OPEC

Organization of the Petroleum Exporting Countries

Monthly Oil Market Report

November 2013

Feature Article:
Global oil inventories

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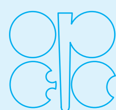

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Oil Market Highlights

- The **OPEC Reference Basket** declined by $2.04 to $106.69/b in October after four consecutive months of gains. All Basket component values moved lower, but by varying degrees. Most components were affected by high crude oil inventories, as refineries entered into autumn seasonal turnaround and refining margins remained low. Crude oil futures prices on both sides of the Atlantic moved lower in October with ICE Brent down $1.81 to $109.44/b and Nymex WTI declining by $5.68 to $100.55/b, which widened the Brent-WTI spread to $8.90/b. Downside pressure came on US futures due to the sharp climb in US crude inventories, even as the Federal Reserve left its economic stimulus intact following the US government shutdown. Easing geopolitical tensions also continued to deflate the risk premium in the market.
- **World economic growth** forecasts for 2013 and 2014 remain unchanged at a moderate level of 2.9% and 3.5%, respectively. The forecast for the OECD continues to assume a recovery in most major economies, leading to growth of 1.9% in 2014, compared to 1.2% in the current year, unchanged from the previous report. India has been impacted by decelerating investment and capital outflows recently, necessitating a downward revision in its growth figures, which now stand at 4.7% in 2013, compared to 5.0% previously, and 5.6% in 2014 from 5.8%. China's recent stimulus efforts and rising exports have led to upwardly revised growth of 7.8% this year, from 7.6% previously, and 7.8% next year, from 7.7%. Although the global economy continues to improve, the pace of growth remains sluggish and near-term developments will need close monitoring.
- **World oil demand** growth in 2013 has been revised up slightly by 34 tb/d from last month's report. This revision is based on actual and preliminary data for the first half of the year, generally coming from all OECD regions as well as some non-OECD countries, particularly in Africa. World oil demand growth for this year currently stands at 0.9 mb/d. For 2014, the forecast for world oil demand growth remains unchanged at 1.04 mb/d.
- **Non-OPEC oil supply** in 2013 is estimated to increase by 1.2 mb/d, representing a minor upward revision from the previous report. In 2014, non-OPEC oil supply is forecast to grow by 1.2 mb/d, also slightly higher than last month's report. The US, Canada, Brazil, South Sudan & Sudan, Kazakhstan and Colombia are expected to be the main contributors to next year's growth, while Norway, the UK, Syria, and Mexico are anticipated to see the largest declines. OPEC NGLs and nonconventional oils are seen averaging 5.9 mb/d in 2014, indicating growth of 0.1 mb/d over the current year. In October, OPEC crude oil production averaged 29.89 mb/d, almost unchanged over the previous month, according to secondary sources.
- **Product markets** exhibited a mixed performance in October. The top of the barrel continued its seasonal weakening, despite some positive signs for naphtha, while middle distillates and fuel oil rebounded worldwide on the back of a slight recovery in demand amid temporary tightening in some regions. Together with the fall in crude oil prices, this helped product margins to recover.
- In the **tanker market**, dirty spot freight rates saw mixed movements in October. VLCC spot freight rates exhibited gains on all reported routes from the previous month. On average, VLCC spot freight rates were 6% higher than a month ago. The increase was mainly driven by winter seasonal demand and increased shipments from Middle East to Asia. In the clean tanker market, both Suezmax and Aframax freight rates dropped as result of limited tonnage demand, with both East and West of Suez rates falling 3% and 11% compared to the previous month.
- Preliminary data for September shows total **OECD commercial oil stocks** rose by 7.5 mb. Inventories continued to show a deficit with the five-year average, now at 33 mb, divided between crude and products. In term of forward cover, OECD commercial oil stocks stood at around 58 days in September, 0.1 day more than the five year average. Preliminary data shows that total US commercial oil stocks fell by 9 mb in October, reversing the build of last two months, but still showed a surplus of 34 mb with the five-year average. The gain was concentrated in crude, which indicated a surplus of 40 mb, while products showed a deficit of 7 mb.
- **Demand for OPEC crude** in 2013 is estimated to average 29.9 mb/d, unchanged from the previous report, representing a decline of 0.6 mb/d from last year. The forecast for next year was also unchanged at 29.6 mb/d, representing a decline of 0.3 mb/d compared to the current year.

Global oil inventories

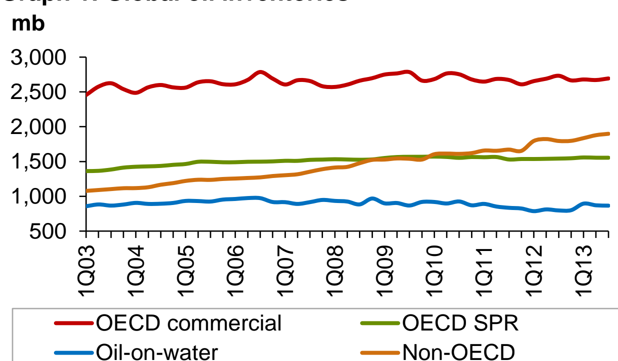
OECD commercial oil inventories have long served as a key indicator of the state of the world oil market, indicating whether it is tight or well supplied. In recent years, however, shifts in oil consumption patterns in the developed and emerging markets have shown the shortcomings of continuing to solely rely on absolute OECD inventory levels as an indicator of global oil market conditions.

In terms of definition, global oil stocks include crude and products held in storage tanks, as well as in pipelines and tankers. Some of these stocks are commercial and others are government-owned strategic petroleum reserves (SPR). While some OECD countries have long been obligated to hold the equivalent of 90 days of net oil imports in their strategic reserves, some non-OECD countries have begun in recent years to develop their own strategic oil stocks, as well as expanding their commercial inventories.

Graph 1 shows the four major components that make up global oil inventories. Oil-on-water has played a negligible role in global oil stock developments as the volume of oil stored at sea has remained more or less stable in recent years and at low levels. Similarly, OECD SPR inventories have also not changed dramatically. Over the last decade, strategic inventories have only been released twice: Once in 2005 due to the damage of oil installations in the US Gulf of Mexico from Hurricane Katrina and a second time in June 2011 following various oil supply disruptions.

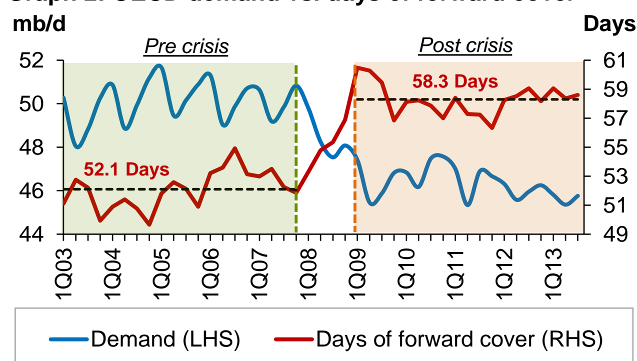
OECD commercial inventories – the largest component of global oil stocks – are generally characterized by seasonal variations over the course of the year. The long-standing seasonal pattern of OECD commercial oil stocks typically shows a draw in stocks in the first quarter of the year, followed by builds in the second and third quarters, before ending the year with a draw in the fourth quarter. However, since the financial crisis in 2008, the traditional seasonality pattern of total OECD commercial oil stocks has become less pronounced. This mainly reflects reduced product demand in the OECD. Taking out seasonal variations, OECD commercial oil stocks have remained relatively stable, averaging around 2,650-mb over the last decade.

Graph 1: Global oil inventories



Sources: IEA and OPEC Secretariat.

Graph 2: OECD demand vs. days of forward cover



Sources: IEA and OPEC Secretariat.

One of the most important changes in global stocks in recent years has been the increasing importance of non-OECD inventories. This has been driven by the increased need for oil to fill new pipelines, refineries and storage tanks that are being constructed in many developing countries, in addition to expanding commercial stockpiling and the development of strategic reserves. Although actual figures on strategic stock levels in non-OECD countries are not generally available, estimations based on information from companies and ministries in key non-OECD countries, combined with data published by JODI Oil, indicate that since 2003, inventories have increased by nearly 800 mb. This considerable build has led to an increase in the share of non-OECD stocks in global inventories from about 20% in 2003 to around 30% currently. As a result, monitoring oil inventories in non-OECD countries is now essential to understand developments in global oil stocks.

Moreover, given the decline in OECD demand, commercial oil inventory levels in the OECD can no longer serve their traditional role as a barometer to assess the state of the market. Instead, a better picture can be seen by looking at inventories in days of forward demand cover, which view stock levels in terms of likely consumption needs in the coming quarters.

In days of forward cover, OECD inventories in 3Q13 stood at around 58 days ***(Graph 2).*** This is much higher than in the period prior to the financial crisis (2003 – 2007) when forward cover averaged around 52.1 days. Given that inventories have remained at broadly comparable levels, the underlying decline in OECD oil demand has clearly been the driving force behind the upward trend in days of forward cover. Moreover, in the case of OECD Europe, stocks in days of forward cover currently stand at very high levels of some 67 days, despite in absolute terms standing 50 mb below the latest five-year average.

In light of the above, it is clear that OECD commercial oil inventories need to be considered in terms of days of forward cover, rather than absolute levels, in order to reflect likely consumption needs. At the same time, accurate and timely non-OECD inventory data has become an increasingly important indicator for assessing global oil market conditions. The current healthy number of days of forward cover in the OECD combined with data showing an ongoing expansion in non-OECD stocks highlight the fact that the market is well supplied.

Crude Oil Price Movements

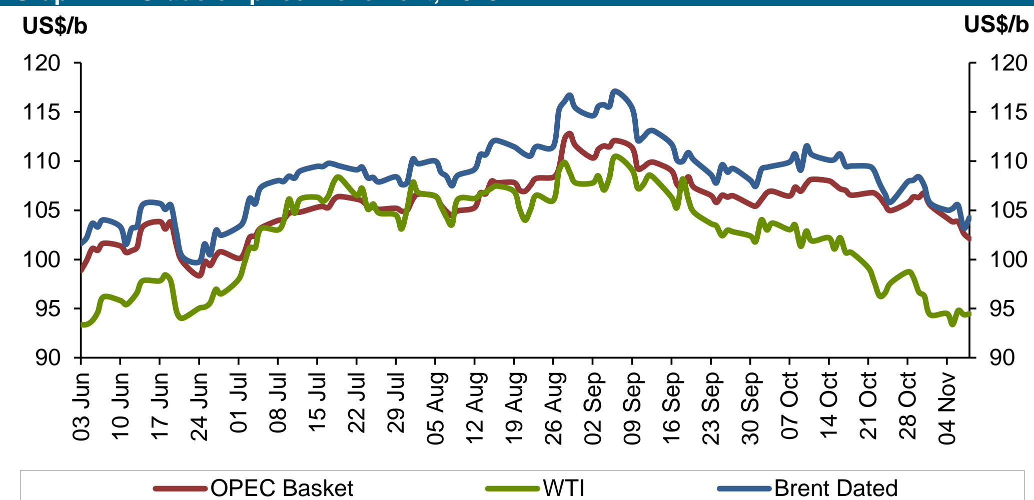
OPEC Reference Basket

The Basket registered its first drop in months

After four consecutive months of gains, the value of the OPEC Reference Basket (ORB) declined in October, but remained above $105/b for the third month. In addition to the bearish sentiment in the crude oil futures market, the physical oil complex was pushed lower by increased exports, high inventories and weak demand. The market was well-supplied with crude, as refinery maintenance and weak margins eroded demand. In Europe, poor cracks, particularly for fuel oil, depressed the medium-sour market. Higher supplies of North Sea crudes and the re-emergence of Libyan crude exports added to the downward pressure on the values of lighter crudes. In Asia, Middle Eastern distillate-rich grades traded below their official selling price formulas (OSPFs) for the first time in more than three months, amid weakening gasoil margins and rising supplies. The value of lighter sweet grades slipped as weak refining margins and plentiful North Sea and West African crude supplies weighed on the market, particularly after a fall in the Brent premium to Dubai. On the US Gulf coast, lower refinery demand and higher crude stocks weighed on heavy Latin American crudes. A steep reduction in refinery utilisation on the US midcontinent and plentiful light crude supplies weighed on both land and coastal light sweet crude values. Meanwhile, bearish sentiment on the crude oil futures market led to a substantial reduction in net long positions of hedge funds and other large speculators throughout the month.

The value of the ORB declined by about $2.04/b to a monthly average of $106.69/b in October. Compared with the same period last year, the Basket's year-to-date value showed a decline of $4.20 or 3.8% to stand at $105.79/b. The ORB year-to-date value this time last year was around $109.99/b.

Graph 1.1: Crude oil price movement, 2013



All ORB component values dropped in October, but by varying degrees. Most of the components were affected by lower refinery demand due seasonal turnaround as well as lower refining margins. Increased exports also weighed on differentials. Brent-related crude values were below last month's levels amid higher supplies from North Sea crudes and the return of Libyan exports, which eased Dated Brent prices. A part of Angola's heavy grades, as well as North and West African light-sweet exports, struggled to place cargoes, resulting in lower spot values. On average, the prices of Brent-related components of the Basket from North and West Africa — including Saharan Blend, Bonny Light, Girassol and Es Sider — slipped by about $2.15. After a record surge last month, Middle Eastern and multi-destination ORB component values also weakened. These grades were affected by a general global weakness in the sour market. The European medium-sour market was well supplied with crude as refinery maintenance and weak margins eroded demand. In the US Gulf, lower refinery demand, rising production and limited pipeline capacity weighed on the sour complex. Middle East sour crude spot premiums dipped amid lower refinery margins and increased supplies. Asia-Pacific's imports of Atlantic basin crude undermined demand

for Middle Eastern Gulf grades, particularly given a rise in the latest official selling price formula (OSPF). Brent traded at around $4 above Dubai, compared with $7 in early September. Atlantic Basin supply has risen as Libyan crude has returned to the market after falling to virtually zero a month earlier. The Middle Eastern grades Qatar Marine and Murban decreased by $1.30 over the month, while multi-destination grades Iran Heavy, Basrah Light, Kuwait Export and Arab Light weakened on average by around $2.15.

On 11 November, the OPEC Reference Basket stood at $103.39/b.

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

	Sep 13	Oct 13	Change Oct/Sep	Year-to-date 2012	Year-to-date 2013
OPEC Reference Basket	**108.73**	**106.69**	**-2.04**	**109.99**	**105.79**
Arab Light	109.48	107.14	-2.34	110.57	106.55
Basrah Light	106.61	103.69	-2.92	108.48	103.65
Bonny Light	114.30	112.44	-1.86	114.17	111.18
Es Sider	111.60	108.74	-2.86	112.38	108.43
Girassol	112.13	110.20	-1.93	112.85	108.97
Iran Heavy	109.15	107.69	-1.46	109.52	105.32
Kuwait Export	108.02	106.13	-1.89	109.40	104.86
Marine	108.15	106.61	-1.54	109.76	105.04
Merey	97.85	96.80	-1.05	101.53	96.84
Murban	111.14	110.13	-1.01	112.23	107.82
Oriente	100.43	95.16	-5.27	103.71	98.63
Saharan Blend	112.95	111.04	-1.91	111.85	109.08
Other Crudes					
Brent	111.90	109.04	-2.86	112.09	108.48
Dubai	108.28	106.70	-1.58	109.51	105.18
Isthmus	106.80	99.84	-6.96	107.98	106.88
LLS	108.17	102.85	-5.32	112.14	108.72
Mars	103.67	97.76	-5.91	107.42	103.61
Minas	114.38	106.98	-7.40	118.15	107.81
Urals	110.92	108.28	-2.64	110.93	107.80
WTI	106.26	100.41	-5.85	95.40	98.39
Differentials					
Brent/WTI	5.64	8.63	2.99	16.68	10.10
Brent/LLS	3.73	6.19	2.46	-0.05	-0.23
Brent/Dubai	3.62	2.34	-1.28	2.58	3.30

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

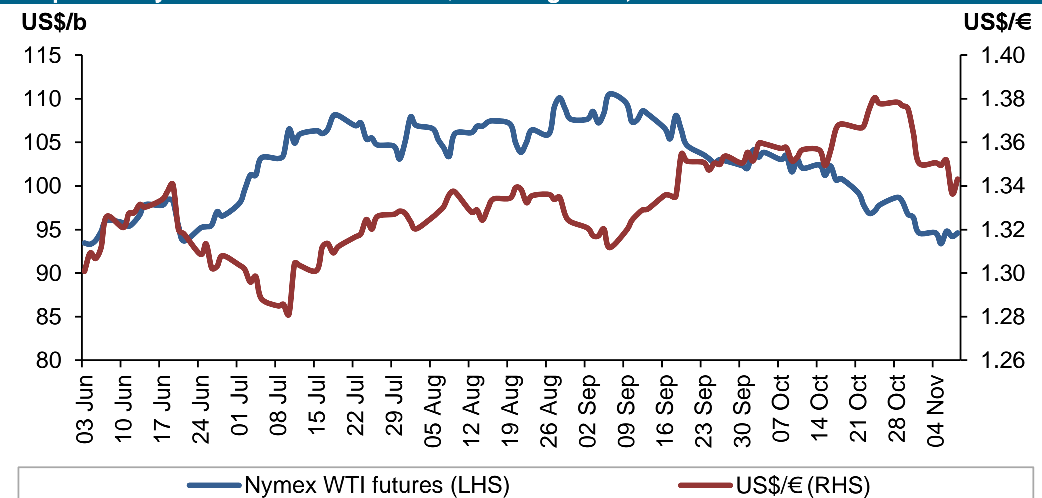
Source: Platt's, Direct Communication and Secretariat's assessments.

The oil futures market

Oil futures slipped as the supply and geopolitical concerns eased

Crude oil futures prices on both sides of the Atlantic moved lower during October, with ICE Brent ticking down by $1.81 to $109.44/b, while Nymex WTI dropped sharply by $5.68 to $100.55/b, widening the Brent-WTI gap to a hefty $8.90/b. Downside pressure came on the US benchmark as US crude inventories climbed sharply due to refiners continuing to cut back run rate and despite the US Fed's decision to leave stimulus programs intact in the wake of the US government shutdown. Bearish sentiment was supported by six weeks of stock increases taking inventories to just under 380 mb (+3% y-o-y), while Cushing crude inventories rose to their first stock-build since June. Crude stock-builds took place on the back of the refinery maintenance season. Offline US refinery capacity due to maintenance was estimated at 1.3 mb/d in October, up 500 tb/d m-o-m, while refinery runs stood at 86.2%. Meanwhile, futures prices continued the decline started in the previous month as geopolitical worries subsided and several European refiners were offline due to maintenance. The return of North Sea oil fields from maintenance further highlighted the ample supply in the market. Nevertheless, Brent found some erratic support over the month from geopolitical factors and positive economic data from China. Chinese 3Q13 GDP expanded by 7.8%, the highest quarterly reading this year, and on par with the previous year's growth.

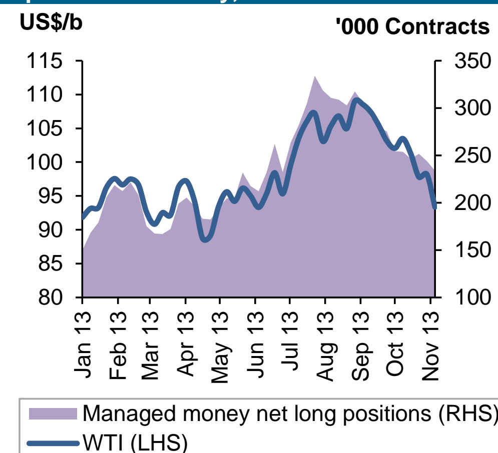
Graph 1.2: Nymex WTI futures and US$ exchange rate, 2013



On the Nymex, the WTI front-month contract ended October $5.68 lower m-o-m, with an average of $100.55/b. However, compared to the same period last year, the WTI value was $2.83 or 3% higher. This was the third month in a row the year-to-date (YTD) value of Nymex WTI front-month increased. The ICE Brent front-month contract declined by $1.81 to an average of $109.44/b. Year-to-date, ICE Brent was $3.51 or 3.1% lower at $108.66/b.

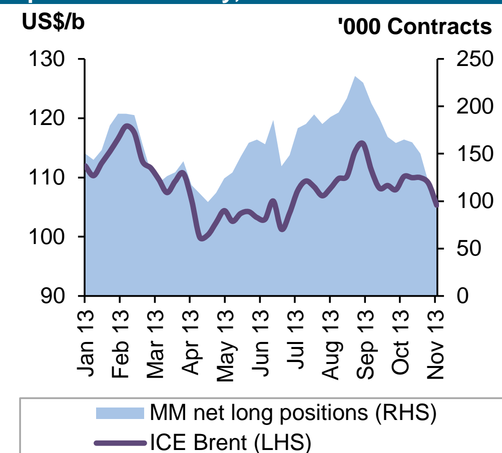
On 11 November, ICE Brent stood at $106.40/b and Nymex WTI at $95.14/b.

Graphs 1.3: Nymex WTI price vs. speculative activity, 2013



Source: CFTC.

Graphs 1.4: ICE Brent price vs. speculative activity, 2013



Source: IntercontinentalExchange, Inc.

In the week ending 22 October, money managers rushed back into crude futures, boosting net length by 10,740 contracts, delayed CFTC data showed. While crude fell $3.41 to $97.80/b between 15–22 October, net long positions in front-month crude futures rebounded to 229,257 lots, its highest since the reporting week ending 24 September, when 243,711 lots were seen and front-month crude traded at over $103/b. Over the prior three reporting periods, CFTC data showed money managers shed net length by over 25,000 contracts, with most of the reduction coming in the form of sharply reduced longs, as opposed to increased shorts. Money managers cut longs by 23,438 contracts over the prior three reporting weeks before increasing them by 11,742 contracts in the week ending 22 October. Despite the boost in overall net length, crude oil futures failed to rally. Front-month Nymex crude has continued to fall, dropping a further $3.20 since 22 October to settle at $94.60/b at the end of the month. On the ICE Brent exchange, non-commercial trader net length plummeted in the week ending 29 October, falling by nearly 31,000 lots. Trader sentiment was overwhelmingly bearish, marking substantial moves on both sides of the market, as traders cut longs and added short positions. At just 87,000 lots, non-commercial trader net length fell to

its lowest point since May. Brent prices declined that week, but only slightly. The downward trend has accelerated more recently, with Brent falling by more than $4. The combined reduction in open interest for the two futures contracts in October was 109,718 contracts to stand at 3.29 million lots.

ICE Brent futures daily traded volume increased by 9,520 contracts to 650,811, while Nymex WTI volume increased for the first time in two months by 42,707 to 599,602 lots. The daily aggregate traded volume in both crude oil futures markets increased by almost 52,227 contracts in October to over 1.25 million future contracts, equivalent to 1.25 billion barrel per day, more than tenfold the world daily oil demand. The total traded volume in Nymex WTI and ICE Brent contracts in September was 13.79 and 14.97 million contracts, respectively.

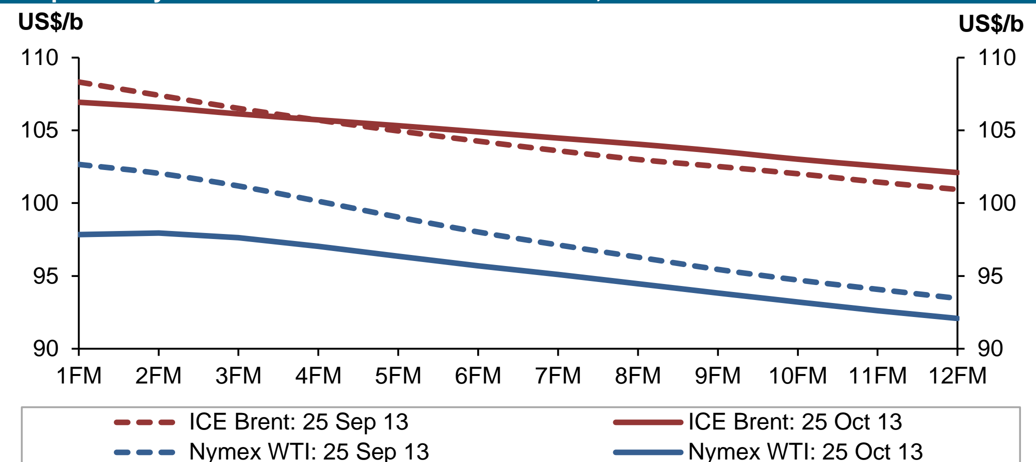
The futures market structure

Lower demand flattened backwardation

The backwardation between the ICE Brent crude futures first- and second-month contract has eased significantly over the month, moving toward contango at the end of October — where the cost of immediate supply is cheaper than in the future — for the first time since June, reflecting easing concern about supplies and weak refinery demand. The price spread between first- and second-month Brent contracts narrowed to 60¢ on average in October from $1.20 in September. The main reasons for the move towards contango are the higher output of North Sea crudes and a lack of crude demand due to poor refining margins. This increase in supply comes against a background of ongoing weaker demand for crude oil, as refiners have yet to emerge from turnarounds on both sides of the Atlantic. The move towards contango also illustrated that Brent's fundamentals were under pressure given recovering global supplies. Iraqi exports rose in October after building work at southern terminals and seasonally lower domestic demand in the Middle Eastern Gulf freed up more crude for export. November's output of the four BFOE North Sea crudes is expected to reach a high for 2013.

In the US, the Nymex WTI flipped into contango mid-month onward as higher refinery maintenance, estimated at 1.3 mb/d, ate into demand, causing a steady stock-build at Cushing, Oklahoma, the delivery point for US benchmark futures. Amounts at Cushing rose by more than 2 mb, the largest build since December 2012, in the week ending 25 October. Healthy stockpiles of crude, including significant stocks of oil on the US Gulf Coast, the nations' refining center, have also pressured prompt requirements for crude. Meanwhile, the contango structure provided more incentives to store crude at a time when inventories are already elevated in some areas. On average, the first month versus the second month time spread flattened to almost zero compared with around 50¢/b in the previous month.

Graph 1.5: Nymex WTI and ICE Brent forward curve, 2013



FM = future month.

The transatlantic spread widened significantly to levels seen earlier in the year, nearly reaching $9. While Brent continues to find some support in geopolitical factors, the weakness in the Brent-WTI spread can be attributed more to WTI, which has come under strong pressure from several factors, key among them being refinery maintenance in the US. While the spread has expanded recently to $8.89/b from $5.02/b, it is expected to narrow as US refineries emerge from maintenance season, which has slowed domestic demand for crude. Meanwhile, the widening spread will encourage refiners to return to production and eventually narrow the spread. Moreover, the recent crude price collapse is not specific to WTI, but is rather an illustration of weakness across the entire US crude complex. For instance, US Gulf Coast grades Mars and LLS have recently seen their differentials to Brent increase to record highs amid limited appetite for crude along the US Gulf Coast at the moment, given ample inventories in the region. The Brent-LLS spread moved to $6.20/b in October from $3.75/b in the previous month, while the Brent-Mars spread rose to $11.30/b from $8.25/b.

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

	1st FM	2nd FM	3rd FM	6th FM	12th FM
Nymex WTI					
25 Sep 13	102.66	102.05	101.18	98.02	93.46
25 Oct 13	97.85	97.95	97.64	95.70	92.09
ICE Brent					
25 Sep 13	108.32	107.41	106.51	104.26	100.94
25 Oct 13	106.93	106.59	106.13	104.90	102.10

FM = future month.

The light sweet–medium sour crude spread

Light sweet-medium sour spread was mixed globally

In October, sweet-sour and light-medium differentials narrowed in Europe, widened on the US Gulf coast, and remained unchanged in Asia.

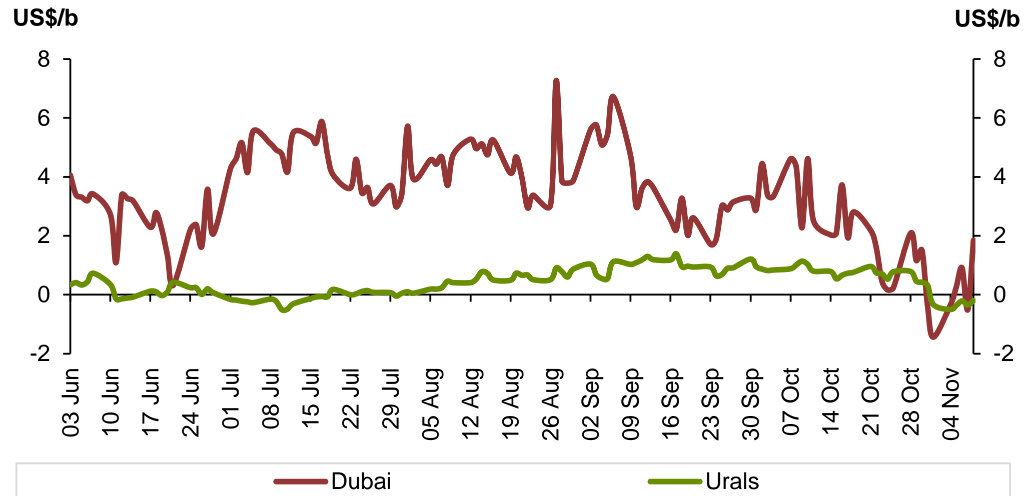
In Europe, the Brent-Ural spread — or light sweet/medium sour spread — narrowed to 75¢/b from an average of $1/b in the previous month. Toward the end of the month, Russian Urals cargoes move to trade at a slight discount to North Sea Dated because of a cut in November loading programmes. Russian Urals crude was also supported by producers, which scaled back exports while domestic refineries returned online. At the same time, demand for medium-sour crudes, particularly Urals, was pressured by low refinery margins amid weak fuel oil cracks. On the other hand, North Sea crude values came under pressure from low refinery demand and ample supply, as North Sea oil fields returned from maintenance. The North Sea market remained oversupplied, despite the export of Forties to South Korea and Ekofisk to Chile.

In Asia, the light sweet-medium sour spread, represented by Tapis-Dubai, remained unchanged as both grades came under pressure. The Middle East sour crude market for December-loading cargoes corrected itself from earlier highs, amid muted demand from Asian refiners due to lackluster refining margins and a narrowing Brent-Dubai spread which allowed Western barrels to flow east. An increase in arbitrage flows of both North Sea and West African crude to Asian refiners, coupled with the high OSPFs, dampened refiners demand for light Middle Eastern sour crudes such as Murban. Murban's OSPF differential to Dubai rose $1.63/b from August to a $6.22/b premium to the average of September Dubai assessments. The lighter crude grades were also pressured by the flow of arbitrage barrels from the West as well weak refining margins. In October, on a monthly average basis, the Tapis-Dubai spread stayed at $9.70/b.

US Gulf Coast (USGC) grades Mars and LLS have seen their discounts to Brent increase to record highs amid limited appetite for crude along the Gulf Coast at the moment, given ample inventory in the region. A steep reduction in refinery utilisation on the US midcontinent and plentiful light crude supplies weighed on the oil complex in the USGC. Meanwhile in the USGC, the crude bottleneck around Louisiana — caused by the work to reverse the Houma-to-Houston (Ho-Ho) pipeline — widened differentials for area crudes such as LLS and Mars. Consequentially, the Argus Sour

Crude Index (ASCI), which is derived from a volume-weighted average of all deals made for Mars, Poseidon and Southern Green Canyon, came under strain. Weakness in the ASCI implies that values for the 1.9 mb/d or so of term crude the US imports from the Middle Eastern Gulf were also weakened, while at the same time formula-related exports out of Mexico and Venezuela are available at lower prices, due to their linkage with WTS, which traded at a significant discount to WTI. The completion of the Ho-Ho pipeline will partly free up the US barge fleet, which will then be able to transport bottlenecked crude out of Louisiana. The LLS-Mars spread widened by 60¢ to $5.10/b.

Graph 1.6: Brent Dated vs. Sour grades (Urals and Dubai) spread, 2013



Commodity Markets

Energy prices have declined in October and precious metals were also showing some continued weakness, while agricultural and food products have remained almost flat. Base metals increased on average.

Trends in selected commodity markets

After it had become apparent in the first half of the year that emerging economies in particular are slowing down, commodity prices started declining on a relatively broad base already in March and April. At that time, it was also clear that the inflationary development was further easing and an inflationary hedge for investors via investments into commodities was not attractive or necessary anymore, triggering paper money to be taken out of this asset class. Moreover in May, the Fed has highlighted the possibility of reducing its extraordinary monetary supply measures — dubbed QE3 — of $85 billion per month. Also, the GDP growth in the 1Q of developed economies has been relatively weak, putting additional burden on commodity demand.

Since mid-April, and particularly since June, commodity prices have recovered up to the end of the 3Q, when confidence increased about a recovery in developed economies and a turnaround of the deceleration in China and Brazil became obvious. Since then, however, until beginning of November and on average, commodity prices have again retreated back to around the relatively lower April/May levels. The reasons for the again increased weakness are manifold. One influence is the again sharply declining inflation, which in the Euro-zone now stands at only 0.7% y-o-y in September and at 1.2% y-o-y for the US. Another factor has been the rising US dollar, which might continue rising and hence influence prices negatively. China's regaining momentum, however, should put a floor to the decline and with the expectation of a rebound in India next year, prices are not expected to decline much further. Also, the possible tapering of the Fed is forecast to be gradual and, hence, most of the negative impact from the paper market — in anticipation of the tapering — should have been digested already. On the other side, the supply situation will also need to be taken into account. While supply of agricultural products has been very supportive for coping with the demand situation and keeping prices declining throughout the year, the supply situation in industrial metals and also bulk commodities is forecast to keep prices from rising significantly in the short- to the medium-terms.

