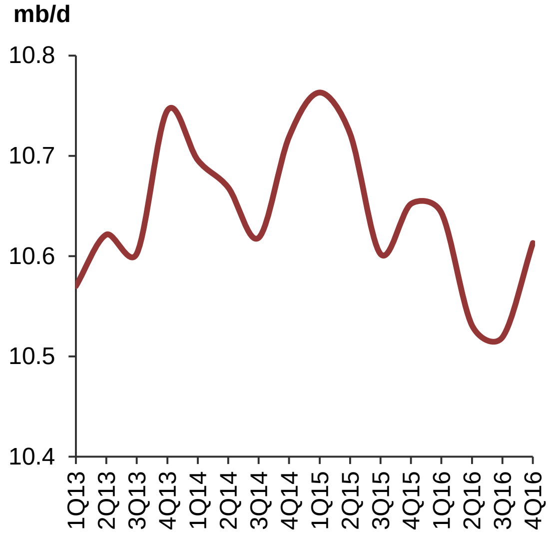
Graph 5.11: Russia's annual liquids production and annual growth



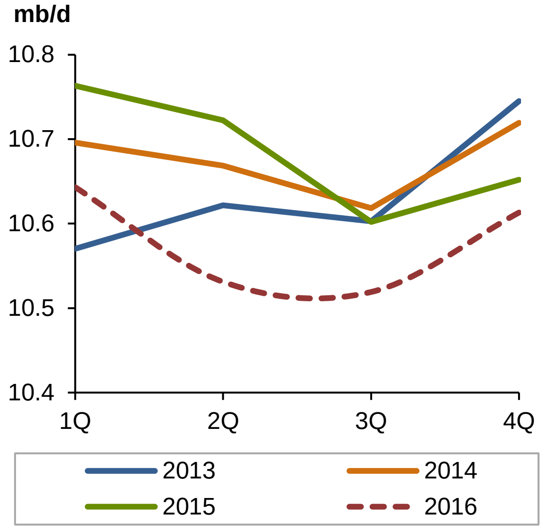
Source: OPEC Secretariat.

On a quarterly basis, Russia's 2015 supply is expected to average 10.76 mb/d, 10.72 mb/d, 10.60 mb/d and 10.65, mb/d, respectively.

Graph 5.12: Russia's quarterly production



Graph 5.13: Russia's quarterly production, annual comparison



Caspian

Kazakhstan's oil supply is expected to decrease by 10 tb/d over the previous year to average 1.62 mb/d in 2015, unchanged from the previous *MOMR*. Kazakhstan's output in June declined m-o-m by 80 tb/d to 1.56 mb/d, higher y-o-y by 40 tb/d.

On a quarterly basis in 2015, output will average 1.66 mb/d, 1.60 mb/d, 1.59 mb/d and 1.62 mb/d, respectively.

Azerbaijan's oil supply is anticipated to average 0.86 mb/d (2014 base changed by 40 tb/d), indicating steady output in 2015, revised up by 30 tb/d from the previous *MOMR*. June output dipped m-o-m to 0.84 mb/d, lower y-o-y by 10 tb/d, although y-t-d output is slightly higher y-o-y.

On a quarterly basis, Azerbaijan's oil output is estimated to average 0.89 mb/d, 0.86 mb/d, 0.85 mb/d and 0.85 mb/d, respectively.

Oil supply in **FSU Others**, mainly in Turkmenistan, is forecast to decline by 10 tb/d from the previous year to average 0.38 mb/d.

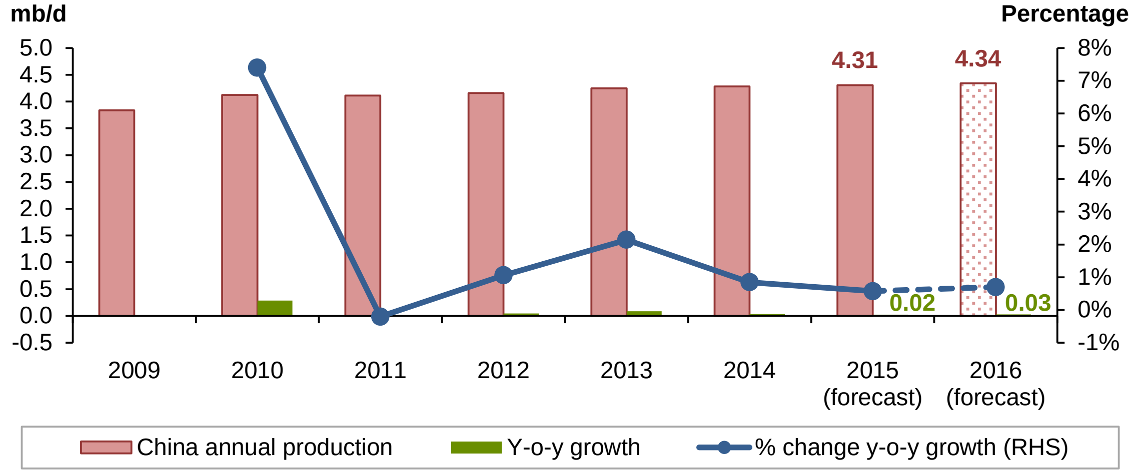
Other Europe's oil supply is estimated to remain flat from 2012 to average 0.14 mb/d and continue at this level in 2015.

China

China's supply is expected to grow by 20 tb/d over the previous year to average 4.31 mb/d in 2015, unchanged from the previous month. Oil output is expected to average 4.35 mb/d in April, unchanged m-o-m and higher by 0.12 mb/d y-o-y. In 1Q15, output averaged 4.33 mb/d, higher by 60 tb/d y-o-y.

On a quarterly basis, China's oil output is estimated to average 4.33 mb/d, 4.35 mb/d, 4.26 mb/d and 4.30 mb/d, respectively.

Graph 5.14: China's annual liquids production and annual growth



Source: OPEC Secretariat.

Forecast for 2016

Non-OPEC supply

Non-OPEC oil supply in 2016 is expected to increase by 0.30 mb/d over the current year to average 57.69 mb/d. The weak growth trend estimated for 2015 is expected to continue at a slower pace in 2016, supported by OECD Americas, Latin America and China, yet partly offset by declines in FSU and Africa. Growth in OECD, DCs and China in 2016 is predicted at 0.42 mb/d, 0.06 mb/d and 0.03 mb/d, respectively, while FSU is forecast to contract by 0.23 mb/d. On a regional basis, OECD Americas, with annual average growth of 0.38 mb/d, Other Asia with 0.04 mb/d, Latin America with 0.15 mb/d, China with 0.03 mb/d, OECD Asia Pacific with 0.03 mb/d and OECD Europe with 0.02 mb/d are foreseeably the main contributors to growth in 2016, while FSU, Africa and the Middle East will decline by 0.23 mb/d, 0.06 mb/d and 0.06 mb/d, respectively.

On a quarterly basis, non-OPEC supply in 2016 is projected to stand at 57.55 mb/d, 57.28 mb/d, 57.48 mb/d and 58.45 mb/d, respectively.

The forecast for non-OPEC supply in 2016 is associated with a high level of risk. According to reports from six major IOCs, upstream capital expenditures decreased by 17% in 2015 y-o-y, and a further 5% spending reduction is expected in 2016, indicating a declining trend. Other risk factors such as civil wars and unrest in oil producing territories, environmental and HSE regulations on oil production and transportation, geopolitical policies and related sanctions, technical developments and, most importantly, oil prices, will continue to have an impact on supply growth expectations.

Table 5.2: Non-OPEC oil supply in 2016, mb/d

	2015	1Q16	2Q16	3Q16	4Q16	2016	*Change* 16/15
Americas	20.85	21.11	21.06	21.20	21.54	21.23	0.38
of which US	*13.85*	*14.04*	*14.06*	*14.18*	*14.43*	*14.18*	*0.33*
Europe	3.59	3.68	3.54	3.47	3.76	3.61	0.02
Asia Pacific	0.48	0.49	0.51	0.52	0.50	0.51	0.03
Total OECD	**24.92**	**25.28**	**25.12**	**25.18**	**25.79**	**25.34**	**0.42**
Other Asia	3.53	3.48	3.53	3.60	3.65	3.57	0.04
Latin America	5.13	5.15	5.21	5.31	5.46	5.28	0.15
Middle East	1.24	1.19	1.19	1.18	1.17	1.18	-0.06
Africa	2.38	2.33	2.32	2.32	2.31	2.32	-0.06
Total DCs	**12.29**	**12.15**	**12.26**	**12.41**	**12.59**	**12.35**	**0.06**
FSU	13.54	13.45	13.26	13.22	13.33	13.32	-0.23
of which Russia	*10.68*	*10.64*	*10.53*	*10.52*	*10.61*	*10.58*	*-0.11*
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.31	4.32	4.30	4.33	4.39	4.34	0.03
Total "Other regions"	**17.99**	**17.91**	**17.71**	**17.69**	**17.87**	**17.79**	**-0.20**
Total Non-OPEC production	**55.20**	**55.35**	**55.08**	**55.28**	**56.25**	**55.49**	**0.29**
Processing gains	2.19	2.20	2.20	2.20	2.20	2.20	0.01
Total non-OPEC supply	**57.39**	**57.55**	**57.28**	**57.48**	**58.45**	**57.69**	**0.30**
Previous estimate	57.16						
Revision	0.22						

The non-OPEC oil supply forecast in 2016 on a regional basis is detailed in **Table 5.3**, showing expected number of new projects, as well as y-o-y growth.

Table 5.3: Expected number of new projects in 2016

Regions	Number of new projects	Changes 2016/15, mb/d
Americas	15	0.38
Europe	7	0.02
Asia Pacific	3	0.03
Total OECD	**25**	**0.42**
Other Asia	13	0.04
Latin America	4	0.15
Middle East	0	-0.06
Africa	9	-0.06
Total DCs	**26**	**0.06**
FSU	…	-0.23
Other Europe	…	0.00
China	…	0.03
Total non-OPEC excluding processing gains	**51**	**0.29**

2016 biofuels forecast

The forecast growth **of biofuels**, which is expected to increase by around 0.05 mb/d in 2016, is connected to a high degree of risk. Other factors contributing to risks in both directions include weather conditions and decline rate developments. Hence, the forecast will be subject to revision.

Biofuel supply is composed predominantly of ethanol in the US and Brazil, and biodiesel in Europe. Given that biofuels are primarily mandate-driven, the impact of the lower oil price environment on supply is likely to be relatively small. In the US, the challenges in reaching the Renewable Fuels Standard (RFS) have led the US authorities to propose reductions to the mandates of the RFS (i.e. to reduce the amount of ethanol that refiners must blend with gasoline). In May 2015, the Environmental Protection Agency proposed lower requirements for ethanol use, which are to be finalized in November.

In Brazil, the ethanol blend mandate of 25% has been in place since 2013. A tax on fossil fuels last used in 2012 was reinstated in early 2015, thus enhancing the competitiveness of ethanol versus gasoline in flex-fuel cars that can handle either fuel. In Europe, the former crop-based biofuels target of 10% by energy content in road transportation – to be achieved by 2020 – was reduced on grounds of sustainability issues. As a result, in April 2015, the European Parliament gave final approval that this type of biofuel should not exceed 7% of fuel used in the transport sector by 2020.

Table 5.4: New planned or capacity expansion biofuel projects in 2016, b/d

Selected country	Biodiesel	Fuel ethanol	Total new capacity
Argentina	1,000	-	**1,000**
Brazil	3,000	10,000	**13,000**
Canada	1,000	1,000	**2,000**
Colombia	-	1,000	**1,000**
US	2,000	3,000	**5,000**
Germany	1,000	-	**1,000**
Italy	1,000	-	**1,000**
Netherland	3,000	1,000	**4,000**
Poland	1,000	-	**1,000**
Spain	1,000	1,000	**2,000**
UK	-	1,000	**1,000**
Australia	1,000	-	**1,000**
China	2,000	3,000	**5,000**
India	3,000	3,000	**6,000**
Indonesia	3,000	2,000	**5,000**
Singapore	1,000	-	**1,000**
South Africa	-	2,000	**2,000**
Total	**24,000**	**28,000**	**52,000**

Source: OPEC Secretariat.

OPEC NGLs and non-conventional oils

OPEC NGLs and non-conventional liquids were estimated to average 6.01 mb/d in 2015, representing growth of 0.19 mb/d over the previous year. For 2016, OPEC NGLs and non-conventional oils are projected to average 6.18 mb/d, an increase of 0.17 mb/d over the previous year. There are no changes in 2015 estimations for OPEC NGLs and non-conventional oil production compared with the last *MOMR*. Growth in 2016 is expected to mainly come from Iran, Saudi Arabia and UAE.

Table 5.5: OPEC NGLs + non-conventional oils, 2013-2016

	2013	**2014**	*Change* 14/13	1Q15	2Q15	3Q15	4Q15	**2015**	*Change* 15/14	**2016**	*Change* 16/15
Total OPEC	**5.65**	**5.83**	0.18	5.86	5.94	6.13	6.13	**6.01**	0.19	**6.18**	0.17

OPEC crude oil production

According to secondary sources, total OPEC crude oil production averaged 31.38 mb/d in June, an increase of 283 tb/d over the previous month. Crude oil output increased mostly from Iraq, Nigeria and Saudi Arabia, while production showed minor drops in Libya, Iran and Algeria. According to secondary sources, OPEC crude oil production, not including Iraq, stood at 27.37 mb/d in June, down by 85 tb/d over the previous month.

Table 5.6: OPEC crude oil production based on *secondary sources*, tb/d

	2013	2014	4Q14	1Q15	2Q15	Apr 15	May 15	Jun 15	Jun/May
Algeria	1,159	1,151	1,152	1,112	1,113	1,106	1,120	1,113	*-7.2*
Angola	1,738	1,660	1,688	1,746	1,713	1,653	1,745	1,740	*-5.6*
Ecuador	516	542	546	551	551	554	552	548	*-4.0*
Iran, I.R.	2,673	2,766	2,763	2,779	2,836	2,844	2,836	2,827	*-9.2*
Iraq	3,037	3,265	3,424	3,453	3,833	3,685	3,808	4,007	*198.6*
Kuwait	2,822	2,774	2,719	2,748	2,726	2,762	2,712	2,703	*-9.0*
Libya	928	473	679	382	442	488	429	411	*-18.0*
Nigeria	1,912	1,911	1,904	1,886	1,855	1,848	1,816	1,903	*87.4*
Qatar	732	716	682	679	666	669	664	665	*0.2*
Saudi Arabia	9,586	9,683	9,608	9,809	10,184	10,132	10,187	10,235	*48.4*
UAE	2,741	2,761	2,757	2,817	2,842	2,824	2,848	2,855	*6.8*
Venezuela	2,389	2,373	2,364	2,367	2,376	2,376	2,378	2,373	*-5.2*
Total OPEC	**30,231**	**30,075**	**30,286**	**30,330**	**31,138**	**30,941**	**31,095**	**31,378**	***283.2***
OPEC excl. Iraq	**27,194**	**26,809**	**26,862**	**26,877**	**27,305**	**27,256**	**27,287**	**27,371**	***84.6***

Totals may not add up due to independent rounding.