Table 2.1: Commodity price data, 2013

Commodity	Unit	*Monthly averages*			*% Change*		
		Aug 13	Sep 13	Oct 13	Aug/Jul	Sep/Aug	Oct/Sep
World Bank commodity price indices for low and middle income countries (2010 = 100)							
Energy		130.9	131.6	128.3	2.2	0.5	-2.5
Coal, Australia	$/mt	77.0	77.6	79.4	-0.4	0.8	2.3
Crude oil, average	$/bbl	108.2	108.8	105.4	2.8	0.6	-3.1
Natural gas, US	$/mmbtu	3.4	3.6	3.7	-5.3	5.5	1.7
Non Energy		99.2	98.5	98.7	-0.2	-0.8	0.3
Agriculture		103.4	103.2	103.4	-1.8	-0.2	0.2
Food		112.1	111.5	111.6	-3.2	-0.6	0.1
Soybean meal	$/mt	526.0	566.0	580.0	-6.6	7.6	2.5
Soybean oil	$/mt	999.0	1,024.0	987.0	0.4	2.5	-3.6
Soybeans	$/mt	516.0	556.0	544.0	1.4	7.8	-2.2
Grains		120.9	111.7	111.7	-8.6	-7.6	0.0
Maize	$/mt	238.7	207.4	201.7	-14.6	-13.1	-2.7
Wheat, US, HRW	$/mt	305.3	307.5	325.7	0.2	0.7	5.9
Sugar World	¢/kg	37.5	38.4	41.1	1.2	2.2	7.3
Base Metal		88.6	87.3	88.7	3.9	-1.5	1.6
Aluminum	$/mt	1,817.6	1,761.3	1,814.6	2.7	-3.1	3.0
Copper	$/mt	7,192.9	7,159.3	7,203.0	4.1	-0.5	0.6
Iron ore, cfr spot	¢/dmtu	136.7	134.2	132.6	7.5	-1.8	-1.2
Lead	¢/kg	217.4	208.5	211.5	6.2	-4.1	1.5
Nickel	$/mt	14,314.9	13,801.4	14,117.7	4.1	-3.6	2.3
Tin	¢/kg	2,164.4	2,273.5	2,310.2	10.6	5.0	1.6
Zinc	¢/kg	189.9	184.7	188.5	3.3	-2.7	2.1
Precious Metals							
Gold	$/toz	1,351.7	1,348.6	1,316.6	5.2	-0.2	-2.4
Silver	¢/toz	2,189.4	2,256.4	2,191.7	11.1	3.1	-2.9

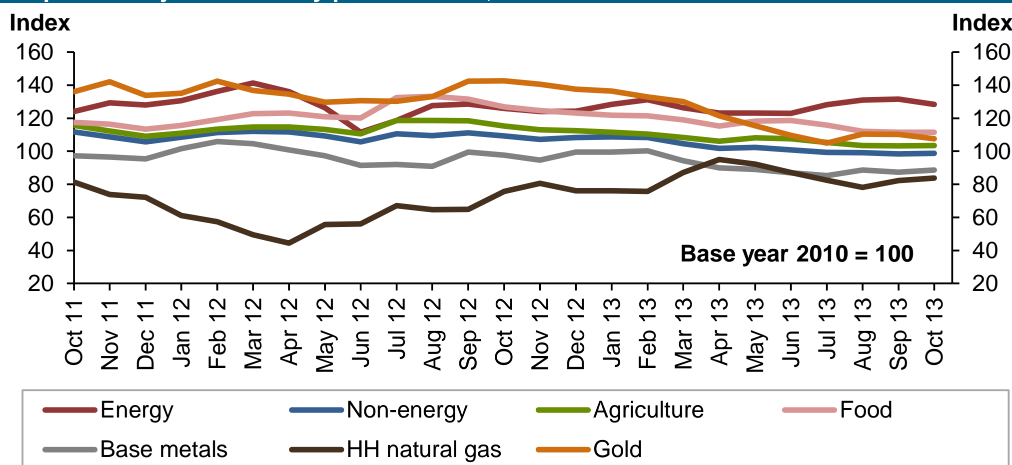
Source: World Bank, Commodity price data.

While commodity prices have been largely driven by the monetary easing of the major developed economies, it had less of an influence lately, probably due to the expected reduction of this policy in the US. The Fed foresees, to some extent at least, that a continuation of the pick-up in the economy will cause a reduction in its monetary stimulus efforts. It seems that investors have followed this expectation by reducing exposure to the commodity market already, while consequently remaining supportive on equity markets. This decoupling of equity markets and the commodity sector became obvious around February this year.

In October, the price behaviour among commodities has been different from what has been the case in the past months. Energy prices in particular have declined in October and precious metals were also showing some continued weakness, while agricultural products have remained almost flat and base metals increased on average. With a continued recovery in the major developing economies, as well as a stabilisation of the economy in China and an expected rebound in India, demand for major commodities should turn out to be supportive in the near future.

While **energy prices** in October have declined by 2.5% on average, coal has risen by 2.3%, rebounding from a relatively lower level in September. Also, natural gas continued recovering and rose by 1.7%, after falling by more than 5.0% m-o-m in August. The **agricultural and food sector** was showing a solid performance with the exception of soybean oil, which fell by 3.6% m-o-m, while the total sector's performance stood at a 0.2% m-o-m increase. **Base metal prices** increased by 1.6% m-o-m after declining by 1.5% m-o-m in September. The strongest rise came from aluminium, which rose by 3.0% m-o-m in October. In the **precious metals group**, the decline continued. Gold fell by 2.4% m-o-m in October after a decline of 0.2% in September, while silver fell by 2.9% m-o-m in October compared to a rise of 3.1% in September.

Graph 2.1: Major commodity price indexes, 2011-13

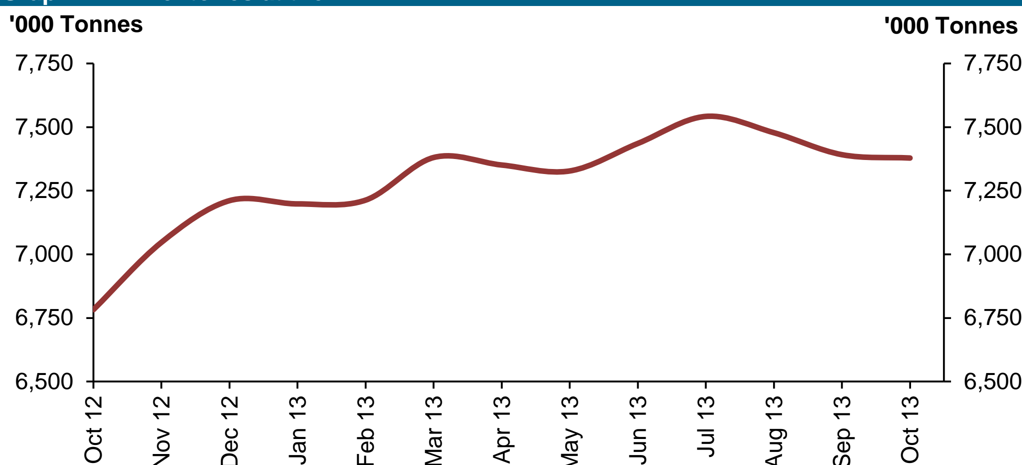


Source: World Bank, Commodity price data.

HH natural gas ended slightly higher in October

In October, the **Henry Hub (HH) natural gas price index** ended slightly higher underpinned by some technical buying despite a bearish backdrop of high production, fading weather and above normal storage. The index ended up 6¢, or 1.7%, to stand at $3.67/mbtu, after trading at an average of $3.61/mbtu in the previous month. With stockpiles at comfortable levels and production flowing at a record high pace, many traders remain sceptical of any upside, at least until some sustained cold kicks up demand. Meanwhile, the gas storage build increased the deficit relative to last year by 28 bcf to 120 bcf, or 3.1% below last year's record highs at that time. It trimmed 19 bcf from the surplus versus the five-year average, leaving stocks 58 bcf, or 1.6%, above that benchmark. EIA data showed that gross gas production hit a record high in August, climbing to 74.82 bcf per day. Output in August was running about 2.3 bcf per day, or 3.1%, above the same month last year.

Graph 2.2: Inventories at the LME



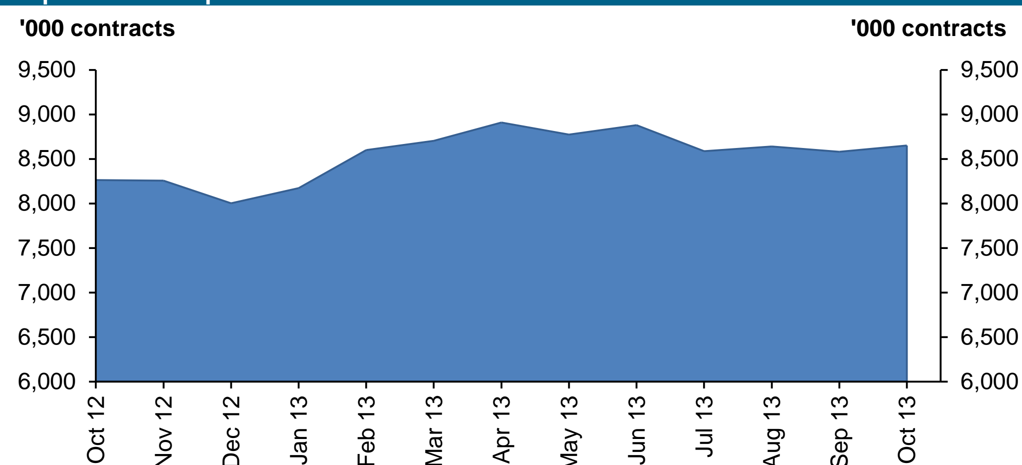
Sources: London Metal Exchange and Haver Analytics.

Investment flows into commodities

In October, total OIV in major commodity markets rose

The total open interest volume (OIV) in major commodity markets in the US increased by around 1% m-o-m to 8.8 million contracts in October. Agriculture OIV showed an expansion of 4.4% while that of copper increased by 1.5%. The OIV of energy indices crude oil and natural gas dropped by 3.6% and 3.7%, respectively. The remaining commodities OIV grew by less than 1%.

Graph 2.3: Total open interest volume

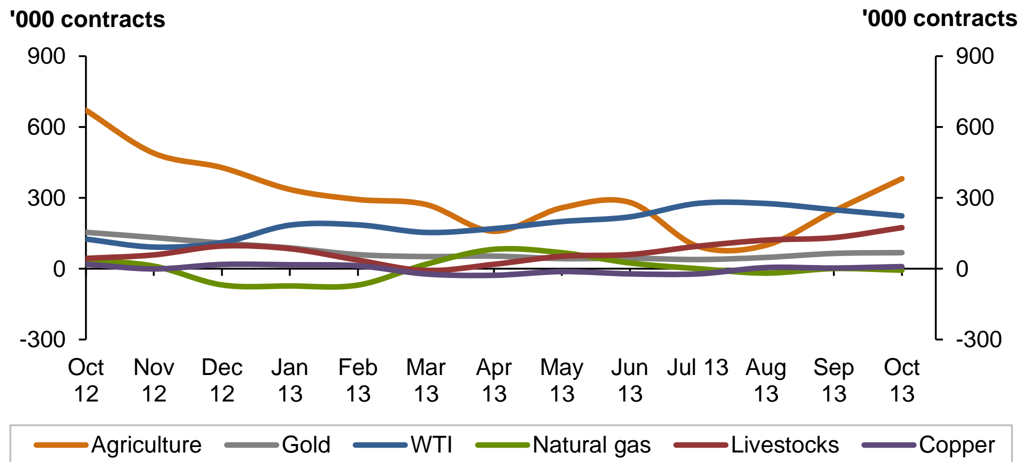


Source: US Commodity Futures Trading Commission.

Total net length speculative positions in commodities increased sharply again by almost 22% m-o-m to 864,794 contracts in October, adding to the previous month 30% gains. This was mainly driven by significant bullish speculative sentiments in Agriculture, copper, livestock and precious metals. Money managers' activities in natural gas and crude oil reflected deep bearish sentiments in these markets due to a supply overhang.

Agricultural OIV was up 4.4% m-o-m to 4,373,834 contracts in October. Meanwhile, money managers' net long positions in agricultural increased sharply by over 56% to 381,069 lots in October. Speculators raised their net long position in raw sugar and cocoa futures and options on ICE futures to their highest since records were first published seven years ago. The bullish move comes four weeks after speculators shifted to a net long position after maintaining a year-long net short position, and as the futures market extended its rally to a nine-month high on weather concerns in top grower Brazil.

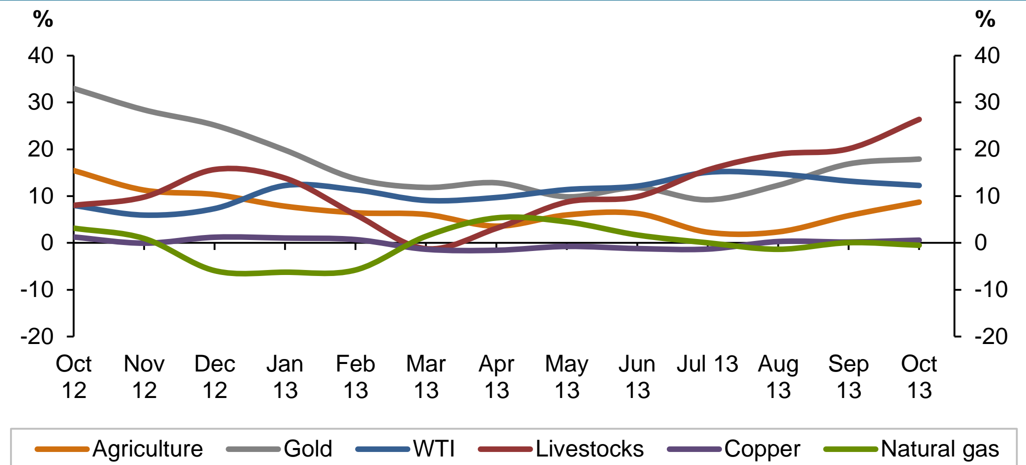
Graph 2.4: Speculative activity in key commodities, net length



Source: US Commodity Futures Trading Commission.

Henry Hub natural gas's OIV decreased again by 3.7% m-o-m to 1,262,549 contracts in October. Money managers flipped their previous month net long positions of 786 lots to stand at net short positions of 6,239 lots, a decrease of close to 900% amid three consecutive weeks of bearish bets on lower natural gas prices. That was driven by mild weather, high inventory and high production.

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



Source: US Commodity Futures Trading Commission.

Copper's OIV increase 1.5% m-o-m, to 151,036 contracts in October, for the first time in three months. The group of investors increased net length positions by 6,101 contracts to 9,029 contracts, a hefty 210% uplift. Speculators added net longs as the Fed kept its $85 billion monthly bond purchase program.

Gold's OIV decreased by near 1% m-o-m to 380,764 contracts in October. However, hedge funds and money managers continue to raise bullish bets in US gold by another 5% m-o-m to 68,146 contracts, which is the highest level in several months.

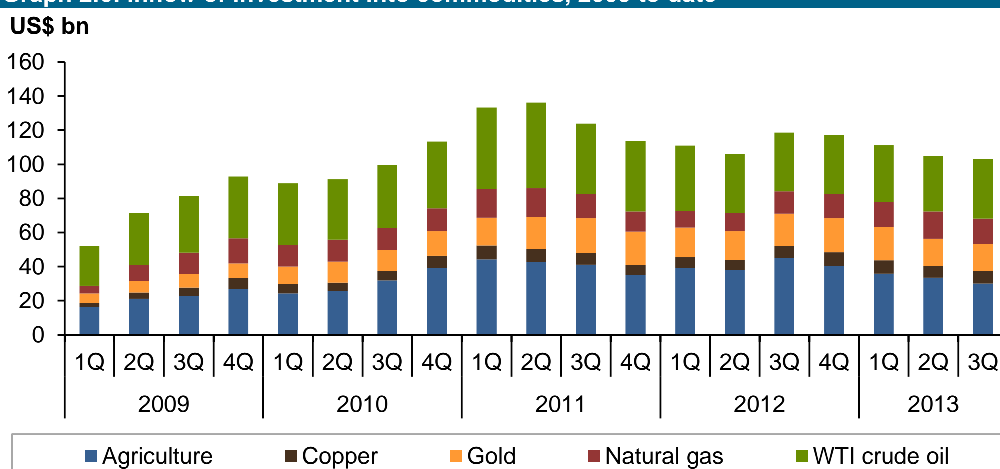
Table 2.2: CFTC data on non-commercial positions, '000 contracts

	Open interest		*Net length*			
	Sep 13	Oct 13	Sep 13	% OIV	Oct 13	% OIV
Crude oil	1,891	1,823	250	13	224	12
Natural gas	1,311	1,263	1	0	-6	0
Agriculture	4,189	4,374	244	6	381	9
Precious metals	497	497	79	16	83	17
Copper	149	151	3	2	9	6
Livestock	655	660	132	20	174	26
Total	**8,693**	**8,767**	**708**	**8**	**865**	**10**

Source: US Commodity Futures Trading Commission.

According to data from CFTC, the **dollar investment** flow into commodities declined a 1.5% m-o-m to $103.20 billion in September. Except for copper, all commodities considered posted an outflow of investment in September.

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



Source: US Commodity Futures Trading Commission.

World Economy

Table 3.1: Economic growth rate 2013-14, %

	World	OECD	US	Japan	Euro-zone	China	India
2013	2.9	1.2	1.6	1.9	-0.3	7.8	4.7
2014	3.5	1.9	2.5	1.5	0.7	7.8	5.6

Industrialised countries

US

US GDP growth assumptions remain unchanged at 1.6% for 2013 and 2.5% for 2014

Despite the most recent turbulence caused by the US budget and debt ceiling negotiations, including the government shut-down and almost last minute agreement to raise the debt ceiling until February of next year, the development of the US economy has progressed better than expected. Advanced GDP numbers from the 3Q were higher than in the 2Q and the labour market improvements in October have also continued. Lead indicators also point at a continued acceleration of the economy. However, conditions remain mixed and some weaknesses in the labour market persist. Declining inflation poses some challenges for future monetary policy of the US Federal Reserve (Fed).

With the latest **short-term agreement on budgetary issues**, and the debt ceiling debate to be postponed again to mid-February, there is some hope that an agreement might be found in the near future. The debt ceiling now ends February 7 and the funding for the government is authorized up to January 15. A broader budget agreement will now need to be found in Congress by December 13, a deadline set by the bipartisan budget conference. After the latest experience in October, there might be a more fruitful base for negotiations to avoid another government shut-down and the risk of a federal default. But given the experience of the past years, any outcome will still be possible, including once again postponing a broad-based agreement.

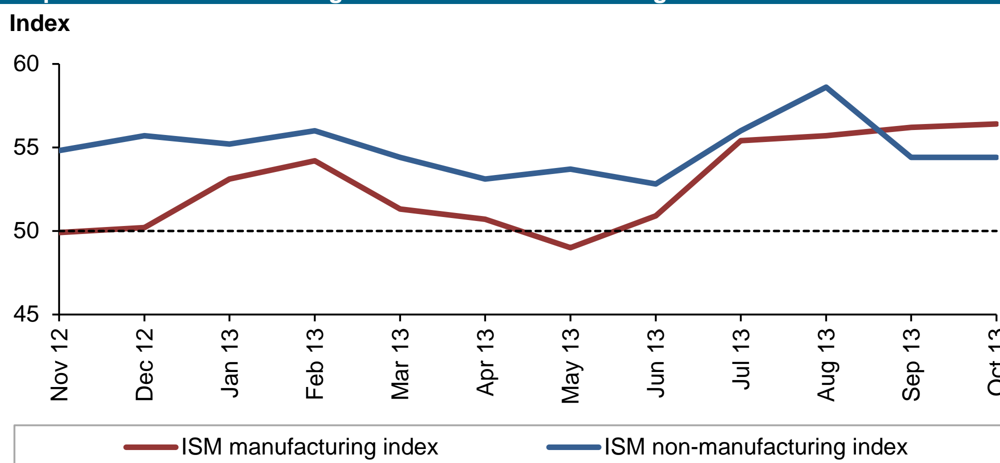
The **advanced 3Q13 GDP** growth level was reported at an unexpectedly high level of 2.8% q-o-q seasonally adjusted annualized rate (SAAR). This was again an increase from 2.5% q-o-q in the 2Q13. However, private household consumption increased only by 1.5% and the large reliance on the inventory rising has put some risk on 4Q13 numbers to be lower. Moreover, it remains to be seen how in the consecutive two publications the 3Q GDP number might also change.

Another important issue is the question of any **decision by the Fed** upon reducing the extraordinary monetary stimulus measures it is momentarily engaged in. With potentially ongoing challenges in Washington, as well as falling inflation (which was at only 1.2% in September) and the unemployment rate still above 7%, the Fed should be expected to act probably more cautiously than it indicated in the past months. The Fed's decision is of a global importance as this is impacting not only the local economy but, as has been seen by the global reactions in the past months, it also has the potential of having an unwanted effect on those economies that have largely benefited from US dollar investments.

The **unemployment rate** has increased to 7.3% in October, compared to the September level of 7.2%, and while the job creation numbers have been uplifting, the participation rate has also again been lower at only 62.8%, the lowest since the 1970s. The still muted — while improving — labour market situation has also caused consumer confidence numbers to retreat, which probably might also be a reflection of the uncertainty over the effects of the government shut-down. The consumer confidence sentiment index of the Conference Board fell to 71.2 in October from 80.2 in September. The other very important consumer sentiment indicator of the University of Michigan fell to 72.0 from 73.2.

The **manufacturing sector** continues improving. The Purchasing Manager's Index (PMI) for the manufacturing sector, as provided by the Institute of Supply Management (ISM), increased to 56.4 in October from 56.2 in September. Also, manufacturing order numbers have increased by 3.0% y-o-y in September, after 6.5% in August. Industrial production increased by a healthy 3.2% y-o-y in September, after 2.8% y-o-y in August. The ISM for the services sector — which constitutes more than two-thirds of the economy — increased to 55.4 in October, from 54.4 in September and, therefore, remains at a high level.

Graph 3.1: ISM manufacturing and non-ISM manufacturing indices



Source: Institute for Supply Management.

The very important **housing sector** continues to provide mixed signals, seemingly still negatively impacted by rising mortgage rates. Pending home sales fell again in September by 5.6% m-o-m August. They declined by 1.6% in August, 1.4% in July and also stood at minus 0.4% in June, according to the National Association of Realtors. Pending home sales are considered to be a leading indicator of progress in real estate because they track contract signings. Positively, the yearly change of the house pricing index of the Federal Housing Finance Agency (FHFA) has continued at a high level and remained almost unchanged at 8.5% in September, only slightly lower than the August level of 8.6%.

While the momentum in the 1Q seems to have been significantly impacted by the fiscal drag, the performances of the 2Q and 3Q have pointed at some improvements. However, the ongoing fiscal uncertainty, lowered consumer confidence and the still slow improvements in the labour market lead to unchanged GDP growth assumptions. They remain at 1.6% for 2013 and 2.5% for 2014.

Japan

Japan's recovery continues, backed by ongoing momentum in exports and local stimulus measures

The GDP growth forecast for Japan remains unchanged at 1.9% for 2013 and 1.5% for 2014

Japan continues its recovery. Supported by an ongoing momentum of rising exports and local stimulus measures, most indicators for the past month's activity are pointing at an improvement. This positive development of the economy has also been reflected in the most recent sentiment gauges and lead indicators, which are pointing at a continuation of this development. With the recent confirmation that the country will move ahead with a planned sales tax increase in April 2014, the necessity of fiscal consolidation, while striking the balance for also additional stimulus, has been made clear by the government, which said Japan has no choice but to accomplish economic recovery and fiscal consolidation at the same time.

The **debt issue** indeed will need an increasing focus in the future, given the fact that not only the public debt level has risen significantly in past years but that since the newly elected government has, together with the Bank of Japan, supported a loose monetary policy, private household debt has also increased to a relatively high level of almost 110% to GDP. According to the latest IMF estimates, gross debt to GDP in Japan will stand at 244% in 2013 and will be only negligibly lower in the coming year. The budget deficit is forecast at 9.5%. These debt levels are extraordinary and can only be sustained as long as Japan is funding most of this debt domestically. But it seems obvious that while it still can enjoy these high debt levels, it will also need to bring it down in order not to risk unwanted financial repercussion somewhere in its economic future.

Industrial production increased by an impressive 4.8% y-o-y in September, after 0.9% in August and 0.4% y-o-y in July. This has been to some extent be fuelled by rising exports, which increased y-o-y by 11.5% in September, 14.6% in August and 12.2% in July. Another important factor has been improving domestic demand. **Retail sales** in September rose by 3.1% y-o-y, after an increase of only 1.1% in August.

Sentiment is pointing at a continuation of the current growth momentum. The latest numbers from the PMI, as provided by Markit, shows an increase in the manufacturing sector from 52.5 in September to 54.2 in October, and an increase in the services sector from 53.0 to 55.3. Also, the consumer confidence index level in September, as provided by the Cabinet Office, picked up again, moving to 45.1 compared to 43.0 in August and only slightly lower than this year's record level of 45.6 in May. Inflation has improved significantly over the past several months but remains much below the targeted level for next year of 2%. While it fell by 0.3% y-o-y in May, it rose by 0.7% in September, after 0.8% in August. However, when taking out food and energy, it was still flat. Also of some concern recently has been the fact that the rises in earnings do not match the inflationary trend and, indeed, earnings declined by 0.1% on average in the 3Q.

By taking into account the latest trends, the 2013 GDP growth forecast remains at 1.9% for the current year. While growth for the current year is relatively well established, the potential for the next year remains to be seen. The increase of the consumption tax is expected to largely impact the 2Q14 growth number, which is now expected to be flat, after a more significant rise in the 1Q14 ahead of the tax rise. Taking into consideration this negative impact and its continued drag for the remainder of the year and also some slower underlying momentum in 2014 due to reduced public spending, the economy's growth forecast for 2014 remains at 1.5%.

Euro-zone

The Euro-zone's recovery continues, after moving out of recession in the 2Q, with the 2013 GDP growth forecast continuing to show a contraction of 0.3% and the 2014 forecast remaining at 0.7%

The Euro-zone's recovery continues, after it had moved out of recession in the 2Q. However, as it has been also reflected in the recent statements of the European Central Bank (ECB), the recovery is modest and remains fragile. Some indicators point at an improvement in the Euro-zone's output, while mainly the situation of the monetary side of the economy is becoming increasingly challenging. The monetary transmission channel is still largely impaired, inflation for the Euro-zone is at a record low (and only slightly positive), and the banking sector remains weak. In fact, it is keeping financial intermediaries from expanding loan creation and instead focused on shoring up their balance sheets. The recovery is also uneven, particularly with Germany recovering faster than other economies. For example, while industrial production has expanded in Germany in September by 0.9% y-o-y and in August by 0.4% y-o-y, still moderate levels, it has declined in France by 0.9% y-o-y in September and even by 2.0% in August. This pattern among the two largest economies in the Euro-zone highlights the ongoing unbalanced recovery levels within the Euro-zone. This becomes even more obvious, when considering that some of the economies have still been in decline in the 2Q13 — mainly the two large economies of Italy and Spain — while on average the Euro-zone has moved out of the recession lasting six quarters and has expanded by 0.3% q-o-q in 2Q13. Germany was picking up by 0.7% q-o-q in 2Q13, France's GDP was rising by 0.5% q-o-q, Italy's GDP declined by 0.2% q-o-q and Spain's GDP fell by 0.1% q-o-q. In general, in part supported by Germany's growth, the Euro-zone is expected to continue its slow recovery from very low levels in the near term. However, while the economy is improving tenderly, the main issues of the Euro-zone remains patchy growth, record unemployment and the impaired monetary transition channel, now exaggerated by very low inflation levels of only 0.7% y-o-y, low compared to the ECB's target of below but close to 2%.

Another issue reflecting the **impaired channel of the monetary financial intermediaries** to the private sector has to do with lending to the private sector relative to GDP. This has been at a record low again in September, although the ECB indicated that by October it might turn around. The latest available data from September shows a decline of 3.3%, about the same level as in the preceding two months. Rising market interest rates — as recently observed — are therefore a very unwelcome development. The ECB has made clear again in its latest meeting at the beginning of November that it would not tolerate rising interest rates as this could easily dent the still fragile recovery. Consequently, the weak situation in combination with low inflation has led to the ECB's decision to lower its key policy rate from 0.5% to 0.25% in this meeting. If the situation continues, it is likely that more extraordinary supply measures might be coming.

The lagging indicators of the **labour market** have not improved based on the latest data release. The unemployment rate remains at 12.2% in September, unchanged from August. Youth unemployment stood at 24.1% in September, the highest level on record. Among the larger economies, Spain recorded again the highest unemployment rate at 26.6% general unemployment and 56.5% youth unemployment, both unsustainable for the long-term. Taking into consideration that these numbers are harmonized, and taking into account that they do not consider unemployed that have moved out of the social security system or are in education, it becomes clear that there is increasing pressure for reviving growth again in the Euro-zone. Despite the still very weak situation of the labour market, retail trade has increased on a yearly base in September for the first time since April 2011, when it rose by 0.3% y-o-y.

Some of the most recent **lead indicators** are also pointing to some improvement. The latest PMI for manufacturing stood at 51.3 in October, after 51.1 in September and 51.4 in August. The services' sector index remained at almost the September level of 52.2, as it reached 51.6 in October. Industrial production for the Euro-zone improved by 1.0% m-o-m in the August and also future production in the Euro-zone's largest economy (Germany) is indicated to pick up with a manufacturing order growth number of 8.2% in September and 3.0% in August.

Taking into consideration the 2Q GDP number and the ongoing trend, the forecast for 2013 remains -0.3%. The 2014 GDP growth forecast stays also unchanged at 0.7%. It remains to be seen to which extent the economy will manage to rebound in the coming months as many uncertainties prevail. But it will certainly need the larger economies of Germany and France to be able to improve, with the other peripheral economies supporting growth, too.

Emerging markets

Downward revisions to GDP forecasts for India and Russia for 2013 and 2014

Considering Brazil's first half real GDP growth figure, and the available economic indicators of the 3Q of the year, the forecast of 2.5% for 2013 remains intact. The forecast for 2014 remains unchanged as well at 2.8%. As for Russia, the available data for the second half of the year support saying that a strong pick-up in the economy is now less likely to materialize. Hence, we are revising down our projection for Russia's 2013 GDP growth this month to 1.7%, down from last month's figure of 2.0%. Prospects for notable economic improvement in 2014 remain in place. However, the flow of investment into Russia remains a critical factor to its economic growth. The Russian economy is now forecast to grow at a rate of 2.6% in 2014, from the 2.8% forecast of last month. On the Indian demand side, investment and savings have dried up and resuming robust capital spending will be essential to revive India's growth momentum. The economy is, therefore, expected to grow revised down from 5.0% to 4.7% this year and from 5.8% to 5.6% in 2014, but still there are some positive signs that will perhaps have beneficial effects on India's GDP growth rate in the next year. China's National Bureau of Statistics (NBS) issued GDP data for the 3Q13, showing that growth reaccelerated to 7.8% y-o-y between July and September. This was unexpectedly strong given that the authorities are in the process of rebalancing the economy towards more consumer-driven growth. Also, domestic risks to the projections stem mainly from monetary and financial developments, including rising local government debt and according to NBS announcements regarding further improvements in October's PMI, confirms momentum improvement in the Chinese economy through late summer gaining speed in the 4Q.

Table 3.2: Summary of macroeconomic performance of BRIC countries

	GDP growth rate		CPI, % change y-o-y		Current account balance, US$ bn		Government fiscal balance, % of GDP		Net public debt, % of GDP	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Brazil	2.4	2.6	6.2	5.7	-77.9	-84.7	-3.1	-3.3	59.4	60.6
Russia	1.8	2.8	6.4	5.5	55.7	41.5	-0.5	-0.5	8.1	8.2
India	4.7	5.6	9.6	8.7	-74.8	-72.3	-5.2	-5.0	51.8	51.1
China	7.8	7.8	2.6	3.4	181.8	169.9	-2.1	-2.0	16.4	17.0

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

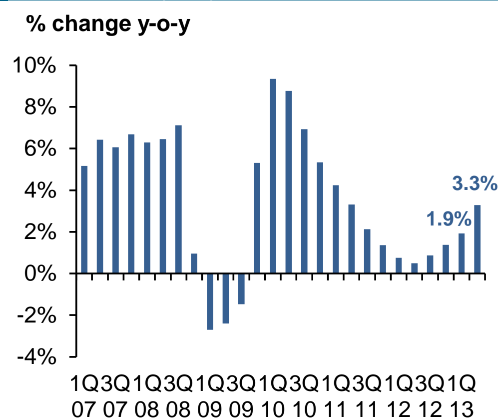
Brazil's GDP forecast remains at 2.5% and 2.8% for 2013 and 2014, respectively

Brazil

The recent fiscal performance of Brazil's federal government aimed at supporting the economy is having a negative effect. The government has cut taxes and increased spending to revive economic growth that continues to falter amid above-target inflation. The budget balance of the federal government, excluding interest rate payments, surged to a deficit of 10.5 billion reals from a surplus of 87 million reals a month earlier, according to the National Treasury's report. This might endanger the country's **credit rating**, putting it at risk of being downgraded which would be considered an indication of higher investment risk and lead to higher borrowing cost and less investment inflows. Already last month, Moody's lowered its outlook of Brazil from positive to stable, while Standard & Poor's' placed Brazil's rating on negative outlook in June. Brazil's **gross general government debt as a percentage of GDP** stood at 57% in August, higher than a 45% median for other economies with the same rating. **Merchandize exports** rebounded after two months of deceleration to grow by almost 5% y-o-y in September while the unemployment rate marginally rose to 5.4% y-o-y, from 5.3% in the previous month.

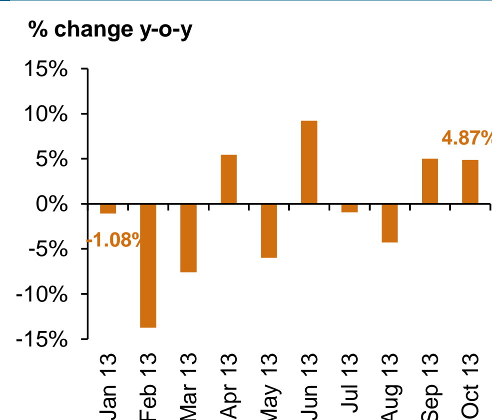
The central bank raised the **benchmark Selic rate** last month to 9.5%, signalling the fourth straight 50 basis points increase. It is now widely expected in the financial markets that the rate will be raised to 10% this month as higher living costs have weakened consumer and business confidence forcing policy-makers to implement the largest tightening cycle among major currencies even as growth sputters. The real appreciated 12% since 22 August, when Brazil announced a $60 billion intervention program of swaps and credit lines to buoy the currency and curb import price increases. The programme proved to be too successful as the **Brazilian currency** appreciated the most among all of the world's currencies during the previous period, which made the countries' factories less competitive by hiking export prices. Brazil since April has raised borrowing costs by 225 basis points from a historic low of 7.25%.

Graph 3.2: Brazilian quarterly GDP growth, not seasonally adjusted (NSA)



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

Graph 3.3: Brazilian merchandise exports, NSA, million US$



Source: Ministério do Desenvolvimento, Indústria e Comércio Exterior and Haver Analytics.

Inflation eased in September to 5.7% y-o-y from 6.1% in the previous month. This marks the slowest monthly price gain since September 2012. The central bank estimates inflation will remain above its 4.5% target through the 3Q15. Last month, It reiterated its commitment to ensuring inflation meets its target and to seeking slower consumer price increases next year compared with 2013. Operating conditions across Brazil's manufacturing economy improved in October, albeit fractionally. The **HSBC Brazil's manufacturing PMI** increased last month to 50.2 up from 49.9 in the previous month. The survey showed the output growth registering its strongest reading in five months. New orders stabilized, but the decline in export business accelerated as export orders fell at the fastest pace since July.

The risk to our forecast for **Brazil's GDP** growth for 2013 and 2014 is now skewed to the downside due to the risks of inflation and increasing debt-to-GDP ratio. While the former is capping domestic spending growth, the latter threatens the country's credit

rating and hence the inflow of foreign investment. For 2013 and 2014, the forecast stand unchanged this month at 2.5% and 2.8%, respectively.

Russia

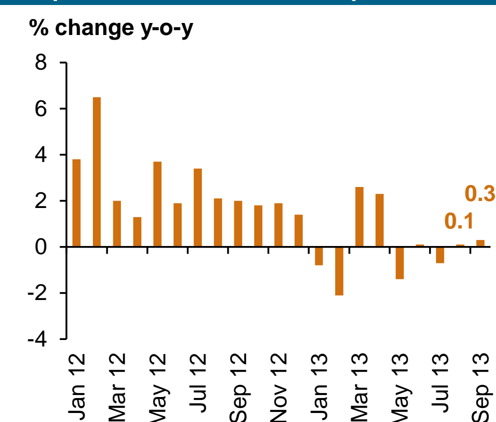
Russia's GDP forecast was revised down to 1.7% for 2013 and 2.6% for 2014

Russian economic growth slowed significantly during the first half of this year. The economy grew by only 1.4% y-o-y compared with 4.6% y-o-y over the 1H12. This was a result of weaker demand, from both the domestic market and abroad in addition to the decelerated investment. **Retail sales** growth decelerated in September to grow by 3.0% y-o-y, much lower than August's 4.0%. This came in line with the increase in **unemployment rate** from 5.2% to 5.3% in the same month. Unemployment rates were fluctuating within a narrow range between 5.2% and 5.4% over the five months through September, suggesting a stabilized labour market which actually is running at nearly full capacity. More importantly, however, is that the humble economic outlook and slower pace of disposable income increase are encouraging consumers to stay on the side-lines and have discouraged banks from lending for small- to medium-sized projects. **Consumer prices** rose in September in September by 6.1% y-o-y, signalling the slowest price gain since August 2012.