Table 5.7: OPEC crude oil production based on *direct communication*, tb/d

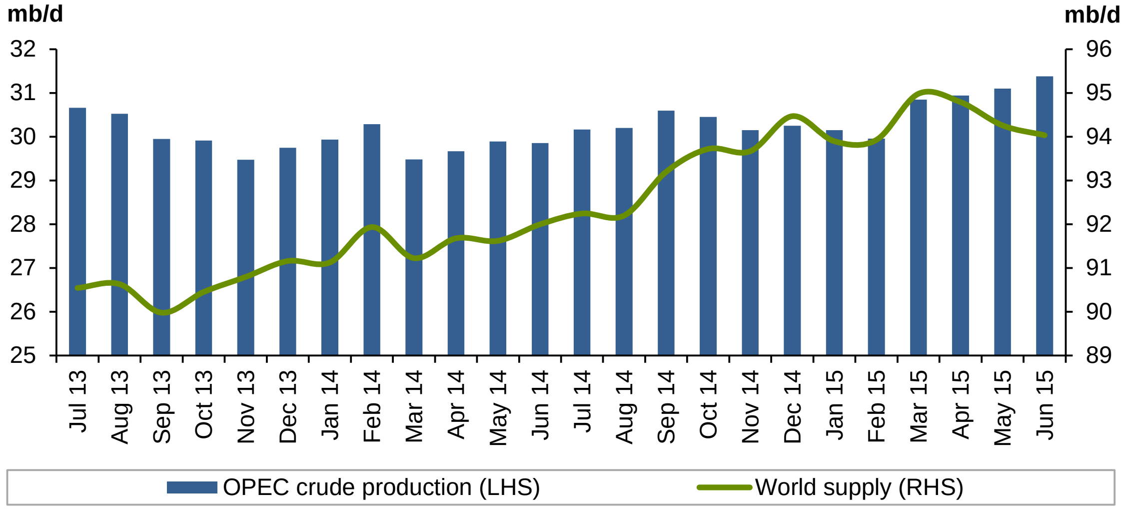
	2013	2014	4Q14	1Q15	2Q15	Apr 15	May 15	Jun 15	Jun/May
Algeria	1,203	1,193	1,179	1,141	..	1,120	1,170	..	..
Angola	1,701	1,654	1,727	1,766	1,784	1,760	1,807	1,785	*-22.0*
Ecuador	526	557	560	550	544	548	543	541	*-2.2*
Iran, I.R.	3,576	3,117	3,005	3,017	3,103	3,110	3,090	3,110	*20.0*
Iraq	2,980	3,110	3,141	3,064	3,351	3,176	3,288	3,591	*303.0*
Kuwait	2,922	2,867	2,807	2,850	2,838	2,860	2,830	2,825	*-5.0*
Libya	993	480	735	411	..	..	..	..	..
Nigeria	1,754	1,807	1,816	1,762	1,673	1,650	1,648	1,723	*75.6*
Qatar	724	709	682	687	647	635	642	664	*22.4*
Saudi Arabia	9,637	9,713	9,644	9,878	10,401	10,308	10,333	10,564	*230.9*
UAE	2,797	2,794	2,790	2,948	2,973	2,931	3,012	2,974	*-38.0*
Venezuela	2,786	2,683	2,701	2,722	..	2,717	2,759	..	..
Total OPEC	**31,599**	**30,682**	**30,786**	**30,793**	**..**	**..**	**..**	**..**	**..**
OPEC excl. Iraq	**28,619**	**27,572**	**27,646**	**27,729**	**..**	**..**	**..**	**..**	**..**

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

World oil supply

Preliminary data indicates that global oil supply decreased by 0.22 mb/d to average 94.03 mb/d in June 2015 compared with the previous month. The decline of non-OPEC supply at 0.51 mb/d in June decreased global oil output, which was partially offset by an increase in OPEC production by 0.28 mb/d. The share of OPEC crude oil in total global production increased slightly by 0.4% to 33.4% in June compared with the previous month at 33.0%. OPEC'S estimates are based on preliminary data for non-OPEC supply and OPEC NGLs, while estimates for OPEC crude production come from secondary sources.

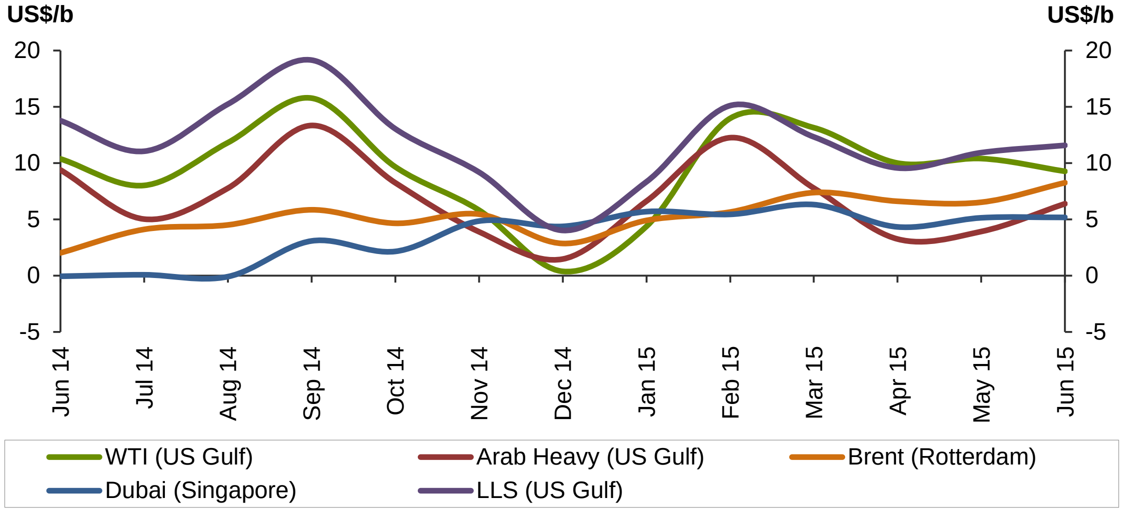
Graph 5.15: OPEC and world oil supply



Product Markets and Refinery Operations

Product markets in the Atlantic Basin were mixed during June. The US driving season pushed up gasoline demand, which hit levels not seen in years. It rose to around 9.5 mb/d, thus lending strong support to gasoline crack spreads, which partially offset weakening at the middle of the barrel and allowed refinery margins to remain healthy in the region. Meanwhile, Asian margins retained the strength they gained the previous month, as regional demand continued lending support to the market amid heavy maintenance.

Graph 6.1: Refinery margins, 2014-2015



The **US** product market continued receiving support from a surge in domestic gasoline demand, which hit levels in June not seen since 2007 and led to a sharp increase in gasoline crack spreads. However, the potential additional gain in refinery margins was limited by weakening seen at the middle and bottom of the barrel, pressured by increasing supplies and higher refinery runs. The refinery margin for Light Louisiana Sweet (LLS) crude on the US Gulf Coast (USGC) averaged $11.6/b in June, a 65 cent gain. Meanwhile, the refinery margin for WTI crude on the USGC lost $1/b to average around $9.3/b in June. The relative strengthening of WTI crude prices played a role in this mixed performance.

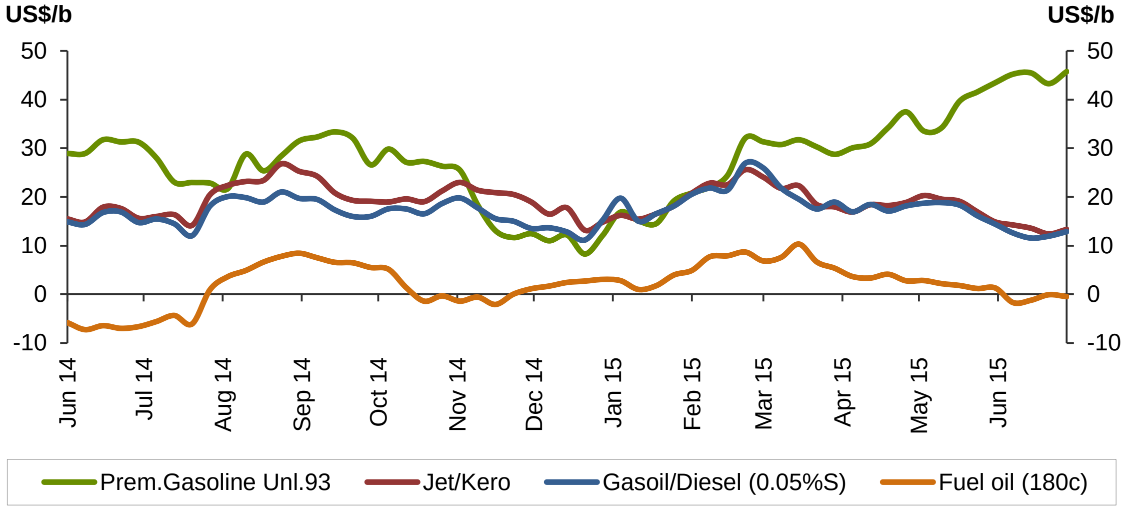
The **European** product market got strong support from the top of the barrel, leading to higher gasoline export opportunities to several regions, which in turn supported the crack spread and allowed margins to sharply increase, despite weakening seen at the middle of the barrel. The refinery margin for Brent crude in Northwest Europe exhibited a sharp gain of almost $2 to average $8.3/b in June, the highest level seen in more than two years.

Asian refining margins remained healthy during June, as strong regional gasoline demand amid tightening sentiment fuelled by heavy maintenance season kept crack spreads on the rise. However any uptick was offset by weakening at the middle and bottom of the barrel due to pressure coming from the supply side. Refinery margins in Singapore averaged $5.2/b in June, around the same level as the previous month.

Refinery operations

Refinery utilization rates in the **US** continued to rise during June following the end of heavy maintenance season and encouraged by driving season demand. Refinery utilization averaged around 92% in June, 1 percentage point (pp) higher than a month earlier. However, the increase in refinery runs during previous months led to the continuing accumulation of middle distillate inventories and to an increase in exports, which started to weigh on gasoil margins.

Graph 6.2: Refinery utilisation rates, 2014-2015



European refinery runs averaged above 88% of refining capacity in June, corresponding to a throughput of 10.3 mb/d, a level similar to that of the previous month and more than 800 tb/d above the same month a year ago. European refineries have been increasing throughput in recent months because of export opportunities and healthy margins. However, sustained higher runs in previous months have contributed to a sharp increase in product inventories in the region which could impact margins in the coming months.

Asian refinery utilization rose during the first quarter to meet increasing demand in the region, with Chinese refineries averaging around 10.5 mb/d at the quarter's end. However, Chinese refinery throughputs have dropped since May to around 10.2 mb/d due to the heavy maintenance season and higher product inventories, especially of gasoil. Refinery runs in Singapore for May averaged around 98%, a level similar to that of the previous month. Meanwhile, Japanese throughputs fell to 68% of capacity in June due to operational issues, after a fire impacted two refineries in the country.

US market

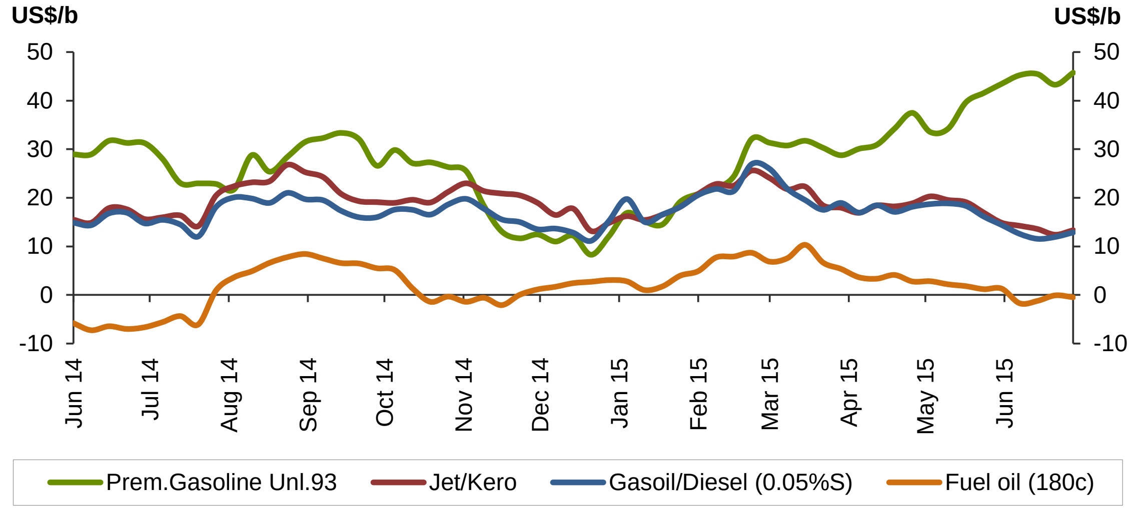
US **gasoline** demand stood at around 9.5 mb/d in June, about 240 tb/d higher than the previous month and 500 tb/d higher than the same month a year earlier.

With the onset of driving season, gasoline demand has jumped, hitting levels not seen since 2007 and continuing to support crack spreads. Data released by the Federal Highway Administration showed US highway miles travelled increased by more than 3% y-o-y in April, with the upward trend expected to continue as peak driving season approaches.

Crack spreads were boosted in the USGC by open arbitrage opportunities not only to the East Coast but also to the Midwest.

Another supporting factor has been falling inventories, which despite increasing refinery runs have continued to drop due to several FCC outages amid strong export opportunities. The gasoline crack spread gained around $8 to average $45/b in June.

Graph 6.3: US Gulf crack spread vs. WTI, 2014-2015



Middle distillate demand stood at around 4 mb/d in June, around 10 tb/d higher than the previous month and 80 tb/d higher than the same month a year earlier. The middle distillate market continued to be pressured from the supply side by higher output due to higher refinery runs amid higher gasoil yields. This caused US middle distillate inventories to continue on their upward trend, despite rising export opportunities to Latin America and Europe. The USGC gasoil crack lost almost $5 versus the previous month to average around $13/b in June.

At the bottom of the barrel, the fuel oil crack continued weakening due to lower domestic demand amid increasing imports of cheaper VGO from Europe, putting pressure on the market. The fuel oil crack in the USGC suffered a sharp loss of more than $3 in June.

European market

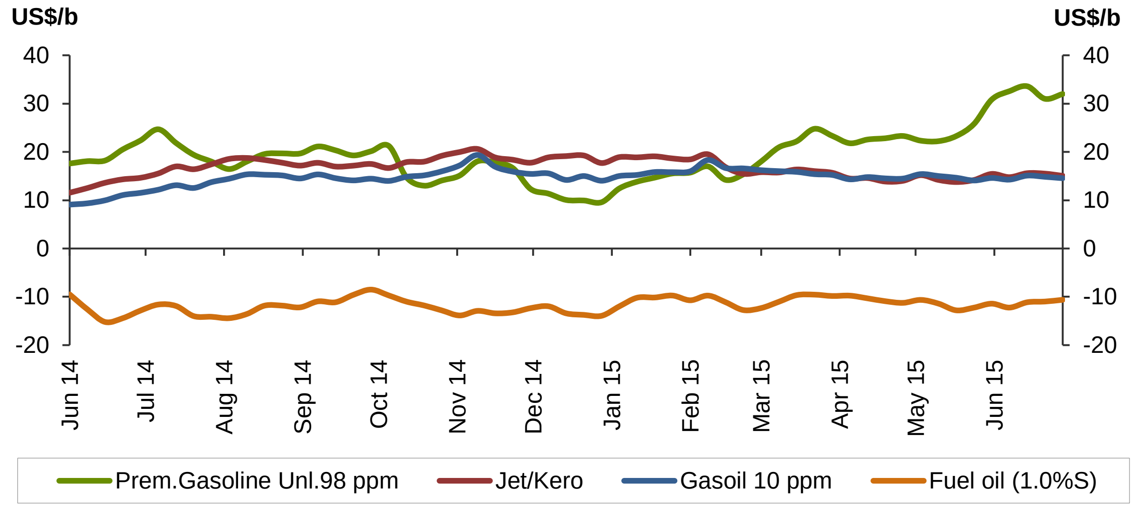
Product markets in Europe got strong support from the top of the barrel, with higher gasoline export opportunities supporting the crack spread and allowing margins to increase sharply, despite weakening seen at the middle of the barrel.

The gasoline market continued strengthening in Europe on the back of increasing export opportunities as stronger gasoline demand in the US increased import requirements to the USEC. This, along with an uptick in exports to West Africa, Canada and Latin America, lent further support to gasoline crack spreads in Europe. In addition, the gasoline market in the Atlantic Basin became relatively tight, mainly for high-octane aromatic blending components.

The gasoline crack spread against Brent exhibited a sharp gain of almost $9 to average around $32/b in June.

Light distillate naphtha crack reversed its downward trend on expectations of increasing demand from the petrochemical sector with the return of cracker units after maintenance. However naphtha cracks recovered just $1/b; the uptick remained limited by an oversupply of light naphtha and higher competition by LPG as a feedstock replacement.

Graph 6.4: Rotterdam crack spreads vs. Brent, 2014-2015



Middle distillate cracks remained stable in a relatively balanced market, with continued signs of demand recovery. However, this was offset by increasing inflow to the region.

Some pressure came from the supply side, with increasing inflows of ULSD from the US and Russia, as US refinery output remained on the rise while exports from the Russian Primorsk port increased considerably with new hydro treating capacity coming online in Russia. This oversupply has caused gasoil inventories in Europe to remain above five-year average levels.

The gasoil crack spread against Brent crude at Rotterdam showed a slight loss of 20¢ versus the previous month to average around $15/b in June.

At the bottom of the barrel, fuel oil cracks slightly recovered some ground on the back of expectations of increasing demand from the shipping sector with the start of the summer cruise season. However, the uptick was limited by weak domestic utility demand and lower arbitrage opportunities to Asia, while inflows from Russia to Europe are expected to rise following the end of refinery maintenance season.

The Northwest European fuel oil crack gained 40 cents versus the previous month's level to average around minus $11.4/b in June.

Asian market

The Asian market exhibited mixed performance during June with gasoline continuing to strengthen on the back of strong regional demand, thus keeping crack spreads on the rise while the middle and bottom of the barrel weakened.

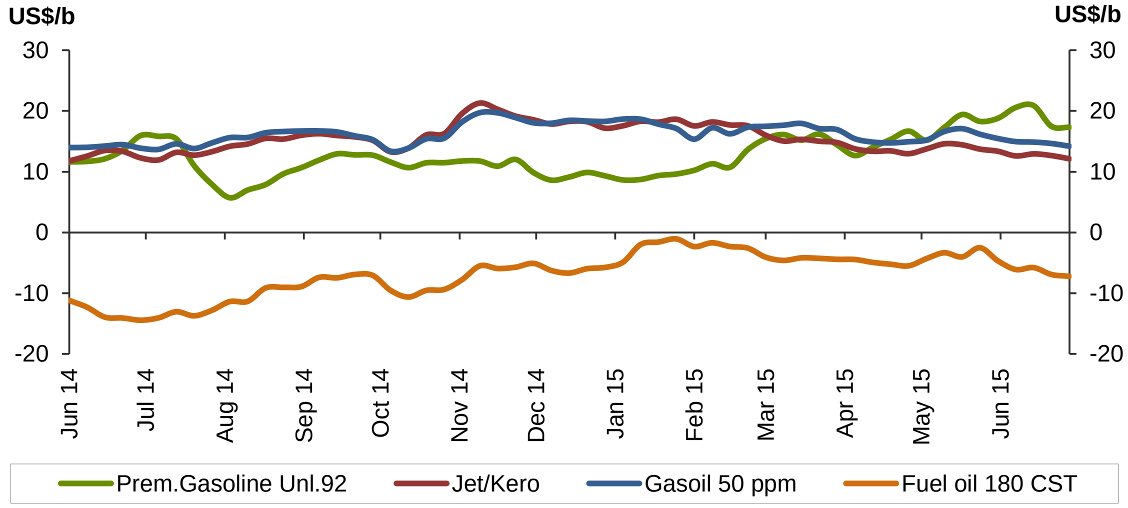
The Singapore gasoline crack continued its upward trend during June on the back of strong regional demand with increasing buying interest from Sri Lanka, Vietnam, Thailand, India and Indonesia, with higher requirements also being reported from North Africa and East Africa.

The gasoline crack spread against Dubai crude in Singapore gained almost $2 versus the previous month to average $19/b in June. The gain was limited by an expected increase in supplies with the winding down of refinery maintenance.

The Singapore naphtha crack slightly reversed its downwards trend on the back of firm demand from the petrochemical sector and gasoline blenders.

Some support came when cracker maintenance began to ease in the region, however this uptick was partially offset by the expectation of higher Western inflows in the coming weeks and the crack spread gained less than $1/b.

Graph 6.5: Singapore crack spread vs. Dubai, 2014-2015



At the middle of the barrel, **gasoil** cracks lost the ground gained the previous month due to pressure from the supply side, with some refineries coming back from maintenance amid expectations of reduced export opportunities outside Asia, as runs at new Middle Eastern refineries ramp up.

Some support came from the demand side with higher gasoil requirements from India for agricultural activities, while Japan was importing volumes due to operational problems in its refinery sector, where capacity was affected by some incidents.

The gasoil crack spread in Singapore against Dubai lost more than $1 versus the previous month's level to average around $15/b in June.

The **fuel oil** market continued to weaken during June due to pressure coming from plentiful supplies amid expectations of increasing supplies with refineries returning from maintenance in the region, thus fuelling bearish sentiment.

On the other hand, the demand side weakened due to continuing low import volumes from China, India, Japan and South Korea.

The fuel oil crack spread in Singapore against Dubai lost more than $2 to average around minus $6/b in June.

Table 6.1: Refined product prices, US$/b

		Apr 15	May 15	Jun 15	Change Jun/May
US Gulf (Cargoes FOB):					
Naphtha*		66.71	72.88	72.73	-0.15
Premium gasoline	*(unleaded 93)*	87.23	96.28	104.31	8.03
Regular gasoline	*(unleaded 87)*	78.37	83.37	87.23	3.86
Jet/Kerosene		72.34	78.44	73.53	-4.91
Gasoil	*(0.2% S)*	72.09	77.48	72.45	-5.03
Fuel oil	*(1.0% S)*	53.77	55.50	52.76	-2.74
Fuel oil	*(3.0% S)*	48.55	52.33	51.86	-0.47
Rotterdam (Barges FoB):					
Naphtha		57.96	60.76	59.34	-1.42
Premium gasoline	*(unleaded 98)*	82.31	87.70	93.68	5.98
Jet/Kerosene		73.97	78.67	76.99	-1.68
Gasoil/Diesel	*(10 ppm)*	74.21	79.16	76.37	-2.79
Fuel oil	*(1.0% S)*	49.20	52.57	50.32	-2.25
Fuel oil	*(3.5% S)*	49.64	53.41	51.12	-2.29
Mediterranean (Cargoes FOB):					
Naphtha		54.42	58.37	56.05	-2.32
Premium gasoline**		78.27	82.87	86.19	3.32
Jet/Kerosene		70.60	76.09	73.31	-2.78
Gasoil/Diesel**		75.84	80.99	78.19	-2.80
Fuel oil	*(1.0% S)*	51.02	54.19	51.87	-2.32
Fuel oil	*(3.5% S)*	49.58	52.79	51.46	-1.33
Singapore (Cargoes FOB):					
Naphtha		59.56	62.04	60.89	-1.15
Premium gasoline	*(unleaded 95)*	75.55	83.73	83.97	0.24
Regular gasoline	*(unleaded 92)*	73.07	81.10	81.02	-0.08
Jet/Kerosene		72.08	77.69	74.56	-3.13
Gasoil/Diesel	*(50 ppm)*	73.72	79.83	76.65	-3.18
Fuel oil	*(180 cst 2.0% S)*	54.82	61.28	57.08	-4.20
Fuel oil	*(380 cst 3.5% S)*	52.45	58.22	55.73	-2.49

** Barges.*
*** Cost, insurance and freight (CIF).*
Sources: Platts and Argus Media.

Table 6.2: Refinery operations in selected OECD countries

	Refinery throughput, mb/d				*Refinery utilization, %*			
	Apr 15	May 15	Jun 15	Change Jun/May	Apr 15	May 15	Jun 15	Change Jun/May
US	16.06	16.28	16.46	0.19	89.87	91.11	92.15	1.04
France	1.17	1.10	-	-	77.43	72.59	-	-
Germany	1.83	1.96	-	-	81.21	87.00	-	-
Italy	1.30	1.28	-	-	63.64	62.71	-	-
UK	1.13	0.99	-	-	85.86	75.02	-	-
Euro-16	10.33	10.26	-	-	88.23	87.61	-	-
Japan	3.34	3.10	2.67	-0.44	84.67	78.64	67.60	-11.05

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

Tanker Market

In June, crude oil tanker market sentiment was mixed. In general, dirty spot freight rates increased by 12%, on average, compared with the previous month. The average gain came mainly on the back of improved rates registered for Aframax tankers, which, on the whole, showed an improvement of 30% from the previous month. Aframax freight rates increased in June as a result of delays seen in several ports, which reduced the volume of available vessels, while tonnage demand remained high and chartering activities were solid. Bigger vessels in the dirty segment did not share the same fortune, as both VLCC and Suezmax showed lower freight rates from a month before, effected mostly by insufficient activity for both classes. Nevertheless, freight rates in June remained at a healthy level, despite the monthly drop, as tankers from all segments and on all reported routes showed higher rates than in the same month a year before. Clean tanker sentiment was firm in June, as freight rates increased from a month ago in East of Suez by 8% and by 24% in West of Suez.

Spot fixtures

In June, OPEC spot fixtures increased by 0.36 mb/d or 2.9% compared with the previous month to stand at 12.55 mb/d. Chartering activities in all areas showed an increase from the month before, though slightly declining from the previous year's level of 0.02 mb/d. The Middle East-to-East and Middle East-to-West routes experienced gains of 6% and 10%, respectively, while outside the Middle East, fixtures declined by 7%. On the whole, global oil spot fixtures were higher in June compared with the previous month, averaging 17.30 mb/d.

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

	Apr 15	May 15	Jun 15	*Change* Jun 15/May 15
Spot Chartering				
All areas	16.34	17.24	17.30	0.05
OPEC	11.11	12.19	12.55	0.36
Middle East/East	5.07	5.37	5.70	0.33
Middle East/West	2.42	3.03	3.34	0.30
Outside Middle East	3.62	3.80	3.52	-0.27
Sailings				
OPEC	23.34	23.82	23.85	0.03
Middle East	16.99	17.46	17.82	0.36
Arrivals				
North America	9.91	9.99	10.45	0.45
Europe	12.18	12.55	12.21	-0.34
Far East	8.38	8.18	8.13	-0.05
West Asia	4.76	4.78	4.78	0.00

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

Sailings and arrivals

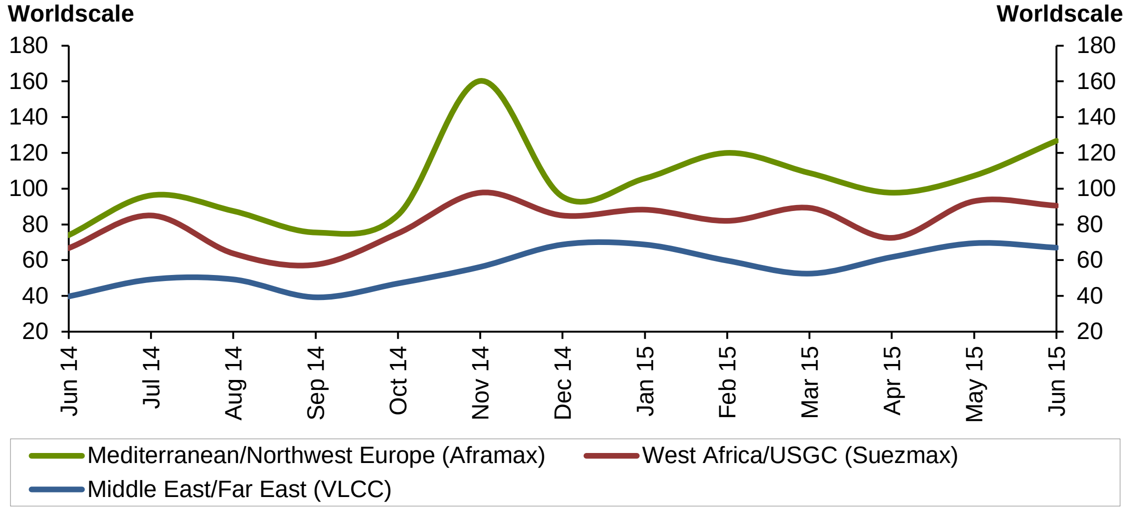
OPEC sailings increased by 0.03 mb/d or 0.1% in June from the previous month, though annual comparison reflected a larger increase, with sailings up by 2.6% or 0.62 mb/d. According to preliminary data, arrivals at main importing regions were mixed; there was an increase of 4.5% from a month earlier in North American ports, while arrivals declined in both Europe and the Far East, dropping by 2.7% and 0.6%, respectively, from a month ago to average 12.21 mb/d and 8.13 mb/d in June. West Asian arrivals remained stable from a month before, averaging 4.78 mb/d.

Spot freight rates

VLCC

Generally, **VLCC** spot freight rates experienced a decline in June from the month before. On average, VLCC spot freight rates dropped in June by 4% from those seen in May to average WS57 points. The start of the month showed relatively moderate activity in the VLCC market, with charterers taking slow action in order to keep freight rates under pressure. Yet, despite the softer note and the downward trend in freight movements, VLCC rates mostly stayed at a healthy level for this time of the year. VLCC activity did increase afterwards as the market stabilized, partially as ship owners maintained their stand against lower freight rates in order to protect their earnings. On the other hand, tonnage build-up, along with limited demand, was seen to prevent freight rates from achieving any worthy gains. Vessel supply in the market remained primarily balanced, despite the occasional volatility seen due to continuous delays at Asian ports during the month. Thus, VLCC spot freight rates for tankers trading on the Middle East-to-East long-haul route averaged WS67 points in June, down by 4% compared with a month earlier. Freight rates for tankers operating on the Middle East-to-West routes experienced a drop beyond that of the East, as activity was insufficient to support rates, leading to a decline of 9% over the previous month. VLCC spot freight rates in West Africa were in a better position than those registered for other routes, decreasing by a slight 0.8% to average WS66 in June, almost unchanged from a month before. Nevertheless, all VLCC selected routes reflected higher freight rates than seen for the same month a year earlier.

Graph 7.1: Monthly averages of crude oil spot freight rates



Suezmax

Suezmax spot freight rates ended the month of June flat from a month earlier. Similar to what was seen in the VLCC market, Suezmax freight rates experienced some volatility during the month, though they got off to a slow start, particularly in West Africa, before the number of firm inquiries increased and rates rebounded slightly. Rates in the Mediterranean softened as activity thinned; similarly rates in the Black Sea dropped as market activity was passive. Generally, June was an uneventful month for Suezmax, as rates mostly moved sideways, not much affected by the tonnage delays seen in Asian ports due to a lack of ullage. Although the end of the month saw an increase in freight rates for Suezmax, trade varied in different areas due to high fixed volumes and tighter vessel availability. However, average freight rates reported a marginal increase on the Northwest Europe-to-US route to stand at WS78 points, while dropping by a similar amount for tankers trading on the West Africa-to-US Gulf Coast (USGC) to average WS91 points.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	Apr 15	May 15	Jun 15	*Change* Jun 15/May 15
Crude					
Middle East/East	230-280	62	70	67	-3
Middle East/West	270-285	34	43	39	-4
West Africa/East	260	60	66	66	-1
West Africa/US Gulf Coast	130-135	73	93	91	-3
Northwest Europe/US Gulf Coast	130-135	64	75	78	3
Indonesia/East	80-85	99	116	167	52
Caribbean/US East Coast	80-85	140	111	154	43
Mediterranean/Mediterranean	80-85	105	115	134	20
Mediterranean/Northwest Europe	80-85	98	107	127	20

Sources: Galbraith's tanker market report and Platts.

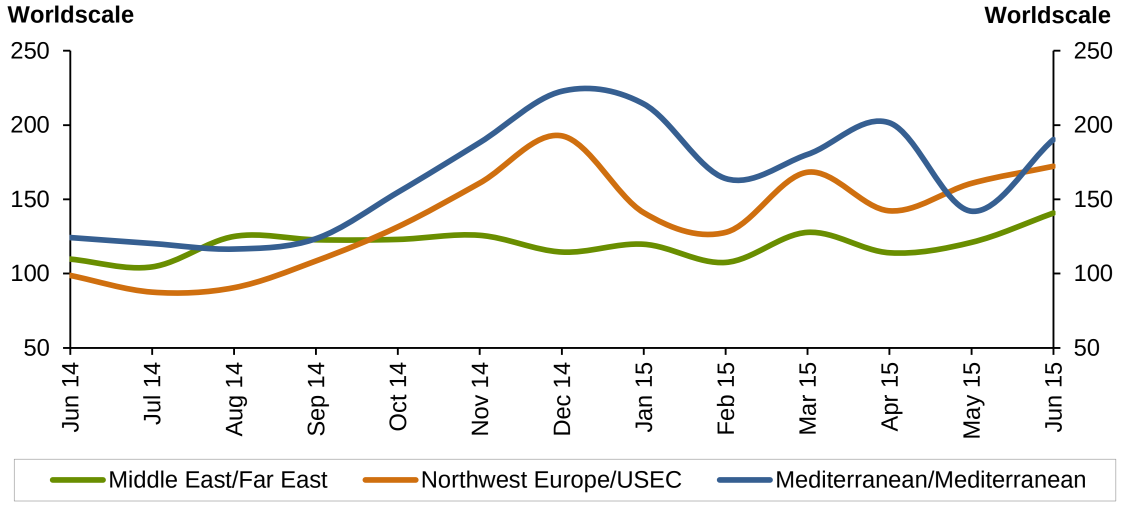
Aframax

The **Aframax** sector was the main bright spot during the month of June, as it reflected freight rate gains on all reported routes. On average, Aframax freight rates went up by 30% from the previous month, the only segment to show positive performance in comparison with dirty tankers. This upward trend was different on all reported routes, making charterers consider Suezmax as an alternative to Aframax on a co-loading basis, while Aframax rates firmed. The bullish sentiments for Aframax over the past month came on the back of higher rates in several regions; rates in the Baltics and North Sea firmed as tonnage availability was low in the face of high demand. Rates were also supported by delays and uncertainty surrounding discharge programmes in Rotterdam, Trieste and Ceyhan. A heavy flow of inquiries in the Mediterranean drove freight rates up from the previous month. They were also supported by port congestion, which led to fixtures settled at premiums due to the tighter amount of available vessels with known arrivals. Thus, Mediterranean-to-Mediterranean and Mediterranean-to-Northwest Europe rates increased by 17% and 18%, respectively, from a month before. Freight rates for the Indonesia-to-East route went up by 44% and for the Caribbean-to-US route by 39%.