Graph 3.4: Russian GDP growth, NSA

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

Graph 3.5: Russian industrial production



Sources: Federal State Statistics Service and Haver Analytics.

Industrial production improved in Russia by 0.3% y-o-y in September while domestic new orders have driven a rebound in production last month in Russia. Having slowed to a marginal pace in September, the rate of expansion in Russian manufacturing new orders accelerated sharply to an eight-month high in October. The HSBC Russia manufacturing PMI rose above the no-change mark of 50.0 in October, having spent the entire 3Q in negative territory. October's reading of 51.8 indicates a moderate overall improvement in business conditions. However, the survey showed that new export business declines at fastest rate in over four years.

The available data on the second half of the year support saying that a strong pick-up in the economy is now less likely to materialize. Hence, we are revising down our projection for Russia's 2013 GDP growth this month to 1.7%, down from last month's figure of 2.0%. Prospects for notable economic improvement in 2014 remain in place as Russia could be one of the countries that will benefit considerably from a recovery in Europe along with economic stabilization in China. However, the flow of investment into Russia remains a critical factor to its economic growth. The Russian economy is now forecast to grow at a rate of 2.6% in 2014, from a 2.8% forecast of last month.

India

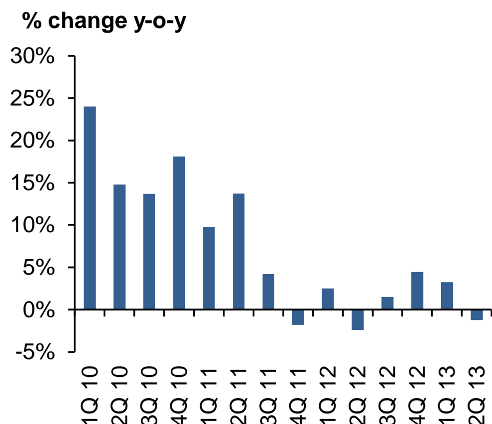
India's composite PMI hit its lowest mark in 4½ years

The wider economic picture in India is looking even less promising, adding to the external sector vulnerabilities. The deceleration is broad based, but the industrial sector has borne the brunt of the slowdown. Manufacturing growth, hit by weak export demand and tight credit.

Meanwhile, on the demand side, investment and savings dried up and resuming robust capital spending will be essential to revive India's growth momentum. Rising domestic

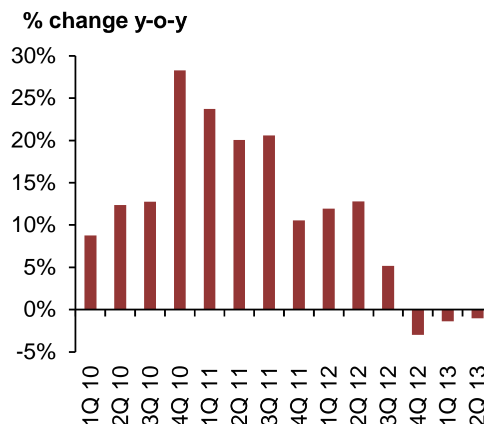
savings, followed by strong investment have been the key to the country's sustainable high growth in the past decade. However, savings and investment patterns have worsened substantially since the 2008 global financial crisis, with the share of fixed investment to GDP falling to 29% in FY 2012, down from a peak of 33% in FY 2007, with almost a half of it taking place in the less productive household sector.

Graph 3.6: Indian gross fixed capital formation (GFCF), SA



Sources: Central Statistical Organizationa nd Haver Analytics.

Graph 3.7: Indian GDP, exports of goods and services



Sources: Central Statistical Organizationa nd Haver Analytics.

With a number of emerging economic problems having a cyclical nature (particularly in context of the prolonged monetary tightening over the course of 2009-2012), the recent slowdown in India's economy has been structural, requiring a series of deeply thought structural reforms for many of the imbalances to be addressed. Energy sector reform is also required in order to narrow the rising power gap and reduce the high oil imports bill, which contributes greatly to the trade deficit. Meanwhile, India's deep fiscal imbalances and structurally high inflation is another concern.

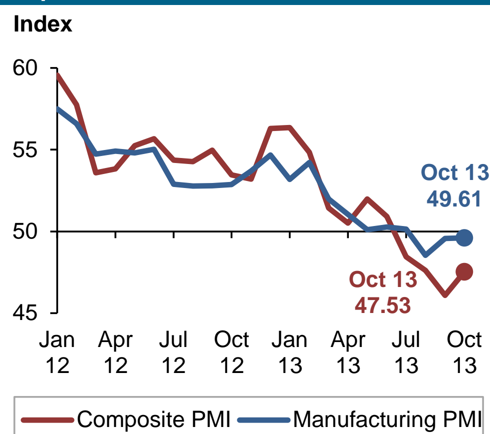
Growth in domestic demand is forecast to ease from 5.5% in 2012 to 2.3% in 2013, affected by high inflation. The loss of monetary policy support and tighter credit conditions and sharp weakness in financial markets in Q3 is likely to have exacerbated the already prevailing sense of gloom about India's economic prospects, denting business and consumer confidence, and in turn making both households and businesses less likely to spend.

Although the overall impact of the **sharp rupee fall this year** will be negative due to its adverse impact on confidence, inflation and monetary policy, it should at least make exports of goods and services more competitive. Indeed, y-o-y growth in merchandise exports was 11.2% in 3Q and the share prices of India's IT companies (which are large exporters of services) have risen strongly since June. Meanwhile, goods imports in 3Q fell by 8.8% y-o-y, leading to a sharp narrowing in the trade deficit and suggesting that net external trade will contribute to growth this year.

The economy is therefore expected to grow revised down from 5.0% to 4.7% this year and from 5.8% to 5.6% in 2014. But still there are some positive signs that will perhaps have positive effects on India's GDP growth rate in the next year.

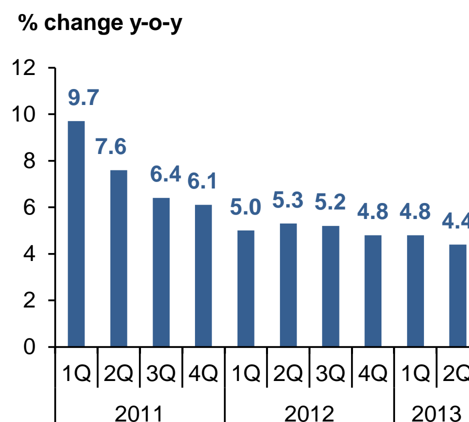
Also HSBC India Composite Output Index declined to its lowest mark in four-and-a-half years, from August's 47.6 to 46.1 in September, signalling a sharp deterioration in business activity across the country's private sector. September data pointed to a weaker degree of positive sentiment in the Indian service sector, with the index measuring business sentiment dropping to its lowest mark since February 2009. Although panel members expressed optimism for output growth in the coming year, concerns about exchange rate fluctuations weighed on confidence.

Graph 3.8: Indian PMI



Sources: HSBC, Markit and Haver Analytics.

Graph 3.9: Indian GDP growth (SAAR)



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

China

China's GDP growth expectations increased from 7.6% to 7.8 for 2013 and from 7.7% to 7.8% for 2014

China's National Bureau of Statistics (NBS) issued **GDP data for the 3Q13**, showing that growth reaccelerated to 7.8% y-o-y between July and September. This was unexpectedly strong given that authorities are in the process of rebalancing the economy towards more consumer-driven growth. The rebound was driven primarily by gross fixed capital formation and consumption. Both of those indicators showed marginal improvements over the last quarter, while exports' contributions fell into negative territory again, dragging growth down by 0.1 percentage points. That composition is reflective of economic conditions within and outside of China.

China's rapid growth and urbanisation over the past three decades have created growing environmental challenges, with regard to air pollution, energy intensity and carbon emission, water scarcity and water pollution. Managing such challenges properly is vital if China is to maintain its long-term growth potential and a good quality of life for its citizens. Rapid urbanisation has placed a particular strain on resources around cities, as the incidence of smog and regular food quality scandals illustrate. According to the World Bank's China 2030 report, written jointly with China's Research Development Centre of the State Council (NDRC), China's environmental depletion and degradation cost 9% of gross national income (GNI) in 2009. This is over ten times higher than the cost in Korea or Japan. Air pollution was the biggest problem. Its detrimental effects on health cost 2.8% of GNI.

China will face rising economic costs if it fails to reduce its air pollution, ensure the sustainability of its water resources and reduce the energy intensity (and carbon emissions) of its productive activities. These issues are of increasing concern to younger generations in China, so the authorities also risk social instability and political dissent if they cannot address their environmental problems soon.

Also, **domestic risk to growth projections** stem from monetary and financial developments, including rising local government debt. Some of the warning signs include the growth in shadow banking, sharply falling property prices and local governments further in arrears. External risks stem from the US Fed tapering quantitative easing, which could dry up capital inflows, heighten risk aversion and undermine business confidence.

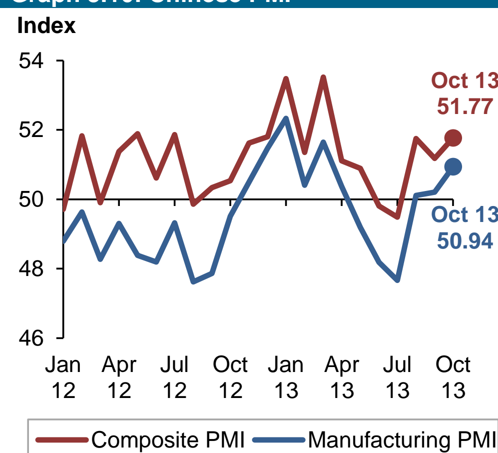
China's leaders look unlikely to be committed to the types of policies needed to lift productivity growth. The possibility also remains that GDP growth will decelerate sharply in 2013-14. In addition, political unrest, problems in the housing sector and rising concern about another liquidity squeeze are the most likely sources of such a slowdown. Although the government's capacity to counteract economic crises is strong, doing so could aggravate other economic imbalances.

China's PMI has not any significant changes compared to previous month but according to the China's NBS, the latest readings show a 0.1 point improvement to 51.4, making October the fourth consecutive month of improving conditions among Chinese manufacturers. Improvements in the official PMI was driven primarily by a 1.5 point surge in output to reach 54.4 in October; this increase was the largest for the sub-index since December 2011.

October's HSBC Flash China Manufacturing PMI rose to a seven-month high of 50.9 on the back of broad based modest improvements. This implies that China's growth recovery is becoming consolidated into the 4Q following the bottoming out in 3Q. According to an NBS announcement, a further improvement in October's PMI confirms the momentum in the Chinese economy through late summer gaining speed in the 4Q. This momentum is likely to continue in the coming months creating favourable conditions for speeding up structural reforms."

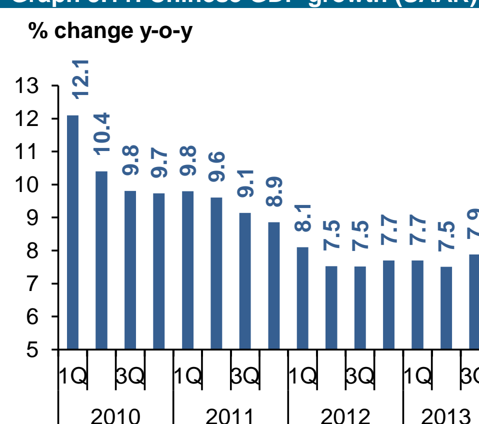
Regarding all positive and negative aspects of China economy, the real GDP growth expectation increased from 7.6% to 7.8 for 2013 and 7.7% to 7.8% for 2014.

Graph 3.10: Chinese PMI



Sources: HSBC, Markit and Haver Analytics.

Graph 3.11: Chinese GDP growth (SAAR)



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

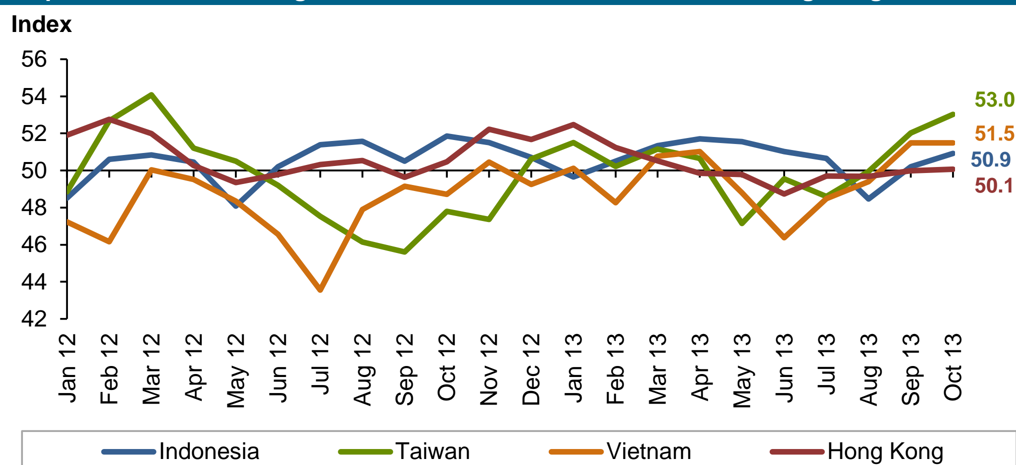
Other Asia

Positive developments in Taiwan's manufacturing sector last month

The economy of Taiwan grew at the slowest pace in a year in the 3Q due to reduced exports. GDP rose 1.6% in the 3Q from a year earlier, after increasing 2.5% y-o-y in the 2Q according the statistics bureau of Taiwan. Private consumption increased 1.6% in the 3Q from a year earlier and manufacturing rose 1.7% from last year. The central bank held the benchmark interest rate at 1.87% for a ninth straight month in September, the longest period of inaction. In August, Taiwan lowered its forecast for growth this year to 2.3% from 2.4%. Data showed that exports contributed 0.65 percentage points to GDP growth, down from 2.08 in the 2Q. Last month, the central bank of Thailand pared its estimate for GDP growth this year to 3.7%, from a July projection of 4.2% as efforts to bolster growth with $64 billion of state spending on infrastructure have stalled.

Alongside with China and South Korea, other Asian economies showed signs of strength in their manufacturing sector last month in a sign that growth risks are abating in Asia and expansion may pick up this quarter. Asian economies are benefiting from a demand pick-up aided by the US Fed's extension of monetary stimulus even as global risks remain in place from budgetary disputing in the US. The improved fundamentals in the Euro-zone are also supporting the recovery momentum in Asia.

Graph 3.12: Manufacturing PMIs: Indonesia, Taiwan, Vietnam and Hong Kong



Source: HSBC, Markit and Haver Analytics.

The **Indonesian** manufacturing economy gained momentum last month, with the PMI rising to its highest level in four months. October's HSBC Indonesia PMI rose from 50.2 in September to 50.9, highlighting a moderate improvement in operating conditions across Indonesia. Stronger domestic demand and the launch of new product lines both resulted in higher levels of new orders placed at Indonesian manufacturers during October. New orders increased for the first time since June.

Operating conditions in **Taiwan**'s manufacturing sector improved for the second successive month in October. Moreover, the rate of improvement quickened from the previous month to the strongest since March 2012. The PMI posted at 53.0 last month, up from 52.0 in September, and signalled a solid improvement of business conditions in Taiwan's manufacturing sector. The survey showed that both output and new orders expanded at faster rates.

Vietnam's manufacturing sector experienced a return to output growth during October, as new offers rose at a record rate following an upturn in demand. Vietnam's headline seasonally adjusted PMI was unmoved last month at a level of 51.5, matching September's second highest reading in the survey history. The latest data showed that new work had increased for the second successive month, with the rate of expansion the best in the survey's history. It was the second consecutive month in which a rise in export orders has been recorded and growth remained solid.

Africa

Africa's GDP growth forecast to register 3.8% and 4.0% for 2013 and 2014, respectively.

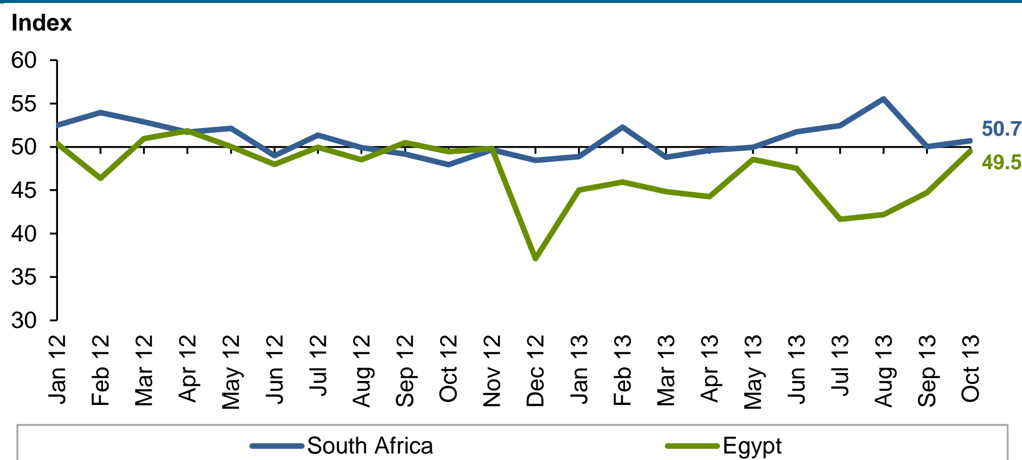
South Africa's manufacturing PMI had improved marginally last month after a sharp fall in September. The index rose to 50.7 from 50.0 in the previous month. The modest recovery came after the index fell to an eight-month low in September as a strike in the auto sector hurt new sales orders. The index is still remained below the average reading of 52.7 for the 3Q13. It is expected that conditions will remain restrained as some labour disputes from September spilled over into October. Further strikes by mining and construction workers are possible in the coming few weeks. Gold companies last month reached a wage pact with all labour groups except the Association of Mineworkers and Construction Union which represents 19% of miners.

To help accelerate growth in East Africa's biggest economy, **Kenya** plans to spend as much as $15 billion in boosting electricity production fourfold over the next 40 months, according to Kenya's energy ministry. To support double-digit growth, it is estimated that Kenya needs to increase its power capacity to more than seven thousands megawatts from its existing capacity of around 1,700 megawatts. The country is preparing to sell its inaugural Eurobond to raise as much as $2 billion by early next year to fund infrastructure development.

Ghana's economy will expand 7.2% y-o-y, less than the previous estimate of 7.9%, according to official figures. This will limit the government's ability to narrow its budget deficit. The targeted budget gap is of 9.2% of GDP this year and 6% next year. GDP is

expected to grow at a faster pace in 2014. The government expects tax revenue to grow next year as business investments expand which will allow for notably reducing the budget deficit. Ghana's credit rating was cut last month by Fitch Ratings after rising government wages and falling revenue from gold prevented the government from narrowing the budget gap to its 9% target. The deficit had ballooned to 12.1% last year because of increases in public sector wages, which consume about 70% of tax revenues. Ghana slashed subsidies on fuel, water and power to curb the budget deficit this year. While the removal has cut government spending, the impact of the higher prices is being passed on through inflation, which quickened to 11.9% in September, the fastest pace all year.

Graph 3.13: Manufacturing PMIs: South Africa and Egypt



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

Last month's data signalled a return to output growth in **Egypt's** non-oil producing private sector, ending a 12-month period of contraction. Egypt's manufacturing economy edged close to stabilization in October with the headline PMI posting 49.5, up from September's 44.7. While operating conditions have now deteriorated for 13 straight months, the latest rate of deterioration was the weakest since last November. The survey showed a prolonged decline in new orders, though at the slowest pace in almost a year. New business from abroad also fell at a weaker rate. The survey also showed an ease in job shedding among Egypt's manufacturers last month.

Latin America without Brazil

November's forecast for Latin America stood at 3.1% and 3.2% for 2013 and 2014, respectively

Mexico's central bank cut the benchmark interest rate by 25 basis points to a record low of 3.50% last month. The central bank signalled that this will be the last reduction in borrowing costs in the foreseeable future. Six-month interest rate swaps rose seven basis points to 3.83% after the rate decision. The central bank's signal that it will not reduce interest rates further means Mexico will be counting on government spending to spur an economic rebound. Annual inflation in the first half of October eased to 3.27%, the lowest since January. Annual inflation has slowed in each of the past five months to 3.39% in September. The central bank targets inflation of 3%. The government has lowered its 2013 economic growth forecast by more than half as a drop in public spending, stalled exports and the devastation from twin hurricanes curtailed demand and investments. The government cut its growth forecast to 1.7% from 3.5% at the start of the year, after industrial production contracted 0.6% in the 2Q and retail sales shrank in two of the past three months. Mexico's manufacturing sector continued to stagnate in October, with business conditions improving only slightly since September. The PMI registered 50.2, up marginally from 50.0 in September. The survey showed that new orders continued to rise at a modest pace. However, both output and employment fell over the month. Notably, this was the first indication of net job losses since data collection began in April 2011. The government plans to step up spending next year and run a budget deficit in a bid to jump-start an economy that expanded in the first half of the year at the slowest pace since contracting in 2009 amid global financial crisis. In the 2Q13, Mexico's GDP shrank for the first time in four years by 0.74% q-o-q, from 0.03% growth in the previous three months.

In **Chile**, signals of slower growth, combined with easing inflation, prompted the central bank of Chile to cut its benchmark interest rate by 25 basis points to 4.75%. This is the first cut since January 2012. In the 2Q13, the Chilean economy expanded 4.1% over the previous year, the slowest expansion in seven quarters, as the recovery in manufacturing and agriculture was not enough to offset a contraction in fishing, restaurants and hotels' activities.

Transition region

Eastern European central banks are diverging as their economies show varying degrees of health. **Poland** left borrowing costs at a record low for a second meeting this month as policy-makers assess recovery from a slowdown, while **Romania** cut its benchmark for a third month in September to bolster growth. In **Hungary**, the central bank cut late last month its benchmark interest rate to a record low of 3.4% from 3.6%. Monetary policy-makers in Hungary have lowered borrowing costs for 15 straight months, slashing the benchmark by more than half to buoy recovery from a recession last year. Aiming at taming inflation, the government imposed a one-fifth reduction in utility costs in 2013. The government ordered an 11.1% cut in utility charges starting this month, adding to a 10% reduction at the start of this year. The GDP rose 0.1% from the previous three months in the 2Q after a 0.6% advance in the January-March period. The inflation rate, which increased to 1.4% in September from 1.3% the previous month, has remained below the central bank's 3% medium-term target since February. This helped keep inflation below the central bank's target and may let policy-makers further trim the rate to near 3%. In addition to rate cuts, the central bank is providing around $13 billion of interest-free funds to commercial lenders to boost credit to small and medium-size companies.

Business conditions in **Poland**'s manufacturing economy showed an ongoing upturn for the fourth month running in October. Moreover, the headline figure rose for the sixth month in a row to 53.4, the highest since April 2011. The upward movement in the PMI reflected stronger growth of new orders, which in turn reflected a surge in new export business. New export orders rose for the fifth month running in October, the longest sequence of growth in nearly two and a half years.

Manufacturing business conditions in the **Czech Republic** continued to improve last month, according to the HSBC manufacturing PMI. The PMI remained above the neutral level of 50.0 in October, extending the current sequence of improving business conditions to six months. Moreover, having fallen to 53.4 in September, the headline index rebounded to 54.5, signalling the strongest expansion since June 2011. For the third month running, all five components of the PMI provided positive contributions.

OPEC Member Countries

GDP growth in OPEC MCs forecast at 3.2% and 4.0% on average for 2013 and 2014, respectively

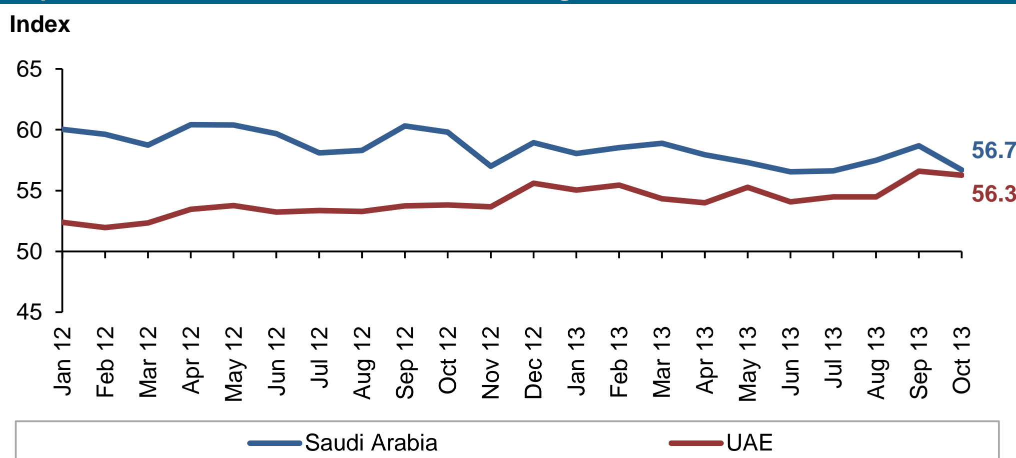
Ecuador's credit rating was increased one notch by Fitch Ratings on the outlook for faster economic growth amid increasing financial stability. Fitch raised the long-term foreign debt rating to B from B- with stable outlook. The upgrade reflects the country's continued healthy growth performance, which is growing by more than 3% since 3Q10. It also highlights the monetary and financial stability in Ecuador. The country is also benefiting from the availability of financing from China and multilateral lenders. Ecuador obtained a $1.2 billion, four-year loan from China in August and expects an additional $400 million in credit in both 2014 and 2015, according to the Finance Ministry. Public expenditures, forecast by the finance ministry to increase 7.8% this year, are likely to continue driving growth. The finance ministry expects the economy to expand 4.05% this year.

The SABB HSBC **Saudi Arabia** PMI of October signalled a further improvement in the operating conditions at Saudi Arabian non-oil producing private sector companies. The headline index posted 56.7 compared to 58.7 in September. The rate of improvement in October was the slowest in three months. The survey showed a slower pace of growth of both output and new orders, whereas new export orders rise at fastest pace in survey history.

Last month, the **UAE** announced a three-year federal spending plan of about $38.1 billion, a 15% increase over the previous plan for 2011-2013. As part of the three-year

plan, the budget of 2014 is also announced with total expenditures of around $12.6 billion. Around 51% of the budget is announced to be assigned to social development and welfare projects. The UAE's non-oil producing private sector companies reported a solid rise in order intakes during October, with the rate of growth in new work the second-highest recorded in the survey history. The PMI of last month indicated a further increase in output. The pace of expansion eased to the slowest in three months, but remained sharp overall. The index remained in the expansion territory in October posting 56.6.

Graph 3.14: Saudi Arabia and UAE: manufacturing PMIs



Source: SAAB, HSBC, Markit and Haver Analytics.

Oil prices, US dollar and inflation

The US dollar depreciated versus all major currencies in October

While most **recently the US dollar has started rising**, on average, versus the major currencies, on average it declined in October. Compared to the euro, the US dollar fell by 2.1% on a monthly average in October, declined by 1.4% versus the Japanese yen and retreated at the same level compared to the pound sterling. Also, versus the Swiss franc, the US dollar declined by 2.3%. Versus the euro it stood at $1.3353/€ in September and at $1.3637/€ in October, while for the yen it declined from around almost ¥100.0/$ in September to ¥97.851/$ in October on average.

The uncertainty of the budgetary issues in October and the debt ceiling situation of the US economy have pushed the US dollar lower. However, since these topics have been postponed again, the US dollar has re-gained strength. Moreover, the momentum of the recovery in the Euro-zone and the progress in Japan will play an important role in its value in the near future. Certainly the Fed's future policy on its quantitative easing measures will provide an important guideline for the US dollar's future

In real terms, the OPEC Reference Basket price declined by 3.2%, or $2.15/b, to $64.39/b from $66.54/b

In nominal terms, the price of the OPEC Reference Basket declined on a monthly average in October. It fell by $2.04/b, or 1.9%, from $108.73/b in September to $106.69/b in October. **In real terms**, after accounting for inflation and currency fluctuations, the Basket price declined by 3.2%, or $2.15/b, to $64.39/b from $66.54/b (base June 2001=100). Over the same period, the US dollar declined by 1.3% against the import-weighted modified Geneva I + US dollar basket while inflation remained flat.*

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

World Oil Demand

World oil demand growth for 2013 revised slightly higher to 0.86 mb/d and forecast to increase by 1.04 mb/d in 2014

World oil demand

World oil demand is estimated to average around 89.78 mb/d in 2013, up by 0.86 mb/d or around 1.0% compared to 2012. The overall world oil demand estimation was revised marginally higher by by 34 tb/d, mainly as a reflection of actual data becoming available. For 2014, demand is expected to increase by around 1.04 mb/d or 1.2% compared to 2013, with total world oil demand expected to reach 90.78 mb/d.

Recent data implied some upward adjustment to 2013 world oil demand. Most of this improvement is yet again prevailing from the OECD countries, with a total upward revision of around 40 tb/d spread between OECD America and OECD Europe. In contrast, the non-OECD region experienced a minor decline of 10 tb/d due to adjustments to some African countries. On a quarterly basis, the first three quarters in 2013 were revised higher by 40 tb/d, 70 tb/d and 50 tb/d, respectively. In the non-OECD regions, a lower revision of 20 tb/d was carried out in 1Q13 to accommodate recent data.

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

							Change 2013/12	
	2012	1Q13	2Q13	3Q13	4Q13	2013	Growth	%
Americas	23.63	23.71	23.74	23.82	23.80	23.77	0.14	0.59
Europe	13.74	13.17	13.70	13.66	13.38	13.48	-0.26	-1.87
Asia Pacific	8.59	8.92	7.88	8.25	8.74	8.45	-0.14	-1.67
Total OECD	**45.96**	**45.81**	**45.32**	**45.73**	**45.92**	**45.70**	**-0.26**	**-0.57**
Other Asia	10.86	10.91	11.08	11.11	11.14	11.06	0.20	1.85
Latin America	6.27	6.21	6.47	6.74	6.59	6.50	0.23	3.68
Middle East	7.59	7.79	7.76	8.20	7.75	7.88	0.29	3.80
Africa	3.44	3.42	3.45	3.38	3.54	3.45	0.00	0.11
Total DCs	**28.16**	**28.33**	**28.76**	**29.42**	**29.02**	**28.89**	**0.72**	**2.57**
FSU	4.41	4.33	4.18	4.58	4.83	4.48	0.07	1.52
Other Europe	0.64	0.63	0.59	0.63	0.71	0.64	-0.01	-0.80
China	9.74	9.79	10.19	9.91	10.41	10.07	0.33	3.43
Total "Other regions"	**14.80**	**14.75**	**14.95**	**15.11**	**15.95**	**15.19**	**0.40**	**2.68**
Total world	**88.92**	**88.89**	**89.03**	**90.27**	**90.89**	**89.78**	**0.86**	**0.97**
Previous estimate	88.92	88.86	88.96	90.22	90.89	89.74	0.82	0.93
Revision	0.00	0.03	0.07	0.05	0.00	0.04	0.04	0.04

Totals may not add up due to independent rounding.

In **OECD Americas**, August 2013 oil demand figures for the US indicate declining oil demand growth data from the high levels recorded during the month of July, with expected strong oil demand data for the months of September and October. Gasoline, distillate fuel, propane/propylene and other products have all recorded declines by varying magnitudes.

In **OECD Europe**, September oil consumption in the EU 'Big 4' countries (France, Germany, Italy and the UK) edged higher, with total consumption estimated at just below 7 mb/d, an increase of 88 tb/d or 1.3%. The uptick is supported by positive oil consumption data in the UK and Germany, while data from France and Italy was marginally lower.

In **OECD Asia Pacific**, the substitution of crude and fuel oil with coal and other fuels continued to drag Japanese oil consumption lower during the month of September to stand at 3.7 mb/d. In South Korea, September total oil consumption also declined, as a result of a labour force strike at two major automobile manufacturers, as well as shorter business days during the month of September.

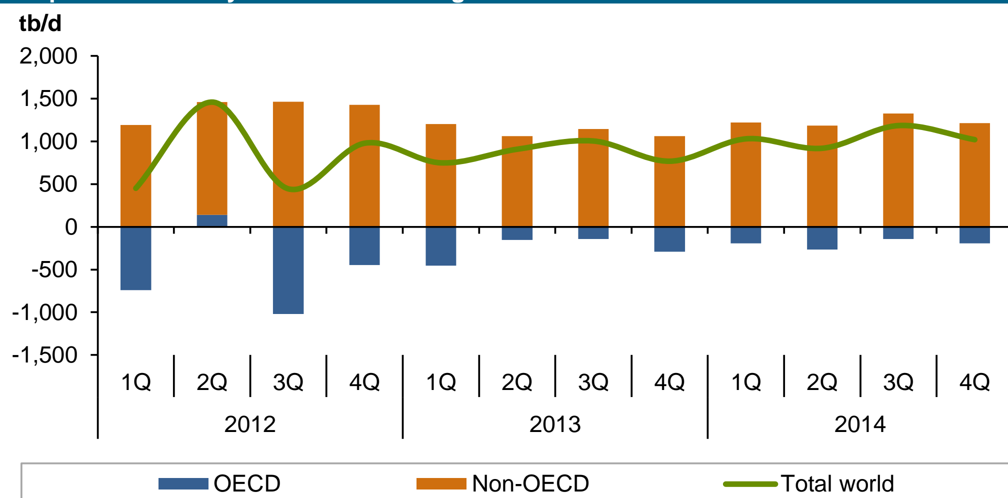
Table 4.2: World oil demand in 2014, mb/d

	2013	1Q14	2Q14	3Q14	4Q14	2014	Change 2014/13 Growth	%
Americas	23.77	23.83	23.82	23.94	23.90	23.87	0.11	0.44
Europe	13.48	12.99	13.42	13.53	13.27	13.31	-0.17	-1.29
Asia Pacific	8.45	8.79	7.81	8.12	8.55	8.32	-0.13	-1.53
Total OECD	**45.70**	**45.61**	**45.06**	**45.59**	**45.73**	**45.50**	**-0.20**	**-0.43**
Other Asia	11.06	11.16	11.28	11.37	11.40	11.30	0.24	2.18
Latin America	6.50	6.44	6.70	6.99	6.83	6.74	0.24	3.64
Middle East	7.88	8.11	8.05	8.54	8.03	8.18	0.31	3.88
Africa	3.45	3.46	3.48	3.41	3.57	3.48	0.03	0.96
Total DCs	**28.89**	**29.16**	**29.52**	**30.30**	**29.83**	**29.71**	**0.82**	**2.83**
FSU	4.48	4.41	4.25	4.66	4.92	4.56	0.08	1.79
Other Europe	0.64	0.64	0.58	0.64	0.72	0.64	0.01	0.82
China	10.07	10.09	10.54	10.27	10.72	10.41	0.33	3.32
Total "Other regions"	**15.19**	**15.14**	**15.37**	**15.57**	**16.35**	**15.61**	**0.42**	**2.76**
Total world	**89.78**	**89.92**	**89.95**	**91.45**	**91.91**	**90.82**	**1.04**	**1.16**
Previous estimate	89.74	89.89	89.88	91.40	91.91	90.78	1.04	1.16
Revision	0.04	0.03	0.07	0.05	0.00	0.04	0.00	0.00

Totals may not add up due to independent rounding.