Clean spot freight rates

Clean tanker market sentiment was mostly positive in June compared with the previous month, with East of Suez rates increasing by 8% and those in West of Suez edging up by 24%.

Graph 7.2: Monthly average of clean spot freight rates



In the **East of Suez**, the clean tonnage market was kept strong mainly for LR1 and LR2 as the positions list was thin while demand was high, mainly on naphtha cargoes heading to Japan. In the West of Suez, the clean tanker market strengthened across various vessel sizes in June. In the Mediterranean, freight rates increased as a result of a thinning tonnage list and active Red Sea market. Middle East-to-East spot freight rates gained 16% in June over a month earlier to average WS141 points, and the rate for tankers trading on the Singapore-to-East route increased slightly by 1% to average WS138 points.

In **West of Suez**, a tighter positions list drove freight rates up; Northwest Europe-to-USEC/USGC spot freight rates increased by 7% in June compared with a month earlier, while rates for the Mediterranean-to-Mediterranean and the Mediterranean-to-Northwest Europe routes showed higher gains, up by 34% and 32%, respectively.

Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	**Apr 15**	**May 15**	**Jun 15**	***Change*** **Jun 15/May 15**
Products					
Middle East/East	30-35	114	121	141	20
Singapore/East	30-35	140	137	138	1
Northwest Europe/US East Coast	33-37	142	161	172	12
Mediterranean/Mediterranean	30-35	202	142	190	48
Mediterranean/Northwest Europe	30-35	212	152	200	48

Sources: Galbraith's tanker market report and Platts.

Oil Trade

In June, preliminary data shows that US crude oil imports declined slightly by 28 tb/d from the previous month to average 7 mb/d, while y-o-y, they were down by 62 tb/d. US product imports increased by 106 tb/d or 5% to average 2.2 mb/d m-o-m, while y-o-y, they increased by 455 tb/d or 26%. Japan's crude oil imports dropped in May by 46 tb/d or 1.4% to average 3.3 mb/d, the lowest level seen since January 2015. On an annual basis, crude imports were higher in May by a slight 1% or 38 tb/d. Japan's product imports increased in May by 73 tb/d to average 686 tb/d. In May, China's crude imports dropped by 1.9 mb/d or 26% from the previous month to average 5.5 mb/d, while on an annual basis, they decreased by 670 tb/d or 11%. China's product imports also dropped in May, down by 162 tb/d from the previous month, while remaining higher by 87 tb/d from a year earlier to average 995 tb/d. In May, India's crude imports averaged 4.1 mb/d, which is 350 tb/d or 9% higher than last month and marks the highest level seen since January 2015. On an annual basis, crude imports increased by 611 tb/d or 17%. Similarly, product imports saw an increase of 50 tb/d or 9% from a month ago to average 592 tb/d, while y-o-y, they also rose by 127 tb/d or 27%.

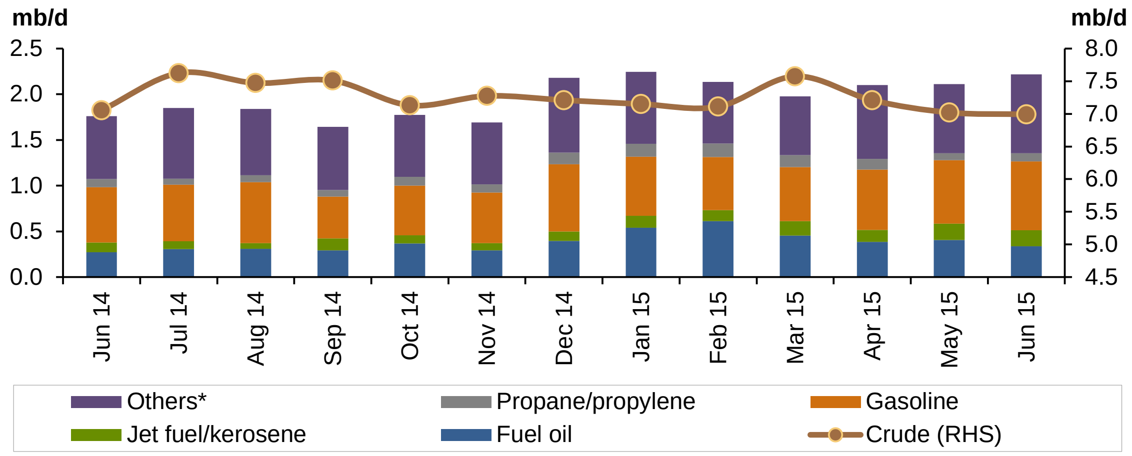
US

In June, preliminary data shows that **US crude oil imports** dropped slightly by 28 tb/d from the previous month to average 7 mb/d, while on an annual basis, they were 62 tb/d lower from a year earlier.

US product imports increased by 106 tb/d or 5% to average 2.2 mb/d m-o-m, while y-o-y, they increased by 455 tb/d or 26%. Y-t-d, crude imports declined by 127 tb/d, while product imports increased by 193 tb/d. In June, product exports went up by 109 tb/d or 3% from the previous month to average 3.5 mb/d, while on an annual basis, the figures showed a drop of 214 tb/d or 6%.

As a result, **US total net imports dropped in June to average 5.2 mb/d**, a decrease of 2% from the previous month and 11% from last year.

Graph 8.1: US imports of crude and petroleum products



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

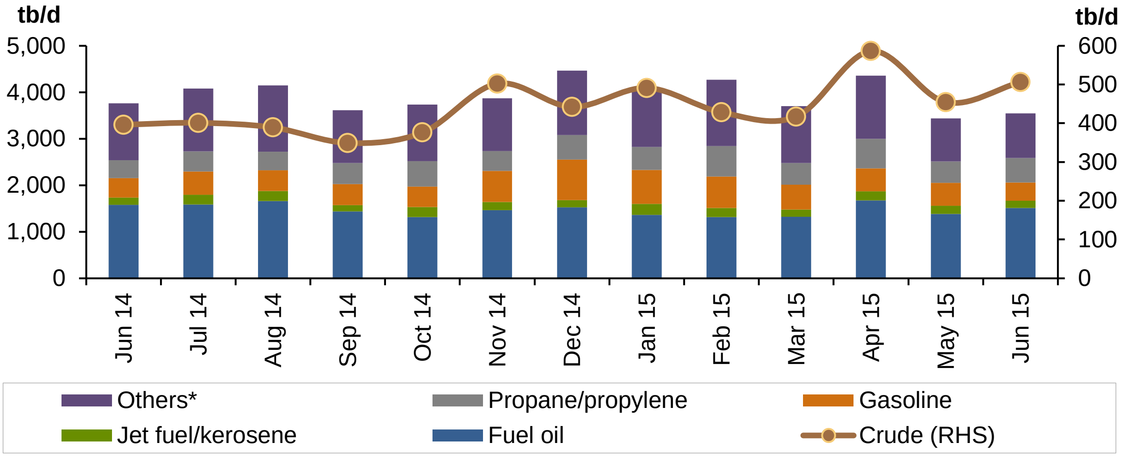
In April, Canada remained the **top supplier** as seen before, accounting for 47% of total US crude imports, although its exports to the US were lower by 1% or 36 tb/d from a month earlier. Saudi Arabia came in as second largest supplier to the US, holding a share of 16% of total crude imports, while Venezuela came in as the third largest supplier to US with a share of 11%. Imports from Saudi Arabia were 158 tb/d higher, while imports from Venezuela dropped slightly from the previous month by 2 tb/d.

Crude imports from OPEC Member Countries dropped in April from the previous month by 96 tb/d or 4%, accounting for 35% of total US crude imports. On the contrary, **US product imports from OPEC Member Countries** increased by 31 tb/d from the previous month to stand at 192 tb/d, representing a 10% share of the total products imported by the US. Annually, it shows a drop of 30 tb/d from the same month last year.

As for the **product supplier share**, Canada and Russia maintained their positions as first and second suppliers to the US with shares of 29% and 16%, respectively. Imports from Canada remained stable at the same level as the previous month, while imports from Russia dropped by 8% or 33 tb/d. South Korea came in as the third largest product supplier to the US with a drop of 34 tb/d from the previous month's imports.

In April, US crude imports from North America averaged 3.2 mb/d, making it the top region for US crude imports. Latin America came in as the second source for imports to the US as it averaged 2.2 mb/d in April, while the Middle East came in as the third region with an average of 1.5 mb/d. Imports from Africa were down from last month to stand at 223 tb/d, while imports from Asia dropped by 322 tb/d to average 20 tb/d.

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 **PADD 1**, the highest crude imports to the US East Coast were sourced from North America with an average of 246 tb/d, while imports from Africa were slightly lower by 6 tb/d or 5% and imports from Latin America dropped from the previous month to average 132 tb/d. PADD 2 imports from North America stood at 2.1 mb/d in April, while imports from the Middle East were at a level of 32 tb/d. PADD 3 imports from Latin America were down from March by 166 tb/d while imports from the Middle East rose by 93 tb/d. PADD 4 imports were completely sourced from North America and averaged 289 tb/d. In PADD 5, the West Coast's largest imports remained from the Middle East with an average of 411 tb/d, down slightly from last month by 7 tb/d, while imports from Latin America and North America were at 296 tb/d and 223 tb/d, respectively, in April. All suppliers showed lower exports to PADD 5 from the previous month.

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

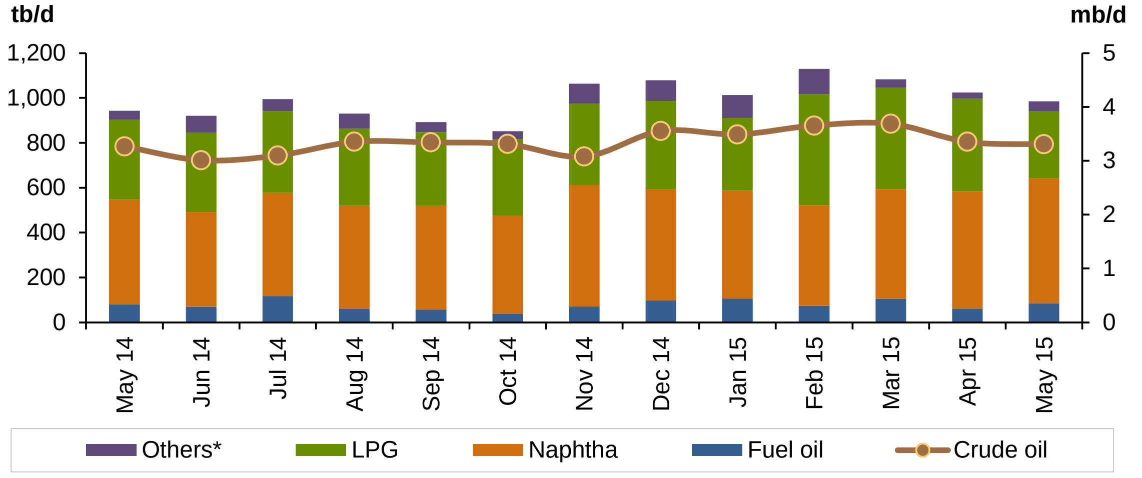
	Apr 15	May 15	Jun 15	*Change* Jun 15/May 15
Crude oil	6,622	6,566	6,486	-80
Total products	-2,258	-1,327	-1,331	-4
Total crude and products	**4,364**	**5,239**	**5,155**	**-84**

Japan

Japan's **crude oil imports** dropped in May by 46 tb/d or 1.4% to average 3.3 mb/d, the lowest level seen since January 2015, while on an annual basis, they increased by a slight 1% or 38 tb/d. As for the **supplier's share**, Saudi Arabia, as seen earlier, remained the premier crude supplier to Japan, holding a share of 35% of total crude exports as it increased its export volumes by 132 tb/d or 13% over the previous month. UAE came in as the second largest supplier to Japan with a share of 26% of total crude imports. Kuwait came in the third place, holding a share of 11%. Japan's imports from both UAE and Kuwait were higher than the previous month by 29 tb/d and 73 tb/d, respectively.

Contrarily, Japan's **product imports** increased in May by 73 tb/d to average 686 tb/d, coming as a result of higher imports of fuel oil, naphtha and gasoline, which increased by 24 tb/d, 33 tb/d and 16 tb/d, respectively. At the same time, Japan's product sales rose by 0.3% from last year.

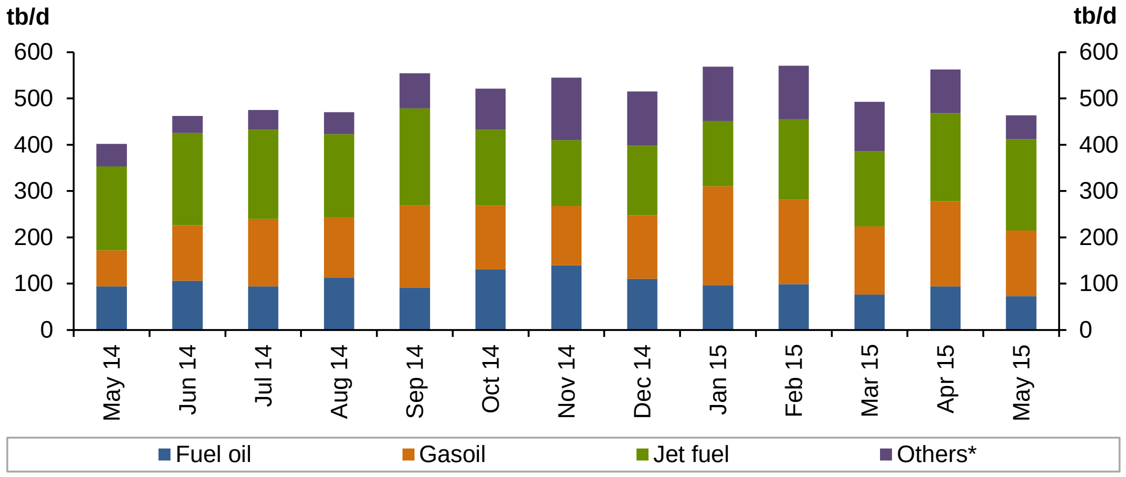
Graph 8.3: Japan's imports of crude and petroleum products



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

Japan's **product exports** in May dropped from the previous month by 99 tb/d to average 464 tb/d, the lowest level seen since June 2014.

Graph 8.4: Japan's exports of petroleum products



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

Accordingly, **Japan's net imports rose in May by 126 tb/d to average 3.5 mb/d**, reflecting monthly and annual gains of 4% and 2%, respectively.

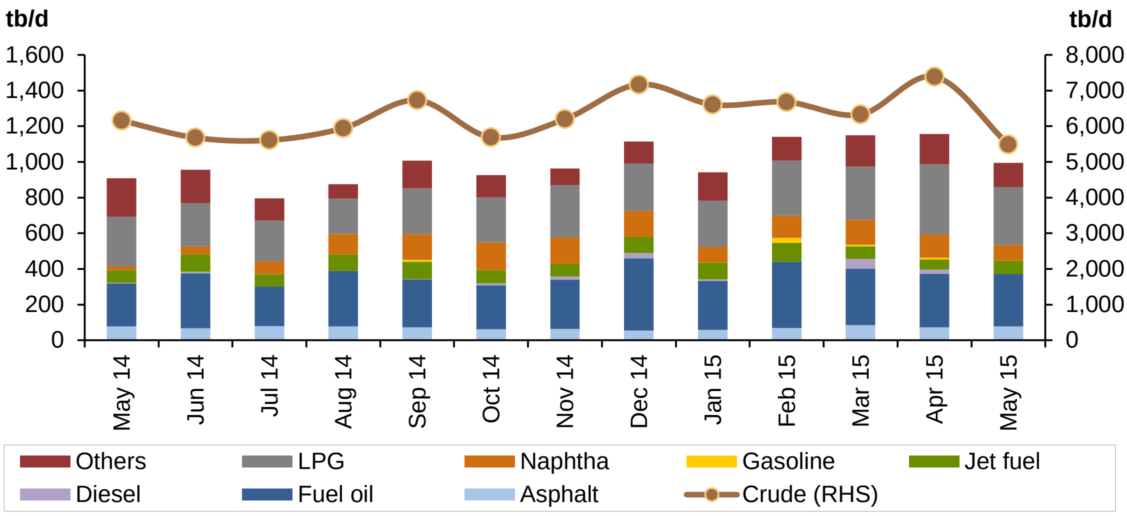
Table 8.2: Japan's crude and product net imports, tb/d

	Mar 15	Apr 15	May 15	Change May 15/Apr 15
Crude oil	3,686	3,351	3,305	-46
Total products	138	51	223	172
Total crude and products	**3,824**	**3,402**	**3,528**	**126**

China

In May, China's **crude imports** dropped by 1.8 mb/d or 25% from the previous month to average 5.5 mb/d, while on an annual basis, they decreased by 670 tb/d or 11%. Year-to-date, the figures reflected an increase of 279 tb/d or 5%. In terms of **supplier share**, Russia, Angola and Saudi Arabia were the top crude suppliers to China in May, holding shares of 17%, 14% and 13%, respectively. In May, China's crude imports saw increased volumes from Russia, which were up by 156 tb/d from the month before, while imports from Saudi Arabia decreased significantly by 562 tb/d from April.

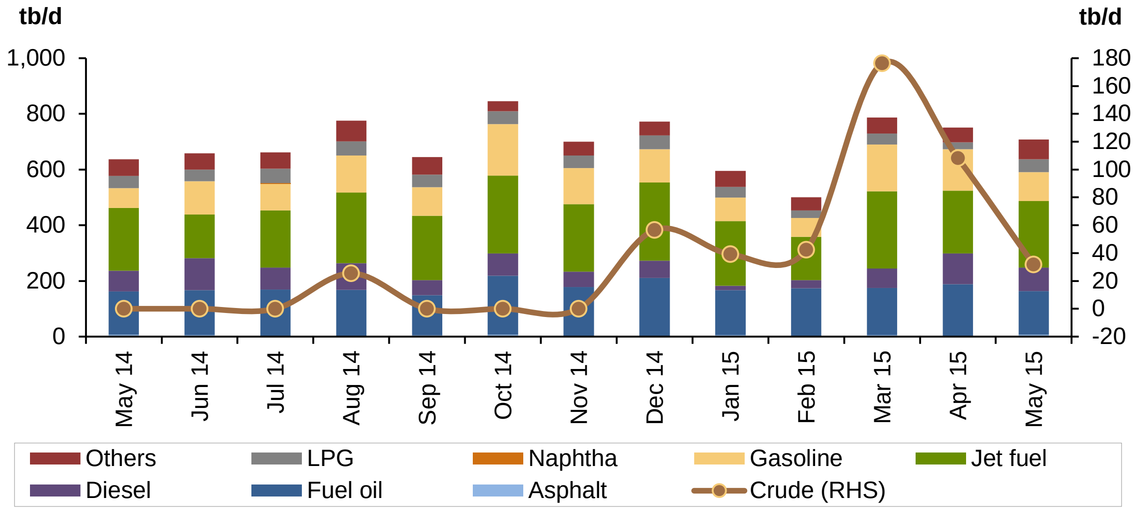
Graph 8.5: China's imports of crude and petroleum products



China's **product imports** also dropped in May, down by 162 tb/d from the previous month, while they were higher by 87 tb/d from a year earlier to average 995 tb/d.

China's **crude exports** dropped in May as well, averaging 32 tb/d, while product exports decreased from last month by 43 tb/d to average 708 tb/d.

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



As a result, **China's net oil imports dropped by 1.9 mb/d or 25% from the previous month to average 5.7 mb/d** and down 11% from a year before.

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

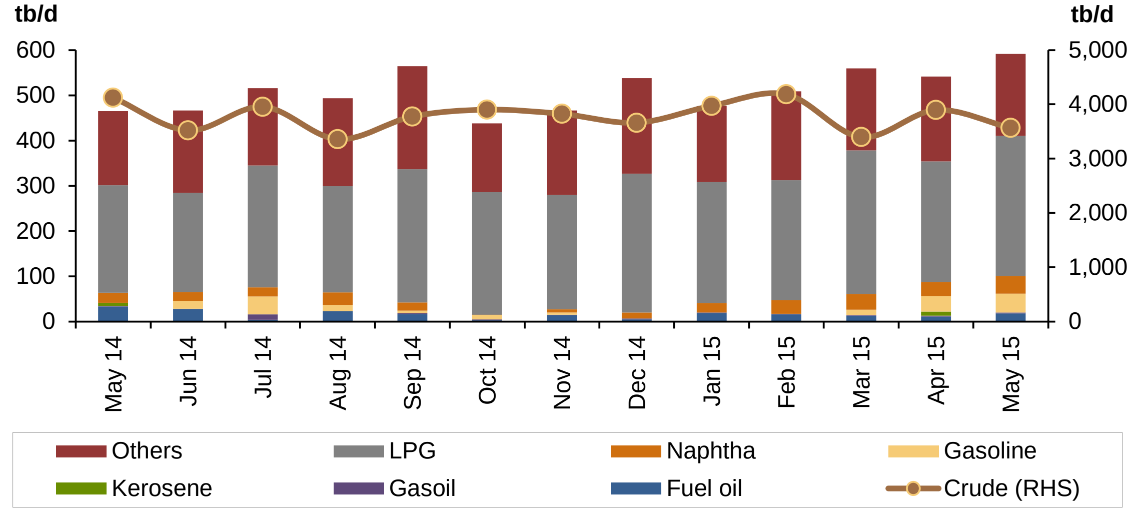
	Mar 15	Apr 15	May 15	*Change* May 15/Apr 15
Crude oil	6,154	7,282	5,457	-1,824
Total products	363	406	288	-118
Total crude and products	**6,517**	**7,687**	**5,745**	**-1,943**

India

In May, India's **crude imports** averaged 4.1 mb/d, which is 350 tb/d or 9% higher than last month's level and marks the highest crude imports seen since January 2015. On an annual basis, there was a greater increase, higher by 611 tb/d or 17%.

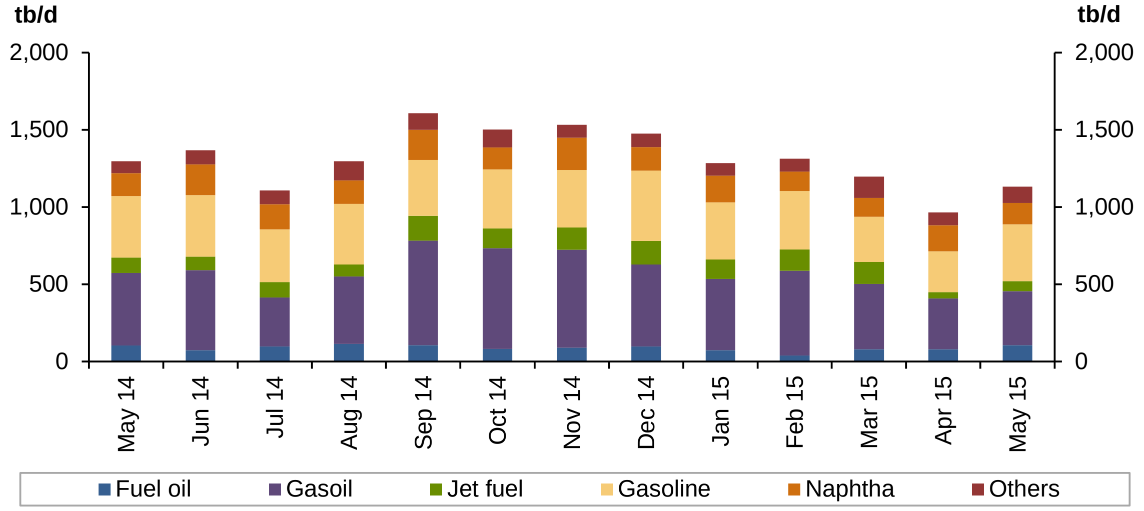
Similarly, **product imports** saw an increase of 50 tb/d or 9% over a month ago to average 592 tb/d, while y-o-y, there was a gain of 127 tb/d or 27%. The monthly increase in product imports came mainly as a result of increased imports of LPG, which rose by 43 tb/d. Oil product sales rose by 2.85% in May from a year earlier.

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



India's **product exports** increased by 165 tb/d or 17% in May from the previous month to average 1.1 mb/d, while on an annual basis, they dropped by 165 tb/d or 13%. Monthly exports of naphtha were lower in May, dropping by 29 tb/d from the previous month, while, on the other hand, all other product exports were higher in May from a month before. Exports of fuel oil, diesel and petrol were up by 33%, 6% and 38%, respectively, from the previous month.

Graph 8.8: India's exports of petroleum products



Consequentially, **India's net imports rose by 236 tb/d to average 3.6 m/d**.

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

	Mar 15	Apr 15	May 15	*Change* May 15/Apr 15
Crude oil	3,894	3,781	4,131	350
Total products	-638	-425	-539	-115
Total crude and products	**3,255**	**3,356**	**3,592**	**236**

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

FSU

In May, total **crude oil exports** from the former Soviet Union (FSU) declined by 235 tb/d or 4% to average 6.3 mb/d. Crude exports through Russian pipelines also declined by 273 tb/d or 7% to average 3.9 mb/d.

Total shipments from the **Black Sea** dropped by 19 tb/d or 3% to average 568 tb/d as shipments from Novorossiysk were lower from a month before. Total **Baltic Sea** exports dropped by 252 tb/d in May as shipments from the Primorsk port terminal dropped by 189 tb/d and exports from the UST Luga port terminal dropped by 63 tb/d. The **Druzhba** pipeline's total shipment increased by 23 tb/d to average 1 mb/d. **Kozmino's** shipments dropped by 23 tb/d or 3% to average 647 tb/d.

Exports through the **Lukoil system** dropped from the previous month in the **Barents Sea** as the Varandey offshore platform reported a drop of 4 tb/d. In the **Baltic Sea**, the Kalinigrad port terminal increased by 7 tb/d. **Russia's Far East** total exports were up by 37 tb/d or 12% from the previous month as exports from the Aniva Bay port terminal declined by 3 tb/d. However, the De-Kastri port terminal's exports went up by 40 tb/d from a month before. **Central Asia's** total exports stood at 243 tb/d, dropping by 8 tb/d through the Kenkiyak-Alashankou pipeline. **Baltic Sea total** exports declined by 7 tb/d as a result of lower exports from the Novorossiyk port terminal (CBC), which went down by 5 tb/d from the month before. In the **Mediterranean Sea**, BTC supplies increased from the previous month by 14 tb/d or 2% to average 594 tb/d.

FSU total product exports increased by 137 tb/d or 4% from last month to average 3.6 mb/d as a result of increased exports of fuel oil, gasoline and naphtha, which rose by 79 tb/d, 75 tb/d and 32 tb/d, respectively, from a month before, while exports of VGO and gasoil declined from the previous month by 53 tb/d and 24 tb/d, respectively.

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

		2013	4Q 14	1Q 15	Apr 15	May 15
Transneft system						
Europe	**Black Sea total**	**739**	**503**	**702**	**587**	**568**
	Novorossiysk port terminal - total	739	503	702	587	568
	of which: Russian oil	535	358	505	413	447
	Others	204	145	198	174	121
	Baltic Sea total	**1,546**	**1,180**	**1,444**	**1,542**	**1,290**
	Primorsk port terminal - total	1,083	730	879	987	798
	of which: Russian oil	1,007	730	879	987	798
	Others	76	0	0	0	0
	Ust-Luga port terminal - total	463	450	564	555	491
	of which: Russian oil	342	277	356	385	328
	Others	121	173	208	169	164
	Druzhba pipeline total	**1,032**	**988**	**1,071**	**1,102**	**1,125**
	of which: Russian oil	1,000	956	1,039	1,069	1,093
	Others	32	32	32	32	32
Asia	**Pacific ocean total**	**434**	**517**	**605**	**669**	**647**
	Kozmino port terminal - total	434	517	605	669	647
	China (via ESPO Pipeline) total	**321**	**325**	**309**	**313**	**310**
	China Amur	321	325	309	313	310
Total Russian crude exports		**4,071**	**3,513**	**4,131**	**4,213**	**3,940**
Lukoil system		**2013**	**4Q 14**	**1Q 15**	**Apr 15**	**May 15**
Europe and North America	**Barents Sea Total**	**111**	**125**	**134**	**140**	**135**
	Varandey offshore platform	111	125	134	140	135
Europe	**Baltic Sea Total**	**19**	**13**	**18**	**12**	**19**
	Kalinigrad port terminal	19	13	18	12	19
Other routes		**2013**	**4Q 14**	**1Q 15**	**Apr 15**	**May 15**
Asia	**Russian Far East total**	**259**	**294**	**309**	**311**	**348**
	Aniva bay port terminal	114	107	109	120	117
	De Kastri port terminal	145	186	200	191	231
	Central Asia total	**239**	**209**	**252**	**252**	**243**
	Kenkiyak-Alashankou	239	209	252	252	243
Europe	**Baltic sea total**	**853**	**1,001**	**1,118**	**998**	**991**
	Novorossiysk port terminal (CPC)	704	889	986	915	910
	Supsa port terminal	76	99	91	63	61
	Batumi port terminal	53	14	41	21	20
	Kulevi port terminal	20	0	0	0	0
	Mediterranean sea total	**641**	**549**	**638**	**580**	**594**
	BTC	641	549	638	580	594
Russian rail		**2013**	**4Q 14**	**1Q 15**	**Apr 15**	**May 15**
	Russian rail	**198**	**12**	**18**	**15**	**14**
	of which: Russian oil	9	*7*	*8*	*7*	*7*
	Others	189	5	9	8	7
Total FSU crude exports		**6,392**	**5,716**	**6,618**	**6,519**	**6,284**
Products		**2013**	**4Q 14**	**1Q 15**	**Apr 15**	**May 15**
	Gasoline	122	103	162	167	242
	Naphtha	390	477	567	484	516
	Jet	11	1	28	23	50
	Gasoil	857	884	1,229	1,078	1,025
	Fuel oil	1,415	1,452	1,507	1,474	1,553
	VGO	263	265	231	252	228
Total FSU product exports		**3,058**	**3,181**	**3,724**	**3,478**	**3,615**
Total FSU oil exports		**9,450**	**8,897**	**10,342**	**9,997**	**9,899**

Sources: Argus Nefte Transport and Argus Global Markets.

Stock Movements

OECD commercial oil stocks rose by 14.3 mb in May to stand at 2,833 mb, which is around 170 mb higher than same time one year ago and nearly 142 mb above the latest five-year average. Crude and products indicated surpluses of around 115 mb and 26 mb, respectively, above the seasonal norm. In terms of days of forward cover, OECD commercial stocks stood at 61.8 days, 3.7 days higher than the latest five-year average. Preliminary data for June shows that total US commercial oil stocks rose by 5.7 mb to stand at 1,258 mb. At this level, they were 135.0 mb above the same period a year ago and 147.1 mb higher than the latest five-year average. Within components, commercial crude went down by 12.0 mb, while products saw a build of 17.8 mb. The latest information for China showed an increase in total commercial oil inventories of 2.0 mb in May to stand at 411.4 mb, which was around 10.8 mb above the previous year at the same time. Within the components, commercial crude stocks rose by 3.2 mb, while product inventories fell by 1.2 mb.