In the **Other Asia** region, Indian oil demand in September increased for the first time since May 2013, driven by rising requirements of feedstock for electricity and cement production, despite concerns over the depreciation of the rupee and pending fiscal issues. Additionally, car sales are projected to decline in 2013 compared to the previous year. In Indonesia, recently introduced policies favoring a reduction of fuel consumption might lead to a decline in demand, however, over a longer time frame.

Graph 4.1: Quarterly world oil demand growth



OECD Americas

OECD Americas oil demand growth up by 0.14 mb/d in 2013

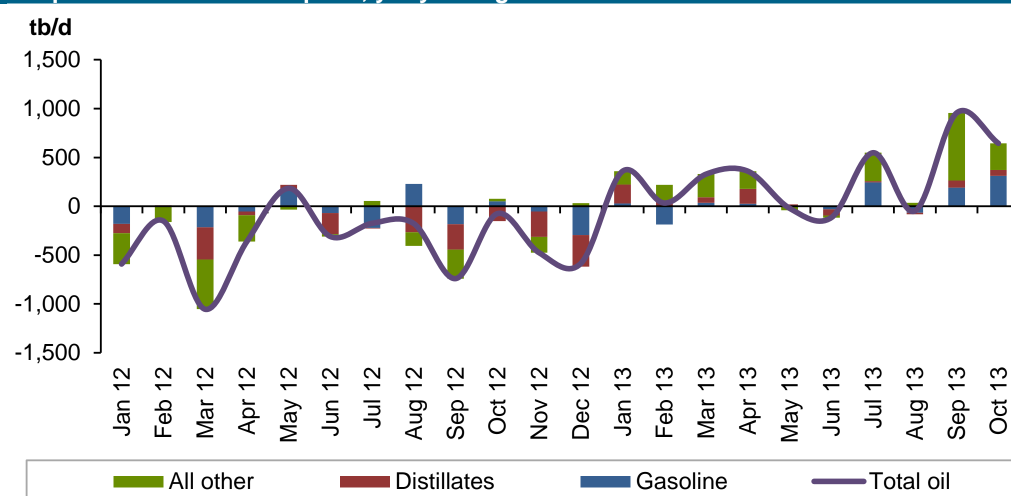
In the **US**, the latest actual data for the month of August 2013 shows receding oil demand growth from the high levels recorded during the month of July. This marks August 2013 oil demand growth as the lowest oil consumption growth month in 3Q, bearing in mind that September 2013 data is still preliminary. Y-o-y oil demand growth for the month of August declined marginally by 48 tb/d compared to the same period last year. All product categories fell during the month, with the exception of kerosene and residual fuel oil which were supported by a slight upturn in airline movements, as well as declining, yet stable, manufacturing activities.

The manufacturing indicator (PMI) has dropped over the course of the month, yet is still hinting an expansion at a rate of 52.6 above the 50 mark, which separates expansion from contraction levels. The indicator dropped from the 54.7 level recorded in the month of July. In contrast, motor gasoline, distillate fuel, propane/propylene and other products have all recorded declines by different degrees. Gasoline dipped the largest in both total volume, as well as percentage terms, dropping by 66 tb/d or just

below 1% compared to last year's numbers. This was despite the miles travelled indicator being at its highest level so far in 2013. However, this decrease can be largely seen as a result of a high base of comparison as August 2012 recorded exceptional growth levels. In fact, together with the month of May 2012, the previous August was one of only two months since March 2011 to have recorded significant growth. Gasoline consumption was around 9.2 mb/d in August 2012, compared to 9.1 mb/d in August 2013. Preliminary data for the months of September and October 2013 depict gains in growth levels in both months, with initial statistics higher by more than 5% and 2%, respectively. All product categories are anticipated to record positive growth, with the exception of residual fuel oil, which continues to disappoint as more switching away from fuel oil to other types of fuels is taking place.

The macroeconomic indicators of the country are improving modestly. The consumer confidence indicator for 3Q is up from the previous quarter, unemployment figures are at their lowest since December 2008 and overall GDP growth is now estimated to be 1.6% above last year's levels, further contributing to the improvement in oil demand in 2013.

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



In **Canada**, August 2013 total oil demand consumption dipped for the second month running. Oil consumption declined by more than 0.1 mb/d with total products consumed remaining above 2 mb/d. Individual products' performance was mixed. While LPG, diesel oil, fuel oil and other products declined, gasoline and jet/kero recorded positive growth numbers as the transportation sector saw a positive momentum. Year-to-date in August, overall oil demand consumption recorded positive growth, with total consumption of the country standing at 2.1 mb/d, in contrast with 2.0 mb/d during the same period in 2012.

In **Mexico**, oil consumption for the month of September 2013 was steeply in the negative. Oil consumption fell by more than 0.1 mb/d - or just below 7% - compared to the same period last year. All products registered a decline with the exception of jet fuel, which was flat. Fuel oil recorded negative figures and fell by more than 23% from September 2012 as the manufacturing sector waned after decent August data. Year-to-date to September, demand growth was also slightly negative.

In 2013, **OECD Americas oil demand** is expected to grow by 0.14 mb/d, compared to the previous year. OECD Americas oil demand in 2014 is projected to increase by 0.11 mb/d.

OECD — Europe

OECD Europe oil demand growth to contract by 0.26 mb/d

September 2013 oil consumption in the EU's **'Big 4'** countries edged higher, with total consumption estimated to read just below 7 mb/d for the month, compared to 6.9 mb/d in September 2012, an increase of 88 tb/d, or 1.3%. The uptick is supported by positive oil consumption data in the UK and Germany, while data from France and Italy were marginally lower. In the UK, growth of 0.1 mb/d, or around 7% was recorded in the month of September, with most petroleum product figures increasing, with the exception of gasoil and fuel oil, which reversed direction. One interesting development evolving in the UK energy sector is the hike in household electricity and gas prices by a number of utility suppliers. Utility suppliers have increase prices by more than 8% on average, due to rising feedstock costs, the higher cost of delivery to end-users and the cost of environmental and social schemes.

In **Germany**, actual data for the month of August 2013 is robust. Growth values registered during the month were well above 0.1 mb/d, equating to a 6% rise y-o-y. All product categories have risen, with the exception of gasoline, which was marginally negative. The lower number of cars registered in August was considered the main contributor to this lower consumption. The expansion in construction activities, an uptick in motor vehicle production and the brief increase in the usage of LPG in the energy sector are the likely supporting elements for this healthy demand.

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

	Sep 13	Sep 12	Change from Sep 12	Change from Sep 12, %
LPG	362	339	23	6.8
Gasoline	1,129	1,121	8	0.7
Jet/Kerosene	876	819	57	7.0
Gas/Diesel oil	3,213	3,205	8	0.3
Fuel oil	336	343	-8	-2.2
Other products	1,031	1,032	-1	-0.1
Total	**6,947**	**6,859**	**88**	**1.3**

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

Oil consumption in **France** and **Italy** is a continuation of the previous month's performance. The general sentiment of the scale of oil consumption shrinkage has improved substantially over previous months. As the French economy emerged out of recession with its 2Q13 GDP at 0.4%, which highlights the strongest q-o-q growth since 2011 - household consumption was considered the positive contributor to this improvement. On the other hand, the unemployment rate remained high as rates advanced to above 8% from 7.5% recorded in August, but below the level of September a year earlier.

Italy's unemployment remained above 12%, while the country's industrial production was left unchanged, with the overall GDP expected to contract by 1.4% in 2013. As a result, overall oil consumption in France and Italy is anticipated to be pressured by the general slowness of economic recovery, high unemployment rates and tight austerity programmes.

For 2013, **European oil demand** is estimated to shrink by 0.26 mb/d, while oil demand growth in 2014 remains unchanged from the previous *MOMR*, showing a lower decline of 0.17 mb/d.

OECD — Asia Pacific

OECD Asia Pacific oil demand growth down 0.14 mb/d in 2013

In **Japan**, substituting crude oil and fuel oil with coal and other fuels continued during the month of September. September data showed a significant decrease in direct crude oil burning, accounting for as high as 0.1 mb/d - or more than 46% - from levels seen a year ago. A similar reduction was noticed in the fuel oil consumption, which dipped by more than 0.2 mb/d - or more than 25%. These reductions, combined with the a small drop in gasoline consumption, caused overall oil consumption in Japan to decline by more than 0.2 mb/d – above 5% - during the month of September. The country's total oil demand is now set at 3.7 mb/d. Year-to-date in September, Japanese power utilities' overall demand for crude and fuel oil stood at around 0.9 mb/d, down by more than 23% from the same period a year earlier, leaving total Japanese oil consumption at around 4 mb/d, down by more than 4%.

On a different note, the overall GDP of 2Q13 improved to 1.2% from the 0.3% level seen in 1Q13, with overall 2013 GDP growth now anticipated to reach 1.9%. Unemployment levels are low, export figures in the month of September are the highest in 3Q13, new motor vehicle registrations y-o-y picked up in the month after a long downward trend from September 2012, and the consumer confidence indicator was at its uppermost level since June 2013. Hence, the issue of concern in the Japanese oil consumption outlook is very much linked to demand for the power generation sector. The replacement of crude oil and fuel oil by other sources of energy will indeed continue in 2013 and will have an adverse effect on the oil demand picture, despite the general steady progress in Japanese economic activities.

Table 4.4: Japanese domestic sales, tb/d

	Sep 13	Change from Sep 12	Change from Sep 12, %
LPG	392	2	0.4
Gasoline	971	-25	-2.5
Naphtha	764	61	8.6
Jet fuel	124	40	47.6
Kerosene	146	7	4.8
Gas oil	575	2	0.4
Fuel oil	526	-177	-25.2
Other products	65	-6	-8.0
Direct crude burning	144	-123	-46.1
Total	**3,707**	**-219**	**-5.6**

In **South Korea**, September 2013 total oil consumption declined by 40 tb/d - or more than 4% - y-o-y, with total consumption currently standing above 2.2 mb/d. All key product categories, namely naphtha, middle distillates and fuel oil, performed poorly during the month, with the exception of LPG and gasoline. The country suffered a dip in the manufacturing output indicator in September, the first fall in three months, as the auto industry suffered a labour force strike for two major automobile manufacturers - Hyundai Motor Co and Kia Motors Corp. This was in combination with shorter business activities in September, due to public holidays. Both these issues are assumed to be the major factors behind the dip in oil demand.

OECD Asia Pacific oil consumption is now expected to fall by more than 0.14 mb/d in 2013. The decline is expected to continue in 2014, but by a lesser extent at 0.13 mb/d.

Other Asia

Other Asia oil demand growth up by 0.20 mb/d to stand at 11.06 mb/d in 2013

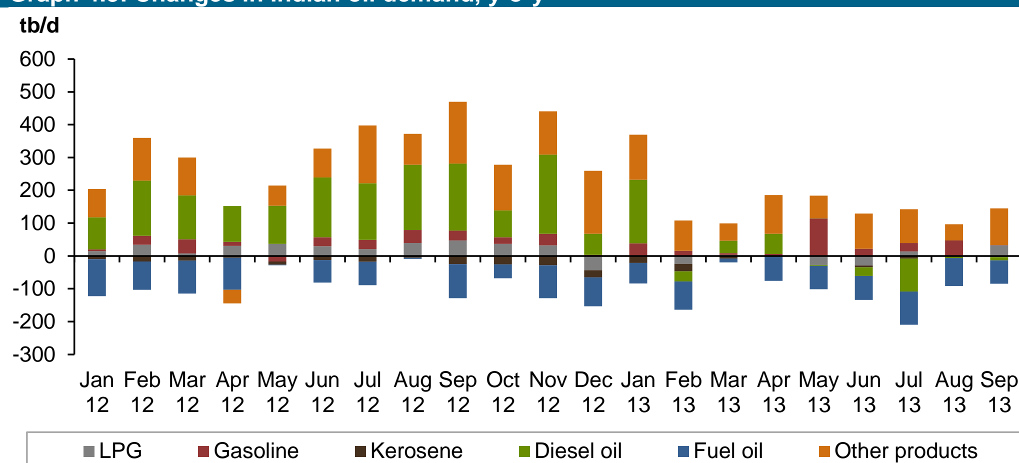
In **India**, oil demand in September 2013 increased for the first time since May 2013. It was up by 1.6% y-o-y, driven by rising requirements of feedstock for electricity and cement production. This development came despite continuing concerns in relation to the depreciation of the rupee and pending fiscal issues. Strong demand in LPG for the petrochemical industry, as well as requirements for bitumen and petroleum coke for the cement and road construction industries, were partly offset by a slight decline in kerosene and gas/diesel oil requirements, as well as sharply dropping residual fuel demand, the latter resulting from fuel substitution with natural gas in the agricultural sector. September was the month in 2013 with the lowest y-o-y growth in gasoline, which was also negatively influenced by the great number of national holidays.

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

	Sep 13	Aug 13	Jan-Sep 13	Difference to Jan-Jul 12	%
LPG	572	500	496	-4	-0.8
Motor gasoline	374	415	401	31	8.2
Jet Kero	267	265	278	-7	-2.6
Gas diesel oil	1,401	1,331	1,463	13	0.9
Residual fuel oil	194	270	272	-71	-20.7
Other products	928	576	777	93	13.7
Total oil demand	**3,736**	**3,356**	**3,689**	**55**	**1.5**

The picture in the Indian automobile industry seems to have stabilized, with expectations for promising sales during October 2013. Nevertheless, projections foresee the year to end with negative growth in car sales for the first time since 2003, keeping at least the short-term outlook risks for the Indian automobile market on the downside, in line with the weak state of the economy. Overall forecasts for 2013 and 2014 Indian oil demand have remained unchanged since the projections of the previous month and after some revisions two months ago as a result of the country's growing fiscal deficit, which may imply shrinking demand for all oil product categories in the near future, should it remain unsolved.

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



In **Indonesia**, the country's growing fiscal deficit and higher fuel prices curbed oil demand in August to almost the same levels as last year. Moreover, Indonesia has recently introduced policies to reduce fuel consumption – the most prominent being the introduction of tax incentives for fuel efficient vehicles and vehicles with smaller engines. Indonesia is also planning the improvement of its Radio Frequency Identification (RFID) technology. RFID provides a technology that enables the scanning of vehicles, which could purchase subsidized fuels, leading to a better control of subsidies.

August 2013 saw negative oil demand growth in **Thailand** y-o-y, as a result of lower LPG and distillates requirements. Higher LPG prices, as a result of lower subsidies, have negatively influenced LPG demand in households. As in July 2013, Taiwan's flourishing petrochemical industry, in combination with strong transportation fuel requirements, pushed the country's oil demand up by almost 15% in August y-o-y.

Other Asia's oil demand is expected to grow strongly by 0.20 mb/d in 2013. In 2014, oil demand is forecast to grow solidly again, increasing by 0.24 mb/d.

Latin America

Latin America oil demand growth up by 0.23 mb/d to stand at 6.50 mb/d in 2013

In **Brazil**, the deceleration in manufacturing output in July 2013 continued in August, however, to a lesser extent, implying decreasing fuel oil usage. Nevertheless, requirements for transportation fuels, especially ethanol, pushed Brazilian oil demand to overall 3% growth in August, compared to the same month last year.

Table 4.6: Brazilian inland deliveries, tb/d

	Jan-Aug 13	Jan-Aug 12	Change	Change, %
LPG	228	223	5	2.2
Gasoline	697	666	31	4.6
Jet/Kerosene	124	127	-3	-2.1
Diesel	995	938	57	6.0
Fuel oil	88	60	28	46.0
Alcohol	174	163	11	6.7
Total	**2,306**	**2,177**	**128**	**5.9**

In **Argentina**, August 2013 was another month for strong oil demand, in which oil requirements grew by almost 4%, led by rising demand for transportation fuels, notably gasoline. Latest **Ecuadorian** data for September 2013 show flat oil requirements, compared to the same month last year - gasoline jet/kerosene and diesel requirements rose, while fuel oil demand shrank.

Latin American oil demand is projected to grow in 2013 by 0.23 mb/d. In 2014, Latin American oil demand is forecast to increase by a slightly higher 0.24 mb/d.

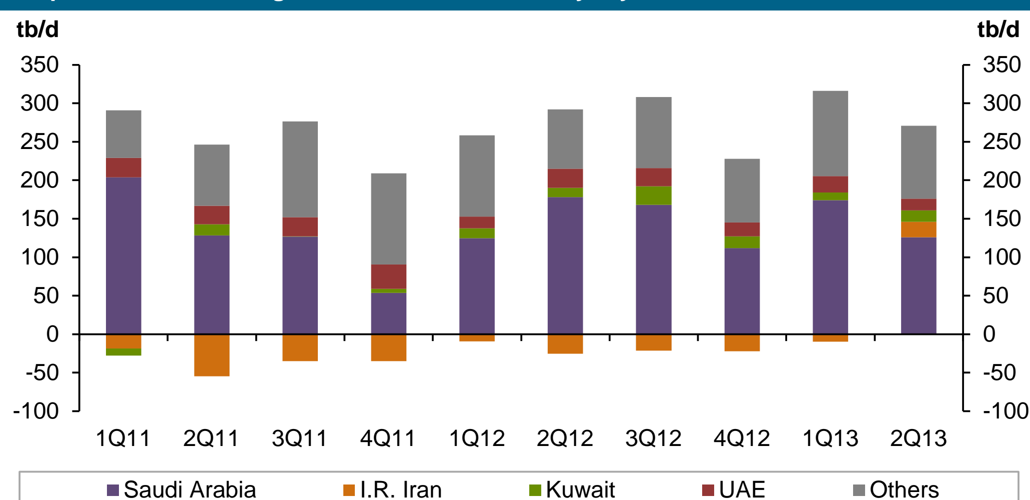
Middle East

Middle East oil demand growth up by 0.29 mb/d to stand at 7.88 mb/d in 2013

In **Saudi Arabia**, the first three quarters of 2013 indicate 2.1% y-o-y growth in oil demand. Strong growth in the road transportation sector, supported by solid gains in auto sales, led to higher demand for diesel and gasoline, while fuel oil has been replacing crude oil in direct burning for electricity generation. Oil demand also grew solidly in **Iraq** during August 2013, as a result of increasing direct crude burning for electricity generation and rising LPG and jet fuel requirements, which more than offset declining gasoline and fuel oil demand. Latest September **Qatari** data show oil demand increasing by almost 5% y-o-y, with diesel and LPG accounting for the bulk of the increase. The outlook for 2013 and 2014 Middle East oil demand remained unchanged from the previous month's projections.

Middle East oil demand is expected to grow by 0.29 mb/d in 2013 and 0.31 mb/d in 2014, in line with higher economic expectations.

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



China

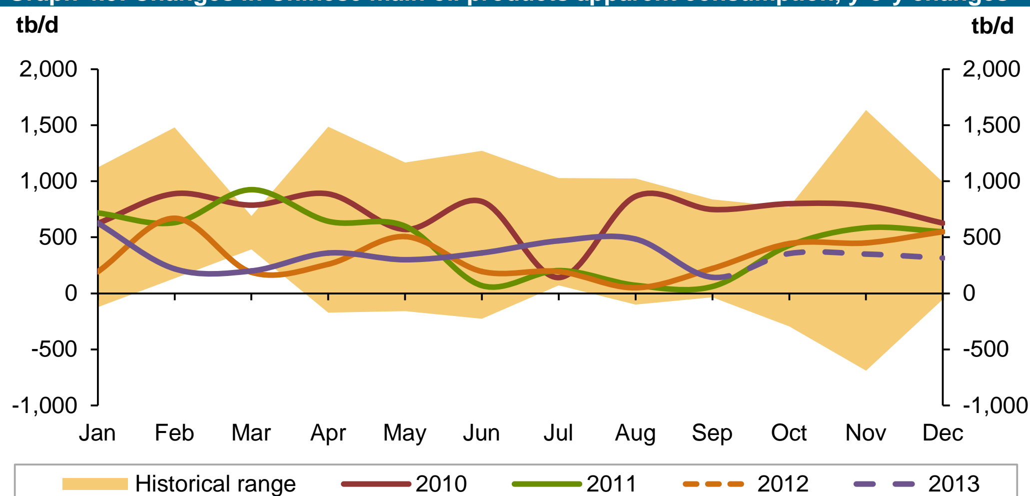
China oil demand growth up by 0.33 mb/d to stand at 10.07 mb/d in 2013

Following a strong August 2013, **Chinese** oil demand became weak in September with just 1.5% growth y-o-y and lower-than-average historical levels. Chinese oil demand in September was mostly determined by increasing LPG usage in the petrochemical industry and gasoil/diesel, both in the transportation and industrial sectors, while jet fuel/kerosene, gasoline and fuel oil requirements declined, compared to the same month in 2012. Strong industrial production during September pushed demand for diesel up, while increasing car sales, in combination with rising mileage, positively influenced consumption of transportation fuels.

In China, upgraded fuel quality, in order to reduce air pollution, will probably have implications on fuel prices. More particularly, current plans are quite ambitious and call for a reduction of the sulphur content for both diesel and gasoline to be 10 ppm (parts per million) at the maximum by 2017, i.e. meeting the national "fifth-phase" standard, currently only being adopted by Beijing. The country's schedule calls for motor gasoline to meet the "fourth-phase" standard (emissions less than 50 ppm) by 2014 and motor diesel by 2015. Some of China's big cities, including Beijing, Shanghai, Jiangsu and Zhejiang, have adopted at least the "fourth-phase" standards, while the rest of the country follows lower emission requirements, allowing the sulphur content of fuel to be a maximal 150 ppm ("third-phase" standard). The overall 2013 and 2014 outlooks remain relatively unchanged since the previous month with the same risks, i.e. economic slowdown and the implementation of some of the above measures in relation to transportation fuel demand.

Chinese oil demand is expected to grow by 0.33 mb/d in both 2013 and 2014.

Graph 4.5: Changes in Chinese main oil products apparent consumption, y-o-y changes



World Oil Supply

Non-OPEC

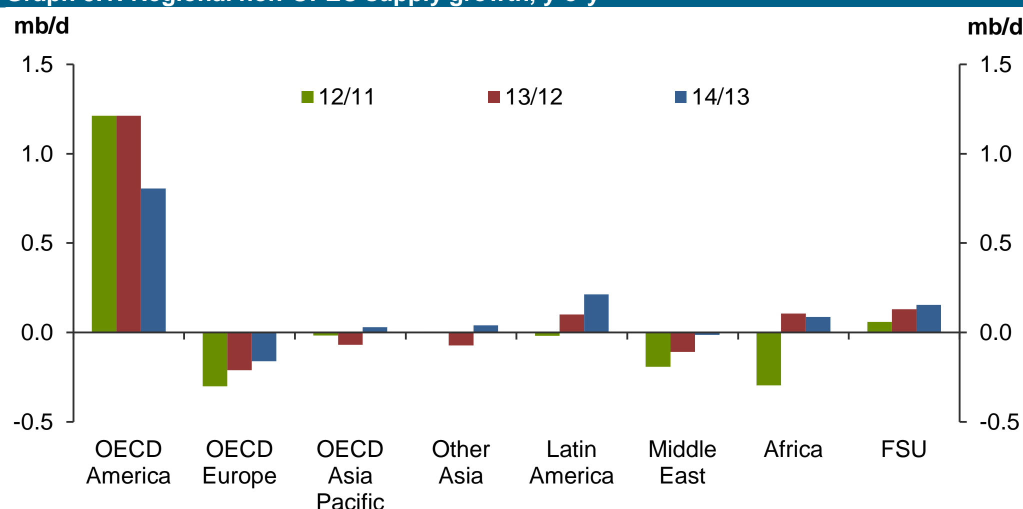
Estimate for 2013

Non-OPEC supply to increase by 1.18 mb/d in 2013

Non-OPEC oil supply is expected to increase by 1.18 mb/d in 2013 to average 54.10 mb/d. This represents an upward revision of 35 tb/d from the previous *MOMR*. The adjustment applies to all quarters, with the second half having a larger revision than the first, as updated third-quarter production showed higher-than-expected output. The supply profiles of the US, Canada, the UK, Other Western Europe, Russia and Azerbaijan were revised up, while downward revisions were made to Brunei, Yemen, South Sudan, Sudan and Kazakhstan's supply projections. The upward revisions were larger than the downward adjustments, resulting in the overall increase in the non-OPEC supply forecast for 2013.

Most of the revisions came on the back of updated production data. The third quarter experienced the largest revisions, as actual data became available. Furthermore, some of the revisions in the third quarter were carried over to the fourth quarter, in addition to changes to output expectations for some countries. OECD Americas supply forecast experienced the biggest upward revision in the third quarter, as preliminary data indicated higher-than-expected output in the US and Canada. The largest downward revision was introduced to Other Asia's supply projection, as historical data for Brunei's output necessitated the revision.

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



OECD Americas remains the region with the highest expected growth among all non-OPEC regions in 2013, followed by the Former Soviet Union (FSU) and Africa. On the contrary, OECD Europe, the Middle East and Other Asia are seen as the regions expected to have the highest declines among non-OPEC producers.

According to preliminary and estimated data, total non-OPEC supply in the third quarter of 2013 increased by 1.97 mb/d over the same period a year ago. During the first three quarters of the year, non-OPEC supply increased by 1.27 mb/d, compared to the same period in the previous year. On a quarterly basis, non-OPEC supply in 2013 is expected to average 53.84 mb/d, 53.70 mb/d, 54.21 mb/d and 54.63 mb/d, respectively.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013	*Change* 13/12
Americas	16.75	17.66	17.62	18.26	18.31	17.96	1.21
Europe	3.77	3.63	3.57	3.48	3.55	3.56	-0.21
Asia Pacific	0.56	0.45	0.49	0.52	0.51	0.49	-0.07
Total OECD	**21.08**	**21.73**	**21.69**	**22.26**	**22.37**	**22.01**	**0.93**
Other Asia	3.64	3.65	3.56	3.49	3.57	3.57	-0.07
Latin America	4.67	4.71	4.73	4.77	4.87	4.77	0.10
Middle East	1.50	1.48	1.35	1.37	1.36	1.39	-0.11
Africa	2.30	2.30	2.42	2.44	2.48	2.41	0.11
Total DCs	**12.12**	**12.14**	**12.06**	**12.08**	**12.29**	**12.14**	**0.02**
FSU	13.30	13.45	13.39	13.43	13.47	13.43	0.13
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.16	4.24	4.27	4.15	4.21	4.22	0.06
Total "Other regions"	**17.60**	**17.82**	**17.80**	**17.71**	**17.82**	**17.79**	**0.19**
Total Non-OPEC production	**50.80**	**51.69**	**51.54**	**52.05**	**52.48**	**51.94**	**1.14**
Processing gains	2.12	2.15	2.15	2.15	2.15	2.15	0.04
Total Non-OPEC supply	**52.92**	**53.84**	**53.70**	**54.21**	**54.63**	**54.10**	**1.18**
Previous estimate	52.92	53.85	53.76	54.07	54.55	54.06	1.14
Revision	-0.01	-0.01	-0.06	0.13	0.08	0.04	0.04

Forecast for 2014

Non-OPEC supply to increase by 1.20 mb/d in 2014 to average 55.30 mb/d

Non-OPEC oil production is expected to increase by 1.20 mb/d to average 55.30 mb/d in 2014. The absolute level was revised up by 30 tb/d, due mainly to historical revisions undertaken in 2012 and 2013, while expected growth was revised down by 10 tb/d. The overall outlook for non-OPEC supply in 2014 remains relatively unchanged, with strong growth expected in OECD Americas, driven mainly by the US and Canada. OECD Europe is expected to see the largest decline in 2014. Latin America is projected to have the second-largest regional growth after OECD Americas, followed by the FSU and Africa. Latin America's oil supply is forecast to increase on growth from Brazil and Colombia. The US, Canada, Brazil, South Sudan and Sudan, Kazakhstan, Colombia and Russia are expected to be the main growth drivers in the year, while Norway, the UK, Syria and Mexico's supply is seen to decline.

On a quarterly basis, non-OPEC supply in 2014 is seen to average 54.88 mb/d, 54.79 mb/d, 55.20 mb/d and 56.30 mb/d, respectively.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014	*Change* 14/13
Americas	17.96	18.43	18.51	18.83	19.29	18.77	0.81
Europe	3.56	3.52	3.35	3.24	3.48	3.40	-0.16
Asia Pacific	0.49	0.51	0.53	0.53	0.51	0.52	0.03
Total OECD	**22.01**	**22.46**	**22.39**	**22.60**	**23.29**	**22.69**	**0.67**
Other Asia	3.57	3.59	3.61	3.62	3.60	3.61	0.04
Latin America	4.77	4.89	4.93	5.00	5.12	4.99	0.21
Middle East	1.39	1.37	1.38	1.38	1.39	1.38	-0.01
Africa	2.41	2.49	2.50	2.50	2.50	2.50	0.09
Total DCs	**12.14**	**12.35**	**12.42**	**12.49**	**12.61**	**12.47**	**0.33**
FSU	13.43	13.53	13.45	13.56	13.81	13.59	0.15
Other Europe	0.14	0.14	0.14	0.14	0.14	0.14	0.00
China	4.22	4.23	4.21	4.23	4.28	4.24	0.02
Total "Other regions"	**17.79**	**17.90**	**17.80**	**17.93**	**18.23**	**17.97**	**0.18**
Total Non-OPEC production	**51.94**	**52.70**	**52.61**	**53.02**	**54.13**	**53.12**	**1.18**
Processing gains	2.15	2.18	2.18	2.18	2.18	2.18	0.02
Total Non-OPEC supply	**54.10**	**54.88**	**54.79**	**55.20**	**56.30**	**55.30**	**1.20**
Previous estimate	54.06	54.83	54.75	55.18	56.29	55.27	1.21
Revision	0.04	0.05	0.04	0.02	0.01	0.03	-0.01

Revisions to the 2014 forecast

There have been a few offsetting adjustments to the 2014 non-OPEC supply forecast, in addition to the historical updates. The US oil supply growth in 2014 has been revised up, as well as that of the UK, Russia and Kazakhstan, while Norway, Brunei, India, Argentina, Gabon, South Africa, South Sudan and Sudan, and Azerbaijan oil supply have been revised down. US oil supply in 2014 is now expected to increase by 0.67 mb/d to average 11.74 mb/d.

OECD

OECD total oil supply is expected to increase by 0.93 mb/d in 2013 to average 22.01 mb/d, following an upward revision of 85 tb/d from the previous month. This revision was introduced to OECD Americas and OECD Europe, while the forecast for OECD Asia Pacific supply remained unchanged, compared to the previous *MOMR*. The OECD supply profile remains steady, with strong growth coming from OECD Americas leading overall growth, with a decline in OECD Europe and OECD Asia Pacific. According to preliminary actual and estimated data, OECD supply averaged 22.26 mb/d in the third quarter of this year, an increase of 0.57 mb/d over the previous quarter and a rise of 1.66 mb/d compared to the same quarter last year. During the first three quarters of 2013, OECD oil supply witnessed an average increase of 0.99 mb/d, compared to the same period a year earlier.

On a quarterly basis, OECD supply in 2013 is seen to average 21.73 mb/d, 21.69 mb/d, 22.26 mb/d and 22.37 mb/d, respectively.

Graph 5.2: OECD's quarterly production

OECD Americas

OECD Americas' oil production is estimated to increase by 1.21 mb/d in 2013, the highest rise among all non-OPEC regions, to average 17.96 mb/d, indicating an upward revision of 70 tb/d from the previous month. The expected healthy supply growth from the US and Canada and the anticipated relatively low decline from Mexico all supported OECD Americas supply projection. On average, OECD Americas supply increased by 1.35 mb/d during the first three quarters of 2013, compared to the same period of 2012, according to preliminary data.

On a quarterly basis, OECD Americas supply in 2013 is expected to stand at 17.66 mb/d, 17.62 mb/d, 18.26 mb/d and 18.31 mb/d, respectively.

US

US supply growth in 2013 is expected to surpass 2012 level to average 1.02 mb/d

US oil supply is estimated to increase by 1.02 mb/d in 2013 to average 11.06 mb/d, indicating an upward revision of 70 tb/d compared to the previous month. The current expected growth for the US in 2013 is the highest on record for the nation and the highest among all non-OPEC countries for 2013. The projection for US supply growth in 2013 is currently exceeding the increase achieved in 2012. The third and fourth quarter supply experienced the majority of the upward revisions to adjust for updated production data that continued to show a strong increase, as well as a few changes to

output expectations. Additionally, historical data revisions to 2012 supply affected the figures for 2013. Tight oil developments are seen as the main driver of the strong growth that has been achieved so far and that is expected to continue through 2013 in Texas, North Dakota and other locations. Furthermore, new NGL capacity further supported the expected growth in US supply in 2013.

North Dakota's supply reached a new record average of 910 tb/d in August, representing an increase of 35 tb/d over the previous month. The new record that broke the 900 tb/d level for North Dakota production in August came after just three months of output breaking the 800 tb/d level in May. This strong growth was driven by increased drilling efficiency and well productivity.

The same factor supported **Texas** oil production in August, which averaged 2.68 mb/d. Eagle Ford production is seen as the main driver of Texas oil supply growth, which indicated an increase of 50% compared to the same month a year earlier. Bakken and Eagle Ford production is seen as responsible for around 75% of the US supply growth so far achieved. NGL production is expected to further support output in 2013 as more operators are focusing on wet gas wells to improve gas production economics.

On the other hand, the impact on **Gulf of Mexico** production from tropical storm Karen, which caused various shutdowns for a short period, impacted the outlook. According to preliminary data, US supply increased by 1.39 mb/d in the third quarter, compared to the same period a year ago.

On a quarterly basis, US oil supply in 2013 is seen to average 10.65 mb/d, 10.96 mb/d, 11.32 mb/d and 11.33 mb/d, respectively.

Canada and Mexico

Upward revision brings expected Canada supply growth in 2013 to 0.23 mb/d, the highest since 1979

Canadian oil supply is expected to increase by 0.23 mb/d in 2013 to average 4.14 mb/d, indicating an upward revision of 5 tb/d compared to the previous *MOMR*. The expected growth in 2013 is the highest annual supply increase since 1979. The foreseen growth is supported by oil sands developments, as well as tight oil. The introduced revision came in the third quarter, reflecting updated production data. Despite the maintenance of some facilities during the third quarter, updated production data required the undertaken revision. The start-up of the Christina Lake 2B project, with an expected capacity of 35 tb/d, supported the upward revision. The upward revision came despite the minor impact from the distribution of gas supply for oil producers, due to pipeline issues. According to preliminary data, Canada's oil supply averaged 4.04 mb/d in the third quarter of 2013, an increase of 260 tb/d from the second quarter and growth of 0.37 mb/d, compared to the third quarter a year earlier.

On a quarterly basis, Canada's oil supply in 2013 is expected to average 4.08 mb/d, 3.76 mb/d, 4.04 mb/d and 4.11 mb/d, respectively.

Mexico's oil production to drop 40 tb/d in 2013 and average 2.88 mb/d

Mexico's oil production is expected to decline by 40 tb/d in 2013 to average 2.86 mb/d, unchanged from the previous month. According to preliminary data, Mexico's oil production experienced a minor increase in September and October over August, yet third quarter output indicated a decline of 20 tb/d compared to the same period a year earlier. The drop is seen due to a decline in mature producing areas and limited new developments. The experienced increase in September came as the Ku-Maloob-Zaap field's output returned to normal levels of around 870 tb/d. During the first three quarters, Mexico's oil supply averaged 2.89 mb/d, a decline of 40 tb/d compared to the same period the previous year.

On a quarterly basis, Mexico's oil supply in 2013 is seen to average 2.91 mb/d, 2.87 mb/d, 2.88 mb/d and 2.86 mb/d, respectively.

OECD Europe

Total **OECD Europe** oil supply is anticipated to decline by 0.21 mb/d in 2013 to average 3.56 mb/d, indicating an upward revision of 20 tb/d from the previous *MOMR*. Updated production data required the upward revision, mainly on the back of healthier output. OECD Europe is seen as the region with the biggest decline among all the

non-OPEC regions in 2013. According to preliminary data, OECD Europe's production averaged 3.48 mb/d in the third quarter, the lowest quarterly output in 2013, indicating a decline of 90 tb/d from the second quarter and relatively steady compared to the same quarter in 2012.

On a quarterly basis, OECD Europe's oil supply in 2013 is seen standing at 3.63 mb/d, 3.57 mb/d, 3.48 mb/d and 3.55 mb/d, respectively.

Norway output decreased in September

Norway's oil production is projected to decline by 80 tb/d in 2013 and average 1.84 mb/d, unchanged from the previous *MOMR*. The current expected decline in Norway's oil supply is the lowest since 2004. Despite the steady state, Norway's oil supply encountered a minor upward revision in the third quarter, but it did not impact the annual figure. Updated production data for the third quarter led to this adjustment as August production indicated a higher level than previously expected. Preliminary data indicated that Norway's oil supply declined in September on the back of lower output from Gullfaks, Oseberg, Ekofisk and other offshore facilities. The start-up of Visund North in early November is seen supporting output, in addition to Skarv reaching its output target, as well as the addition from the new Ekofisk extension. On the other hand, delays in Brynhild's start-up, as well as the redevelopment of Valhall, is seen negatively impacting Norway's oil supply in 2013. According to preliminary data, Norway's oil supply declined by around 110 tb/d during the first three quarters, compared to the same period a year ago.

On a quarterly basis, Norway's oil production in 2013 is expected to average 1.84 mb/d, 1.84 mb/d, 1.83 mb/d and 1.85 mb/d, respectively.

Start-up of the Rochelle field in the UK

The **UK's** oil production is expected to decline by 90 tb/d in 2013 to average 0.86 mb/d, representing a minor upward revision of 10 tb/d from the previous month. The expected annual production level for the UK in 2013 is the lowest since 1977. The minor upward revision was introduced to adjust for updated production data in the third quarter, which came in slightly higher than previously expected. UK oil output indicated an increase in September from the low level seen in August, mainly from Forties production. The start-up of the Rochelle field supported the undertaken revision. Additionally, the restart of the Causeway and Cormorant East field further supported the revision. During the third quarter, the UK's oil supply averaged 0.80 mb/d, a decline of 30 tb/d compared to the same quarter a year earlier. Output is expected to increase in the fourth quarter as production from some fields is seen returning to normal levels. During the first three quarters of 2013, UK oil production declined by an average of 110 tb/d, compared to the same period last year.

On a quarterly basis, UK oil output in 2013 is expected to average 0.92 mb/d, 0.89 mb/d, 0.80 mb/d and 0.85 mb/d, respectively.

OECD Asia Pacific

OECD Asia Pacific total oil production is foreseen declining by 70 tb/d in 2013 to average 0.49 mb/d, relatively unchanged from the previous month. The decline is seen as output is projected to drop from the group's main producers.

On a quarterly basis, total OECD Asia Pacific oil supply in 2013 is seen to average 0.45 mb/d, 0.49 mb/d, 0.52 mb/d and 0.51 mb/d, respectively.

Kipper Tuna Turrum start-up in October

Australia's oil supply is forecast to decline by 60 tb/d in 2013 and average 0.42 mb/d, flat from the previous month. There was a minor downward revision in the third quarter, on the back of updated production data that did not affect the annual average. Australia's oil supply is seen remaining steady in the fourth quarter, compared to the third quarter as the expected limited new barrels are seen to offset the drop from natural decline. The start-up of the condensate Kipper Tuna Turrum project in late October is expected to support Australia's oil supply in 2013 and in the coming years. During the first three quarters of 2013, Australia's oil supply indicated a decline of 80 tb/d, compared to the same period a year earlier.

On a quarterly basis, Australia's oil production in 2013 is seen to stand at 0.37 mb/d, 0.41 mb/d, 0.45 mb/d and 0.44 mb/d, respectively.

Developing countries

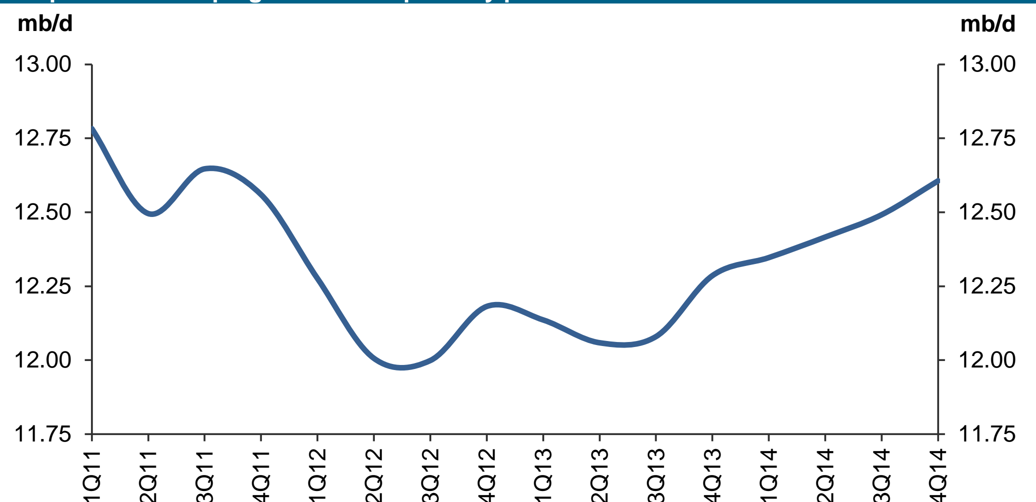
DCs supply to increase by 20 tb/d in 2013 to average 12.14 mb/d

Developing countries (DCs) total oil supply is expected to remain relatively steady in 2013 with a minor increase of 20 tb/d over the previous year to average 12.14 mb/d. The supply figure for DCs experienced a downward revision of 35 tb/d, compared to the previous *MOMR*. The downward revision impacted all quarters with heavier weight on the third and fourth quarters, which was driven mainly by updated production data in the third quarter, which was below expectations for a few countries and was partly carried over to the fourth quarter. In general, the current DC supply profile indicates growth from Africa and Latin America, while supply from the Middle East and Other Asia is expected to decline.

Africa's oil supply is expected to achieve the highest growth among the DC regions in 2013, as the expected output growth in South Sudan, Sudan and Ghana is seen to offset declines in other countries. On a country basis, South Sudan and Sudan, Colombia and Ghana are expected to have the highest growth among all DCs, while Syria and Indonesia are seen to have the biggest declines. During the first three quarters of 2013, DCs oil supply is estimated to have averaged 12.09 mb/d, steady compared with the same period of 2012.

On a quarterly basis, DCs oil output in 2013 is expected to average 12.14 mb/d, 12.06 mb/d, 12.08 mb/d and 12.29 mb/d, respectively.

Graph 5.3: Developing Countries' quarterly production



Other Asia oil supply to decline by 70 tb/d in 2013 and average 3.57 mb/d

Other Asia's oil production is projected to decrease by 70 tb/d in 2013 to average 3.57 mb/d, representing a downward revision of 15 tb/d from the previous *MOMR*. The downward revision applied to all quarters as historical and updated production data indicated lower output during the first half of 2013, which was partially carried over to the rest of the year. Brunei's oil production experienced a downward revision of 15 tb/d in 2013 to average 0.15 mb/d, representing a decline of 10 tb/d compared to the previous year. The downward revision came on the back of historical data revision in 2012, as well as updates to 2013 data. India's oil supply is seen to decline by 10 tb/d in 2013 to average 0.87 mb/d, unchanged from the previous *MOMR*. The minor decline expected in India's oil supply in 2013 is seen as a result of the slow increase from the Mangala fields in Rajasthan failing to offset the decline from mature producing areas, especially offshore output. On a quarterly basis, Other Asia's oil supply in 2013 is seen to stand at 3.65 mb/d, 3.56 mb/d, 3.49 mb/d and 3.57 mb/d, respectively.

Oil supply from **Indonesia**, the region's largest producer, is expected to decline by 50 tb/d in 2013 to average 0.93 mb/d. The foreseen drop in Indonesia's oil output is expected on the back of a decline from mature producing areas, together with limited volumes from new developments. Reports show that the national regulator has indicated that Indonesia will not be able to realize its already reduced target, as production up to October was below the budgeted level. **Malaysia**'s oil supply is anticipated to average 0.66 mb/d in 2013, steady from the previous year and the last *MOMR*. The new volume expected from the Gumusut developments is seen to offset

the decline from other mature areas.

Colombia's oil output decline in September

Latin America's oil production is foreseen to increase by 100 tb/d in 2013 to average 4.77 mb/d, flat from the previous *MOMR*.

Argentina's oil supply is expected to decline by 30 tb/d in 2013 to average 0.66 mb/d. The expected decline is seen despite a report by the national operator that September output indicated an increase compared to the same period a year earlier. Yet, other operators' output is assumed to be lower in September as Argentina's total production is seen declining in the third quarter by 20 tb/d, compared to the same period a year earlier. Reports indicated that oil and gas output from the Vaca Muerta shale development is increasing and production is running from 90 wells.

Colombia's oil production is expected to increase by 70 mb/d in 2013 to average 1.03 mb/d. Growth is expected to be supported by the Rubiales and Quifa developments. Colombia's oil production indicated a decline in September compared to August and July, mainly due to security issues and attacks on infrastructure.

On a quarterly basis, Latin America's oil production in 2013 is seen to average 4.71 mb/d, 4.73 mb/d, 4.77 mb/d and 4.87 mb/d, respectively.

Brazil's production in the first three quarters of 2013 was steady

Brazil's oil supply is expected to increase by 30 tb/d in 2013 to average 2.63 mb/d, unchanged from the previous month. Minor supply growth is expected to come mainly from the fourth quarter as output during the first three quarters remained steady, compared to the same period a year earlier. Brazil's oil output is forecast to increase in the fourth quarter, compared to the third quarter, as production impacted by maintenance in the Campos basin is seen returning and barrels from new developments are seen to support total output. The short worker strike in October is seen to have had a minor impact on Brazil's output. The start-up of the Parques das Conchas BC-10 second phase is seen supporting the increase in the fourth quarter and coming year. Furthermore, the P-55 is en route for the Roncador area to be installed and support Brazil's supply. On the other hand, the national operator stated that output in the second half of 2013 will be lower than previously indicated, which could lead to a downward revision in the coming period.

On a quarterly basis, Brazil's oil supply in 2013 is expected to average 2.57 mb/d, 2.61 mb/d, 2.62 mb/d and 2.71 mb/d, respectively.

Middle East supply to decline by 0.11 mb/d in 2013 to average 1.39 mb/d

Middle East oil supply is forecast to decline by 0.11 mb/d in 2013 to average 1.39 mb/d, representing a minor downward revision of 10 tb/d from the previous month. **Oman** and **Bahrain** oil supply is expected to see growth in 2013, while supply from **Syria** and **Yemen** is estimated to decline. Oman's production is expected to increase by 20 tb/d in 2013 to average 0.94 mb/d, flat from the previous *MOMR*. Growth is supported by enhanced oil recovery projects, such as the Mukhaizna oil development. Bahrain's oil production is expected to increase by 20 tb/d in 2013 to average 0.21 mb/d, supported by the Awali project. Yemen's oil supply is estimated to average 0.15 mb/d in 2013, a drop of 30 tb/d from the previous year, indicating a downward revision of 10 tb/d, compared to the previous *MOMR*. The security issue remains the main factor impacting Yemen's oil supply with continued attacks on oil infrastructure. Syria's oil supply is seen to average 90 tb/d in 2013, a fall of 0.12 mb/d from 2012. The supply forecasts of both Yemen and Syria are associated with very high levels of uncertainty, due to limited data and ongoing security issues. Reports suggested that Syria's oil output averaged 30 tb/d during the first three quarters of the year and that production was below 20 tb/d in October.

On a quarterly basis, Middle East oil supply in 2013 is estimated to average 1.48 mb/d, 1.35 mb/d, 1.37 mb/d and 1.36 mb/d, respectively.

Africa's oil output to increase by 0.11 mb/d in 2013 to average 2.41 mb/d

Africa's oil production is predicted to increase by 0.11 mb/d in 2013 to average 2.41 mb/d, indicating a downward revision of 10 tb/d from the previous *MOMR*. **South Sudan** and **Sudan's** oil supply is forecast to average 0.23 mb/d, an increase of 0.11 mb/d over 2012 and a downward revision of 10 tb/d compared to the previous month. The downward revision came on the back of reports indicating that South

Sudan's oil supply averaged 190 tb/d in October, which is lower than previously expected. Among African countries, production growth in 2013 is seen only coming from South Sudan and Sudan, as well as **Ghana**, while output from other producers is seen to either remain steady, or decline. The Jubilee project's output in Ghana is expected to reach a capacity of 120 tb/d by the end of the year. According to preliminary and estimated data, during the first three quarters of 2013, Africa's oil supply is estimated to have increased by 80 tb/d, compared to the same period of 2012.

On a quarterly basis, African oil output in 2013 is seen to average 2.30 mb/d, 2.42 mb/d, 2.44 mb/d and 2.48 mb/d, respectively.

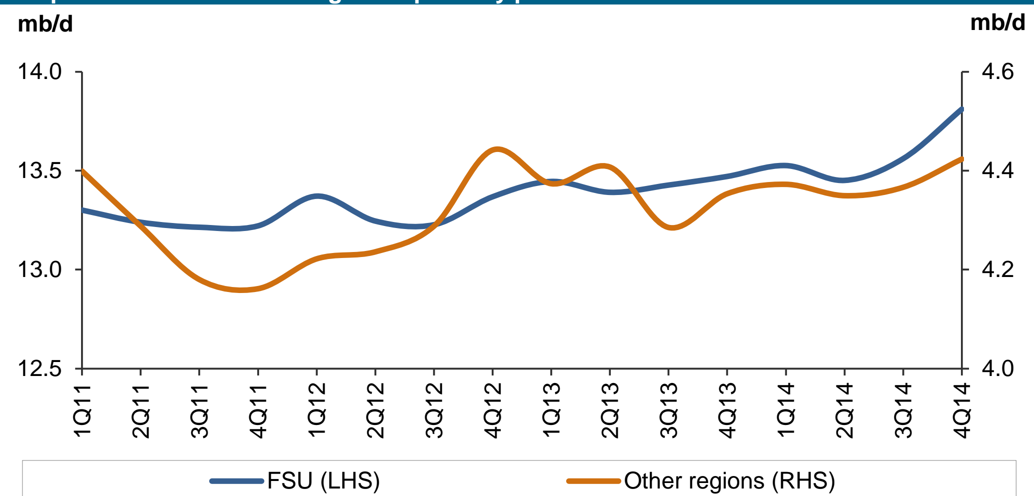
FSU, Other regions

FSU supply to rise by 0.13 mb/d in 2013 to average 13.43 mb/d

The **FSU's** total oil supply is expected to increase by 130 tb/d in 2013 to average 13.43 mb/d, indicating an upward revision of 10 tb/d from the previous month. The expected growth is supported by Russia and Kazakhstan, while output from Azerbaijan is seen to decline. During the first three quarters of 2013, FSU output increased by 120 tb/d, on average, compared to the same period of 2012.

On a quarterly basis, total oil supply in the FSU in 2013 is estimated to average 13.45 mb/d, 13.39 mb/d, 13.43 mb/d and 13.47 mb/d, respectively. China's oil production is expected to increase by 60 tb/d in 2013, to average 4.22 mb/d. Other Europe's oil supply is estimated to remain flat from 2012 and average 0.14 mb/d in 2013.

Graph 5.4: FSU and other region's quarterly production



Russia

Russia's October output reached a new high

Russia's oil production is forecast to grow by 100 tb/d in 2013 and average 10.47 mb/d, representing an upward revision of 5 tb/d from the previous month. The minor upward revision introduced to Russia's oil supply forecast came from the fourth quarter, which experienced an adjustment for actual production data in October.

Russia's oil supply averaged 10.60 mb/d in October, a new post-Soviet record and an increase of 60 tb/d, compared to the previous month. The monthly increase is supported by new barrels from the Trebs field. Reports suggested that a Russian operator is utilizing the hydraulic fracturing method to extract volume from the Orenburg field.

On the other hand, the operator of the Vankor field has revised down the field's output to reach 430 tb/d by the end of 2013, instead of 500 tb/d. In 2013, Russian oil supply continued to witness healthy levels, with monthly output levels reaching new records several times so far. During the first three quarters of 2013, Russian oil production increased by 0.13 mb/d on average, compared with the same period in 2013.

On a quarterly basis, Russian oil supply in 2013 is seen to average 10.45 mb/d, 10.47 mb/d, 10.49 mb/d and 10.48 mb/d, respectively.

Kashagan might not restart in 2013

Caspian

Kazakhstan's oil supply is seen to increase by 50 tb/d in 2013 to average 1.64 mb/d, a minor downward revision of 5 tb/d, compared to the previous *MOMR*. The introduced downward revision came on the back of updated production data in the third quarter. Furthermore, the second shutdown of the Kashagan field, due to technical issues, further supported the downward revision. Reports provided that most likely the Kashagan field will not restart in 2013. During the first three quarters of 2013, Kazakhstan's oil production increased by 60 tb/d, on average, compared to the same period of 2012.

On a quarterly basis, Kazakh oil supply in 2013 is estimated to average 1.68 mb/d, 1.60 mb/d, 1.61 mb/d and 1.66 mb/d, respectively.

Azeri oil supply to drop 30 tb/d in 2013

Azerbaijan's oil supply is anticipated to decline by 30 tb/d in 2013 to average 0.87 mb/d, an upward revision of 10 tb/d from the previous month. The upward revision was introduced to third quarter oil supply as Azeri oil production data indicated higher output than previously expected. During the first three quarters of 2013, Azerbaijan's oil supply dropped by 50 tb/d, compared to the same period a year earlier. The decline came on the back of maintenance and shutdown.

On a quarterly basis, Azerbaijan's oil output in 2013 is expected to stand at 0.87 mb/d, 0.87 mb/d, 0.89 mb/d and 0.85 mb/d, respectively.

New volume to support China's oil production in fourth quarter

China

China's oil production is projected to increase by 60 tb/d in 2013 to average 4.22 mb/d, unchanged from the previous *MOMR*. China's oil output is expected to increase from the flood-impacted third quarter. Additionally, the start-up of Wenchang 19-1, Weizhou 12-8, and the second phase of Suizhong 36-1 is seen to support output in the fourth quarter. According to preliminary data, China's oil production during September averaged 4.18 mb/d, an increase of 30 tb/d compared to the previous month. During the first three quarters of 2013, China's oil supply increased by 110 tb/d, compared to the same period the previous year.

On a quarterly basis, China's oil supply in 2013 is estimated to average 4.24 mb/d, 4.27 mb/d, 4.15 mb/d and 4.21 mb/d, respectively.

OPEC natural gas liquids and non-conventional oils

OPEC natural gas liquids (NGLs) and non-conventional oils are forecast to grow by 0.24 mb/d in 2013 to average 5.80 mb/d. In 2014, OPEC NGLs and non-conventional oils are expected to increase by 0.15 mb/d to average 5.95 mb/d.

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

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

OPEC crude oil production steady in October

OPEC crude oil production

Total OPEC crude oil output averaged 29.89 mb/d in October, according to secondary sources, a minor increase of 3 tb/d from the previous month. Crude oil production experienced an increase from Iraq and Libya, while production fell from Saudi Arabia. OPEC crude production, not including Iraq, stood at 27.00 mb/d in October, a decrease of 126 tb/d over the previous month.

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

	2011	2012	1Q13	2Q13	3Q13	Aug 13	Sep 13	Oct 13	Oct/Sep
Algeria	1,240	1,210	1,169	1,166	1,154	1,151	1,152	1,172	*20.5*
Angola	1,667	1,738	1,754	1,752	1,711	1,682	1,705	1,735	*29.8*
Ecuador	490	499	502	511	519	518	520	518	*-1.2*
Iran, I.R.	3,628	2,973	2,709	2,678	2,678	2,694	2,667	2,651	*-16.3*
Iraq	2,665	2,979	3,031	3,101	2,990	3,194	2,766	2,894	*128.5*
Kuwait	2,538	2,793	2,787	2,837	2,837	2,834	2,844	2,829	*-15.0*
Libya	462	1,393	1,399	1,342	654	553	378	473	*95.5*
Nigeria	2,111	2,073	1,992	1,890	1,915	1,914	1,938	1,911	*-26.5*
Qatar	794	753	736	729	730	730	730	732	*1.7*
Saudi Arabia	9,296	9,737	9,105	9,482	10,027	10,110	10,049	9,839	*-209.9*
UAE	2,516	2,624	2,690	2,728	2,774	2,765	2,788	2,785	*-3.5*
Venezuela	2,380	2,359	2,348	2,349	2,350	2,348	2,356	2,355	*-0.5*
Total OPEC	**29,788**	**31,132**	**30,221**	**30,565**	**30,339**	**30,493**	**29,891**	**29,894**	***3.0***
OPEC excl. Iraq	**27,122**	**28,152**	**27,190**	**27,464**	**27,350**	**27,299**	**27,125**	**27,000**	***-125.5***

Totals may not add up due to independent rounding.

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

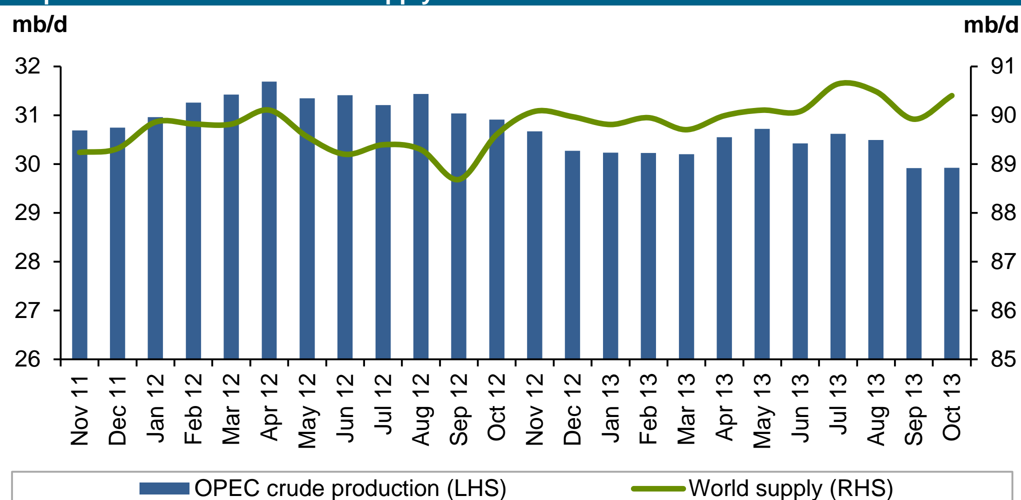
	2011	2012	1Q13	2Q13	3Q13	Aug 13	Sep 13	Oct 13	Oct/Sep
Algeria	1,173	1,203	1,199	1,202	1,202	1,198	1,198	1,203	*5.0*
Angola	1,618	1,704	1,734	1,730	1,701	1,678	1,712	..	..
Ecuador	500	504	506	520	534	537	535	540	*4.8*
Iran, I.R.	3,576	3,740	3,704	3,711	3,653	3,718	3,517	3,200	*-317.0*
Iraq	2,653	2,944	2,957	3,042	3,006	3,207	2,833	2,970	*137.0*
Kuwait	2,660	2,977	2,813	2,970	2,992	2,995	2,969	2,898	*-71.2*
Libya	462	1,450	1,489	1,415	752	597	407	539	*132.0*
Nigeria	1,896	1,954	1,820	1,649	1,824	1,880	1,809	1,824	*14.7*
Qatar	734	734	728	724	719	714	720	723	*3.2*
Saudi Arabia	9,311	9,763	9,111	9,538	10,115	10,190	10,123	9,753	*-369.9*
UAE	2,565	2,652	2,823	2,792	2,859	2,812	2,888	2,827	*-61.2*
Venezuela	2,795	2,804	2,743	2,762	2,773	2,773	2,794	2,826	*32.5*
Total OPEC	**29,942**	**32,429**	**31,626**	**32,055**	**32,131**	**32,299**	**31,504**	**..**	**..**
OPEC excl. Iraq	**27,290**	**29,485**	**28,669**	**29,013**	**29,125**	**29,092**	**28,671**	**..**	**..**

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

World Oil Supply

Preliminary figures indicate that global oil supply increased 0.48 mb/d in October to average 90.37 mb/d. Non-OPEC supply saw growth of 0.47 mb/d, while OPEC crude production was almost unchanged. The share of OPEC crude oil in global production declined slightly to 33.1%. The estimate is based on preliminary data for non-OPEC supply, OPEC NGLs and OPEC crude production from secondary sources.

Graph 5.5: OPEC and world oil supply

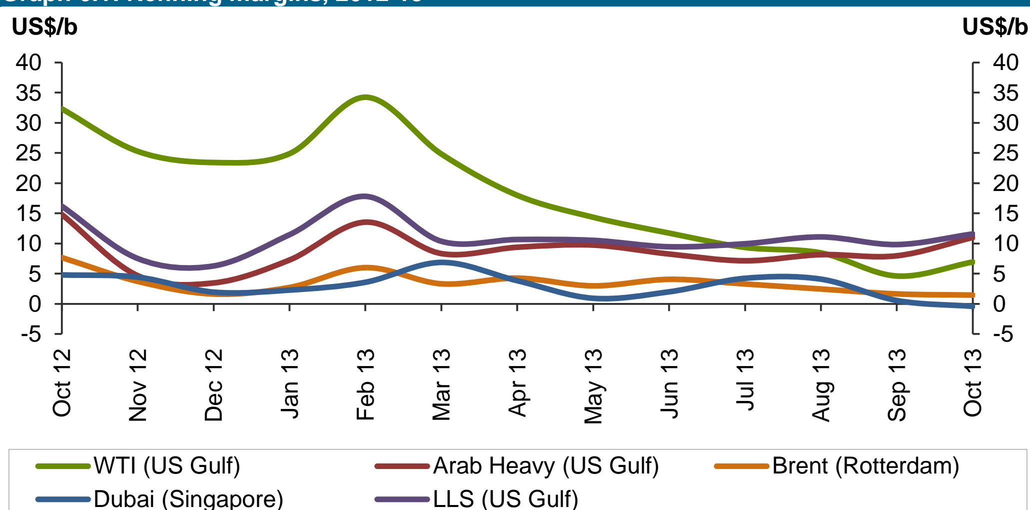


Product Markets and Refinery Operations

Refinery margins reversed the falling trend supported by middle distillates and a tightening fuel oil market

Product markets exhibited mixed performance in October. The top of the barrel continued to be seasonally weak, despite small positive signs in naphtha, while middle distillates and fuel oils rebounded worldwide on the back of a slight recovery in demand amid temporary tightness in some regions, which — along with the fall in crude prices — helped margins to recover.

Graph 6.1: Refining margins, 2012-13



US product markets were mixed, with support coming from intermediate refinery products and fuel oil on the back of increasing demand, while gasoline cracks remained weak due to pressure exerted by persistently high inventories. These remained above the five-year average, despite the stock-draws seen during the last weeks.

The market was also affected by budget ceiling issues and their potential impact on demand, fuelling bearish sentiment in the market, and capping any additional potential gains.

US refining margins rebounded during October on the back of sharp gains at the middle and bottom of the barrel cracks, while a fall in crude prices helped raise refinery margins.

The refinery margin for WTI crude on the US Gulf Coast (USGC) reversed the downward trend seen during the last six months and showed a recovery of more than $2, to average around $7/b in October, while the margin for Light Louisiana Sweet (LLS) crudes on the USGC gained almost $2 to average $12/b.

European product markets saw mixed performance, with middle distillates and fuel oil strengthening on the back of tightening sentiment fuelled by the maintenance season, which affected some refineries in Europe and Russia.

In light distillates, gasoline cracks continued to be under pressure because of weaker export opportunities, although the market was partially balanced as ongoing heavy refinery maintenance in the region continued to tighten supply. On the demand side, the picture remained bearish.

European refining margins continued to weaken, as the recovery seen in the middle of the barrel was offset by weakness in light distillates, and the refinery margin for Brent crude in Northwest Europe suffered a decline — albeit only marginal — falling less than 20¢, to average $1.5/b in October.

Asian refining margins reversed the downward trend seen during the last months and showed a small gain on the back of widening middle distillate and fuel oil cracks during October, supported by tight supplies amid firm demand in the region.

The recovery in the margins was limited by weakness at the top of the barrel, with plentiful supplies weighing on margins for gasoline and naphtha.

Refinery margins in Asia reversed their downward trend, recovering almost $1.00 to average 50¢/b in October.

Refinery operations

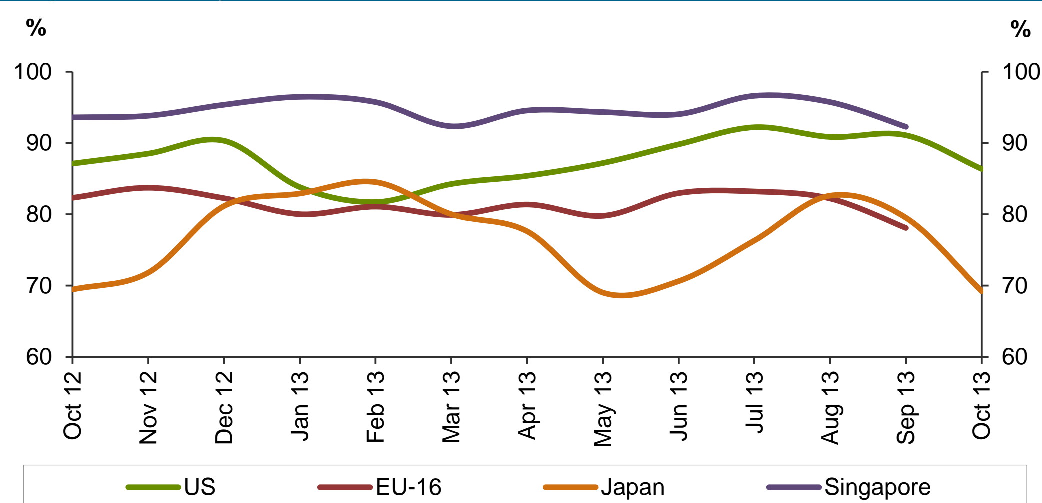
Refinery runs declined due to the heavy maintenance season

Refinery throughputs corrected the upward trend seen during the previous months, as throughputs have been affected by the heavy refinery maintenance season amid some outages impacting several refineries and some run cuts due to weak margins.

Refinery utilisation rates fell more than 5 percentage points (pp) versus the previous month to average 86.4% during October in the US, the lowest level seen since the first quarter, due to several refineries undertaking maintenance during the month. Maintenance-affected refineries were mainly on the East Coast, with turnarounds at Delaware and Philadelphia refineries putting more than 700 tb/d of capacity off-line.

US refining margins recovered on improved fundamentals in middle distillates and fuel oil, while gasoline remained weak, pressured by the high level of inventories.

Graph 6.2: Refinery utilization rates, 2012-13



In **Europe**, the refinery utilisation rate averaged around 78% in September, 4 pp lower than in the previous month and falling below 10 mb/d of throughput, thus hitting the lowest level seen in the last years.

This came on the back of very low margins affecting the region during the last three months amid maintenance, which remained high in October.

In **Asia**, the heavy refinery maintenance season has moderated refinery runs amid unscheduled shutdowns, affecting some countries and thus contributing to a tightening in the market. Refinery runs in Singapore during September averaged around 92%, a drop of more than 3 pp versus the previous month, while Japanese throughputs averaged 69% of capacity in October, falling almost 10 pp due to maintenance.

Looking ahead, despite some recovery in the margins, they still remain weak, and with the maintenance season coming to an end, elevated supplies across all products will continue pressuring margins and could force some refineries to reduce throughputs in the coming months.

US product demand on the way to recovery

US market

US gasoline demand stood at around 9.0 mb/d in October, around 260 tb/d higher than in the previous month, and up by around 300 tb/d from the same month a year earlier.

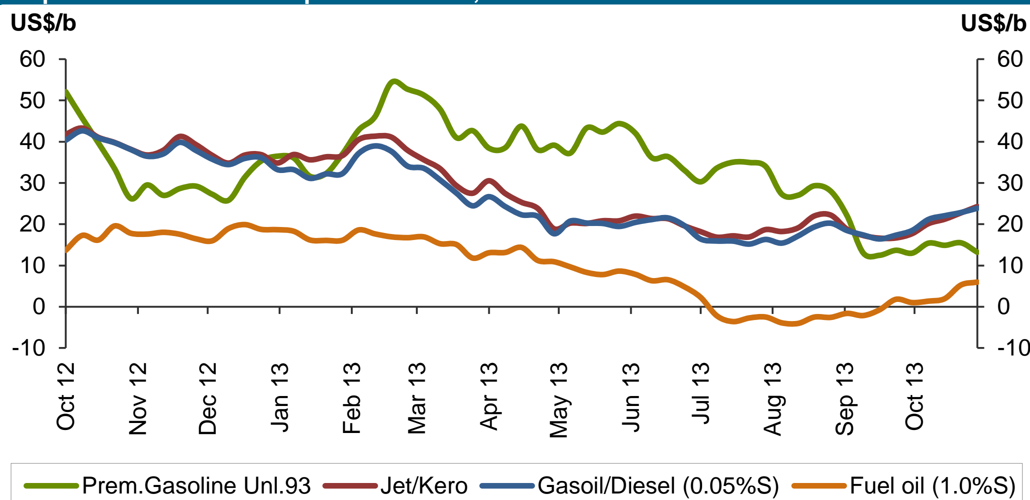
Undeterred by lower refinery runs due to maintenance, gasoline inventories remained above the five-year average level — despite the recent stock-draws seen during last weeks — contributing to bearish sentiment in the market despite demand being above last year's level.

Budget discussions and their potential impact on demand also had a negative impact on the market, fuelling bearish sentiment. Available data from the US Commodity Futures Trading Commission (CFTC) indicated that managed money slashed its net positions in RBOB futures.

In addition, gasoline cargo shipments from Europe to the US East Coast (USEC) are expected to increase during the coming weeks, as the majority of European refineries are finishing maintenance at the end of October. Around 10 vessels have been booked for early November shipment from Europe, fuelling bearish sentiment from the supply side and exerting additional pressure on the market.

Those factors continued to weigh on the gasoline market and caused the gasoline crack to remain under pressure, losing $1 to average $14 in October.

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



Middle distillate demand stood at around 3.9 mb/d in October, around 200 tb/d higher than in the previous month and around 60 tb/d above the same month one year earlier**.**

Middle distillate cracks ticked up on the back of stronger demand ahead of winter amid less production due to lower refinery runs, with a remarkable draw-down in inventories, mainly in low-sulphur distillates (diesel and low-sulphur heating oil) on the East Coast.

The introduction of tighter specifications in New York State continues impacting lower stock levels as high-sulphur heating oil stocks in PADD 1 are being replaced by 10ppm heating oil.