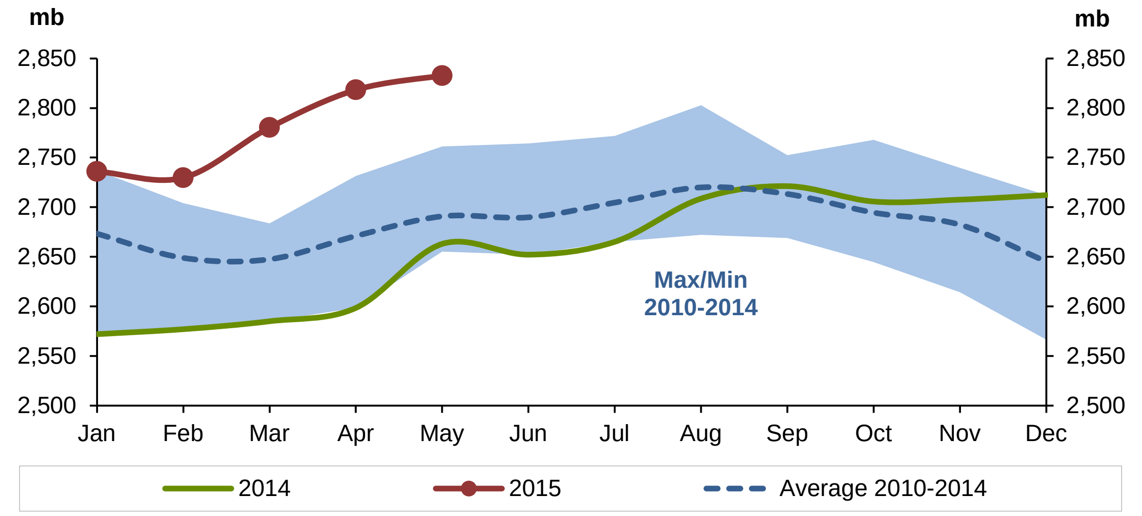
OECD

The latest information for May shows that **total OECD commercial oil stocks** rose by 14.3 mb for the third consecutive month to stand at 2,833 mb, which is 169.5 mb higher than the same time one year ago and around 141.8 mb above the latest five-year average. Within the components, crude and products rose by 4.6 mb and 9.2 mb, respectively.

OECD **commercial crude inventories** continued the upward trend for the sixth consecutive month to end May at 1,430 mb, which is 106.4 mb above the same time a year earlier and 115.4 mb higher than the latest five-year average. A large crude stock build was observed in OECD Asia Pacific and a slight build was seen in Europe amid refinery maintenance, while higher crude demand from US refiners, following the end of turnaround, led to stock draws in the country.

OECD **product inventories** rose by 9.7 mb in May to end the month at 1,403 mb, which is 63.2 mb higher than a year ago at the same time and 26.3 mb above the seasonal norm.

Graph 9.1: OECD commercial oil stocks



In terms of **days of forward cover**, OECD commercial stocks fell by 0.4 days in May from the previous month to stand at 61.8 days, which is 3.6 days above last year at the same time and 3.7 days higher than the latest five-year average. Within the regions, OECD Americas' days of forward cover were at 62.5 days in May, which is 6.6 days higher than the historical average, while OECD Asia Pacific stood at 1.6 days below the seasonal average to finish the month at 49.9 days. At the same time, OECD Europe indicated a surplus of 1.9 days above the seasonal norm, averaging 67.2 days in May.

Commercial stocks in **OECD Americas** rose slightly by 3.2 mb in May following a sharp stock build in the last two months to settle at 1,519 mb, which is 162.4 mb above the seasonal norm and around 142.3 mb above the same time one year ago. Within the components, crude stocks fell by 6.0 mb, while product inventories abated this stock draw and increased by 9.2 mb.

At the end of May, **commercial crude oil stocks** in **OECD Americas** fell, reversing the build of the last four months, to stand at 795 mb, which is 114.3 mb above the latest five-year average and 92.5 mb higher than the same time one year ago. Higher crude oil refinery input and lower crude imports were behind this stock draw.

In contrast, **product stocks** in **OECD Americas** rose in May by 9.2 mb to stand at 724 mb, which is 49.8 mb above the same time one year ago and 48 mb higher than the seasonal norm. The build came mainly from higher refinery output, however growing demand, taking profit from lower prices, limited further builds.

OECD Europe's commercial stocks fell by 4.5 mb in May, reversing the builds of the last five months, to stand at 927 mb, which is 36.4 mb higher than the same time a year ago, yet 1.4 mb below the latest five-year average. Crude stocks went up by 1.5 mb, while commercial product inventories fell by 6.0 mb.

OECD Europe's commercial crude stocks rose in May to stand at 410 mb, which is 21 mb above the same period a year earlier and 15.6 mb higher than the latest five-year average. The build was driven mainly by higher crude supply and lower refinery crude runs amid a period of maintenance.

In contrast, **OECD Europe's commercial product stocks** fell by 6.0 mb in May to end the month at 517 mb, which is 15.5 mb higher than a year ago at the same time, yet 16.9 mb below the seasonal norm. Lower refinery output during refinery turnarounds kept product supplies tight.

OECD Asia Pacific commercial oil stocks rose sharply by 15.6 mb in May to stand at 387 mb, which is 9.1 mb less than a year ago and 19.1 mb below the five-year average. Within the components, crude and product stocks rose by 9.1 mb and 6.5 mb, respectively. Crude inventories ended the month of May at 225 mb, which is 7.1 mb below a year ago and 14.5 mb less than the seasonal norm. OECD Asia Pacific's total product inventories ended May at 162 mb, which is 2.0 mb less than a year ago and 74.7 mb below the seasonal norm.

Table 9.1: OECD commercial stocks, mb

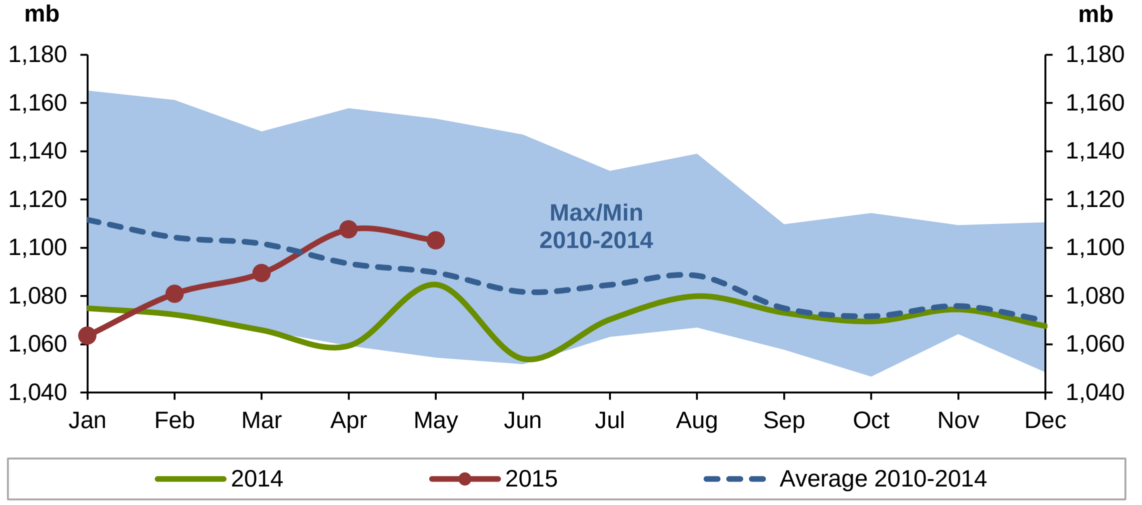
	Mar 15	Apr 15	May 15	*Change* May 15/Apr 15	May 14
Crude oil	1,414	1,425	1,430	4.6	1,324
Products	1,366	1,393	1,403	9.7	1,340
Total	**2,780**	**2,818**	**2,833**	**14.3**	**2,663**
Days of forward cover	**61.7**	**62.1**	**61.8**	**-0.4**	**58.2**

EU plus Norway

Preliminary data for May shows that total European stocks fell by 4.5 mb, reversing the builds of the last three months, to stand at 1,103.1 mb, which is 18.3 mb or 1.7% above the same time a year ago and 13.3 mb or 1.2% above the latest five-year average. Crude stocks rose by 1.5 mb, while product inventories fell by 4.5 mb from the previous month.

European crude inventories rose in May for the fourth consecutive month to stand at 491.3 mb, which is 5.3 mb or 1.1% above the same period a year ago and 20.6 mb or 4.4% above the seasonal norm. The build was driven by lower crude oil refinery runs during a maintenance period. Indeed, crude runs fell by 0.1 mb/d in May from the April level to stand at 10.3 mb/d, which is 480,000 b/d less than last year at the same time.

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



European product stocks fell by 6.0 mb in May to stand at 611.8 mb, which is 13.0 mb or 2.2% above a year ago at the same time, yet 7.3 mb or 1.2% below the seasonal norm. Within products, the picture was mixed, with distillate and naphtha stocks going up, while gasoline and residual fuel witnessed stock draws.

Distillate stocks ended May at 394.7 mb, slightly higher than the previous month and 3.9 mb or 1.0% higher than last year at the same time, and 4.9 mb or 1.3% above the latest five-year average. Higher distillate output offset higher demand, leaving distillate inventories almost unchanged in May. **Naphtha** stocks also rose in May, increasing by 0.4 mb to stand at 25.5 mb, which is 2.1 mb or 8.9% above the same time a year ago, yet 4.5 mb or 14.9% less than the seasonal average.

In contrast, **gasoline** stocks fell by 6.2 mb in May to stand at 118.2 mb, which is 11.5 mb or 10.8% above a year earlier and 4.9 mb or 1.3% higher than the seasonal norm. This decline was driven mainly by increasing gasoline exports to the US amid higher gasoline demand during the driving season. **Residual fuel oil** stocks also fell by 0.4 mb in May to stand at 73.5 mb, which is 4.4 mb or 5.7% below the same month last year and 18.1 mb or 19.8% lower than the latest five-year average.

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

	Mar 15	Apr 15	May 15	*Change* May 15/Apr 15	May 14
Crude oil	**478.6**	**489.8**	**491.3**	**1.5**	**486.0**
Gasoline	121.7	124.4	118.2	-6.2	106.7
Naphtha	26.0	25.1	25.5	0.4	23.4
Middle distillates	388.7	394.5	394.7	0.1	390.8
Fuel oils	74.4	73.8	73.5	-0.4	77.9
Total products	610.8	617.8	611.8	-6.0	598.7
Total	**1,089.4**	**1,107.5**	**1,103.1**	**-4.5**	**1,084.8**

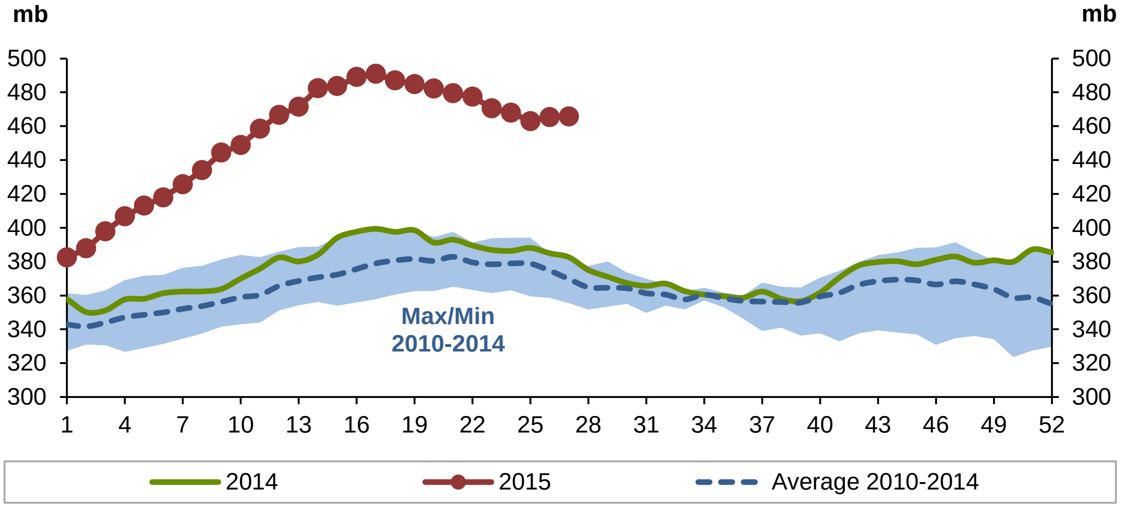
Sources: Argus and Euroilstock.

US

Preliminary data for June shows that **total commercial oil stocks** rose for the eighth consecutive month by 5.7 mb to stand at 1257.7 mb. At this level, stocks were 135.0 mb, or 12%, above the same period a year ago and 147.1 mb, or 13.2%, higher than the latest five-year average. Within components, commercial crude went down by 12.0 mb, while products saw a build of 17.8 mb.

US commercial crude stocks fell in June for the second consecutive month to stand at 465.4 mb. Crude commercial stocks finished the month at 81.5 mb, or 21.2%, above the same time last year, and 91.3 mb, or 24.4%, above the latest five-year average. Higher crude oil refinery input contributed to this stock draw. Indeed, refinery runs rose 182,000 b/d to average 16.5 mb/d. Refineries were running at around 92.15% of operable capacity in June, 1.8 percentage points (pp) higher than the previous month and 4.6% above the same time last year. Crude at Cushing, Oklahoma, also saw a stock draw of a 2.6 mb in June versus May to end the month at 56.7 mb.

Graph 9.3: US weekly commercial crude oil stocks

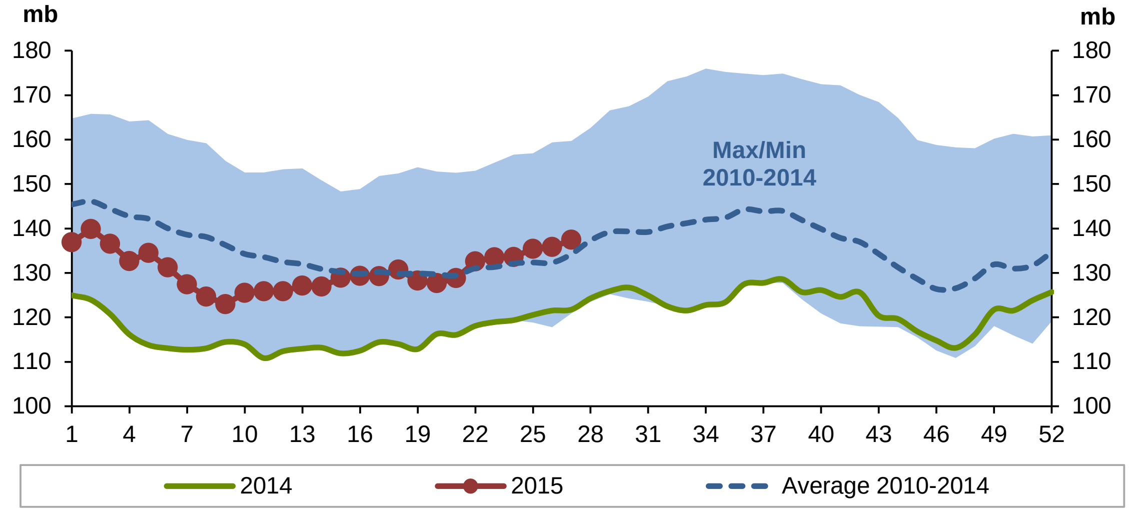


In contrast, **total product stocks** rose by 17.8 mb in June to end the month at 792.4 mb. With this stocks build, US product stocks were around 53.5 mb, or 7.2%, above the level seen at the same time a year ago and showed a surplus of 55.8 mb, or

7.6%, above the seasonal norm. Within the products, the picture was mixed, with distillates and jet fuel oil stocks both rising while gasoline and residual fuel inventories fell.

Distillate stocks rose by 3.2 mb in June, ending the month at 135.8 mb. At this level, they indicated a surplus of 14.1 mb, or 11.6%, more than the same period a year ago, and representing a surplus of 2.7 mb, or 2.0%, with the five-year average. The build in middle distillate stocks was driven by lower demand combined with higher production. **Jet fuel** stocks rose in June by 2.9 mb to stand at 41.4 mb. At this level, jet fuel stocks stood at 5.1 mb, or 14%, lower than the same month a year ago, and are 0.9 mb, or 2.3%, below the latest five-year average.

Graph 9.4: US weekly distillate stocks



In contrast**, gasoline stocks** in June fell for the fourth consecutive month, dropping by 3.6 mb to stand at 216.7 mb. At this level, gasoline stocks were 2.1 mb, or 1.0%, lower than the same period a year ago but were 0.6 mb, or 0.3 %, above the latest five-year average. The drop came mainly from stronger apparent demand averaging nearly 9.5 mb/d, around 240,000 more than previous month. Higher gasoline output reaching nearly 9.9 mb/d limited further drop in gasoline inventories. **Residual fuel oil** also fell by 1.0 mb in May to stand at 40.1 mb, which is 3.0 mb, or 9.4%, higher than last year in the same period, and were 1.9 mb, or 5.0%, above the seasonal norm.

Table 9.3: US onland commercial petroleum stocks, mb

	Apr 15	May 15	Jun 15	*Change* Jun 15/May 15	Jun 14
Crude oil	483.4	477.4	465.4	-12.0	383.9
Gasoline	228.4	220.3	216.7	-3.6	218.8
Distillate fuel	129.0	132.6	135.8	3.2	121.7
Residual fuel oil	39.1	41.0	40.1	-1.0	36.7
Jet fuel	38.4	38.4	41.4	2.9	36.3
Total	**1,244.4**	**1,252.0**	**1,257.7**	**5.7**	**1,122.7**
SPR	690.9	692.3	693.7	1.3	691.0

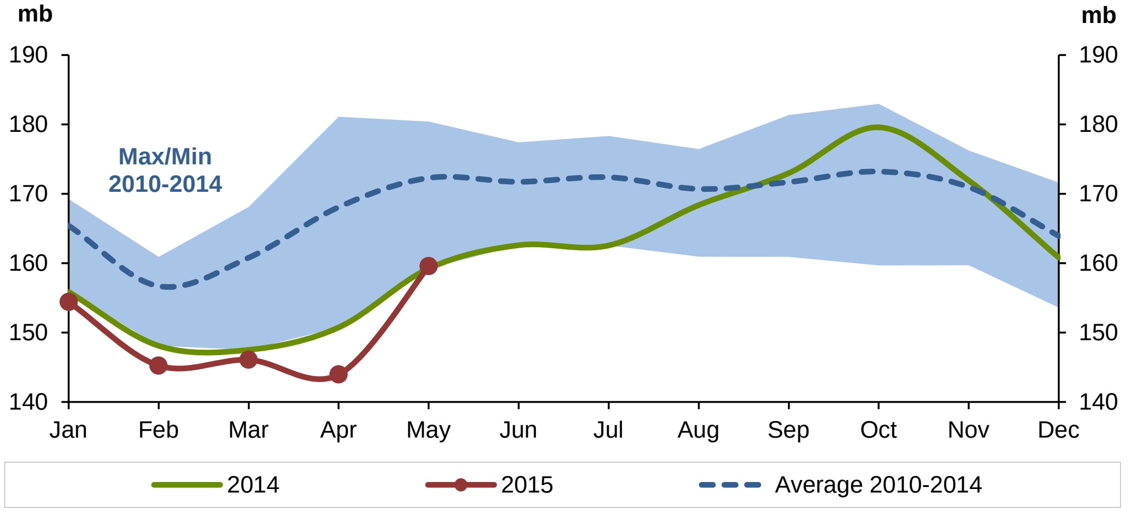
Source: US Energy Information Administration.

Japan

In Japan, total **commercial oil stocks** rose sharply by 15.6 mb in May, reversing the fall of last month, to settle at 159.6 mb, which is slightly higher than a year ago, yet 12.8 mb or 7.4% below the latest five-year average. Within the components, crude and products rose by 9.1 mb and 6.5 mb, respectively.

Japanese commercial **crude oil stocks** rose in May, reversing the fall of last month, to stand at 93.7 mb, which is 2.6 mb below a year ago at the same time and 8.9 mb or 8.6% less than the seasonal norm. The stock draw was driven by lower crude throughput, which fell by around 230,000 b/d or 10.1% to average 3.1 mb/d in May. Refineries were running at 78.6%, 6.0 pp below last month, but remained 1.7% above a year ago at the same time. A slight decline in crude imports limited further builds in crude oil inventories. Indeed, crude imports fell by about 46,000 b/d or 1.4% to average 3.3 mb/d.

Graph 9.5: Japan's commercial oil stocks



Japan's **total product inventories** rose by 6.5 mb in May following a build of 1.4 mb in April. At 65.8 mb, product stocks stood at 2.9 mb or 4.6% above the same time a year ago, but showed a deficit of 3.9 mb or 5.6% below the five-year average. The build was driven mainly by lower domestic sales, which declined by around 360,000 b/d or 11.4% to stand at 2.8 mb/d, but they were 0.3% higher than a year ago during the same month. All products experienced stock builds.

Gasoline stocks rose by 0.7 mb in May to stand at 11.9 mb, which was 0.5 mb or 3.7% below the same time a year ago and 2.1 mb or 15.0% below the five-year average. This stock build was driven by higher gasoline imports combined with lower exports. Reduced gasoline output limited further builds in gasoline stocks.

Distillate stocks also rose by 2.7 mb in May to stand at 27.2 mb, which is 0.9 mb or 3.3% above the same period a year ago, yet 1.8 mb or 6.2% below the seasonal average. Within distillate components, gasoil, kerosene and jet fuel stocks rose by 7.9%, 16.1% and 9.2%, respectively. The build in jet fuel was driven by higher gasoline output combined with lower domestic sales, while the increase in gasoil and kerosene stocks was driven mainly by lower domestic consumption.

Total residual **fuel oil stocks** rose by 1.0 mb in May to stand at 14.7 mb, which is 0.8 mb or 5.0% below a year ago and 1.8 mb or 10.7% lower than the latest five-year average. Within the fuel oil components, fuel oil A and fuel oil B.C rose by 8.6% and 3.7%, respectively. The build was mainly driven by lower domestic sales.

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

	Mar 15	Apr 15	May 15	Change May 15/Apr 15	May 14
Crude oil	**88.1**	**84.6**	**93.7**	**9.1**	**96.3**
Gasoline	10.8	11.1	11.9	0.7	12.3
Naphtha	10.5	9.9	12.0	2.1	8.8
Middle distillates	23.6	24.5	27.2	2.7	26.3
Residual fuel oil	13.2	13.8	14.7	1.0	15.5
Total products	**58.0**	**59.3**	**65.8**	**6.5**	**62.9**
Total**	**146.1**	**143.9**	**159.6**	**15.6**	**159.2**

* *At end of month.*

** *Includes crude oil and main products only.*

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

China

The latest information for China showed an increase **in total commercial oil inventories** of 2.0 mb in May to stand at 411.4 mb, which is around 10.8 mb above the previous year at the same time. Within the components, commercial crude stocks rose by 3.2 mb, while product inventories fell by 1.2 mb.

At 254.3 mb, **commercial crude stocks** represented a surplus of around 2.5 mb over the same period one year earlier. This build came from higher domestic crude oil output, which increased by around 160,000 b/d to average 4.3 mb/d. Lower crude oil imports in May limited further builds in crude oil stocks.

In contrast, **total product stocks** in China fell by 1.2 mb to end May at 157.1 mb, which is 8.3 mb higher than a year ago at the same time. Within products, gasoline and kerosene went up, while diesel witnessed a draw. Gasoline rose by 0.8 mb, ending May at 55.1 mb, driven by higher gasoline output. Lower demand driven by the fall in passenger car sales and higher product oil prices also contributed to the build in gasoline inventories. Diesel fell by 2.4 mb to end the month of May at 87.1 mb, but remained 15.2 mb above last year at the same time. This drop came despite weak demand due to slowing Chinese macroeconomic activity.

Table 9.5: China's commercial oil stocks, mb

	Mar 15	Apr 15	May 15	Change May 15/Apr 15	May 14
Crude oil	**249.9**	**251.1**	**254.3**	**3.2**	**251.8**
Gasoline	52.3	54.2	55.1	0.8	61.6
Diesel	93.6	89.5	87.1	-2.4	71.9
Jet kerosene	15.2	14.6	15.0	0.3	15.4
Total products	**161.0**	**158.3**	**157.1**	**-1.2**	**148.9**
Total	**410.9**	**409.4**	**411.4**	**2.0**	**400.7**

Source: OPEC Secretariat analysis.

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of May, **product stocks in Singapore** rose by 3.0 mb for the second consecutive month to stand at 47.8 mb, which was 1.1 mb or 2.3% above the same period a year ago. Within products, light distillates and fuel oil went up, while middle distillates saw a drop.

Light distillate stocks went up by 0.2 mb, ending May at 12.8 mb, which is 1.0 mb or 8.3% above last year at the same time. Residual fuel oil stocks also rose by 3.1 mb in May, ending the month at 24.6 mb, which was 2.2 mb or 9.8% less than at the same time last year. Ongoing lower marine bunker demand in the region, combined with lower exports, were behind the build in fuel oil stocks. In contrast, middle distillate stocks fell by 0.3 mb in May, finishing the month at 10.4 mb, which was 2.1 mb or 16.9% below the same time a year ago.

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) rose by 4.2 mb in May, reversing the drop seen in April. At 41.8 mb, product stocks in ARA were 8.7 mb or 26.3% higher than the same time last year. All products experienced builds, with the bulk coming from fuel oil stocks.

Fuel oil stocks rose by 1.9 mb, ending May at 6.8 mb, which is 2.1 mb or 43% above a year ago at the same time. Lower exports were behind this build. Gasoline stocks rose by 0.5 mb in May to end the month at 6.4 mb, which is 2.0 mb or 24% below the same period last year. The build was mainly driven by declining demand in the region. Gasoil rose by 1.9 mb to stand at 21.4 mb, which was 5.9 mb or 37.8% higher than last year at the same time.

Balance of Supply and Demand

Demand for OPEC crude in 2015 was revised down by 0.1 mb/d from the previous report to stand at 29.2 mb/d, which is 0.2 mb/d higher than the 2014 level. In 2016, the demand for OPEC crude is projected at 30.1 mb/d, 0.9 mb/d higher than this year.

Forecast for 2015

Demand for OPEC crude for 2015 was revised down by 0.1 mb/d from the previous report. Within the year's quarters, the 1Q was revised down by 0.1 mb/d, while the 2Q remained unchanged. The 3Q and 4Q were revised down both by 0.2 mb/d from the previous report. These adjustments were driven by the upward revision in non-OPEC supply, outpacing the upward adjustment in global demand. The demand for OPEC crude is estimated at 30.1 mb/d in 2015, representing an increase of 0.2 mb/d from last year's level. The 1Q is estimated to fall by 0.8 mb/d, while the 2Q is estimated to remain unchanged. In contrast, the 3Q and 4Q quarters are expected to see growth of 0.5 mb/ and 1.5 mb/d versus the same quarter last year.

Table 10.1: Summarized supply/demand balance for 2015, mb/d

	2014	1Q15	2Q15	3Q15	4Q15	2015
(a) World oil demand	**91.32**	**91.76**	**91.55**	**93.20**	**93.89**	**92.61**
Non-OPEC supply	56.52	58.09	57.28	56.91	57.26	57.39
OPEC NGLs and non-conventionals	5.83	5.86	5.94	6.13	6.13	6.01
(b) Total supply excluding OPEC crude	**62.35**	**63.95**	**63.22**	**63.04**	**63.39**	**63.40**
Difference (a-b)	**28.97**	**27.81**	**28.32**	**30.16**	**30.50**	**29.21**
OPEC crude oil production	30.07	30.33	31.14			
Balance	1.10	2.52	2.81			

Totals may not add up due to independent rounding.

Forecast for 2016

Based on the first forecast for demand and non-OPEC supply (including OPEC NGLs and non-conventional oil) for the year 2016, the demand for OPEC for next year is projected to increase by 0.9 mb/d to average 30.1 mb/d. The 1Q, 2Q and 3Q are expected to increase by 1.6 mb/d, 1.1 mb/d and 0.7 mb/d, respectively, while the 4Q is projected to remain unchanged versus the same period last year.

Table 10.2: Summarized supply/demand balance for 2016, mb/d

	2015	1Q16	2Q16	3Q16	4Q16	2016
(a) World oil demand	**92.61**	**93.13**	**92.90**	**94.51**	**95.21**	**93.94**
Non-OPEC supply	57.39	57.55	57.28	57.48	58.45	57.69
OPEC NGLs and non-conventionals	6.01	6.14	6.18	6.21	6.22	6.18
(b) Total supply excluding OPEC crude	**63.40**	**63.68**	**63.46**	**63.68**	**64.67**	**63.87**
Difference (a-b)	**29.21**	**29.45**	**29.45**	**30.83**	**30.54**	**30.07**

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

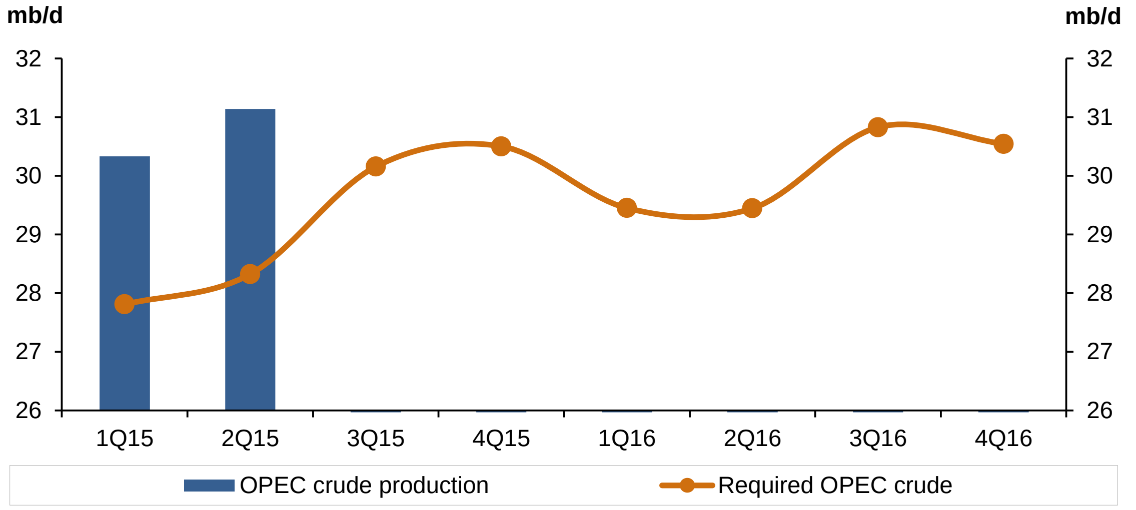


Table 10.3: World oil demand and supply balance, mb/d

	2012	2013	2014	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016
World demand													
OECD	45.9	46.1	45.8	46.3	45.2	46.0	46.6	46.0	46.5	45.4	46.2	46.7	46.2
Americas	23.6	24.1	24.2	24.2	24.0	24.6	24.9	24.4	24.5	24.3	25.0	25.2	24.8
Europe	13.8	13.7	13.5	13.4	13.6	13.8	13.5	13.6	13.4	13.6	13.8	13.5	13.6
Asia Pacific	8.5	8.3	8.1	8.7	7.6	7.6	8.2	8.0	8.6	7.5	7.4	8.0	7.9
DCs	28.3	29.1	29.8	29.9	30.5	31.2	30.4	30.5	30.7	31.2	32.0	31.2	31.3
FSU	4.4	4.5	4.5	4.4	4.2	4.7	4.9	4.6	4.5	4.3	4.7	5.0	4.6
Other Europe	0.6	0.6	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.6	0.7	0.8	0.7
China	9.7	10.1	10.5	10.4	11.0	10.6	11.2	10.8	10.8	11.3	11.0	11.5	11.1
(a) Total world demand	**89.0**	**90.4**	**91.3**	**91.8**	**91.5**	**93.2**	**93.9**	**92.6**	**93.1**	**92.9**	**94.5**	**95.2**	**93.9**
Non-OPEC supply													
OECD	21.1	22.2	24.2	25.1	24.7	24.7	25.1	24.9	25.3	25.1	25.2	25.8	25.3
Americas	16.7	18.2	20.0	21.0	20.6	20.8	21.0	20.9	21.1	21.1	21.2	21.5	21.2
Europe	3.8	3.6	3.6	3.7	3.6	3.4	3.6	3.6	3.7	3.5	3.5	3.8	3.6
Asia Pacific	0.6	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
DCs	12.0	12.0	12.2	12.6	12.3	12.2	12.1	12.3	12.2	12.3	12.4	12.6	12.4
FSU	13.4	13.6	13.6	13.7	13.6	13.4	13.5	13.5	13.5	13.3	13.2	13.3	13.3
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	4.2	4.2	4.3	4.3	4.4	4.3	4.3	4.3	4.3	4.3	4.3	4.4	4.3
Processing gains	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	52.9	54.3	56.5	58.1	57.3	56.9	57.3	57.4	57.5	57.3	57.5	58.5	57.7
OPEC NGLs + non-conventional oils	5.6	5.6	5.8	5.9	5.9	6.1	6.1	6.0	6.1	6.2	6.2	6.2	6.2
(b) Total non-OPEC supply and OPEC NGLs	**58.4**	**60.0**	**62.4**	**64.0**	**63.2**	**63.0**	**63.4**	**63.4**	**63.7**	**63.5**	**63.7**	**64.7**	**63.9**
OPEC crude oil production (secondary sources)	31.2	30.2	30.1	30.3	31.1								
Total supply	89.6	90.2	92.4	94.3	94.4								
Balance (stock change and miscellaneous)	0.6	-0.2	1.1	2.5	2.8								
OECD closing stock levels (mb)													
Commercial	2,664	2,567	2,712	2,780									
SPR	1,547	1,584	1,579	1,582									
Total	4,212	4,151	4,291	4,362									
Oil-on-water	879	909	924	864									
Days of forward consumption in OECD													
Commercial onland stocks	58	56	59	61									
SPR	34	35	34	35									
Total	91	91	93	96									
Memo items													
FSU net exports	9.0	9.1	9.0	9.3	9.3	8.8	8.6	9.0	9.0	9.0	8.5	8.3	8.7
(a) - (b)	**30.6**	**30.4**	**29.0**	**27.8**	**28.3**	**30.2**	**30.5**	**29.2**	**29.5**	**29.4**	**30.8**	**30.5**	**30.1**