Additionally, middle distillates received support from an increase in heating oil demand ahead of winter, allowing the US Gulf Coast (USGC) gasoil crack to strengthen, gaining $5 to stand at around $22/b in October.

At the **bottom of the barrel**, fuel oil cracks continued recovering with support from the supply side, though a reduction in output due to some refinery maintenance and continued steady growth in port activity kept demand for bunker fuel underpinned.

The fuel oil crack continued recovering during October, gaining almost $4 to average $3/b, again reaching positive territory.

The middle distillate market continued to be balanced by the heavy maintenance season in Europe

European market

Product markets in Europe held steady and remained balanced as ongoing heavy refinery maintenance in the region continued to tighten supply, while on the demand side, the picture remained bearish.

In **light distillates**, gasoline cracks continued to be under pressure from weaker import requirements across the likely export markets and due to seasonally lower domestic demand.

The Northwest European gasoline market was balanced, as ongoing heavy refinery maintenance in the region continued to tighten supply, while on the demand side, the picture remained bearish.

West Africa has not been a supportive factor over recent weeks and exports to the US have been decreasing, with persistently high stocks limiting arbitrage opportunities to some extent.

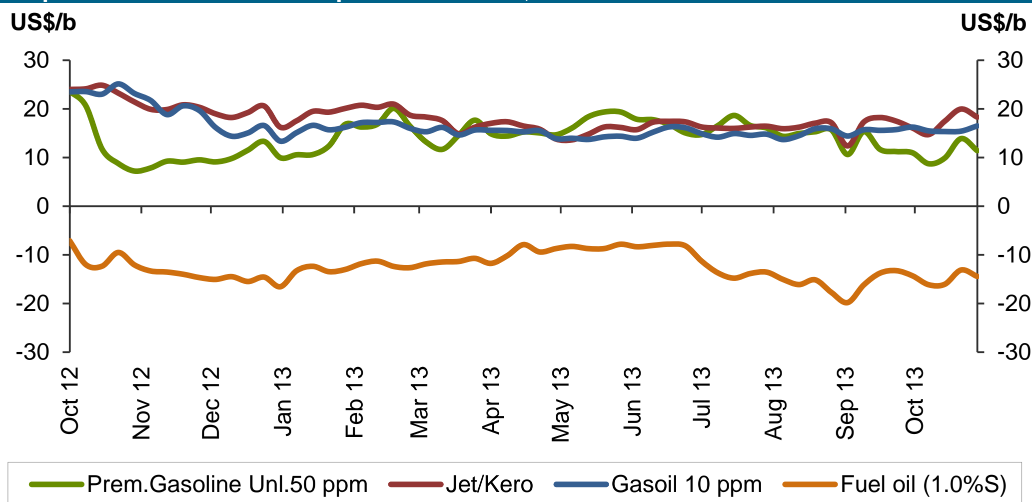
The gasoline crack spread against Brent crude remained at an average of $10/b in October, the same level as in the previous month.

US gasoline stocks fell in the last week of October and arbitrage restarted, with several cargoes being scheduled to move transatlantic for November loading.

European naphtha demand for the petrochemical sector continued to be lacklustre and naphtha margins continued to remain weak, with several cracker units across Europe and Asia still in maintenance.

Supply-side pressure could potentially rise in coming weeks, as Algeria's splitter is expected to resume operations soon.

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



The **middle of the barrel** continued to be balanced, and cracks remained healthy and stable, as the market had support from the maintenance season, while a recent pickup in demand also added support.

Diesel margins rose with fundamental support for gasoil/diesel mainly continuing to stem from the supply side on the back of ongoing maintenance in Northwest Europe and Russia, where ultra-low sulphur diesel (ULSD) exports from Primorsk were 15% lower than in the previous month, as maintenance was still in full swing. Higher volumes from the US and Asia have partly helped to counterbalance this.

The gasoil crack spread against Brent crude at Rotterdam widened by around 30¢ from the previous month to average $15.7/b in October.

Looking ahead, increasing volumes arriving from India and the US could pressure the market from the supply side in coming weeks; however, this could be offset by expected increasing demand for heating oil restocking.

At the **bottom of the barrel**, fuel oil cracks reversed the downward trend seen since the end of June, with fundamentals being supported by lower production and less material coming from Russia.

On the other hand, high-sulphur fuel oil received support from increasing shipments to Singapore, while RMG-grade fuel oil supplies remained tight in Europe.

The Northwest European fuel oil crack spread against Brent exhibited a gain of $1 in October to stand at minus $15/b.

Looking forward, some support could come from a recently improved arbitrage window to Asia and lower inflows from Russia.

Asian market

The middle and the bottom of the barrel recovered on the back of a tightening market in Asia

The Asian market showed mixed performance during October as the light distillates crack spread continued to weaken, with plentiful supplies weighing on margins for gasoline and naphtha, while tight supplies and firm demand supported the middle distillate and fuel oil market.

At the **top of the barrel**, the Singapore gasoline crack continued to be bearish due to plentiful supplies and thin regional demand.

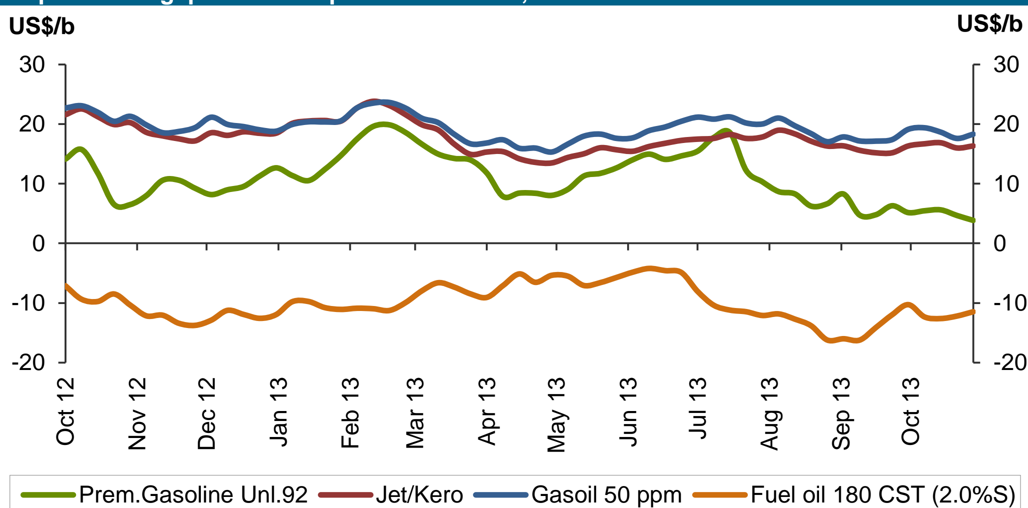
Gasoline's premium to light crude fell as supply outweighed demand. Gasoline volumes moved to the Asia-Pacific from Europe, despite the apparently unattractive economic situation, and additional pressure came from elevated exports from South Korea and China to Singapore, thus contributing to an uptick in gasoline stocks.

While some temporary upside momentum coming from buying interest was observed from Pakistan and India, it had a limited effect, as slower demand from key regional importers Indonesia and Vietnam offset the potential rise.

The gasoline crack spread against Dubai crude in Singapore lost $1 to average $5/b in October.

The Asian naphtha market continued weak, and the crack showed little movement over the month, as a supply overhang and cracker maintenance continued weighing on the naphtha market. The maintenance season is taking its toll on naphtha imports from several top Asian buyers such as Taiwan, South Korea and Singapore.

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



Looking ahead, some support could emerge in coming weeks as increasing Asian LPG prices will cause regional petrochemical firms to begin to seasonally switch back to cracking naphtha. However, naphtha arbitrage volumes from the West to the East are expected to pick up over November as the winding down of the European refinery maintenance season boosts supplies capping the upside to naphtha cracks from seasonally higher demand.

At the **middle of the barrel**, the gasoil crack continued to be relatively healthy, recovering part of the ground it lost last month as the market became tight with a spate of refinery shutdowns in India and the Middle East supporting the prompt gasoil market.

The gasoil crack improved slightly over October on the back of lower supplies from Northeast Asia, tightened by a heavy turnaround schedule, and elevated demand from South Korea, Africa, Indonesia and the Middle East.

Middle Eastern gasoil imports recorded in 3Q13 continued increasing as the Middle East has been stockpiling. Additional demand emerged from Saudi Arabia, where the 305,000 b/d Jubail refinery is undergoing maintenance; the new 400,000 b/d refinery is expected to produce mainly 10ppm diesel by the end of this year.

Support came additionally from increasing buying interest on behalf of Indonesia, Vietnam and Sri Lanka. South Africa also sought spot Asian supplies, as refinery maintenance got underway.

The gasoil crack spread in Singapore against Dubai showed a gain of more than $1 to average around $18.5/b in October.

At the **bottom of the barrel**, cracks recovered ground lost during the last months, with higher bunker prices being supported by an improving demand picture.

Bunker sales in Singapore rebounded in September, jumping almost 6.6% m-o-m on the back of a likely increase in shipping activity throughout the region, specifically in China. In addition, a temporary shortage of cutter stocks boosted low-viscosity fuel oil premiums to higher viscosity grades.

Additional support came from the increasing demand of South Korea’s power utility sector and China´s teapot refineries.

The fuel oil crack spread in Singapore against Dubai showed a recovery of almost $3 to average minus $12/b in October.

Table 6.1: Refinery operations in selected OECD countries

	Refinery throughput, mb/d			*Refinery utilization, %*		
	Sep 13	Oct 13	Oct/Sep	Sep 13	Oct 13	Oct/Sep
US	15.76	14.91	-0.85	91.08	86.35	-4.73
France	1.05	-	-	-	-	-
Germany	1.90	-	-	-	-	-
Italy	1.29	-	-	-	-	-
UK	1.17	-	-	-	-	-
Euro-16	9.84	-	-	78.10	-	-
Japan	3.40	3.00	-0.40	79.50	69.20	-10.30

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

Table 6.2: Refined product prices, US$/b

		Aug 13	Sep 13	Oct 13	Change Oct/Sep
US Gulf (Cargoes FOB):					
Naphtha		109.07	107.84	106.79	-1.05
Premium gasoline	*(unleaded 93)*	134.80	121.06	114.71	-6.35
Regular gasoline	*(unleaded 87)*	123.64	110.93	106.28	-4.65
Jet/Kerosene		126.76	123.31	121.81	-1.50
Gasoil	*(0.2% S)*	124.40	123.51	122.20	-1.31
Fuel oil	*(1.0% S)*	98.76	101.61	98.74	-2.87
Fuel oil	*(3.0% S)*	93.10	94.59	92.11	-2.48
Rotterdam (Barges FOB):					
Naphtha		101.10	102.87	99.76	-3.11
Premium gasoline	*(unleaded 98)*	126.26	122.50	119.49	-3.01
Jet/Kerosene		127.64	127.45	126.65	-0.80
Gasoil/Diesel	*(10 ppm)*	126.03	127.30	124.77	-2.53
Fuel oil	*(1.0% S)*	95.36	95.88	93.89	-1.99
Fuel oil	*(3.5% S)*	94.95	93.88	92.58	-1.30
Mediterranean (Cargoes CIF):					
Naphtha		101.40	103.39	100.24	-3.15
Premium gasoline		124.28	119.30	114.49	-4.82
Jet/Kerosene*		124.43	124.76	123.98	-0.78
Gasoil/Diesel		125.75	126.39	125.15	-1.24
Fuel oil	*(1.0% S)*	99.33	99.03	96.47	-2.56
Fuel oil	*(3.5% S)*	92.94	91.88	90.57	-1.30
Singapore (Cargoes FOB):					
Naphtha		101.01	102.76	100.20	-2.56
Premium gasoline	*(unleaded 95)*	117.11	117.31	114.36	-2.95
Regular gasoline	*(unleaded 92)*	114.67	114.28	111.60	-2.68
Jet/Kerosene		124.73	123.87	123.08	-0.79
Gasoil/Diesel	*(50 ppm)*	126.08	125.71	125.24	-0.47
Fuel oil	*(180 cst 2.0% S)*	97.82	96.30	96.88	0.58
Fuel oil	*(380 cst 3.5% S)*	94.46	94.48	95.69	1.21

**Free on Board (FOB).*

Source: Platts and Argus Media.

Tanker Market

OPEC spot fixtures unchanged in October at 13.2 mb/d and OPEC sailings relatively steady at 23.87 mb/d

In October, **OPEC spot fixtures** maintained the same level as seen in the previous month to average 13.2 mb/d as per preliminary data. Both Middle East-to-West and Middle East-to-East were higher by 0.32 mb/d and 0.41 mb/d, respectively. This increase was offset by the decline seen from fixtures out of the Middle East, which dropped by 0.72 mb/d. On a y-o-y basis, OPEC spot fixtures in October were 9% higher.

Sailings from OPEC were relatively steady at 23.87 mb/d compared with 23.75 mb/d in the previous month, yet 1% higher than a year earlier. Middle East sailings stood at 17.58 mb/d, up from 17.45 mb/d in September and 1.7% higher than a year earlier. Crude oil arrivals in North America and the Far East gained by 0.85 mb/d and 0.25 mb/d to stand at 9.95 mb/d and 8.42 mb/d, respectively. Europe and West Asia arrivals decreased slightly by 0.04 mb/d and 0.36 mb/d to stand at 12.03 mb/d and 4.32 mb, respectively.

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

	Aug 13	Sep 13	Oct 13	*Change* Oct/Sep
Spot Chartering				
All areas	17.28	18.81	18.73	-0.09
OPEC	12.38	13.21	13.20	0.00
Middle East/East	5.36	5.98	6.39	0.41
Middle East/West	2.75	2.54	2.86	0.32
Outside Middle East	4.26	4.68	3.96	-0.72
Sailings				
OPEC	23.69	23.75	23.87	0.11
Middle East	17.37	17.45	17.58	0.13
Arrivals				
North America	8.74	9.10	9.95	0.85
Europe	12.23	12.06	12.03	-0.04
Far East	8.60	8.17	8.42	0.25
West Asia	4.30	4.67	4.32	-0.36

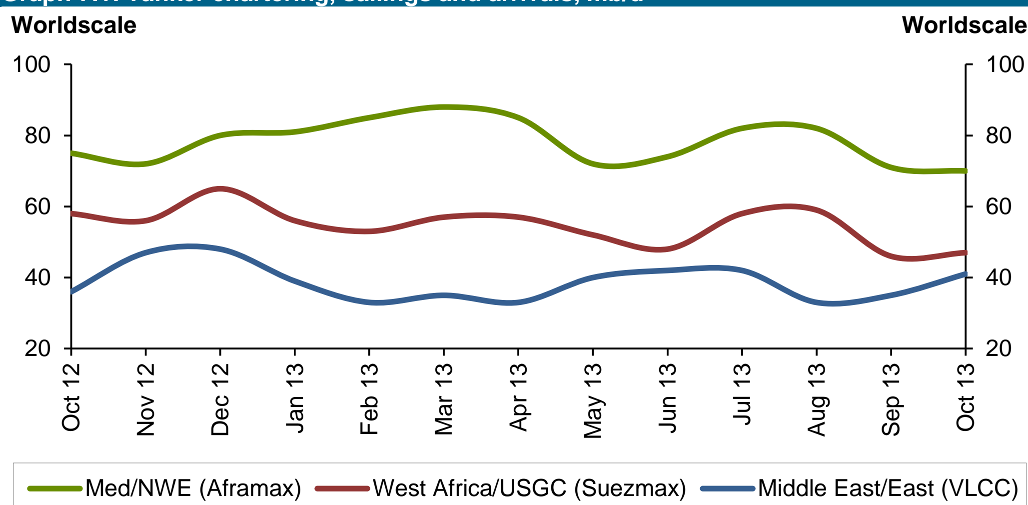
Source: Oil Movements and Lloyd's Marine Intelligence Unit.

In October, **dirty tanker spot freight rates** exhibited m-o-m and y-o-y gains on several reported routes ahead of the winter season. The VLCC sector saw steady gains during the month as it reported a higher number of fixtures and increased trade to the East from the Middle East and West Africa. On average, VLCC freight rates edged up by 17% from September. While both Suezmax and Aframax saw a mixed pattern in October, the monthly average reported lower rates by 1% and 4%, respectively. On the other hand, clean tanker spot freight rates exhibited a decline on almost all its routes in October compared with the previous month. The greatest drop came from Northwest Europe (NWE) to the US as a result of lower gasoline imports. In October, spot freight rates in the West of Suez market dropped by 11%, while East of Suez rates were down by 3%.

In the dirty market, **VLCC** spot freight rates showed a healthy gain of 16% on average in October, compared with last month to stand at WS37 points. VLCC freight rates in October were 10% higher than during the same period a year ago. The strongest gain was registered on the Middle East-to-East route, where freight rates averaged WS41 points, up by 17% from a month ago and 14% from last year. VLCC freight rates have not reached the WS40 mark in several months and only on rare occasions in 2013 so far. In general, the month started with a moderate level of activity, partially due to holidays in the east, but activity picked up considerably at a later stage, leading to a moderate gain in freight rates, which mainly resulted from ship owners' resistance to low rates. However, since the vessel positions' list tightened significantly to less than seen for some time, ahead of the flow of November requirements, freight rates firmed considerably as tonnage demand was steady while high activity levels continued at a

stable rate. VLCC spot freight rates on the West Africa-to-East route showed approximate gains compared to VLCCs trading on the Middle East-to-East route, which increased by 16.7% in October to stand at WS42 points following the same rising trend. VLCC spot freight rates on the Middle East-to-West route were also up in October by 12% to average WS28 points. Generally, VLCCs on all reported routes experienced a rewarding month with increased freight rates registered on monthly and annual comparisons, driven by higher activity and thus a higher number of fixtures.

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



Suezmax did not encounter a real spillover effect from VLCCs in October, despite showing a mixed performance, where spot freight rates for tankers trading on the West Africa-to-US route increased by 2% from September to average WS42 points while rates on the NWE-to-the US route dropped to stand at WS78 points. The month started with low tonnage demand combined with low freight rates, however rates for Suezmax on several routes improved afterwards with slight-to-medium gains. Rates for West Africa loading increased due to active cargo movement and reasonable activity was registered for the North Sea and the Baltics, while prompt cargo requirements were reported in the Mediterranean and Black Sea. All of this did not boost freight rates, mainly due to charterers' constant attempts to halt the rising freight rates trend.

Aframax spot freight rates showed similar mixed patterns as seen in Suezmax. On average, spot freight rates decreased by 4% in October compared with the previous month to stand at WS76 points. Spot freight rates for Aframax trading on the Indonesia-to-East route registered the only gain in October to average WS79 points, up by 4% from last month, but 18% lower than the same month a year before. Aframax spot freight rates for the Mediterranean-to-Mediterranean and Mediterranean-to-NWE routes registered a drop from September to average WS70 points and WS63 points, respectively. Compared with last month, this drop was mainly driven by a lack of cargoes. Freight rates on the Caribbean-to-US East Coast (USEC) route showed the largest decline of all reported routes as a result of a surplus in tonnage supply. Overall, Aframax freight rates registered on all reported routes in October were lower than a year earlier.

Table 7.2: Spot tanker crude freight rates, Worldscale

	Size *1,000 DWT*	Aug 13	Sep 13	Oct 13	*Change* Oct/Sep
Crude					
Middle East/East	230-280	33	35	41	6
Middle East/West	270-285	22	25	28	3
West Africa/East	260	35	36	42	6
West Africa/US Gulf Coast	130-135	59	46	47	1
NW Europe/USEC-USGC	130-135	54	45	43	-2
Indonesia/US West Coast	80-85	80	76	79	3
Caribbean/US East Coast	80-85	104	106	93	-13
Mediterranean/Mediterranean	80-85	82	71	70	-1
Mediterranean/North-West Europe	80-85	76	66	63	-3

Source: Galbraith's tanker market report and Platts.

Clean spot freight rates reported negative performance on all routes in October, with the exception of freight rates on the Singapore-to-East route, which were flat from a month ago. On the Mediterranean-to-Mediterranean and Mediterranean-to-NWE routes, both dropped by 6% and 5%, in October, to average WS113 and WS123 points, respectively. Clean market freight rates remained weak during the month, despite single days of higher activity.

Lower US gasoline exports from Europe were the main driver behind the drop in medium-range (MR) spot freight rates on the NWE-to-US routes, which declined by 25% from a month ago. Clean spot freight rates remained weak on the Middle East-to-East route, dropping by 6% from last month. The general downward trend detected in the clean tanker market in October affected both MR and long-range (LR) vessels as high tonnage availability and lower product trading kept spot freights constantly under pressure.

Graph 7.2: Monthly averages of clean spot freight rates

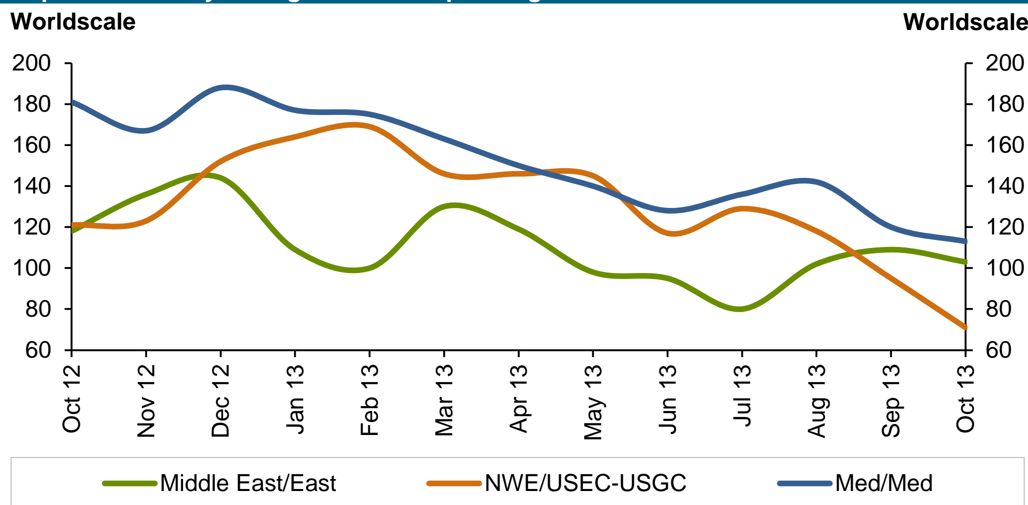


Table 7.3: Spot tanker product freight rates, Worldscale

	Size *1,000 DWT*	Aug 13	Sep 13	Oct 13	*Change* Oct/Sep
Products					
Middle East/East	30-35	102	109	103	-6
Singapore/East	30-35	113	119	119	0
NW Europe/USEC-USGC	33-37	118	95	71	-24
Mediterranean/Mediterranean	30-35	142	120	113	-7
Mediterranean/North-West Europe	30-35	152	130	123	-7

Source: Galbraith's tanker market report and Platts.

Oil Trade

US crude oil imports dropped for the third consecutive month by 290 tb/d to average 7.7 mb/d

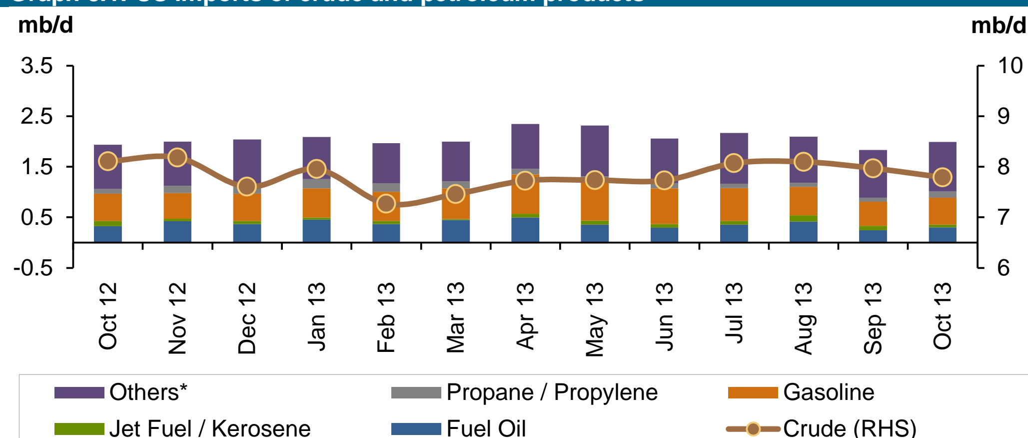
US

In October, preliminary data shows that US crude oil imports dropped for the third consecutive month by 290 tb/d or 3% from the previous month to average 7.7 mb/d. On an annual basis, this reflects a loss of 431 tb/d or 5% from the same period last year.

US product imports increased by 150 tb/d or 8% m-o-m, to average 1.99 mb/d, while y-o-y, they increased by 55 tb/d. Year-to-date (y-t-d), crude imports were lower by 877 tb/d, while product imports were up by 55 tb/d.

As for product exports, in October, US product exports registered a gain of 74 tb/d or 2% over the previous month to average 3,358 tb/d. On an annual comparison, the figures reflect a gain of 170 tb/d. As a result, **US total net imports decreased in October to average 6,341 tb/d, 2% lower than the previous month and 7% less than last year's level.**

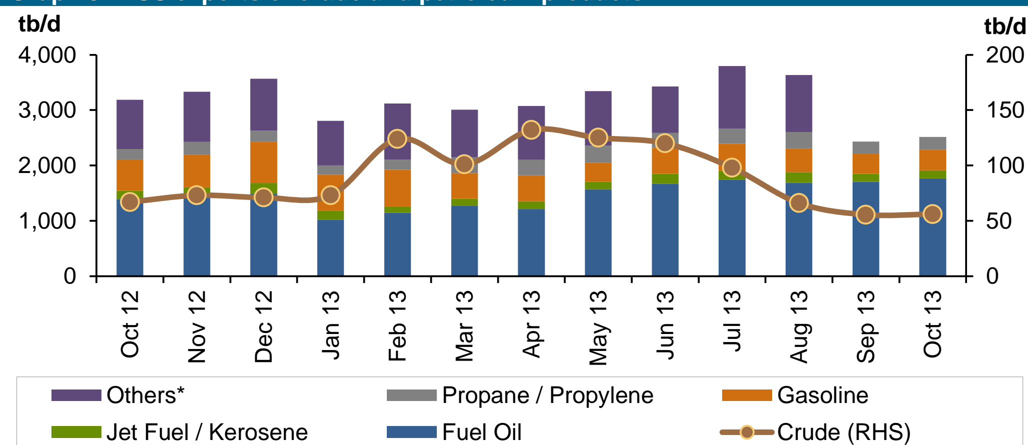
Graph 8.1: US imports of crude and petroleum products



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

In August, Canada remained the top supplier to the US, accounting for 32% of total crude imports, up by 3% or 77 tb/d from last month. Canada has held this position since March 2006. Saudi Arabia was the second largest supplier to the US, holding a share of 16% of total crude imports. Saudi Arabia crude exports to the US were up by 14 tb/d from a month earlier. Mexico came in as the third largest crude supplier to the US in August, however its volume was slightly lower from last month by 7 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.

Crude imports from OPEC Member Countries were slightly lower than the previous month by 54 tb/d or 1.5% to average 3.6 mb/d, accounting for 45% of total US crude imports. On the other hand,

US product imports from OPEC Member Countries increased from a month earlier to stand at 278 tb/d, representing a share of 13% of total products imported by the US; on an annual basis, a gain of 14% was registered.

As for the product supplier share, Canada and Russia maintained their positions as first and second suppliers to the US with shares of 24% and 22%, respectively. Looking at product import volumes in October, Russia was 14% higher while Canada was 2% lower than a month ago. The UK was the third product supplier to the US in August.

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

	Aug 13	Sep 13	Oct 13	*Change* Oct/Sep
Crude oil	8,033	7,914	7,704	-209
Total products	-1,535	-1,440	-1,363	77
Total crude and products	**6,498**	**6,474**	**6,341**	**-133**

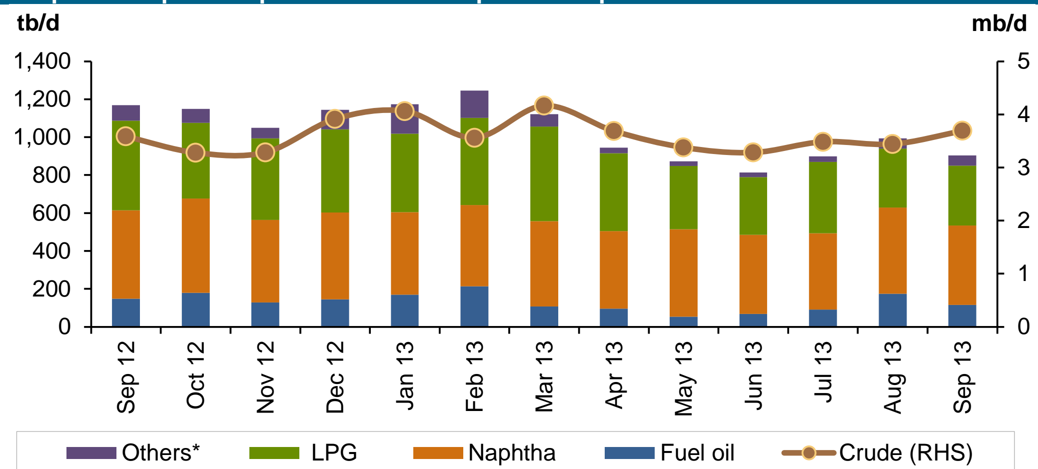
Japan

Japan's crude oil imports increased in September by 248 tb/d to average 3.7 mb/d, the highest level since March

Japan's crude oil imports increased in September by 248 tb/d or 7% to average 3.7 mb/d, reaching the highest level seen since March 2013. On an annual basis, crude imports increased in September by 3%.

Saudi Arabia, as in the previous month, came in as first crude supplier to Japan, holding a share of 26% of total crude imports, down by 228 tb/d or 20% from last month. These volumes were found to be less than the previous year by 177 tb/d or 16%. The UAE was the second largest supplier to the country with a share of 25% of total crude imports. Qatar came in third, holding a share of 11%. While UAE crude exports were higher than last month by a notable increase of 313 tb/d, Qatar saw a drop in its monthly exports by 44 tb/d or 10%.

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

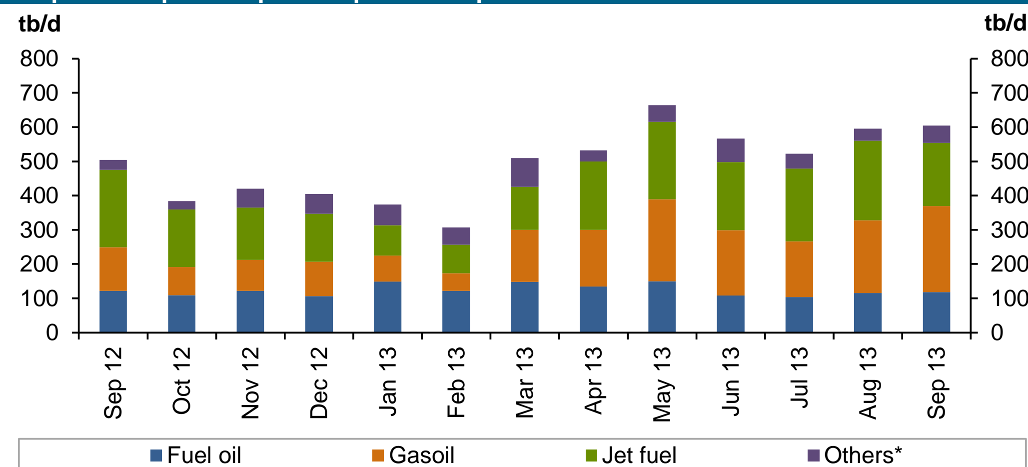


**Others: Contains gasoline, jet fuel, kerosene, gasoil, asphalt and paraffin wax.*

On the contrary, Japan's product imports dropped in September by 96 tb/d to average 587 tb/d. Annually, product imports were lower by 108 tb/d or 16%. This drop in products came as a result of lower imports of fuel oil, which declined by 57 tb/d or 33%.

Japan's product exports in September saw a slight increase m-o-m of 11 tb/d or 2% to average 597 tb/d. Exports of gasoline, kerosene and gasoil rose, while jet fuel exports dropped by 48% from last month. Y-o-y, product exports increased by 100 tb/d or 20%. Accordingly, **Japan's net oil imports increased in September by 140 tb/d to average 3.7 mb/d, reflecting a monthly gain of 8%, yet an annual drop of 3%.**

Graph 8.4: Japan's exports of petroleum products



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

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

	Jul 13	Aug 13	Sep 13	*Change* Sep/Aug
Crude oil	3,485	3,442	3,689	248
Total products	10	98	-10	-108
Total crude and products	**3,495**	**3,539**	**3,679**	**140**

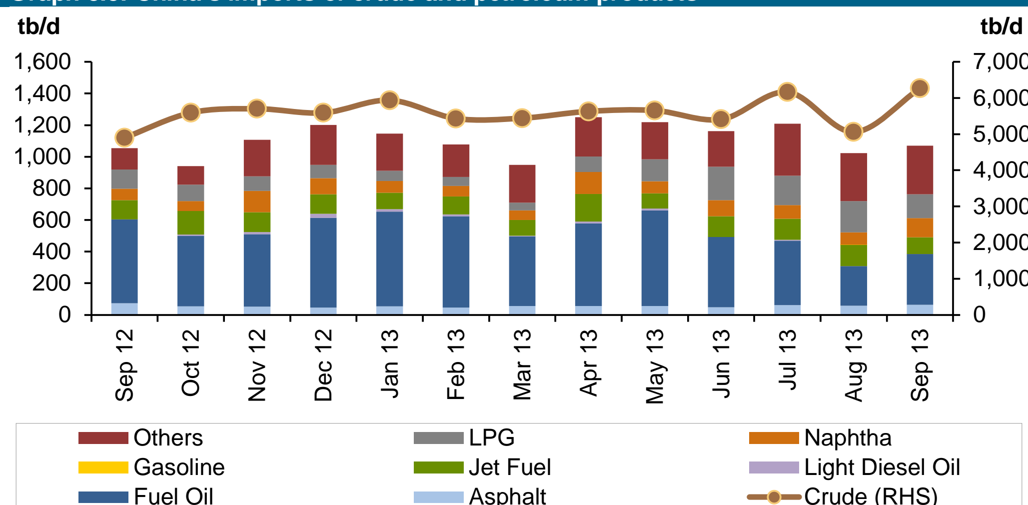
China

China's crude oil imports increased in September by 1,206 tb/d to average 6.3 mb/d

China's crude oil imports increased in September by 1,206 tb/d or 24% from the previous month to average 6.3 mb/d. The record-high monthly crude imports in September were due to an inventory build before the commissioning of new refinery units and exceeded the huge imports seen in July. China's crude imports were 28% higher y-o-y and increased by 311 tb/d or 6% y-t-d, mainly sourced from Saudi Arabia, Angola, Iraq and Oman, the top crude suppliers to China for this month, holding shares of 19%, 15%, 9% and 8%, respectively. All top suppliers increased their exports to China by a percentage ranging from 16% to 52% from a month ago.

On the other hand, China's product imports were higher in September by 47 tb/d from the previous month and increased by 16 tb/d from a year earlier to average 1.1 mb/d.