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

	2012	2013	2014	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16	4Q16	2016
World demand													
OECD	-	-	-	0.4	0.1	-	-	0.1					
Americas	-	-	-	0.1	-	-	-	-					
Europe	-	-	-	0.3	-	-	-	0.1					
Asia Pacific	-	-	-	-	-	-	-	-					
DCs	-	-	-	-0.1	-0.1	-	-	-0.1					
FSU	-	-	-	-	-	-	-	-					
Other Europe	-	-	-	-	-	-	-	-					
China	-	-	-	-	0.1	-	-	-					
(a) Total world demand	-	-	-	0.3	0.2	-	-	0.1					
World demand growth	-	-	-	0.3	0.2	-	-	0.1					
Non-OPEC supply													
OECD	-	-	0.1	0.3	-	-	0.1	0.1					
Americas	-	-	0.1	0.3	-0.1	0.1	0.2	0.1					
Europe	-	-	-	-	0.1	-	-	-					
Asia Pacific	-	-	-	-	-	-	-	-					
DCs	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1					
FSU	0.1	0.2	0.1	0.1	0.2	0.2	0.3	0.2					
Other Europe	-	-	-	-	-	-	-	-					
China	-	-	-	-	-	-	-	-					
Processing gains	-	-	-	-	-	-	-	-					
Total non-OPEC supply	-	-	-	0.3	0.2	0.1	0.3	0.2					
Total non-OPEC supply growth	-	-	-	0.3	0.1	0.1	0.2	0.2					
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-					
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	0.3	0.1	0.1	0.2	0.2					
OPEC crude oil production (secondary sources)	-	-	-	-									
Total supply	-	-	-	0.3									
Balance (stock change and miscellaneous)	-	-	-	0.1									
OECD closing stock levels (mb)													
Commercial	-	-	2	35									
SPR	-	-	-3	2									
Total	-	-	-1	37									
Oil-on-water	-	-	-	-									
Days of forward consumption in OECD													
Commercial onland stocks	-	-	-	1									
SPR	-	-	-	-									
Total	-	-	-	1									
Memo items													
FSU net exports	0.1	0.2	0.1	0.1	0.2	0.2	0.3	0.2					
(a) - (b)	-	-	-	-0.1	-	-0.2	-0.2	-0.1					

* *This compares Table 10.3 in this issue of the MOMR with Table 10.3 in the June 2015 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	2014	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15
Closing stock levels, mb													
OECD onland commercial		**2,605**	**2,664**	**2,567**	**2,712**	**2,661**	**2,696**	**2,567**	**2,585**	**2,652**	**2,721**	**2,712**	**2,780**
	Americas	1,308	1,365	1,316	1,443	1,378	1,404	1,316	1,311	1,382	1,411	1,443	1,481
	Europe	905	903	869	880	874	880	869	875	878	888	880	931
	Asia Pacific	392	396	381	389	409	412	381	399	393	422	389	368
OECD SPR		**1,536**	**1,547**	**1,584**	**1,579**	**1,576**	**1,582**	**1,584**	**1,585**	**1,579**	**1,577**	**1,579**	**1,582**
	Americas	697	696	697	692	697	697	697	697	692	692	692	692
	Europe	426	436	470	470	470	471	470	470	468	468	470	470
	Asia Pacific	414	415	417	417	409	413	417	418	419	417	417	420
OECD total		**4,141**	**4,212**	**4,151**	**4,291**	**4,238**	**4,278**	**4,151**	**4,170**	**4,231**	**4,298**	**4,291**	**4,362**
Oil-on-water		**825**	**879**	**909**	**924**	**871**	**932**	**909**	**954**	**914**	**952**	**924**	**864**
Days of forward consumption in OECD													
OECD onland commercial		**57**	**58**	**57**	**58**	**57**	**57**	**56**	**57**	**58**	**58**	**59**	**62**
	Americas	53	55	55	57	57	57	55	55	57	57	60	62
	Europe	68	67	66	66	62	65	67	64	63	66	67	69
	Asia Pacific	47	48	46	48	51	47	43	52	51	51	44	49
OECD SPR		**33**	**34**	**33**	**33**	**34**	**34**	**35**	**35**	**34**	**34**	**34**	**35**
	Americas	30	30	30	29	29	28	29	29	28	28	29	29
	Europe	29	30	31	32	33	35	36	35	34	35	36	35
	Asia Pacific	50	50	48	50	51	48	47	55	54	50	48	55
OECD total		**90**	**91**	**90**	**91**	**91**	**91**	**91**	**93**	**92**	**92**	**93**	**97**

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

	2012	2013	2014	3Q15	4Q15	2015	Change 15/14	1Q16	2Q16	3Q16	4Q16	2016	Change 16/15
US	10.0	11.2	12.9	13.8	13.9	13.9	0.9	14.0	14.1	14.2	14.4	14.2	0.3
Canada	3.8	4.0	4.3	4.3	4.5	4.4	0.1	4.5	4.5	4.5	4.6	4.5	0.1
Mexico	2.9	2.9	2.8	2.6	2.6	2.6	-0.2	2.6	2.5	2.5	2.5	2.5	-0.1
OECD Americas*	**16.7**	**18.2**	**20.0**	**20.8**	**21.0**	**20.9**	**0.8**	**21.1**	**21.1**	**21.2**	**21.5**	**21.2**	**0.4**
Norway	1.9	1.8	1.9	1.8	1.9	1.9	0.0	2.0	1.9	1.8	2.0	1.9	0.0
UK	1.0	0.9	0.9	0.8	0.9	0.9	0.0	0.9	0.8	0.8	1.0	0.9	0.0
Denmark	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 OECD Europe	0.7	0.7	0.7	0.7	0.7	0.7	0.0	0.7	0.6	0.6	0.6	0.6	0.0
OECD Europe	**3.8**	**3.6**	**3.6**	**3.4**	**3.6**	**3.6**	**0.0**	**3.7**	**3.5**	**3.5**	**3.8**	**3.6**	**0.0**
Australia	0.5	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.5	0.5	0.5	0.4	0.1
Other Asia Pacific	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.0	0.1	0.0
OECD Asia Pacific	**0.6**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**	**0.5**	**0.5**	**0.5**	**0.5**	**0.5**	**0.0**
Total OECD	**21.1**	**22.2**	**24.2**	**24.7**	**25.1**	**24.9**	**0.8**	**25.3**	**25.1**	**25.2**	**25.8**	**25.3**	**0.4**
Brunei	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
India	0.9	0.9	0.9	0.9	0.8	0.9	0.0	0.8	0.9	0.9	0.9	0.9	0.0
Indonesia	0.9	0.9	0.9	0.9	0.8	0.9	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Malaysia	0.7	0.7	0.7	0.7	0.7	0.7	0.1	0.7	0.8	0.8	0.8	0.8	0.0
Thailand	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
Vietnam	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
Asia others	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Other Asia	**3.6**	**3.5**	**3.5**	**3.5**	**3.4**	**3.5**	**0.0**	**3.5**	**3.5**	**3.6**	**3.7**	**3.6**	**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	2.6	2.6	2.9	3.1	3.0	3.0	0.2	3.1	3.2	3.3	3.4	3.3	0.2
Colombia	1.0	1.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	0.9	1.0	1.0	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	**4.7**	**4.8**	**5.0**	**5.1**	**5.1**	**5.1**	**0.1**	**5.2**	**5.2**	**5.3**	**5.5**	**5.3**	**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	1.0	0.9	1.0	0.0	0.9	0.9	0.9	0.9	0.9	0.0
Syria	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yemen	0.2	0.1	0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Middle East	**1.5**	**1.4**	**1.3**	**1.2**	**1.2**	**1.2**	**-0.1**	**1.2**	**1.2**	**1.2**	**1.2**	**1.2**	**-0.1**
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	0.3	0.3	0.3	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	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.0
South Africa	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Sudans	0.1	0.2	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
Africa other	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
Africa	**2.3**	**2.4**	**2.4**	**2.4**	**2.3**	**2.4**	**0.0**	**2.3**	**2.3**	**2.3**	**2.3**	**2.3**	**-0.1**
Total DCs	**12.0**	**12.0**	**12.2**	**12.2**	**12.1**	**12.3**	**0.1**	**12.2**	**12.3**	**12.4**	**12.6**	**12.4**	**0.1**
FSU	**13.4**	**13.6**	**13.6**	**13.4**	**13.5**	**13.5**	**0.0**	**13.5**	**13.3**	**13.2**	**13.3**	**13.3**	**-0.2**
Russia	10.5	10.6	10.7	10.6	10.7	10.7	0.0	10.6	10.5	10.5	10.6	10.6	-0.1
Kazakhstan	1.6	1.6	1.6	1.6	1.6	1.6	0.0	1.6	1.6	1.6	1.6	1.6	0.0
Azerbaijan	0.9	0.9	0.9	0.8	0.8	0.9	0.0	0.8	0.8	0.8	0.8	0.8	-0.1
FSU others	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.4	0.3	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	4.2	4.2	4.3	4.3	4.3	4.3	0.0	4.3	4.3	4.3	4.4	4.3	0.0
Non-OPEC production	**50.7**	**52.2**	**54.4**	**54.7**	**55.1**	**55.2**	**0.8**	**55.3**	**55.1**	**55.3**	**56.3**	**55.5**	**0.3**
Processing gains	2.1	2.1	2.2	2.2	2.2	2.2	0.0	2.2	2.2	2.2	2.2	2.2	0.0
Non-OPEC supply	**52.9**	**54.3**	**56.5**	**56.9**	**57.3**	**57.4**	**0.9**	**57.5**	**57.3**	**57.5**	**58.5**	**57.7**	**0.3**
OPEC NGL	5.4	5.4	5.6	5.9	5.9	5.8	0.2	5.9	5.9	5.9	5.9	5.9	0.2
OPEC non-conventional	0.2	0.2	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3	0.3	0.3	0.0
OPEC (NGL+NCF)	**5.6**	**5.6**	**5.8**	**6.1**	**6.1**	**6.0**	**0.2**	**6.1**	**6.2**	**6.2**	**6.2**	**6.2**	**0.2**
Non-OPEC & OPEC (NGL+NCF)	**58.4**	**60.0**	**62.4**	**63.0**	**63.4**	**63.4**	**1.0**	**63.7**	**63.5**	**63.7**	**64.7**	**63.9**	**0.5**

** Chile has been included in OECD Americas.*

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

Table 10.7: World Rig Count

	2011	2012	2013	2014	*Change* 14/13	4Q14	2014	1Q15	2Q15	May 15	Jun 15	*Change* Jun/May
US	1,880	1,919	1,761	1,862	101	1,912	1,862	1,380	909	889	861	-28
Canada	423	364	354	380	26	406	380	309	99	80	128	48
Mexico	94	106	106	86	-20	78	86	67	59	60	51	-9
Americas	2,398	2,390	2,221	2,327	106	2,396	2,327	1,755	1,067	1,029	1,040	11
Norway	17	17	20	17	-3	16	17	17	18	18	19	1
UK	16	18	17	16	-1	17	16	18	14	16	12	-4
Europe	118	119	135	145	10	148	145	132	116	116	113	-3
Asia Pacific	17	24	27	26	-1	25	26	21	17	15	16	1
Total OECD	2,532	2,533	2,383	2,499	116	2,569	2,499	1,908	1,200	1,160	1,169	9
Other Asia	239	217	219	228	9	229	228	214	203	202	199	-3
Latin America	195	180	166	172	6	174	172	161	143	142	140	-2
Middle East	129	136	102	108	6	105	108	103	98	95	99	4
Africa	2	7	16	28	12	29	28	22	12	9	10	1
Total DCs	565	539	503	536	33	537	536	499	456	448	448	0
Non-OPEC rig count	**3,097**	**3,071**	**2,886**	**3,034**	**149**	**3,106**	**3,034**	**2,408**	**1,656**	**1,608**	**1,617**	**9**
Algeria	31	36	47	48	1	48	48	52	52	48	51	3
Angola	7	9	11	15	4	14	15	15	12	11	10	-1
Ecuador	13	20	26	24	-2	21	24	17	15	15	15	0
Iran**	54	54	54	54	0	54	54	54	54	54	54	0
Iraq**	36	58	83	79	-4	59	79	57	53	54	53	-1
Kuwait**	32	31	32	38	6	43	38	51	49	48	50	2
Libya**	3	9	15	10	-4	8	10	6	3	3	3	0
Nigeria	36	36	37	34	-3	36	34	35	29	29	29	0
Qatar	8	8	9	10	2	10	10	9	8	7	6	-1
Saudi Arabia	100	112	114	134	20	143	134	154	155	155	152	-3
UAE	21	24	28	34	6	38	34	38	39	39	41	2
Venezuela	122	117	121	116	-5	106	116	108	105	110	108	-2
OPEC rig count	**461**	**513**	**576**	**596**	**20**	**579**	**596**	**595**	**575**	**573**	**572**	**-1**
Worldwide rig count*	**3,559**	**3,584**	**3,462**	**3,631**	**169**	**3,685**	**3,631**	**3,002**	**2,231**	**2,181**	**2,189**	**8**
of which:												
Oil	2,195	2,594	2,611	2,795	184	2,820	2,795	2,214	1,616	1,575	1,575	0
Gas	1,257	886	746	743	-3	776	743	690	516	508	515	7
Others	103	106	109	95	-14	91	95	100	98	98	99	1

Note: *Totals may not add up due to independent rounding.*
na: *Not available.*
Sources: *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 1.95 in June	June 2015	60.21
	May 2015	62.16
	Year-to-date	**55.12**

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

up 0.28 in June	June 2015	31.38
	May 2015	31.10

Economic growth rate *per cent*

	World	OECD	US	Japan	Euro-zone	China	India
2015	3.2	2.0	2.4	1.2	1.3	6.9	7.5
2016	3.5	2.1	2.6	1.2	1.5	6.5	7.7

Supply and demand *mb/d*

2015		15/14	2016		16/15
World demand	92.6	1.3	World demand	93.9	1.3
Non-OPEC supply	57.4	0.9	Non-OPEC supply	57.7	0.3
OPEC NGLs	6.0	0.2	OPEC NGLs	6.2	0.2
Difference	**29.2**	**0.2**	**Difference**	**30.1**	**0.9**

OECD commercial stocks *mb*

	Mar 15	Apr 15	May 15	May 15/Apr 15	May 14
Crude oil	1,414	1,425	1,430	4.6	1,324
Products	1,366	1,393	1,403	9.7	1,340
Total	**2,780**	**2,818**	**2,833**	**14.3**	**2,663**
Days of forward cover	61.7	62.1	61.8	-0.4	58.2

Next report to be issued on 11 August 2015.