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



China's crude exports declined in September by 34 tb/d to average 17 tb/d, the lowest in four months. China's product exports declined as well from last month's level by 56 tb/d to average 636 tb/d. As a result, **China's net oil imports increased 1,2 mb/d or 25% from the previous month and 29% from a year earlier.**

Graph 8.6: China's exports of crude and products

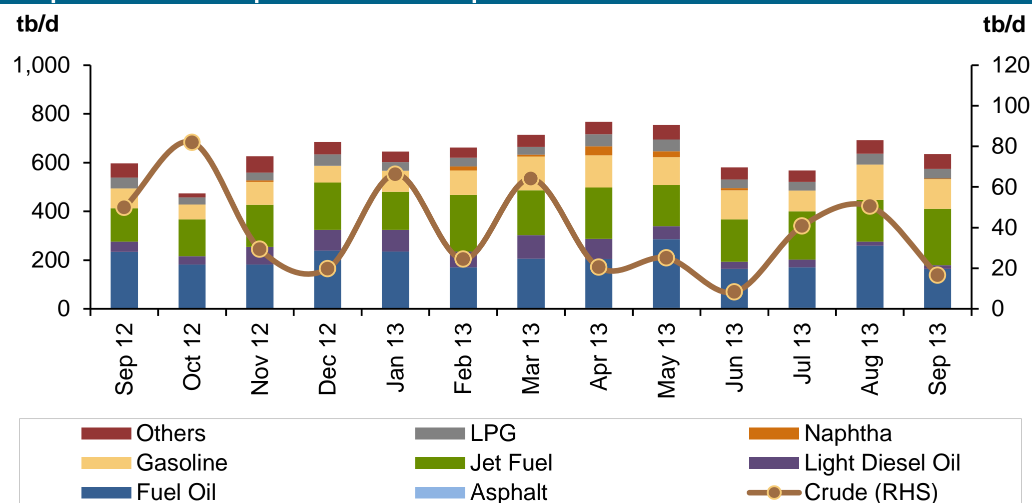


Table 8.3: China's crude and product net imports, tb/d

	Jul 13	Aug 13	Sep 13	*Change* Sep/Aug
Crude oil	6,123	5,010	6,250	1,240
Total products	642	330	434	103
Total crude and products	**6,765**	**5,341**	**6,684**	**1,343**

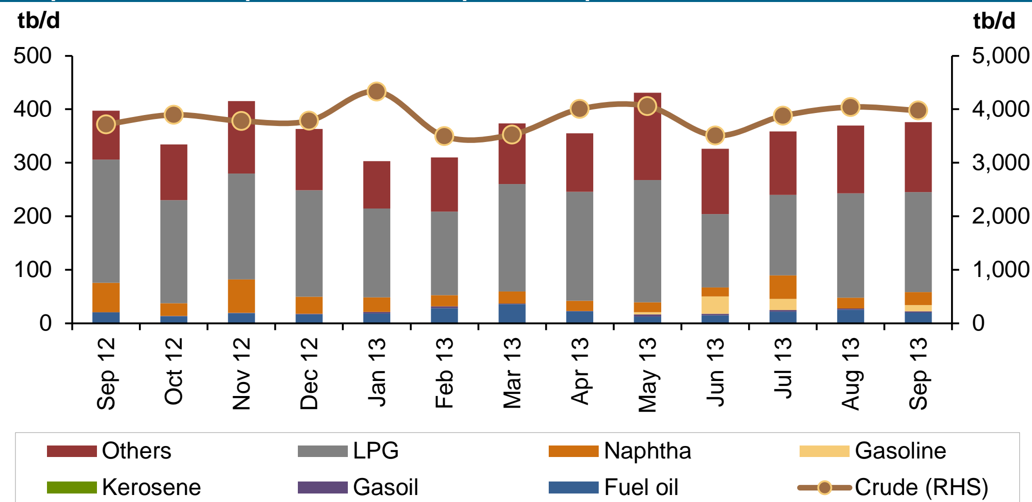
India

India's crude imports averaged 4.0 mb/d in September, down by 65 tb/d

In September, India's crude imports averaged 4.0 mb/d, 65 tb/d or 2% lower than the level seen last month, yet 259 tb/d or 7% higher on an annual basis.

Product imports saw a slight increase by 6 tb/d or 2% from a month ago to average 376 tb/d, the highest level of product imports since May 2013; however, y-o-y, this reflects a drop of 21 tb/d or 5%. The monthly product imports saw a drop in fuel oil, while imports of naphtha were higher. Diesel imports remained stable from last month.

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



India's product exports decreased in September by 175 tb/d or 11% from the previous month to average 1,433 tb/d, and dropped by 42 tb/d or 3%.from a year earlier. Exports of diesel dropped by 18% from the previous month while remaining 12% higher than the previous year. Other product exports, like naphtha and fuel oi,l dropped by a lesser volume. Consequently, **India's net imports increased by 117 tb/d to average 2.9 mb/d, which is 4% higher than last month and 7% higher than a year ago.**

Graph 8.8: India's exports of petroleum products

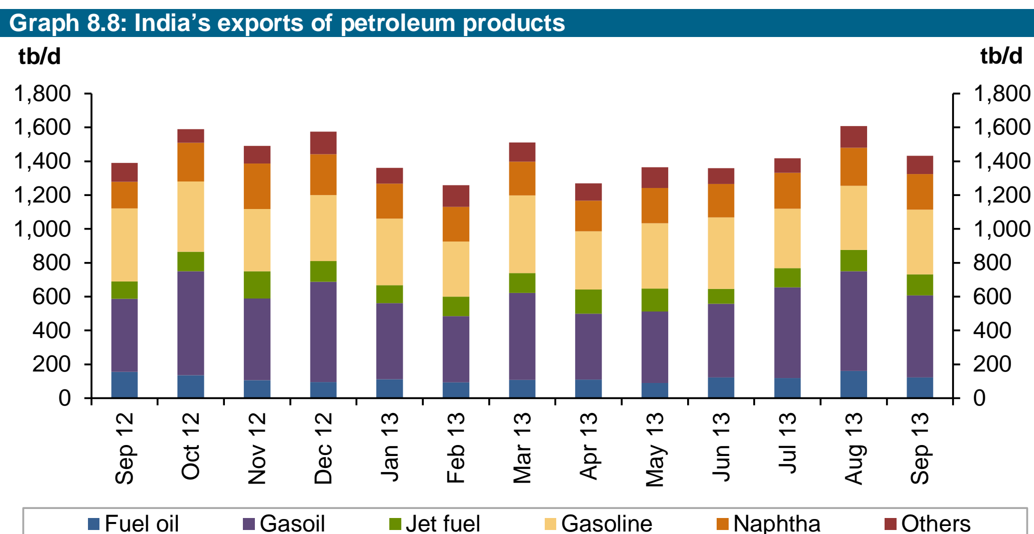


Table 8.4: India's crude and product net imports, tb/d

	Jul 13	Aug 13	Sep 13	*Change* Sep/Aug
Crude oil	3,876	4,042	3,977	-65
Total products	-1,059	-1,238	-1,057	181
Total crude and products	**2,818**	**2,804**	**2,920**	**117**

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

FSU

In September, total crude oil exports from the former Soviet Union (FSU) increased slightly by 387 tb/d to average 6.5 mb/d

In September, **total crude oil exports from the former Soviet Union (FSU) increased slightly by 387 tb/d or 6% to average 6.5 mb/d.** Crude exports through Russian pipelines gained by 487 tb/d or 14% to average 4,263 tb/d.

Shipments from the Druzhba pipeline to Central and Eastern Europe increased by 26 tb/d or 3% to average 1.1 mb/d. Exports through the Kozmino pipeline increased by 9% to average 446 tb/d. Black Sea exports increased by 82 tb/d or 12% to average 791 tb/d while exports from the Baltics increased by 329 tb/d or 26% to average 1.6 mb/d in September. Loadings from both CPC and BTC declined from last month.

FSU total product exports dropped by 8% from a month earlier to average 2.9 mb/d. Monthly product exports declined as a result of lower exported volumes in all products, yet mainly with fuel oil and gasoil as both declined by 87 tb/d and 74 tb/d, respectively.

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

	2011	2012	1Q2013	2Q2013	3Q2013	Aug 13	Sep 13*
Crude							
Russian pipeline							
Black Sea	934	858	769	752	738	709	791
Baltic	1,462	1,644	1,574	1,647	1,409	1,289	1,618
Druzhba	1,169	1,079	991	1,020	1,063	1,040	1,067
Kozmino	306	330	439	433	437	408	446
Total	**4,177**	**4,218**	**4,086**	**4,152**	**3,984**	**3,776**	**4,263**
Other routes							
Russian rail**	15	49	12	9	9	9	8
Russian-Far East	279	260	243	261	252	259	263
Kazakh rail	158	97	183	169	194	167	190
Vadandey	88	62	103	109	120	119	123
Kaliningrad	23	20	18	21	18	20	16
CPC	679	654	672	703	707	735	648
BTC	701	655	580	714	636	637	574
Kenkiyak-Alashankou	222	214	240	236	222	215	239
Caspian	164	174	176	182	124	122	122
Total crude exports	**6,506**	**6,403**	**6,313**	**6,555**	**6,265**	**6,058**	**6,446**
Products							
Gasoline	163	130	141	123	109	99	77
Naphtha	260	311	339	355	433	450	429
Jet	11	7	14	16	8	14	2
Gasoil	772	784	977	875	822	828	754
Fuel oil	1,299	1,336	1,339	1,557	1,463	1,453	1,366
VGO	208	242	219	288	311	319	287
Total	**2,711**	**2,810**	**3,029**	**3,214**	**3,145**	**3,163**	**2,915**
Total oil exports	**9,217**	**9,213**	**9,342**	**9,769**	**9,410**	**9,221**	**9,361**

** Preliminary*

*** Does not incl. Kazakh rail*

Totals may not add due to independent rounding.

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

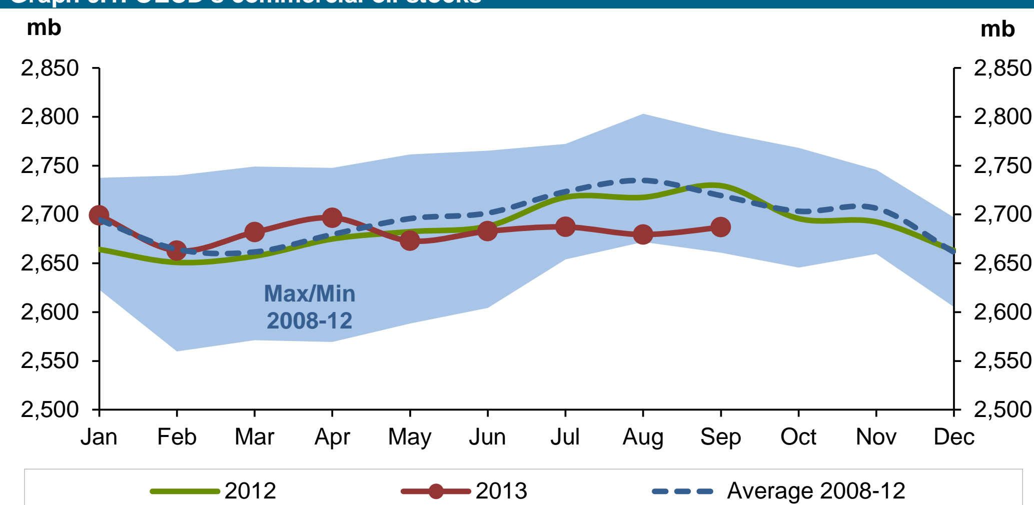
Stock Movements

Preliminary data for September shows that total OECD commercial oil stocks rose by 7.5 mb, reversing the fall of the last month

OECD

Preliminary data for September shows that **total OECD commercial oil stocks** rose by 7.5 mb to stand at 2,687 mb, reversing the fall of the last month. At this level, inventories were around 32.4 mb below the five-year average and showed a deficit of 42.5 mb compared with the same time a year ago. Within the components, refinery maintenance led to an increase of 8.6 mb in OECD commercial crude inventories, reversing the drop of the last four months. At 1,264 mb, they stood at 6.9 mb below the seasonal norm and 44.6 mb below the same period last year. In contrast, product stocks fell by 1.1 mb in September following a build of around 63 mb during the last three months. At 1,423 mb, OECD product commercial stocks stood at 25.5 mb below the five-year average, yet around 2.0 mb above a year ago at the same time.

Graph 9.1: OECD's commercial oil stocks



On a regional basis, the picture was mixed in September; OECD America and OECD Asia-Pacific saw builds of 4.3 mb and 3.6 mb, respectively, while OECD Europe stocks experienced a drop of 0.4 mb.

In terms of **days of forward cover**, OECD commercial stocks fell by 0.5 days in September to stand at 57.8 days. This represents around 0.1 days above the five-year average, but around 1.2 days below the same month last year. OECD Americas was 1.1 days above the historical average and stood at 57.2 days in September; OECD Europe stood at 1.2 days above the seasonal average to finish the month at 66.7 days; and OECD Asia-Pacific indicated a deficit of 3.2 days, averaging 46.1 days.

At the end of September, **OECD Americas' crude oil stocks** rose slightly by 0.2 mb versus the previous month, reversing the drop of the last four months. Since May, crude oil stocks have accumulated a drop of nearly 27 mb. The build in September came mainly from lower crude oil refinery inputs, reflecting the period of refinery maintenance that usually occurs at this time of the year. Lower crude oil imports limited a further build in crude oil inventories. At 660 mb, OECD Americas' crude commercial stocks stood at 29 mb below last year during the same period, but showed a surplus of 13.2 mb over the five-year average.

OECD Americas' product stocks also rose by 4.1 mb in September for the sixth consecutive month, accumulating nearly 53 mb to finish at 717 mb, which is a surplus of 22 mb over a year ago at the same time and 15 mb higher than the seasonal norm. The comfortable level of product stocks in OECD Americas is mainly concentrated in gasoline, which registered a surplus of 15 mb over the five-year average, while distillate inventories remained 21 mb below the latest five-year average.

In September, **OECD Europe commercial stocks** dropped slightly by 0.4 mb versus the previous month, driven mainly by a fall of 4.1 mb in products, while crude increased by 3.7 mb. Compared to the previous year, OECD Europe commercial stocks stood at 14.8 mb below a year ago at the same time with the total deficit coming from products as crude remained almost unchanged. At the same time, OECD Europe commercial stocks stood at 49.3 mb below the seasonal norm, divided between crude and products as they indicated deficits of 11.8 mb and 37.5 mb, respectively.

Commercial inventories in **OECD Asia-Pacific** rose by 3.6 mb in September, reversing the fall of the last two months. At this level, they were 20.5 mb below the same period a year ago and 11.3 mb less than the five-year average. Within the components, the total build came from crude, which rose by 4.7 mb, while products saw a drop of 1.1 mb. Crude inventories stood at 16.8 mb below a year ago and 8.2 mb lower than the seasonal norm. OECD Asia-Pacific's total product inventories indicated a deficit of 3.7 mb below a year ago and 3.3 mb under the seasonal norm.

Table 9.1: OECD commercial stocks, mb

	Jul 13	Aug 13	Sep 13	Change Sep 13/Aug 13	Sep 12
Crude oil	1,280	1,256	1,264	8.6	1,309
Products	1,407	1,424	1,423	-1.1	1,421
Total	**2,687**	**2,679**	**2,687**	**7.5**	**2,729**
Days of forward cover	**58.8**	**58.4**	**57.8**	**-0.5**	**59.1**

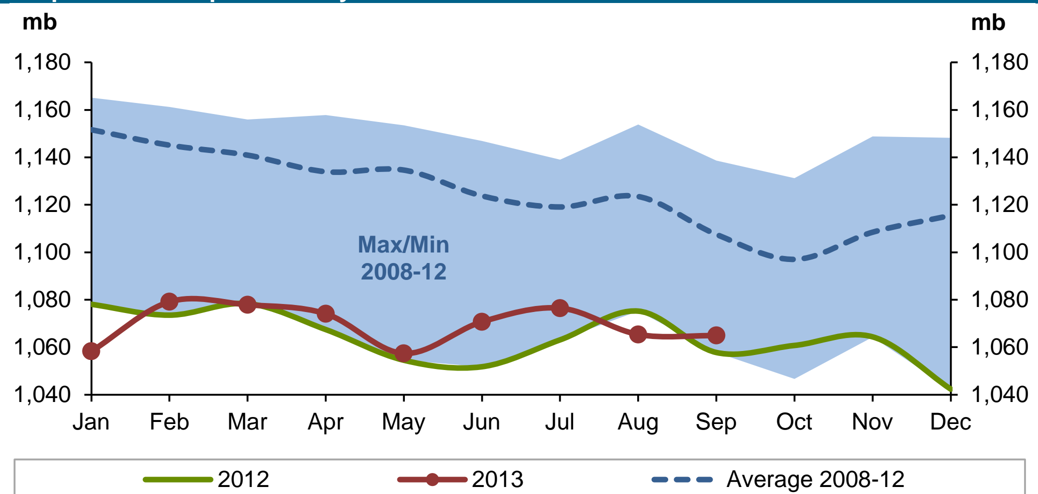
EU plus Norway

Preliminary data for September shows that European stocks fell slightly by 0.5 mb versus the previous month

Preliminary data for September shows that **European stocks** fell slightly by 0.5 mb versus the previous month to stand at 1,064.9 mb, which is 7.1 mb or 0.7% above the same time a year ago but 30.5 mb or 2.8% below the five-year average. Crude saw a stock-build of 3.7 mb in September, while products declined by 4.1 mb.

European crude inventories rose in September, reversing the drop of last month to stand at 462.2 mb, which is 7.7 mb or 1.7% above the same period last year and 4.1 mb or 0.9% over the latest five-year average. Lower refinery runs were behind the build in crude oil stocks. Indeed, European crude runs fell by 340,000 b/d in September to stand around 9.9 mb/d. The onset of autumn turnarounds reduced the average utilisation rate to just 78%.

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



OECD Europe's product stocks fell by 4.1 mb in September versus the previous month to stand at 602.7 mb. Seasonally low refinery runs amid poor margins weighed heavy on refined product inventories. European stocks remained almost at the same level as a year ago, while they still represented a deficit of 34.5 mb or 5.4% with the seasonal norm. Within products, the picture was mixed: gasoline saw a build, while distillates and residual fuel oil stocks experienced a drop in September.

Gasoline stocks rose by 1.9 mb for the second consecutive month, ending September at 110.5 mb, a surplus of 2.7 mb or 2.5% over a year ago but 0.5 mb or 0.4% less than the five-year average. The build in gasoline stocks in September came despite the drop in refinery output as demand was weak on both sides of the Atlantic, cutting margins to less than $5/b. High stocks on the US East Coast (USEC) continued to limit gasoline export opportunities, leading to more builds in gasoline in the OECD Europe region.

In contrast, **distillate** stocks fell by 4.1 mb in September for the second consecutive month to stand at 379.9 mb, which represented a deficit of 1.8 mb or 0.5% with the previous year and 11.8 mb or 3.0% below the seasonal norm. Lower distillate production in September was behind the drop in inventories as well as the improvement in diesel demand as the decline halted for the first time in more than a year and a half.

Residual fuel oil stocks fell by 1.9 mb, reversing last month's stock-build, ending September at 84.6 mb. At this level, they were in line with the same time last year but still remained at 19.3 mb or 18.6% below the seasonal average. Lower residual fuel output contributed to the fall in residual fuel stocks in September, while weaker bunker demand and high stocks in Singapore limited further residual fuel stock draws.

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

	Jul 13	Aug 13	Sep 13	Change Sep 13/Aug 13	Sep 12
Crude oil	**463.3**	**458.5**	**462.2**	**3.7**	**454.4**
Gasoline	107.6	108.6	110.5	1.9	107.8
Naphtha	28.6	27.7	27.7	0.0	28.9
Middle distillates	391.1	384.0	379.9	-4.1	381.7
Fuel oils	85.8	86.5	84.6	-1.9	84.9
Total products	613.1	606.9	602.7	-4.1	603.3
Total	**1,076.5**	**1,065.4**	**1,064.9**	**-0.5**	**1,057.8**

Source: Argus and Euroilstock.

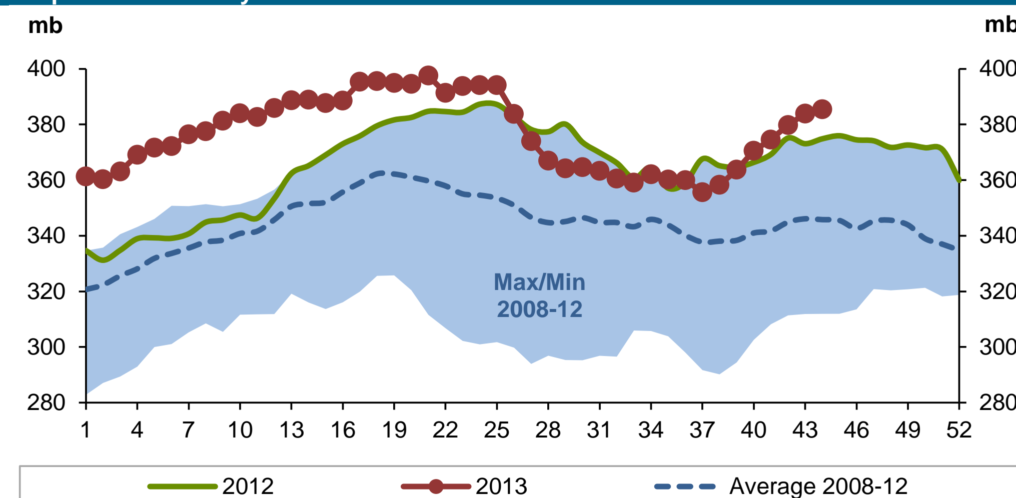
US

Preliminary data for October shows that US total commercial oil stocks fell by 8.9 mb, reversing the build of the last two months

Preliminary data for October shows that **US total commercial oil stocks** fell by 8.9 mb, reversing the build of the last two months, to stand at 1,116.9 mb. Despite this drop, inventories stood at 2.1 mb or 0.2% above last year at the same time and indicated a gain of 33.5 mb or 3.1% over the five-year average. This stock-draw was attributed to products as they fell by 30.6 mb, while crude stocks rose by 21.7 mb.

US commercial crude stocks rose by 21.7 mb in October, following a small build in the last month, to stand at 385.4 mb, finishing the month at 40.5 mb or 11.7% above the five-year average, which is 11.7 mb or 2.7% higher than a year ago at the same time.

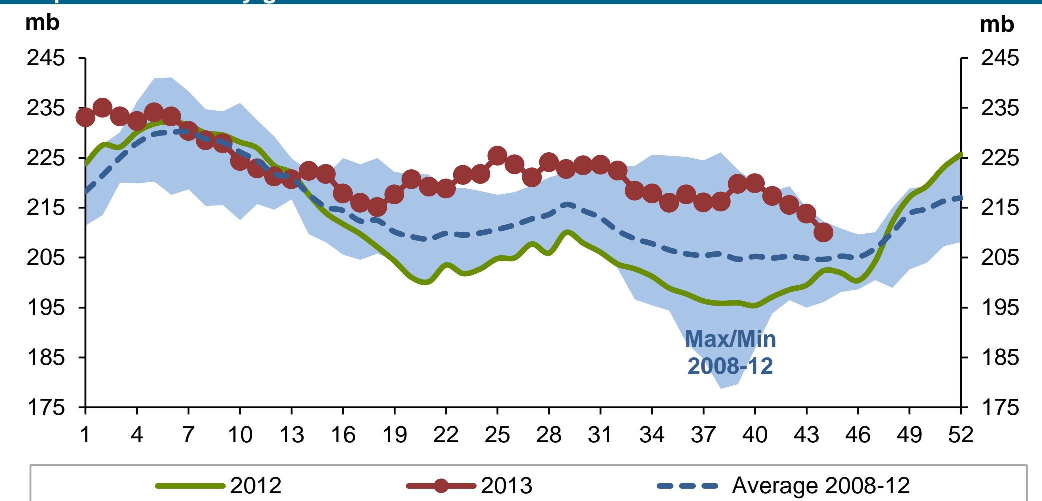
Graph 9.3: US weekly commercial crude oil stocks



The stock-draw in crude came on the back of lower crude runs, which fell nearly 700,000 b/d to stand at around 15.0 mb/d, around 100,000 b/d less than at the same time last year. The US refinery utilisation rate fell by 4.7 percentage points (pp) to 86.4% of capacity during October, but stood 0.3 pp higher than last year at the same time. The decline in crude oil imports also contributed to the drop in US commercial crude oil stocks. Indeed, US crude oil imports fell by about 290,000 b/d in October, averaging 7.7 mb/d, almost 431,000 b/d less than a year ago at the same time.

Inventories in **Cushing** saw a build of around 4.0 mb, ending October at 36.5 mb and reversing the drop of the last four months.

Graph 9.4: US weekly gasoline stocks



Total product stocks fell by 30.6 mb in October, reversing the build of the last six months to stand at 731.4 mb. This drop reflects the drop in refinery outputs combined with some improvement in petroleum product demand, which increased by around 400,000 b/d from the previous month, averaging 19.4 mb/d. At this level, demand is nearly 600,000 b/d above the same month a year ago. With the exception of residual fuel oil, all products saw a build, with the bulk coming from middle distillate and gasoline stocks.

Gasoline stocks fell by 9.7 mb, reversing the build of the last month and ending October at 210.0 mb. Despite this drop, they registered a surplus of 6.3 mb or 3.1% over a year earlier and 4.4 mb or 2.2% over the latest five-year average. A rise of around 300,000 b/d in apparent demand was also behind the stock-draw in gasoline inventories.

Distillate stocks fell by 11.4 mb in October, reversing the build of the last five months, to stand at 117.8 mb. At this level, distillate stocks stood at 1.3 mb or 1.1% below a year ago and remained 26 mb or 18.4% lower than the seasonal average. The fall in middle distillate stocks came mainly from higher apparent demand which increased by about 200,000 b/d, approaching 4.0 mb/d. This level is also higher than last year at the same time. Lower output, which fell by 100,000 b/d, also contributed to the fall in distillate stocks.

Residual fuel oil stocks rose slightly by 0.1 mb to finish the month of October at 34.3 mb, 3.2 mb or 8.4% lower than a year ago and 3.7 mb or 9.7% below the seasonal norm. In contrast, jet fuel stocks fell by 0.3 mb in October to stand at 39.5 mb, remaining 5.5 mb or 12% lower than the same month a year ago and 3.9 mb or 9.0% below the latest five-year average.

Table 9.3: US onland commercial petroleum stocks, mb

	Aug 13	Sep 13	Oct 13	Change Oct 13/Sep 13	Oct 12
Crude oil	363.5	363.7	385.4	21.7	376.3
Gasoline	217.4	219.7	210.0	-9.7	203.0
Distillate fuel	128.7	129.2	117.8	-11.4	118.7
Residual fuel oil	35.2	34.2	34.3	0.1	37.4
Jet fuel	39.5	39.8	39.5	-0.3	44.7
Total	**1,124.6**	**1,125.8**	**1,116.9**	**-8.9**	**1,115.1**
SPR	696.0	696.0	696.0	0.0	695.0

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

Japan

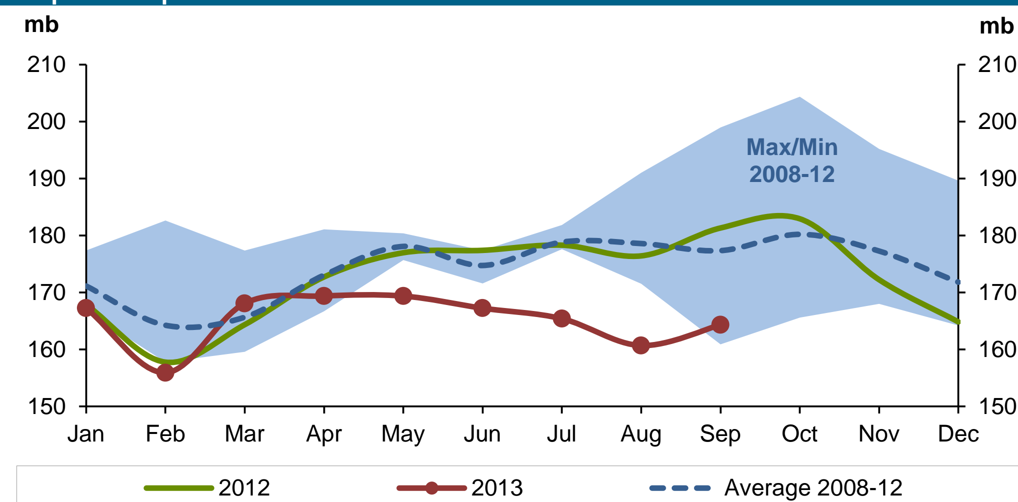
In September, total commercial oil stocks in Japan rose by 3.7 mb, reversing the drop of the last three months

In September, total **commercial oil stocks** in Japan rose by 3.7 mb, reversing the drop of last three months, to stand at at 164.4 mb. As this level, Japanese oil inventories are 17.0 mb or 9.4% below a year ago and 13.0 mb or 7.3% lower than the five-year average. Within components, crude saw a stock-build of 4.7 mb, while products declined by 1.1 mb.

Japanese commercial **crude oil stocks** saw a build in September, reversing the fall of the last three months, to stand at 89.5 mb. At this level, they are 14.6 mb or 14.0% below a year ago at the same time and 7.8 mb or 8.0% below the five-year average. The build in crude oil stocks was driven by lower crude throughput, which declined by around 182,000 b/d or 5.1%, averaging 3.4 mb/d. However, at this level, crude runs are 4.4% higher than the same month a year ago. Japanese refiners were running at 78.3%, around 4.3 pp lower than in the previous month, but 5.6 pp more than in the same period last year.

Higher crude imports in September also contributed to the build in crude oil commercial stocks. Indeed, crude oil imports rose by 248,000 b/d or 7.2% to average 3.7 mb/d. At this level, they were also 2.9% higher than the same period last year. Direct crude burning in power plants saw a significant drop of 42.3% in September when compared to August and 46.6% lower than during the same period last year.

Graph 9.5: Japan's commercial oil stocks



On the product side, **Japan's total product inventories** saw a drop of 1.1 mb in September, reversing the build of the last two months to stand at 74.8 mb. This drop transformed the surplus of last month to a deficit of 2.4 mb or 3.1%, remaining below the five-year average with a deficit of 5.3 mb or 6.6%. Lower refinery output, which declined by 5.1% in September from August, was behind the drop in product inventories. At 3.2 mb/d, Japanese refinery output was still 3.6% above the same period last year. A decline in product imports of 14.2% also contributed to the stock-draw in Japanese product stocks. However, the decrease in total domestic sales of oil products by 4.1% from a month earlier to an average of 3.1 mb/d limited a further drop in product stocks. With the exception of naphtha, all products witnessed a draw, with the bulk coming from gasoline.

Gasoline stocks fell by 1.1 mb in September, ending the month at 12.3 mb, which is 1.1 mb or 1.8% less than the same time last year and 0.9 mb or 6.9% below the five-year average. A decline of 13.3% in gasoline output combined with a decrease of around 13% in imports were behind this stock-draw, while lower domestic sales limited a further drop in gasoline stocks.

Distillate stocks fell slightly by 0.1 mb in September, reversing the build of the last three months to finish at 35.9 mb, which is in line with a year ago at the same period but still 1.8 mb or 4.9 % below the seasonal average. Within distillate components, jet fuel and kerosene stocks rose, while gasoil stocks dropped. In September, kerosene inventories rose by 7.8%, while jet fuel oil increased by 6.1% driven by high output. In contrast, gas oil stocks fell by 15.4% on the back of higher domestic sales, which increased by around 4%.

Total residual **fuel oil stocks** also went down by 0.3 mb to end the month of September at 15.5 mb, which is 1.7 mb or 10.1% less than a year ago and 2.2 mb or 12.6% lower than the five-year average. Within the fuel oil components, fuel oil A and fuel oil B.C stocks fell by 4.3% and 0.4%, respectively, driven by lower fuel oil output.

In contrast, naphtha stocks rose by 0.4 mb in September for the second consecutive month, finishing at 11.1 mb, which is a surplus of 1.1 mb or 11% compared with a year ago but a deficit of 0.3 mb or 2.3% below the seasonal norm. The build in naphtha stocks came mainly from lower domestic sales, which declined by 5.2%, while lower production limited any further build in naphtha stocks.

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

	Jul 13	Aug 13	Sep 13	Change Sep 13/Aug 13	Sep 12
Crude oil	**96.4**	**84.8**	**89.5**	**4.7**	**104.1**
Gasoline	12.8	13.4	12.3	-1.1	14.1
Naphtha	10.2	10.7	11.1	0.4	10.0
Middle distillates	31.1	36.0	35.9	-0.1	35.9
Residual fuel oil	14.9	15.8	15.5	-0.3	17.3
Total products	**69.0**	**75.9**	**74.8**	**-1.1**	**77.2**
Total**	**165.4**	**160.7**	**164.4**	**3.7**	**181.3**

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

Singapore and Amsterdam-Rotterdam-Antwerp (ARA)

At the end of September, product stocks in Singapore declined by 0.5 mb, reversing the build of last month

At the end of September, **product stocks in Singapore** declined by 0.5 mb, reversing the build of the last month to stand at 42.4 mb. Despite this stock-draw, product stocks in Singapore represented a surplus of 4.8 mb or almost 12.9% higher than last year at the same period. Within products, the picture was mixed: fuel oil saw a drop, while light distillates experienced a build and middle distillate stocks remained unchanged.

Light distillate stocks rose by 0.5 mb, following the build of 1.6 mb in August, ending the month at 11.1 mb, which is the highest level since March 2013. With this stock-build, light distillate stocks stood at 0.9 mb or 9.1% higher than a year ago in the same period. Weaker regional demand in in Asia boosted light distillates, mainly gasoline.

In contrast, **residual fuel oil** fell by 0.9 mb in September, reversing the build of last month and stood at 21.9 mb. Despite this stock-draw, fuel oil stocks represented a surplus of 3.7 mb or 20.4% over last year at the same time. This stock-draw was driven by lower imports, with the biggest decline coming from Brazil. Lower refinery throughput and maintenance in the west also contributed to the fall in residual fuel oil stocks.

Middle distillate stocks remained unchanged in September versus August, ending the month at 9.4 mb, which is 0.2 mb or 2.3% over the same period last year. The rise in diesel imports from South Korea was more or less offset by the exports to Australia and South Africa.

Product stocks rose by 0.4 mb in September for the second consecutive month

Product stocks in Amsterdam-Rotterdam-Antwerp (ARA) rose by 0.4 mb in September for the second consecutive month to stand at 30.5 mb, which is a surplus of 1.1 mb or 3.9% above a year ago. Within products, the picture was mixed: gasoline, naphtha and jet fuel saw builds, while gasoil and fuel oil experienced drops.

Gasoline stocks rose by 0.5 mb for the second consecutive month and ended September at 6.5 mb, which is 1.1 mb or 19.8% higher than the same period last year. This build mainly reflects higher imports to the ARA hub. **Jet fuel** stocks also saw a build of 0.2 mb to end the month of September at 3.5 mb, which is 0.5 mb or 16.3% above a year ago during the same period. Naphtha stocks rose by 0.5 mb to finish the month of September at 1.0 mb, which is almost 20% higher than the level seen at the same time last year.

In contrast, **gasoil stocks** fell by 0.5 mb in September, reversing the build of the last two months and ending the month at 14.9 mb. With this draw, gasoil inventories remained at 1.1 mb or 7.1% below a year ago at the same time due to higher demand for winter-grade products. Residual fuel oil stocks also saw a drop of 0.2 mb, reversing the build of the last month and ending September at 4.6 mb. Despite this stock-draw, ARA fuel oil stocks stood 0.5 mb or 13.2% higher than a year ago. Lower imports were the main driver behind the fall in fuel oil stocks.

Balance of Supply and Demand

Required OPEC crude for 2013 estimated at 29.9 mb/d, down 0.6 mb/d from 2012

Estimate for 2013

Demand for OPEC crude for 2013 remained unchanged from the previous report as world oil demand and non-OPEC supply saw a minor adjustment. Within the quarters, 1Q13 remained unchanged, while 2Q13 was revised up by 0.1 mb/d. 3Q13 and 4Q13 saw a downward revision of around 0.1 mb/d each.

The demand for OPEC crude stood at 29.9 mb/d in 2013, representing a decrease of 0.6 mb/d from a year ago. 1Q13 and 2Q13 are estimated to fall by 0.3 mb/d and 0.4 mb/d, respectively, versus the same quarter last year, while3Q13 and 4Q13 are expected to see negative growth of 1.0 mb/d and 0.5 mb/d, respectively.

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

	2012	1Q13	2Q13	3Q13	4Q13	2013
(a) World oil demand	**88.92**	**88.89**	**89.03**	**90.27**	**90.89**	**89.78**
Non-OPEC supply	52.92	53.84	53.70	54.21	54.63	54.10
OPEC NGLs and non-conventionals	5.57	5.76	5.78	5.81	5.85	5.80
(b) Total supply excluding OPEC crude	**58.48**	**59.60**	**59.48**	**60.02**	**60.48**	**59.90**
Difference (a-b)	**30.43**	**29.29**	**29.55**	**30.25**	**30.41**	**29.88**
OPEC crude oil production	31.13	30.22	30.56	30.34		
Balance	0.70	0.93	1.01	0.09		

Totals may not add up due to independent rounding.

Demand for OPEC crude in 2014 is forecast at 29.6 mb/d, 0.3 mb/d less than the current year

Forecast for 2014

Demand for OPEC crude for 2014 remained unchanged from the previous report to stand at 29.6 mb/d. This represents negative growth of 0.3 mb/d compared to 2013. All the quarters remained unchanged from the previous report.

1Q14 and 2Q14 are projected to show a decline of 0.1 mb/d and 0.3 mb/d, respectively, versus the same period last year.3Q14 is expected to remain unchanged, while 4Q14 is forecast to drop much lower by 0.8 mb/d, versus the same quarter last year.

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

	2013	1Q14	2Q14	3Q14	4Q14	2014
(a) World oil demand	**89.78**	**89.92**	**89.95**	**91.45**	**91.91**	**90.82**
Non-OPEC supply	54.10	54.88	54.79	55.20	56.30	55.30
OPEC NGLs and non-conventionals	5.80	5.88	5.93	5.97	6.01	5.95
(b) Total supply excluding OPEC crude	**59.90**	**60.76**	**60.72**	**61.17**	**62.32**	**61.25**
Difference (a-b)	**29.88**	**29.16**	**29.23**	**30.28**	**29.59**	**29.57**

Totals may not add up due to independent rounding.

Graph 10.1: Balance of supply and demand

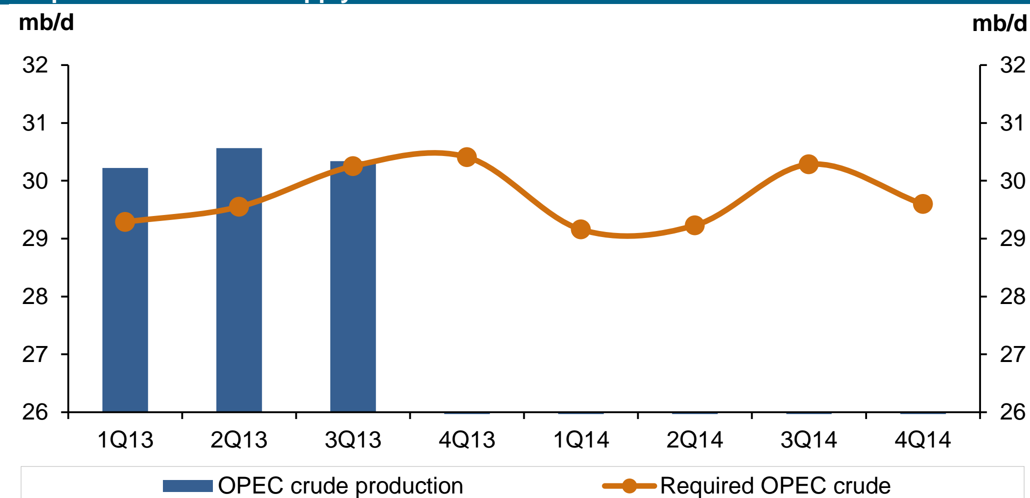


Table 10.3: World oil demand/supply balance, mb/d

	2008	2009	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
World demand															
OECD	48.4	46.4	47.0	46.5	46.0	45.8	45.3	45.7	45.9	45.7	45.6	45.1	45.6	45.7	45.5
Americas	24.5	23.7	24.1	24.0	23.6	23.7	23.7	23.8	23.8	23.8	23.8	23.8	23.9	23.9	23.9
Europe	15.5	14.7	14.7	14.3	13.7	13.2	13.7	13.7	13.4	13.5	13.0	13.4	13.5	13.3	13.3
Asia Pacific	8.4	8.0	8.2	8.2	8.6	8.9	7.9	8.3	8.7	8.4	8.8	7.8	8.1	8.6	8.3
DCs	25.0	25.5	26.5	27.3	28.2	28.3	28.8	29.4	29.0	28.9	29.2	29.5	30.3	29.8	29.7
FSU	4.1	4.0	4.2	4.3	4.4	4.3	4.2	4.6	4.8	4.5	4.4	4.3	4.7	4.9	4.6
Other Europe	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.7	0.6
China	8.0	8.3	9.0	9.4	9.7	9.8	10.2	9.9	10.4	10.1	10.1	10.5	10.3	10.7	10.4
(a) Total world demand	86.1	84.8	87.3	88.1	88.9	88.9	89.0	90.3	90.9	89.8	89.9	89.9	91.5	91.9	90.8
Non-OPEC supply															
OECD	19.6	19.8	20.0	20.2	21.1	21.7	21.7	22.3	22.4	22.0	22.5	22.4	22.6	23.3	22.7
Americas	14.0	14.4	15.0	15.5	16.8	17.7	17.6	18.3	18.3	18.0	18.4	18.5	18.8	19.3	18.8
Europe	4.9	4.7	4.4	4.1	3.8	3.6	3.6	3.5	3.6	3.6	3.5	3.3	3.2	3.5	3.4
Asia Pacific	0.6	0.6	0.7	0.6	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
DCs	12.2	12.4	12.7	12.6	12.1	12.1	12.1	12.1	12.3	12.1	12.3	12.4	12.5	12.6	12.5
FSU	12.6	13.0	13.2	13.2	13.3	13.4	13.4	13.4	13.5	13.4	13.5	13.5	13.6	13.8	13.6
Other Europe	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
China	3.8	3.8	4.1	4.1	4.2	4.2	4.3	4.1	4.2	4.2	4.2	4.2	4.2	4.3	4.2
Processing gains	2.0	2.0	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Total non-OPEC supply	50.4	51.1	52.3	52.4	52.9	53.8	53.7	54.2	54.6	54.1	54.9	54.8	55.2	56.3	55.3
OPEC NGLs + non-conventional oils	4.1	4.3	5.0	5.4	5.6	5.8	5.8	5.8	5.9	5.8	5.9	5.9	6.0	6.0	5.9
(b) Total non-OPEC supply and OPEC NGLs	54.5	55.4	57.3	57.8	58.5	59.6	59.5	60.0	60.5	59.9	60.8	60.7	61.2	62.3	61.2
OPEC crude oil production (secondary sources)	31.3	28.8	29.2	29.8	31.1	30.2	30.6	30.3							
Total supply	85.8	84.2	86.5	87.6	89.6	89.8	90.0	90.4							
Balance (stock change and miscellaneous)	-0.4	-0.6	-0.7	-0.5	0.7	0.9	1.0	0.1							
OECD closing stock levels (mb)															
Commercial	2,697	2,662	2,679	2,605	2,663	2,682	2,683	2,687							
SPR	1,530	1,568	1,565	1,536	1,547	1,559	1,555	1,554							
Total	4,227	4,231	4,244	4,141	4,210	4,240	4,238	4,241							
Oil-on-water	969	919	871	825	801	895	871	857							
Days of forward consumption in OECD															
Commercial onland stocks	58	57	58	57	58	59	59	59							
SPR	33	33	34	33	34	34	34	34							
Total	91	90	91	90	92	94	93	92							
Memo items															
FSU net exports	8.5	9.0	9.1	9.0	8.9	9.1	9.2	8.8	8.6	9.0	9.1	9.2	8.9	8.9	9.0
(a) - (b)	31.6	29.4	30.0	30.3	30.4	29.3	29.6	30.3	30.4	29.9	29.2	29.2	30.3	29.6	29.6

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

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

	2008	2009	2010	2011	2012	1Q13	2Q13	3Q13	4Q13	2013	1Q14	2Q14	3Q14	4Q14	2014
World demand															
OECD	-	-	-	-	-0.1	-	-	-	-	-	-	-	-	-	-
Americas	-	-	-	-	-0.1	-	-	-0.1	-	-	-	-	-0.1	-	-
Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	0.1	-	0.1	0.1	-	0.1	-	0.1	0.1	-	0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) Total world demand	-	-	-	-	-	-	0.1	-	-	-	-	0.1	-	-	-
World demand growth	-	-	-	-	-	-	0.07	-	-	-	-	-	-	-	-
Non-OPEC supply															
OECD	-	-	-	-	-	-	-	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Americas	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Europe	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-
Asia Pacific	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DCs	-	-	-	-	-	-	-	-0.1	-	-	-0.1	-0.1	-0.1	-0.1	-0.1
FSU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Europe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Processing gains	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-OPEC supply	-	-	-	-	-	-	-0.1	0.1	0.1	-	-	-	-	-	-
Total non-OPEC supply growth	-	-	-	-	-	-	-0.06	0.18	0.08	-	0.06	0.10	-0.11	-0.07	-
OPEC NGLs + non-conventionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b) Total non-OPEC supply and OPEC NGLs	-	-	-	-	-	-	-0.1	0.1	0.1	-	-	-	-	-	-
OPEC crude oil production (secondary sources)	-	-	-	-	-	-	-	-							
Total supply	-	-	-	-	-	-	-0.1	0.1							
Balance (stock change and miscellaneous)	-	-	-	-	-	-	-0.1	0.1							
OECD closing stock levels (mb)															
Commercial	-	-	-	-3	-2	3	12	-							
SPR	-	-	-	-	-	-	-	-							
Total	-	-	-	-3	-2	3	12	-							
Oil-on-water	-	-	-	-	-	-	-	-							
Days of forward consumption in OECD															
Commercial onland stocks	-	-	-	-	-	-	-	-							
SPR	-	-	-	-	-	-	-	-							
Total	-	-	-	-	-	-	-	-							
Memo items															
FSU net exports	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(a) - (b)	-	-	-	-	-	-	0.1	-0.1	-0.1	-	-	-	-	-	-

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

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

	2008	2009	2010	2011	2012	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13
Closing stock levels, mb																						
OECD onland commercial	2,697	2,662	2,679	2,605	2,663	2,784	2,662	2,684	2,765	2,753	2,679	2,646	2,685	2,670	2,605	2,657	2,688	2,729	2,663	2,682	2,683	2,687
Americas	1,278	1,285	1,329	1,308	1,364	1,369	1,285	1,312	1,367	1,396	1,329	1,298	1,338	1,341	1,308	1,335	1,362	1,385	1,364	1,348	1,377	1,378
Europe	1,012	995	959	905	902	996	995	986	994	957	959	961	940	914	905	943	913	917	902	921	896	902
Asia Pacific	406	383	391	392	397	419	383	386	404	400	391	388	407	415	392	379	413	428	397	413	409	407
OECD SPR	1,530	1,568	1,565	1,536	1,547	1,568	1,568	1,571	1,566	1,553	1,565	1,562	1,565	1,529	1,536	1,536	1,539	1,542	1,547	1,559	1,555	1,554
Americas	704	729	729	697	696	727	729	729	729	728	729	727	727	696	697	697	697	696	696	697	697	697
Europe	420	431	427	426	437	433	431	433	426	423	427	424	427	424	426	426	429	433	437	451	451	452
Asia Pacific	406	409	410	414	414	408	409	409	411	402	410	411	411	409	414	414	413	414	414	411	407	406
OECD total	**4,227**	**4,231**	**4,244**	**4,141**	**4,210**	**4,352**	**4,231**	**4,255**	**4,330**	**4,306**	**4,244**	**4,208**	**4,250**	**4,199**	**4,141**	**4,194**	**4,227**	**4,272**	**4,210**	**4,240**	**4,238**	**4,241**
Oil-on-water	969	919	871	825	801	869	919	919	897	926	871	891	853	835	825	787	812	863	801	895	871	857
Days of forward consumption in OECD																						
OECD onland commercial	58	57	58	57	58	59	57	58	58	58	57	58	57	57	56	58	59	59	58	59	59	58
Americas	54	53	55	55	57	57	54	54	56	58	55	55	55	56	56	57	57	58	58	57	58	58
Europe	69	68	67	66	67	68	69	69	66	64	67	68	64	65	66	68	66	67	68	67	66	67
Asia Pacific	51	47	47	46	47	50	44	50	51	48	45	52	50	48	43	47	50	49	44	52	50	47
OECD SPR	33	33	34	33	34	33	33	34	33	33	33	34	33	33	33	34	34	33	34	34	34	34
Americas	30	30	30	29	29	30	31	30	30	30	30	31	30	29	30	30	29	29	29	29	29	29
Europe	29	29	30	31	32	30	30	30	28	28	30	30	29	30	31	31	31	32	33	33	33	34
Asia Pacific	51	50	50	48	49	49	47	53	51	48	47	55	51	47	45	51	50	47	46	52	49	46
OECD total	**91**	**90**	**91**	**90**	**92**	**93**	**90**	**92**	**91**	**91**	**90**	**93**	**91**	**90**	**90**	**92**	**92**	**92**	**92**	**94**	**94**	**92**

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

	2008	2009	2010	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	1Q13	2Q13	3Q13	4Q13	2013	Change 13/12	1Q14	2Q14	3Q14	4Q14	2014	Change 14/13
US	7.57	8.17	8.63	9.04	0.40	9.80	9.83	9.93	10.62	10.04	1.01	10.65	10.96	11.32	11.33	11.06	1.02	11.44	11.56	11.79	12.15	11.74	0.67
Canada	3.25	3.23	3.36	3.54	0.19	3.81	3.65	3.67	3.96	3.77	0.23	4.08	3.78	4.04	4.11	4.00	0.23	4.14	4.13	4.19	4.30	4.19	0.19
Mexico	3.17	2.98	2.96	2.95	-0.02	2.92	2.94	2.93	2.90	2.92	-0.02	2.91	2.87	2.88	2.86	2.88	-0.04	2.85	2.82	2.84	2.83	2.83	-0.05
OECD Americas*	**14.01**	**14.39**	**14.97**	**15.54**	**0.57**	**16.55**	**16.42**	**16.54**	**17.49**	**16.75**	**1.21**	**17.66**	**17.62**	**18.26**	**18.31**	**17.96**	**1.21**	**18.43**	**18.51**	**18.83**	**19.29**	**18.77**	**0.81**
Norway	2.47	2.35	2.14	2.04	-0.10	2.08	1.98	1.75	1.85	1.91	-0.13	1.84	1.84	1.83	1.85	1.84	-0.08	1.83	1.72	1.66	1.81	1.76	-0.08
UK	1.57	1.48	1.37	1.12	-0.24	1.09	1.02	0.83	0.89	0.96	-0.17	0.92	0.89	0.80	0.85	0.86	-0.09	0.84	0.78	0.73	0.83	0.80	-0.07
Denmark	0.28	0.26	0.25	0.22	-0.02	0.21	0.21	0.19	0.20	0.20	-0.02	0.19	0.18	0.17	0.17	0.18	-0.02	0.17	0.16	0.16	0.15	0.16	-0.02
Other OECD Europe	0.62	0.63	0.64	0.69	0.04	0.69	0.70	0.70	0.69	0.70	0.01	0.67	0.66	0.70	0.68	0.68	-0.02	0.68	0.68	0.69	0.69	0.69	0.01
OECD Europe	**4.94**	**4.73**	**4.39**	**4.07**	**-0.32**	**4.07**	**3.92**	**3.47**	**3.63**	**3.77**	**-0.30**	**3.63**	**3.57**	**3.48**	**3.55**	**3.56**	**-0.21**	**3.52**	**3.35**	**3.24**	**3.48**	**3.40**	**-0.16**
Australia	0.53	0.54	0.56	0.49	-0.07	0.47	0.49	0.50	0.45	0.48	-0.01	0.37	0.41	0.45	0.44	0.42	-0.06	0.44	0.46	0.47	0.45	0.46	0.04
Other Asia Pacific	0.10	0.10	0.10	0.09	-0.01	0.09	0.09	0.08	0.08	0.08	0.00	0.08	0.08	0.07	0.07	0.07	-0.01	0.07	0.07	0.06	0.06	0.06	-0.01
OECD Asia Pacific	**0.63**	**0.64**	**0.66**	**0.58**	**-0.08**	**0.55**	**0.57**	**0.59**	**0.52**	**0.56**	**-0.02**	**0.45**	**0.49**	**0.52**	**0.51**	**0.49**	**-0.07**	**0.51**	**0.53**	**0.53**	**0.51**	**0.52**	**0.03**
Total OECD	**19.58**	**19.76**	**20.01**	**20.19**	**0.17**	**21.17**	**20.91**	**20.60**	**21.64**	**21.08**	**0.90**	**21.73**	**21.69**	**22.26**	**22.37**	**22.01**	**0.93**	**22.46**	**22.39**	**22.60**	**23.29**	**22.69**	**0.67**
Brunei	0.17	0.16	0.17	0.17	0.00	0.17	0.14	0.15	0.17	0.16	-0.01	0.17	0.13	0.14	0.16	0.15	-0.01	0.16	0.15	0.15	0.15	0.15	0.01
India	0.80	0.78	0.86	0.89	0.03	0.88	0.88	0.88	0.88	0.88	-0.01	0.87	0.87	0.87	0.86	0.87	-0.01	0.85	0.86	0.86	0.86	0.86	-0.01
Indonesia	1.05	1.03	1.04	1.02	-0.02	1.01	0.99	0.97	0.96	0.98	-0.04	0.96	0.95	0.91	0.91	0.93	-0.05	0.93	0.96	0.96	0.95	0.95	0.02
Malaysia	0.76	0.73	0.70	0.64	-0.06	0.69	0.63	0.63	0.69	0.66	0.02	0.68	0.64	0.64	0.68	0.66	0.00	0.70	0.70	0.69	0.68	0.69	0.03
Thailand	0.36	0.37	0.34	0.33	-0.01	0.35	0.35	0.36	0.36	0.35	0.02	0.37	0.36	0.35	0.35	0.36	0.00	0.35	0.35	0.35	0.35	0.35	-0.01
Vietnam	0.33	0.37	0.35	0.35	0.00	0.37	0.37	0.39	0.39	0.38	0.03	0.39	0.39	0.37	0.39	0.39	0.00	0.38	0.38	0.39	0.39	0.39	0.00
Asia others	0.26	0.25	0.23	0.23	0.00	0.22	0.22	0.22	0.22	0.22	-0.01	0.21	0.21	0.21	0.22	0.21	-0.01	0.22	0.22	0.22	0.22	0.22	0.00
Other Asia	**3.73**	**3.69**	**3.71**	**3.64**	**-0.07**	**3.68**	**3.59**	**3.61**	**3.67**	**3.64**	**0.00**	**3.65**	**3.56**	**3.49**	**3.57**	**3.57**	**-0.07**	**3.59**	**3.61**	**3.62**	**3.60**	**3.61**	**0.04**
Argentina	0.78	0.73	0.72	0.69	-0.03	0.70	0.69	0.69	0.68	0.69	0.00	0.66	0.66	0.67	0.65	0.66	-0.03	0.64	0.64	0.65	0.65	0.65	-0.01
Brazil	2.38	2.51	2.66	2.64	-0.03	2.71	2.57	2.53	2.60	2.60	-0.03	2.57	2.61	2.62	2.71	2.63	0.03	2.72	2.74	2.84	2.90	2.80	0.17
Colombia	0.60	0.68	0.80	0.93	0.13	0.93	0.96	0.95	0.99	0.96	0.03	1.02	1.02	1.04	1.05	1.03	0.07	1.07	1.08	1.05	1.12	1.08	0.05
Trinidad & Tobago	0.16	0.15	0.15	0.14	-0.01	0.12	0.12	0.12	0.11	0.12	-0.02	0.12	0.11	0.12	0.10	0.11	0.00	0.10	0.10	0.09	0.09	0.09	-0.02
L. America others	0.28	0.30	0.31	0.30	-0.01	0.30	0.30	0.31	0.33	0.31	0.01	0.34	0.33	0.33	0.35	0.34	0.03	0.36	0.37	0.37	0.36	0.36	0.03
Latin America	**4.20**	**4.36**	**4.63**	**4.69**	**0.06**	**4.75**	**4.63**	**4.60**	**4.71**	**4.67**	**-0.02**	**4.71**	**4.73**	**4.77**	**4.87**	**4.77**	**0.10**	**4.89**	**4.93**	**5.00**	**5.12**	**4.99**	**0.21**
Bahrain	0.21	0.21	0.20	0.21	0.01	0.20	0.18	0.20	0.21	0.20	-0.02	0.21	0.21	0.22	0.22	0.21	0.02	0.22	0.22	0.22	0.22	0.22	0.01
Oman	0.76	0.81	0.86	0.89	0.02	0.89	0.92	0.93	0.94	0.92	0.03	0.94	0.93	0.95	0.94	0.94	0.02	0.95	0.96	0.96	0.97	0.96	0.02
Syria	0.41	0.41	0.42	0.37	-0.05	0.22	0.24	0.19	0.18	0.21	-0.16	0.16	0.09	0.08	0.04	0.09	-0.12	0.04	0.04	0.04	0.04	0.04	-0.05
Yemen	0.30	0.30	0.29	0.23	-0.06	0.14	0.18	0.21	0.19	0.18	-0.05	0.18	0.12	0.14	0.16	0.15	-0.03	0.16	0.16	0.16	0.16	0.16	0.02
Middle East	**1.68**	**1.73**	**1.78**	**1.69**	**-0.09**	**1.44**	**1.51**	**1.53**	**1.52**	**1.50**	**-0.19**	**1.48**	**1.35**	**1.37**	**1.36**	**1.39**	**-0.11**	**1.37**	**1.38**	**1.38**	**1.39**	**1.38**	**-0.01**
Chad	0.15	0.14	0.15	0.14	0.00	0.14	0.14	0.13	0.13	0.13	-0.01	0.13	0.13	0.13	0.13	0.13	0.00	0.13	0.13	0.12	0.12	0.13	-0.01
Congo	0.26	0.27	0.30	0.30	0.00	0.29	0.28	0.27	0.26	0.28	-0.02	0.27	0.27	0.27	0.25	0.26	-0.01	0.25	0.24	0.24	0.23	0.24	-0.02
Egypt	0.69	0.69	0.71	0.70	-0.01	0.71	0.71	0.71	0.71	0.71	0.01	0.71	0.72	0.71	0.69	0.71	0.00	0.69	0.68	0.68	0.67	0.68	-0.03
Equatorial Guinea	0.38	0.36	0.32	0.30	-0.02	0.32	0.31	0.31	0.31	0.32	0.01	0.32	0.32	0.32	0.31	0.32	0.00	0.32	0.33	0.33	0.32	0.32	0.01
Gabon	0.24	0.24	0.25	0.25	0.00	0.25	0.24	0.24	0.24	0.24	-0.01	0.23	0.23	0.24	0.23	0.23	-0.01	0.23	0.22	0.22	0.22	0.22	-0.01
South Africa	0.18	0.17	0.18	0.18	0.00	0.19	0.19	0.19	0.19	0.19	0.01	0.19	0.19	0.18	0.18	0.19	-0.01	0.18	0.18	0.18	0.18	0.18	-0.01
Sudans	0.46	0.48	0.46	0.43	-0.03	0.19	0.09	0.10	0.10	0.12	-0.31	0.11	0.22	0.27	0.33	0.23	0.11	0.33	0.34	0.35	0.36	0.35	0.12
Africa other	0.27	0.26	0.24	0.30	0.06	0.31	0.31	0.31	0.33	0.31	0.01	0.34	0.34	0.34	0.36	0.34	0.03	0.37	0.37	0.38	0.39	0.38	0.03
Africa	**2.62**	**2.60**	**2.61**	**2.60**	**-0.01**	**2.40**	**2.27**	**2.27**	**2.28**	**2.30**	**-0.30**	**2.30**	**2.42**	**2.44**	**2.48**	**2.41**	**0.11**	**2.49**	**2.50**	**2.50**	**2.50**	**2.50**	**0.09**
Total DCs	**12.22**	**12.39**	**12.72**	**12.62**	**-0.10**	**12.28**	**12.01**	**12.00**	**12.18**	**12.12**	**-0.51**	**12.14**	**12.06**	**12.08**	**12.29**	**12.14**	**0.02**	**12.35**	**12.42**	**12.49**	**12.61**	**12.47**	**0.33**
FSU	**12.60**	**12.95**	**13.21**	**13.24**	**0.03**	**13.37**	**13.25**	**13.23**	**13.37**	**13.30**	**0.06**	**13.45**	**13.39**	**13.43**	**13.47**	**13.43**	**0.13**	**13.53**	**13.45**	**13.56**	**13.81**	**13.59**	**0.15**
Russia	9.78	9.92	10.14	10.27	0.12	10.34	10.32	10.36	10.47	10.37	0.11	10.45	10.47	10.49	10.48	10.47	0.10	10.50	10.43	10.49	10.63	10.51	0.04
Kazakhstan	1.41	1.54	1.60	1.60	0.01	1.62	1.57	1.52	1.63	1.59	-0.02	1.68	1.60	1.61	1.66	1.64	0.05	1.69	1.68	1.73	1.81	1.73	0.09
Azerbaijan	0.94	1.06	1.07	0.95	-0.12	0.96	0.91	0.91	0.82	0.90	-0.05	0.87	0.87	0.89	0.85	0.87	-0.03	0.86	0.85	0.86	0.89	0.87	-0.01
FSU others	0.46	0.44	0.41	0.42	0.02	0.45	0.44	0.44	0.44	0.44	0.02	0.45	0.45	0.44	0.48	0.45	0.01	0.48	0.49	0.48	0.48	0.48	0.03
Other Europe	0.15	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.14	0.14	0.14	0.14	0.00
China	3.84	3.84	4.12	4.11	-0.01	4.08	4.09	4.15	4.30	4.16	0.04	4.24	4.27	4.15	4.21	4.22	0.06	4.23	4.21	4.23	4.28	4.24	0.02
Non-OPEC production	**48.38**	**49.08**	**50.21**	**50.31**	**0.09**	**51.04**	**50.40**	**50.11**	**51.63**	**50.80**	**0.49**	**51.69**	**51.54**	**52.05**	**52.48**	**51.94**	**1.14**	**52.70**	**52.61**	**53.02**	**54.13**	**53.12**	**1.18**
Processing gains	1.97	2.00	2.11	2.11	0.00	2.12	2.12	2.12	2.12	2.12	0.01	2.15	2.15	2.15	2.15	2.15	0.04	2.18	2.18	2.18	2.18	2.18	0.02
Non-OPEC supply	**50.35**	**51.08**	**52.33**	**52.42**	**0.09**	**53.16**	**52.52**	**52.23**	**53.75**	**52.92**	**0.50**	**53.84**	**53.70**	**54.21**	**54.63**	**54.10**	**1.18**	**54.88**	**54.79**	**55.20**	**56.30**	**55.30**	**1.20**
OPEC NGL	4.04	4.24	4.87	5.23	0.36	5.27	5.43	5.48	5.29	5.37	0.13	5.52	5.54	5.56	5.58	5.55	0.19	5.60	5.64	5.68	5.72	5.66	0.11
OPEC Non-conventional	0.11	0.11	0.11	0.13	0.02	0.19	0.20	0.19	0.23	0.20	0.07	0.24	0.24	0.25	0.27	0.25	0.05	0.28	0.29	0.29	0.29	0.29	0.04
OPEC (NGL+NCF)	**4.14**	**4.35**	**4.98**	**5.37**	**0.39**	**5.46**	**5.62**	**5.67**	**5.52**	**5.57**	**0.20**	**5.76**	**5.78**	**5.81**	**5.85**	**5.80**	**0.24**	**5.88**	**5.93**	**5.97**	**6.01**	**5.95**	**0.15**
Non-OPEC & OPEC (NGL+NCF)	**54.49**	**55.43**	**57.31**	**57.78**	**0.48**	**58.62**	**58.14**	**57.90**	**59.27**	**58.48**	**0.70**	**59.60**	**59.48**	**60.02**	**60.48**	**59.90**	**1.42**	**60.76**	**60.72**	**61.17**	**62.32**	**61.25**	**1.35**

* Chile has been included in OECD Americas.

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

Table 10.7: World Rig Count

	3Q10	4Q10	2010	Change 10/09	1Q11	2Q11	3Q11	4Q11	2011	Change 11/10	1Q12	2Q12	3Q12	4Q12	2012	Change 12/11	1Q13	2Q13	3Q13	Sep 13	Oct 13	Change Oct/Sep
US	1,622	1,687	1,541	459	1,717	1,829	1,945	2,031	1,881	340	1,990	1,971	1,906	1,809	1,919	39	1,757	1,761	1,769	1,760	1,744	-16
Canada	364	389	347	129	587	188	443	474	423	76	599	172	326	367	366	-57	536	154	348	387	378	-9
Mexico	84	80	97	-31	83	87	103	104	94	-3	98	110	108	108	106	12	114	107	100	97	106	9
Americas	2,070	2,156	1,985	557	2,386	2,104	2,492	2,609	2,398	413	2,688	2,253	2,340	2,285	2,391	-6	2,407	2,023	2,217	2,244	2,228	-16
Norway	13	20	18	-2	21	17	16	16	17	-1	17	18	14	20	17	0	21	19	21	25	19	-6
UK	21	21	19	1	18	17	15	15	16	-3	14	19	18	21	18	2	21	17	16	12	15	3
Europe	92	100	94	11	118	112	123	119	118	24	112	117	117	129	119	1	134	133	140	139	136	-3
Asia Pacific	23	22	21	-4	17	17	17	18	17	-4	19	25	25	27	24	7	30	28	24	24	24	0
Total OECD	2,185	2,278	2,100	543	2,521	2,232	2,632	2,745	2,532	433	2,819	2,395	2,483	2,441	2,534	2	2,571	2,184	2,382	2,407	2,388	-19
Other Asia	253	255	248	31	257	234	232	233	239	-9	231	216	205	215	217	-22	215	224	216	219	221	2
Latin America	220	213	205	48	191	192	196	201	195	-10	191	190	172	165	180	-15	167	170	159	158	163	5
Middle East	163	159	156	6	101	107	102	107	104	-52	116	112	110	100	110	6	72	78	69	76	84	8
Africa	19	18	19	9	1	2	0	5	2	-17	3	3	9	11	7	5	9	15	15	14	19	5
Total DCs	655	645	628	93	549	535	530	546	540	-88	542	522	496	491	513	-27	463	487	459	467	487	20
Non-OPEC rig count	2,840	2,924	2,727	636	3,070	2,768	3,161	3,291	3,072	345	3,361	2,916	2,979	2,931	3,047	-26	3,034	2,670	2,841	2,874	2,875	1
Algeria	24	24	25	-2	29	33	30	33	31	6	31	31	44	38	36	5	44	48	48	46	47	1
Angola	9	9	9	5	11	11	11	8	10	1	10	12	7	7	9	-1	9	10	12	13	14	1
Ecuador	11	11	11	1	11	11	11	15	12	1	17	17	22	25	20	8	25	26	27	26	26	0
Iran**	52	52	52	0	54	54	54	54	54	2	54	54	36	54	54	0	54	54	54	54	54	0
Iraq**	36	36	36	0	36	36	36	36	36	0	36	50	76	69	58	22	66	80	93	93	92	-1
Kuwait**	21	23	20	8	56	56	57	60	57	37	56	56	58	58	57	0	59	58	58	55	57	2
Libya**	14	15	16	1	10	3	8	9	8	-8	12	11	11	14	12	4	16	15	14	12	15	3
Nigeria	18	17	15	8	35	35	36	36	36	21	37	35	37	33	36	0	36	40	34	34	36	2
Qatar	9	9	9	0	10	8	7	7	8	-1	8	7	8	7	8	0	9	8	10	9	7	-2
Saudi Arabia	67	65	67	-1	98	98	98	105	100	33	106	114	111	115	112	12	116	114	111	111	111	0
UAE	13	13	13	1	17	21	24	22	21	8	22	24	23	26	24	3	28	27	28	31	29	-2
Venezuela	70	80	70	10	125	125	125	113	122	52	126	122	112	110	117	-5	119	122	121	123	125	2
OPEC rig count	344	355	342	31	493	490	495	498	494	152	515	534	546	556	542	48	582	601	611	607	613	6
Worldwide rig count*	3,184	3,278	3,069	667	3,563	3,258	3,656	3,789	3,566	497	3,876	3,451	3,524	3,487	3,589	23	3,616	3,271	3,452	3,481	3,488	7
of which:																						
Oil	1,783	1,896	1,701	479	2,197	2,023	2,354	2,453	2,257	556	2,709	2,528	2,677	2,682	2,654	397	2,781	2,544	2,649	2,644	2,667	23
Gas	1,356	1,337	1,325	200	1,319	1,187	1,257	1,286	1,262	-63	1,116	879	799	749	886	-376	795	672	747	781	761	-20
Others	42	46	43	8	48	49	47	52	49	6	54	46	51	59	52	3	44	58	60	60	63	3

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

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

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Data Summary November 2013

OPEC Basket average price

US$ per barrel

↓ *down 2.04 in October*

October 2013	**106.69**
September 2013	**108.73**
Year-to-date	**105.79**

October OPEC crude production

in million barrels per day, according to secondary sources

↔ *unchanged in October*

October 2013	**29.89**
September 2013	29.89

World economy

Global GDP growth forecasts remain at 2.9% for 2013 and 3.5% for 2014. Expectations for the OECD economies are unchanged at 1.2% for 2013 and 1.9% for 2014. Growth expectations for China have been revised up to 7.8% for both 2013 and 2014, while India's forecast has been lowered to 4.7% for this year and 5.6% next year.

Supply and demand

in million barrels per day

2013		12/13
World demand	89.8	**0.9**
Non-OPEC supply	54.1	**1.2**
OPEC NGLs	5.8	**0.2**
Difference	**29.9**	**–0.6**

2014		13/14
World demand	90.8	**1.0**
Non-OPEC supply	55.3	**1.2**
OPEC NGLs	5.9	**0.1**
Difference	**29.6**	**–0.3**

Totals may not add due to independent rounding.

Stocks

Preliminary data shows total OECD commercial oil stocks rose by 7.5 mb in September, a deficit of around 33 mb with the five-year average. In terms of days of forward cover, OECD commercial stocks stood at around 58 days, 0.1 days more than the five-year average. Preliminary data for the US shows that total commercial oil stocks fell by 9 mb in October, indicating a surplus of 34 mb with the five-year average.

Issued 12 November 2013

Next report to be issued on 10 December 2013

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